Acceleration...

Annual Report 2005

Electrolux

Highlights of the year

- Net sales amounted to SEK 130 (121) billion and earnings per share to SEK 6.05 (10.92)
- The Board proposes to distribute the Outdoor Products operation to Electrolux shareholders under the name of Husqvarna
- Costs for restructuring to strengthen the Group's competitiveness amounted to SEK 3 billion
- Operating income, excluding items affecting comparability, improved despite strong increase in material costs
- Strong performance for appliances in North America
- Mix improved on basis of greater number of product launches
- The Electrolux share rose by 36%, with a high of SEK 210, corresponding to a market capitalization of more than SEK 70 billion

Reports in 2006

• Consolidated results	February 14
• Annual Report	Early April
• Form 20-F	Second quarter
• Interim report January – March and Annual General Meeting	April 24
• Interim report April – June	July 18
• Interim report July – September	October 25
• Sustainability Report 2005	Second quarter

Financial information from Electrolux is available on the Group´s website, www.electrolux.com/ir

The above reports are also available on request from AB Electrolux, Investor Relations and Financial Information, SE-105 45 Stockholm, Sweden.

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Contents

This is Electrolux

Key data	2005 SEK	2004 SEK	2005 EUR	2005 USD
SEKm, EURm, USDm, unless otherwise stated				
Net sales	129,469	120,651	13,958	17,366
Operating income	3,942	4,807	425	529
Margin, %	3.0	4.0		
Income after financial items	3,215	4,452	347	431
Earnings per share, SEK, EUR, USD	6.05	10.92	0.65	0.81
Dividend per share, SEK, EUR, USD	7.50 [1)]	7.00	0.81	1.01
Return on equity, %	7.0	13.1		
Return on net assets, %	13.0	17.5		
Value creation	2,913	3,054	314	391
Net debt/equity ratio	0.11	0.05		
Average number of employees	69,523	72,382		

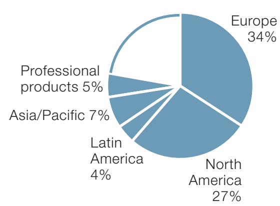
1) Proposed by the Board of Directors.

Net sales and employees in 10 largest countries	SEKm	Employees
USA	46,208	19,353
Germany	9,220	3,900
France	6,659	1,925
UK	6,071	1,722
Canada	5,639	1,699
Italy	5,580	8,553
Australia	4,964	3,068
Sweden	4,592	5,905
Brazil	4,558	4,914
Spain	3,078	1,643
Total	96,569	52,682

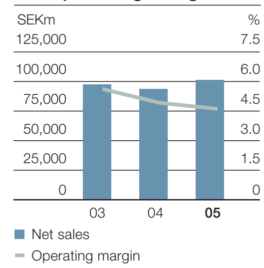
Indoor Products

With sales of SEK 100,670m, Electrolux operations within Indoor Products is the world's largest producer of appliances and equipment for kitchen and cleaning, such as refrigerators, cookers, washing machines. Electrolux is also one of the largest producers in the world of similar equipment for professional users.

Share of total Group sales



Net sales and operating margin*



*Excluding items affecting comparability.

Consumer Durables

Market position

Major appliances: Market leader in Europe and Australia, third largest producer in US. Strong position in Brazil, and significant market presence in China.

Floor-care products: Largest producer in Europe, fourth largest in US.

Performance in 2005

- Higher net sales for all business areas.
- Significantly improved operating income for appliances in North America despite higher material costs.
- Somewhat lower operating income for appliances in Europe due to price pressure and higher material costs.
- Increased operating income for floor-care products in all regions.

Strategic priorities

- Strengthen Electrolux as a leading global brand.
- Increase investments in product development and marketing.
- Improve product mix as a means to enhance profitability.
- Consolidate and relocate production to Eastern Europe, Asia and Mexico.
- More efficient purchasing.

Professional Products

Market position

One of the leaders within food-service and laundry equipment in the global market, largest producer in Europe.

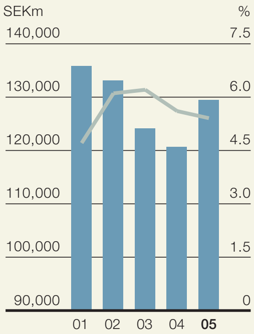
Performance in 2005

- Net sales increased for both food-service and laundry equipment.
- Improved operating income for food-service equipment.
- Operating income for laundry equipment decreased, mainly due to restructuring costs.

Strategic priorities

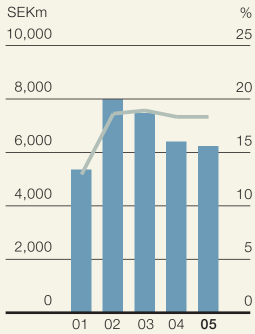
- Strengthen Electrolux as a leading global brand.
- Accelerate pace of product renewals.
- Implement measures for higher productivity and improved internal efficiency.
- Increase sales of food-service equipment in US through the new sales organization.

Net sales and operating margin*



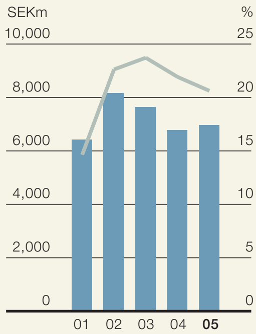
Net sales
Operating margin

Income after financial items and return on equity*



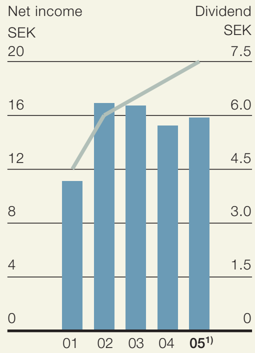
Income after financial items
Return on equity

Operating income and return on net assets*



Operating income
Return on net asset

Earnings and dividend per share*



Earnings per share
Dividend per share

1) Dividend proposed by the Board of Directors.

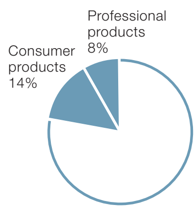
* Excluding items affecting comparability.

Outdoor Products

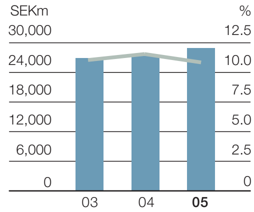
In February 2005, the Board of Directors decided that the Group's Outdoor Products operation would be spun-off as a separate company. The Board proposes that the AGM in April, 2006 authorize distribution of the shares in Husqvarna to the Electrolux shareholders (see pages 22 and 41).

Net sales for Outdoor Products in 2005 amounted to SEK 28,768m.

Share of total Group sales



Net sales and operating margin*



Net sales
Operating margin

* Excluding items affecting comparability.

Consumer Products

Husqvarna
PARTNER
Poulan
Flymo
McCULLOCH
WEED EATER

Market position

World's largest producer of lawn mowers and portable powered garden equipment, and one of the largest in garden tractors.

Performance in 2005

- Demand rose in Europe but declined in North America.
- Good sales growth and significant improvement in operating income in Europe.
- Substantial downturn in operating income in North America.

Strategic priorities

- Improve cost efficiency and increase sourcing from low-cost countries.
- Continue launching high-end products under the Husqvarna brand.

Professional Products

Husqvarna
PARTNER
Jonsered
DIAMANT BOART

Market position

- 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.
- World's largest producer of diamond tools for the construction and stone industries, one of two largest in power cutters.

Performance in 2005

- Higher demand in several product areas.
- Strong sales growth for chainsaws.
- Improved operating income and margin.

Strategic priorities

- Broaden product offering under the Husqvarna brand.
- Organic growth through product development and efficient use of the global distribution network.
- Complementary acquisitions.

…driven by consumer insight

In recent years we have transformed Electrolux from a production-focused industrial company to an innovative, pro-active market-driven group. Attractive new products that match varying consumer needs and expectations are the drivers for the Group's growth and long-term profitability. We are now the leader in our industry in terms of systematic development of new products based on consumer insight.

Our investments in building a strong, global Electrolux brand are beginning to pay off with stronger market positions and improved earnings.

Our formula for success comprises a continued fast pace of product development, marketing and brand building, combined with low costs for production, purchasing and distribution. This is how we're going to keep building Electrolux.

The spin-off of our Outdoor Products operation – which the Board proposes to distribute to Electrolux shareholders under the name of Husqvarna – will enable us to intensify our efforts to ensure profitable growth.

Changing consumer preferences create new opportunities

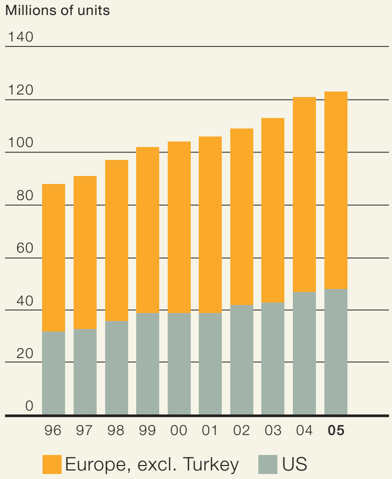
Virtually all households in Western Europe and North America have a refrigerator, a cooker and a washing machine. When a product reaches the end of its useful life, it is immediately replaced by a new appliance. Demand for the Group's products in these markets is therefore stable. In other parts of the world, the total market is growing as new consumers improve their living standards.

But demand in Western Europe and North America is also changing. In particular, kitchen equipment is increasingly being replaced more often when innovative alternatives are available on the market. In addition, the average family is becoming smaller, so that the number of households is increasing. This means that demand is growing faster than the population.

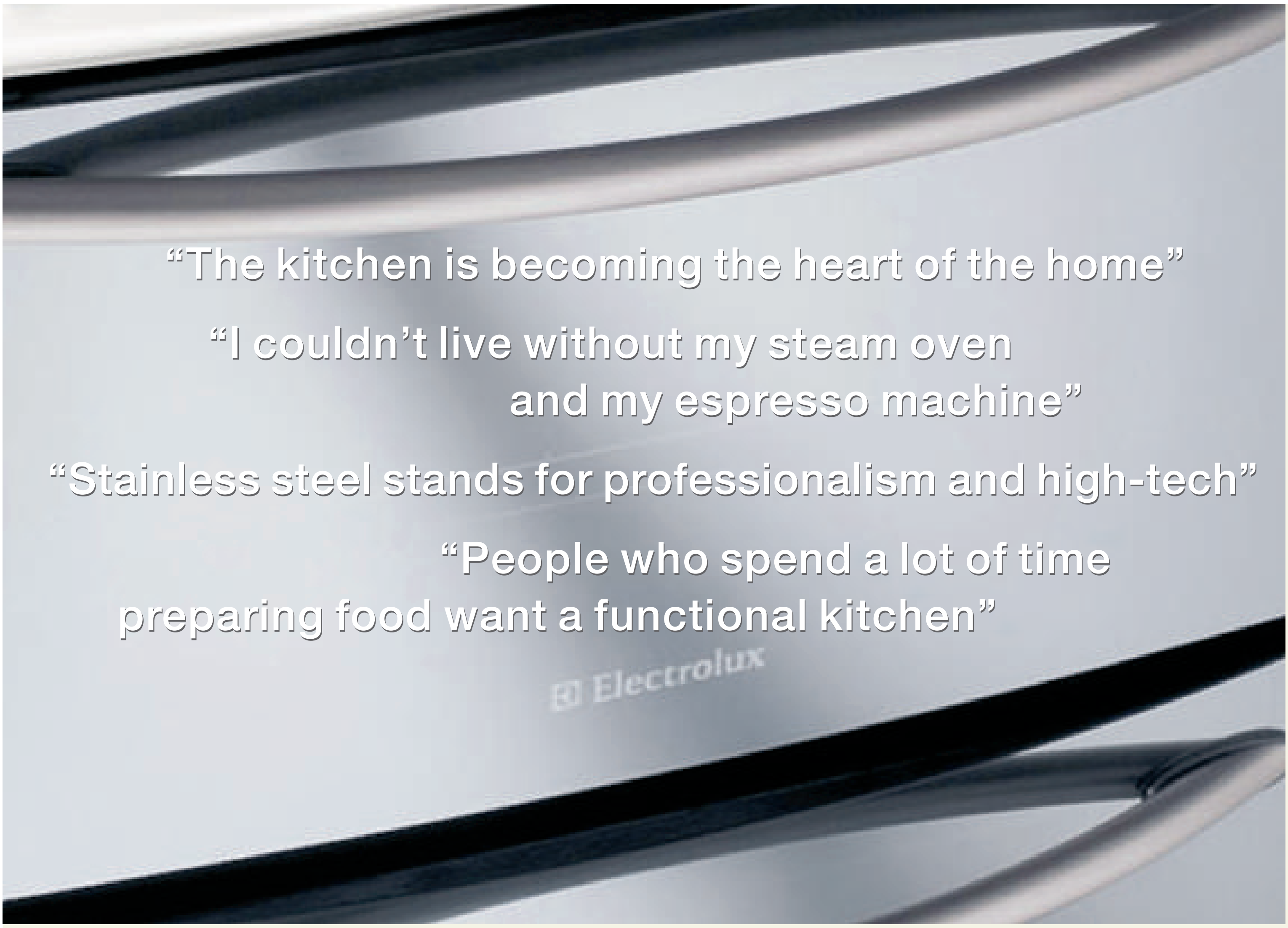
Consumers are spending more money on their homes, which are taking on greater significance for them, partly as an expression of their personality and their lifestyle. In recent years the share of disposable income spent by consumers on their homes has doubled.

The kitchen has developed from a place where food is prepared to the center-point of the home. Kitchen appliances are playing a more important role, not only functionally but also aesthetically. Perceptions of food-preparation are changing – instead of a daily chore, it has become a hobby that requires the right equipment.

Shipments of core appliances in Europe and US



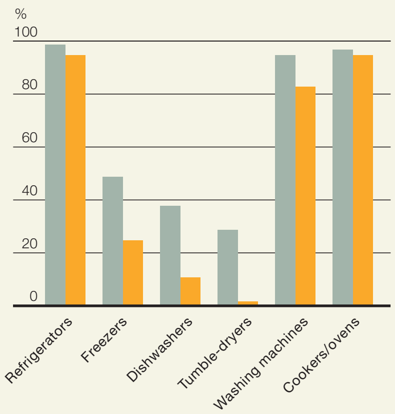
The market for core appliances in Europe and the US shows stable growth.



Good potential for profitable growth

The growing significance of the kitchen is reflected in greater demand for more expensive products. The European market for built-in appliances, which are more expensive than stand-alone units, has grown by more than 60% since 1993. Other growth categories include frost-free refrigerators, induction hobs and side-by-side refrigerators.

Penetration of product categories in Europe



Western Europe
Eastern Europe

Virtually all households in Europe have a refrigerator, a cooker and a washing machine, so that replacement buying accounts for most purchases of these appliances. There is a good potential for new sales of freezers, dishwashers and tumble-dryers, particularly in Eastern Europe.

Consolidation of retailers

The dealer structure in the household-appliances market is being consolidated. Traditional dealers are losing market shares to large retail chains. The big chains benefit from high purchasing volumes and wide geographical coverage. They have greater opportunities for obtaining a more efficient flow from the manufacturer to the end-user. This also gives them greater opportunities to keep prices low.

Producers of household appliances have to serve different categories of retailers profitably. The cost of serving large retailers is often lower than for traditional outlets, thanks to large volumes and efficient logistics.

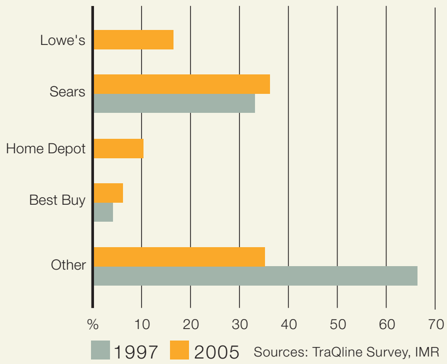
Increasing global competition

Electrolux operates in an industry with strong global competition that is a driver for greater efficiency in both production and distribution. Productivity within the industry has risen over the years, and consumers are offered increasingly better products at lower prices.

More and more manufacturers are establishing plants in countries where production costs are considerably lower. A growing number of appliances for the Western European market are produced in countries such as Poland, Hungary, Romania and Turkey. Appliances for the North American market are being increasingly produced in Mexico. A large share of lighter products such as vacuum cleaners are produced in Asia, as the cost of transport for these products is relatively low.

A number of producers including Electrolux are currently relocating production to low-cost countries and are also purchasing more components there. In time, production costs for the major producers will essentially be at the same level. This will stimulate a shift of competitive focus to product development, marketing and brand-building.

Market shares for leading retailers of major appliances in US



Sources: TraQline Survey, IMR

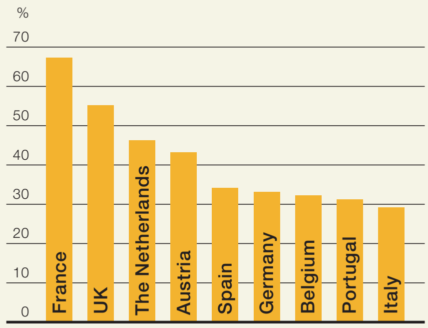
In the US, the four largest retailers account for almost 70% of sales.

Market polarization and price trends

The combination of changing consumer preferences, the growth of global retail chains and greater global competition is leading to polarization of the market. More consumers are demanding basic products. Companies that can improve efficiency in production and distribution will be able to achieve profitable growth in this segment.

At the same time, demand for higher-price products is increasing. Strong growth in the lower and higher price segments means that the share of mid-range products will decline, although it will remain significant for many years. Companies that build strong brands and focus on design and innovation can achieve very good profitability in all segments.

Retail structure in Europe



Consolidation of retailers is greatest in France, the UK and The Netherlands.

Source: GfK

Products developed on the basis of consumer insight

Greater profitability and growth are based on offering products and services that consumers prefer and are willing to pay premium prices for.

All product development and marketing starts with understanding consumer needs, expectations, dreams and motivation.

That is why we contact tens of thousands of consumers throughout the world every year through surveys, evaluations and tests. The first steps in product development are to ask questions, observe, discuss and analyze.

So we can actually say "we were thinking of you when we developed this product".

"Thinking of you" sums up our product offering. We have to continuously think of and understand the end-user, in everything from product development and marketing to production logistics and service. That is how we create value for our customers – and thereby for our shareholders.

Thinking of you

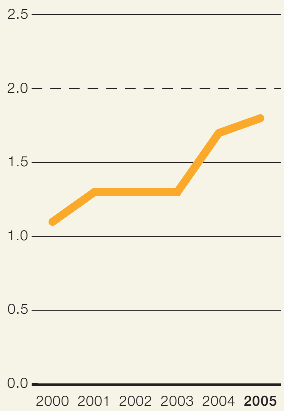
Electrolux

Intensified commitment to product development

Development of new products within the Electrolux Group is based on comprehensive research into how consumers think, feel and behave when they use our products, as well as their needs. This enables more precise development as well as more effective marketing messages that stimulate consumer purchasing.

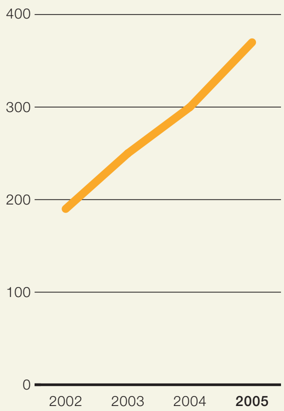
Understanding consumer needs as well as patterns of demand enables pro-active product development, which will strengthen the Group's market position.

Investment in product development as % of sales



Product development is a prerequisite for growth and for reinforcing market positions in our industry. In 2005 we increased our investment by almost SEK 280m over 2004. The goal is to invest at least 2% of sales revenues in this area.

Number of product launches



On the basis of consumer insight we can develop products that achieve good sales. In 2005 we launched a record number of new products, which made a positive contribution to Group earnings.

Uniform process for product development based on consumer insight

The Group's process for consumer-focused product development was launched in 2004 and is currently being implemented in all regions and sectors. This process extends across functions and includes a number of parallel processes, which leads to more efficient product programs with greater market impact. Implementation is being accelerated through a massive training program for product management, development, design and marketing.

We continuously monitor major and minor global consumer trends and combine them with our model of various consumer needs. This enables each new product to be aimed at a specific target group, with a relevant message that reflects consumer values and needs. We have thus identified hundreds of consumer needs that in turn have generated thousands of product ideas.

Consumer insight reduces risk

In 2005 we established strategic five-year product plans for each product category in core appliances. We are now driving product development more efficiently on a global basis, while an increasing number of product launches are being coordinated across product categories. The early phases of product development account for a large part of the total development timetable, in order to ensure that each product that we create will actually meet consumer needs. This reduces the risk of unsatisfactory investment decisions.

Electrolux is the industry leader for product development based on consumer insight. Our development activities are focused on segments that show strong growth, such as frost-free refrigerators and induction hobs.

The Group's investment in product development has increased steadily from approximately 1% of sales in 2002 to 1.8% in 2005. New launches of core appliances during this period rose from about 200 annually to about 370 in 2005. This investment made a positive contribution to the Group's performance in both 2004 and 2005.

TwinClean – with self-cleaning filters

The Electrolux TwinClean vacuum cleaner is a product that solves housework problems. Many owners of cyclone vacuum cleaners were dissatisfied because they had to clean or replace the filter in the cleaner.

Our solution is TwinClean, which features self-cleaning filters. All the user has to do is turn the filters around when the indicator lamp is lit.

TwinClean was launched in 2005 and achieved good market acceptance.

New cooker with a strong market position

Electrolux Revolux is a new cooker for the Brazilian market. It has been generated by the Group's process for product development and has been very successful. In only 18 months, Revolux won a share of 20% in the Brazilian market for premium cookers.

A key success factor was our research, which focused on development of attractively designed cookers that save time in food preparation and are easy to clean.

For almost two years, we tested different product concepts on a large number of consumers within the target group. This resulted in a cooker that fulfills all expectations and also has twin ovens, a popular feature that enables several dishes to be prepared at the same time.

The launch of Revolux won the Electrolux Brand Award for 2005 as the Group's best brand project.

The Electrolux process for consumer-focused product development – "Thinking of our users"

The early phases of product development account for a large part of the total development timetable, in order to ensure that the products we create will actually be demanded by consumers.

1. **Strategic market plan:** Identification of the areas to focus on. New business opportunities arise as consumer behavior changes.

2. **Identification of consumer opportunities:** Consumers are grouped according to their different needs. Each new product is developed to meet needs that we have identified within a specific target group.

3. **Primary development:** What technology is needed to meet consumer needs?

4. **Concept development:** Development of the product concept through interviews, focus groups and surveys.

5. **Product development:** Definition of functions, features, color and form. We construct prototypes of the product, prepare for manufacturing and determine how the product will be distributed.

6. **Commercial launch preparation:** In parallel with product development, we develop marketing based on the consumer insight that the process has generated.

7. **Launch execution:** Efficient, focused marketing enables us to rapidly achieve market acceptance, high volume and profitability.

8. **Range management:** Monitoring and optimizing of our range of products and models.

9. **Phase-out:** Planned phase-out of older products and models to make room for new ones.

Continued investment in building a strong, global Electrolux brand

Efforts in recent years to build a strong, global Electrolux brand have been very successful. Almost half of the Group's products are now sold under the Electrolux brand, including those that are double-branded. Our strategy involves combining strong local brands with the Electrolux brand in order to highlight the connection with Electrolux and achieve greater marketing impact. A number of brands were double-branded in 2005, including the important AEG brand in Europe.

We will continue to work on developing Electrolux as the dominant brand, except in certain segments where other complementary brands have to be used.

Electrolux is already the Group's leading brand in many markets, such as Asia, Eastern Europe and Latin America.

A brand is strong when it is well-known, associated with quality, innovation and value, and has the trust and loyalty of consumers. A strong brand enables higher prices and stimulates loyalty as well as the desire to repurchase.

Since consumers do not buy household appliances frequently, most of them have limited awareness of the market offering and how products have evolved since their last purchase. In addition, an appliance represents a substantial outlay for most consumers. The confidence generated by a strong brand is of great significance for infrequent purchases of expensive products.

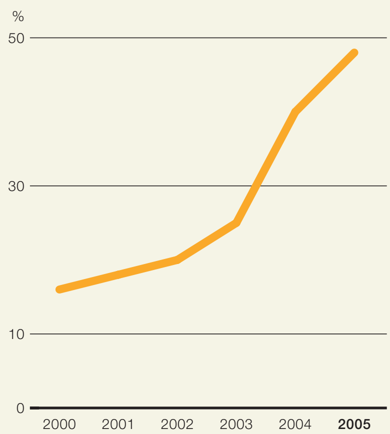
Efficient market planning

In order to increase the return on our marketing investments, in 2005 we introduced a new process for market planning. It enables better coordination of product development and marketing. Marketing activities, including advertising budgets, have been centralized at the regional level in order to obtain maximum impact. We have also set up new routines for more effective monitoring and evaluation of our marketing investments.

We have increased the total marketing investment, focusing on:

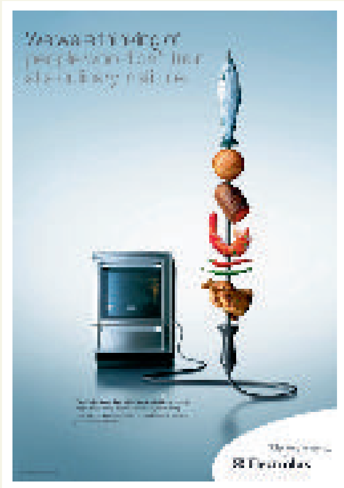
- Countries that offer the greatest potential in terms of market growth, profitability and the competitive situation
- The Electrolux brand
- Products that enhance the value of the brand in the long term
- The most effective media channels, with a greater emphasis on PR and the Internet.

The Electrolux brand's share of sales



Products under the Electrolux brand account for a growing share of Group sales. Strengthening this brand improves our market position.






Growing importance of design

In 2005 we laid the foundation for two important investments in the Electrolux brand, in the form of a new design line for core appliances and a new communications platform.

Consumer interest in design and the importance of design as a competitive tool are growing continuously. An increasing number of consumers are willing to pay for good design. The Group's investment in design reinforces the Electrolux brand and contributes to higher demand and better margins.

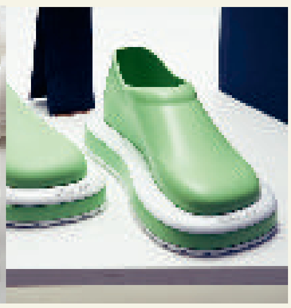
In 2006 we will also launch a new global communications platform – "Thinking of you". This theme highlights the strong focus on user needs that guides Electrolux product development.

Awards to Electrolux design

In recent years, Electrolux has won a number of international awards for good design. The iF Product Design Award has been one of the most prestigious since 1953 and has been given to several Electrolux products, which have also won other honors such as the iF Design Award China, the Red Dot Award and the award for Good Design.







Design Lab

The third Electrolux Design Lab was arranged in 2005. The challenge was to develop ideas for innovative household appliances for the year 2020, focusing on design. The competition attracted over 3,000 entries from design students in more than 80 countries.

Products

Electrolux Range Cooker
A cooker that reflects the restaurant environment's impact on today's kitchen.

Electrolux Insight Cooker
The Insight cooker is based on 3,000 interviews with consumers. Being able to see into the oven without bending over is one of its attractive features.

Electrolux Spiral Flame Burner
Work on consumer insight showed that many consumers in China want a cooker that saves both time and gas. Electrolux created the Spiral Flame Burner, which after only one year has taken a substantial share of the Chinese market for high-end gas cookers.

Electrolux ICON Wine Cooler
This silent, vibration-free wine cooler maintains exact temperature and humidity, so that fine wines can be stored for many years.

REX-Electrolux Puzzle Series
A flexible gas hob featuring elegant design.

Electrolux Utzon Grill
Jeppe Utzon of Denmark designed this grill, which was launched in the Australian market in the second half of 2005. It offers an attractive appearance, perfect grilling results and quality craftsmanship.

Electrolux Screenfridge
A refrigerator with an integrated computer and TV, scheduled for launch in the spring of 2006.

Electrolux Source and Glacier
Source is the first refrigerator that provides cold, filtered carbonated water, while the Glacier freezer guarantees a steady supply of ice cubes.

Electrolux ICON Dishwasher
The noise level is so low that it is virtually unnoticeable. This unit can wash 14 settings, thanks to flexible interior fittings.

Large cost reductions in production and purchasing

In recent years, Electrolux has achieved substantial cost savings in both production and purchasing. Within production, plants have been relocated, global production platforms have been established, the number of platforms has been reduced, and a greater share of production is now in low-cost countries. In terms of purchasing, savings have been obtained primarily through better coordination at the global level. The cost-cutting program was intensified in 2005.

Lower production costs

The restructuring program that was launched in 2005 involves relocation of production to countries with lower cost levels. The program is proceeding according to plan. The total cost through 2008 is estimated at SEK 8–10 billion, and the program is expected to generate annual savings of SEK 2.5–3.5 billion from 2009 onward. We expect that about half of production in high-cost countries will be affected.

In 2005 decisions were taken to close plants in Fuenmayor, Spain (refrigerators), Parabiago, Italy (lawn mowers), and Nuremberg, Germany (washing machines, dishwashers and tumble-dryers). During the first quarter of 2005, the vacuum cleaner plant in Västervik, Sweden, and the cooker plant in Reims, France, were closed. An investigation is in progress regarding the compact appliances plant in Torsvik, Sweden.

It has also been decided that production will be cut back at the refrigerator plants in Florence, Italy, and Mariestad, Sweden.

During the year, new plants were opened in Juarez, Mexico (refrigerators), Siewerz, Poland (tumble-dryers), Zarow, Poland (dishwashers) and Rayong, Thailand (professional washing machines).

In 2005 a global program for more efficient production was launched at all major Group plants. It is based on proven techniques for improving production that have been developed both within and outside the Group.

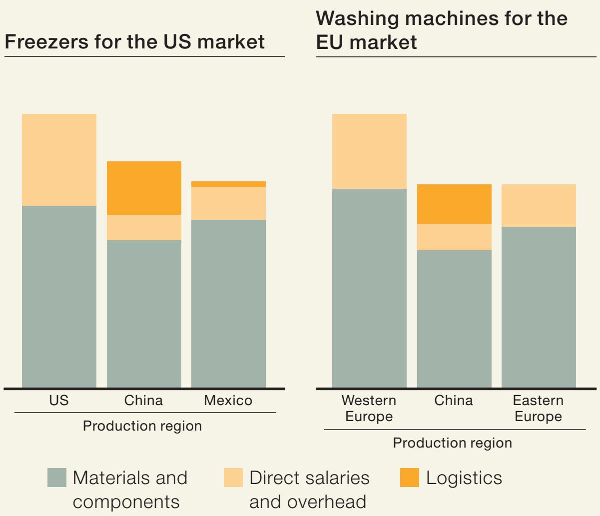
Global product platforms

Programs for improving production are paralleled by reductions in the number of product platforms. In 2005 we introduced several global platforms for side-by-side refrigerators, top freezers, front-loaded washing machines and stand-alone dishwashers.

Reducing the number of product platforms generates benefits that include enabling greater standardization of components, fewer product variants and simpler production. It also gives the Group a more powerful negotiating position for large-scale purchasing, and reduces the number of spare parts in inventories. Work on creating global product platforms will therefore continue to receive high priority.

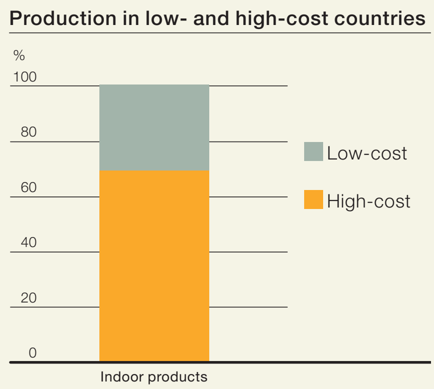
Production costs in specific regions

Estimated landed cost for two different appliances

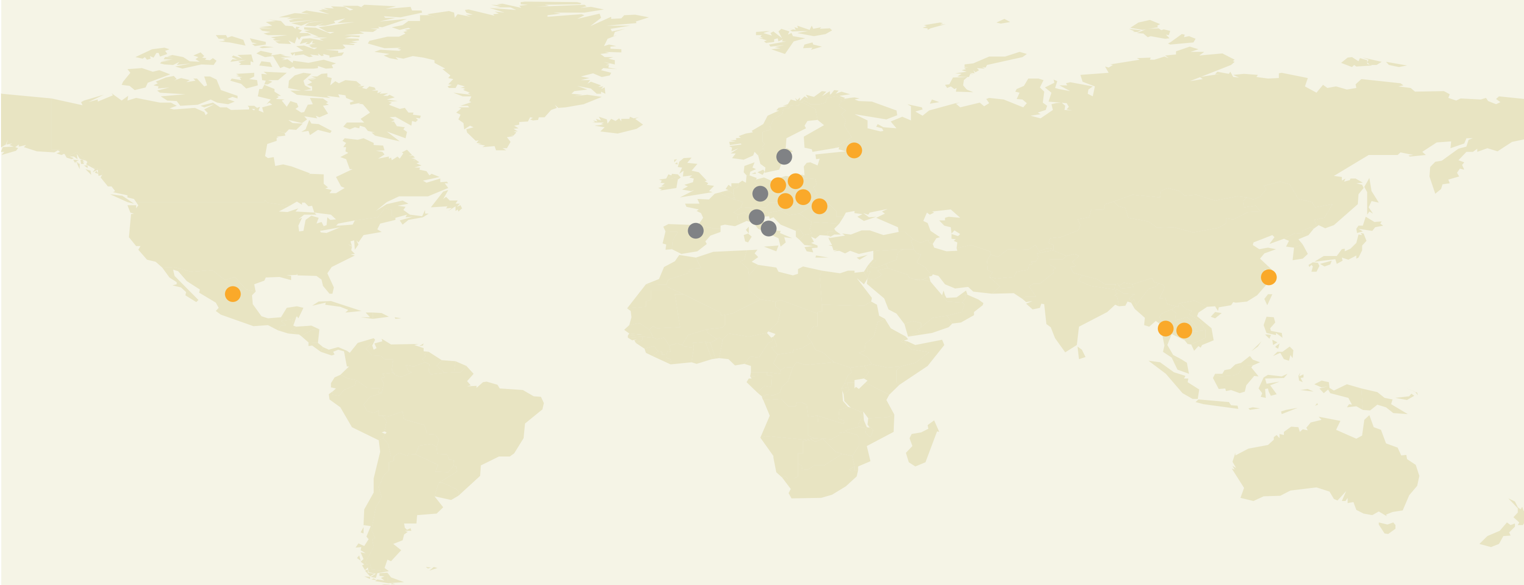


It is often less expensive to produce large household appliances close to the end-user market, rather than transport them from e.g. China.

Production in low- and high-cost countries



A growing share of our indoor products are produced in low-cost countries.



Restructuring decisions in 2005

Plant	Shutdown date	Cost, SEKm	No. of employees
Nuremberg (washing machines, dishwashers and tumble-dryers)	2007	2,300	1,750
Fuenmayor (refrigerators)	2006		450
Mariestad (refrigerators)	2005/2006*	535	150
Florence (refrigerators)	2005/2006*		200
Parabiago (lawn mowers)	2005		100

* Capacity cut-back.

Investments in low-cost countries in 2003–2005

Product area	Country	Investment, SEKm	Production start
Refrigerators	Mexico	1,200	2005
Refrigerators/freezers	Hungary	600	2005
Washing machines	Russia	80	2004/2005
Tumble-dryers	Poland*	270	2005
Washing machines	Poland	500	2006
Dishwashers	Poland	275	2005
Cookers	Poland	380	2006
Professional washing machines	Thailand	90	2005/2006
Washing machines	Thailand	80	2003
Hobs/hoods	China	55	2005

* Increase in plant capacity.

Large savings in purchasing

Total savings in terms of purchasing in 2005 amounted to approximately SEK 2 billion, exclusive of the effect of increased raw material costs. A comprehensive analysis in cooperation with the Group's major suppliers enabled identification of a potential for substantial savings in 2005–2007.

A new global purchasing organization was established in 2005. A global purchasing council that includes representatives from all regions is now responsible for all purchasing decisions above a specific level.

Cross-functional coordination with purchasing representatives focused in 2005 on areas with a potential for substantial savings, such as motors, glass and certain types of pumps. This resulted in direct cost reductions of 15–30% in these areas, by among other things reducing the number of suppliers, standardizing components and increasing purchases from low-cost countries.

Corresponding reviews of potential savings will be implemented in another 15 areas.

Effect of raw material costs on operating income

Change over previous year, SEKm	Q 1	Q 2	Q 3	Q 4	Full year
Increase in cost of raw materials	–1,000	–1,200	–900	–600	–3,700
Effect on operating income	**–600**	**–800**	**–300**	**–200**	**–1,900**

The cost of raw materials rose by almost SEK 4 billion in 2005. Drastic cost-cutting and a new global purchasing organization reduced the effect on operating income by about 50%.

Innovative solutions for Professional Indoor Products

Ongoing changes in consumer preferences also affect our operations in Professional Indoor Products.

Food-service solutions

In modern restaurants there is a trend to open kitchens, where meals are prepared in front of the guests. This involves greater demands for both functionality and design. At the same time, food consumption shows a trend away from the traditional three meals daily to consumption throughout the day. This shift in eating habits creates a demand for small restaurants, where meals are prepared with compact, easy-to-use cooking equipment.

Electrolux is responding to changing demand with innovative products and solutions. Like the Group's consumer products, all innovations are based on consumer insight. Work with end-users typically includes culinary events that are held regularly in our 15 world-wide showrooms. Operators of bars and restaurants are invited to prepare meals together with us and discuss Electrolux equipment.

Electrolux also develops innovative, tailored solutions for major accounts in the food and beverage industry. For example, in 2005 Electrolux Professional Indoor Products and Carlsberg Breweries jointly developed an innovative draft-beer solution for small establishments. The system is simple, cost-efficient and flexible, and requires no cleaning. It features two plastic containers of beer in a specially designed cooler that was developed by Electrolux. In addition to keeping the beer cold, the cooler maintains correct pressure to ensure an attractive head of foam when it is served.

Professional laundry service

Product development within Electrolux Laundry Systems is also based on consumer insight. Greater energy-efficiency and more rigorous hygiene criteria are vital aspects of future products.

ELSBoka is a good example of how Electrolux combines innovation with user-friendliness. Launched in 2005 in the Swedish market, this Internet-based system enables booking time in apartment-house laundry rooms. The system also enhances security, as entrance to the laundry room requires a coded card. Available add-on features include supervision of the entire laundry cycle.

ELSBoka
A user-friendly booking system that the property owner can use to display messages to tenants.

Electrolux Compass Control
The new, user-friendly way to select the correct washing and drying programs for Electrolux professional washing machines. The program is stored in twelve different languages.

Electrolux/Carlsberg beer cooler
Electrolux has the exclusive right to produce and deliver this newly developed cooler to Carlsberg until 2010.
It holds two 20-liter containers of beer.

Electrolux MDS trolley
Designed for professional users, this food trolley monitors and adjusts the temperature of each individual portion. The trolley can handle both hot and cold food.

Electrolux AIR-O-SYSTEM
This new system features an oven, a freezer and a cooler as well as a cabinet for plates and handling equipment that enables fast, simple transfer between the units. The AIR-O-SYSTEM makes the flow of work in a professional kitchen more efficient.

Molteni Podium III
Molteni is one of the world's most exclusive cookers, tailored specifically to meet user criteria and built throughout by skilled craftsmen. Customers include gourmet restaurants, cruise ships and luxury hotels.

Our accomplishments over the past four years

Four years ago I took over as President and CEO of Electrolux. My goal was to accelerate the development of Electrolux as a market-driven company, based on greater understanding of customer needs. At the same time, we would implement restructuring in order to minimize production costs. We would achieve this by:

- Continuing to cut costs and drive out complexity in all aspects of operations
- Increasing the rate of product renewal based on consumer insight
- Increasing our investment in marketing, and building the Electrolux brand as the global leader in our industry.

Managing under-performers

We have divested or changed the business model for units that could be considered as non-core operations or in which profitability was too low. Instead of continuing production of air-conditioners in the US, which was not profitable, we outsourced these products to a manufacturer in China. Our operations in motors and compressors have been divested. In 2005 we changed our business model in India.

Moving production to low-cost countries

Relocating production to low-cost countries is a vital part of our efforts to improve the Group's competitiveness. We have shut down plants where costs were much too high, and built new ones in countries with competitive cost levels. For example, we moved production of refrigerators from Greenville in the US to Juarez in Mexico. This has enabled us to cut costs and at the same time open a state-of-the-art production unit for serving the entire North American market.

More efficient production and logistics

We have put a good deal of time and effort into making production and logistics more efficient. This has involved reducing the number of product platforms, increasing productivity, reducing inventory levels and increasing delivery accuracy.

More efficient purchasing

Purchasing is another area where we have implemented changes in order to improve our cost position, mainly through better coordination at the global level. We have launched a project designed to drastically reduce the number of suppliers. We have also intensified our cooperation with suppliers in order to cut the costs of components.

Intensified product renewal

In order to keep growing and improve our margins we must increase the rate of product launches and innovations. Our process for product development based on consumer insight reduces the risk of incorrect investment decisions. Achieving better impact in development of new products has involved making global coordination more efficient, which has given us a number of new global products. The result of our investments in product development over the past years is clearly reflected in the number of product launches for core appliances, which rose from about 200 in 2002 to about 370 in 2005. Another indicator of our intensive work on renewing the Group's product offering and the high rate of innovation is the increase in our investment in product development, which has risen by SEK 500 million over the past three years.

Access to competence

Over the past years we have established processes and tools that ensure the Group of access to competence in the future. Active leadership development, international career opportunities and a result-oriented corporate culture enable us to successfully develop our human resources.

Starting to build a strong global brand

When I took over as President and CEO in 2002 I stressed that we had to prioritize building of the Electrolux brand, both globally and across all product categories. A strong brand enables a significant price premium in the market, which leads to a sustainable long-term increase in margin. Work on building a strong brand has been very comprehensive. The share of products sold under the Electrolux brand has risen from 16% of sales in 2002 to almost 50% in 2005.

Thanks to the efforts of the past years, we have an improved foundation for the Group's operations. In other words, we are well equipped for the challenges that lie ahead.

We reinforced our positions in 2005

The year began in a strong headwind, with costs of materials at historically high levels and downward pressure on the prices of our products. In order to avoid losing tempo in efforts to improve operating margins, we took a considerable risk by being the first to raise prices. We simultaneously accelerated the rate of restructuring and relocation of production. We faced approximately SEK 4 billion in material cost increases during the year. Through hard work and utilization of our global presence within purchasing and product development, we succeeded in compensating for almost half of these costs. Against this background, I am very satisfied with the Group's performance in 2005.

Sales in 2005 were 7% higher than in the previous year, after adjustment for changes in exchange rates. As we predicted, the income trend early in the year was weak, but we succeeded in gradually closing the gap relative to 2004. We achieved a steady improvement from one quarter to the next. Operating margin for the fourth quarter rose to more than 6%. This is a full percentage point higher than in the last quarter of 2004 and the first nine months of this year. Another indicator of our strong performance in the fourth quarter is the earnings per share ratio exclusive of items affecting comparability, which was the best since the second quarter of 2002.

I am especially pleased that the increase in profitability for Indoor Products during the fourth quarter was spread across all regions. In particular, our North American operation showed a strong improvement on the basis of price increases, good growth in volume, and product launches. Income was adversely affected by costs referring to the ongoing relocation of production from Greenville in the US to the new plant in Juarez, Mexico. The Group's Latin American operation also reported higher sales as a result of higher volumes and price increases. Operating income for core appliances in Europe rose during the year, and growth in Eastern Europe is becoming increasingly more important. A record number of new product launches continued to contribute to growth, as did investments in the Electrolux brand.

In June 2005 we opened the new refrigerator plant in Juarez, Mexico, which is one of the largest industrial projects in the country. Production is focused on the market for large side-by-side refrigerators. The plant will have an annual capacity of more than one million units. The investment in Mexico strengthens the Group's position in North America and also contributes to a substantial improvement in cost levels.

In 2005 we changed our business model in India. We signed a strategic agreement for cooperation with Videocon and transferred our three appliance plants to this company. The new business model eliminated losses in India and also enables us to develop the Electrolux brand throughout the region.

After a lengthy study, at the close of 2005 we decided to initiate shut-down of the plant in Nuremberg, Germany. Production will be moved to Italy and Poland. The shut-down is scheduled for completion during 2007.

The spin-off of Outdoor Products is a strategically important decision. We are enthusiastic about a future with two separate companies, each with a clear focus, good financial strength, strong brands and leading market positions. A proposal for spinning off Outdoor Products will be presented to the shareholders at the Annual General Meeting in April. We expect that the new company, called Husqvarna, will be listed on the Stockholm Stock Exchange in June.

In June 2005, President and CEO Hans Stråberg inaugurated the new Electrolux refrigerator plant in Juarez, Mexico. The plant is expected to provide employment for about 3,000 people.

The new Electrolux

After the spin-off

of Outdoor Products, Electrolux will be totally focused on indoor products for consumers and professional users. The new Electrolux will have annual sales of more than SEK 100 billion, and about 60,000 employees world-wide. We will continue to be one of the most important companies on the Stockholm Stock Exchange. But even more importantly, we will be one of the world's biggest companies in our industry, with leading positions in all the segments in which we operate. Electrolux will grow in both the consumer and professional markets.

Leading products

Our strategy for innovative product development and attractive design will be decisive for the future position of Electrolux. Continued success in these areas requires systematic application of our process for product development as well as even greater investments in design. Our goal is to invest at least 2% of sales in product development. We will continue to launch new products at a high rate.

A strong brand

We will continue to work on building the Electrolux brand as the global leader in our industry. Our goal is for our investment in brand-building to correspond to at least 2% of sales.

Development of competence and leadership

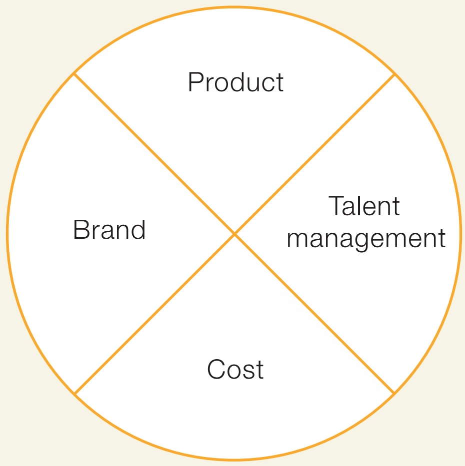
In order to lead development in our industry, we will have to act fast and dare to do things differently. This highlights the importance of continuously developing the required management and securing competence, in combination with a strong environmental commitment and good relations with our suppliers. Talent management, which comprises processes and tools for attracting, developing and securing access to future leaders and competence within Electrolux, will continue to have high priority for us.

Competitive cost situation

Maintaining competitive production costs is a prerequisite for survival in our markets. That is why we will continue to work on reducing costs. We will also work on improving profitability either by divesting specific units or by changing the business model. It is also important to continue relocating production from high-cost to low-cost countries. The goal is for these activities to be largely completed by late 2008, which will improve our profitability by SEK 2.5–3.5 billion annually from 2009 onward. As we announced previously, these measures will involve costs of approximately SEK 8–10 billion.

Although our efforts to cut costs in purchasing have been successful, there is a good deal still to be done. Among other things, we are increasing the share of purchases from low-cost countries and at the same time reducing the number of suppliers. I am convinced that there is still a large potential for cutting the Group's total purchasing costs.

Our future depends on how well we can combine a continued focus on costs with intensified product renewal and systematic development of both our brands and our personnel.



In 2006 we will continue to work on strengthening the Electrolux brand, launching new products, cutting costs and developing our personnel.

Looking ahead to the near future

We expect the Group to report higher profitability again in 2006. In all regions, we are continuing work on improving our product mix. In both North America and Europe we are going to launch a number of important new products. Professional Indoor Products will improve its position in the North American market in 2006 by developing new distribution channels for food-service equipment. The success of our floor-care operation in the higher price segments will continue, among other things on the basis of higher volumes for cyclone vacuum cleaners.

There will be no change in the rate of relocation of production to low-cost countries. During the second half of 2006 we will see the full effect of the cost-savings generated by moving production from Greenville in the US to Juarez in Mexico. We expect that sales will be adversely affected by the strike at our appliance plant in Nuremberg, Germany. This plant will be closed according to plan during 2007.

Continued reduction of purchasing costs is a very important factor for increasing our profitability in 2006.

The strategy that has been effectively implemented in recent years by everyone in our organization is paying off. In 2006 we will continue this important work on strengthening the Electrolux brand, launching new products and reducing costs.

Hans Stråberg
President and CEO

Outlook for 2006

Market demand for appliances in 2006 is expected to show some growth in both Europe and North America as compared to 2005. Efforts to strengthen the Group's competitive position through investments in product development and in building the Electrolux brand will continue.

Operating income for the Electrolux Indoor operations in 2006 is expected to be somewhat higher than in 2005, excluding items affecting comparability.

The new Husqvarna Group

The Electrolux Board of Directors proposes that the Annual General Meeting in April 2006 authorize the distribution of all shares in Husqvarna to the shareholders in Electrolux. It is intended that the Husqvarna shares be listed on the O-list of the Stockholm Stock Exchange in connection with the distribution.

Husqvarna comprises the Electrolux Group's operation in Outdoor Products.

World market leader

Husqvarna is the world's largest producer of chainsaws, lawn mowers and other powered garden equipment such as trimmers and leaf blowers, and is one of the largest producers of garden tractors. Husqvarna is also the world's largest producer of diamond tools for the construction and stone industries. The above product categories account for approximately 90% of net sales.

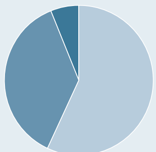
The Husqvarna Group is also the leading supplier of outdoor products to Sears, the American retail chain, which is the world's largest retailer of outdoor consumer products, under the Craftsman brand.

Net sales in 2005 amounted to SEK 28.8 billion. The average number of employees was 11,681.

Husqvarna's operations comprise two business areas – Consumer Products and Professional Products. In 2005 Consumer Products accounted for 64% of total sales. This product range includes lawn mowers, garden tractors, grass trimmers, leaf blowers, hedge trimmers, snow throwers and chainsaws.

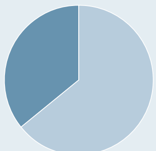
Products for professional users accounted for 36% of sales in 2005. This product range primarily includes chainsaws, clearing saws, grass trimmers and leaf blowers, as well as lawn mowers, riders and other special wheeled products for landscape maintenance. In addition, the range includes power cutters, diamond tools and other equipment for cutting such materials as concrete and stone.

Net sales by geographical market 2005



North America	57%
Europe	37%
Rest of the world	6%

Net sales by business area 2005



Consumer Products	64%
Professional Products	36%

Brands

Consumer Products

- Husqvarna and Jonsered for high-end products in the global market.
- Flymo for high-end electrically powered products in Europe.
- Partner and McCulloch for petrol-driven products in Europe.
- Poulan Pro and Weed Eater in the US.

Professional Products

- Husqvarna, which accounts for the largest share of sales, complemented by Jonsered in specific markets.
- Dimas, Partner, Target and Diamant Boart for power cutters and diamond tools for the construction and stone industries.

Strength factors

Husqvarna's operations have shown stable growth and high profitability for many years. This has been achieved on the basis of competitive advantages that include:

- Leading positions in the global market for approximately 90% of the Group's product categories.
- Strong position for the Husqvarna brand for chainsaws in the high-end segments.
- High degree of technical expertise and substantial resources in product development.
- Broad product range for many different customer segments, and a global distribution network.
- Global sales and service organization.
- Strong positions with leading retailers.
- Efficient supply chain for consumer products in the US.
- Complementary acquisitions that have been quickly integrated in operations.

Financial goals

Husqvarna's long-term goal is to achieve annual organic growth of approximately 5% over the course of a business cycle. Husqvarna also aims at growth through complementary acquisitions.

Husqvarna's goals also include achieving an operating margin of more than 10% over the course of a business cycle.

A prospectus regarding distribution of shares in Husqvarna and the stock-exchange listing will be available at the Electrolux web site prior to the AGM. A brochure with information on Husqvarna and the spin-off will be sent to all shareholders.

Report by the Board of Directors for 2005

- **Net sales increased by 7.3% to SEK 129,469m (120,651)**
- **Operating income declined to SEK 3,942m (4,807), adjusted for items affecting comparability operating income increased by 2.9% to SEK 6,962m (6,767)**
- **Strong performance for appliances in North America, operating income and margin improved significantly**
- **Improved mix due to increased number of product launches**
- **Operating cash flow decreased to SEK 1,083m (3,224)**
- **Income for the period amounted to SEK 1,763m (3,259), corresponding to SEK 6.05 (10.92) per share**
- **The Board proposes increasing the dividend to SEK 7.50 (7.00) per share**
- **The Board proposes distribution of the Outdoor Products operation to Electrolux shareholders under the name of Husqvarna AB**

Contents

Key data [1]

SEKm	2005	Change	2004
Net sales	129,469	7%	120,651
Operating income	3,942	–18%	4,807
Margin, %	3.0		4.0
Operating income, excluding items affecting comparability	6,962	3%	6,767
Margin, %	5.4		5.6
Income after financial items	3,215	–28%	4,452
Income for the period	1,763	–46%	3,259
Earnings per share, SEK [2]	6.05	–45%	10.92
Dividend per share, SEK	7.50 [3]		7.00
Return on equity, %	7.0		13.1
Return on net assets, %	13.0		17.5
Value creation	2,913	–141	3,054
Net debt/equity ratio	0.11		0.05
Operating cash flow	1,083	–66%	3,224
Capital expenditure	4,765	6%	4,515
Average number of employees	69,523	–4%	72,382

1) Including items affecting comparability, unless otherwise stated. For key data, excluding items affecting comparability, see page 27.
2) Before dilution, please see page 25 for information on earnings per share.
3) Proposed by the Board of Directors.

For definitions, see page 83.

Outlook for 2006 [*]

Market demand for appliances in 2006 is expected to show some growth in both Europe and North America as compared to 2005. Efforts to strengthen the Group's competitive position through investments in product development and in building the Electrolux brand will continue.

Operating income for the Electrolux Indoor operations in 2006 is expected to be somewhat higher than in 2005, excluding items affecting comparability.

*) Electrolux has previously not published any outlook for 2006.

Net sales and income

- **Net sales rose by 7.3%**
- **Operating income declined to SEK 3,942m (4,807), but increased by 2.9% to SEK 6,962m (6,767) excluding items affecting comparability**
- **Operating income for Indoor Products improved by 2.4%, but decreased by 0.5% for Outdoor Products**
- **Income for the period declined to SEK 1,763m (3,259)**
- **Earnings per share declined to SEK 6.05 (10.92)**

Net sales

Net sales for the Electrolux Group in 2005 amounted to SEK 129,469m, as against SEK 120,651m in the previous year. Sales were positively impacted by volume/price/mix, as well as changes in exchange rates.

Change in net sales

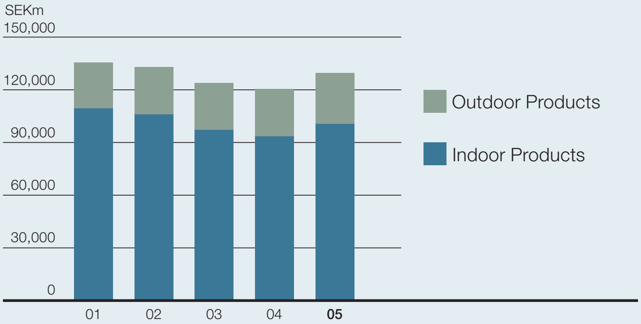
%	2005	2004
Changes in Group structure	–0.2	–2.0
Changes in exchange rates	3.2	–4.0
Changes in volume/price/mix	4.3	3.2
Total	**7.3**	**–2.8**

For information regarding changes in Group structure, see page 26.

In terms of business areas, net sales for Indoor Products increased by 7.8% to SEK 100,670m (93,389) and net sales for Outdoor Products by 5.8% to SEK 28,768m (27,202). The increase for Indoor Products was due primarily to strong sales growth for appliances in North America and Latin America. The sales increase for Outdoor Products referred mainly to Professional Products.

In comparable currencies, sales for Indoor Products increased by 4.3% and sales for Outdoor Products by 3.4%. See page 40.

Net sales, by business area



Sales for Indoor Products increased by 4.3% and Outdoor Products by 3.4% in comparable currencies.

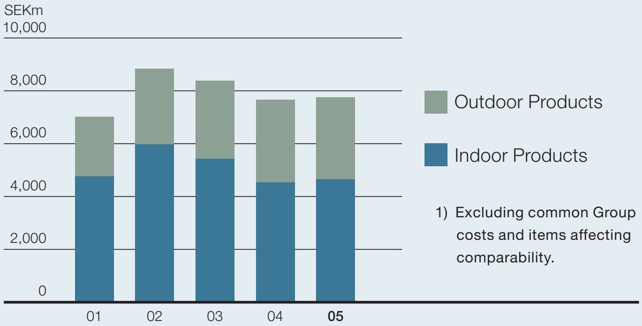
Operating income

The Group's operating income for 2005 declined by 18.0% to SEK 3,942m (4,807), corresponding to 3.0% (4.0) of net sales. The decline refers mainly to costs for restructuring in appliances within Indoor Products. Total restructuring costs amounted to SEK 3,020m (1,960) in 2005. See Items affecting comparability on page 26.

Excluding items affecting comparability, operating income for Indoor Products improved by 2,4% to SEK 4,645m (4,537). The improvement is due mainly to a strong performance by appliances in North America, higher operating income for floor-care products, divestment of the Group's Indian operation and previous restructuring. Operating income for Outdoor Products declined by 0,5% to SEK 3,111m (3,128) due to weaker results within consumer outdoor products in North America.

In comparable currencies, operating income for Indoor Products decreased by 1.3% and Outdoor Products by 2.2%. See page 40.

Operating income, by business area [1]



1) Excluding common Group costs and items affecting comparability.

Operating income for Indoor Products declined by 1.3% and Outdoor Products by 2.2% in comparable currencies.

Depreciation and amortization

Depreciation and amortization in 2005 amounted to SEK 3,410m (3,023).

Financial net

Net financial items increased to SEK –727m (–355). The increase is due to higher interest rates on borrowings in US dollar, higher costs for hedging the Group's net investments in foreign subsidaries and increased average net borrowings. Lower interest income as a result of lower Swedish and Euro interest rates also had a negative impact.

For more information regarding financial items, see Note 9 on page 60.

Income after financial items

Income after financial items declined by 27.8% to SEK 3,215m (4,452) corresponding to 2.5% (3.7) of net sales.

Consolidated income statement

SEKm	Note	2005	2004
Net sales	**Note 3,4**	**129,469**	**120,651**
Cost of goods sold		–98,358	–91,021
Gross operating income		**31,111**	**29,630**
Selling expenses		–18,298	–17,369
Administrative expenses		–6,039	–5,560
Other operating income	**Note 5**	248	118
Other operating expenses	**Note 6**	–60	–52
Items affecting comparability	**Note 7**	–3,020	–1,960
Operating income	**Notes 3, 4, 8**	**3,942**	**4,807**
Financial income	**Note 9**	240	583
Financial expenses	**Note 9**	–967	–938
Financial items, net		**–727**	**–355**
Income after financial items		**3,215**	**4,452**
Taxes	**Note 10**	–1,452	–1,193
Income for the period		**1,763**	**3,259**
Attributable to:			
Equity holders of the Parent Company		1,763	3,258
Minority interests in income for the period		0	1
		1,763	3,259
Earnings per share, SEK		6.05	10.92
After dilution		6.01	10.91
Average number of shares, million	**Note 20**	291.4	298.3
After dilution		293.2	298.6

Taxes

Total taxes in 2005 amounted to SEK 1,452m (1,193), corresponding to 45.2% (26.8) of income after financial items. Excluding items affecting comparability, the tax rate was 26.1% (29.1), See below for information concerning items affecting comparability.

For more information concerning taxes, see Note 10 on page 60.

Effects of changes in exchange rates

Changes in exchange rates in comparison with the previous year, including both translation and transaction effects, had a positive impact of approximately SEK 463m on operating income.

Transaction effects net of hedging contracts amounted to SEK 244m, mainly due to the weakening of the US dollar against the Canadian dollar and the Euro against several other currencies. The weakening of the Swedish krona against the US dollar and the Euro also had a positive effect. Translation of income statements in subsidiaries had an effect of approximately SEK 219m.

The effect of changes in exchange rates on income after financial items amounted to SEK 434m.

For additional information on effects of changes in exchange rates, see the section on foreign exchange risk in Note 2, Financial risk management, on page 55.

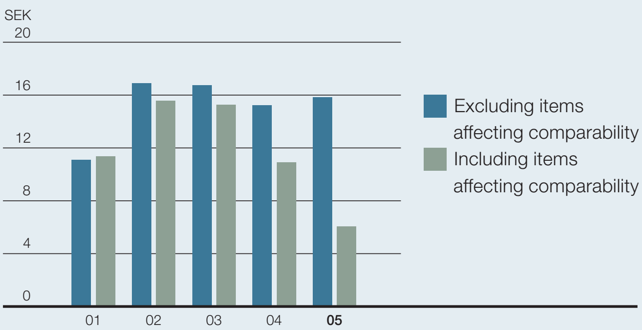
Net sales and expenses, by currency

	Share of net sales, %	Share of expenses, %	Average exchange rate 2005	Average exchange rate 2004
SEK	4	8	—	—
USD	38	40	7.46	7.33
EUR	31	33	9.28	9.12
GBP	5	2	13.54	13.38
Other	22	17	—	—
Total	**100**	**100**		

Earnings per share

Income for the period declined by 45.9% to SEK 1,763m (3,259), corresponding to a decline of 44.6% in earnings per share to SEK 6.05 (10.92) before dilution.

Earnings per share



Earnings per share declined by 44.6% to SEK 6.05. Excluding items affecting comparability, earnings per share rose to SEK 15.82 (15.24).

Items affecting comparability

Operating income for 2005 includes items affecting comparability in the amount of SEK –3,020m (–1,960). These items include charges for restructuring, mainly involving plant closures, as well as costs for the divestment of the Group's Indian operation. See table below.

Items affecting comparability

SEKm	2005	2004
Restructuring provisions and write-downs		
Appliances and outdoor products, Europe	–535	
Appliances plant in Nuremberg, Germany	–2,098	
Refrigerator plant in Greenville, USA		–979
Vacuum-cleaner plant in Västervik, Sweden		–187
Floor-care products, USA		–153
Appliances, Australia		–103
Cooker factory in Reims, France		–289
Tumble-dryer plant in Tommerup, Denmark		–49
Reversal of unused restructuring provisions	32	39
Other		
Divestment of Indian operation	–419	
Settlement in vacuum-cleaner lawsuit in USA		–239
Total	**–3,020**	**–1,960**

Structural changes

In July 2005, a decision was made to close the refrigerator plant in Fuenmayor, Spain, during the third quarter of 2006 and the lawn-mower plant in Parabiago, Italy, during the fourth quarter of 2005. The closures involve personnel cutbacks of approximately 450 and 100, respectively. Decisions were also taken to downsize production at the refrigerator plants in Florence, Italy, and Mariestad, Sweden, during 2006. The downsizing refers to unprofitable product categories and involves personnel cutbacks of approximately 200 and 150 employees, respectively.

In 2005, a charge of SEK 535m referring to the above measures was taken against operating income within items affecting comparability. Of this amount, SEK 147m refers to a write-down of assets.

In the course of the year, the Group has changed its business model in India and divested its Indian appliance operation, including all three production facilities, to Videocon, one of India's largest industrial groups. The agreement involves a license for Videocon with the right to use the Electrolux brand in India for a period of five years, as well as the Kelvinator brand in India and selected markets for an unlimited time. Videocon is the market leader for consumer electronics and appliances in India, and has an extensive distribution network. Cooperation with Videocon offers the Group opportunities for continuing to strengthen the position for the Electrolux brand in the Indian market. The agreement involved a cost of SEK 419m, which was taken as a charge against operating income in 2005 within items affecting comparability. The Indian operation had annual sales of approximately SEK 550m and about 1,100 employees. The operation was loss-making for several years.

In December 2005, it was decided that the appliances factory in Nuremberg, Germany, would be closed. Closure of the factory is expected to be completed by the end of 2007. The factory in Nuremberg has approximately 1,750 employees. The total cost for the closure of the factory is estimated to be approximately SEK 2,300m, of which SEK 2,098m has been charged against operating income as items affecting comparability in the fourth quarter. Of the total amount, SEK 720m refers to write-down of assets.

In December 2005, it was also decided that an investigation would be initiated regarding a potential closure of the compact-appliances factory in Torsvik, Sweden. The factory has 190 employees. Restructuring costs for a potential closure will be communicated when the investigation is completed.

In February 2006, the Board decided to invest in a new plant for front-load washing machines and tumble-dryers in Juarez, Mexico. The investment is estimated at approximately SEK 1,090m and the plant will employ 800 people. The Board has also decided to downsize production at the plant in Webster City, Iowa, during the end of 2007 and the beginning of 2008. The downsizing refers to production of front-load washing machines and tumble-dryers that will be transferred to the new plant in Mexico. The downsizing will affect approximately 700 employees and the cost is estimated at approximately SEK 40m.

During the year, the vacuum-cleaner plant in Västervik, Sweden, and the cooker plant in Reims, France, were closed. Production at the refrigerator plant in Greenville, USA, was gradually moved to the new plant in Juarez, Mexico. The plant in Greenville will be closed by the end of the first half of 2006. Production at the new plant in Mexico should be running at full capacity during the second half of 2006.

Key data excluding items affecting comparability

Excluding the above items affecting comparability, operating income for 2005 increased by 2.9% to SEK 6,962m (6,767), which corresponds to 5.4% (5.6) of net sales. Income after financial items decreased by 2.8% to SEK 6,235m (6,412), which corresponds to 4.8% (5.3) of net sales. Income for the period increased by 1.4% to SEK 4,610m (4,546), corresponding to an increase of 3.8% in earnings per share to SEK 15.82 (15.24).

Excluding items affecting comparability, the tax rate was 26.1% (29.1). The return on equity was 18.3% (18.3) and the return on net assets was 20.6% (21.9).

Key data excluding items affecting comparability [1)]

SEKm	2005	Change	2004
Net sales	129,469	7%	120,651
Operating income	6,962	3%	6,767
Margin, %	5.4		5.6
Income after financial items	6,235	–3%	6,412
Income for the period	4,610	1%	4,546
Earnings per share, SEK [2)]	15.82	4%	15.24
Dividend per share, SEK	7.50 [3)]		7.00
Return on equity, %	18.3		18.3
Return on net assets, %	20.6		21.9
Value created	2,913	–141	3,054
Net debt/equity ratio	0.11		0.05
Operating cash flow	1,083	–67%	3,224
Capital expenditure	4,765	6%	4,515
Average number of employees	69,523	–4%	72,382

1) For key data, including items affecting comparability, see page 23.
2) Before dilution.
3) Proposed by the Board of Directors.

Value created

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, or operation.

Total value created in 2005 was in line with the previous year and amounted to SEK 2,913m (3,054). The capital-turnover rate was 3.84, as against 3.90 in the previous year.

The WACC rate for 2005 was computed at 12% (12).

For a definition of value created, see Note 32 on page 83.

Financial position

- **Equity/assets ratio was 33.6% (35.6)**
- **Return on equity was 7.0% (13.1)**
- **Average net assets increased to SEK 30,281m (27,507)**

Net assets and return on net assets

Net assets as of December 31, 2005, amounted to SEK 28,165m (23,988). Average net assets for the year increased to SEK 30,281m (27,507). The increase is mainly due to capital expenditures and changes in exchange rates.

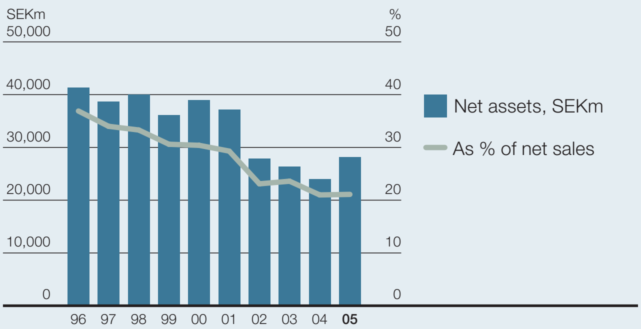
Adjusted for items affecting comparability, average net assets amounted to SEK 33,743m (30,946), corresponding to 26.1% (25.6) of net sales. Items affecting comparability refers to restructuring provisions and the adjustment of pension liabilities in accordance with minimum liability in the US for 2002 and 2003 as well as the non-recurring effect of implementing the new accounting standard RR 29, Employee Benefits, in 2004.

The return on net assets was 13.0% (17.5), and 20.6% (21.9), excluding items affecting comparability.

Change in net assets

SEKm	Net assets	Average net assets
January 1, 2005	**23,988**	**27,507**
Divestment of the Indian operations	–150	20
Change in restructuring provisions	–1,213	–199
Write-down of assets	–867	–130
Other items affecting comparability	111	216
Changes in exchange rates	3,712	1,249
Changes in working capital, capital expenditures, depreciation, etc.	2,584	1,618
December 31, 2005	**28,165**	**30,281**

Net assets



Net assets at year-end corresponded to 21.1% of annualized net sales in 2005, as against 21.2% in 2004.

Working capital

Working capital at year-end amounted to SEK –31m (–383), corresponding to 0.0% (–0.3) of annualized net sales. Inventories amounted to SEK 18,606m (15,742) at year-end, and accounts receivable to SEK 24,269m (20,627), corresponding to 13.9% (13.9) and 18.1% (18.2) of annualized net sales, respectively. Accounts payable amounted to SEK 18,798m (16,550), corresponding to 14.0% (14.6) of annualized net sales. The change in working capital is mainly driven by growth in sales and higher provisions for restructuring as well as changes in exchange rates.

Working capital

SEKm	Dec. 31, 2005	Dec. 31, 2004
Inventories	18,606	15,742
Accounts receivable	24,269	20,627
Accounts payable	–18,798	–16,550
Provisions	–15,609	–12,760
Prepaid and accrued income and expenses	–7,762	–6,874
Tax and other assets and liabilities	–737	–568
Working capital	**–31**	**–383**
% of annualized net sales	0.0	–0.3

Net borrowings

Net borrowings at year-end rose to SEK –2,974m (–1,141) as a result of the negative total cash flow after dividend. Changes in exchange rates also had a negative impact.

Net borrowings

SEKm	Dec. 31, 2005	Dec. 31, 2004
Borrowings	8,914	9,843
Liquid funds	5,940	8,702
Net borrowings	**2,974**	**1,141**

Liquid funds

Liquid funds at year-end amounted to SEK 5,940m (8,702). This corresponds to 4.4% (7.7) of annualized net sales.

Liquidity profile

SEKm	Dec. 31, 2005	Dec. 31, 2004
Liquid funds	5,940	8,702
% of annualized net sales	4.4	7.7
Net liquidity	2,283	2,799
Fixed-interest term, days	43	61
Effective annual yield, %	2.4	2.4

For more information on the liquidity profile, see Note 17 on page 63.

Borrowings

At year-end, the Group's borrowings amounted to SEK 8,914m (9,843), of which SEK 5,257m (3,940) referred to long-term borrowings with average maturities of 2.8 years (2.2). A significant portion of long-term borrowings is raised in the Euro and Swedish bond market.

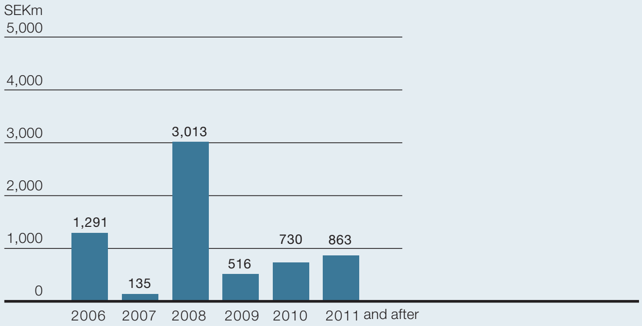
The Group's goal for long-term borrowings includes an average time to maturity of at least two years, an even spread of maturities, and an average interest-fixing period of one year. At year-end, the average interest-fixing period for long-term borrowings was 1.4 years (1.3).

At year-end, the average interest rate for the Group's total interest-bearing borrowings was 5.1% (4.9).

Consolidated balance sheet

SEKm	Note	December 31, 2005	December 31, 2004
Assets			
Non-current assets			
Property, plant and equipment	Note 12	18,622	16,033
Goodwill	Note 11	3,872	3,335
Other intangible assets	Note 11	2,228	1,922
Investments in associates	Note 29	124	196
Deferred tax assets	Note 10	2,950	2,921
Derivatives	Note 17	118	—
Financial assets	Note 13	1,817	1,216
Total non-current assets		**29,731**	**25,623**
Current assets			
Inventories, etc.	Note 14	18,606	15,742
Trade receivables	Note 16	24,269	20,627
Tax assets		637	617
Derivatives	Note 17	421	—
Other current assets	Note 15	3,851	4,547
Short-term investments	Note 17	623	265
Cash and cash equivalents	Note 17	4,420	7,675
Total current assets		**52,827**	**49,473**
Total assets		**82,558**	**75,096**
Assets pledged	Note 19	**118**	**137**
Equity and liabilities			
Equity attributable to equity holders of the Parent Company			
Share capital	Note 20	1,545	1,545
Other paid-in capital		2,905	2,905
Other reserves	Note 18	1,653	–489
Retained earnings		19,784	19,665
		25,887	**23,626**
Minority interests		1	10
Total equity		**25,888**	**23,636**
Non-current liabilities			
Long-term borrowings	Note 17	5,257	3,940
Derivatives	Note 17	6	—
Deferred tax liabilities	Note 10	1,417	1,252
Provisions for pensions and other post-employment benefits	Note 22	8,226	7,852
Other provisions	Note 23	4,377	3,375
Total non-current liabilities		**19,283**	**16,419**
Current liabilities			
Accounts payable		18,798	16,550
Tax liabilities		1,123	900
Other liabilities	Note 24	11,006	10,155
Short-term borrowings	Note 17	3,076	5,903
Derivatives	Note 17	378	—
Other provisions	Note 23	3,006	1,533
Total current liabilities		**37,387**	**35,041**
Total equity and liabilities		**82,558**	**75,096**
Contingent liabilities	Note 25	**1,302**	**1,323**

Long-term borrowings, by maturity



In 2005, a net total of SEK 2,531m in borrowings matured or was amortized. For more information on borrowings, see Note 17 on page 63.

Ratings

Electrolux has Investment Grade ratings from Moody's and Standard & Poor's. Both ratings remained unchanged during the year, but Moody's changed the outlook from Stable to Negative.

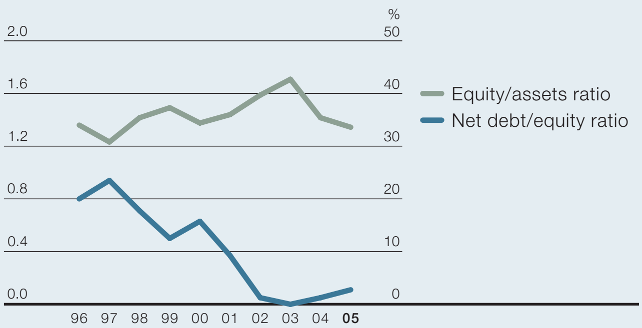
Ratings

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

Net debt/equity and equity/assets ratios

The net debt/equity ratio rose to 0.11 (0.05). The equity/assets ratio declined to 33.6% (35.6).

Net debt/equity and equity/assets ratios



The net debt/equity ratio increased somewhat to 0.11 (0.05) in 2005.

Equity and return on equity

Group equity as of December 31, 2005, amounted to SEK 25,888m (23,636), which corresponds to SEK 88.32 (81.17) per share. Return on equity was 7.0% (13.1). Excluding items affecting comparability, return on equity was 18.3% (18.3).

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, accounts payables, borrowings, and derivative instruments. The risks associated with these instruments are, primarily:

- Interest-rate risk on liquid funds and borrowings
- Financing risks related to the Group's capital requirements
- Foreign-exchange risk on earnings and net investments in foreign subsidiaries
- Commodity-price risk affecting expenditure on raw materials and components to be used in production
- Credit risk related to financial and commercial activities

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

Management of financial risks has largely been centralized to Group Treasury in Stockholm, Sweden. Measurement of risk in Group Treasury is performed by a separate risk controlling function on a daily basis. Furthermore, the Group's policies and procedures include guidelines for managing operating risk related to financial instruments through, 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 aimed primarily at maintaining a high quality of information flow and market knowledge in order to contribute to proactive management of the Group's financial risks.

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

For detailed information on:

- Accounting principles for financial instruments, see Note 1 on page 48.
- Financial risk management, see Note 2 on page 55.
- Financial instruments, see Note 17 on page 63.

Change in consolidated equity

SEKm	Share capital [1]	Other paid-in capital	Other reserves [2]	Retained earnings	Total	Minority interest	Total equity
	Attributable to equity holders of the company						
Opening balance, January 1, 2004	**1,621**	**2,829**	**—**	**21,494**	**25,944**	**27**	**25,971**
Exchange differences on transaction of foreign operations	—	—	–489	—	–489	—	–489
Net income recognized directly in equity	**—**	**—**	**–489**	**—**	**–489**	**—**	**–489**
Income for the period	—	—	—	3,260	3,260	–1	3,259
Total recognized income and expenses for the period	**—**	**—**	**—**	**3,260**	**2,771**	**–1**	**2,770**
Repurchase and sale of shares	—	—	—	–112	–112	—	–112
Redemption of shares	—	—	—	–3,042	–3,042	—	–3,042
Cancellation of shares	–76	76	—	—	—	—	0
Dividend SEK 6.50 per share	—	—	—	–1,993	–1,993	—	–1,993
Share-based payment	—	—	—	42	42	—	42
Acquisition of minority	—	—	—	16	16	–16	—
Total transactions with shareholders	**–76**	**76**	**—**	**–5,089**	**–5,089**	**–16**	**–5,105**
Closing balance, December 31, 2004	**1,545**	**2,905**	**–489**	**19,665**	**23,626**	**10**	**23,636**
Effects of changes in accounting principles	—	—	7	–9	–2	—	–2
Opening balance January 1, 2005, after changes in accounting principles	**1,545**	**2,905**	**–482**	**19,656**	**23,624**	**10**	**23,634**
Available for sale instruments							
Gain/loss taken to equity	—	—	24	—	24	—	24
Transferred to income statement on sale	—	—	—	—	—	—	0
Cash-flow hedges							
Gain/loss taken to equity	—	—	16	—	16	—	16
Transferred to income statement on sale	—	—	–7	—	–7	—	–7
Exchange differences on translation of foreign operations							
Revaluation of opening balance	—	—	2,520	—	2,520	—	2,520
Equity hedge	—	—	–615	—	–615	—	–615
Translation difference	—	—	197	—	197	—	197
Share-based payment	**—**	**—**	**—**	**72**	**72**	**—**	**72**
Income for the period recognized directly in equity	**—**	**—**	**2,135**	**72**	**2,207**	**—**	**2,207**
Income for the period	**—**	**—**	**—**	**1,763**	**1,763**	**—**	**1,763**
Total recognized income and expenses for the period	**—**	**—**	**2,135**	**1,835**	**3,970**	**—**	**3,970**
Divestment of minority	—	—	—	—	—	–9	–9
Repurchase and sale of shares	—	—	—	331	331	—	331
Dividend SEK 7.00 per share	—	—	—	–2,038	–2,038	—	–2,038
Total transactions with equity holders	**—**	**—**	**—**	**–1,707**	**–1,707**	**–9**	**–1,716**
Closing balance, December 31, 2005	**1,545**	**2,905**	**1,653**	**19,784**	**25,887**	**1**	**25,888**

Restricted reserves on December 31, 2003 were SEK 11,711m. The amount is transmitted in the following way: SEK 2,829m is transmitted to Other paid-in capital, SEK 8,882m to Retained earnings.

1) For more information, see Note 20 on page 67.
2) For more information, see Note 18 on page 67.

Cash flow

- **Operating cash flow declined to SEK 1,083m (3,224), mainly due to changes in working capital**
- **Capital expenditure increased to SEK 4,765m, as against SEK 4,515m in 2004**
- **New products accounted for 35% of capital expenditure**
- **R&D costs increased by 6,6% to SEK 2,187m (2,052)**

Operating cash flow

Operating cash flow was SEK 1,083m as compared to SEK 3,224m in 2004. The decrease refers mainly to changes in working capital, particularly accounts receivable and accounts payable. The increase in accounts receivable and inventory is primarily driven by growth in sales. The change in accounts payable is mainly due to a favorable one-time effect in 2004.

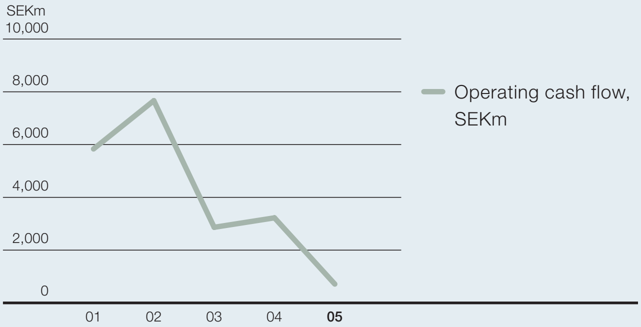
The divestment of the Group's Indian operation as well as increased capital expenditure also had a negative impact on cash flow from operations and investments.

Improved cash flow from operations and lower taxes paid had a positive impact on cash flow.

Cash flow

SEKm	2005	2004
Cash flow from operations, excluding change in operating assets and liabilities	8,428	7,140
Change in operating assets and liabilities	–1,888	1,442
Capital expenditure	–4,765	–4,515
Other	–692	–843
Operating cash flow	**1,083**	**3,224**
Divestment of operations	–370	–
Cash flow from operations and investments	**713**	**3,224**

Operating cash flow



Operating cash flow deteriorated in 2005, mainly due to changes in working capital.

Capital expenditure

Capital expenditure in property, plant and equipment in 2005 increased to SEK 4,765m (4,515), of which SEK 260m (297) referred to Sweden. Capital expenditure corresponded to 3.7% (3.7) of net sales. The increase in comparison with the previous year referred to Indoor Products and investments in new plants within appliances in Europe and a new product platform within consumer outdoor products in North America.

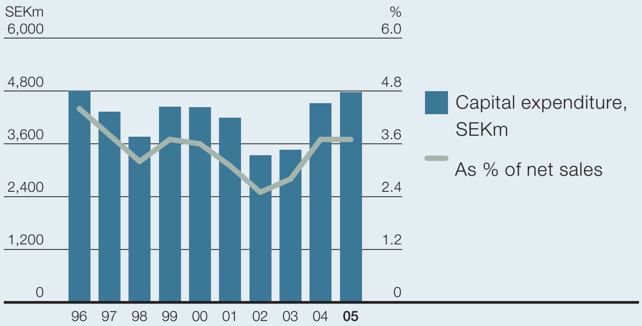
Approximately 35% of total capital expenditure in 2005 referred to new products. Major projects included development of new products within the washing and cooking product areas in North America and cooking products in Europe. Another major project was the finalizing of a new platform for tractors within consumer outdoor products in North America.

Approximately 20% of total capital expenditure referred to expansion of capacity and new plants related mainly to relocation. The major share referred to investments in new plants in Europe and North America. About 20% referred to rationalization and replacement of existing production equipment.

Capital expenditure, by business area

SEKm	2005	2004
Indoor Products		
Europe	1,872	1,561
% of net sales	4.3	3.7
North America	1,108	1,439
% of net sales	3.2	4.7
Latin America	167	119
% of net sales	2.9	2.7
Asia/Pacific	328	319
% of net sales	3.5	3.5
Professional Products	156	144
% of net sales	2.3	2.2
Outdoor Products		
Consumer Products	777	517
% of net sales	4.2	2.9
Professional Products	334	393
% of net sales	3.2	4.1
Other	23	23
Total	**4,765**	**4,515**
% of net sales	3.7	3.7

Capital expenditure



Capital expenditure increased somewhat to SEK 4,765m (4,515), corresponding to 3.7% of net sales.

Costs for research and development

Costs for Research and Development in 2005, including capitalization of SEK 489m (486), amounted to SEK 2,187m (2,052), corresponding to 1.7% (1.7) of net sales. R&D projects during the year referred mainly to new products and design projects within appliances, including development of new platforms. Major projects included new products within cookers and washing machines in Europe and North America.

Consolidated cash flow statement

SEKm	Note	2005	2004
Operations			
Income after financial items		3,215	4,452
Depreciation and amortization		3,410	3,038
Capital gain/loss included in operating income		419	—
Restructuring provisions		2,164	1,224
Share-based compensation		88	47
Change in accrued and prepaid interest		58	52
		9,354	**8,813**
Taxes paid		–926	–1,673
Cash flow from operations, excluding change in operating assets and liabilities		**8,428**	**7,140**
Change in operating assets and liabilities			
Change in inventories		–942	–1,516
Change in accounts receivable		–1,813	–5
Change in other current assets		268	235
Change in accounts payable		511	2,238
Change in operating liabilities and provisions		88	490
Cash flow from operations		**6,540**	**8,582**
Investments			
Divestment of operations	**Note 26**	–370	—
Property, plant and equipment	**Note 12**	–4,765	–4,515
Capitalization of product development and software	**Note 11**	–553	–669
Other		–139	–174
Cash flow from investments		**–5,827**	**–5,358**
Total cash flow from operations and investments		**713**	**3,224**
Financing			
Change in short-term investments		–122	3,368
Change in short-term loans		–783	540
New long-term borrowings		2,344	—
Amortization of long-term loans		–4,091	–2,414
Dividend		–2,038	–1,993
Redemption and repurchase of shares		355	–3,154
Cash flow from financing		**–4,335**	**–3,653**
Total cash flow		–3,622	–429
Cash and cash equivalents at beginning of year		7,675	8,207
Exchange-rate differences referring to cash and cash equivalents		367	–103
Cash and cash equivalents at year-end		4,420	7,675
Change in net borrowings			
Total cash flow, excluding change in loans		**–970**	**–1,923**
Net borrowings at beginning of year		**–1,141**	**101**
Exchange-rate differences referring to net borrowings		**–863**	**681**
Net borrowings for the income period		**–2,974**	**–1,141**

Operations by business area

Indoor Products

- **Industry shipments of appliances increased in Europe, North America and Latin America**
- **Higher net sales than in previous year for all business areas**
- **Significantly improved operating income for appliances in North America despite higher material costs**
- **Operating income for appliances in Europe somewhat lower due to price pressure and higher material costs**
- **Operating income for floor-care products rose in all regions**
- **Asia/Pacific reported a slight profit after change of business model in India**
- **Continued positive trend for Professional Products**
- **Continued restructuring to improve profitability**
- **Increased investments in product development and brand-building**

The Indoor Products business area includes products for consumers as well as professional users.

Indoor products for consumers comprise mainly major appliances, i.e., refrigerators, freezers, cookers, dryers, washing machines, dishwashers, room air-conditioners and microwave ovens, as well as floor-care products. Professional products comprise food-service equipment for hotels, restaurants and institutions, as well as laundry equipment for apartment-house laundry rooms, launderettes, hotels and other professional users.

In 2005, appliances accounted for 86% (85) of sales, professional products for 7% (7) and floor-care products for 7% (8).

Market position

Electrolux has leading market positions in core appliances and floor-care products equipment in both Europe and North America. The Group is the leading producer of major appliances in Australia, and has substantial market shares in Brazil, as well as a significant market presence in China.

The Group is one of the leaders in the global market of food-service and laundry equipment and the largest producer in Europe.

Market position

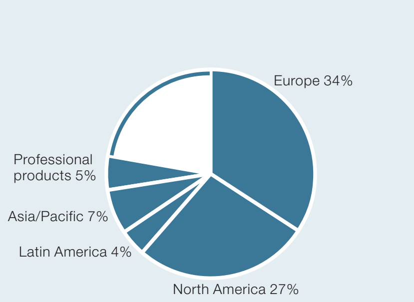
Product area	Estimated market position
	Europe (units) [1]
Core appliances	No. 1 with approx. 19% market share
Floor-care products	No. 1 with approx. 14% market share
	USA (units) [1]
Core appliances	No. 3 with approx. 23% market share
Floor-care products	No. 4 with approx. 18% market share
Food-service equipment	One of the leaders in the global market Largest producer in Europe
Laundry equipment	One of the leaders in the global market Largest producer in Europe

1) Including private label.

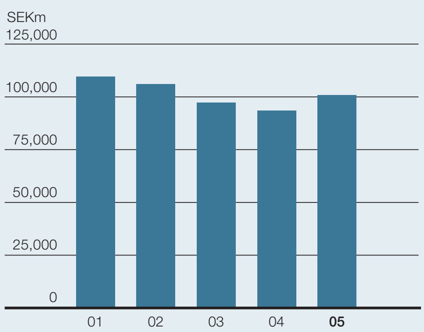
Continued efforts to build the Electrolux brand

The Group continued to implement its strategy for building the Electrolux brand, including double-branding and endorsing strong local brands with Electrolux. This was extended to include AEG, Voss and Husqvarna, so that the double-branding has now been implemented for all applicable brands in all regions.

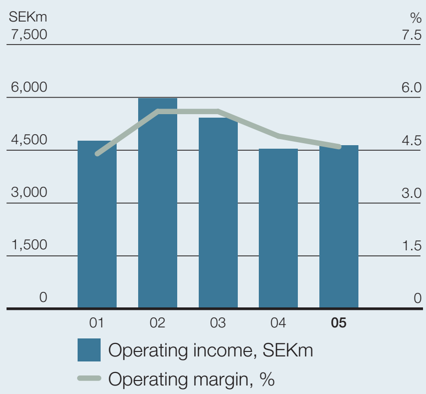
Share of total Group sales 78%



Net sales



Operating income and margin



During the year, the Group continued to work on improving the product mix, by discontinuing production of less profitable products and by launching new products primarily in the higher price segments. New product launches included the new Electrolux ICON Professional appliances series in the US, the M2 Insight cooker in Europe, the TwinClean vacuum cleaner in several regions and the cooker Revolux in Brazil.

Early in 2006, a new communications platform for Electrolux was introduced in order to intensify the focus on consumer insight-based innovation and product development. It defines Electrolux as the Thoughtful Design Innovator and introduces the communications platform “Electrolux – Thinking of you”.

Operations in Europe

Key data [1)]

Consumer Durables, Europe SEKm	2005	2004
Net sales	43,755	42,703
Operating income	2,602	3,130
Operating margin, %	5.9	7.3
Net assets	6,062	6,165
Return on net assets, %	39.0	46.0
Capital expenditure	1,872	1,561
Average number of employees	25,250	26,146

1) Excluding items affecting comparability.

Major appliances

Total industry shipments of core appliances in Europe in 2005 increased in volume by 1.4% over 2004. Shipments in Western Europe were in line with the previous year, while Eastern Europe showed an increase of 5.9%. A total of 75.0 (74.0) million units (excluding microwave owens) were estimated to have been shipped in the European market during 2005, of which 56.8 (56.4) million units were in Western Europe.

Group sales of major appliances in Europe in 2005 increased somewhat over the previous year as a result of higher sales volumes in Eastern Europe and an improved product mix. Sales in Western Europe declined due to lower demand and downward pressure on prices in several markets. The private-label market in Germany was weak in 2005. Operating income and margin decreased, partly as a result of higher costs for materials.

In the course of the year, operating margin steadily improved due to cost reductions and improved product mix.

Restructuring and relocation of production

During the year, it was decided that several plants for appliances in Europe would be either closed or downsized. Decisions were made to close the appliance plants in Fuenmayor, Spain, and Nuremberg, Germany. The plant in Fuenmayor will be closed in 2006. Production in Nuremberg is expected to be discontinued by the end of 2007. Decisions were also made to downsize production at the refrigerator plants in Florence, Italy, and Mariestad, Sweden, during 2006.

In 2005, a charge of approximately SEK 2,600m for the above measures was taken against operating income within items affecting comparability. Of this amount SEK 867m referred to write-down of assets. The restructuring measures involve personnel cutbacks of approximately 2,550 employees.

In December, it was decided that an investigation would be initiated regarding a potential closure of the compact appliances factory in Torsvik, Sweden.

During the first quarter of 2005 the cooker plant in Reims, France, was closed.

See page 26 for more information on restructuring.

Quick facts

Consumer Durables, Europe Products	Key brands	Location of major plants	Major competitors
Major appliances	Electrolux, AEG-Electrolux, Zanussi-Electrolux, REX-Electrolux	Italy, Hungary, Sweden, Germany	Bosch-Siemens, Whirlpool, Indesit
Floor-care products	Electrolux, AEG-Electrolux	Hungary	Bosch-Siemens, Miele, Hoover, Dyson

Floor-care products

Demand for floor-care products in Europe rose somewhat over the previous year, with the low-price segments growing and the high-price segments declining. Group sales for the full year declined slightly, reflecting its exposure to the decline in the high-price segments. Operating income and margin for the full year showed a considerable improvement, mainly due to restructuring.

Sales and operating income during the fourth quarter rose considerably as a result of launches of new products and an improved product mix.

Relocation of production

In the beginning of 2005, the vacuum-cleaner plant in Västervik, Sweden, was closed and production was transferred to the plant in Hungary.

Operations in North America

Key data [1)]

Consumer Durables, North America SEKm	2005	2004
Net sales	35,134	30,767
Operating income	1,444	1,116
Operating margin, %	4.1	3.6
Net assets	9,929	6,646
Return on net assets, %	16.6	14.4
Capital expenditure	1,108	1,439
Average number of employees	16,066	16,329

1) Excluding items affecting comparability.

Major appliances

Industry shipments of core appliances in the US increased in volume over the previous year by approximately 2.4%. The US market for core appliances (exclusive of microwave ovens and room air-conditioners) consists of industry shipments from domestic producers plus imports and amounted to 48.2 (47.1) million units in 2005. Shipments of major appliances, including room air-conditioners and microwave ovens, rose by approximately 3.3%.

Group sales of core appliances in North America showed a substantial increase for the year. Operating income for the full year and the fourth quarter improved considerably as a result of higher prices and volumes and an improved product mix due to a number of new products. Income was adversely affected by higher costs for materials as well as costs referring to the ongoing relocation of production to the new plant in Mexico.

New refrigerator plant in Mexico inaugurated in 2005

Production at the refrigerator plant in Greenville, USA, was gradually moved to the new plant in Juarez, Mexico. The new plant was inaugurated in July 2005 and is one of Mexico's largest industrial projects. The plant has an annual capacity of more than 1,000,000 units and will be running at full capacity in the second half of 2006. It produces large capacity side-by-side refrigerators under the Electrolux and Frigidaire brands.

Decision on a new plant for major appliances in Mexico

In February 2006, it was decided to invest in a new plant for front-load washing machines and tumble-dryers in Juarez, Mexico. The investment is estimated at approximately SEK 1,090m and the plant will employ approximately 800 people. It was also decided to downsize production at the plant in Webster City, Iowa. The downsizing refers to production of front-load washing machines and tumble-dryers that will be transferred to the new plant in Mexico. The downsizing will affect approximately 700 employees.

Quick facts

Consumer Durables, North America Products	Key brands	Location of major plants	Major competitors
Major appliances	Electrolux, Frigidaire	USA, Canada, Mexico	Whirlpool, General Electric, Maytag
Floor-care products	Electrolux, Eureka	Mexico	Hoover, Bissel, Dyson, Royal

Floor-care products

Demand for floor-care products in the US was somewhat higher than in 2004. Sales for the Group's US operation declined due to lower sales volumes. Operating income for the full year improved considerably as a result of restructuring.

During the fourth quarter, sales showed a strong increase as a result of launches of new products that improved the product mix. Operating income and margin showed strong improvement.

Operations in Latin America

Key data [1)]

Consumer Durables, Latin America SEKm	2005	2004
Net sales	5,819	4,340
Operating income	123	135
Operating margin, %	2.1	3.1
Net assets	2,305	1,764
Return on net assets, %	6.0	8.2
Capital expenditure	167	119
Average number of employees	5,023	4,933

1) Excluding items affecting comparability.

In Latin America, operating income and margin for the full year were somewhat down, mainly because of higher costs for materials.

Market demand for core appliances in Brazil was higher than in the previous year. Sales for the Group's Brazilian operation showed growth for the full year as a result of higher sales volumes and price increases. In the fourth quarter, operating income and margin increased as a result of additional price increases and an improved product mix.

Quick facts

Consumer Durables, Latin America Products	Key brands	Location of major plants	Major competitors
Major appliances	Electrolux	Brazil	Whirlpool
Floor-care products	Electrolux	Brazil	Arno, Lavorwash, Mallory

Operations in Asia/Pacific

Key data [1)]

Consumer Durables, Asia/Pacific SEKm	2005	2004
Net sales	9,276	9,139
Operating income	13	–289
Operating margin, %	0.1	–3.2
Net assets	3,616	3,330
Return on net assets, %	0.4	–10.0
Capital expenditure	328	319
Average number of employees	7,077	8,614

1) Excluding items affecting comparability.

Major appliances

Australia

The market for core appliances in Australia showed a downturn for the year. Sales for the Group's Australian operation declined somewhat for both the full year and the fourth quarter, due to lower volume. Operating income for 2005 improved considerably as a result of price increases and restructuring.

China and India

The market for core appliances in China declined in 2005. Group sales of core appliances in the Chinese market rose for the full year, but declined in local currency during the fourth quarter in comparison with 2004. Operating income for the full year showed some improvement despite higher costs for materials. In the fourth quarter, income improved substantially but remained negative.

In the course of the year, the Group has changed its business model in India and divested its Indian appliance operation, which had a positive impact on operating income for the region.

Quick facts

Consumer Durables, Asia/Pacific Products	Key brands	Location of major plants	Major competitors
Major appliances	Electrolux, Westinghouse, Simpson	Australia, China, Thailand	Fisher & Paykel, LG, Haier, Samsung, Bosch-Siemens, Kelon, Midea
Floor-care products	Electrolux, Volta, AEG-Electrolux	Hungary	Dyson, LG, National, Samsung, Haier

Divestment of the Indian operation

The Group changed its business model in India during the year and divested its Indian appliance operation, including all three production facilities to Videocon, one of India's largest industrial groups. The agreement involves a license for Videocon with the right to use the Electrolux brand in India for a period of five years, as well as the Kelvinator brand in India and selected markets for an unlimited time. Cooperation with Videocon offers the Group opportunities for continuing to strengthen the position for the Electrolux brand in the Indian market.

The agreement involved a cost of SEK 419m, which was taken as a charge against operating income in 2005 within items affecting comparability.

Operations in Professional Products

Key data [1)]

Professional Indoor Products SEKm	2005	2004
Net sales	6,686	6,440
Operating income	463	445
Operating margin, %	6.9	6.9
Net assets	1,290	1,022
Return on net assets, %	40.1	41.9
Capital expenditure	156	144
Average number of employees	3,401	3,595

1) Excluding items affecting comparability.

Food-service equipment

Demand for food-service equipment in Europe in 2005 is estimated to have increased somewhat in comparison with the previous year. Group sales and operating income improved. In the fourth quarter, sales and income showed a considerable improvement over the corresponding period in 2004, due to some large projects.

Laundry equipment

Demand for laundry equipment in 2005 is estimated to have been in line with the previous year. Group sales rose, but operating income declined for the full year, mainly due to restructuring costs. In the fourth quarter, sales and income rose in comparison with the previous year.

Relocation of production

In the course of the year, production at the plant for tumble-dryers in Tommerup, Denmark, was gradually transferred to a new plant in Thailand and a plant in Sweden. The transfer will be completed in 2006 when all production at Tommerup will be discontinued.

Quick facts

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

Outdoor Products

- **Demand for consumer products rose in Europe but declined in North America**
- **Sales growth and significant improvement in operating income for Consumer Products in Europe**
- **Downturn in operating income for Consumer Products in North America**
- **Higher demand for professional products**
- **Improved sales and operating income for Professional Products**
- **Strong sales growth in chainsaws**
- **The Board proposes distribution of Outdoor Products operation to Electrolux shareholders under the name Husqvarna**

Operations within Outdoor Products comprise garden equipment for the consumer market such as lawn mowers, tractors, trimmers, blowers and chainsaws, as well as a wide range of equipment for professional users. The professional product range includes high-performance chainsaws, clearing saws, wheeled lawn and garden equipment, as well as power cutters and diamond tools.

The Board proposes to the Annual General Meeting that the Outdoor Products operations will be distributed to the Electrolux shareholders by mid-2006. The new company, which will be called Husqvarna, will be one of the world leaders in outdoor products. For more information, see pages 22 and 41.

Market position

Consumer Outdoor Products	Market position
Garden equipment	Leading position in USA and Europe.

Professional Outdoor Products	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 less than 10%.
Power cutters and diamond tools	The Group is one of the world's largest producers of diamond tools and related equipment for the construction and stone industries.

Consumer Outdoor Products

Key data 1)

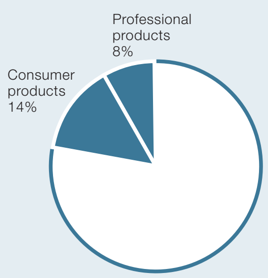
Consumer Outdoor Products SEKm	2005	2004
Net sales	18,360	17,579
Operating income	1,372	1,607
Operating margin, %	7.5	9.1
Net assets	5,719	4,646
Return on net assets, %	19.2	27.6
Capital expenditure	777	517
Average number of employees	6,054	6,041

1) Excluding items affecting comparability.

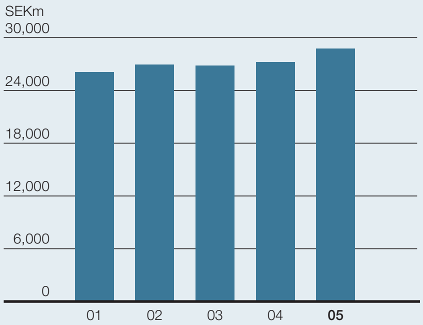
Demand for consumer outdoor products in North America in 2005 was lower than in the previous year. Group sales in dollars were unchanged. Operating income declined considerably for both the full year and the fourth quarter as a result of a less favorable product mix, higher costs for materials and reduction of inventories.

Demand for consumer outdoor products in Europe in 2005 is estimated to have shown a healthy growth. The Group's European operation showed good sales growth. Operating income rose strongly for the full year as a result of higher volumes, an improved product mix and higher sales of products imported from the Group's US operation.

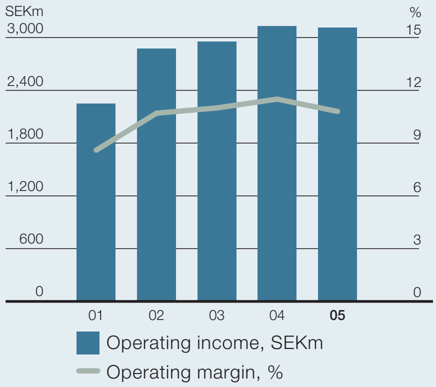
Share of total Group sales 22%



Net sales



Operating income and margin



Quick facts

Consumer Outdoor Products Products	Key brands	Location of major plants	Major competitors
Europe	Jonsered, Husqvarna, Flymo, Partner, McCulloch	Sweden, United Kingdom	GGP, Bosch, Stihl
North America	Husqvarna, Poulan, Poulan Pro, Weed Eater	USA	Toro, John Deere, MTD, Stihl

Professional Outdoor Products

Key data [1)]

Professional Outdoor Products SEKm	2005	2004
Net sales	10,408	9,623
Operating income	1,739	1,521
Operating margin, %	16.7	15.8
Net assets	4,626	3,905
Return on net assets, %	38.4	36.4
Capital expenditure	334	393
Average number of employees	5,626	5,616

1) Excluding items affecting comparability.

Group sales of commercial chainsaws showed strong growth during the year. Sales of professional garden equipment rose as compared to 2004. Sales of diamond tools and power cutters increased somewhat, mainly due to higher demand in North America.

Professional Outdoor Products as a whole showed continued growth in both sales and operating income, as a result of higher sales volumes and an improved product mix.

Quick facts

Professional Outdoor Products Products	Key brands	Location of major plants	Major competitors
Professional chainsaws	Husqvarna, Jonsered	Sweden, USA	Stihl
Lawn and garden equipment	Husqvarna, Jonsered, Bluebird, Yazoo/Kees	Sweden, USA	Stihl, Echo, John Deere, Scag, Toro
Power cutters and diamond tools	Partner Industrial Products, Dimas, Diamant Boart	USA, Sweden, Greece, Spain, Portugal	Tyrolit, Saint-Gobain, Ashai

Operations by business area [1]

SEKm	2005	Change, %	2004
Indoor Products			
Europe			
Net sales	43,755	2.5	42,703
Operating income	2,602	–16.9	3,130
Margin, %	5.9		7.3
North America			
Net sales	35,134	14.2	30,767
Operating income	1,444	29.4	1,116
Margin, %	4.1		3.6
Latin America			
Net sales	5,819	34.1	4,340
Operating income	123	–8.9	135
Margin, %	2.1		3.1
Asia/Pacific			
Net sales	9,276	1.5	9,139
Operating income	13	n/a	–289
Margin, %	0.1		–3.2
Professional Products			
Net sales	6,686	3.8	6,440
Operating income	463	4.0	445
Margin, %	6.9		6.9
Total Indoor Products			
Net sales	**100,670**	**7.8**	**93,389**
Operating income	**4,645**	**2.4**	**4,537**
Margin, %	**4.6**		**4.9**
Outdoor Products			
Consumer Products			
Net sales	18,360	4.4	17,579
Operating income	1,372	–14.6	1,607
Margin, %	7.5		9.1
Professional Products			
Net sales	10,408	8.2	9,623
Operating income	1,739	14.3	1,521
Margin, %	16.7		15.8
Total Outdoor Products			
Net sales	**28,768**	**5.8**	**27,202**
Operating income	**3,111**	**–0.5**	**3,128**
Margin, %	**10.8**		**11.5**
Other, net sales	31	–48.3	60
Common Group costs, etc.	–794	11.6	–898
Items affecting comparability	–3,020	–54.1	–1,960
Total Group			
Net sales	**129,469**	**7.3**	**120,651**
Operating income excluding items affecting comparability	**6,962**	**2.9**	**6,767**
Margin, %	**5.4**		**5.6**
Operating income	**3,942**	**–18.0**	**4,807**
Margin, %	**3.0**		**4.0**

Net sales and operating income compared to 2004 [1]

Change, %	Net sales	Net sales in comparable currency	Operating income	Operating income in comparable currency
Indoor Products				
Europe	2.5	0.1	–16.9	–19.1
North America	14.2	11.3	29.4	22.1
Latin America	34.1	14.3	–8.9	–14.1
Asia/Pacific	1.5	–2.4	n/a	n/a
Professional Products	3.8	2.2	4.0	2.7
Total Indoor Products	**7.8**	**4.3**	**2.4**	**–1.3**
Outdoor Products				
Consumer Products	4.4	2.2	–14.6	–16.4
Professional Products	8.2	5.6	14.3	12.8
Total Outdoor Products	**5.8**	**3.4**	**–0.5**	**–2.2**
Total	**7.3**	**4.1**	**2.9**	**–0.3**

1) Excluding items affecting comparability.

Distribution of funds to shareholders

Proposed distribution of Outdoor Products to shareholders

In February 2005, the Board of Directors decided that the Group's Outdoor Products operation would be spun off as a separate company and distributed in a cost-efficient way to Electrolux shareholders.

The new company, under the name of Husqvarna, will be one of the world leaders in outdoor products both for the consumer market and for professional users.

The Board proposes that the Annual General Meeting to be held on April 24, 2006, shall decide to distribute all shares in the parent company Husqvarna AB to the shareholders in Electrolux. In accordance with the Swedish tax legislation, Lex ASEA, the shares to be distributed are not subject to tax in Sweden for Electrolux or its shareholders.

It is proposed that shares in Husqvarna shall be distributed in proportion to the individual shareholders' holding in Electrolux. One A-share in Husqvarna will be received for each A-share in Electrolux, and one B-share in Husqvarna for each B-share in Electrolux. The distribution of shares is not subject to additional conditions or requirements.

It is intended that in connection with distribution, the shares in Husqvarna shall be listed on the O-list of the Stockholm Stock Exchange. The record date for the receipt of shares in Husqvarna and the listing on the Stockholm Stock Exchange is scheduled for the first half of June 2006.

A prospectus with more information regarding the distribution of shares as well as the operations in Husqvarna will be published prior to the Annual General Meeting. All shareholders will receive a brochure containing relevant information.

Pro forma financial information

The table below shows preliminary pro forma figures for Husqvarna. The figures are based on the Electrolux Group's financial accounts for 2005, and the assumption that all subsidiaries and units related to the Outdoor Products operation were transferred to Husqvarna as of December 31, 2005, and that Husqvarna has been capitalized with SEK 4.7 billion in equity and SEK 5.3 billion in net debt. The preliminary pro forma figures include estimated Group common costs of SEK 200m.

Husqvarna, preliminary pro forma [1)]

SEKbn	2005
Sales	28.8
EBITDA [2)]	**3.7**
EBIT [2)]	**2.9**
Margin, %	10.1
Total assets	**18.1**
Net assets	**10.0**
Equity	4.7
Net borrowings	5.3
Equity/assets ratio, %	27.5
Net debt/equity	1.12

1) Preliminary figures that may be subject to change.
2) Including estimated Group common costs of SEK 200m.

Proposed dividend

The Board of Directors proposes an increase of the dividend for 2005 to SEK 7.50 (7.00) per share, for a total dividend payment of SEK 2,201m (2,038). The proposed cash dividend corresponds to 48% (47) of income for the period, excluding items affecting comparability.

The Group's goal is for the dividend to correspond to at least 30% of income for the period, excluding items affecting comparability.

For more information on dividend payment, see page 84.

Proposed renewed mandate for repurchase of shares

The Annual General Meeting in 2005 authorized the Board of Directors to acquire and transfer own shares during the period up to the next Annual General Meeting in April 2006. 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 6, 2006, the Group owned a total of 15,411,559 B-shares, corresponding to 4.99% of the total number of outstanding shares, which amounts to 308,920,308.

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 2007. The details of the proposal will be communicated after they have been determined by the Board.

Repurchase of own shares 2003–2005

	2005	2004	2003
Number of shares bought back	—	750,000	11,331,828
Total amount paid, SEKm	—	114	1,688
Price per share, SEK	—	152	149
Number of shares held by Electrolux at year-end	15,821,239	17,739,400	17,000,000 [1]
% of outstanding shares	5.1	5.7	5.2

1) After cancellation of shares.

In 2005, Electrolux did not repurchase any shares. In the course of the year, senior managers purchased 1,785,161 B-shares from Electrolux under the terms of the employee stock option programs for a total of SEK 306m, corresponding to an average price of SEK 171.40 per share. In addition, 133,000 B-shares were sold by Electrolux in 2005 in order to cover the costs of employer contributions for the stock option programs.

Number of shares

	Outstanding A-shares	Outstanding B-shares	Shares held by Electrolux	Shares held by other shareholders
Number of shares as of January 1, 2005	**9,502,275**	**299,418,033**	**17,739,400**	**291,180,908**
Shares sold under the terms of the employee stock option programs	—	—	–1,918,161	1,918,161
Total number of shares as of December 31, 2005	**9,502,275**	**299,418,033**	**15,821,239**	**293,099,069**
Shares sold under the terms of the employee stock option programs January 1–February 6, 2006	—	—	–409.680	409,680
Total number of shares as of February 6, 2006	**9,502,275**	**299,418,033**	**15,411,559**	**293,508,749**

Other facts

Long-term incentive programs

Over the years, Electrolux has implemented several long-term incentive programs for senior managers. These programs are intended to attract, retain and motivate managers by providing long-term incentives through benefits linked to the Electrolux share price. They have been designed to align management incentives with shareholder interests.

For a detailed description of all programs and related costs, see Note 22 on page 68 and Note 27 on page 73.

Performance-based share program

In 2004, the Group introduced an annual long-term incentive program for approximately 200 senior managers and key employees. The program is a performance-related share program based on value-creation targets for the Group that are established by the Board, and involves an allocation of shares if these targets have been reached or exceeded after a three-year period. The program comprises B-shares.

Allocation of shares under the program is determined on the basis of three levels of value creation, calculated according to the Group's previously adopted definition of this concept. The three levels are "entry", "target" and "stretch". "Entry" is the minimum level that must be reached to enable allocation. "Stretch" is the maximum level for allocation and may not be exceeded regardless of the value created during the period. The shares will be allocated after the three-year period and will be free of charge. Shares must be held for two years, but participants are permitted to sell allocated shares to cover personal income tax.

At the Annual General Meeting in 2005, it was decided on a performance-related share program for 2005 based on the same parameters as the 2004 Share Program.

Proposal for performance-based share programs in 2006

The Board of Directors will present a proposal at the Annual General Meeting for two performance-based share programs in 2006, one for the Indoor operation and one for the Outdoor operation. Corresponding to the Share Program described above.

The estimated total value of the two programs over a three-year period at "target level" amounts to approximately SEK 120m, which is at the same level as for the 2005 Share Program. More details will be included in the information for the Annual General Meeting 2006.

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, 2005, the Group had a total of 1,082 (842) cases pending, representing approximately 8,400 (approximately 16,200) plaintiffs. During 2005, 802 new cases with approximately 850 plaintiffs were filed and 562 pending cases with approximately 8,600 plaintiffs were resolved. Approximately 7,100 of the plaintiffs relate 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 on results of operations in the future.

De-listing from NASDAQ

On March 31, 2005, the Group's ADRs, (ELUX) were delisted from the NASDAQ Stock Market in the US. The ADR program and trading in these receipts has been transferred to the US over-the-counter market. The Group will continue to submit an annual report on Form 20-F and quarterly reports on Form 6-K to the American Securities and Exchange Commission (SEC). In addition to the Stockholm Stock Exchange, Electrolux shares are listed on the London Stock Exchange.

Implementation of the WEEE Directive

In 2002, the European Union adopted the WEEE (Waste Electrical and Electronic Equipment) Directive, which stipulates that as of August 2005, producers are responsible for the management and financing of treatment, recycling and disposal of waste electrical and electronic products that are deposited at collection facilities. The collection of electrical and electronic equipment from households is the responsibility of local authorities.

Regulations regarding WEEE were already in force in Sweden, Norway, Belgium, the Netherlands and Switzerland before the Directive was introduced. By 2004, WEEE-related national legislation was published in Greece and Cyprus. By 2005, with the exception of Malta and the UK, the remaining EU countries followed, though some countries only partially adopted the Directive. Both Malta and the UK are expected to transpose the Directive into national legislation in 2006.

Historical and future waste

Costs for producer responsibility refer to products sold before August 2005, i.e., historical waste, as well as products sold after August 2005, i.e., future waste.

For historical waste, manufacturers and importers are collectively responsible for treatment, recycling, and disposal in proportion to their present market share. This is known as collective producer responsibility.

For future waste, the Directive stipulates that manufacturers and importers must each finance treatment, recycling and disposal of their own products, which is known as individual producer responsibility. Financial guarantees must be provided to ensure that sufficient funds are available even if a producer or importer should withdraw from the market. In some countries, membership in a collective organization for financing of recycling is regarded as a sufficient guarantee. For household appliances these costs are normally payable 12 to 15 years after actual sale, according to studies by the European Commission.

Cost of compliance
Approximately 16 million Electrolux products sold every year are covered by the WEEE Directive. These products include large and small household appliances as well as floor-care equipment.

Electrolux incurs costs for managing and recycling historical waste, and makes provisions for future waste. The extent of the cost depends on a number of factors, including:

- Collection cost per unit for each country
- Collection rates for each country
- Recycling and treatment costs, including market price of scrap metal
- Disposal costs for non-recyclable materials and components of equipment
- Administration costs

At present, these factors cannot be accurately quantified. Electrolux expects that the future cost for recycling, including transportation from collection centers, will decline over time.

The following assumptions have been made in order to provide preliminary estimates of annual costs for Electrolux, despite uncertainty regarding the following- basic factors:

- The producers' responsibility for management of waste starts at collection facilities.
- Collection rates for each EU Member State. However, these rates are hard to predict.
- Projected fees for recycling, including transportation from collection facilities. These are based on internal estimates derived from information supplied by waste management companies.

On the basis of these assumptions, the estimated annual cost of historical waste for Electrolux when the WEEE Directive is fully implemented will be approximately SEK 600m. The Directive does not require producers to provide financial guarantees for historical waste. No provisions related to recycling of historical waste are made in the Group's balance sheet.

Electrolux makes provisions for the anticipated cost of future waste on the basis of estimates of future recycling costs, discounted over anticipated product life-cycles.

Using the same assumptions as for historical waste, and assuming an average lifetime that varies between 10 and 14 years for different products, as well as a discount rate corresponding to the prevailing market interest rate, the estimated annual cost for future waste is approximately SEK 600m, in addition to the cost of historical waste.

The above cost estimates remain highly uncertain and may vary considerably. Participation in the European Recycling Platform provides the Group with access to an efficient recycling system that is expected to reduce these costs over time. Product development that enables more efficient recycling will also contribute to cost reductions.

Compensation for WEEE-related costs
Electrolux intends to achieve full compensation for costs incurred under the WEEE Directive. Costs related to recycling of both historical and future waste will be added to the price of products.

The Directive allows producers to show the recycling cost for historical waste separately as a visible fee. It is expected that this will improve the potential for off-setting the cost.

Experience of the 2001 introduction of a similar requirement for producer responsibility in Sweden shows that it had no effect on overall demand or the profitability of Electrolux products. Consumers did not forego purchases in response to the price increases due to the introduction of producer responsibility for recycling. However, it is still too early to determine whether consumer behavior and purchasing patterns across the EU Member States after implementation of the Directive will resemble those in Sweden.

Implementation of the ROHS Directive

The European Union Directive on the Restriction of the use of certain Hazardous Substances in electrical and electronic equipment, known as the RoHS Directive, has been implemented in national legislation of the EU Member States. As of July 1, 2006, the Directive will ban placement in the EU market of electrical or electronic equipment containing lead, mercury, cadmium, hexavalent chromium and two groups of brominated flame retardants (PBB and PBDE), with a limited number of exceptions.

Electrolux continues the comprehensive program of identifying cost-effective alternative components and manufacturing methods to comply with the Directive. Almost all Electrolux electrical products are being modified to some extent. RoHS substances may be present in printed circuit boards, solders, plastics, connectors and cables. Together with its suppliers, the Group is in the process of phasing out RoHS substances from all these components and materials.

Environmental activities

Electrolux operates 90 manufacturing facilities in 24 countries. Manufacturing operations mainly comprise assembly of components made by suppliers. Other processes include metalworking, molding of plastics, painting, enameling and to some extent 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 environmental 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 13 plants in Sweden. Permits are required by Swedish authorities for eight of these plants, which account for approximately 12% of the total value of the Group's production. Seven plants are required to submit notification. The permits cover, e.g., thresholds or maximum permissible values for air and waterborne emissions and noise. No significant non-compliance with Swedish environmental legislation was reported in 2005.

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 with reference to both 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 Group policy. These routines did not disclose any significant items during the year.

Electrolux products are affected by legislation in various markets, principally involving limits for energy consumption (white goods) and emissions (gasoline-powered outdoor products). Electrolux continuously monitors changes in legislation, and both product development and manufacturing are adjusted well in advance to reflect these changes.

Employees

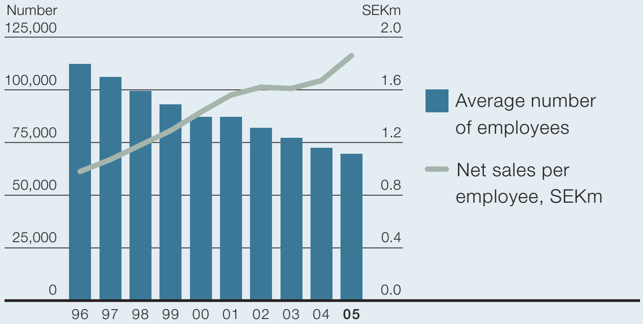
The average number of employees in 2005 was 69,523 (72,382), of whom 5,907 (6,549) were in Sweden. At year-end, the total number of employees was 71,557 (74,098).

Change in average number of employees	
Average number of employees in 2004	**72,382**
Number of employees in divested operations	–786
Restructuring programs	–2,480
Other changes	407
Average number of employees in 2005	**69,523**

Salaries and remuneration in 2005 amounted to SEK 17,033m (17,014), of which SEK 1,877m (2,028) refers to Sweden.

See also Note 22 on page 68.

Employees



The average number of employees decreased to 69,523 in 2005, mainly as a result of divestments and structural changes.

Parent Company

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

Net sales for the Parent Company in 2005 amounted to SEK 6,392m (6,802), of which SEK 3,558m (3,949) referred to sales to Group companies and SEK 2,834m (2,853) to external customers. After appropriations of SEK 12m (–6) and taxes of SEK 303m (434), income for the period amounted to SEK 1,997m (2,192).

Undistributed earnings in the Parent Company at year-end amounted to SEK 14,495m.

Net financial exchange-rate differences during the year amounted to SEK –546m (–35), of which SEK –62m (51) comprised realized exchange-rate losses on loans intended as hedges for foreign net investments, while SEK –461m (–152) comprised realized exchange-rate losses on derivative contracts for the same purpose.

These differences in Group income do not normally generate any effect, as exchange-rate differences are offset against translation differences, i.e., the change in equity arising from the translation of net assets in foreign subsidiaries at year-end rates.

Group contributions in 2005 amounted to SEK 1,590m (1,231). Group contributions net of taxes amounted to SEK 1,145m (886) and are reported in retained earnings. See change in equity on the next page.

For information on employees, salaries and remuneration, see Note 22 on page 68.
For information on shareholdings, net and participations, see Note 29 on page 76.

Income statement

SEKm	Note	2005	2004
Net sales		6,392	6,802
Cost of goods sold		–5,692	–6,116
Gross operating income		**700**	**686**
Selling expenses		–627	–660
Administrative expenses		–790	–763
Other operating income	Note 5	2,190	60
Other operating expenses	Note 6	–945	–897
Operating income		**528**	**–1,574**
Financial income	Note 9	2,783	4,428
Financial expenses	Note 9	–1,629	–1,090
Income after financial items		**1,682**	**1,764**
Appropriations	Note 21	12	–6
Income before taxes		**1,694**	**1,758**
Taxes	Note 10	303	434
Income for the period		**1,997**	**2,192**

Balance sheet

SEKm	Note	Dec. 31, 2005	Dec. 31, 2004
Assets			
Fixed assets			
Intangible assets	Note 11	640	706
Tangible assets	Note 12	478	473
Financial assets	Note 13	25,758	28,223
Deferred tax assets		—	120
Total fixed assets		**26,876**	**29,522**
Current assets			
Inventories, etc.	Note 14	389	462
Current receivables		—	—
Receivables from subsidiaries		10,958	4,238
Accounts receivables		345	363
Tax-refund claim		66	66
Other receivables		26	115
Prepaid expenses and accrued income		83	99
		11,478	**4,881**
Liquid funds			
Short-term investments		807	3,171
Cash and cash equivalents		1,715	1,535
Total liquid funds		**2,522**	**4,706**
Total current assets		**14,389**	**10,049**
Total assets		**41,265**	**39,571**
Assets pledged	Note 19	**5**	**5**
Equity and liabilities			
Equity			
Share capital	Note 20	1,545	1,545
Statutory reserve		3,017	3,017
Retained earnings		12,498	10,970
Income for the period		1,997	2,192
Total equity		**19,057**	**17,724**
Untaxed reserves	Note 21	**756**	**768**
Provisions			
Provisions for pensions and similar commitments	Note 22	292	269
Other provisions	Note 23	245	248
Total provisions		**537**	**517**
Financial liabilities			
Payable to subsidiaries		12,936	10,934
Bond loans		4,001	2,829
Mortgages, promissory notes, etc.		370	518
Short-term loans		1,663	4,291
Total financial liabilities		**18,970**	**18,572**
Operating liabilities			
Payable to subsidiaries		530	544
Accounts payable		447	451
Other liabilities		70	71
Accrued expenses and prepaid income	Note 24	898	924
Total operating liabilities		**1,945**	**1,990**
Total equity and liabilities		**41,265**	**39,571**
Contingent liabilities	Note 25	**1,308**	**1,396**

Change in equity

SEKm	Share capital	Restricted reserves	Retained earnings	Total
Opening balance, January 1, 2004	**1,621**	**2,941**	**15,225**	**19,787**
Net income	—	—	2,192	2,192
Dividend payment	—	—	–1,993	–1,993
Repurchase of shares, net	—	—	–112	–112
Cancellation of A- and B-shares and reduction of share capital	–76	76	—	—
Redemption of A- and B-shares	—	—	–3,042	–3,042
Group contributions	—	—	886	886
Share-based payments			12	12
Write-down of revaluation fund	—	—	–6	–6
Closing balance, December 31, 2004	**1,545**	**3,017**	**13,162**	**17,724**
Restatement IAS 39			–148	–148
Restated opening balance, January 1, 2005	1,545	3,017	13,014	17,576
Income for the period	—	—	1,997	1,997
Dividend payment	—	—	–2,038	–2,038
Own shares sold	—	—	332	332
Group contribution	—	—	1,145	1,145
Share based payments	—	—	21	21
Revaluation of external shares	—	—	24	24
Closing balance, December 31, 2005	**1,545**	**3,017**	**14,495**	**19,057**

Cash-flow statement

SEKm	2005	2004
Operations		
Income after financial items	1,682	1,764
Depreciation according to plan charged against above income	140	166
Capital gain/loss included in operating income	–1,320	758
	502	**2,688**
Taxes paid	17	–15
Cash flow from operations, excluding change in operating assets and liabilities	**519**	**2,673**
Change in operating assets and liabilities		
Change in inventories	73	–53
Change in accounts receivable	18	25
Change in current intra-Group balances	–5,150	1,252
Change in other current assets	105	116
Change in current liabilities and provisions	–10	–151
Cash flow from operations	**–4,445**	**3,862**
Investments		
Change in shares and participations	–109	–1,526
Machinery, buildings, land, construction in progress, etc.	–158	–289
Divestment of brands	1,416	—
Other	2,420	1,413
Cash flow from investments	**3,569**	**–402**
Cash flow from operations and investments	**–876**	**3,460**
Financing		
Change in short-term loans	–2,628	2,492
Change in long-term loans	3,026	–4,866
Dividend	–2,038	–1,993
Redemption and repurchase of shares	332	–3,154
Cash flow from financing	**–1,308**	**–7,521**
Total cash flow	–2,184	–4,061
Liquid funds at beginning of year	4,706	8,767
Liquid funds at year-end	2,522	4,706
Change in net borrowings		
Total cash flow, excluding change in loans	**–2,582**	**–1,687**
Net borrowings at beginning of year	**–13,866**	**–12,179**
Net borrowings at year-end	**–16,448**	**–13,866**

Notes to the financial statements

Amounts in SEKm, unless otherwise stated

Contents

Note 1 Accounting and valuation principles

Basis of preparation

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. Some additional information is disclosed based on the standard RR 30 from the Swedish Financial Accounting Standards Council. As required by IAS 1, Electrolux companies apply uniform accounting rules, irrespective of national legislation, as defined in the Electrolux Accounting Manual, which is fully compliant with IFRS. The policies set out below have been consistently applied to all years presented except for those relating to the classification and measurement of financial instruments. The Group has made use of the exemption available under IFRS 1 to only apply IAS 32 and IAS 39 from January 1, 2005. The policies applied to financial instruments for 2004 and 2005 are disclosed separately below.

The Parent Company's financial statements are prepared in accordance with the Swedish Annual Accounts Act and the standard RR 32 from the Swedish Financial Accounting Standards Council.

Principles applied for consolidation

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group, whereby the assets and liabilities in a subsidiary on the date of acquisition are recognized and measured to determine the acquisition value to the Group.

If the cost of the business combination exceeds the fair value of the identifiable assets, liabilities and contingent liabilities, the difference is recognized as goodwill. If the fair value of the acquired net assets exceeds the cost of the business combination, the acquirer must reassess the identification and measurement of the acquired assets. Any excess remaining after that reassessment must be recognized immediately in profit or loss. 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, balances and unrealized intra-group profits
- depreciation and amortization of acquired surplus values.

Definition of Group companies

The consolidated financial statements include AB Electrolux and all companies in which the Parent Company has the power to govern the financial and operating policies, generally accompanying a shareholding of more than 50% of the voting rights referring to all shares and participations.

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 when Electrolux gains control.
- Companies divested during the year have been included in the consolidated income statement up to and including the date when Electrolux loses control.

At year-end 2005, the Group comprised 355 (358) operating units, and 281 (276) companies.

Associated companies

Associates are all companies over which the Group has significant influence but not control, generally accompanying a shareholding of

Note 1 continued

between 20% and 50% of the voting rights. Investments in associated companies have been reported according to the equity method. This means that the Group's share of income after taxes in an associated company is reported as part of the Group's operating income. Investments in such a company are reported initially at cost, increased, or decreased to recognize the Group's share of the profit or loss of the associated company after the date of acquisition. When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate. Gains or losses on transactions with associated companies, if any, have been recognized to the extent of unrelated investors' interests in the associate.

Related party transactions

All transactions with related parties are carried out on an arms-length basis.

Foreign currency translations

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions.

The consolidated financial statements are presented in SEK, which is the Parent Company's functional and presentation currency.

The balance sheets of foreign subsidiaries have been translated into Swedish krona 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 and whose functional currency is other than the local currency have been remeasured into their functional currency and the exchange-rate differences arising from that remeasurement have been charged to income. When the functional currency is the local currency, the financial statements have been restated in accordance with IAS 29.

When a foreign operation is sold, exchange differences that were recorded in equity are recognized in the income statement as part of the gain or loss on sales.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

From January 1, 2005, the Group 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, to the extent to which there are corresponding translation differences.

Segment reporting

The Group's primary segments (business areas) basically follow the internal management of the Group, which are the basis for identifying the predominant source and nature of risks and differing rates of return facing the entity, and are based on the different business models for end-customers, indoor and outdoor users. The secondary segments are based on the Group's consolidated sales per geographical market.

The segments are responsible for the operating result and the net assets used in their businesses, whereas finance net and taxes as well as net borrowings and equity are not reported per segment. The operating results and net assets of the segments are consolidated using the same principles as for the total Group. The segments consist of separate legal units as well as divisions in multi-segment legal units where some allocations of costs and net assets are made. Operating costs not included in the segments are shown under Group common costs and include mainly costs for corporate functions.

Sales between segments are made on market conditions with arms-length principles.

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 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, such as installation or repair of products, has been performed.

Government grants

Government grants relate to financial grants from governments, public authorities, and similar local, national, or international bodies. These are recognized when there is a reasonable assurance that the Group will comply with the conditions attaching to them, and that the grants will be received. Government grants related to assets are included in the balance sheet as deferred income and recognized as income over the useful life of the assets. In 2005, Government grants recognized in the balance sheet amounted to SEK 40m (43). Government grants that relate to expenses are recognized in the income statement as a deduction of the related expense. In 2005, these grants amounted to SEK 16m (36).

Items-affecting comparability

This item includes events and transactions with significant effects, which are relevant for understanding the financial performance when comparing income for the current period with previous periods, including:

- Capital gains and losses from divestments of product groups or major units
- Closedown 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 (which is sometimes known as the balance sheet 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

Amounts in SEKm, unless otherwise stated

Note 1 continued

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 to the extent it is probable that they will be utilized in future periods. Deferred tax assets and deferred tax liabilities are shown net when they refer to the same taxation authority and when a company or a group of companies, through tax consolidation schemes, etc., have a legally enforceable right to set off tax assets against tax liabilities.

A comparison of the Group's theoretical and actual tax rates and other disclosures are provided in Note 10 on page 60.

Monetary assets and liabilities in foreign currency

Monetary assets and liabilities denominated in foreign currency are valued at year-end exchange rates and the exchange-rate differences are included in the income statement, except when deferred in equity for the effective part of qualifying net-investment hedges.

Intangible fixed assets

Goodwill

Goodwill is reported as an indefinite life intangible asset at cost less accumulated impairment losses.

The value of goodwill is continuously monitored, and is tested for yearly impairment or more often if there is indication that the asset might be impaired. Goodwill is allocated to the cash generating units that are expected to benefit from the combination.

Trademarks

Trademarks are shown at historical cost. The useful life of the right to use the Electrolux brand in North America, acquired in May 2000, is regarded as an indefinite life intangible asset and is not amortized but tested for impairment annually and whenever there is an indication that the intangible asset may be impaired. One of the Group's key strategies is to develop Electrolux into the leading global brand within the Group's product categories. This acquisition has given Electrolux the right to use the Electrolux brand worldwide. All other trademarks are amortized over their useful lives, estimated to 10 years.

Product development expenses

Electrolux capitalizes certain development expenses for new products provided that the level of certainty of their future economic benefits and useful life is high. The intangible asset is only recognized if the product is sellable on existing markets and that resources exist to complete the development. Only expenditures, which are directly attributable to the new product's development, are recognized. Capitalized development costs are amortized over their useful lives, between 3 to 5 years. The assets are tested for impairment annually and whenever there is an indication that the intangible asset may be impaired.

Computer software

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over useful lives, between 3 to 5 years. Computer software is tested for impairment annually and whenever there is an indication that the intangible asset may be impaired.

Property, plant and equipment

Property, plant, and equipment are stated at historical cost less accumulated depreciation, adjusted for any impairment charges. Historical cost includes expenditures that are directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and are of material value. All other repairs and maintenance are charged to the income statement during the period in which they are incurred. Land is not depreciated as it is considered to have an endless useful period, but otherwise depreciation is based on the following estimated useful lives:

Buildings and land improvements	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 21 on page 67.

Impairment of long-lived assets

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. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. 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 fair value less cost to sell and value in use. The discount rates used reflect the cost of capital and other financial parameters in the country or region where the asset is in use. For the purposes of assessing impairment, assets are grouped in cash-generating units, which are the smallest identifiable groups of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Classification of financial assets

New accounting principles are adopted as from January 1, 2005. Previous accounting principles are described in New accounting principles as from 2005, page 53.

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss; loans and receivables; held-to-maturity investments; and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorized as held for trading, presented under derivatives in the balance sheet, unless they are designated as hedges. Assets in this category are classified as current assets if they either are held for trading or are expected to be realized within 12 months of the balance sheet date.

Note 1 continued

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are included in trade and other receivables in the balance sheet.

Held-to-maturity investments
Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that management has the positive intention and ability to hold to maturity. During the year, the Group did not hold any investments in this category.

Available-for-sale financial assets
Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets as financial assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Regular purchases and sales of investments (financial assets) are recognized on trade-date, the date on which the Group commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Investments are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortized cost using the effective interest method. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets at fair value through profit or loss category are included in the income statement in the period in which they arise and reported as operating result. Unrealized gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognized in equity. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains and losses from investment securities and reported as operating result.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active, the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash-flow analysis, and option-pricing models refined to reflect the issuer's specific circumstances.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss is removed from equity and recognized in the income statement. Impairment losses recognized in the income statement are not reversed through the income statement.

Leasing

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. Title may or may not eventually be transferred. An operating lease is a lease other than a finance lease. Assets under financial leases in which the Group is a lessee 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. The Group's activities as a lessor are not significant.

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. Most leasing agreements in the Group are operational leases and the costs recognized directly in the income statement in the corresponding period. 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.

The leased assets are depreciated over its useful lifetime. If there is no reasonable certainty that the lessee will obtain ownership by the end of the lease term, the assets are fully depreciated over the shorter of the lease term and its useful life.

Inventories

Inventories and work in progress are valued at the lower of acquisition cost and net realizable value. Net realizable value is defined as the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale at market value. The cost of inventories is assigned by using the weighted average cost formula. Appropriate provisions have been made for obsolescence.

Trade receivables

The accounting policy for the year ended December 31, 2004, was the same under Swedish GAAP.

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The change in amount of the provision is recognized in the income statement.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, bank deposits and other short-term highly liquid investments with a 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. The amount recognized, as a provision is the best estimate of the expenditure required to settle the present obligation at the balance sheet date. Where the effect of time value of money is material, the amount recognized is the present value of the estimated expenditures.

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.

Amounts in SEKm, unless otherwise stated

Note 1 continued

Restructuring provisions are recognized when the Group has adopted a detailed formal plan for the restructuring and has, either started the plan implementation, or communicated its main features to those affected by the restructuring.

Pensions and other post-employment benefits

Pensions and other post-employment benefit plans are classified as either defined contribution or defined benefit plans.

Under a defined contribution plan, the company pays fixed contributions into a separate entity and will have no legal obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits. Contributions are expensed when they are due.

All other pensions and other post-employment benefit plans are defined benefit plans. The Projected Unit Credit Method is used to measure the present value of its obligations and costs. The calculations are made annually using actuarial assumptions determined close at the balance sheet date. Changes in the present value of obligations due to revised actuarial assumptions are treated as actuarial gains or losses and are amortized over the employees' expected average remaining working lifetime in accordance with the corridor approach. Differences between expected and actual return on plan assets are treated as actuarial gains or losses.

Net provisions for post-employment benefits in the balance sheet represent the present value of the Group's obligations at year-end less market value of plan assets, unrecognized actuarial gains and losses and unrecognized past-service costs.

Borrowings

The accounting policy for the year ended December 31, 2004, was the same under Swedish GAAP. Borrowings are initially recognized at fair value net of transaction costs incurred. After initial recognition, borrowings are valued at amortized cost using the effective interest method.

Accounting for derivative financial instruments and hedging activities

New accounting principles are adopted as from January 1, 2005. Previous accounting principles are described in New accounting principles as from 2005, see page 53.

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either: hedges of the fair value of recognized assets or liabilities or a firm commitment (fair-value hedges); hedges of highly probable forecast transactions (cash-flow hedges); or hedges of net investments in foreign operations.

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk-management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative instruments used for hedging purposes are disclosed in Note 17 on page 63. Movements on the hedging reserve in shareholder's equity are shown in the consolidated statement of changes in equity.

Fair-value hedge

Changes in the fair value of derivatives that are designated and qualify as fair-value hedges are recorded as financial items in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used, is amortized to profit or loss over the period of maturity.

Cash-flow hedge

The effective portion of change in the fair value of derivatives that are designated and qualify as cash-flow hedges are recognized in equity. The gain or loss relating to the ineffective portion is recognized immediately in the income statement as financial items.

Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item will affect profit or loss (for instance when the forecast sale that is hedged takes place). However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory) or a liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

Net-investment hedge

Hedges of net investments in foreign operations are accounted for similarly to cash-flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognized in equity; the gain or loss relating to the ineffective portion is recognized immediately in the income statement as financial items.

Gains and losses accumulated in equity are included in the income statement when the foreign operation is disposed of, or when a partial disposal occurs.

Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognized immediately in the income statement as financial items.

Share-based compensation

IFRS 2 is applied for share-based compensation programs granted after November 7, 2002, and that had not vested on January 1, 2005. The instruments granted are either share options or shares, depending on the program. An estimated cost for the granted instruments, based on the instruments' fair value at grant date, and the number of instruments expected to vest is charged to the income statement over the vesting period. The fair value of share options is calculated using a valuation technique, which is consistent with generally accepted valuation methodologies for pricing financial instruments and takes into consideration factors that knowledgeable, willing market participants would consider in setting the price. The fair value of shares is the market value at grant date, adjusted for the discounted value of future dividends. For Electrolux, the share-based compensation programs are classified as equity-settled transactions, which mean that the cost of the granted instrument's fair value at grant date is recognized over the vesting period (3 years).

In addition, the Group provides for employer contributions expected to be paid in connection with the share-based compensation programs. The costs are charged to the income statement over

Note 1 continued

the vesting period. The provision is periodically revalued based on the fair value of the instruments at each closing date. For details of the share-based compensation programs, please refer to Note 22 on page 68.

Cash flow

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

New accounting principles as from 2005

Financial instruments

On January 1, 2005, the Group implemented the new accounting standard IAS 32, Financial Instruments: Disclosure and Presentation as endorsed by the EU. The introduction did not result in any reconciling items. On January 1, 2005, the Group implemented the new accounting standard IAS 39, Financial Instruments Recognition and Measurement as endorsed by the EU. The opening retained earnings at January 1, 2005, were adjusted and no restatement of comparative figures for 2004 has been made. No calculation of possible effects of IAS 39 on the 2004 financial statements has been made. If IAS 39 had been applied in 2004, the volatility in income, net borrowings, and equity would most probably have been higher. The main adjustments required to arrive at restatement of the comparative figures should have been the following:

- Derivatives recognized at fair value instead of at the lower of cost or market.
- Financial assets held for trading recognized at fair value instead of at the lowest of cost or market.
- Financial liabilities which are hedged recognized at fair value instead of at amortized cost.

Under IAS 39, all financial assets and liabilities including ordinary and embedded derivatives are recognized in the balance sheet. Financial instruments are classified in the following categories:

- Financial assets at fair value through profit or loss
- Loans and receivables
- Held-to-maturity investments
- Available-for-sale financial assets
- Other liabilities

Based on the classification of the financial instruments, different valuation rules apply. The valuation principles to be applied for the different categories of financial instruments are described in detail above.

Financial assets are classified as current assets if they are held for trading or expected to be realized within 12 months of the balance sheet date.

Derivatives and hedge accounting

The standard stipulates that all financial derivative instruments shall be classified as assets or liabilities at fair value through profit or loss and be recognized at fair value in the balance sheet. Changes in the fair value of derivative instruments shall be recognized in the income statement unless hedge accounting is applied, The standard allows for hedge accounting only if certain criteria are met, e.g., documentation, linking with exposure and effectiveness testing. In connection with cash flow and hedging of net-investment hedge accounting, changes in the fair value of the effective portion of derivative instruments are reported in equity until the hedged item is recognized in the income statement.

The standard defines three types of hedging relationships:

- Fair-value hedge, a hedge entered into to mitigate changes in an asset's or liabilities fair value.
- Cash-flow hedge, a hedge entered into to mitigate the risk of variability in the cash flows of a recognized asset or liability, or a highly probable forecast.
- Net-investment hedge, a hedge entered into to mitigate the changes in fair value from foreign-exchange volatility of the value of the net investment in a foreign entity.

Previously, fair value accounting of derivative instruments was not permitted and there was limited guidance on hedge accounting. Consequently, under previous rules the company deferred unrealized fair value gains and losses on its derivative instruments during the period of the hedge and recognized the effect at the time that the hedged transaction occurred. However, derivative instruments not held for hedging purposes were recognized at the lower of cost or market.

On January 1, 2005, the Group recorded the fair value of all derivatives on the balance sheet with the net value affecting equity, SEK 445m was recorded as derivatives in current assets and SEK 447m was recorded as derivatives in financial liability. The net effect on equity was SEK –2m. The implementation of IAS 39 will introduce higher volatility in income, net borrowings and of the Group's equity. This volatility cannot be predicted with certainty, but it is the target for the Group to achieve hedge accounting and limit the volatility of the income statement as far as possible to a justifiable cost.

IFRS transition effects on the consolidated opening balance, January 1, 2005

SEKm	Closing balance after transition	IAS 39	Opening balance after transition
Non-current assets	25,623	—	25,623
Current assets	49,473	445	49,918
Total assets	**75,096**	**445**	**75,541**
Equity	23,636	–2	23,634
Provisions	14,012	—	14,012
Financial liabilities	9,843	447	10,290
Operating liabilities	27,605	—	27,605
Total equity and liabilities	**75,096**	**445**	**75,541**

New accounting principles

The IASB has during 2005 issued a number of new standards, amendments to standards and interpretations that affect the Group in different degrees. While the Group has not yet evaluated the complete effect of the implementation of the new standards, the Group does not expect them to have any material impact in the financial position.

The following new standards and interpretations could be applicable for the Group:

IFRS 7 Financial Instruments: Disclosures. This standard supersedes IAS 30, Disclosures in the Financial Statements of Banks and Similar Financial Institutions, and states principles for recognizing, measuring, and presenting financial assets and liabilities that complement those included in IAS 32, Financial Instruments: Presentation

Amounts in SEKm, unless otherwise stated

Note 1 continued

and IAS 39, Financial Instruments: Recognition and Measurement. IFRS 7 is effective for financial periods beginning on or after January 1, 2007. Financial Instruments: Recognition and Measurement, IFRS 7, is effective for financial periods beginning on or after January 1, 2007.

Amendment to IAS 1 Capital Disclosures requires that an entity shall disclose information that enables users of its financial statement to evaluate the entity's objectives, policies, and processes for managing capital. This amendment is effective for annual periods beginning on or after January 1, 2007.

Amendment to IAS 21 Net Investment in a Foreign Operation, which specifies the treatment of certain exchange differences. This amendment is effective for annual periods beginning on or after January 1, 2006.

IFRIC 4 Determining whether an Arrangement contains a Lease. It requires an assessment of whether: a) fulfillment of the arrangement is dependent on the use of a specific asset or assets, and b) the arrangement conveys a right to use the asset. IFRIC 4 is effective from January 1, 2006.

IFRIC 7 Applying the Restatement Approach under IAS 29, Financial Reporting in Hyperinflationary Economies, which provides guidance on how to apply the requirements of IAS 29 in a reporting period in which an entity identifies the existence of hyperinflation in the economy of its functional currency, when that economy was not hyperinflationary in the prior period. This interpretation is effective for annual periods beginning on or after March 1, 2006.

The International Financial Reporting Interpretations Committee (IFRIC) has also published IFRIC Interpretation 6, Liabilities arising from Participating in a Specific Market-Waste Electrical and Electronic Equipment. Information about the expected effects of the implementation of IFRIC 6, can be found on page 43.

Critical accounting policies and key sources of estimation uncertainty

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.

The discussion and analysis of our results of operations and financial condition are based on our consolidated financial statements, which have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU. The preparation of these financial statements requires management to apply certain accounting methods and policies that may be based on difficult, complex or subjective judgments by management or on estimates based on experience and assumptions determined to be reasonable and realistic based on the related circumstances. The application of these estimates and assumptions affects the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of net sales and expenses during the reporting period. Actual results may differ from these estimates under different assumptions or conditions. Electrolux has summarized below the accounting policies that require more subjective judgment of the management in making assumptions or estimates regarding the effects of matters that are inherently uncertain.

Asset impairment

All long-lived assets, including goodwill, are evaluated for impairment yearly or whenever events or changes in circumstances indicate that, the carrying amount of an asset may not be recoverable. An impaired asset is written down to its recoverable amount based on the best information available. Different methods have been used for this evaluation, depending on the availability of information. When available, market value has been used and impairment charges have been recorded when this information indicated that the carrying amount of an asset was not recoverable. In the majority of cases, however, market value has not been available, and the fair value has been estimated by using the discounted cash flow method based on expected future results. Differences in the estimation of expected future results and the discount rates used could have resulted in different asset valuations.

Long-lived assets are depreciated on a straight-line basis over their estimated useful lives. Useful lives for property, plant, and equipment are estimated between 10–40 years for buildings, 3–15 years for machinery and technical installations and 3–10 years for other equipment. The net book value for property, plant, and equipment in 2005 amounted to SEK 18,622m. The net book value for goodwill at year-end amounted to SEK 3,872m. Management regularly reassesses the useful life of all significant assets. Management believes that any reasonably possible change in the key assumptions on which the asset's recoverable amounts are based would not cause their carrying amounts to exceed their recoverable amounts.

Deferred taxes

In the preparation of the financial statements, Electrolux estimates the income taxes in each of the taxing jurisdictions in which the Group operates as well as any deferred taxes based on temporary differences. Deferred tax assets relating mainly to tax loss carry-forwards and temporary differences are recognized in those cases when future taxable income is expected to permit the recovery of those tax assets. Changes in assumptions in the projection of future taxable income as well as changes in tax rates could result in significant differences in the valuation of deferred taxes. As of December 31, 2005, Electrolux had a net amount of SEK 1,533m recognized as deferred taxes. The Group had tax loss carry-forwards and other deductible temporary differences of SEK 4,854m, which have not been included in computation of deferred tax assets.

Trade receivables

Receivables are reported net of allowances for doubtful receivables. The net value reflects the amounts that are expected to be collected, based on circumstances known at the balance sheet date. Changes in circumstances such as higher than expected defaults or changes in the financial situation of a significant customer could lead to significantly different valuations. At year-end, trade receivables, net of provisions for doubtful accounts, amounted to SEK 24,269m. The total provision for bad debts at year-end was SEK 683m.

Pensions and other post-employment benefits

Electrolux sponsors defined benefit pension plans for some of its employees in certain countries. The pension calculations are based on assumptions about expected return on assets, discount rates and future salary increases. Changes in assumptions affect directly the service cost, interest cost and expected return on assets components of the expense. Gains and losses which result when actual returns on assets differ from expected returns, and when actuarial liabilities

Note 1 continued

are adjusted due to experienced changes in assumptions, are subject to amortization over the expected average remaining working life of the employees using the corridor approach. Expected return on assets used in 2005 was 6.4% based on historical results. A reduction by 1% would have increased the net pension cost in 2005 by approximately SEK 120m. The discount rate used to estimate liabilities at the end of 2004 and the calculation of expenses during 2005 was 4.6%. A decrease of such rate by 0.5% would have increased the service cost component of expense by approximately SEK 120m.

Restructuring

Restructuring charges include required write-downs of assets and other non-cash items, as well as estimated costs for personnel reductions. The charges are calculated based on detailed plans for activities that are expected to improve the Group's cost structure and productivity. The restructuring activities are planned based on certain expectations about future capacity needs and different expectations would have resulted in materially different charges. The restructuring programs announced during 2005 had a total charge against operating income of SEK 2,601m.

Warranties

As it is customary in the industry in which Electrolux operates, many of the products sold are covered by an original warranty, which is included in the price and which extends for a predetermined period of time. Reserves for this original warranty are estimated based on historical data regarding service rates, cost of repairs, etc. Additional reserves are created to cover goodwill warranty and extended warranty. While changes in these assumptions would result in different valuations, such changes are unlikely to have a material impact on the Group's results or financial situation. As of December 31, 2005, Electrolux had a provision for warranty commitments amounting to SEK 1,832m.

Accrued expenses – Long Term Incentive Programs

Electrolux records a provision for the expected employer contributions (social security charges) arising when the employees exercise their options under the 2000–2003 Employee Option Programs or receive shares under the 2004–2005 Performance Share Programs. Employer contributions are paid based on the benefit obtained by the employee when exercising the options or receiving shares. The establishment of the provision requires the estimation of the expected future benefit to the employees. Electrolux bases these calculations on a valuation made the using the Black & Scholes model, which requires a number of estimates that are inherently uncertain. The uncertainty is due to the unknown share price at the time of payment for option and performance share programs.

Provision for future waste under the WEEE Directive

Provisions are made for all products sold in the countries where the WEEE (Waste Electrical and Electronic Equipment) Directive has been enforced. Please refer to page 41 for a further description of the Directive and its effect on Electrolux. The provisions are based on assumptions on future recycling costs, future collection rates, etc. These assumptions are inherently uncertain since they apply to the situation many years into the future and since the WEEE Directive was enforced as from August 2005, which means that the Group has only limited experience of the effects.

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, trade 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 materials and components for goods produced
- Credit risk relating to financial and commercial activities

The Board of Directors of Electrolux has approved a financial policy as well as a credit policy for the Group to manage and control these risks. Each business sector has specific financial and credit policies approved by each sector-board (hereinafter all policies are referred to as the Financial Policy). These risks are to be managed by, amongst others, 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 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 as defined by the Group consist of cash on hand, bank deposits, prepaid interest expense and accrued interest income and other short-term investments. Electrolux goal is that the level of liquid funds including unutilized committed short-term credit facilities shall correspond to at least 2.5% of annualized net sales. In addition, net liquid funds (defined as liquid funds less short-term borrowings) shall exceed zero, taking into account fluctuations arising from 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- as defined by Standard & Poor's or similar.

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.

Amounts in SEKm, unless otherwise stated

Note 2 continued

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 40m (70). For more information, see Note 17 on page 63.

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 is also undertaken locally in subsidiaries where there are capital restrictions. The Group's borrowings contain no terms (financial triggers) for premature cancellation based on rating. For more information, see Note 17 on page 63.

Interest-rate risk in long-term borrowings

The Financial Policy states for the year 2005 that the benchmark for the long-term loan portfolio is an average interest-fixing period of one year. The benchmark has, however, been changed by the end of year 2005 and as from January 1, 2006, the benchmark for the long-term loan portfolio is an average interest-fixing period of six months. Group Treasury can choose to deviate from this benchmark on the basis of a risk 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 2005 volumes and interest fixing, a one-percentage point shift in interest rates paid would impact the Group's interest expenses by approximately SEK +/–30m (20) in 2005. 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 and different currencies 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 remained unchanged during the year, but Moody's outlook was changed from stable to negative in the beginning of 2005.

Ratings

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

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 borrowing less liquid funds), excluding seasonal variances, shall be long-term according to the Financial Policy. The Group's goals for long-term borrowings 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 17 on page 63.

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 Danish 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. The business sectors within Electrolux have varying policies for hedging depending on their commercial circumstances. The sectors define a hedging horizon between 6 and up to 12 months of forecasted flows. Hedging horizons outside this period are subject to approval from Group Treasury. The Financial Policy permits the operating units to hedge invoiced and forecasted flows from 75% to 100%. The maximum hedging horizon is 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 26 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 17 on page 63.

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 krona. 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 the Swedish krona 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 +/–600m, as a static calculation. The model assumes the distribution of earnings and costs effective at year-end 2005 and does not include any dynamic effects, such as changes in competitiveness or consumer behavior arising from such changes in exchange rates.

Note 2 continued

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. This exposure can have an impact on the Group's equity, and thus capital structure, and is hedged according to the financial policy. The Policy stipulates the extent to which the net investments can be hedged and also sets the benchmark for risk measurement. The benchmark for hedging net investments is based on a target capitalization for different countries depending on the character of Electrolux investments in each country, i.e. investments in fixed assets or in more short-term assets. Countries (read: currencies) with a capitalization above the target level are hedged with borrowings and foreign-exchange derivative contracts. This means 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. Group Treasury is allowed to deviate from the benchmark under a given risk mandate. Hedging of the Group's net investments is implemented within the Parent Company in Sweden.

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 component. Commodity-price risk is mainly managed through contracts with the suppliers.

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, i.e., if counterparty will default assets and liabilities will be netted.

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 Customer Financing operations in the Group. Customer Financing solutions are also arranged outside the Group. The Credit Policy of the Group ensures that the management process for customer credits includes customer rating, credit limits, decision levels and management of bad debts. The Board of Directors decides on 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 16 on page 63.

Note 3 Segment information

The segment reporting is divided into primary and secondary segments, where the seven business areas serve as primary segments and geographical areas as secondary segments. Financial information for the Parent Company is divided into geographical segments since IAS 14 does not apply.

Primary reporting format – Business areas

Business area Indoor Products comprise operations in appliances, floor-care products and professional operations in food-service equipment and laundry equipment. The operations are classified in five segments. Products for the consumer market, i.e., appliances and floor-care products are reported in four geographical segments: Europe; North America; Latin America and Asia/Pacific, while professional products are reported separately. Operation within appliances comprise mainly major appliances, i.e., refrigerators, freezers, cookers, dryers, washing machines, dishwashers, room air-conditioners and microwave ovens.

Business area Outdoor Products comprise garden equipment for the consumer market and professional outdoor products. Outdoor Products are classified in two segments: Consumer products and Professional products. Consumer products comprise garden equipment and light-duty chainsaws. Professional products comprise high performance chainsaws, clearing saws, professional lawn and garden equipment, as well as power cutters, diamond tools and related equipment for cutting of, e.g., concrete and stone.

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

Business areas

	Net sales		Operating income	
	2005	2004	2005	2004
Indoor Products				
Consumer durables				
Europe	43,755	42,703	2,602	3,130
North America	35,134	30,767	1,444	1,116
Latin America	5,819	4,340	123	135
Asia/Pacific	9,276	9,139	13	–289
Professional products	6,686	6,440	463	445
Total Indoor Products	**100,670**	**93,389**	**4,645**	**4,537**
Outdoor Products				
Consumer products	18,360	17,579	1,372	1,607
Professional products	10,408	9,623	1,739	1,521
Total Outdoor Products	**28,768**	**27,202**	**3,111**	**3,128**
Other	31	60	—	—
Common Group costs	—	—	–794	–898
Items affecting comparability	—	—	–3,020	–1,960
Total	**129,469**	**120,651**	**3,942**	**4,807**

Amounts in SEKm, unless otherwise stated

Note 3 continued

	Assets		Liabilities		Capital expenditure		Cash flow[1]	
	2005	2004	2005	2004	2005	2004	2005	2004
Indoor Products								
Consumer durables								
Europe	24,989	23,432	18,927	17,267	1,872	1,561	2,058	2,531
North America	16,336	11,848	6,407	5,202	1,108	1,439	–453	886
Latin America	4,158	2,832	1,853	1,068	167	119	179	–391
Asia/Pacific	5,581	5,373	1,965	2,043	328	319	32	–464
Professional products	3,597	3,124	2,307	2,102	156	144	237	400
Total Indoor Products	**54,661**	**46,609**	**31,459**	**27,682**	**3,631**	**3,582**	**2,053**	**2,962**
Outdoor Products								
Consumer products	9,626	7,971	3,907	3,325	777	517	980	1,315
Professional products	6,642	5,739	2,016	1,834	334	393	1,560	1,656
Total Outdoor Products	**16,268**	**13,710**	**5,923**	**5,159**	**1,111**	**910**	**2,540**	**2,971**
Other[2]	2,964	3,141	3,497	3,395	23	23	–1,477	3
Items affecting comparability	2,028	2,145	6,877	5,381	—	—	–807	–736
	75,921	**65,605**	**47,756**	**41,617**	**4,765**	**4,515**	**2,309**	**5,200**
Liquid assets	5,582	8,702	—	—	—	—	—	—
Interest-bearing receivables	1,055	789	—	—	—	—	—	—
Interest-bearing liabilities	—	—	8,914	9,843	—	—	—	—
Equity	—	—	25,888	23,636	—	—	—	—
Financial items	—	—	—	—	—	—	–670	–303
Taxes paid	—	—	—	—	—	—	–926	–1,673
Total	**82,558**	**75,096**	**82,558**	**75,096**	**4,765**	**4,515**	**713**	**3,224**

1) Cash flow from operations and investments.
2) Includes common Group services such as Holding and Treasury as well as customer financing activities.

The segments 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 segments. The table specifies the segments to which they correspond.

Items affecting comparability

	Impairment/restructuring		Other	
	2005	2004	2005	2004
Indoor Products				
Consumer durables				
Europe	–2,523	–437	—	—
North America	–38	–1,132	—	–239
Latin America	—	—	—	—
Asia/Pacific	—	–103	–419	—
Professional products	—	–49	—	—
Total Indoor Products	**–2,561**	**–1,721**	**–419**	**–239**
Outdoor Products				
Consumer products	–40	—	—	—
Professional products	—	—	—	—
Total Outdoor Products	**–40**	**—**	**—**	**—**
Other	—	—	—	—
Total	**–2,601**	**–1,721**	**–419**	**–239**

Inter-segment sales exist only within Indoor consumer products with the following split:

	2005	2004
Europe	967	1,012
North America	825	559
Latin America	25	8
Asia/Pacific	33	37
Eliminations	**–1,850**	**–1,616**

Secondary reporting format – Geographical areas

The Group's business segments operate mainly in four geographical areas of the world; Europe, North America, Latin America and Asia/Pacific. 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 geographical market

	2005	2004
Europe	59,640	57,383
North America	51,560	46,983
Latin America	6,945	5,272
Asia/Pacific	11,324	11,013
Total	**129,469**	**120,651**

Assets and capital expenditure, by geographical area

	Assets		Capital expenditure	
	2005	2004	2005	2004
Europe	40,787	40,247	2,296	2,037
North America	28,692	24,424	1,367	1,483
Latin America	6,556	4,007	713	663
Asia/Pacific	6,523	6,418	389	332
Total	**82,558**	**75,096**	**4,765**	**4,515**

Net sales, Parent Company

	2005	2004
Europe	6,392	6,802
North America	—	—
Latin America	—	—
Asia/Pacific	—	—
Total	**6,392**	**6,802**

Note 4 Net sales and operating income

Net sales in Sweden amounted to SEK 4,609m (4,294). Exports from Sweden during the year amounted to SEK 10,200m (9,816), of which SEK 8,142m (7,970) was to Group subsidiaries. Revenue rendered from service activities amounted to SEK 1,304m (1,209) for the Group.

Operating income includes net exchange-rate differences in the amount of SEK 78m (249). The Group's Swedish factories accounted for 7.3% (7.5) of the total value of production. Costs for research and development for the Group amounted to SEK 1,698m (1,566) and are included in Cost of goods sold.

Depreciation and amortization charge for the year amounted to SEK 3,410m (3,023). Salaries, remuneration and employer contribution amounted to SEK 22,421m (22,656) and expenses for pensions and other post-employment benefits amounted to SEK 1,172m (901).

Note 5 Other operating income

	Group		Parent Company	
	2005	2004	2005	2004
Gain on sale of				
Tangible fixed assets	192	91	—	—
Operations and shares	52	—	2,190	60
Shares of income in associated companies	4	27	—	—
Total	**248**	**118**	**2,190**	**60**

Note 6 Other operating expenses

	Group		Parent Company	
	2005	2004	2005	2004
Loss on sale of				
Tangible fixed assets	–35	–10	—	—
Operations and shares	–25	–42	–945	–897
Total	**–60**	**–52**	**–945**	**–897**

Note 7 Items affecting comparability

	Group	
	2005	2004
Vacuum-cleaner lawsuit in USA	—	–239
Restructuring and impairment	–2,633	–1,760
Divestment of Indian operation	–419	—
Unused restructuring provisions reversed	32	39
Total	**–3,020**	**–1,960**

Items affecting comparability in 2005 include costs for the closure of the following plants: the appliance plant in Nuremberg, Germany; the refrigerator plant in Fuenmayor, Spain; and the lawn-mower plant in Parabiago, Italy. It also contains the downsizing of the refrigerator plants in Florence, Italy, and Mariestad, Sweden. On July 7, 2005, the Group divested its Indian appliance operation, including all three production facilities, to the Indian industrial group Videocon. In 2005, unused amounts from previous restructuring programs have been reversed.

In 2004, items affecting comparability included costs for the closure of the following plants: the vacuum-cleaner plant in El Paso, USA;

Note 7 continued

the refrigerator plant in Greenville, USA; the vacuum-cleaner plant in Västervik, Sweden; the cooker plant in Reims, France; and the tumble-dryer factory in Tommerup, Denmark. Items affecting comparability also include costs relating to restructuring measures implemented within the Australian appliance operation as well as a settlement of a vacuum-cleaner lawsuit in the US. In 2004, unused amounts from previous restructuring programs have been reversed.

The items are further described in the Report by the Board of Directors on page 26.

Note 8 Leasing

At December 31, 2005, the Electrolux Group's financial leases, recognized as tangible assets, consist of:

	2005	2004
Acquisition costs		
Buildings	415	380
Machinery and other equipment	6	6
Closing balance, Dec. 31	**421**	**386**
Accumulated depreciation		
Buildings	136	121
Machinery and other equipment	2	2
Closing balance, Dec. 31	**138**	**123**
Net book value, Dec. 31	**283**	**263**

The future amount of minimum lease payment obligations are distributed as follows:

	Operating leases	Financial leases	Present value of future lease payments
2006	976	18	17
2007–2010	1,951	45	39
2011–	685	47	34
Total	**3,612**	**110**	**90**

Expenses in 2005 for rental payments (minimum leasing fees) amounted to SEK 1,193m (SEK 1,020m in 2004 and SEK 1,016m in 2003).

Operating leases

Among the Group's operating leases there are no material contingent expenses, nor any restrictions.

Financial leases

Within the Electrolux Group there are no financial non-cancellable contracts that are being subleased. There are no contingent expenses in the period´s results, nor any restrictions in the contracts related to leasing of facilities. The financial leases of facilities contain purchase options by the end of the contractual time. Today´s value of the future lease payments is SEK 90m.

Amounts in SEKm, unless otherwise stated

Note 9 Financial income and expenses

	Group		Parent Company	
	2005	2004	2005	2004
Financial income				
Interest income				
From subsidiaries	—	—	593	422
From others	233	580	36	106
Dividends				
From subsidiaries	—	—	2,151	3,891
From others	3	3	3	9
Other financial income	4	—	—	—
Total financial income	**240**	**583**	**2,783**	**4,428**
Financial expenses				
Interest expenses				
To subsidiaries	—	—	–380	–337
To others	–986	–1,003	–703	–718
Exchange-rate differences				
On loans and forward contracts as hedges for foreign net investments	—	—	–615	–101
On other loans and borrowings, net	42	65	69	66
Other financial expenses	–23	—	—	—
Total financial expenses	**–967**	**–938**	**–1,629**	**–1,090**

Interest income includes income from the Group's Customer Financing operations in the amount of SEK 102m (108). Interest expenses to others (for the Group and the Parent Company) include premiums on forward contracts intended as hedges for foreign net investments that have been amortized as interest in the amount of SEK –311m (–327).

Note 10 Taxes

	Group		Parent Company	
	2005	2004	2005	2004
Current taxes	–1,016	–1,305	423	419
Deferred taxes	–436	117	–120	15
Other	—	–5	—	—
Total	**–1,452**	**–1,193**	**303**	**434**

Current taxes include reduction of costs of SEK 13m (96) related to previous years. Deferred taxes include a positive effect of SEK 1m (26) due to changes in tax rates.

The deferred tax assets in the Parent Company amounted to SEK 0m (120) and relate to temporary differences. The Group accounts include deferred tax liabilities of SEK 227m (230) related to untaxed reserves in the Parent Company.

Theoretical and actual tax rates

	Group	
%	2005	2004
Theoretical tax rate	34.1	34.4
Losses for which deductions have not been made	26.4	6.5
Non-taxable income statement items, net	4.3	–0.2
Timing differences	4.1	–3.5
Utilized tax loss carry-forwards	–10.7	–1.0
Dividend tax	0.5	0.4
Other	–13.4	–11.5
Actual tax rate	**45.2**	**27.8**

Note 10 continued

The decision to close the Nuremberg factory results in a tax loss carry-forward of SEK 1,504m, which has not been included in the computation of deferred tax assets in 2005, but increases the losses for which deductions have not been made with 20% in 2005.

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. There are no major changes in statutory tax rates during 2005.

Tax loss carry-forwards

As of December 31, 2005, the Group had tax loss carry-forwards and other deductible temporary differences of SEK 4,854m (4,245), which have not been included in computation of deferred tax assets. Of those tax loss carry-forwards will expire as follows:

	2005
2006	42
2007	49
2008	117
2009	342
2010	352
And thereafter	17
Without time limit	3,935
Total	**4,854**

As of December 31, 2005, the Group had deferred taxes recognized in equity of SEK 0m (26). Deferred taxes recognized in the income statement amounted to SEK –436m (117). Exchange-rate differences amounted to SEK 300m (–133).

Changes in deferred taxes

	2005	2004
Net deferred tax assets and liabilities, Dec. 31, 2004	1,669	1,659
Recognized in equity	**—**	**26**
Liquid funds	—	26
Recognized in the income statement	**–436**	**117**
Fixed assets	–121	37
Inventories	–30	15
Current receivables	–14	6
Provision for pensions and similar commitments	–219	38
Other provisions	–34	10
Financial and operating liabilities	–18	11
Exchange-rate differences	**300**	**–133**
Fixed assets	84	–42
Inventories	20	–17
Current receivables	10	–6
Provision for pensions and similar commitments	151	–43
Other provisions	23	–12
Financial and operating liabilities	12	–13
Net deferred tax assets and liabilities, Dec. 31, 2005	**1,533**	**1,669**

Note 10 continued

Deferred tax assets and liabilities

	Group					
	Assets		Liabilities		Net	
	2005	2004	2005	2004	2005	2004
Fixed assets[1)]	821	372	1,681	1,550	–860	–1,178
Inventories	152	300	484	532	–332	–232
Current receivables	141	189	78	152	63	37
Provisions for pensions and similar commitments	2,080	2,221	622	458	1,458	1,763
Other provisions	700	631	132	309	568	322
Financial and operating liabilities	449	811	172	21	277	790
Other items	96	—	—	102	96	–102
Recognized unused tax losses	263	269	—	—	263	269
Tax assets and liabilities	4,702	4,793	3,169	3,124	1,533	1,669
Set-off of tax	–1,752	–1,872	–1,752	–1,872	—	—
Net deferred tax assets and liabilities	**2,950**	**2,921**	**1,417**	**1,252**	**1,533**	**1,669**

1) Of which a net of SEK 74m refers to shares and participations.

Deferred tax assets amounted to SEK 2,950m, whereof 717m will be utlized within 12 months.
Deferred tax liabilities amounted to SEK 1,417m, whereof 183m will be utilized within 12 months.

Note 11 Intangible assets

	Group					Parent Company
	Goodwill	Product development	Software	Other	Total	Brands, etc.
Acquisition costs						
Opening balance, Jan. 1, 2004	**3,532**	**515**	**149**	**901**	**5,097**	**668**
Acquired during the year	41	—	—	232	273	166
Development	—	486	183	—	669	3
Fully amortized	—	—	—	–26	–26	—
Exchange-rate differences	–238	–32	–16	–14	–300	—
Closing balance, Dec. 31, 2004	**3,335**	**969**	**316**	**1,093**	**5,713**	**837**
Acquired during the year	—	—	—	60	60	—
Development	—	466	87	—	553	4
Sold during the year	—	—	—	—	—	–26
Fully amortized	—	–6	–19	–1	–26	—
Exchange-rate differences	537	91	31	82	741	—
Closing balance, Dec. 31, 2005	**3,872**	**1,520**	**415**	**1,234**	**7,041**	**815**
Accumulated amortization according to plan						
Opening balance, Jan. 1, 2004	**—**	**43**	**7**	**228**	**278**	**88**
Amortization for the year	—	119	35	63	217	43
Fully amortized	—	—	—	–26	–26	—
Exchange-rate differences	—	–3	–3	–7	–13	—
Closing balance, Dec. 31, 2004	**—**	**159**	**39**	**258**	**456**	**131**
Amortization for the year	—	241	63	93	397	49
Sold and acquired during the year	—	—	—	—	—	–5
Fully amortized	—	–6	–19	–1	–26	—
Impairment	—	8	22	—	30	—
Exchange-rate differences	—	15	8	61	84	—
Closing balance, Dec. 31, 2005	**—**	**417**	**113**	**411**	**941**	**175**
Net book value, Dec. 31, 2004	**3,335**	**810**	**277**	**835**	**5,257**	**706**
Net book value, Dec. 31, 2005	**3,872**	**1,103**	**302**	**823**	**6,100**	**640**

Included in Other are trademarks of SEK 695m (716) and patents, licenses etc. amounting to SEK 128m (119).

Amounts in SEKm, unless otherwise stated

Note 11 continued

Intangible assets with indefinite useful lives

Electrolux has assigned indefinite useful lives to goodwill with a total carrying amount as per December 31, 2005, of SEK 3,872m and to the right to use the Electrolux brand in North America, SEK 423m. The allocation distribution (for impairment testing purposes) on cash-generating units of the significant amounts is shown in the table below. The carrying amounts of goodwill allocated to Consumer Indoor products in North America and Asia/Pacific and Consumer Outdoor products in North America are significant in comparison with the total carrying amount of goodwill.

All intangible assets with indefinite useful lives are tested for impairment at least once every year and single assets can be tested more often in case there are indications of impairment. The recoverable amounts of the operations have been determined based on value in use calculations. Value in use is estimated using the discounted cash-flow model on the strategic plans that are established for each cash-generating unit covering the coming three years, i.e. 2006 to 2008 in the plans used for the impairment tests made in the autumn of 2005. The strategic plans are built up from the strategic plans of the units within each business sector. The consolidated strategic plans of the business sectors are reviewed by Group Management and consolidated to a total strategic plan for Electrolux that is finally approved by the Electrolux Board of Directors. The cash flow of the third year is normally used for the fourth year and onwards. The pre-tax discount rates used in 2005 were for the main part within a range of 9% to 11%. Included in Other in the table is principally Latin America, for which the average discount rate is 25%. Management believes that any reasonably possible change in the key assumptions on which the cash-generating unit's recoverable amounts are based would not cause their carrying amounts to exceed their recoverable amounts.

	Goodwill	Electrolux brand	Weighted discount rate, %
Indoor Products			
Europe	382	—	9.0
North America	436	423	11.0
Asia/Pacific	1,239	—	11.0
Outdoor Products			
North America	1,728	—	11.0
Other	87	—	9.0 – 25.0
Total	**3,872**	**423**	**9.0 – 25.0**

Note 12 Property, plant and equipment

Group	Land and land improvements	Buildings	Machinery and technical installations	Other equipment	Construction in progress and advances	Total
Acquisition costs						
Closing balance, Dec. 31, 2003	**1,369**	**8,637**	**29,196**	**2,393**	**1,205**	**42,800**
Acquired during the year	69	227	743	209	3,267	4,515
Transfer of work in progress and advances	10	86	1,896	30	–2,022	—
Sales, scrapping, etc.	–50	–264	–1,130	–164	–15	–1,623
Exchange-rate differences	–28	–278	–1,109	–44	–246	–1,705
Closing balance, Dec. 31, 2004	**1,370**	**8,408**	**29,596**	**2,424**	**2,189**	**43,987**
Acquired during the year	66	427	1,100	123	3,049	4,765
Corporate divestments	–14	–117	–352	–35	–4	–522
Transfer of work in progress and advances	134	887	2,364	–43	–3,342	—
Sales, scrapping, etc.	–103	–399	–1,121	–269	24	–1,868
Exchange-rate differences	120	904	3,409	174	478	5,085
Closing balance, Dec. 31, 2005	**1,573**	**10,110**	**34,996**	**2,374**	**2,394**	**51,447**
Accumulated depreciation according to plan						
Closing balance, Dec. 31, 2003	**153**	**4,465**	**20,834**	**1,710**	**—**	**27,162**
Depreciation for the year	8	280	2,278	240	—	2,806
Sales, scrapping, etc.	–1	–216	–1,110	–150	—	–1,477
Impairment	12	141	450	—	—	603
Exchange-rate differences	–6	–158	–945	–31	—	–1,140
Closing balance, Dec. 31, 2004	**166**	**4,512**	**21,507**	**1,769**	**—**	**27,954**
Depreciation for the year	11	333	2,462	207	—	3,013
Corporate divestments	—	–38	–201	–28	—	–267
Sales, scrapping, etc.	–83	–415	–1,156	–246	—	–1,900
Impairment	258	204	401	—	—	863
Exchange-rate differences	18	484	2,535	125	—	3,162
Closing balance, Dec. 31, 2005	**370**	**5,080**	**25,548**	**1,827**	**—**	**32,825**
Net book value, Dec. 31, 2004	**1,204**	**3,896**	**8,089**	**655**	**2,189**	**16,033**
Net book value, Dec. 31, 2005	**1,203**	**5,030**	**9,448**	**547**	**2,394**	**18,622**

In 2005, tangible fixed assets in operations within appliances, Europe were impaired. The book value for land was SEK 1,028m (1,160).

The tax assessment value for Swedish Group companies was for buildings SEK 330m (329), and land SEK 75m (75). The corresponding book values for buildings were SEK 183m (180), and land SEK 20m (21).

Accumulated impairments on buildings and land were at year-end SEK 805m (549) and on machinery and other equipment SEK 1,035m (623).

Note 12 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, 2003	**7**	**74**	**1,284**	**355**	**37**	**1,757**
Acquired during the year	—	—	66	16	38	120
Transfer of work in progress and advances	—	—	17	—	–17	—
Sales, scrapping, etc.	–1	–16	–307	–32	—	–356
Closing balance, Dec. 31, 2004	**6**	**58**	**1,060**	**339**	**58**	**1,521**
Acquired during the year	—	—	100	14	40	154
Transfer of work in progress and advances	—	—	2	—	–2	—
Sales, scrapping, etc.	—	—	–52	–11	–34	–97
Closing balance, Dec. 31, 2005	**6**	**58**	**1,110**	**342**	**62**	**1,578**
Accumulated depreciation according to plan						
Closing balance, Dec. 31, 2003	**2**	**66**	**983**	**173**	**—**	**1,224**
Depreciation for the year	—	2	85	35	—	122
Sales, scrapping, etc.	—	–15	–254	–29	—	–298
Closing balance, Dec. 31, 2004	**2**	**53**	**814**	**179**		**1,048**
Depreciation for the year	—	—	58	33	—	91
Sales, scrapping, etc.	—	—	–32	–7	—	–39
Closing balance, Dec. 31, 2005	**2**	**53**	**840**	**205**	**—**	**1,100**
Net book value, Dec. 31, 2004	**4**	**5**	**246**	**160**	**58**	**473**
Net book value, Dec. 31, 2005	**4**	**5**	**270**	**137**	**62**	**478**

Tax assessment value for buildings was SEK 95m (95), and land SEK 20m (20). The corresponding book values for buildings were SEK 5m (5), and land SEK 4m (4). Undepreciated write-ups on buildings and land were SEK 2m (2).

Note 13 Financial assets

	Group		Parent Company	
	2005	2004	2005	2004
Shares in subsidiaries	—	—	22,237	22,512
Participations in other companies	—	—	305	96
Long-term receivables in subsidiaries	—	—	3,173	5,576
Long-term holdings in securities[1]	455	214	—	—
Other long-term receivables	1,009	753	43	39
Pension assets[2]	353	249	—	—
Total	**1,817**	**1,216**	**25,758**	**28,223**

1) Available for sale financial assets is included with an amount of SEK 237m, recognized changed of value in equity is SEK 24m.
2) Pension assets are related to Sweden.

A specification of shares and participations is provided in Note 29 on page 76.

Note 14 Inventories

	Group		Parent Company	
	2005	2004	2005	2004
Raw materials	4,266	3,787	108	118
Products in progress	393	402	72	105
Finished products	13,880	11,490	209	239
Advances to suppliers	67	63	—	—
Total	**18,606**	**15,742**	**389**	**462**

The cost of inventories recognized as expense and included in cost of goods sold amounted to SEK 98,358m (91,021). Provisions for obsolescence are included in the value for inventory.

Write-down amounted to SEK 120m and previous write-down reversed with SEK 78m.

Note 15 Other current assets

	Group	
	2005	2004
Vendor financing	697	789
Miscellaneous short-term receivables	2,074	1,928
Provision for doubtful accounts	–63	–60
Prepaid expenses and accrued income	1,143	1,128
Derivatives	—	762
Total	**3,851**	**4,547**

Miscellaneous short-term receivables include VAT and other items.

Note 16 Trade receivables

At year-end 2005, trade receivables, net of provisions for doubtful accounts, amounted to SEK 24,269m (20,627), 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 683m (730). Electrolux has a significant concentration on a number of major customers primarily in the US and Europe. Receivables concentrated to customers with credit limits amounting to SEK 300m (300) or more represent 32.4% (31.5) of the total trade receivables.

Note 17 Financial instruments

Financial instruments are defined in accordance with IAS 32, Financial Instruments: Disclosure and Presentation. 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

Amounts in SEKm, unless otherwise stated

Note 17 continued

in more detail. Note 16, Trade receivables, describes the trade receivables and related credit risks. The information in this note highlights and describes the principal financial instruments of the Group regarding specific major terms and conditions when applicable, and the exposure to risk and the fair values at year-end.

Net borrowing

At year-end 2005, the Group's net borrowing amounted to SEK 2,974m (1,140). The table below presents how the Group calculates net borrowing and what it consists of. As from 2005, liquid funds also include prepaid interest expense and accrued interest income and short-term borrowings include prepaid interest income and accrued interest expense. This change is due to the Group's view in classifying assets and liabilities either as net assets related to operations or net borrowings.

Net borrowing

	2005	2004
Short-term loans	1,784	1,643
Short part of long-term loans	1,291	3,896
Fair-value derivative, liabilites	384	364
Accrued interest expense and prepaid interest income	198	—
Short-term borrowing	**3,657**	**5,903**
Long-term borrowing	**5,257**	**3,940**
Total borrowing	**8,914**	**9,843**
Cash and cash equivalents	4,420	7,675
Investments with maturities over three months	623	265
Fair-value derivative, assets	539	762
Prepaid interest expense and accrued interest income	358	—
Liquid funds	**5,940**	**8,702**
Revolving credit facility (EUR 500m) [1]	4,699	—
Net borrowing	**2,974**	**1,140**

1) The revolving credit facility of EUR 500m is not included in net borrowing, but can, however, be used for short- and long-term funding.

Liquid funds

Liquid funds as defined by the Group consist of cash on hand, bank deposits, prepaid interest expense and accrued interest income and other short-term investments, of which the majority has original maturity of three months or less. The table below presents the key data of liquid funds. The book value of liquid funds is approximately equal to fair value.

Liquidity profile

	2005	2004
Investments with maturities over three months	623	265
Cash and cash equivalents	4,420	7,675
Fair-value derivative assets included in short-term investments	539	762
Prepaid interest expense/accrued interest income	358	—
Liquid funds	**5,940**	**8,702**
% of annualized net sales[1]	7.9	7.7
Net liquidity	**2,283**	**2,799**
Fixed interest term, days	43	61
Effective yield, % (average per annum)	2.4	2.4

1) Liquid funds plus an revolving credit facility of EUR 500m divided by annualized net sales.

For 2005, liquid funds, including an unused revolving credit facility of EUR 500m, amounted to 7.9% (7.7) of annualized net sales. The net liquidity is calculated by deducting short-term borrowings from liquid funds. From 2005, liquid funds also consist of prepaid interest expense and accrued interest income when calculating net borrowing and net liquidity. In 2005, prepaid interest expense and accrued interest income, reported as part of other operating assets in the balance sheet, amounted to SEK 358m.

Interest-bearing liabilities

At year-end 2005, the Group's total interest-bearing liabilities amounted to SEK 8,332m (9,479), of which SEK 5,257m (3,940) referred to long-term loans. Long-term loans with maturities within 12 months, SEK 1,291m (3,896), are reported as short-term loans in the Group's balance sheet. A significant portion of the outstanding long-term borrowings has been made under the Electrolux global medium term note program. This program allows for borrowings up to EUR 2,000m. As of December 31, 2005, Electrolux utilized approximately EUR 300m (627) of the capacity of the program.

The majority of total long-term borrowings, SEK 5,661m, is taken up at the parent company level. Electrolux has in 2005 negotiated a committed credit facility of EUR 500m, which can be used as either a long-term or short-term back-up facility. However, 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 2005, the average interest-fixing period for long-term borrowings was 1.4 years (1.3). 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 5.1% (4.9).

The fair value of the interest-bearing loans was SEK 7,976m. The fair value including swap transactions used to manage the interest fixing was approximately SEK 7,879m. The loans and the interest-rate swaps are valued marked-to-market in order to calculate the fair value. When valuating the loans, the Electrolux credit rating is taken into consideration.

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

Note 17 continued

Borrowings

Issue/maturity date	Description of loan	Interest rate, %	Currency	Nominal value (in currency)	Total book value Dec. 31 2005	2004
Bond loans fixed rate [1]						
2005–2010	SEK MTN Program	3.650	SEK	500	499	—
2005–2009	SEK MTN Program	3.400	SEK	500	499	—
2001–2008	Global MTN Program	6.000	EUR	268	2,617	2,400
2001–2008	Global MTN Program	6.000	EUR	32	301	288
1998–2008	SEK MTN Program	4.600	SEK	85	85	85
Bond loans floating rate						
1997–2027	Industrial Development Revenue Bonds	Floating	USD	10	79	66
Total bond loans					**4,080**	**2,839**
Other long-term loans						
	Fixed rate loans in Germany	7.800	EUR	44	417	406
1998–2013	Long-term bank loans in Sweden	Floating	SEK	163	163	186
2005–2010	Long-term bank loans in Sweden	Floating	EUR	20	192	—
2001–2006	Long-term bank loans in Sweden	Floating	USD	46	—	304
	Other fixed rate loans				117	51
	Other floating rate loans				288	154
Total other long-term loans					**1,177**	**1,101**
Total long-term loans					**5,257**	**3,940**
Short-term part of long-term loans [2]						
2005–2006	SEK MTN Program	1.742	SEK	350	350	—
2005–2006	SEK MTN Program	1.742	SEK	150	150	—
2005–2006	SEK MTN Program	1.908	SEK	400	400	—
2001–2006	Long-term bank loan in Sweden	Floating	USD	46	365	—
2000–2005	Global MTN Program	6.125	EUR	300	—	2,695
2001–2005	SEK MTN Program	5.300	SEK	200	—	200
1998–2005	Global MTN Program	Floating	USD	25	—	165
	Other long-term loans				26	836
Other short-term loans						
	Short-term bank loans in Brazil	Floating	BRL	122	415	283
	Short-term bank loans in Brazil	Floating	USD	135	458	322
	Short-term bank loan in China	5.500	CNY	349	344	382
	Bank borrowings and commercial papers				567	656
Total short-term loans					**3,075**	**5,539**
Total interest-bearing liabilities					**8,332**	**9,479**
Fair value of derivative liabilities					**384**	**364**
Accrued interest and prepaid income					**198**	**—**
Total					**8,914**	**9,843**

1) The interest-rate fixing profile of the loans has been adjusted from fixed to floating with interest-rate swaps.
2) Long-term loans with maturities within 12 months are classified as short-term loans in the Group's balance sheet.

The average maturity of the Group's long-term borrowings (including long-term loans with maturities within 12 months) was 2.8 years (2.2), at the end of 2005. A net total of SEK 2,531m in loans, originating essentially from long-term 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, 2005

	2006	2007	2008	2009	2010	2011–	Total
Debenture and bond loans	—	—	3,003	499	499	79	4,080
Bank and other loans	—	236	8	20	232	681	1,177
Short-term part of long-term loans	1,291	—	—	—	—	—	1,291
Total	**1,291**	**236**	**3,011**	**519**	**731**	**760**	**6,548**

Other interest-bearing investments

Interest-bearing receivables from customer financing amounting to SEK 625m (745) 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.

Amounts in SEKm, unless otherwise stated

Note 17 continued

Commercial flows

The table below shows the forecasted transaction flows (imports and exports) for the 12-month period of 2006 and hedges at year-end 2005.

The hedged amounts during 2006 are dependent on the hedging policy for each flow considering the existing risk exposure. Gross hedging of flows above 12 months and up to 18 months, not shown in the table, amounts to SEK 1,170m, and this hedging refers mainly to USD/SEK and EUR/SEK.

	GBP	CAD	AUD	DKK	CZK	CHF	HUF	EUR	SEK	USD	Other	Total
Inflow of currency (long position)	3,760	3,280	1,680	1,090	960	1,020	1,020	8,290	1,970	1,030	6,280	30,380
Outflow of currency (short position)	–100	–120	–370	–90	—	–70	–3,130	–10,720	–6,080	–7,430	–2,270	–30,380
Gross transaction flow	3,660	3,160	1,310	1,000	960	950	–2,110	–2,430	–4,110	–6,400	4,010	—
Hedge	–2,370	–1,550	–890	–490	–560	–590	1,210	440	3,250	2,940	–1,390	—
Net transaction flow	**1,290**	**1,610**	**420**	**510**	**400**	**360**	**–900**	**–1,990**	**–860**	**–3,460**	**2,620**	**—**

The effect of hedging on operating income during 2005 amounted to SEK –304m (–76). At year-end 2005, unrealized exchange-rate gains on forward contracts amounted to SEK 22m (–20), all of which will mature in 2006.

Derivatives at market value

	2005		2004	
	Assets	Liabilities	Assets	Liabilities
Interest-rate swaps	**118**	**17**	**290**	**65**
Fair-value hedges	111	—		
Held for trading	7	17		
Cross currency interest-rate swaps	**—**	**11**	**20**	**10**
Held for trading	—	11		
Forward-rate agreements and futures	**1**	**2**	**9**	**9**
Held for trading	1	2		
Forward foreign-exchange contracts	**361**	**297**	**828**	**534**
Cash-flow hedges	168	143		
Net-investment hedges	171	11		
Held for trading	22	142		
Commodity derivatives	**59**	**57**	**1**	**0**
Held for trading	59	57		
Total	**539**	**384**	**1,148**	**618**

Non-current portion of derivatives at market value

	2005		2004	
	Assets	Liabilities	Assets	Liabilities
Interest-rate swaps	**118**	**1**	**—**	**—**
Fair-value hedges	110	—		
Held for trading	8	1		
Cross currency interest-rate swaps	**—**	**4**	**—**	**—**
Held for trading	—	4		
Forward foreign-exchange contracts	**—**	**1**	**—**	**—**
Cash-flow hedges	—	1		
Total	**118**	**6**	**—**	**—**

Derivative financial instruments

The tables present the fair value and nominal amounts of the Group's derivative financial instruments for managing of financial risks and proprietary trading.

Valuation of derivative financial instruments at market value, presented in the tables, 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 spot mid-price. The foreign-exchange spot mid-rate is then used to convert the market value into Swedish krona, 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. All valuations are done at mid-prices, e.g., the average of bid and ask prices are used.

Nominal amounts

	2005	2004
Interest-rate swaps		
Maturity shorter than 1 year	2,459	5,600
Maturity 2–5 years	2,329	4,760
Maturity 6–10 years	94	—
Total interest-rate swaps	**4,882**	**10,360**
Cross currency interest-rate swaps	90	75
Forward-rate agreements	19,432	15,751
Foreign-exchange derivatives (Forwards and Options)	17,890	18,104
Total	**42,294**	**44,290**

Note 18 Other reserves

	Other reserves			
	Available-for-sale instruments	Hedging reserve	Currency translation reserve	Total Other reserves
Opening balance, Jan. 1, 2004	**—**	**—**	**—**	**—**
Exchange differences on translation of foreign operations	—	—	–489	–489
Closing balance, Dec. 31, 2004	**—**	**—**	**–489**	**–489**
Effects of adoption of IAS 32 and IAS 39				
Hedging reserve	—	7	—	7
Total effects of adoption of IAS 32 and IAS 39	**—**	**7**	**—**	**7**
Opening balance, Jan. 1, 2005, after changes in Accounting Principles	—	**7**	**–489**	**–482**
Available for sale instruments				
Gain/loss taken to equity	24	—	—	24
Cash-flow hedges				
Gain/loss taken to equity	—	16	—	16
Transferred to profit and loss on sale	**—**	**–7**	**—**	**-7**
Exchange differences on translation of foreign operations				
Revaluation of opening balance	—	—	2,520	2,520
Equity hedge	—	—	–615	–615
Translation difference	—	—	197	197
Net income recognized directly in equity	**24**	**9**	**2,102**	**2,135**
Closing balance, Dec. 31, 2005	**24**	**16**	**1,613**	**1,653**

Note 19 Assets pledged for liabilities to credit institutions

	Group		Parent Company	
	2005	2004	2005	2004
Real-estate mortgages	107	126	—	—
Other	11	11	5	5
Total	**118**	**137**	**5**	**5**

Note 20 Share capital and number of shares

Share capital

	Value at par
On December 31, 2005, the share capital comprised	
9,502,275 A-shares, par value SEK 5	48
299,418,033 B-shares, par value SEK 5	1,497
Total	**1,545**

Number of shares

	Owned by Electrolux	Owned by other shareholders	Total
Shares, Dec. 31, 2004			
A-shares	—	9,502,275	9,502,275
B-shares	17,739,400	281,678,633	299,418,033
Sold shares			
A-shares	—	—	—
B-shares	–1,918,161	1,918,161	—
Shares, Dec. 31, 2005			
A-shares	—	9,502,275	9,502,275
B-shares	15,821,239	283,596,794	299,418,033

Note 20 continued

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

As of December 31, 2005, Electrolux had repurchased 15,821,239 (17,739,400) B-shares, with a total par value of SEK 79m (89). The average number of shares during the year has been 291,377,974 (298,314,025) and the average number of shares diluted has been 293,239,990 (298,627,079). The average number of shares is a weighted average number of shares outstanding during the year, after repurchase of own shares.

Note 21 Untaxed reserves, Parent Company

	Dec. 31, 2005	Appropriations	Dec. 31, 2004
Accumulated depreciation in excess of plan on			
Brands	547	20	527
Machinery and equipment	205	–14	219
Buildings	1	–19	20
Other financial reserves	3	1	2
Total	**756**	**–12**	**768**

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

Amounts in SEKm, unless otherwise stated

Note 22 Employees and employee benefits

In 2005, the average number of employees was 69,523 (72,382), of whom 45,321 (48,039) were men and 24,202 (24,343) women. A detailed specification of the average number of employees by country has been submitted to the Swedish Companies Registration Office and is available on request from AB Electrolux, Investor Relations and Financial Information. See also Electrolux website www.electrolux.com/ir under Company overview.

Average number of employees, by geographical area

	Group	
Geographical area	2005	2004
Europe	34,186	35,623
North America	21,052	21,547
Rest of the world	14,285	15,212
Total	**69,523**	**72,382**

Salaries, other remuneration and employer contributions

	2005		2004	
SEKm	Salaries and remuneration	Employer contributions	Salaries and remuneration	Employer contributions
Parent Company	975	480	1,140	659
(whereof pension costs)		(193) 1)		(187) 1)
Subsidiaries	16,058	4,908	15,874	4,983
(whereof pension costs)		(979)		(714)
Group total	**17,033**	**5,388**	**17,014**	**5,642**
(whereof pension costs)		**(1,172)**		**(901)**

1) Includes SEK 10m in 2005 and a net cost reduction of SEK 3m in 2004, referring to the President and his predecessors.

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

	2005		2004	
	Board members and senior managers	Other employees	Board members and senior managers	Other employees
Sweden				
Parent Company	32	943	34	1,106
Other	41	866	30	858
Total Sweden	**73**	**1,809**	**64**	**1,964**
EU, excluding Sweden	127	7,070	127	7,157
Rest of Europe	12	775	16	571
North America	22	5,327	37	5,311
Latin America	27	420	17	323
Asia	17	349	25	368
Pacific	5	964	8	993
Africa	—	36	—	33
Total outside Sweden	**210**	**14,941**	**230**	**14,756**
Group total	**283**	**16,750**	**294**	**16,720**

Of the Board members and senior managers in the Group, 164 were men and 24 women, of whom 10 men and 5 women in the Parent Company.

Employee absence due to illness

	Full year 2005		Second half of 2004	
%	Employees in the Parent Company	All employees in Sweden	Employees in the Parent Company	All employees in Sweden
Total absence due to illness, as a percentage of total normal working hours	**7.6**	**5.7**	**8.3**	**6.7**
of which 60 days or more	62.7	57.8	59.7	53.5
Absence due to illness, by category 1)				
Women	11.2	8.9	11.8	10.3
Men	5.7	5.1	6.5	5.4
29 years or younger	4.9	4.3	5.1	4.5
30–49 years	8.2	6.9	9.5	7.4
50 years or older	7.9	6.6	8.4	7.1

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

In accordance with the regulations in the Swedish Annual Accounts Act, in effect as of July 1, 2003, absence due to illness for employees in the Parent Company and the Group in Sweden is reported in the table above. 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.

Pensions and other post-employment benefits

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. Under defined benefit pension plans, the company enters into a commitment to provide pension benefits based upon final or career average salary, employment period or other factors that are not known until the time of retirement. Under defined contribution plans, the company makes periodic payments to independent authorities or investment plans and the level of benefits depends on the actual return on those investments.

In some countries, 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. These plans are listed below as Other post-employment benefits.

Note 22 continued

In addition to providing pension benefits, the Group provides other post-employment benefits, primarily health-care benefits, for some of its employees in certain countries (US). These plans are listed below as Other post-employment benefits.

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.

A small number of the Group's employees in Sweden is covered by a multi-employer defined benefit pension plan administered by Alecta. It has not been possible to obtain the necessary information for the accounting of this plan as a defined benefit plan, and therefore, it has been accounted for as a defined contribution plan.

Below are set out schedules which show the obligations of the plans in the Electrolux Group, the assumptions used to determine these obligations and the assets relating to the benefit plans, as well as the amounts recognized in the income statement and balance sheet. The schedules also include a reconciliation of changes in net provisions during the year. The Group's policy for recognizing actuarial gains and losses is to recognize in the profit and loss that portion of the cumulative unrecognized gains or losses in each plan that exceeds 10% of the greater of the defined benefit obligation and the plan assets. This portion of gains or losses in each plan is recognized over the expected average remaining working lifetime of the employees participating in the plans.

The provisions for pensions and other post-employment benefits amounted to SEK 8,226m (7,852). The major changes were that the present value of the obligations rose with SEK 5,162m, that the plan assets rose with SEK 3,188m, and that the unrecognized actuarial losses in the plans for pensions and other post-employment benefits increased with SEK 1,660m to SEK 3,233m (1,573). The increase in unrecognized actuarial losses is mainly due to lower discount rates which increases the present value of the future obligations with SEK 2,102m. This is partly offset by unrecognized actuarial gains on plan assets with SEK 572m, being the difference between actual return on plan assets SEK 1,418m and the expected return on plan assets of SEK 846m.

Specification of net provisions for pensions and other post-employment benefits

	2005			2004		
	Pensions, defined benefit plans	Other post-employment benefits	Total	Pensions, defined benefit plans	Other post-employment benefits	Total
Present value of obligations for unfunded plans	3,737	4,407	8,144	3,131	3,678	6,809
Present value of obligations for funded plans	18,535	54	18,589	14,582	180	14,762
Fair value of plan assets	–15,548	–54	–15,602	–12,234	–180	–12,414
Unrecognized actuarial gains/losses	–2,831	–402	–3,233	–1,233	–340	–1,573
Unrecognized past-service cost	–25	—	–25	–28	—	–28
Assets not recognized due to limit on assets	—	—	—	47	—	47
Net provisions for pensions and other post-employment benefits	**3,868**	**4,005**	**7,873**	**4,265**	**3,338**	**7,603**
Whereof reported as						
Prepaid pension cost	353	—	353	249	—	249
Provisions for pensions and other post-employment benefits	**4,221**	**4,005**	**8,226**	**4,514**	**3,338**	**7,852**

The present value of the obligation for unfunded plans regarding other post-employment benefits amounted to SEK 4,407m (3,678), whereof healthcare benefits amounted to SEK 3,416m (2,768). The net provisions for other post-employment benefits amounted to SEK 4,005m (3,338), whereof healthcare benefits amounted to SEK 3,108m (2,458).

The pension plan assets include ordinary shares issued by AB Electrolux with a fair value of SEK 62m (45).

Expense for pensions and other post-employment benefits

	2005	2004
Service cost	485	409
Interest cost	1,264	1,112
Expected return on plan assets	–846	–839
Amortization of actuarial gains and losses	68	—
Amortization of past service cost	8	14
Effect of any curtailments and settlements	–1	–5
Effect of limit on assets	–49	7
Expense for defined benefit plans and other post-employment benefits	**929**	**698**
Expense for defined contribution plans	243	203
Total expense for pensions and other post-employment benefits	**1,172**	**901**
Actual return on plan assets	–1,418	–931

For the Group, total expense for pensions and other post-employment benefits has been recognized as operating expense and classified as manufacturing, selling or administrative expense depending on the function of the employee. In the Parent Company a similar classification has been made.

Weighted average actuarial assumptions

%	Dec. 31, 2005	Dec. 31, 2004
Discount rate	4.6	5.1
Expected long-term return on assets	6.4	7.0
Expected salary increases	3.6	3.8
Medical cost trend rate, current year	10.0	10.0

When determining the discount rate, the Group uses AA rated corporate bonds indexes which match the duration of the pension obligations. If no corporate bond is available government bonds are used to determine the discount rate.

Amounts in SEKm, unless otherwise stated

Note 22 continued

Reconciliation of changes in net provisions for pensions and other post-employment benefits

	Pensions, defined benefit plans	Other post-employment benefits	Total
Net provision for pensions and other post-employment benefits, Jan. 1, 2004	4,790	3,640	8,430
Pension expense	476	222	698
Cash contributions and benefits paid directly by the company	–894	–278	–1,172
Exchange differences	–107	–246	–353
Net provision for pensions and other post-employment benefits, Dec. 31, 2004	**4,265**	**3,338**	**7,603**
Pension expense	606	323	929
Cash contributions and benefits paid directly by the company	–1,313	–201	–1,514
Exchange differences	310	545	855
Net provision for pensions and other post-employment benefits, Dec. 31, 2005	**3,868**	**4,005**	**7,873**

Parent Company

According to Swedish accounting principles adopted by the Parent Company, defined benefit plans are calculated based upon officially provided assumptions, which differ from the assumptions used under IFRS. The benefits for PRI pensions are secured by contributions to a separate fund or recorded as a liability in the balance sheet. At December 31, 2005, the Parent Company reported a pension liability of SEK 292m (269).

The Swedish Pension foundation

The pension liabilities of the Group's Swedish defined benefit pension plan (PRI pensions) are funded through a pension foundation established in 1998. The market value of the assets of the foundation amounted at December 31, 2005 to SEK 1,727m (1,390) and the pension commitments to SEK 1,463m (1,371). The Swedish Group companies recorded a liability to the pension fund as per December 31, 2005 in the amount of SEK 92m (100) which will be paid to the pension foundation during the first quarter of 2006. Contributions to the pension foundation during 2005 amounted to SEK 100m (105) regarding the pension liability at December 31, 2004 and December 31, 2003, respectively. No contributions have been made from the pension foundation to the Swedish Group Companies during 2005 or 2004.

Share-based compensation

Over the years, Electrolux has implemented several long-term incentive programs (LTI) for senior managers. These programs are intended to attract, motivate, and retain the participating managers by providing long-term incentives through benefits linked to the company's share price. They have been designed to align management incentives with shareholder interests. All programs are equity-settled. A detailed presentation of the different programs is given below.

1999 and 2000 option programs

In 1998, a stock option plan 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 that is 15% higher than the average closing price of the Electrolux B-shares on the Stockholm Stock Exchange during a limited period prior to allotment. The options were granted also free of consideration. Annual programs based on this plan were also launched in 1999 and 2000.

Each of the 1999–2000 programs had a vesting period of one year. If a program participant left his employment with the Electrolux Group prior to the vesting time, all options were forfeited. Options which are vested at the time of termination may be exercised, under the general rule of the plans, within three months thereafter. In the beginning of 2005 two annual programs were still in force, of these two the 1999 program expired on February 25, 2005.

2001, 2002 and 2003 option programs

In 2001, a new stock option plan 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 that is 10% above the average closing price of the Electrolux B-shares on the Stockholm Stock Exchange during a limited period prior to allotment. The options were granted free of consideration. Annual programs based on this plan were also launched in 2002 and 2003.

Each of the 2001–2003 programs has had a vesting period of three years, where 1/3 of the options are vested each year. If a program participant leaves his employment with the Electrolux Group, options may, under the general rule, be exercised within a twelve months' period thereafter. However, if the termination is due to, among other things, the ordinary retirement of the employee or the divestiture of the participant's employing company the employee will have the opportunity to exercise such options for the remaining duration of the plan.

Option programs 1999 – 2003

Program	Grant date	Total number of options at grant date	Number of options per lot [1]	Fair value of options at grant date	Exercise price, SEK [2]	Expiration date	Vesting period, year
1999	Feb. 25, 2000	1,770,200	16,700	42	212.70	Feb. 25, 2005	1
2000	Feb. 26, 2001	595,800	6,500	35	167.40	Feb. 26, 2006	1
2001	May 10, 2001	2,460,000	15,000	39	174.30	May 10, 2008	3[2]
2002	May 6, 2002	2,865,000	15,000	48	188.10	May 6, 2009	3[2]
2003	May 8, 2003	2,745,000	15,000	27	161.50	May 8, 2010	3[2]

1) 1999–2003 the President and CEO was granted 4 lots, Group Management members 2 lots and all other senior managers 1 lot.
2) For 2001–2003 option programs, 1/3 vests after 12 months, 1/3 after 24 months and the final 1/3 after 36 months.

Note 22 continued

Change in number of options per program

	Number of options 2004				Number of options 2005			
Program	Jan. 1, 2004	Exercised	Forfeited	Dec. 31, 2004	Exercised [1]	Forfeited	Expired	Dec. 31, 2005
1999	1,002,000	—	116,900	885,100	—	—	885,100	—
2000	472,300	—	45,500	426,800	290,300	52,000	—	84,500
2001	2,365,000	—	150,000	2,215,000	668,750	110,000	—	1,436,250
2002	2,805,000	—	135,000	2,670,000	263,137	210,000	—	2,196,863
2003	2,700,000	—	30,000	2,670,000	527,971	160,000	—	1,982,029

1) The weighted average share price for exercised options is SEK 191.26.

Performance Share Program 2004 and 2005

The Annual General Meeting in 2005 approved an annual long-term incentive program. This program was first introduced after the Annual General Meeting in 2004.

The program is based on value creation targets for the Group that is established by the Board of Directors, and involves an allocation of shares if these targets are achieved or exceeded after a three-year period. The program comprises B-shares.

The program is in line with the Group's principles for remuneration based on performance, and is an integral part of the total compensation for Group Management and other senior managers. The program benefits the company's shareholders and also facilitates recruitment and retention of competent employees to align management interest with shareholder interest.

Allocation of shares under the program is determined on the basis of three levels of value creation, calculated according to the Group's previously adopted definition of this concept. The three levels are Entry, Target, and Stretch. Entry, is the minimum level that must be reached to enable allocation. Stretch, is the maximum level for allocation and may not be exceeded regardless of the value created during the period. The number of shares allocated at Stretch, is 50% greater than at Target. The shares will be allocated after the three-year period free of charge. Participants are permitted to sell the allocated shares to cover personal income tax, but the remaining shares must be held for another two years.

If the participant employment is terminated during the performance period the right to be allocated shares will lead to full forfeiture. In the event of death, divestiture or leave of absence for more than 6 months will result in a reduced award for the affected participant.

The program covers almost 200 senior managers and key employees in more than 20 countries. Participants in the program comprise five groups, i.e., the President, other members of Group Management, and three groups of other senior managers and key employees.

Number of shares distributed per individual performance target

	2005	2004	2005	2004
	Target number of B-shares [1]	Target number of B-shares [1]	Target value in SEK [3]	Target value in SEK [2]
President and CEO	18,133	18,228	2,400,000	2,400,000
Other members of Group Management	9,067	9,114	1,200,000	1,200,000
Other senior managers, cat. C	6,800	6,836	900,000	900,000
Other senior managers, cat. B	4,534	4,557	600,000	600,000
Other senior managers, cat. A	3,400	3,418	450,000	450,000

1) Each target value is subsequently converted into a number of shares. The number of shares is based on a share price of SEK 152.90 for 2004 and SEK 146.40 for 2005, calculated as the average closing price of the Electrolux B-share on the Stockholm Stock Exchange during a period of ten trading days before the day participants were invited to participate in the program, less the present value of estimated dividend payments for the period until shares are allocated. The weighted average fair value of shares for 2004 and 2005 programs is SEK 149.60.
2) Total target value for all participants at grant is SEK 111m.
3) Total target value for all participants at grant is SEK 114m.

It was decided at the Annual General Meeting that the company's obligations under the programs should be secured by repurchased shares.

If the target level is attained, the total cost for the 2005 performance share program over a three-year period is estimated at SEK 135m, including costs for employer contributions and the financing cost for the repurchased shares. If the maximum level (stretch) is attained, the cost is estimated at a maximum of SEK 220m. If the entry level for the program is not reached, the minimum cost will amount to SEK 15m, i.e., the financing cost for the repurchased shares. The distribution of repurchased shares under this program will result in an estimated maximum increase of 0.43% in the number of outstanding shares.

Accounting principles

According to the transition rules stated in IFRS 2, Share-based compensation, Electrolux applies IFRS 2 for the accounting of share-based compensation programs granted after November 7, 2002, and that had not vested on January 1, 2005. In Electrolux, 2/3 of the 2003 option program and the share programs 2004 and 2005, are included in IFRS 2. The Group provides for the employer contributions that are expected to be paid when the options are exercised or the shares distributed. The total cost charged to the income statement for 2005 amounted to SEK 139m (47) whereof 53m (5) refers to employer contribution. The total provision for share-based compensation amounted to 66m (5).

Repurchased shares for the LTI-programs

The company uses repurchased Electrolux B-shares to meet the company's obligations under the stock option and share programs. The shares will be sold to option holders who wish to exercise their rights under the option agreement(s) and if performance targets are met will be distributed to share-program participants. Electrolux intends to sell additional shares on the market in connection with the exercise of options or distribution of shares under the share program in order to cover the cost of employer contributions.

Amounts in SEKm, unless otherwise stated

Note 23 Other provisions

	Group				Parent Company			
	Provisions for restructuring	Warranty commitments	Other	Total	Provisions for restructuring	Warranty commitments	Other	Total
Opening balance, Jan. 1, 2004	**468**	**1,562**	**2,397**	**4,427**	**94**	**72**	**50**	**216**
Provisions made	1,203	992	340	2,535	182	70	11	263
Provisions used	–467	–876	–332	–1,675	–127	–75	–21	–223
Unused amounts reversed	–39	–79	–50	–168	—	—	–8	–8
Exchange-rate differences	–58	–49	–104	–211	—	—	—	—
Closing balance, Dec. 31, 2004	**1,107**	**1,550**	**2,251**	**4,908**	**149**	**67**	**32**	**248**
Short-term provisions	399	852	282	1,533	97	67	—	164
Long-term provisions	708	698	1,969	3,375	52	—	32	84
Provisions made	1,861	1,296	951	4,108	70	11	5	86
Provisions used	–491	–1,153	–479	–2,123	–80	—	—	–80
Unused amounts reversed	–27	–33	–123	–183	–9	—	—	–9
Exchange-rate differences	137	172	364	673	—	—	—	—
Closing balance, Dec. 31, 2005	**2,587**	**1,832**	**2,964**	**7,383**	**130**	**78**	**37**	**245**
Short-term provisions	1,342	1,000	664	3,006	85	78	—	163
Long-term provisions	1,245	832	2,300	4,377	45	—	37	82

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. 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 24 Other liabilities

	Group		Parent Company	
	2005	2004	2005	2004[1]
Accrued holiday pay	1,270	1,150	164	172
Other accrued payroll costs	1,429	1,280	198	245
Accrued interest expenses	199	168	170	158
Prepaid income	489	483	—	—
Other accrued expenses	5,360	4,921	366	349
Other operating liabilities	2,259	2,153	—	—
Total	**11,006**	**10,155**	**898**	**924**

1) Restated to comply with IFRS.

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

Note 25 Contingent liabilities

	Group		Parent Company	
	2005	2004	2005	2004
Trade receivables, with recourse	749	468	—	—
Guarantees and other commitments				
On behalf of subsidiaries	—	—	1,248	1,317
On behalf of external counterparties	553	855	49	55
Employee benefits in excess of reported liabilities	—	—	11	24
Total	**1,302**	**1,323**	**1,308**	**1,396**

Note 25 continued

The increase in trade receivables, with recourse, is mainly related to a negative foreign-exchange effect of a weaker Swedish krona.

The main part of the total amount of guarantees and other commitments on behalf of external counterparties is related to US sales to dealers financed through external finance companies with a regulated buy-back obligation of Electrolux products in case of dealers bankruptcy and a pre-Electrolux bond financing issued by the local US Industrial Development authority.

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 1,400m in the associated company Nordwaggon AB.

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, 2005, the Group had a total of 1,082 (842) cases pending, representing approximately 8,400 (approximately 16,200) plaintiffs. During 2005, 802 new cases with approximately 850 plaintiffs were filed and 562 pending cases with approximately 8,600 plaintiffs were resolved. Approximately 7,100 of the plaintiffs relate 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 on results of operations in the future.

Note 26 Acquired and divested operations

Divestment of Indian operation	2005
Fixed assets	–132
Inventories	–173
Receivables	–74
Other current assets	–23
Liquid funds	–30
Loans	259
Other liabilities and provisions	190
Purchase price	–599
Net borrowing in acquired/divested operation	229
Effect on Group cash and cash equivalents	**–370**

In 2005, all activity in India was divested. During the year the divested activity is included in Net sales with SEK 376m (553). Costs are included with SEK 432m (706). The result before tax is included with SEK –56m (–153). Tax is included with SEK 0m (0).

Note 27 Remuneration to the Board of Directors, the President and other members of Group Management

Compensation to the Board of Directors

The Annual General Meeting (AGM) determines the total compensation to the Board of Directors for a period of one year until the next AGM. The Board allocates a portion of this compensation for committee work, and the rest is distributed exclusively to members who are not employed by the Group. Compensation is paid quarterly. Compensation paid in 2005 refers to 2/4 of the compensation authorized by the AGM in 2004, and 2/4 of the compensation authorized by the AGM in 2005. Total compensation paid in 2005 amounted to SEK 4,012,000, of which SEK 3,500,000 referred to ordinary compensation and SEK 512,000 to committee work. For distribution of compensation by Board member, see table below.

Compensation to the Board members in ´000 SEK

Board member	Ordinary compensation	Compensation for committee work	Total compensation
Michael Treschow, Chairman	1,200	50	1,250
Peggy Bruzelius, Deputy Chairman	375	213	588
Barbara Milian Thoralfsson	350	75	425
Aina Nilsson Ström	350	50	400
Karel Vuursteen	350	50	400
Thomas Halvorsen (up to the AGM)	175	37	212
Caroline Sundewall (as of the AGM)	175	37	212
Tom Johnstone (as of the AGM)	175	—	175
Marcus Wallenberg (as of the AGM)	175	—	175
Luis R Hughes (as of the AGM)	175	—	175
Hans Stråberg	—	—	—
Ulf Carlsson	—	—	—
Annika Ögren	—	—	—
Malin Björnberg	—	—	—
Total	**3,500**	**512**	**4,012**

Remuneration Committee

The working procedures of the Board of Directors stipulate that remuneration to Group Management is proposed by a Remuneration Committee. The Committee comprises the Chairman of the Board and two additional Directors. During 2005, the Committee members were Michael Treschow (Chairman), Aina Nilsson Ström and Karel Vuursteen.

The Remuneration Committee establishes principles for remuneration for the President and the other members of Group Management, subject to 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, pension terms and other benefits.

A minimum of two meetings is convened each year and additional meetings are held when needed. Three meetings were held during 2005.

General principles for compensation within Electrolux

The overall principles for compensation within Electrolux are tied strongly to the position held, individual as well as team performance, and competitive compensation in the country of employment.

The overall compensation package for higher-level management comprises fixed salary, variable salary in the form of a short-term incentive based on annual performance targets, long-term incentives, and benefits such as pensions and insurance.

Electrolux strives to offer fair and competitive total compensation with an emphasis on “pay for performance”. Variable compensation thus represents a significant proportion of total compensation for higher-level management. Total compensation is lower if targets are not achieved.

In 2003, the Group introduced a uniform program for variable salary for management and other key positions. Variable salary is based on a financial target for value creation as well as non-financial targets. Each job level is linked to a target and a stretch level for variable salary, and the program is capped.

In 2004, Electrolux introduced a new performance-based long-term incentive program that replaced the option program for less than 200 senior managers of the Group. The performance share program is linked to targets for the Group’s value creation over a three-year period.

The vesting and exercise rights of the option programs launched up till 2003 will continue as scheduled.

Amounts in SEKm, unless otherwise stated

Note 27 continued

Terms of employment for the President

The compensation package for the President comprises fixed salary, variable salary based on annual targets, long-term incentive programs and other benefits such as pensions and insurance.

Base salary is revised annually per January 1. The annualized base salary for 2005, was SEK 7,850,000 (7,600,000), corresponding to an increase of 3.3% over 2005. Salary increased with 15.2% in 2004.

The variable salary is based on an annual target for value created within the Group. The variable salary is 70% of the annual base salary at target level, and capped at 113.5%. Variable salary earned in 2005 was SEK 6,594,381 (4,246,000).

The President participates in the Group's long-term incentive programs. The long-term incentive programs comprise the new performance-based long-term share program introduced in 2004, as well as previous option programs. For more information on these programs, see Note 22 on page 68.

The notice period for the company is 12 months, and for the President 6 months. There is no agreement for special severance compensation. The President is not eligible for fringe benefits such as a company car or housing.

Pensions for the President

The President is covered by the Group's pension policy. Retirement age for the President is 60. In addition to the retirement contribution, Electrolux provides disability and survivor benefits.

The retirement benefit is payable for life or a shorter period of not less than 5 years. The President determines the payment period at the time of retirement.

The President is covered by an alternative ITP-plan that is a defined contribution plan in which the contribution increases with age. In addition, he is covered by two supplementary defined contribution plans. Pensionable salary is calculated as the current fixed salary plus the average actual variable salary for the last three years. Pension costs in 2005 amount to SEK 5,000,801 (3,683,000). The cost amounts to approximately 43% of pensionable salary of which 7 percentage points represents interest and a one time cost to compensate the transition to a defined contribution pension plan.

The company will finalize outstanding payments to the Alternative ITP-plan and one of the supplementary plans, provided that the President retains his position until age 60.

In addition to the retirement contribution, Electrolux provides disability benefits equal to 70% of pensionable salary, including credit for other disability benefits, plus survivor benefits maximized to 250 (250) Swedish base amounts, as defined by the Swedish National Insurance Act. The survivor benefit is payable over a minimum five-year period.

The capital value of pension commitments for the current President, prior Presidents and survivors is SEK 126m (122). In addition, there are commitments regarding death and disability benefit of SEK 3m (3).

Share-based compensation for the President and other members of Group Management

Over the years, Electrolux has implemented several long-term incentive programs (LTI) for senior managers. These programs are intended to attract, motivate and retain the participating managers by providing long-term incentives through benefits linked to the company´s share price. They have been designed to align management incentives with shareholder interests. In 2004 and 2005 the Group introduced performance-related share programs based on targets established by the Board of Directors. Previously the Group had option programs. A detailed presentation of the different programs is given in Note 22 on page 68.

Options provided to Group Management 1999–2003

	Number of options			
	Beginning of 2005	Expired[1]	Exercised	End of 2005
President and CEO	196,400	33,400	—	163,000
Other members of Group Management	913,500	167,000	45,500	701,000
Total	**1,109,900**	**200,400**	**45,500**	**864,000**

1) Options distributed for the 1999 stock option program expired on February 25, 2005.

Number of shares distributed to Group Management on individual performance target

	2005	2004	2005	2004
	Target number of B-shares [1]	Target number of B-shares [1]	Target value in SEK	Target value in SEK
President and CEO	18,133	18,228	2,400,000	2,400,000
Other members of Group Management	9,067	19,114	1,200,000	1,200,000

1) Each target value is subsequently converted into a number of shares. The number of shares is based on a share price of SEK 152.90 for 2004 and SEK 146.40 for 2005, calculated as the average closing price of the Electrolux B-share on the Stockholm Stock Exchange during a period of ten trading days before the day participants were invited to participate in the program, less the present value of estimated dividend payments for the period until shares are allocated. The weighted average fair value of shares for 2004 and 2005 programs is SEK 149.60.

Compensation for other members of Group Management

Like the President, other members of Group Management receive a compensation package that comprises fixed salary, variable salary based on annual targets, long-term incentive programs and other benefits such as pensions and insurance.

Base salary is revised annually per January 1. The average base salary increase in 2005 was 4.42%, and 6.10%, with promotions included.

Variable salary for sector heads in 2005 is based on both financial and non-financial targets. The financial targets comprise the value created on sector and Group level. The non-financial targets are focused on product innovation, brand strength and succession planning.

The target for variable salary for European-based sector heads is 50% of annual base salary. The stretch level is 100% and the payout is capped at 102–110%. Corresponding figures for the US-based sector head are 100%, 150% and 170%.

Group staff heads receive variable salary based on value created for the Group and on performance objectives within their functions. The target variable salary is 35–40% of annual base salary. The stretch level is 64–80% and payout is capped at 66–82%.

In addition one of the members of Group Management is covered by a contract that entitles to a conditioned compensation based on achieved financial targets during the years 2005–2007. The compensation is paid provided the individual is employed until the end of 2007.

The members of Group Management participate in The Group´s long-term incentive programs. These programs comprise the new performance-based long-term share program introduced in 2004 as well as previous option programs. For more information about these programs, see Note 22 on page 68.

There is no agreement for special severance compensation.

The Swedish members of Group Management are not eligible for fringe benefits such as company cars or housing. For members of Group Management employed outside of Sweden, varying fringe benefits and conditions may apply, depending upon the country of employment.

Note 27 continued

Pensions for other members of Group Management

The members of Group Management are covered by the Group's pension policy.

The retirement age is 65 for one Swedish member of Group Management, and 60 for the others. Swedish members of Group Management are covered by the ITP-plan or the Alternative ITP-plan, as well as a supplementary plan.

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.

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.

The Swedish members of Group Management are covered by an alternative ITP-plan that is a defined contribution plan where the contribution increases with age. The contribution is between 20% and 35% of pensionable salary, between 7.5 and 30 base amounts. The pensionable salary is calculated as the current fixed salary, plus the average variable salary for the last three years.

The Swedish members are also covered by a supplementary defined contribution plan. In 2004, the plan was revised retroactively from 2002. Following the revision, the premiums amount to 35% of the pensionable salary. In addition, four members are covered by individual additional contributions as a consequence of the switch of plans in 2001.

In addition to the retirement contribution, Electrolux provides disability benefits equal to 70% of pensionable salary including credit for other disability benefits, plus survivor benefits maximized to 250 (250) base amounts. The survivor benefit is payable over a minimum five-year period.

One Swedish member of Group Management has chosen to retain a defined benefit pension plan on top of the ITP-plan. The retirement age for this member is 65 and the benefits are payable for life.

These benefits equal 32.5% of the portion of pensionable 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.

In addition, Electrolux provides disability and survivor benefits.

Summary of compensation to Group Management

'000 SEK, unless otherwise stated		2005 Annual fixed salary	2005 Variable salary, earned 2005 [3]	2005 Pension cost	2005 Long-term incentive	2005 Total	2004 Annual fixed salary	2004 Variable salary, earned 2004	2004 Pension cost	2004 Long-term incentive	2004 Total
President and CEO	**Contractual [1]**	**7,850**	**5,495**	**5,617**	**2,400**	**21,362**	**7,600**	**5,320**	**4,440**	**2,400**	**19,760**
	Actual	8,447 [2]	6,594	5,001	2,400	22,442	7,708 [2]	4,246	3,683	2,400	18,037
Other members of Group Management [4]	**Contractual [1]**	**31,062**	**19,845 [6]**	**20,879**	**10,800**	**82,586**	**37,268**	**18,065**	**26,714**	**10,800**	**92,847**
	Actual	33,228 [2]	25,821 [6]	21,425	10,800	91,274	36,958 [2]	16,279	27,569 [5]	10,800	91,606
Total	**Contractual [1]**	**38,912**	**25,340**	**26,496**	**13,200**	**103,948**	**44,868**	**23,385**	**31,154**	**13,200**	**112,607**
	Actual	41,675 [2]	32,415	26,426	13,200	113,716	44,666 [2]	20,525	31,252	13,200	109,643

1) Contractual numbers reflect target performance on variable compensation components.
2) Including vacation salary, paid vacation days and travel allowance.
3) The actual variable salary for 2005 is set in early 2006 and may differ from the expensed amount.
4) In 2005, other members of Group Management comprised 9 people. In 2004, other members of Group Management comprised 11 people up to October, and 9 for the rest of the year.
5) During 2004, the supplementary pension plan for some of the Swedish members of Group Management was approved retroactively from 2002, resulting in an additional cost of SEK 5,800,000 in 2004.
6) Includes contractual "sign-on" bonus.

Note 28 Fees to auditors

PricewaterhouseCoopers (PwC) are appointed auditors for the period until the 2006 Annual General Meeting.

Fees to auditors

SEKm	Group 2005	Group 2004	Parent Company 2005	Parent Company 2004
PwC				
Audit fees [1]	49	46	6	6
Audit-related fees [2]	3	3	6	5
Tax fees [3]	9	10	6	2
Other fees	2	—	—	2
Total fees to PwC	**63**	**59**	**18**	**15**
Audit fees to other audit firms	7	2	—	—
Total fees to auditors	**70**	**61**	**18**	**15**

1) Audit fees consist of fees billed for the annual audit services engagement and other audit services, which are those services that only the external auditor reasonably can provide, and include the Company audit; statutory audits; comfort letters and consents; attest services; and assistance with and review of documents filed with the SEC.
2) Audit-related fees consist of fees billed for assurance and related services that are reasonably related to the performance of the audit or review of the Company's financial statements or that are traditionally performed by the external auditor, and include consultations concerning financial accounting and reporting standards; internal control reviews; and employee benefit plan audits.
3) Tax fees include fees billed for tax compliance services, including the preparation of original and amended tax returns and claims for refund; tax consultations, tax advice related to mergers and acquisitions, transfer pricing, and requests for rulings or technical advice from taxing authorities; tax planning services; and expatriate tax planning and services.

Amounts in SEKm, unless otherwise stated

Note 29 Shares and participations

Participation in associated companies

SEKm	2005	2004
Opening balance	**196**	**185**
Operating result	4	27
Dividend	–3	–11
Tax	–1	–5
Exchange difference	5	1
Divestment	–77	—
Other	—	–1
Closing balance	**124**	**196**

In item Participation in associated companies is at December 31, 2005, goodwill included with the amount of SEK 5m (5).

The Group´s share of the associated companies, which all, except for Atlas Eléctrica, Costa Rica, are unlisted, were at December 31, 2004, as follows:

Associated companies

			2004							
			Relation to the Electrolux Group 1)				Profit & Loss		Balance sheet	
SEKm	Participation, %	Book value	Receivables	Liabilities	Sales	Purchases	Income	Net result	Total assets	Total liabilities
Eureka Forbes, India	40.0	77	—	—	—	—	841	14	201	8
Nordwaggon, Sweden	50.0	37	—	9	—	57	401	—	1,622	1,548
Atlas Eléctrica, Costa Rica	18.9	46	—	1	—	11	574	16	535	284
Sidème, France	39.3	15	—	73	—	190	478	–1	190	157
Viking Financial Services, USA	50.0	13	127	—	—	—	25	10	313	287
Other	—	8	4	5	5	34	58	4	28	16
Total		**196**	**131**	**88**	**5**	**292**	**2,377**	**43**	**2,889**	**2,300**

1) Seen from Electrolux perspective.

Included in Other are: Diamant Boart, Argentina; A/O Khimki, Russia; Diamant Boart, the Philippines; Manson Tool, Sweden; and e2 Home, Sweden.

			2005							
			Relation to the Electrolux Group 1)				Profit & Loss		Balance sheet	
SEKm	Participation, %	Book value	Receivables	Liabilities	Sales	Purchases	Income	Net result	Total assets	Total liabilities
Atlas Eléctrica, Costa Rica	18.9	50	—	1	—	6	687	22	589	328
Nordwaggon, Sweden	50.0	22	—	11	—	72	408	–29	1,519	1,475
Sidème, France	39.3	16	—	79	—	207	528	—	215	179
Viking Financial Services, USA	50.0	27	7	—	—	—	33	21	99	45
Other	—	9	4	4	6	34	60	6	27	15
Total	**—**	**124**	**11**	**95**	**6**	**319**	**1,716**	**20**	**2,449**	**2,042**

1) Seen from Electrolux perspective.

Included in Other are: Diamant Boart, Argentina; A/O Khimki, Russia; Diamant Boart, the Philippines; Manson Tool, Sweden; and e2 Home, Sweden.

Market value for Atlas Eléctrica is according to stock market rate at December 31, 2005, about SEK 28m (24). Although the participation in Atlas Eléctrica is only 18.9 % it is still included amongst associated companies since Electrolux has a significant influence in the company.

Electrolux has, jointly with the state-owned company AB Swedecarrier, issued letters of support for loans and leasing agreements totaling SEK 1,400m (1,412) in the associated company Nordwaggon AB.

Other companies

	Holding, %	Book value, SEKm
Videocon Industries Ltd., India	4.6	214
Firefly Energy Inc., USA	7.5	8
Banca Popolare Friuladria S.p.A., Italy	0.0	3
Business Partners B.V., The Netherlands	0.7	3
Other	—	9
Total		**237**

Note 29 continued

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.	100
Canada	Electrolux Canada Corp.	100
China	Electrolux Home Appliances (Hangzhou) Co. Ltd	100
	Electrolux (China) Home Appliance Co. Ltd	100
	Electrolux (Changsha) Appliance Co. Ltd	100
Denmark	Electrolux Home Products Denmark A/S	100
Finland	Oy Electrolux Ab Electrolux Kotitalouskoneet	100
France	Electrolux France SAS	100
	Electrolux Home Products France SAS	100
	Electrolux Professionnel SAS	100
Germany	Electrolux Deutschland GmbH	100
	AEG Hausgeräte GmbH	100
Hungary	Electrolux Lehel Hütögépgyár Kft	100
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 B.V.	100
	Electrolux Holding B.V.	100
	Electrolux Home Products (Nederland) B.V.	100
Norway	Electrolux Home Products Norway 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
	Electrolux AG	100
United Kingdom	Electrolux Plc	100
	Husqvarna UK Ltd	100
	Electrolux Professional Ltd	100
USA	Electrolux Home Products Inc.	100
	Electrolux Holdings Inc.	100
	Electrolux Professional Inc.	100
	Electrolux Professional Outdoor Products Inc.	100

A detailed specification of Group companies has been submitted to the Swedish Companies 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 IFRS, as described in Note 1 on page 48. The Group has transitioned to IFRS per January 1, 2005, as reported in Note 31 on page 81, and has restated their financial statements from January 1, 2004, to IFRS. As a result of this, certain amendments have been made to the adjustments recorded in the Group´s reconciliation of net income and equity under US GAAP for the financial year 2004, principally, relating to share-based compensation, goodwill and intangible assets. The Group also submits an annual report on Form 20-F to the US Securities and Exchange Commission (SEC).

Goodwill and other intangible assets

After the implementation of IFRS 3, there are no major differences in comparison with US GAAP regarding goodwill and acquired intangible assets.

Acquisitions

According to IFRS transition rules, Electrolux elected not to restate acquisitions prior to January 1, 2004.

Prior to 1996, under Swedish standards, 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 2004, 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. For acquisitions from 2004, these differences no longer exist.

Others

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 annually. With the implementation of IFRS as from January 1, 2004, the accounting standards are similar in this area. Prior to January 1, 2004, under Swedish GAAP, goodwill and other intangible assets were amortized over the expected useful life of the asset, therefore differences arise from the different dates of implementation. The Electrolux trademark in North America has previously been amortized under Swedish GAAP but as of January 1, 2004, amortization is no longer calculated in accordance with IFRS and US GAAP.

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, 2005.

Amounts in SEKm, unless otherwise stated

Note 30 continued

Development costs

IFRS states that development costs associated with the creation of intangible assets shall be capitalized 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 development costs be expensed as incurred, except for certain costs associated with the development of software.

Discounted provisions

Under IFRS and US GAAP, 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. Under IFRS, where the effect of time value of money is material, the amount recognized is the present value of the estimated expenditures. IAS 37 states that long-term provisions shall be discounted if the time value is material. According to US GAAP discounting of provisions is allowed when the timing of cash flow is certain.

Restructuring and other provisions

Under IFRS the Group is accounting for restructuring provisions in accordance with IAS 37, Provisions, contingent liabilities and contingent assets. Under US GAAP corresponding guidance is defined in SFAS 146, Accounting for Costs Associated with Exit or Disposal Activities. The material differences are that 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. SFAS 146 also restricts what type of costs that can be included in the restructuring provision. The timing of recognition and related measurement of a 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. The type of costs with these kinds of restrictions in US GAAP compared to IAS 37 are for the Group mainly professional fees, severence payments, different types of costs for clean-up and dismantling of factories (excluding environmental costs regulated by a Government authority) and lease agreements.

Pensions and other post-employment benefits

Accounting for pensions and other post-employment benefits is made in accordance with IAS 19, Employee Benefits. Under US GAAP, guidance is defined in SFAS 87, Employers' Accounting for Pensions, and SFAS 106, Employers' Accounting for Post-retirement Benefits Other than Pensions. The material differences between IAS 19 and US GAAP which affect the Group are:

- Different dates of implementation cause differences in accumulated actuarial gains and losses. SFAS 87 was implemented in 1987 for US plans and in 1989 for non-US plans. SFAS 106 was implemented in 1993. IAS 19 was implemented on January 1, 2004, and accumulated actuarial gains and losses at this date were zero.
- Under IAS 19, the estimated return on plan assets is based on actual market values, while US GAAP allows market-related values as the basis for estimation of the return on assets.
- Under IAS 19, the past service cost and expenses resulting from plan amendments are recognized immediately if vested or amortized until vested. Under US GAAP, prior service cost is generally recognized over the average remaining service life of the plan participants.
- Under US GAAP, an additional minimum liability should be recognized if the accumulated benefit obligation exceeds the sum of the fair value of plan assets and the change in liability is recognized as comprehensive income. A minimum liability is not required under IAS 19.

In 2004, the US subsidiaries were affected by The Medicare Prescription Drug, Improvement and Modernization Act of 2003. This change in legislation caused a reduction in the companies' obligation under FAS 106. The reduction was treated as an actuarial gain for US GAAP whilst under IAS this was booked against equity in the transition to IAS 19 as of January 1, 2004.

Derivatives and hedging

Due to the transition to IFRS, Electrolux implemented on January 1, 2005, IAS 39, Financial Instruments: Recognition and measurement. IAS 39 has similar requirements as SFAS 133 for recognition and measurement of derivative instruments as well as for their designation as hedging instruments, documentation, and assessment of the effectiveness as such. See Note 1 on page 48 for further information.

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.

Prior to January 1, 2005, 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, the fair value of derivatives that were not designated as hedge instruments and the ineffective portion of derivatives that were designated as net investment hedges was marked-to-market through the income statement.

After the implementation of IAS 39, management designates derivative instruments as hedges for both IAS and US GAAP purposes and there are no longer any differences for the instruments acquired after December 31, 2004.

The transition rules of IAS 39, however, permit retrospective designation of derivative instruments as hedges if they were designated as hedges under previous GAAP. For US GAAP purposes, derivative instruments, acquired before December 31, 2004, which are not designated as hedges are marked-to-market and changes in their fair value continued to be recorded through the income statement in 2005.

Securities

In accordance with IFRS (IAS 39), financial assets categorized as "available for sale" are recognized at fair value. For Electrolux such category includes investments with a temporary disposal restriction. Under US GAAP, financial assets for which the sale is restricted by contractual requirements are recorded at cost and subject to write down for impairment. Under US GAAP Electrolux recognizes distributions from investments recorded at cost as dividend income or receipt.

Note 30 continued

Revaluation of assets
Electrolux historically revalued certain land and buildings to values under Swedish GAAP in excess of the acquisition cost. These revalued amounts have been carried forward upon transition to IFRS and are viewed as deemed cost according to IFRS. Such revaluation is not permitted in accordance with US GAAP.

Share-based compensation
Electrolux has several compensatory employee stock option programs and performance share programs, which are offered to senior managers. Under IFRS, Electrolux recognizes compensation expense for all share-based programs that were not fully vested as of November 7, 2002. An estimated cost for the granted instruments, based on the instruments´ fair value at grant date, and the number of instruments expected to vest is charged to the income statement over the vesting period on a straight line basis. The share-based compensation programs are classified as equity-settled transactions. The fair value of share options is the market value at grant date calculated according to an option valuation method. The fair value of shares is the market value at grant date adjusted for the discounted value of expected future dividends. For US GAAP purposes, ABP 25 applies for share-based programs with employees, including those plans prior to November 7, 2002 and the plans are classified as fixed or variable plans. Under APB 25, compensation expense is determined as the difference between the market price and exercise price of the share-based award. For fixed plans compensation expense is determined on the date of grant. For variable plans compensation expense is remeasured at each balance sheet date until the award becomes vested. Under IFRS, employers are required to record provisions for related social fees and the costs are charged to the income statement over the vesting period. US GAAP requires that the employer payroll taxes upon exercise of stock must be recognized as an expense at the exercise date of the option.

Recently issued accounting standards
FAS 151 In November 2004, the FASB issued Statement No. 151, Inventory Costs, an amendment of ARB No. 43. The new standard requires that idle facility expense, freight, handling costs, and wasted material (spoilage) are recognized as current-period charges. In addition, this statement requires allocation of fixed production overhead to the costs of conversion based on the normal capacity of a production facility. The provisions of this statement are effective for inventory costs that incur during fiscal years beginning after June 15, 2005. The adoption of the provisions of FAS 151 is not expected to have an impact on the Group's consolidated financial statements.

FIN 47 In March 2005, the FASB issued Interpretation No. 47, Accounting for Conditional Asset Retirement Obligations – an interpretation of FASB Statement No. 143. FIN 47 clarifies that SFAS No. 143, Accounting for Asset Retirement Obligations, requires that an entity recognizes a liability for the fair value of a conditional asset retirement obligation when incurred if the liability's fair value can be reasonably estimated. FIN 47 is effective no later than the end of fiscal years ending after December 15, 2005. Electrolux does not expect the adoption of FIN 47 to have a material impact on its results of operations or financial position.

FAS 153 In December 2004, the FASB issued SFAS 153, Exchanges of Nonmonetary Assets, an amendment of APB Opinion No. 29. The guidance in APB Opinion No. 29, Accounting for Nonmonetary Transactions, is based on the principle that exchanges of nonmonetary assets should be measured based on the fair value of the assets exchanged. The guidance in that opinion, however, included certain exceptions to that principle. This statement amends Opinion No. 29 to eliminate the exception for nonmonetary exchanges of similar productive assets and replaces it with a general exception for exchanges of nonmonetary assets that do not have commercial substance. This statement is effective for nonmonetary asset exchanges occurring in fiscal periods beginning after June 15, 2005. Electrolux does not believe that the adoption of this statement will materially affect the Group's consolidated financial statement.

SFAS 123 (R) In December 2004, the FASB issued SFAS 123 (R) Share-Based Payment, which is a revision of SFAS No. 123, Accounting for Stock-Based Compensation and supersedes APB Opinion No. 25, Accounting for Stock Issued to Employees. Generally the valuation methods contained in SFAS No. 123 (R) are similar to those in SFAS No. 123, but SFAS No. 123 (R) requires all share-based payments to employees, including grants of employee share options, to be charged to the statement of income. This pronouncement requires companies to expense the fair value of employee stock options and other forms of stock-based compensation. The Group plans to adopt this pronouncement effective January 1, 2006. Electrolux is in the process of assessing the impact of SFAS No. 123 (R) and does not expect the adoption to have a material impact on its results of operations or financial position.

FASB 143-1 In June 2005, the FASB issued FASB Staff Position (FSP) 143-1, Accounting for Electronic Equipment Waste Obligations. The FSP addresses accounting by commercial users and producers of electrical and electronic equipment, in connection with Directive 2002/96/EC on Waste Electrical and Electronic Equipment (WEEE) issued by the European Union (EU) on February 13, 2003. This Directive requires EU-member countries to adopt legislation to regulate the collection, treatment, recovery, and environmentally sound disposal of electrical and electronic waste equipment, and sets forth certain obligations relating to covering the cost of disposal of such equipment by commercial users. Producers will also be required to cover the cost of disposal of such equipment under the WEEE legislation if they are participating in the market as of August 13, 2005. Electrolux records the cost of disposal for the member states that have enacted the Directive in accordance to each member state's legislation. As of December 2005, several major EU-member states have not enacted the Directive and Electrolux continues to evaluate the impact of the WEEE legislation as member states implement guidance.

SFAS 154 In May 2005, the FASB issued SFAS No. 154, Accounting Changes and Error Corrections. SFAS 154 requires retrospective application to prior period´s financial statements of changes in accounting principle, unless it is impracticable to determine either the period specific effects or the cumulative effect of the change. It also requires that the new accounting principle be applied to the balance of assets and liabilities as of the beginning of the earliest period for which retrospective application is practicable and that a corresponding adjustment be made to the opening balance of retained earning for that period rather than being reported in an income statement. The statement will be effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. The adoption of SFAS 154 is not expected to have a material effect on the results or net assets of the Group.

Amounts in SEKm, unless otherwise stated

Note 30 continued

Summary of the effects that application of US GAAP would have on consolidated net income, equity and the balance sheet

Consolidated net income

SEKm	2005	2004
Net income as reported in the consolidated income statement	1,763	3,259
Adjustments before taxes		
Development costs	–217	–367
Restructuring and other provisions	172	178
Pensions	–316	–312
Derivatives and hedging	–143	–158
Discounted provisions	–78	—
Securities	—	2
Share-based compensation	71	–40
Taxes on the above adjustments	266	226
Net income according to US GAAP	1,518	2,788
Net income from continuing operations according to US GAAP	1,518	2,788
Net income per share in SEK according to US GAAP, basic	5.21	9.35
Number of shares, basic [1]	291,377,974	298,314,025
Net income per share in SEK according to US GAAP, diluted	5.21	9.34
Number of shares, diluted [1]	291,495,285	298,350,049

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

Comprehensive income

SEKm	2005	2004
Net income according to US GAAP	1,518	2,788
Income for the period recognized directly in equity under IFRS	2,207	–489
Reversal of transition items recorded to equity under IFRS	—	-1,564
Comprehensive income recognized for US GAAP adjustments		
Translation differences	–29	9
Pensions, net of tax –80, and –404 respectively	–591	591 [1]
Derivatives and hedging	—	–2
Comprehensive income according to US GAAP	**3,105**	**1,333**

1) Includes the corresponding US GAAP adjustment on the adjustment of the opening balance.

Equity

SEKm	2005	2004
Equity as reported in the consolidated balance sheet	25,888	23,636
Less minority interest	–1	–10
Equity less minority interest	25,887	23,626
Adjustments before taxes		
Acquisitions	–589	–546
Previously made adjustments on goodwill and intangible assets	414	373
Development costs	–1,089	–819
Restructuring and other provisions	340	167
Pensions	422	1,102
Discounted provisions	–78	—
Derivatives and hedging	—	143
Securities	–20	3
Revaluation of assets	–134	–132
Share-based compensation	–36	–143
Taxes on the above adjustments	–60	–207
Equity according to US GAAP	**25,057**	**23,567**

The table summarizes the consolidated balance sheets prepared in accordance with IFRS and US GAAP.

Balance sheet

	IFRS		US GAAP	
SEKm	2005	2004	2005	2004
Intangible assets	6,100	5,257	4,848	4,329
Tangible assets	18,622	16,033	18,488	15,901
Financial assets	5,009	4,333	5,262	4,552
Current assets	52,827	49,473	53,290	50,735
Total assets	**82,558**	**75,096**	**81,888**	**75,517**
Equity	25,888	23,636	25,057	23,567
Minority interests	1	10	1	10
Provisions for pensions and similar commitments	8,226	7,852	8,294	7,312
Other provisions	8,800	6,160	8,892	6,169
Financial liabilities	8,717	9,843	8,717	10,585
Operating liabilities	30,926	27,595	30,927	27,874
Total equity and liabilities	**82,558**	**75,096**	**81,888**	**75,517**

Note 31 Transition to IFRS

As of January 1, 2005, Electrolux applies International Financial Reporting Standards, previously known as International Accounting Standards, as adopted by the European Union (IFRS). Prior to 2005, Electrolux prepared the financial statements in accordance with the standards and interpretations issued by the Swedish Financial Accounting Standards Council.

Swedish Accounting Standards have gradually incorporated IFRS and, consequently, several IFRS issued prior to 2004 have already been implemented in Sweden. However, a number of new standards and amendments to and improvements of existing standards are adopted for the first time in 2005. The effect on the Group's income and equity referring to the transition is stated below.

The transition to IFRS is accounted for following the rules stated in IFRS 1, First Time Adoption of International Accounting Standards, and the transition effects have been recorded through an adjustment to opening retained earnings as per January 1, 2004. This date has been determined as Electrolux date of transition to IFRS. Comparative figures for 2004 have been restated. IFRS 1 gives the option to elect a number of exemptions from other IFRS standards of which Electrolux has elected the following:

- IFRS 3, Business combinations, has not been applied retrospectively to past business combinations and no restatement of those have been made.
- Items of property, plant and equipment have not been measured at fair value, i.e., the carrying amounts, which include historical revaluation, according to Swedish GAAP have been kept.
- All actuarial gains and losses have been recognized at the date of transition to IFRS.
- The cumulative translation differences for all foreign operations, according to the rules in IAS 21. The Effects of Changes in Foreign Exchange rates, are deemed to be zero at the date of transition to IFRS.
- Of previously recognized financial instruments, SEK 643m have been designated as available for sale, SEK 8,060m, as assets at fair value through the profit or loss and SEK 364m as liabilities at fair value through profit or loss.
- No restatement of comparative figures has been made for IAS 39, Financial Instruments: Recognition and Measurement, which is applied as from January 1, 2005.

Since 2002, Electrolux has prepared the transition to IFRS including a thorough review of all IFRS rules, amendments to the Electrolux Accounting Manual as well as the Group´s reporting format and a special audit carried out in a number of the Group´s reporting units. The following areas represent the identified differences.

Share-based payments

IFRS 2 is applied for share-based compensation programs granted after November 7, 2002, and that had not vested on January 1, 2005. IFRS 2 differs from previously applied accounting principles in that an estimated cost for the granted instruments is charged to the income statement over the vesting period. In addition, the Group provides for estimated employer contributions in connection with the share-based compensation programs.

Previously, only employer contributions related to these instruments have been recognized, and no charge was taken to the income statement for equity instruments granted as compensation to employees.

Business combinations

In business combinations, IFRS 3 requires a thorough inventory of intangible assets and does not allow provisions for restructuring activities. IFRS 3 stipulates that goodwill shall not be amortized but submitted to impairment test at least once a year. Goodwill amortization has therefore ceased and comparative figures for 2004 have been restated. Electrolux has even previously carried out impairment test of goodwill at least once a year and, therefore, has not taken any additional impairment charge at the date of transition to IFRS. IFRS 3 also prohibits the recognition of negative goodwill. At transition, negative goodwill has been written off through an SEK 40m adjustment to opening retained earnings as per January 1, 2004.

Electrolux made no acquisitions in 2004 and, as stated above, has chosen the alternative not to restate business combinations made in earlier years.

Other intangible assets

The transition rules stated in IFRS 1 stipulate that a company at transition recognizes intangible assets that qualify for recognition under IAS 38, Intangible Assets, even though these intangible assets have previously been expensed. Electrolux has made an inventory of the Group's intangible assets resulting in a net adjustment of SEK 20m in other intangible assets as per January 1, 2004.

Income statement

The format used in previous years has been kept with the only exception being that the consolidated income statement now ends with Income for the period, which is the old Net income, without deducting minority interests.

Amounts in SEKm, unless otherwise stated

Note 31 continued

IFRS transition effects on the consolidated income statement for the full year 2004

SEKm	Income statement before transition	IFRS 2	IFRS 3	IAS 38	Income statement after transition
Net sales	120,651	—	—	—	120,651
Gross operating income	29,645	—	—	–15	29,630
Operating income	4,714	–47	155	–15	4,807
Income after financial items	4,359	–47	155	–15	4,452
Income for the period	3,148	–32	155	–12	3,259
Income for the period per share, basic, SEK	10.55	–0.11	0.52	–0.04	10.92

Balance sheet

A number of reclassifications have been made in the balance sheet to comply with IFRS:

- The term Non-current assets is used instead of Fixed assets.
- The term Property, plant and equipment is used instead of Tangible assets.
- Derivatives with a maturity of less than one year are reported as current assets or current liabilities, respectively, wheras derivatives with a maturity of more than one year are reported as non-current assets or non-current liabilities, respectively.
- Cash and cash equivalents consist of cash on hand, bank deposits and other short-term highly liquid investments with a maturity of three months or less. Other liquid funds are reported under short-term investments.
- Provisions expected to be paid within a year are reported as current liabilities and provisions expected to be paid after more than one year are reported as non-current liabilities.
- Total equity in the consolidated balance sheet includes minority interests.
- Equity is reported split on Share capital, Other paid-in capital, Other reserves and Retained earnings. The components of Other reserves are reported in Change in consolidated equity.

IFRS transition effects on the consolidated opening balance, January 1, 2004

SEKm	Opening balance before transition	IFRS 2	IFRS 3	IAS 38	Opening balance after transition
Goodwill	3,500	—	31	—	3,531
Other intangible assets	1,282	—	—	20	1,302
Deferred tax assets	2,988	–16	—	—	2,972
Other non-current assets	17,049	—	—	—	17,049
Current assets	53,415	—	—	—	53,415
Total assets	**78,234**	**–16**	**31**	**20**	**78,269**
Equity (retained earnings)	25,887	37	31	16	25,971
Deferred tax liabilities	1,294	—	—	4	1,298
Other provisions	4,427	–53	—	—	4,374
Other non-current liabilities	16,737	—	—	—	16,737
Current liabilities	29,889	—	—	—	29,889
Total equity and liabilities	**78,234**	**–16**	**31**	**20**	**78,269**

IFRS transition effects on the consolidated balance sheet, December 31, 2004

SEKm	Balance before transition	IFRS 2	IFRS 3	IAS 38	Balance after transition
Goodwill	3,160	—	175	—	3,335
Other intangible assets	1,917	—	—	5	1,922
Deferred tax assets	2,937	–16	—	—	2,921
Other non-current assets	17,445	—	—	—	17,445
Current assets	49,473	—	—	—	49,473
Total assets	**74,932**	**–16**	**175**	**5**	**75,096**
Equity (retained earnings)	23,420	37	175	4	23,636
Deferred tax liabilities	1,251	—	—	1	1,252
Other provisions	4,961	–53	—	—	4,908
Other non-current liabilities	11,792	—	—	—	11,792
Current liabilities	33,508	—	—	—	33,508
Total equity and liabilities	**74,932**	**–16**	**175**	**5**	**75,096**

Cash flow

Cash and cash equivalents in the consolidated cash-flow statement consist of cash on hand, bank deposits and other short-term liquid investments with a maturity of three months or less. Previously liquid funds were used in the consolidated cash-flow statement, i.e., including also other short-term liquid investments with a maturity of more than three months. Previous periods have been restated. Cash and cash equivalents, as compared to the old liquid funds measure, decreased by SEK 4,395m as of January 1, 2004 and SEK 1,027m as of December 31, 2004.

Note 32 Definitions

Capital indicators

Annualized net 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 exclusive of liquid funds and interest-bearing financial receivables less operating liabilities, non-interest-bearing provisions and deferred tax liabilities.

Working capital

Current assets exclusive of liquid funds and interest-bearing financial receivables less operating liabilities and non-interest-bearing provisions.

Net borrowings

Total interest-bearing liabilities less liquid funds.

Adjusted equity

Equity, including minority interests.

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.

Earnings per share

Earnings per share

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

Earnings per share according to US GAAP

See information on US GAAP in Note 30, on page 77.

Other key ratios

Organic growth

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

EBITDA margin

Operating income before 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, or 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, EBIT [1]
– WACC × Average net assets [1]

= Value creation

EBIT = Earnings before interest and taxes, excluding items affecting comparability.
WACC = Weighted Average Cost of Capital. The WACC rate before tax for 2005 is calculated at 12% compared to 12% for 2004 and 13% for 2003.

1) Excluding items affecting comparability.

Proposed distribution of earnings

	Thousands of krona
The Board of Directors and the President propose that income for the year	1,997,323
and retained earnings	12,498,452
Total	**14,495,775**
be distributed as follows:	
A dividend to the shareholders of SEK 7.50 per share [1)], totaling	2,201,325
An additional dividend to the shareholders of all shares of the wholly-owned subsidiary Husqvarna AB including the underlying group of companies mainly as set out on page 41 in the annual report [2)]	608,471
To be carried forward	11,685,979
Total	**14,495,775**

1) Calculated on the number of outstanding shares as per February 13, 2006. Currently, the company holds 15,410,329 shares as treasury shares. Based on the resolution adopted by the Annual General Meeting in April 2005, a maximum of 15,481,701 additional shares may be repurchased prior to the Annual General Meeting in April 2006, thereby decreasing the total dividend payment. The number of repurchased shares may decrease if employees exercise their options, which would increase the total dividend payment. The Board of Directors and the President propose April 27, 2006 as record day for the right to cash dividend.

2) In the proposal for the appropriation of profits, the book value of Husqvarna AB in the Parent Company is stated as per December 31, 2005. In order to prepare for the distribution of the shares in Husqvarna AB, a reorganization of the legal structure is in progress. This reorganization is expected to increase the free reserves in AB Electrolux by approximately SEK 2,900m and the book value of the shares in Husqvarna AB to approximately SEK 7,300m, at the day of distribution.
Husqvarna AB, including the underlying group of companies, mainly as set out on page 41 in the annual report, is expected to represent approximately SEK 4,700m of the equity of the Group as per December 31, 2005, including the effects of the above mentioned reorganization. The equity of the Husqvarna Group at the day of distribution is not expected to exceed the sum of SEK 4,700m and the net income earned for the period.
Each share in AB Electrolux shall entitle to one share in Husqvarna AB. Holders of shares of series A in AB Electrolux shall receive shares of series A in Husqvarna AB and holders of shares of series B in AB Electrolux shall receive shares of series B in Husqvarna AB. The Board of Directors is proposed to be authorized to determine the record day for the dividend of the shares.

The Board of Directors has proposed that the Annual General Meeting 2006 resolves on an appropriation of profits involving a dividend to the shareholders of SEK 7.50 per share. The Board of Directors has also proposed that the Annual General Meeting 2006 resolves on a dividend of all shares in the wholly-owned subsidiary Husqvarna AB, including the underlying Group, mainly as set out on page 41 in the annual report. The total amount of the proposed dividend is consequently SEK 2,809,796 thousand.

With reference to the Board of Directors' proposed distribution of earnings above, the Board of Directors hereby makes the following statement according to Chapter 18 Section 4 of the Swedish Companies Act (2005:551).

The retained earnings from the previous years amount to SEK 12,498,452 thousand and the net income for the year amounts to SEK 1,997,323 thousand. Provided that the Annual General Meeting 2006 resolves to allocate the results in accordance with the Board of Directors' proposal, SEK 11,685,979 thousand will be carried forward. After distribution of the proposed dividend, there will be full coverage for the restricted equity of the company, also taking into consideration the proposed authorization for the Board of Directors to decide on repurchase of own shares.

It is the Board of Directors' assessment that after distribution of the proposed dividend, the equity of the company and the Group will be sufficient with respect to the kind, extent and risks of the operations. The Board of Directors has hereby considered, among other things, the company's and the Group's historical development, the budgeted development and the state of the market. If financial instruments currently valued at actual value in accordance with Chapter 4 Section 14 a of the Swedish Annual Accounts Act (1995:1554) instead had been valued according to the lower of cost or net realizable value, the equity of the company would increase by SEK 78,282 thousand.

The Board of Directors has made an assessment of the financial position of the company and the Group as well as the possibilities of the company and the Group to comply with its obligations in a short term and long term perspective. After the dividend, the equity/debt ratio of the company and the Group is assessed to continue to be high in relation to the industry in which the group is operating. The Board of Directors has hereby considered the assessed effect on the equity of the company and the Group of the distribution of the Husqvarna group after reorganization.

The proposed dividend will not affect the ability of the company and the Group to comply with its payment obligations. The company and the Group has sufficient access to long-term, as well as short-term, credit facilities, which can be used by short notice. The Board of Directors therefore finds that the company and the Group are well prepared to handle any changes in respect of liquidity, as well as unexpected events.

The Board of Directors is of the opinion that the company and the Group have the ability to take future business risks and also cope with potential losses. The proposed dividend will not negatively affect the company's and the Group's ability to make further commercially motivated investments in accordance with the strategy of the Board of Directors.

The Board of Directors and the President and CEO declare that, to the best of our knowledge, the annual report is prepared in accordance with generally accepted accounting principles for stock market companies, that the information contained in the annual report is in accordance with factual circumstances and that it contains no omission likely to affect the representation of the company which is established by the annual report.

Stockholm on February 13, 2006

Michael Treschow
Chairman of the Board of Directors

Peggy Bruzelius
Deputy Chairman of the Board of Directors

Louis R. Hughes **Tom Johnstone** **Aina Nilsson Ström** **Caroline Sundewall**

Barbara Milian Thoralfsson **Karel Vursteen** **Marcus Wallenberg**

Malin Björnberg **Ulf Carlsson** **Annika Ögren**

Hans Stråberg
President and CEO

Auditors' report

To the annual meeting of the shareholders of AB Electrolux. Corporate identity number 556009-4178

We have audited the annual accounts, the consolidated accounts, included in pages 23–84, the accounting records and the administration of the Board of Directors and the President of AB Electrolux for the year 2005. The Board of Directors and the President are responsible for these accounts and the administration of the company as well as for the application of the Annual Accounts Act when preparing the annual accounts and the application of international financial reporting standards IFRSs as adopted by the EU and the Annual Accounts Act when preparing the consolidated accounts. 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 and significant estimates made by the Board of Directors and the President when preparing the annual accounts and consolidated accounts 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 have been prepared in accordance with the Annual Accounts Act and give a true and fair view of the company's financial position and results of operations in accordance with generally accepted accounting principles in Sweden. The consolidated accounts have been prepared in accordance with international financial reporting standards IFRSs as adopted by the EU and the Annual Accounts Act and give a true and fair view of the Group's financial position and results of operations. The statutory administration report is consistent with the other parts of the annual accounts and the consolidated accounts.

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 of 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 27, 2006

Peter Clemedtson
Authorized Public Accountant
Partner in Charge

Anders Lundin
Authorized Public Accountant

Eleven-year review

Amounts in SEKm, unless otherwise stated.

Key ratios for 2005 are reported according to IFRS. Figures for 2004 are restated to comply with IFRS, except for IAS 39. If IAS 39 had been applied in 2004, the volatility in income, net borrowings and equity would most probably have been higher. Comparative figures for the prior years have not been restated. A restatement of those years would follow the same pattern as the restatement of 2004, i.e., the effects on income and equity would be limited.

	2005	2004	2003	2002	2001	2000
Net sales and income						
Net sales	129,469	120,651	124,077	133,150	135,803	124,493
Organic growth, %	4.3	3.2	3.3	5.5	–2.4	3.7
Depreciation and amortization	3,410	3,038	3,353	3,854	4,277	3,810
Items affecting comparability	–3,020	–1,960	–463	–434	–141	–448
Operating income	3,942	4,807	7,175	7,731	6,281	7,602
Income after financial items	3,215	4,452	7,006	7,545	5,215	6,530
Income for the period	1,763	3,259	4,778	5,095	3,870	4,457
Cash flow						
EBITDA [1]	10,372	9,805	10,991	12,019	10,699	11,860
Cash flow from operations, excluding change in operating assets and liabilities	8,428	7,140	7,150	9,051	5,848	8,639
Changes in operating assets and liabilities	–1,888	1,442	–857	1,854	3,634	–2,540
Cash flow from operations	6,540	8,582	6,293	10,905	9,482	6,099
Cash flow from investments of which	–5,827	–5,358	–2,570	–1,011	1,213	–3,367
capital expenditures	–4,765	–4,515	–3,463	–3,335	–4,195	–4,423
Cash flow from operations and investments	713	3,224	3,723	9,894	10,695	2,732
Operating cash flow	1,083	3,224	2,866	7,665	5,834	2,552
Dividends and repurchase of shares	–2,038	–5,147	–3,563	–3,186	–3,117	–4,475
Capital expenditure as % of net sales	3.7	3.7	2.8	2.5	3.1	3.6
Margins [1]						
Operating margin, %	5.4	5.6	6.2	6.1	4.7	6.5
Income after financial items as % of net sales	4.8	5.3	6.0	6.0	3.9	5.6
EBITDA margin, %	8.0	8.1	8.9	9.0	7.9	9.5
Financial position						
Total assets	82,558	75,096	77,028	85,424	94,447	87,289
Net assets	28,165	23,988	26,422	27,916	37,162	39,026
Working capital	–31	–383	4,068	2,216	6,659	9,368
Trade receivable	24,269	20,627	21,172	22,484	24,189	23,214
Inventories	18,606	15,742	14,945	15,614	17,001	16,880
Accounts payable	18,798	16,550	14,857	16,223	17,304	12,975
Equity	25,888	23,636	27,462	27,629	28,864	26,324
Interest-bearing liabilities	8,914	9,843	12,501	15,698	23,183	25,398
Data per share, SEK [2] [3]						
Earnings per share	6.05	10.92	15.25	15.58	11.35	12.40
Earnings per share according to US GAAP	5.06	9.35	15.58	16.23	10.90	13.55
Equity	88	81	89	87	88	77
Dividend	7.50 [4]	7.00	6.50	6.00	4.50	4.00
Trading price of B-shares at year-end	206.50	152.00	158.00	137.50	156.50	122.50
Key ratios						
Value creation	2,913	3,054	3,449	3,461	262	2,423
Return on equity, %	7.0	13.1	17.3	17.2	13.2	17.0
Return on net assets, %	13.0	17.5	23.9	22.1	15.0	19.6
Net assets as % of net sales [5]	21.0	21.2	23.6	23.1	29.3	30.4
Accounts receivable as % of net sales [5]	18.1	18.2	18.9	18.6	19.1	18.1
Inventories as % of net sales [5]	13.9	13.9	13.4	12.9	13.4	13.1
Net debt/equity ratio	0.11	0.05	0.00	0.05	0.37	0.63
Interest coverage ratio	4.32	5.75	8.28	7.66	3.80	4.34
Dividend as % of equity [4]	8.5	8.6	7.3	6.9	5.1	5.2
Other data						
Average number of employees	69,523	72,382	77,140	81,971	87,139	87,128
Salaries and remuneration	17,033	17,014	17,154	19,408	20,330	17,241
Number of shareholders	60,900	63,800	60,400	59,300	58,600	61,400

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

					Compound annual, growth rate,%	
1999	1998	1997	1996	1995	5 years	10 years
119,550	117,524	113,000	110,000	115,800	0.8	1.1
4.1	4.0	5.0	–3.0	5.0	2.7	2.7
3,905	4,125	4,255	4,438	4,407	–2.2	–2.5
–216	964	–1,896				
7,204	7,028	2,654	4,448	5,311	–12.3	–2.9
6,142	5,850	1,232	3,250	4,016	–13.2	–2.2
4,175	3,975	352	1,850	2,748	–16.9	–4.3
11,325	10,189	8,805	8,886	9,718	–2.6	0.7
7,595	5,754	4,718	6,174	7,110	–0.5	1.7
1,065	–1,056	584	–2,198	–3,288	—	—
8,660	4,698	5,302	3,976	3,822	1.4	5.5
–3,137	–776	–4,344	–4,767	–4,369	—	—
–4,439	–3,756	–4,329	–4,807	–5,115	1.5	–0.7
5,523	3,922	958	–791	–547	–23.6	—
3,821	1,817	865	842	–370	–15.8	—
–1,099	–915	–915	–915	–915	–14.6	8.3
3.7	3.2	3.8	4.4	4.4	—	—
6.2	5.2	4.0	4.0	4.6		
5.3	4.2	2.8	3.0	3.5		
9.5	8.7	7.8	8.1	8.4		
81,644	83,289	79,640	85,169	83,156	–1.1	–0.1
36,121	39,986	38,740	41,306	37,293	–6.3	–2.8
8,070	12,101	10,960	12,360	10,757	—	—
21,513	21,859	21,184	20,494	19,602	0.9	2.2
16,549	17,325	16,454	17,334	18,359	2.0	0.1
11,132	10,476	9,879	9,422	10,027	7.7	6.5
25,781	24,480	20,565	22,428	21,304	–0.3	2.0
23,735	29,353	29,993	32,954	31,750	–18.9	–11.9
11.40	10.85	0.95	5.05	7.50	–13.4	–2.1
11.05	10.25	2.40	4.55	7.95	–17.9	–4.4
70	67	56	61	58	2.7	4.3
3.50	3.00	2.50	2.50	2.50	13.4	11.6
214.00	139.50	110.20	79.20	54.50	11.0	14.2
1,782	437					
17.1	18.2	1.7	8.5	13.2		
18.3	17.5	6.4	10.9	13.2		
30.6	33.3	34.0	36.9	34.2		
18.2	18.2	18.6	18.3	18.0		
14.0	14.4	14.4	15.5	16.8		
0.50	0.71	0.94	0.80	0.80		
4.55	3.46	1.42	2.26	2.77		
5.0	4.5	4.4	4.1	4.3		
92,916	99,322	105,950	112,140	112,300	–4.4	–4.7
17,812	18,506	19,883	20,249	20,788	–0.2	–2.0
52,600	50,500	45,660	48,300	54,600	–0.2	1.1

1) As of 1997, items affecting comparability are excluded.
2) The figures for 1995–97 have been adjusted for the 5:1 stock split in 1998.
3) 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.
2004: After redemption of shares and repurchase of own shares, the average number of shares amounted to 298,314,025 and at year-end 291,180,908.
2005: After repurchase of own shares, the average number of shares amounted to 291,400,000 and at year-end 293,099,069.
4) 2005: Proposed by the Board.
5) Net sales are annualized.

Quarterly figures

Amounts in SEKm, unless otherwise stated

Net sales and income

Net sales and income		Q1	Q2	Q3	Q4	Full year
Net sales	**2005**	**29,740**	**33,969**	**32,109**	**33,651**	**129,469**
	2004	30,493	31,950	29,588	28,620	120,651
Operating income	**2005**	**1,308**	**1,890**	**781**	**–37**	**3,942**
	Margin, %	**4.4**	**5.6**	**2.4**	**–0.1**	**3.0**
	2005 1)	**1,308**	**1,890**	**1,703**	**2,061**	**6,962**
	Margin, %	**4.4**	**5.6**	**5.3**	**6.1**	**5.4**
	2004	762	1,782	1,113	1,150	4,807
	Margin, %	2.5	5.6	3.8	4.0	4.0
	2004 1)	1,741	2,188	1,389	1,449	6,767
	Margin, %	5.7	6.8	4.7	5.1	5.6
Income after financial items	**2005**	**1,211**	**1,695**	**546**	**–237**	**3,215**
	Margin, %	**4.1**	**5.0**	**1.7**	**–0.7**	**2.5**
	2005 1)	**1,211**	**1,695**	**1,468**	**1,861**	**6,235**
	Margin, %	**4.1**	**5.0**	**4.6**	**5.5**	**4.8**
	2004	684	1,738	965	1,065	4,452
	Margin, %	2.2	5.4	3.3	3.7	3.7
	2004 1)	1,663	2,144	1,241	1,364	6,412
	Margin, %	5.5	6.7	4.2	4.8	5.3
Earnings per share, SEK	**2005**	**2.93**	**4.11**	**0.53**	**–1.52**	**6.05**
	2005 1)	**2.93**	**4.11**	**3.56**	**5.22**	**15.82**
	2004	1.86	4.06	2.43	2.57	10.92
	2004 1)	3.84	5.02	3.08	3.30	15.24
Average number of shares, million	**2005**	**291.4**	**291.2**	**291.2**	**291.9**	**291.4**
	2004	306.7	304.1	291.3	291.2	298.3
Value creation	**2005**	**388**	**833**	**642**	**1,050**	**2,913**
	2004	810	1,196	457	591	3,054

1) Excluding items affecting comparability, which amounted to SEK –3,020m in 2005 and SEK –1,960m in 2004.

Net sales, by business area

Net sales, by business area		Q1	Q2	Q3	Q4	Full year
Indoor Products						
Europe	**2005**	**9,931**	**10,116**	**11,206**	**12,502**	**43,755**
	2004	10,386	9,927	10,793	11,597	42,703
North America	**2005**	**7,173**	**8,478**	**9,553**	**9,930**	**35,134**
	2004	7,365	7,691	8,034	7,677	30,767
Latin America	**2005**	**1,198**	**1,423**	**1,381**	**1,817**	**5,819**
	2004	925	950	1,125	1,340	4,340
Asia/Pacific	**2005**	**2,119**	**2,475**	**2,240**	**2,442**	**9,276**
	2004	2,222	2,373	2,185	2,359	9,139
Professional Products	**2005**	**1,431**	**1,739**	**1,563**	**1,953**	**6,686**
	2004	1,558	1,693	1,517	1,672	6,440
Total Indoor Products	**2005**	**21,852**	**24,231**	**25,943**	**28,644**	**100,670**
	2004	22,456	22,634	23,654	24,645	93,389
Outdoor Products						
Consumer Products	**2005**	**5,417**	**6,841**	**3,583**	**2,519**	**18,360**
	2004	5,611	6,676	3,546	1,746	17,579
Professional Products	**2005**	**2,463**	**2,889**	**2,575**	**2,481**	**10,408**
	2004	2,409	2,624	2,374	2,216	9,623
Total Outdoor Products	**2005**	**7,880**	**9,730**	**6,158**	**5,000**	**28,768**
	2004	8,020	9,300	5,920	3,962	27,202
Other	**2005**	**8**	**8**	**8**	**7**	**31**
	2004	17	16	14	13	60
Total Group	**2005**	**29,740**	**33,969**	**32,109**	**33,651**	**129,469**
	2004	30,493	31,950	29,588	28,620	120,651

Amounts in SEKm, unless otherwise stated

Operating income, by business area

Operating income, by business area		Q1	Q2	Q3	Q4	Full year
Indoor Products						
Europe	**2005**	**416**	**486**	**714**	**986**	**2,602**
	Margin, %	**4.2**	**4.8**	**6.4**	**7.9**	**5.9**
	2004	646	762	781	941	3,130
	Margin, %	6.2	7.7	7.2	8.1	7.3
North America	**2005**	**168**	**350**	**290**	**636**	**1,444**
	Margin, %	**2.3**	**4.1**	**3.0**	**6.4**	**4.1**
	2004	282	337	174	323	1,116
	Margin, %	3.8	4.4	2.2	4.2	3.6
Latin America	**2005**	**–4**	**–11**	**26**	**112**	**123**
	Margin, %	**–0.3**	**–0.8**	**1.9**	**6.2**	**2.1**
	2004	35	51	0	49	135
	Margin, %	3.8	5.4	0.0	3.7	3.1
Asia/Pacific	**2005**	**–13**	**–16**	**0**	**42**	**13**
	Margin, %	**–0.6**	**–0.6**	**0.0**	**1.7**	**0.1**
	2004	–28	–48	–118	–95	–289
	Margin, %	–1.3	–2.0	–5.4	–4.0	–3.2
Professional Products	**2005**	**51**	**137**	**117**	**158**	**463**
	Margin, %	**3.6**	**7.9**	**7.5**	**8.1**	**6.9**
	2004	96	133	111	105	445
	Margin, %	6.2	7.9	7.3	6.3	6.9
Total Indoor Products	**2005**	**618**	**946**	**1,147**	**1,934**	**4,645**
	Margin, %	**2.8**	**3.9**	**4.4**	**6.8**	**4.6**
	2004	1,031	1,235	948	1,323	4,537
	Margin, %	4.6	5.5	4.0	5.4	4.9
Outdoor Products						
Consumer Products	**2005**	**421**	**687**	**230**	**34**	**1,372**
	Margin, %	**7.8**	**10.0**	**6.4**	**1.3**	**7.5**
	2004	522	728	275	82	1,607
	Margin, %	9.3	10.9	7.8	4.7	9.1
Professional Products	**2005**	**422**	**510**	**474**	**333**	**1,739**
	Margin, %	**17.1**	**17.7**	**18.4**	**13.4**	**16.7**
	2004	354	456	387	324	1,521
	Margin, %	14.7	17.4	16.3	14.6	15.8
Total Outdoor Products	**2005**	**843**	**1,197**	**704**	**367**	**3,111**
	Margin, %	**10.7**	**12.3**	**11.4**	**7.3**	**10.8**
	2004	876	1,184	662	406	3,128
	Margin, %	10.9	12.7	11.2	10.2	11.5
Common Group costs, etc.	**2005**	**–153**	**–253**	**–148**	**–240**	**–794**
	2004	–166	–231	–221	–280	–898
Items affecting comparability	**2005**	**—**	**—**	**–922**	**–2,098**	**–3,020**
	2004	–979	–406	–276	–299	–1,960
Total Group, including items affecting comparability	**2005**	**1,308**	**1,890**	**781**	**–37**	**3,942**
	Margin, %	**4.4**	**5.6**	**2.4**	**–0.1**	**3.0**
	2004	762	1,782	1,113	1,150	4,807
	Margin, %	2.5	5.6	3.8	4.0	4.0

Corporate Governance Report 2005

This Corporate Governance Report for 2005 has not been audited by the external auditors. This report is not part of the formal financial statements.

AB Electrolux is a Swedish public limited liability company. The Group is governed on the basis of the Articles of Association of Electrolux AB, the Swedish Companies Act, the listing agreement with the Stockholm Stock Exchange, the Swedish Code of Corporate Governance and other relevant Swedish and foreign laws and regulations.

The Swedish Code of Corporate Governance ("the code") is included in the listing agreement of the Stockholm Stock Exchange as of July 1, 2005, and has been applied by Electrolux as from that date. The Electrolux Group had previously applied most of the provisions of the code and since July 1, 2005, has implemented the remainder of the provisions. Electrolux applies the provisions of the code with the purpose of developing the Group's corporate governance in line with the goals of the code. Electrolux does not report any deviations from the code for 2005, except as regards the report on internal control over financial reporting. See "Description of internal control over financial reporting" on page 96 for more information.

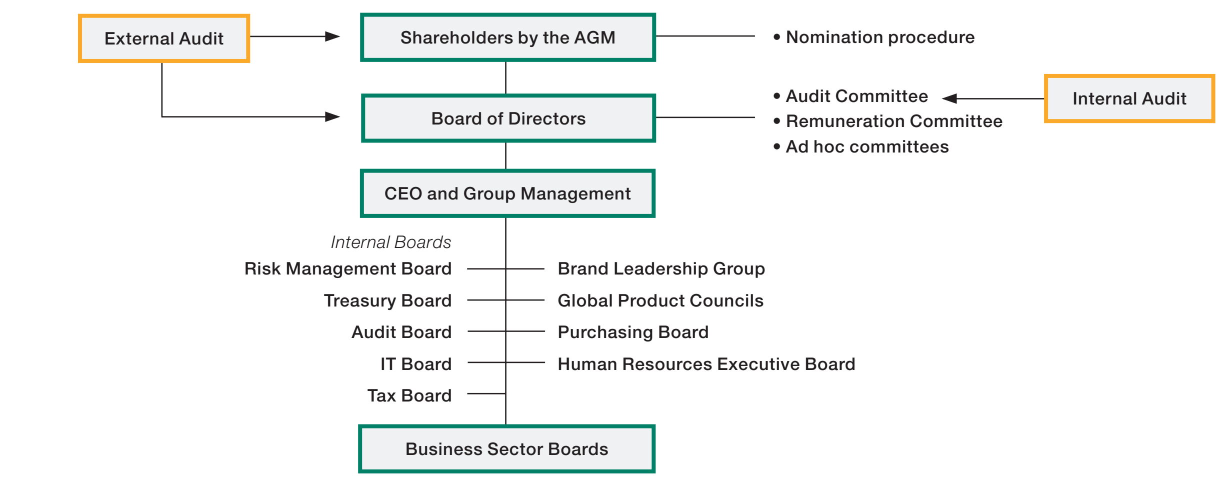
As a result of the US Securities and Exchange Commission (SEC) registration of Electrolux B-shares in the form of American Depositary Receipts (ADRs), Electrolux is subject to US securities laws and regulations which affect the governance of the Group, including the Sarbanes-Oxley Act of 2002. Electrolux submits an annual Form 20-F report to the SEC.

Highlights of 2005

- The Swedish Code of Corporate Governance is part of the listing agreement with the Stockholm Stock Exchange as of July 1, 2005. Electrolux applies the code as of that date.
- Work continued on ensuring that Electrolux complies with requirements of the US Sarbanes-Oxley Act of 2002, in particular section 404.
- Proposal to spin-off the Group's outdoor operation as a separate unit to be distributed to Electrolux shareholders.

Information on Electrolux Corporate Governance and the Articles of Association is available at www.electrolux.com under "Investor Relations". The 20-F Report for 2005 is expected to be available at the site in the second quarter of 2006.

Governance structure



Major external regulations affecting governance of Electrolux:

- Swedish Companies Act
- Listing agreement with Stockholm Stock Exchange
- Swedish Code of Corporate Governance
- Listing agreement with the London Stock Exchange
- US Securities laws and regulations, including the Sarbanes-Oxley Act of 2002

Internal policies and codes include:

- Board of Directors' working procedures
- Electrolux Code of Ethics
- Electrolux Policy on Countering Bribery and Corruption
- Electrolux Workplace Code of Conduct
- Policies for information, finance, credit, accounting manual, etc.
- Processes for internal control and risk management

Shareholder structure

According to the share register held by VPC AB (the Swedish Central Securities Depository & Clearing Organization) at year-end 2005, the Group had a total of approximately 60,900 shareholders. The shares held by the ten largest owners corresponded to approximately 30% of the total share capital and 45% of the voting rights.

Approximately 46% of the share capital was owned by Swedish institutions and mutual funds, 44% by foreign investors, and 10% by private Swedish investors. The total number of Electrolux shareholders in Sweden as of this date was approximately 57,400.

Major shareholders [1]	Share capital, %	Voting rights, %
Investor AB	7.7	27.1
Franklin Templeton Funds	4.8	3.9
Second Swedish National Pension Fund	3.6	2.9
Handelsbanken/SPP Funds	2.8	2.3
Robur Funds	2.5	2.0
AFA Insurance	1.9	1.5
SEB Funds	1.8	1.5
Alecta Mutual Pension Insurance	1.8	1.5
Fourth Swedish National Pension Fund	1.6	1.3
Skandia Life Insurance	1.2	1.3
Total	**29.7**	**45.3**
Board of Directors and Group Management, collectively	0.03	0.02

1) Source: SIS Ägarservice as of December 31, 2005. Most of the shares owned by foreign investors are registered through trustees, so that the actual shareholders are not officially registered. For more information about shareholders and the distribution of shareholdings, see page 110.

According to a disclosure notice dated September 15, 2005, Investor AB increased its holding in Electrolux by 5,231,300 shares, and thus attained 7.7% of the share capital.

Voting rights

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

Nomination procedure for election of Board members and auditors

The nomination process for members of the Board of Directors involves appointing a Nomination Committee consisting of the Chairman of the Board and representatives of the four largest shareholders in terms of voting rights. The names of these representatives and the shareholders they represent are announced publicly at least six months before the Annual General Meeting (AGM).

Selection of the four shareholders is based on the known holdings of voting rights immediately prior to the announcement. If the identity of major shareholders changes in the course of the nomination process, the composition of the Nomination Committee may be changed accordingly.

The Nomination Committee's tasks include preparing a proposal for the next AGM regarding the following issues: Chairman of the AGM, Board members, Chairman of the Board and remuneration for Board members, including the Chairman, as well as remuneration for committee work and Nomination Committee for the next accounting year. Shareholders may submit proposals for nominees to the Nomination Committee.

The Nomination Committee is also entrusted with the task to make proposals for the election of auditors and auditors' fees, when these matters are to be decided by the following AGM. In preparing these proposals, the Nomination Committee is assisted by the Electrolux Audit Committee, who among other things, informs the Nomination Committee of the results of the evaluation of the audit work, which is performed as a part of this process.

The committee's proposal shall be announced publicly in connection with or prior to the notice of the AGM.

Nomination Committee for the AGM 2006

The Nomination Committee for the AGM 2006 represents the four largest shareholders in terms of voting rights as of August 31, 2005. The names of the committee members and the shareholders they represent were announced in a press release on September 23, 2005. No change of the composition of the Nomination Committee has been made as of February 14, 2006. Jacob Wallenberg, Chairman of AB Investor, is the Chairman of the Nomination Committee. The other members are Carl Rosén, Second Swedish National Pension Fund, Ramsay J. Brufer, Alecta Mutual Pension Insurance, Kjell Norling, Handelsbanken/SPP Funds, and Michael Treschow, Chairman of AB Electrolux.

The tasks of the Nomination Committee include preparing a proposal for the AGM 2006 regarding, among other things, the Board, remuneration to the Board, the auditors, auditors' fees and the Nomination Committee for the AGM 2007.

As part of the process of spinning-off the Group's operation in Outdoor Products to the Electrolux shareholders, the Nomination Committee has also provided recommendations to the Electrolux management that include composition of the Board of this operation. The proposal for the composition of this Board was made public in a press release on January 19, 2006.

The Nomination Committee's remaining proposals as well a report on how the Nomination Committee has conducted its work will be publicly announced no later than in connection with the notice to the AGM, which is expected to be published on March 20, 2006.

General Meetings of shareholders

The decision-making rights of shareholders in AB Electrolux are exercised at General Meetings of shareholders.

Participation in decision-making requires the shareholder's presence at the meeting, whether personally or through a proxy. In addition, the shareholder must be registered in the share register as of a prescribed date prior to the meeting and must provide notice of participation in due course. Additional requirements for participation apply for shareholders with holdings in the form of ADRs or similar certificates. Holders of such certificates are advised to contact the ADR depositary bank, fund manager or the issuer of the certificate in good time before the meeting in order to obtain more information.

Decisions at the meeting are normally made by simple majority. However, for some matters the Swedish Companies Act and the Articles of Association stipulate that a proposal must be approved by a higher proportion of the shares and votes represented at the meeting.

Individual shareholders who wish to have a specific issue included in the agenda of a shareholders' meeting can request the Board to do so by writing to an address that is posted at the Group's web site in good time prior to the meeting.

The AGM must be held within six months of the end of the accounting year. The meeting decides on dividends, adoption of the annual report, election of Board members and auditors if applicable, remuneration to Board members and auditors and other important matters.

The AGM in April 2005 was attended by shareholders representing 35.7% of the share capital and 50% of the voting rights in the Company. The minutes of the AGM are available at www.electrolux.com/ir

An Extraordinary General Meeting can be held at the discretion of the Board of Directors or, if requested, by the auditors or by shareholders owning at least 10% of the shares.

The Board of Directors

The main task of the Electrolux Board of Directors is to manage the Group's affairs in such a way as to satisfy the owners that their interests in a good long-term return on capital are being met in the best possible way. The Board's work is governed by rules and regulations that include the Swedish Companies Act, the Articles of Association, the code and the working procedures established by the Board.

The Board decides on issues related to the Group's main goals, strategic orientation and major policies, as well as important issues related to financing, investments, acquisitions and divestments. The Board monitors and deals with, inter alia, follow-up and control of Group operations, Group communication, and organization, including evaluation of the Group's operative management. The Board has also the overall responsibility for establishing an effective system of internal control and risk management.

Working procedures and meetings

The Board determines its working procedures each year and reviews them when necessary. The working procedures include allocation of tasks between Board members. The Chairman's special role and tasks are described, as well as the responsibilities delegated to the committees appointed by the Board. In acordance with the above procedures, the Chairman shall ensure that the Board functions effectively and discharge its duties. The Chairman shall also organize and distribute the Board's work, and ensure that the Board's decisions are implemented effectively and that the Board annually evaluates its work.

The working procedures for the Board of Directors also include detailed instructions to the President and CEO and other various corporate functions regarding issues that require the Board's approval. Among other things, these instructions specify the maximum amounts that various decision-making functions within the Group are authorized to approve regarding credit limits, capital expenditure and other outlays.

The working procedures stipulate that the meeting for formal constitution of the Board shall be held directly after the AGM. Decisions at this meeting include election of the Deputy Chairman, distribution of remuneration to the Board members for work in committees, and authorization to sign for the Company. The Board normally meets on six other occasions during the year. Four of these meetings are held in connection with publication of the Group's annual and interim reports. One or two meetings are held in connection with visits to Group operations. Additional meetings, including telephone conferences, are held when necessary.

Ensuring quality in the financial reporting

The working procedures determined annually by the Board include detailed instructions regarding the type of financial and other reports that shall be submitted to the Board. In addition to interim reports and the annual report, the Board reviews and evaluates comprehensive financial information regarding the Group as a whole and the entities it comprises.

The Board also reviews, primarily through the Audit Committee, the most important accounting principles applied by the Group in financial reporting, as well as major changes to these principles. The tasks of the Audit Committee also include reviewing reports regarding internal control and processes for financial reporting, as well as internal audit reports submitted by the Group's Internal Audit function, Management Assurance & Special Assignments.

The Group's external auditors report to the Board as necessary, but at least once a year. At least one of these meetings is held without the presence of the President and CEO or any other member of Group Management. The external auditors also attend meetings of the Audit Committee.

The Audit Committee reports to the Board after all its meetings. Minutes are taken at all meetings of the Audit Committee and are available to all Board members and the auditors.

Evaluation of the Board's activities

The Board evaluates its activities annually with regard to working procedures and the working climate, as well as the alignment of the Board's work. The evaluation also focuses on the access to and need for special competence. This evaluation provides input for the nomination procedures in which the Nomination Committee determines matters such as the Board's composition and remuneration to members.

The Deputy Chairman of the Board also manages a separate annual evaluation of the Chairman's work.

Composition of the Board

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

With the exception of the President and CEO, the members of the Board are non-executives.

Three of the ten members are not Swedish citizens. Four are women.

For information on Board members, see page 98.

Changes in the Board in 2005

- Prior to the election of new Board members at the Annual General Meeting on April 20, 2005, Thomas Halvorsen declined renomination, after having served on the Board since 1996.
- Ten Board members were elected at this AGM. Tom Johnstone, Caroline Sundewall, Marcus Wallenberg and Louis R. Hughes were elected as new Board members. Louis R. Hughes returned to the Board after leaving it in 2004, when he was appointed Chief of Staff for a group of advisors to the Afghanistan government.
- The AGM elected Michael Treschow as Chairman of the Board.
- The meeting for formal constitution of the Board re-elected Peggy Bruzelius as Deputy Chairman.
- In the Audit Committee, Caroline Sundewall replaced Thomas Halvorsen.

Remuneration to Board members

Remuneration to Board members is authorized by the AGM and distributed by the Board to members who are not employed by the Group. Information on remuneration to Board members is given in the table below. Remuneration to the President and CEO is proposed by the Remuneration Committee. Board members who are not employed by Electrolux do not participate in the Group's long-term incentive programs, nor in any outstanding share or share price incentive schemes.

The Board of Directors[1]		Age	Nationality	Director since	Audit Committee	Remuneration Committee	Remuneration in SEK [2]
Michael Treschow	Chairman	62	SWE	1997		X [3]	1,300,000
Peggy Bruzelius	Deputy Chairman	56	SWE	1996	X [3]		575,000
Louis R. Hughes		56	US	2004			350,000
Aina Nilsson Ström		52	SWE	2004		X	400,000
Hans Stråberg	President and CEO	48	SWE	2002			—
Barbara Milian Thoralfsson		46	US	2003	X		425,000
Karel Vuursteen		64	NL	1998		X	400,000
Tom Johnstone		50	UK	2005			350,000
Caroline Sundewall		47	SWE	2005	X		425,000
Marcus Wallenberg		49	SWE	2005			350,000
Ulf Carlsson	Employee representative	47	SWE	2001			—
Annika Ögren	Employee representative	40	SWE	2003			—
Malin Björnberg	Employee representative	46	SWE	2005			—
Total							**4,575,000**

1) With the exception of the President and CEO, the members of the Board are not Group executives.
2) In April 2005, the AGM authorized remuneration to the Board of Directors in the amount of SEK 4,575,000 for the period up to the next AGM in April 2006. Distribution of the remuneration is decided by the AGM with the exception of the remuneration for committee work, which is decided by the Board. The Chairman and the members of the Remuneration Committee receive SEK 100,000 and SEK 50,000, respectively. The Chairman and the members of the Audit Committee receive SEK 175,000 and SEK 75,000, respectively.
3) Chairman.

For additional information on remuneration to the Board members and the President and CEO in 2005, see page 73.

The Board's work in 2005

During the year, the Board held seven scheduled and three extraordinary meetings. Six of the scheduled meetings were held in Sweden and one in China. In connection with the latter meeting the Board visited suppliers and dealers as well as the Group's headquarters in Shanghai and the plant for washing machines and refrigerators in Changsha. The extraordinary meetings were held in order to make decisions on issues that could not await the next scheduled meeting.

Each scheduled Board meeting includes a review of the Group's results and financial position as well as the outlook for the next quarter, which is presented by the President. The meeting also deals with investments and establishment of new operations as well as acquisitions and divestments. The Board decides on all investments that exceed SEK 50m, and receives reports on all investments between SEK 10m and SEK 50m. Normally, a head of a sector also presents a current strategic issue for the sector at the meeting.

Important issues dealt with by the Board in 2005 included the spin-off of the Group's operation in Outdoor Products (see page 41), the decision to close the plant for washing machines and dishwashers in Nuremberg, Germany, and additional restructuring within white goods and outdoor products in Europe as well as the divestment of the Group's appliance operation in India.

The Group's auditors participated in the Board meeting in February 2005, where the Annual Report for 2004 was approved, and in the meeting in October, 2005 in connection with the Board's review of the third-quarter report.

All Board meetings during the year followed an approved agenda, which together with documentation for each item was sent to all Board members. Cecilia Vieweg, Head of Group Staff Legal Affairs, was the secretary at all Board meetings.

Committees

The Board has established a Remuneration Committee and an Audit Committee. The Board has also decided that issues can be referred to ad hoc committees that deal with specific matters.

The main tasks of the committees are preparatory and advisory. In addition, the Board may delegate decision-making powers on specific issues.

For information about attendance at Board and committee meetings in 2005, see page 94.

Remuneration Committee

The main task of the Remuneration Committee is to propose principles for remuneration to members of Group management. 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, criteria for assessment of variable salary, long-term incentives, pension terms and other benefits.

The Committee comprises three Board members, with Chairman of the Board Michael Treschow as Chairman and Karel Vuursteen and Aina Nilsson Ström as members. At least two meetings are convened annually. Additional meetings are held when needed.

The Remuneration Committee held three meetings during 2005. In addition to remuneration to the President and Group Management, major issues considered during the year included remuneration in connection with the planned spin-off of the Group's Outdoor Products operation. Harry de Vos, Head of Human Resources and Organizational Development, participated in the meetings and was responsible for preparations. An external consultant also participated in several of the Committee's meetings, providing specialist advice on specific remuneration matters.

Audit Committee

The primary task of the Audit Committee is to assist the Board in overseeing the accounting and financial reporting processes, including the effectiveness of disclosure controls and procedures and the adequacy and effectiveness of internal controls of financial reporting.

The Audit Committee also assists the Board of Directors in overseeing the audit of the financial statements including related disclosures. This involves pre-approving audit and non-audit services to be provided by the external auditors, reviewing the objectivity and independence of the external auditors, overseeing the work of the external auditors, evaluating the external auditors' performance and, if necessary, recommending replacement of the external auditors. In addition, the Audit Committee is tasked with supporting the Nomination Committee in preparing proposals to them regarding external auditors and fees.

The Audit Committee also reviews the Group's Internal Audit function, Management Assurance & Special Assignments, in terms of organization, staffing, budget, plans, results, and reports prepared by this function.

The Audit Committee comprises three Board members, with Peggy Bruzelius as Chairman and Barbara Milian Thoralfsson and Caroline Sundewall as members. Caroline Sundewall replaced Thomas Halvorsen after he left the Board in connection with the AGM 2005.

The external auditors report to the Audit Committee at each ordinary meeting. At least three meetings are held annually. Additional meetings are held as needed.

In 2005, the Audit Committee held six meetings. Electrolux managers have also had regular contacts with the Committee Chairman between meetings, in specific issues. One of the major issues during the second half of the year was the evaluation of the external auditors and follow-up of their performance in light of selection of external auditors at the AGM 2006. Fredrik Rystedt, CFO, and Anna Ohlsson-Leijon, head of the Internal Audit function, participated in most of the Audit Committee's meetings. Other Electrolux managers also participated in relation to specific issues, as did the Group's external auditors. Cecilia Vieweg, Head of Group Staff Legal Affairs, was the secretary at all meetings.

Attendance at Board and Committee meetings during 2005

The Board of Directors	Board	Audit Committee	Remuneration Committee
Number of meetings in 2005	**10**	**6**	**3**
Michael Treschow	10		3
Peggy Bruzelius	10	6	
Thomas Halvorsen 1)	4	2	
Louis R. Hughes 2)	4		
Aina Nilsson Ström	9		3
Hans Stråberg	10		
Barbara Milian Thoralfsson	10	6	
Karel Vuursteen	7		3
Tom Johnstone 2)	5		
Caroline Sundewall 2)	6	4	
Marcus Wallenberg 2)	6		
Ulf Carlsson	10		
Annika Ögren	8		
Malin Björnberg 3)	5		
Bert Gustafsson 4)	3		

1) Left the Board and the Audit Committee in April, 2005.
2) Elected in April 2005.
3) Elected Employee representative member as of July, 2005.
4) Left the Board as Employee representative member in April, 2005.

Requirements for independence

The Board as a whole is considered to be in compliance with the requirements for independence stipulated by the Stockholm Stock Exchange and the Swedish Code of Corporate Governance. The Nomination Committee's assessment of whether each of the Board members proposed to be elected at the 2006 AGM are in compliance with these independence requirements will be published together with the Nomination Committee's proposal.

The President and CEO has no major shareholdings nor is he a part-owner in companies that have significant business relations with Electrolux.

External auditors

At the Annual General Meeting in 2002, PricewaterhouseCoopers (PwC) was appointed external auditors for a four-year period until the Annual General Meeting in 2006. The Nomination Committee will present a proposal for election of external auditors at the AGM 2006.

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

The audit is conducted in accordance with the Swedish Companies Act and the generally accepted Swedish auditing standards issued by FAR, which is the institute for the accountancy profession in Sweden (Swedish GAAS). The auditing standards issued by FAR are based on international standards on auditing issued by the International Federation of Accountants (IFAC GAAS).

Audits of local statutory financial statements for legal entities outside of Sweden are performed as required by laws or applicable regulations, in the respective countries, and as required by IFAC GAAS including issuance of audit opinions for the various legal entities. In addition, PwC performs audits in accordance with US generally accepted auditing standards (US GAAS), and provides an audit report for the Electrolux Group that is filed on Form 20-F, as required by the US Securities and Exchange Commission.

For additional information on the Group's auditors and their other audit assignments, see page 98. For information on fees paid to the auditors and their non-audit assignments in the Group, see Note 28 on page 75.

Management and Company structure

The Group's operations are organized in six business sectors that include a total of 27 product lines. There are four Group staff units.

Group Management

In addition to the President and CEO, Group Management includes the five sector heads and the four Group staff heads.

The President and CEO is responsible for ongoing management of the Group in accordance with the Board's guidelines and instructions.

Group Management holds monthly meetings 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 quarterly. The President and CEO is the chairman of all sector boards. The sector board meetings are attended by the President and CEO, the management of the respective sectors and the Chief Financial Officer (CFO). The sector boards are responsible for monitoring ongoing 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 the internal control, and to ensure uniform performance of operational procedures, the Group has defined six core processes within strategically important areas. These processes are common to the entire Group and comprise purchasing, branding, product creation, demand flow, business support and people.

The Group has established a people process, Electrolux People Process, which provides support at Group level for managers with regard to recruitment and development of employees. The process also aims to ensure that individuals are treated fairly by the company.

For more information, see page 108.

Remuneration to Group Management

Remuneration to the President and CEO and Group Management is proposed by the Remuneration Committee and decided upon by the Board, and comprises fixed salary, variable salary in the form of a short-term incentive based on annual performance targets, long-term incentives, and benefits such as pensions and insurance. The general principles for remuneration within Electrolux are based on the position held, individual and team performance, and competitive remuneration in the country of employment.

Variable salary is paid according to performance. Variable salary for the President and CEO is determined by achievement of financial targets. Variably salary for sector heads is determined by the achievement of both financial and non-financial targets. Value created is the most important financial indicator. For 2005, the non-financial targets focused on product innovation, brand familiarity and succession planning.

Group staff heads receive variable salary based on the value created for the Group as well as achievement of performance targets within their respective functions. For more information on value creation, see below.

Electrolux long-term incentive programs include a performance-based share program and several employee stock-option programs, which are designed to align management incentives with shareholder interests. In 2005, the AGM approved a performance-related long-term share program, the Share Program 2005, based on the same parameters as the Share Program 2004. The program is based on value created over a three-year period.

Remuneration to Group Management in 2005

'000 SEK	President and CEO	Other members of Group Management[1]	Total
Fixed salary	8,447	33,228	41,675
Variable salary	6,594	25,821	32,415
Pension cost	5,001	21,425	26,426
Long-term incentive [2]	2,400	10,800	13,200
Total	**22,442**	**91,274**	**113,716**

1) Other members of Group Management included 9 persons.
2) Target value of Share Program 2005.

For more information on remuneration, remuneration principles and long-term incentive programs, see Note 22 on page 68 and Note 27 on page 73.

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. Since 1998, Electrolux has covered the annual cost of capital employed.

Value created is defined 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 Note 32 on page 83.

Internal control and risk management

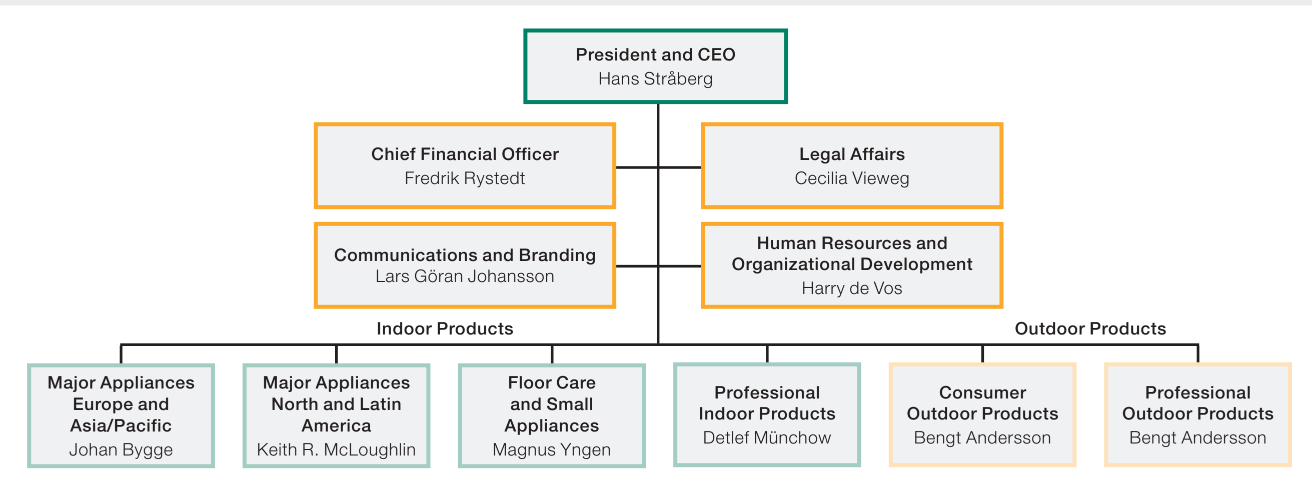
Internal control and risk management is the process that has been developed to provide reasonable assurance that the Group's goals are met in terms of effective and efficient operations, compliance with relevant laws and regulations, and reliable financial reporting. For information on internal control over financial reporting, see the description of internal control over financial reporting on page 96.

The Electrolux process for internal control and risk management is based on the control environment and comprises four main activities: risk assessment, control activities, information and communication, and monitoring.

Risk assessment includes identifying, sourcing and measuring business risks, such as strategic, operational, commercial, financial and compliance risks, including non-compliance with laws, other external regulations, and internal guidelines. Assessing risks also includes identifying opportunities that ensure long-term creation of value.

The choice of control activities depends on the nature of the risk identified and the results of a cost-benefit analysis, within the guidelines set by the Group. Control activities for managing risks may include insuring, outsourcing, hedging, prohibiting, divesting, reducing risk through detective and preventative internal controls, accepting, exploiting, reorganizing and redesigning.

The process for internal control and risk management generates valuable information regarding business objectives, risks and control activities. Communicating on a timely basis throughout the Group contributes to ensuring that the right business decisions are made.



As of 2005, the Group's external reporting structure comprises Indoor Products and Outdoor Products, instead of the previous Consumer Durables and Professional Products. In addition, the number of business sectors was reduced from seven to six, as responsibility for major appliances outside Europe and North America has been divided. There is now a single sector for Major Appliances in North and Latin America and another for Major Appliances in Europe, Asia, Africa and Oceania.

The effectiveness of risk assessment and execution of control activities is monitored continuously. Various tools including self-assessments and risk surveys are also used within the Group.

The Internal Audit function Management Assurance & Special Assignments is responsible for performing independent objective assurance activities, in order to systematically evaluate and propose improvements for more effective governance, internal control and risk management processes.

Description of internal control over financial reporting

The Board of Electrolux does not provide a report on internal controls as set forth in section 3.7.2 of the code. In December 2005, the Swedish Corporate Governance Board issued a statement concluding that the report on internal controls does not have to include any statement as to how well the internal control over financial reporting has functioned, nor does the report have to be audited. Electrolux has taken none of these measures and, in accordance with the Swedish Corporate Governance Board's statement has not considered these deviations from the code. However, the remainder of the report on internal controls is a description of internal control over financial reporting. This description has been inserted into this section "Description of internal control over financial reporting" in this Corporate Governance Report, thereby avoiding duplication.

The Electrolux process for internal control and risk management related to financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles, applicable laws and regulations, and other requirements for listed companies. The process is based on the control environment and comprises four main activities: risk assessment, control activities, information and communication, and monitoring, as defined in the framework for internal control issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Control environment

The Board has the overall responsibility for establishing an effective system of internal control and risk management. The Board has determined its working procedures, which include the allocation of tasks to Board members. The Board has established an Audit Committee, which assists the Board in overseeing relevant manuals, policies and important accounting principles applied by the Group in financial reporting, as well as major changes to these principles.

Responsibility for maintaining an effective control environment and operating the system for risk management and internal control over financial reporting is delegated to the President and CEO. Management at various levels has respective responsibility for this.

The Group's operations are organized in six business sectors and four Group staff units. Group Management includes, in addition to the President and CEO, the five sector heads and the four Group staff heads. The sector heads have complete responsibility for the results and balance sheets of their respective sector. The overall management of the sectors is the responsibility of sector boards. A number of internal boards and councils have been established within the Group for specific areas such as risk management, treasury, audit, IT, tax, brands, products, purchasing and human resources. A Disclosure Committee was established by Electrolux at the start of 2005. This Committee contributes to considering the materiality of information relating to Electrolux and ensuring that such information is properly communicated to the market on a timely basis.

The Group has established six group processes within strategically important areas such as purchasing, people, branding, product creation, demand flow, and business support in order to ensure, among other things, a systematic approach to improving internal control. The Electrolux People Process provides support to managers within the Group in the form of tools and checklists to ensure effective and efficient recruitment processes and continuous development of employees.

The limits of responsibilities are set out in instructions for delegation of authority, manuals, policies and procedures, and codes, including the Electrolux Code of Ethics, the Electrolux Workplace Code of Conduct, the Electrolux Policy on Countering Bribery and Corruption, as well as policies for information, finance, credit and the accounting manual. In addition, minimum requirements have been set for internal control over financial reporting on the basis of the Group processes. Together with laws and external regulations, these internal guidelines form the control environment which is the foundation of the internal control and risk management process. All employees, including process, risk and control owners, are accountable for compliance with these guidelines.

Risk assessment

Risk assessment includes identifying, sourcing and measuring risks. The major risks affecting internal control over financial reporting are defined at four levels: Group, business sector, unit, and process. Assessment of risk includes risks related to irregularities and undue favorable treatment of a third party at the Group's expense as well as the risk of loss or missappropriation of assets. Assessment of risk generates control objectives that fulfill the fundamental criteria for financial reporting.

Control activities

Control activities include both general and detailed controls aimed at preventing, detecting and correcting errors and irregularities. The control activities include manual controls, application controls built into IT systems, and controls in the underlying IT environment, so called IT General Controls.

Control activities that fulfill the control objectives, identified in the risk assessment activity, are implemented and documented at four levels: Group, business sector, unit, and process. The documentation comprises both flowcharts and detailed descriptions of the control activities. The documented control activities are quality-assured by employees responsible in terms of completeness and accuracy, according to Group-wide procedures, at Group, business sector, unit, and process levels.

Information and communication

Guidelines regarding the financial reporting are communicated to employees, e.g., by ensuring that all manuals, policies and codes are published and accessible through the Group-wide Intranet. Information is provided periodically to relevant parties regarding monitoring of the effectiveness of internal control over financial reporting.

In 2005, a special communication activity was performed to confirm that managers at the unit level within the Group have knowledge of and adhere to relevant manuals, policies and codes.

Since 2003, the Group has a representation process in which Group Management signs an annual representation letter stating their opinion regarding internal control over financial reporting as well as disclosure controls and procedures, and compliance with other internal guidelines.

Monitoring

The effectiveness of the process for assessing risks and the execution of control activities is monitored continuously at four levels: Group, business sector, unit, and process. Monitoring involves both formal and informal procedures applied by management and owners of processes, risks and controls, including reviews of results in comparison with budgets and plans, analytical procedures, and key performance indicators.

In addition, various tools including self-assessments are used within the Group. In order to evaluate information security and the transactional and reporting processes, units within the Group have applied these tools since 2002.

In 2005, the Internal Audit function Management Assurance & Special Assignments created test plans for identified key control activities based on documented flowcharts and the detailed descriptions of the control activities. These key control activities are tested for operating effectiveness by employees independent of those performing the controls. The test results are documented in an IT system implemented solely for this purpose.

The Internal Audit function is responsible for performing independent objective assurance activities, in order to systematically evaluate and propose improvements to the effectiveness of governance, internal control and risk management processes. In addition, this function proactively proposes improvements to the control environment. 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 CFO.

The Audit Committee reviews reports regarding internal control and processes for financial reporting, as well as internal audit reports submitted by the Internal Audit function. The external auditors report to the Audit Committee at each ordinary meeting.

Compliance with the Sarbanes-Oxley Act

In 2005, work continued on ensuring that Electrolux complies with the requirements of the US Sarbanes-Oxley Act of 2002.

Section 404 of the Sarbanes-Oxley Act stipulates that companies subject to SEC reporting requirements, such as Electrolux, must submit annual reports in a Form 20-F that include management's report on the effectiveness of the company's internal controls over financial reporting. The company's external auditors are required to issue an attestation report regarding management's assessment of the effectiveness of these controls, as well as an auditor's independent assessment of the effectiveness of the Group's internal control over financial reporting. This attestation report must also be included in the Form 20-F. Electrolux and its external auditors must comply with these requirements starting with the Group's Form 20-F report for the fiscal year ending December 31, 2006.

In the course of 2004, extensive work was performed to develop a method within the Group for documenting, evaluating and testing Electrolux internal controls over financial reporting and the work on documentation was started. This work also included comprehensive staff training in order to secure the required competence within the Group for effective compliance with the requirements of Section 404 of the Sarbanes-Oxley Act. This work is being led by Management Assurance & Special Assignments, the Group's Internal Audit function. In 2005, extensive work was performed to document, evaluate and test Electrolux internal controls over financial reporting.

Financial reporting and disclosure

Electrolux provides the market with information about the development of the Group and its financial position on an ongoing basis.

A disclosure policy in accordance with the Sarbanes-Oxley Act of 2002 was adopted by the Audit Committee in 2003. Electrolux complies with the requirements for an information policy that were introduced in 2004 by the Stockholm Stock Exchange in listing agreements.

Financial information is issued regularly in the form of:

- Interim reports, published as press releases
- The Electrolux Annual Report
- An annual report on Form 20-F and interim reports on Form 6-K, each of which are filed with the US Securities and Exchange Commission
- Press releases on all important matters which could materially affect the share price
- Presentations and telephone conferences for analysts, investors and media representatives on the day of publication of the quarterly and full-year results, and in connection with release of important news
- Meetings with financial analysts and investors worldwide

All reports and press releases are published simultaneously at www.electrolux.com

Disclosure Committee

A Disclosure Committee was established by Electrolux at the start of 2005. This Committee contributes to considering the materiality of information relating to Electrolux and ensuring that such information is properly communicated to the market on a timely basis.

The Disclosure Committee comprises the Head of Group Staff Legal Affairs, the Chief Financial Officer, the Head of Group Staff Communications and Branding, and the Head of Investor Relations and Financial Information.

Board of Directors and Auditors

Michael Treschow
Chairman
Born 1943, M. Eng. Elected 1997.
Chairman of the Electrolux Remuneration Committee.
Board Chairman of Telefonaktiebolaget LM Ericsson and The Confederation of Swedish Enterprise. Board Member of ABB Ltd.
Previous positions: President and CEO of AB Electrolux, 1997–2002. President and CEO of Atlas Copco AB, 1991–1997.
Holdings in AB Electrolux: 35,000 B-shares, 60,000 options.

Peggy Bruzelius
Deputy Chairman
Born 1949, M. Econ.,Hon. Doc. in Econ. Elected 1996.
Chairman of the Electrolux Audit Committee.
Board Chairman of Lancelot Asset Management AB. Board Member of Axfood AB, Industry and Commerce Stock Exchange Committee, Axel Johnson AB, Ratos AB, Scania AB, Husqvarna AB, Syngenta AG, Body Shop International Plc and The Association of the Stockholm School of Economics.
Previous positions: Executive Vice President of SEB, Skandinaviska Enskilda Banken AB, 1997–1998. President and CEO of ABB Financial Services AB, 1991–1997.
Holdings in AB Electrolux: 5,000 B-shares.

Louis R. Hughes
Born 1949, B.S., Mech. Eng., Harvard M.B.A. Elected 2005.
President and CEO of GBS Laboratories, Virginia, USA.
Non-executive Chairman of Maxager Technology, California, USA. Board Member of British Telecom Plc, Sulzer AG and ABB Ltd. Board Member of AB Electrolux 1996 until September 2004, when he was appointed Chief of Staff for a group of senior US government advisors to the Afghanistan government.
Previous positions: Executive Vice President of General Motors Corporation, Detroit, USA, 1992–2000.
Holdings in AB Electrolux: 950 ADRs.

Tom Johnstone
Born 1955, M.A., Hon. Doc. in B.A. Elected 2005.
President and CEO of AB SKF since 2003.
Board Member of Husqvarna AB.
Previous positions: Various management positions within SKF since 1987, most recently as Executive Vice President of AB SKF, 1999–2003, and President of Automotive Division, 1995–2002.
Holdings in AB Electrolux: 1,200 B-shares.

Aina Nilsson Ström
Born 1953, Master of Fine Art Industrial Design. Elected 2004.
Member of the Electrolux Remuneration Committee.
Design Director of AB Volvo since 2001.
Board Member of Ballingslöv International AB and of the Finnish-Swedish Design Academy.
Previous positions: Design Director of Volvo Truck Corporation, 1995–2001. Held several management positions within design at Saab Automobile AB, 1990–1995.
Holdings in AB Electrolux: 400 B-shares.
Related party: 2,736 B-shares.

Hans Stråberg
President and CEO
Born 1957, M. Eng. Elected 2002.
President and CEO of Electrolux since 2002.
Board Member of The Association of Swedish Engineering Industries Board and AB Ph. Nederman & Co.
Previous positions: Joined Electrolux in 1983. Held various management positions in the Group until appointed President and CEO in 2002.
Holdings in AB Electrolux: 13,000 B-shares, 163,000 options.

Caroline Sundewall
Born 1958. M.B.A. Elected 2005.
Member of the Electrolux Audit Committee.
Independent Business consultant since 2001.
Board Member of FöreningsSparbanken AB, TeliaSonera AB, Haldex AB, Strålfors AB, Lifco AB and The Association of Exchange-listed Companies.
Previous positions: Business commentator at Finanstidningen, 1999–2001, Managing editor of the business desk section at Sydsvenska Dagbladet, 1992–1999, and Business controller at Ratos AB, 1989–1992.
Holdings in AB Electrolux: 0 shares.
Related party: 1,000 B-shares.

Barbara Milian Thoralfsson
Born 1959, M.B.A., B.A. Elected 2003.
Member of the Electrolux Audit Committee.
Director of Fleming Invest AS, Oslo, Norway, since 2005.
Board Chairman of SATS AB. Board Member of Fleming Invest AS, Stokke AS, Rieber & Søn ASA, Norfolier AS and SmartSync AS. Member of the Board of Representatives in Storebrand ASA.
Previous positions: President of TeliaSonera Norway, Oslo, 2001–2005. President of Midelfart & Co, Norway, 1995–2001, and on various positions within marketing and sales, 1988–1995.
Holdings in AB Electrolux: 0 shares.

Karel Vuursteen
Born 1941, Agricultural Eng. Elected 1998.
Member of the Electrolux Remuneration Committee.
Board Member of Akzo Nobel N.V., Heineken Holding N.V., Henkel KGaA, and ING Group N.V.
Previous positions: President and CEO of Heineken N.V., Amsterdam, The Netherlands, 1993–2002.
Holdings in AB Electrolux: 250 B-shares.

Marcus Wallenberg
Born 1956, B. Sc. Elected 2005.
Chairman of SEB, Skandinaviska Enskilda Banken. Deputy Chairman of Telefonaktiebolaget LM Ericsson, Saab AB and ICC (International Chamber of Commerce). Board Member of AstraZeneca Plc, Stora Enso Oyj and Knut and Alice Wallenberg Foundation.
Previous positions: President and CEO of Investor AB, 1999–2005. Executive Vice President of Investor AB,1993–1999.
Holdings in AB Electrolux: 10,000 B-shares.
Related party: 1,500 B-shares.

Secretary of the Board

Cecilia Vieweg
Born 1955. B. of Law. General Councel of AB Electrolux.
Secretary of the Board since 1999.
Holdings in AB Electrolux: 0 shares, 90,000 options.

Employee Representatives
Members

Ulf Carlsson
Born 1958. Representative of the Swedish Confederation of Trade Unions. Elected 2001.
Holdings in AB Electrolux: 0 shares.

Annika Ögren
Born 1965. Representative of the Swedish Confederation of Trade Unions. Elected 2003.
Holdings in AB Electrolux: 0 shares.

Malin Björnberg
Born 1959. Representative of the Federation of Salaried Employees in Industry and Services. Elected 2005.
Holdings in AB Electrolux: 100 B-shares.

Employee Representatives
Deputy Members

Gunilla Brandt
Born 1953. Representative of the Federation of Salaried Employees in Industry and Services. Elected 2004.
Holdings in AB Electrolux: 0 shares.

Ola Bertilsson
Born 1955. Representative of the Swedish Confederation of Trade Unions. Elected 2002.
Holdings in AB Electrolux: 0 shares.

Bengt Liwång
Born 1945. Representative of the Federation of Salaried Employees in Industry and Services. Elected 2005.
Holdings in AB Electrolux: 0 shares.

Auditors

At the Annual General Meeting in 2002, PricewaterhouseCoopers (PwC) was appointed auditors for a four-year period until the Annual General Meeting in 2006.

Peter Clemedtson
PricewaterhouseCoopers AB
Born 1956. Authorized Public Accountant. Partner in Charge.
Other audit assignments include Ericsson, KMT, Medivir, OMX, SEB and SinterCast.
Holdings in AB Electrolux: 0 shares.

Anders Lundin
PricewaterhouseCoopers AB
Born 1956. Authorized Public Accountant. Other audit assignments include Aarhus-Karlshamn, ASSA ABLOY, Axis, Bong Ljungdahl, Industrivärden and Säkl.
Holdings in AB Electrolux: 0 shares.

Holdings as of December 31, 2005.


Michael Treschow


Peggy Bruzelius


Tom Johnstone

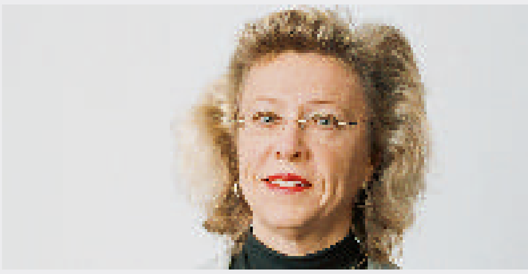

Karel Vuursteen


Marcus Wallenberg


Ulf Carlsson


Louis R. Hughes


Aina Nilsson Ström


Caroline Sundewall


Bengt Liwång


Malin Björnberg


Ola Bertilsson


Barbara Milian Thoralfsson


Gunilla Brandt


Annika Ögren


Hans Stråberg

For more information about the Board of Directors, see page 91.

Group Management

Hans Stråberg

President and CEO
Born 1957, M. Eng.
In Group Management since 1998.
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 of Frigidaire Home Products, USA, 1995. Head of Floor Care Products and Small Appliances and Executive Vice-President of AB Electrolux, 1998. Chief Operating Officer of Electrolux, 2001. President and CEO of Electrolux, 2002.
Board Member of The Association of Swedish Engineering Industries Board and AB Ph. Nederman & Co.
Holdings in AB Electrolux: 13,000 B-shares, 163,000 options.

Bengt Andersson *

Head of Outdoor Products
Born 1944, Mech. Eng.
In Group Management since 1997.
Production Engineer of Facit AB, 1966–1975. Joined Electrolux in 1973. Sector Manager of Facit-Addo, 1976, Technical Director of Electrolux Motor, 1980, Product-line Manager of Outdoor Products North America, 1987, Product-line Manager of Forest and Garden Equipment, 1991, and Flymo, 1996. Head of Professional Outdoor Products and Executive Vice-President of AB Electrolux, 1997. Head of Consumer and Professional Outdoor Products and Senior Executive Vice-President of AB Electrolux, 2002.
Board Member of Husqvarna AB and Kabe Husvagnar AB.
Holdings in AB Electrolux: 4,750 B-shares, 103,000 options.

Johan Bygge

Head of Major Appliances Europe and Asia/Pacific
Born 1956, M. Econ.
In Group Management since 1997.
Deputy Group Controller of Telefonaktiebolaget LM Ericsson, 1983, Head of Cash Management, 1986. Joined Electrolux in 1987 as Group Controller. Chief Financial Officer of AB Electrolux, 1994, Head of Group Controlling, Accounting, Taxes, Auditing, Administration and IT, 1996–2000, as well as Acting Treasurer, 2000. Head of Consumer Outdoor Products outside North America, 2001–2003, and Executive Vice-President of AB Electrolux, 2001. Head of Major Appliances outside Europe and North America and Senior Executive Vice-President of AB Electrolux, 2002. Also Head of Major Appliances Europe as of 2004.
Board Member of First Swedish National Pension Fund and The Bank of Sweden Tercentenary Foundation.
Holdings in AB Electrolux: 2,024 B-shares, 90,000 options.

Keith R. McLoughlin

Head of Major Appliances North and Latin America
Born 1956, B.S. Eng.
In Group Management since 2003.
Held a number of senior management positions with DuPont, 1981–2003, most recently as Vice-President and General Manager of DuPont Nonwovens, 2000–2003, and of DuPont Corian, 1997–2000. Joined Electrolux in 2003 as Head of Major Appliances North America and Executive Vice-President of AB Electrolux. Also Head of Major Appliances Latin America as of 2004.
Holdings in AB Electrolux: 0 shares, 30,000 options.

Detlef Münchow

Head of Professional Indoor Products
Born 1952, M.B.A., PhD Econ.
In Group Management since 1999.
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 of AB Electrolux.
Holdings in AB Electrolux: 0 shares, 103,000 options.

Magnus Yngen

Head of Floor Care and Small Appliances
Born 1958, M. Eng. Lic.Tech.
In Group Management since 2002.
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 and Small Appliances and Executive Vice-President of AB Electrolux, 2002.
Board Member of Doro AB.
Holdings in AB Electrolux: 0 shares, 75,000 options.

Lars Göran Johansson

Head of Group Staff Communications and Branding
Born 1954, M. Econ.
In Group Management since 1997.
Account Executive of 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, 1994. Joined Electrolux as Senior Vice-President of Communication and Public Affairs, 1995.
Holdings in AB Electrolux: 500 B-shares, 90,000 options.

Fredrik Rystedt

Chief Financial Officer
Born 1963, M. Econ.
In Group Management since 2001.
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, responsible for Controlling, Accounting, Taxes and Auditing. In 2004, appointed Chief Financial Officer and responsible also for Group Treasury and in 2005 for IT.
Holdings in AB Electrolux: 0 shares, 90,000 options.

Cecilia Vieweg

Head of Group Staff Legal Affairs
Born 1955, B. of Law.
In Group Management since 1999.
Attorney with Berglund & Co. Advokatbyrå, Gothenburg, 1987–1990. Corporate Legal Counsel of AB Volvo, 1990–1992. General Counsel of Volvo Car Corporation, 1992–1997. Attorney and partner in Wahlin Advokatbyrå, Gothenburg, 1998. Joined Electrolux in 1999 as General Counsel.
Board member of Haldex AB.
Holdings in AB Electrolux: 0 shares, 90,000 options.

Harry de Vos

Head of Group Staff Human Resources and Organizational Development
Born 1956, Process Eng, post-doc Training Management.
In Group Management since 2005.
Held various positions within General Electric, 1978–2001. Latest position as Human Resource Director for GE Plastics Europe, 1999–2001. Joined Electrolux in 2002 as head of Human Resources and Organization within Major Appliances Europe. Head of Group Staff Human Resources and Organizational Development 2005.
Holdings in AB Electrolux: 0 shares, 30,000 options.

* Bengt Andersson, Head of Outdoor Products, has been appointed President and CEO of Husqvarna AB.

Holdings as of December 31, 2005.


Harry de Vos


Hans Stråberg


Fredrik Rystedt


Cecilia Vieweg


Keith R. McLoughlin


Lars Göran Johansson


Detlef Münchow


Magnus Yngen


Johan Bygge


Bengt Andersson

For more information about the Group's organization and structure, see page 94.

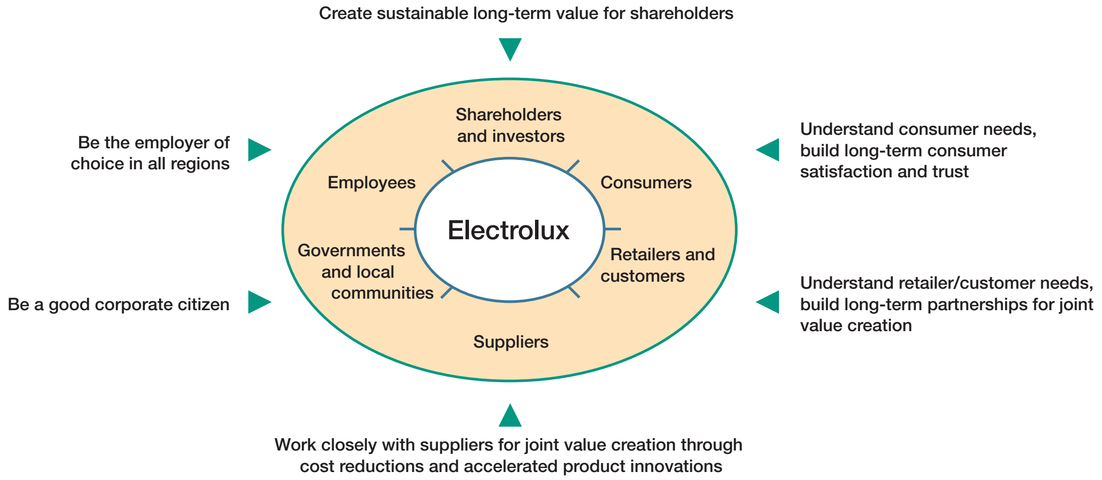
Sustainability

Sustainability is a central element of the Group's overall business strategy. It is integrated in all phases of Group operations, from product development and manufacturing to marketing and consumer communication.

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 and effective organizational structure, operating systems for internal control, risk management and transparency in both internal and external reporting.

Electrolux has decided to operate its business in an environmentally, socially and ethically responsible way. A proactive strategy in this context reduces risk, enhances positive brand awareness, strengthens employee satisfaction and ensures good relations with local communities in which the Group operates. The below diagram illustrates the Group's key stakeholders.

Key stakeholders



Distribution of value added, by stakeholder

The Electrolux Group contributes to the social and economic development of the societies in which it operates throughout the world. The table below shows the value added that is generated by the Group and its distribution among stakeholders.

Stakeholder		2005	2004	2003
Customers	Revenues	129,469	120,651	124,077
Suppliers	Cost of goods and services	–99,333	–89,896	–90,790
	Value added	30,136	30,755	33,287
	Capital expenditure, R&D, marketing, etc.	–3,500	–4,546	–6,250
Distributed to stakeholders:		**26,636**	**26,209**	**27,037**
Employees	Salaries	17,033	17,014	17,154
	Employer contributions	5,388	5,642	5,605
Public sector	Taxes	1,450	1,205	2,215
Credit institutions	Interest payments	727	355	169
Shareholders	Dividend payments	2,038	1,993	1,894

Value added (in SEKm) represents the contribution made by a company's operations, i.e., the increase in value generated by manufacture, handling, etc., within the company. It is defined as sales revenues less the cost of purchased goods and services.

Distribution of Group revenue

In 2005, value added amounted to SEK 26,636 m.

Policies and organization

The Electrolux Environmental Policy and Workplace Code of Conduct are among Group policies that support the objectives outlined in the Group's Code of Ethics. They are based on international instruments such as fundamental conventions of the International Labor Organization and the OECD Guidelines for Multinational Enterprises. The Environmental Policy and Workplace Code of Conduct have both been adopted by Electrolux Group Management.

The complete formulations of Electrolux codes and policies, including the Electrolux Code of Ethics, Workplace Code of Conduct and Environmmental Policy, can be downloaded at www.electrolux.com/codes_and_policies

Each business sector is responsible for the implementation of the Environmental Policy and Workplace Code of Conduct. They are supported by the Group's environmental affairs function with knowledge sharing, training, issue identification and monitoring. Group Environmental Affairs is part of Group staff Communications and Branding.

Suppliers are expected to comply with the Group Environmental Policy and Workplace Code of Conduct. The Group is in the process of integrating the Workplace Code of Conduct into supply chain procedures.

The overall objective is to ensure that products from Electrolux are manufactured under acceptable working conditions, both within and outside the Group.

United Nations Global Compact

Electrolux supports the United Nations Global Compact (www.unglobalcompact.org), and endorses its ten principles, which cover human rights, labor standards, business ethics and the environment.

THE GLOBAL COMPACT

Reporting practices

The Group publishes an annual Sustainability Report, which provides an overview of the Group's key priorities and its organization for sustainability, as well as practices and performance. A cross-reference based on recommendations of the Global Reporting Initiative lists the key components of Electrolux reporting practices and is available at www.electrolux.com/sustainability/GRI

The sustainability-related metrics published in this section represent data collected over the calendar year January 1 through December 31, 2005. To compensate for the changing structure and to enable comparisons over time, data from previous years has been revised to reflect the current structure of the Electrolux Group. Additional information can be found at: www.electrolux.com/sustainability/performance _indicators

In recognition of performance

- Several socially responsible investment indices rank the Electrolux Group highly, including the Dow Jones STOXX Index; the UK based FTSE4Good Series; Oekom Research in Germany and; Storebrand SRI in Norway. Electrolux has been evaluated as having above-average environmental performance in terms of products.
- Electrolux is among the "Global 100 Most Sustainable Corporations in the World", a listing launched at the World Economic Forum in 2005.

05 Member of Dow Jones Sustainability Indexes

Environmental Activities

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

The Electrolux Environmental Policy outlines the Group's commitment to improve environmental performance in production, as well as products' use and disposal. It also addresses the supply chain. The policy prescribes a proactive approach to legislation.

The Group's environmental strategies are based on a life-cycle approach. The Group recognizes three basic drivers for its strategy of developing and marketing products with outstanding environmental performance: legislation, consumer demand and resource efficiency.

- The most important trends in legislation and regulation involve energy efficiency, recycling and restrictions on the use of potentially hazardous substances (see table on page 107).
- Consumers are increasingly aware of the direct relationship between higher efficiency and lower life-cycle costs.
- The continuous pursuit of cost savings leads to more efficient use of material and energy resources in manufacturing.

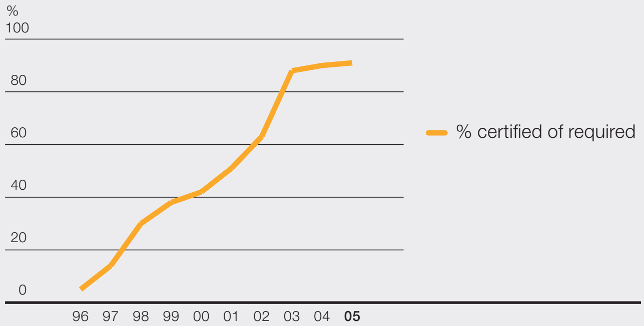
Environment in operations

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.

Management systems in production

The Electrolux Environmental Management System is a vital tool for achieving and maintaining high standards in manufacturing. Group Management has stipulated that an environmental management system is to be implemented for each business sector's entire operations. All manufacturing units with at least 50 employees are mandated to be certified according to ISO 14001. Newly acquired units must complete the certification process within three years after acquisition. By the end of 2005, 98% of the Group's total manufacturing area was certified to ISO 14001, corresponding to 68 production units, or 91% of the total number of units requiring certification. In addition, seven non-manufacturing units have received ISO 14001 certification.

ISO 14001 certification



Units certified to ISO 14001, as a percentage of all units for which certification is required.

Manufacturing performance indicators

A number of performance indicators are used to evaluate the result of the Group's environmental work. Manufacturing data covers 90% of the majority-owned production facilities worldwide.

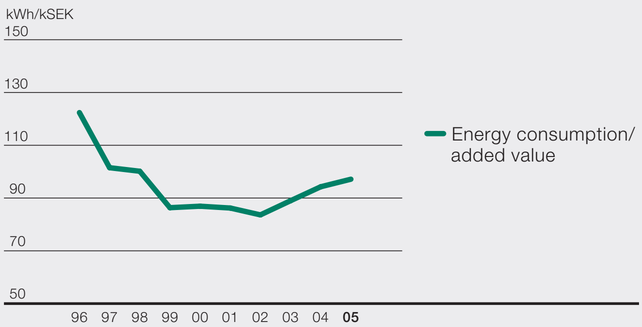
Direct material balance

	2005	2004	2003	2002	2001
Finished products (incl. packaging)	91.08	90.47	89.22	89.10	89.00
External material and energy recycling	7.85	8.29	9.59	9.42	9.42
Waste to landfill (non-hazardous)	0.85	1.01	0.92	1.19	1.21
Hazardous waste	0.19	0.19	0.20	0.25	0.29
Emission to air	0.022	0.034	0.061	0.026	0.067
Emission to water	0.002	0.002	0.005	0.007	0.004
Total direct material	100.00	100.00	100.00	100.00	100.00

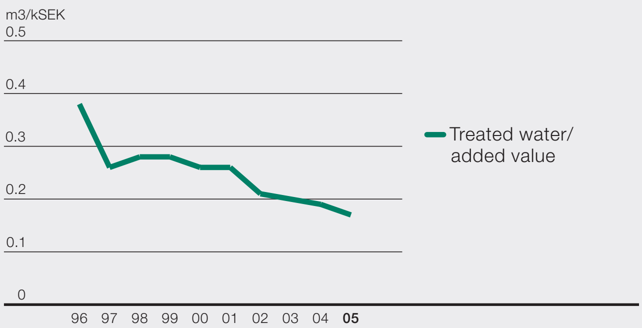
Utilization of material in production continued to increase in 2005, while externally recycled material and waste to land-fill were reduced. The above chart reflects material use in percent from 82 manufacturing units.

Since the degree of environmental impact is dependent 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 of direct material.

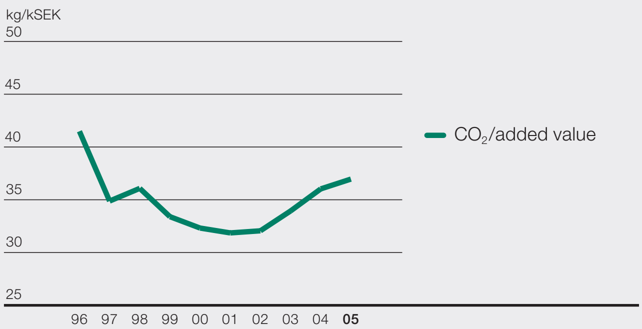
Energy consumption per added value



Treated water per added value



CO_2 per added value



Though the Group's total energy consumption and CO_2 emission levels were reduced between 2004 and 2005, a decline in added value in SEK resulted in an increase in consumption and emissions in relation to added value.

Due diligence in acquisition process

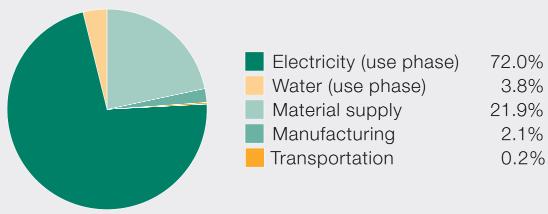
In connection with acquisitions of companies and plants, an assessment is made of potential environmental risks and the investment that may be required for modifying production. When necessary, an analysis based on standardized routines is performed to determine possible contamination of soil and ground water. This process is regulated by law in many regions, particularly in North America.

Environmental performance of products

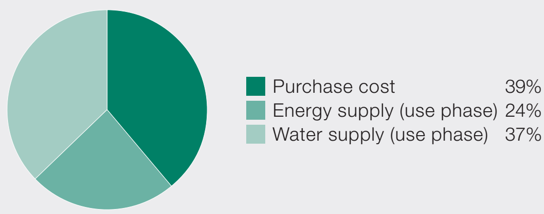
Electrolux has a long tradition of continuously improving the environmental performance of products, by reducing water and energy consumption, and by designing products for more efficient recycling. Improved environmental performance also means lower lifetime operating costs for consumers and thus plays a key role in marketing and product development.

In general, the greatest environmental impact of Group products occurs during use, through consumption of energy, fuel and water. Efficient appliances reduce the consumer's operating costs. Offering products with outstanding environmental performance therefore provides competitive benefits.

Life-cycle impact



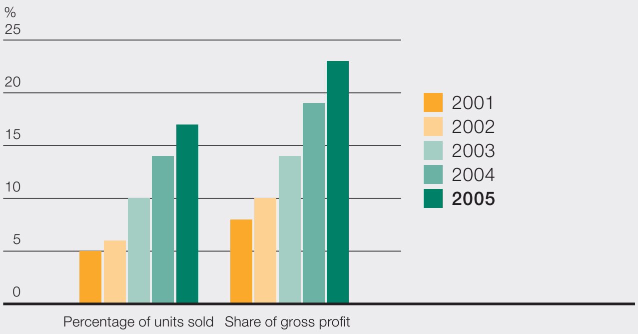
Life-cycle cost



The purchase price is often less than half of the total life-cycle cost and efficient appliances generate both economic and environmental savings. The graphs are based on data from washing machines sold in Europe (Öko-Institut e.V. , Institute for Applied Ecology, 2004).

Energy-labeling of products has contributed greatly to increased demand for energy-efficient products, and the Group's focus on meeting this demand has resulted in an increase in profitability. As shown in the graph "Green range", the most efficient products account for a higher share of gross profit, reflecting consumer awareness that life-cycle savings from lower electricity costs offset higher purchase prices.

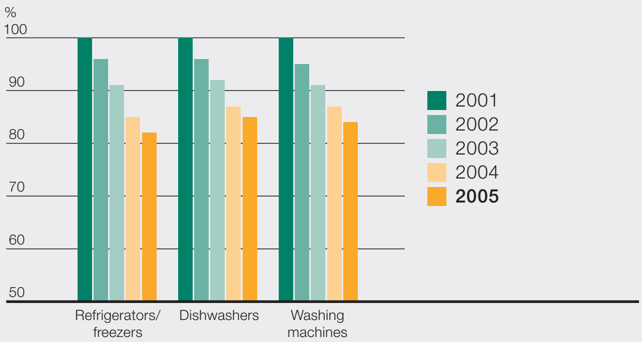
Green range



Within household appliances in Europe, the products with the best environmental performance accounted for 17% of total sold units in 2005 and 23% of gross profit.

Fleet average energy-efficiency for various categories of appliances sold by Electrolux in Europe showed continued improvement in 2005.

Fleet average



Reduction in energy consumption for products sold in Europe, with energy index set at 100% in the year 2001.

Materials restricted for use in products

Substances used in Electrolux products must not harm employees in production, end-users, or the environment. Products must be in line with market expectations and should not adversely affect "end-of-life" properties.

Restricted Materials List

The purpose of the Electrolux Restricted Materials List (RML) is to avoid materials that do not comply with the above criteria. Twenty-seven individual, or groups of, substances are classified as banned on the list and shall not be used. An additional 16 are rated as restricted for use. Both suppliers and Group production facilities must comply with the requirements outlined in the RML.

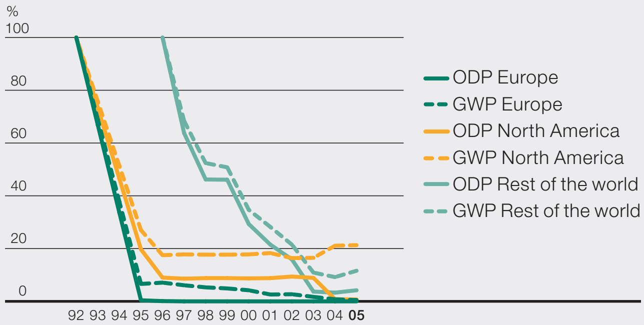
The RML is also designed to facilitate compliance with the trend toward increased regulation of chemicals in markets worldwide, such as the EU Directive on the Restriction of the use of certain Hazardous Substances in electrical and electronic equipment (RoHS). Tracking applications in which substances are considered potentially hazardous enables the Group to act swiftly in response to new scientific findings or regulations.

For additional information on the Restricted Materials List, visit www.electrolux.com/rml

Phase-out of ozone-depleting and global warming substances

The Montreal Protocol was adopted by the United Nations in 1986 and calls for a phase-out of ozone-depleting substances. The use of chlorofluorocarbon (CFC) as a refrigerant or in insulation is prohibited in most markets including the EU and the US, where the Group's products have been free of CFCs for several years. The Group has been a leader in the phase-out of both CFC and hydrochlorofluorocarbon (HCFC) in new markets such as China and Brazil.

Global phase-out



The graph shows the relative change in the use of substances with ozone-depleting (ODP) and global warming potential (GWP) in refrigerants and insulating gases used in the Group's products.

Environmental legislation

Electrolux is subject to government regulation in all countries in which it conducts its operations. The Group continuously monitors its compliance with applicable regulations and adjusts its operations and applies for necessary permits in accordance with local laws and regulations.

RoHS Directive

The European Union Directive on the Restriction of the use of certain Hazardous Substances in electrical and electronic equipment, known as the RoHS Directive, has been implemented in national legislation of the EU Member States. As of July 1, 2006, the Directive will ban placement in the EU market of electrical or electronic equipment containing lead, mercury, cadmium, hexavalent chromium and two groups of brominated flame retardants (PBB and PBDE), with a limited number of exceptions.

Electrolux continues its comprehensive program to identify cost-effective alternative components and manufacturing methods to comply with the Directive. Almost all Electrolux electrical products are being modified to some extent, RoHS substances may be present in printed circuit boards, solders, plastics, connectors and cables. Together with its suppliers, the Group is in the process of phasing out RoHS substances from all these components and materials.

Legislation in other countries

China is scheduled to implement legislation similar to RoHS during 2006 and the US state of California has decided to enact comparable legislation by 2007.

Producer responsibility (WEEE Directive)

In 2002, the European Union adopted the WEEE (Waste Electrical and Electronic Equipment) Directive, regarding producer responsibility for treatment, recycling and disposal of electrical and electronic products. The Directive applies to a broad range of electrical and electronic products, e.g., IT and telecommunication equipment, consumer electronics and household appliances.

The Directive stipulates that as of August 2005 producers are responsible for the management and financing of treatment, recycling and disposal of waste electrical and electronic products that are deposited at collection facilities. The collection of electrical and electronic equipment from households is the responsibility of local authorities.

Regulations regarding WEEE were already in force in Sweden, Norway, Belgium, the Netherlands and Switzerland before the Directive was introduced. By 2004, WEEE-related national legislation was published in Greece and Cyprus. By 2005, and with the exception of Malta and the UK, the remaining EU countries followed, though some countries only partially adopted the Directive. Both Malta and the UK are expected to transpose the Directive into national legislation in 2006.

Historical and future waste

Costs for producer responsibility refer to products sold before August 2005, i.e., historical waste, as well as products sold after August 2005, i.e., future waste.

For historical waste, manufacturers and importers are collectively responsible for treatment, recycling, and disposal in proportion to their present market share. This is known as collective producer responsibility.

For future waste, the Directive stipulates that manufacturers and importers must each finance treatment, recycling and disposal of their own products, which is known as individual producer responsibility. Financial guarantees must be provided to ensure that sufficient funds are available even if a producer or importer should withdraw from the market. In some countries, membership in a collective organization for financing of recycling is regarded as a sufficient guarantee. For household appliances these costs are normally payable 12 to 15 years after actual sale, according to studies by the European Commission.

Efficient recycling generates competitive advantages

Individual producer responsibility means that efforts to lower the end-of-life disposal costs through product development and efficient management systems can generate competitive advantages. Electrolux invests continuously in product design with the intention of reducing the total costs over the product's life-cycle. In order to meet the need for an efficient recycling system, Electrolux, Braun, Hewlett Packard and Sony have established a jointly owned company, European Recycling Platform (ERP). The company's task is to establish and manage a pan-European recycling scheme for electrical products covered by the WEEE Directive.

ERP has signed a contract with two general contractors, CCR Logistics Systems AG of Germany and Geodis Group of France. On behalf of the members of ERP, these companies are responsible for take-back, logistics, recycling and administration in Austria, France, Germany, Ireland, Italy, Poland, Portugal, Spain and the UK.

Trade associations are developing national recycling systems in several EU countries where such systems are not yet in place.

Cost of compliance

Approximately 16 million Electrolux products sold every year are covered by the WEEE Directive. These products include large and small household appliances as well as floor-care equipment.

Electrolux incurs costs for managing and recycling historical waste, and makes provisions for future waste. The extent of the cost depends on a number of factors which at present cannot be accurately quantified. These factors include administration, recycling and treatment costs, the market price of scrap metal, disposal costs for non-recyclable material and components of equipment as well as collection costs per unit and collection rates, which may vary between countries.

The following assumptions have been made in order to provide preliminary estimates of annual costs for Electrolux, despite uncertainty regarding the basic factors:

- The producer's responsibility for management of waste starts at collection facilities.
- Collection rates for each EU Member State. However, these rates are highly uncertain.
- Projected future fees for recycling, including transportation from collection facilities. These are based on internal estimates derived from information supplied by waste management companies.

On the basis of these assumptions, the estimated annual cost of historical waste for Electrolux when the WEEE Directive is fully implemented will be approximately SEK 600m. The Directive does not require producers to provide financial guarantees for historical waste. No provisions related to recycling of historical waste are made in the Group's balance sheet.

Electrolux makes provisions for the anticipated cost of future waste on the basis of estimates of future recycling costs, discounted over anticipated product life-cycles.

Using the same assumptions as for historical waste, and assuming an average lifetime that varies between 10 and 14 years for different products, as well as a discount rate corresponding to the prevailing market interest rate, the estimated annual cost for future waste is approximately SEK 600m, in addition to the cost of historical waste.

The above cost estimates remain highly uncertain and may vary considerably. Participation in the European Recycling Platform provides the Group with access to an efficient recycling system that is expected to reduce these costs over time. Product development that enables more efficient recycling will also contribute to cost reductions.

Compensation for WEEE-related costs

Electrolux intends to achieve full compensation for costs incurred under the WEEE Directive. Costs related to recycling of both historical and future waste will be added to the price of products.

The Directive allows producers to show the recycling cost for historical waste separately as a visible fee. It is expected that this will improve the potential for off-setting the cost.

Experience of the 2001 introduction of a similar requirement for producer responsibility in Sweden shows that it had no effect on overall demand or the profitability of Electrolux products. Consumers did not forego purchases in response to the price increases due to the introduction of producer responsibility for recycling. However, it is still too early to determine whether consumer behavior and purchasing patterns across the EU Member States after implementation of the Directive will resemble those in Sweden.

Energy directives and product labeling

Energy-efficiency and product labeling are core issues for the Group, and for the appliance industry as a whole. In the Group's major markets, Europe and North America, regulations require that every product bear 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 exist in Australia, Brazil, China, India, Japan and Mexico.

The Group's products are within all regulatory limits and are represented in the highest energy-efficiency classes as defined by the EU's Energy+ scheme from 2004 and the US Environmental Protection Agency's Energy Star program. Electrolux anticipates that it will qualify for recently-enacted US energy tax credits as a result of the sale of Energy Star appliances. The credits are available for US production of such appliances in 2006 and 2007. In addition, Electrolux and other major manufacturers in Europe are committed to voluntary agreements on improving energy-efficiency for large household appliances. The European Commission has endorsed these voluntary agreements.

Environmental regulations affecting the Group's operations

Issue	Regulation	Product/operation
Energy efficiency	Mandatory energy consumption criteria for specific products in EU, US, other markets. Voluntary industry commitments on some products in EU	Consumer Durables Professional Products
Energy labeling	Mandatory labeling in EU, North America, Mexico, Japan, Australia, and China. Voluntary labeling in Hong Kong and Brazil	Consumer Durables Professional Products
Producer responsibility	WEEE Directive in EU	All electrical products sold in EU
Eco-design requirements	Energy using Products (EuP) Directive in EU, eco-design requirements in product development	All products
Emissions from combustion engines	EU, US and Canada	Outdoor Products
Air and waterborne emissions, solid waste	Several markets including EU, and US	All plants
Climate change	Kyoto Protocol, national implementation	Consumer Durables
Ozone depletion	Montreal Protocol, national implementation	Refrigerators, freezers, air-conditioners
Hazardous substances	RoHS Directive in EU, and similar legislation in China, state/provincial legislation in North America and Australia	All products and plants

A list of environmental legislation affecting the Group's global operations is available at www.electrolux.com/sustainability/legislation

Social Responsibility

The Group strives to be an attractive employer, fulfilling its responsibility for providing safe and healthy workplaces and guaranteeing fair treatment for all employees. Furthermore, the Group endeavors to improve quality of life through its products, and assure that products are safe to use and manufacture.

The Group has established policies and guidelines as well as management procedures aimed at guaranteeing fair business practices and consistent monitoring of social performance.

The Electrolux Workplace Code of Conduct defines high employment standards for all Electrolux employees in all countries and business sectors as well as for all subcontractors. The Code incorporates issues such as child and forced labor, health and safety, workers rights and environmental compliance.

Management guidelines

Practical guidelines have been developed regarding Code-related procedures and documentation that are required of Electrolux business units. These guidelines are intended to help integrate the Code of Conduct into the daily operations of all entities.

Internal communication and monitoring

The Group has developed an electronic assessment tool called ALFA (Awareness–Learning–Feedback–Assessment) in order to support internal implementation of the Workplace Code of Conduct and to continuously monitor Electrolux units regarding compliance.

In 2005, ALFA was deployed in all Electrolux business sectors for the third time to measure how units have progressed in their work with the Code. In total, 166 units have been evaluated and rated. The results have been communicated to the units involved in order to assist them in identifying areas where performance is good as well as those where it needs to be improved.

ALFA Group-wide evaluation

Unit	Sent to	Responses	Response rate
Production units	85	85	100%
Offices/warehouses	102	81	79%
Total	**187**	**166**	**89%**

Facilities excluded: Olara and Zarow in Poland; Capetown, South Africa; Fuenmayor, Spain; Ödeshög, Sweden; and Rayong, Thailand.

Training

The Group has developed training material based on the principles of the Code in order to meet the training needs of local operations.

External third-party monitoring

The process of reviewing internal Code of Conduct performance continued in 2005. All production units in Asia and Latin America have been audited on-site by third party auditors and corrective actions have been taken. Audits have helped some units improve routines in certain areas such as health, safety and working hours.

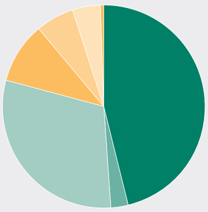
Electrolux People Process

The Electrolux People Process provides support at Group level for managers with regard to recruitment and development of employees. It also aims to ensure that individuals are treated fairly by the company. A 2005 talent management survey covered 1,300 employees in senior positions worldwide. Four out of five respondents stated that the Electrolux approach to personnel management has contributed positively to the Group's bottom line.

Competency development is an integral part of talent management and 1,240 managers were trained in leadership skills between 2003 and 2005. A 2005 goal was to increase internal recruitment for the Group's top 200 management positions. In 2005, 79% of the top 200 vacancies were recruited from the Group's internal talent pool. This is an improvement from 56% in the previous year.

The Group's engagement in AIESEC, a leading global organization for development of youth leadership, is a strategic partnership designed to increase the number of young potentials in the Group. Greater gender diversity is an additional benefit, since the majority of AIESEC interns are female. In 2005, Electrolux hired 62% of its AIESEC interns.

Employees, by geographical area



European Union	46.2%
Rest of Europe	3.0%
North America	30.3%
Latin America	9.6%
Asia	6.0%
Oceania	4.7%
Africa	0.3%

In 2005, the average number of employees worldwide was 69,523, of whom two-thirds, or 45,321 were men and one-third, or 24,202 were women.

Health and safety

The provision of safe, healthy working conditions is an important element of the Electrolux Workplace Code of Conduct. Individual business sectors are responsible for ensuring that health and safety are effectively managed. Local units are responsible for taking action and reporting data in accordance with local regulations and laws.

The performance of individual units is monitored and evaluated at Group level in several ways. ALFA is used to assess the current status of health and safety as well as related management practices. Health and safety is also an important part of the external third-party monitoring program in Electrolux factories in Asia and Latin America.

The Safety Training Observation Program (STOP) has enabled Major Appliances in North America to achieve substantial improvements in two important indicators of industrial safety; the recordable-injury index and the lost-time index. The gains were achieved through a combination of communication, training and stronger focus on the work environment and factors contributing to injuries. Implementation of STOP involves training supervisors to observe and recognize safe as well as unsafe actions, and then to communicate their observations to employees.

Health and safety in the workplace

	2005	2004[1]	2003
Number of work-related injuries[2]	16.2	20.4	29.8
Number of workdays lost due to occupational injuries[2]	239	217	327
Number of work-related fatalities	0	7[3]	0

[1] Health and safety key-performance indicators differ from those reported in 2004 due to improved data collection procedures.
[2] Per million hours worked.
[3] Explosion at construction site at Ath, Belgium, July 30, 2004.

The table illustrates key health and safety data for the Group's operations. In 2005, data was collected covering 84 production facilities and 40 warehouses corresponding to approximately 56,000 employees. The number of work-related injuries was reduced during 2005.

Consumer safety

A proactive approach to product safety in terms of design and manufacturing assures the safety of consumers. The Group invests in quality assurance, procedures for selecting material and testing finished products.

The Group has a comprehensive system for collecting information on all safety-related incidents and analyzing it to identify root causes and effects. The majority of these incidents do not represent any risk to the consumer.

Analyses of safety-related incidents have given the Group a fundamental understanding of how accidents occur. This expertise is integrated in all product development. If analysis reveals a case that may represent a problem, the matter is brought to a Sector Product Safety Advisory Committee for evaluation and advice on corrective measures if needed.

Electrolux shares

The market capitalization of Electrolux shares at year-end 2005 was SEK 63.9 (46.9) billion, which corresponded to 1.8% (1.7) of the total market capitalization of the Stockholm Stock Exchange.

The highest closing price for Electrolux B-shares during the year was SEK 208.50 on December 29, and the lowest closing price SEK 142.50 on April 27. The highest closing price for A-shares during the year was SEK 220 on December 29, and the lowest closing price SEK 145.50 on February 7.

Trading volume

In 2005, 556.6 (542.3) million Electrolux shares were traded on the Stockholm Stock Exchange at a value of SEK 92.4 (80.1) billion. Electrolux shares thus accounted for 2.5% (2.4) of the total yearly trading volume of SEK 3,764 (3,391) billion on the Stockholm Stock Exchange.

The average value of the A- and B-shares traded daily was SEK 365.1m (316.5), corresponding to 2.2 million shares.

A total of 117.7 (122.8) million Electrolux shares were traded on the London Stock Exchange, while 2.9 (5.8) million American Depository Receipts (ADRs) were traded. The ADRs were delisted from the NASDAQ Stock Market on March 31, 2005, and the trading was transferred to the Over-the-Counter market (OTC). At year-end, 1,405,855 (3,502,970) depository receipts were outstanding.

Effective yield

The effective yield indicates the actual profitability of an investment in shares, and comprises dividends received plus the change in trading price.

The compounded annual effective yield on an investment in Electrolux shares was 22.9% 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 Stock Exchange was 18.3%.

Dividend and dividend policy

The Board has decided to propose a dividend of SEK 7.50 (7.00) per share at the Annual General Meeting, corresponding to 48% (47) of income for the period, excluding items affecting comparability.

The Group's goal is for the dividend to correspond to at least 30% of income for the year, excluding items affecting comparability.

Key facts

Share listings [1]: Stockholm, London
Number of shares: 308,920,308
Number of shares after repurchase: 293,099,069
High and low for B-shares, 2005: SEK 210–141
Market capitalization at year-end: SEK 63.9 billion
Beta value [2]: 0.93
GICS code [3]: 25201040
Ticker codes: Reuters ELUXb.ST, Bloomberg ELUXB SS

1) The trading of the Group's ADRs was tranferred from NASDAQ to the US Over-the-Counter market as of March 31, 2005. One ADR corresponds to two B-shares.
2) The raw 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.
3) MSCI's Global Industry Classification Standard (used for securities).

Trading volume of Electrolux shares

Thousands	2005	2004	2003	2002	2001
Stockholm, A- and B-shares (ELUXa and ELUXb)	556,568	542,304	480,415	504,394	435,335
London, B-shares (ELXB)	117,726	122,777	128,303	259,231	398,741
ADRs (ELUX)	2,926	5,767	4,460	6,890	7,984

The Bank of New York is the depository bank for ADRs.

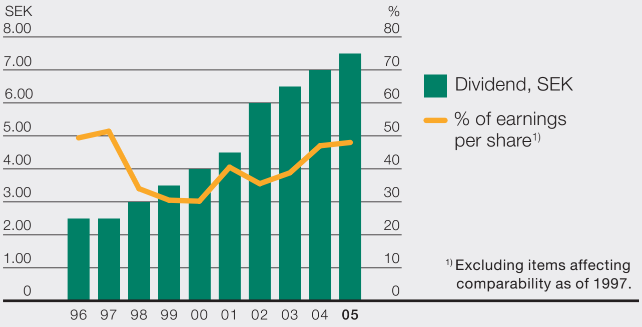
Average daily trading volume of Electrolux shares on the Stockholm Stock Exchange

SEK thousands	2005	2004	2003	2002	2001
A-shares	59	34	33	72	50
B-shares	365,074	316,424	299,139	327,294	250,020
Total	**365,133**	**316,458**	**299,172**	**327,366**	**250,070**

De-listing from NASDAQ

The Board of Directors decided in February 2005 to delist the Group's ADRs from the NASDAQ Stock Market. Trading volume in the Group's ADRs is low and does not justify a listing. The ADR program will be maintained, and the receipts are traded at the US Over-the-Counter market as of March 31, 2005.

Dividend per share



The Board of Directors proposes increasing the dividend to SEK 7.50 per share for 2005.

Repurchase of shares

Electrolux did not repurchase any shares in 2005. In the course of the year, senior managers purchased 1,785,161 B-shares from Electrolux under the terms of the employee stock option programs. In addition, 133,000 B-shares were sold by Electrolux in order to cover the costs of employer contributions for the stock option programs. As of December 31, 2005, the company held a total of 15,821,239 B-shares, equivalent to 5.1% of the total number of outstanding shares. On February 6, 2006, Electrolux holdings of own B-shares amounted to 15,411,559, corresponding to 4.99%, after additional sales of shares to senior managers under the stock option programs. In 2000–2004, Electrolux repurchased shares for a total of SEK 8,450m, corresponding to an average price of SEK 141 per share.

Repurchase of shares

	2005	2004	2003	2002	2001
Number of shares as of January 1	308,920,308	324,100,000	338,712,580	366,169,580	366,169,580
Redemption/cancellation of shares	—	–15,179,692[1)]	–14,612,580	–27,457,000	—
Number of shares as of December 31	308,920,308	308,920,308	324,100,000	338,712,580	366,169,580
Number of shares bought back	—	750,000	11,331,828	11,246,052	11,570,000
Total amount paid, SEKm	—	114	1,688	1,703	1,752
Price per share, SEK	—	152	149	151	151
Number of shares sold under terms of the employee stock option programs	1,918,161	10,600	113,300	—	—
Total amount received, SEKm	306	2	19	—	—
Number of shares held by Electrolux, at year-end	15,821,239	17,739,400	17,000,000[2)]	20,394,052[2)]	36,605,000
% of outstanding shares	5.1	5.7	5.2	6.0	10.0

1) Redemption of shares.
2) After cancellation of shares.

Proposed renewed mandate for repurchase of shares

The Board of Directors has decided to propose that the Annual General Meeting approve a renewed mandate for 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 2007.

Share capital and number of shares

The share capital of AB Electrolux as of December 31, 2005, consisted of 9,502,275 A-shares and 299,418,033 B-shares, totaling 308,920,308 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 share capital amounted to SEK 1,545m at year-end.

Distribution of shareholdings in AB Electrolux

Shareholding	Ownership, %	Number of shareholders	% of shareholders
1–1,000	4.6	53,337	87.5
1,001–10,000	5.8	6,676	11.0
10,001–20,000	1.4	308	0.5
20,001–	88.2	586	1.0
Total	**100**	**60.907**	**100**

Source: SIS Ägarservice as of December 31, 2005.

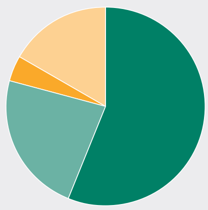
Incentive programs

Electrolux has implemented several long-term incentive programs for senior managers. In 2004 and 2005 performance-related share programs were introduced, based on targets for value creation within the Group over a three-year period. Under these programs, Electrolux B-shares will be distributed to the participants at the end of the period on the basis of the targets achieved. The Board of Directors will present a proposal at the Annual General Meeting for two performance-based share programs in 2006, one for the Indoor Products operation and one for the Outdoor Products operation, corresponding to the share programs described above.

Previous programs entitled an allotment of options that 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.

For additional information on incentive programs, see Note 22 on page 68.

Shareholders by country



2005	%
Sweden	56.2
USA	23.0
UK	4.2
Other	16.6

Source: SIS Ägarservice as of December 31, 2005.

As of December 31, 2005, about 44% of the total share capital was owned by foreign investors.

Major shareholders in AB Electrolux

	Number of A-shares	Number of B-shares	Total number of shares	Share capital, %	Voting rights, % [1)]
Investor AB	8,770,771	14,918,100	23,688,871	7.7	27.1
Franklin Templeton Funds	—	14,698,520	14,698,520	4.8	3.9
Second Swedish National Pension Fund	—	11,062,212	11,062,212	3.6	2.9
Handelsbanken/SPP Funds	—	8,615,691	8,615,691	2.8	2.3
Robur Funds	—	7,713,839	7,713,839	2.5	2.0
AFA Insurance	—	5,840,466	5,840,466	1.9	1.5
SEB Funds	—	5,583,170	5,583,170	1.8	1.5
Alecta Pension Insurance	—	5,514,922	5,514,922	1.8	1.5
Fourth Swedish National Pension Fund	—	5,086,940	5,086,940	1.6	1.3
Skandia Life Insurance	139,111	3,668,064	3,807,175	1.2	1.3
Other shareholders	592,393	200,894,870	201,487,263	65.2	54.7
External shareholders	9,502,275	283,596,794	293,099,069	94.9	100
AB Electrolux	—	15,821,239	15,821,239	5.1	—
Total	**9,502,275**	**299,418,033**	**308,920,308**	**100**	**100**

1) Adjusted for repurchase of shares as of December 31, 2005.

Source: SIS Ägarservice as of December 31, 2005, and owners' websites.

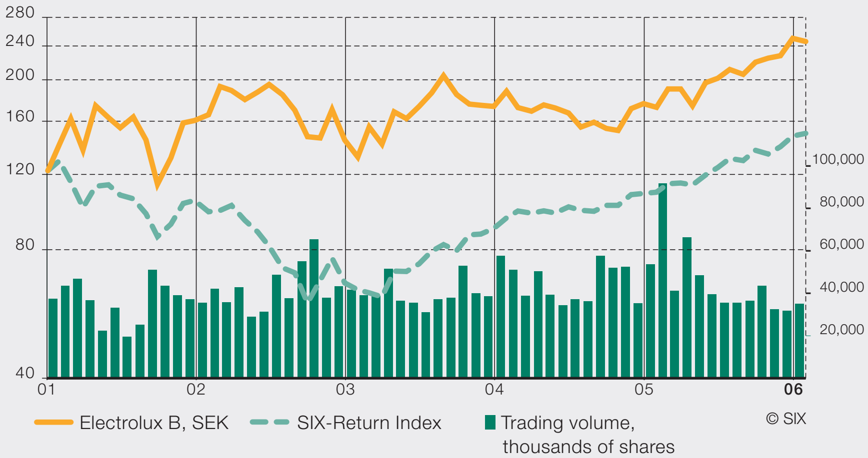
At year-end 2005, about 46% of the total share capital was owned by Swedish institutions and mutual funds, about 44% by foreign investors, and about 10% by private Swedish investors. Most of the shares owned by foreign investors are registered through trustees, so that the actual shareholders are not officially registered.

Per-share data [1]

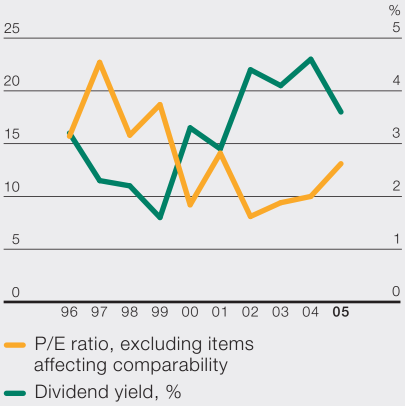
	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
Year-end trading price, SEK [2]	206.50	152.00	158.00	137.50	156.50	122.50	214.00	139.50	110.20	79.20
Highest trading price, B-shares, SEK	210.00	174.50	191.00	197.00	171.00	230.00	222.00	161.00	139.80	85.40
Lowest trading price, B-shares, SEK	141.00	126.50	125.50	119.50	92.00	110.00	118.00	87.50	77.70	54.30
Change in price during the year, %	36	–4	15	–12	28	–43	53	27	39	45
Equity, SEK	88	81	89	87	88	77	70	67	56	61
Trading price/equity, %	234	187	178	158	178	159	304	209	196	129
Dividend, SEK	7.50 [3]	7.00	6.50	6.00	4.50	4.00	3.50	3.00	2.50	2.50 [4]
Dividend, % [5] [6]	48	46	39	36	41	30	31	34	52	50
Dividend yield, % [7]	3.6	4.6	4.1	4.4	2.9	3.3	1.6	2.2	2.3	3.2
Earnings per share, SEK	6.05	10.92	15.25	15.58	11.35	12.40	11.40	10.85	0.95	5.05
Earnings per share, SEK [6]	15.82	15.24	16.73	16.90	11.10	13.25	11.45	8.85	4.85	5.05
Cash flow, SEK [8]	2.45	10.81	9.15	23.14	15.55	4.67	11.53	2.57	2.66	–2.27
EBIT multiple [9]	16.1	9.5	6.8	5.9	10.0	8.1	12.9	10.0	4.6	2.2
EBIT multiple [6] [9]	9.1	6.7	6.3	5.6	9.8	7.7	12.5	11.5	2.6	
P/E ratio [6] [10]	13.1	10.0	9.4	8.1	14.1	9.2	18.7	15.8	22.7	15.7
P/E ratio [10]	34.4	14.4	10.4	8.8	13.8	9.9	18.8	12.9	116.0	15.7
Number of shareholders	60,900	63,800	60,400	59,300	58,600	61,400	52,600	50,500	45,660	48,300

1) The figures for 1995–1997 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 income for the period.
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 the average number of shares after buy-backs.
9) Market capitalization, excluding buy-backs, plus net borrowings and minority interests, divided by operating income.
10) Trading price in relation to earnings per share after full dilution.

Total return of Electrolux B-shares on the Stockholm Stock Exchange, 2001–January 2006



P/E ratio and dividend yield



At year-end 2005, the P/E ratio for Electrolux B-shares was 13.1, excluding items affecting comparability. The dividend yield was 3.6%, based on the dividend proposal for 2005.

Risk Factors

Electrolux files an annual Form 20-F report with the Securities and Exchange Commission (SEC) in the US. In accordance with US regulations, this report should contain a section about risk factors referring to the Company or the industry in which it operates. The section below is in all material respects expected to be included in the Form 20-F for 2005 that Electrolux plans to submit to the SEC during the second quarter of 2006. You should carefully consider all of the information in this Annual Report and, in particular, the risks outlined below.

Electrolux markets are highly competitive and subject to price pressure.

The markets for Electrolux products are highly competitive and there is considerable pressure to reduce prices, especially when faced with an economic downturn and possible reductions in consumer demand. The effects of competition and price pressure within major appliances are particularly apparent for refrigerators and freezers world wide, for floor-care products in the United States and in Europe, for small appliances generally and for consumer outdoor products in Europe. Electrolux faces strong competitors, who may prove to have greater resources in a given business area, and the likely emergence of new competitors, particularly from Asia and Eastern Europe. Some industries in which Electrolux operates are undergoing consolidation, which may result in stronger competitors and a change in Electrolux relative market position. There is also a trend, particularly in Europe, towards globalization among Electrolux customers in the retail sector, which means fewer, bigger and more international retail chains. In response to an increasingly competitive environment, Electrolux and other manufacturers may be forced to increase efficiency by further reducing costs along the value chain, including their suppliers. The development of alternative distribution channels, such as the Internet, could also contribute to further price pressure within Electrolux markets. There can be no assurances that Electrolux will be able to adapt to these changes and increase or maintain its market share.

Electrolux is subject to risks relating to the relocation of manufacturing capacity.

As part of its strategy of continued reduction of costs and rationalization of its production activities, Electrolux has in the past, and will in the future, relocate some of its manufacturing capacity to low cost countries. Electrolux has announced restructuring measures of approximately SEK 8–10 billion for the years 2005–2008 that encompass further relocation of some of its manufacturing capacity. The transfer of production from one facility to another is costly and presents the possibility of additional disruptions and delays during the transition period. Electrolux might not be able to successfully transition production to different facilities. Any prolonged disruption in the operations of any of its manufacturing facilities or any unforeseen delay in shifting manufacturing operations to new facilities, whether due to technical or labor difficulties or delays in regulatory approvals, could result in delays in shipments of products to Electrolux customers, increased costs and reduced revenues.

Consolidation of retail chains has resulted in increased dependence on a number of large customers.

Due to the ongoing consolidation of retail chains, major customers account for a large and increasing part of Electrolux sales. This trend is particularly significant in the Consumer Durables business area, as most products in this business area are sold through major retail chains. This trend towards consolidation has resulted in greater commercial and credit exposures. If Electrolux were to experience a material reduction in orders or become unable to collect fully its accounts receivable from a major customer, its net sales and financial results would suffer.

Electrolux operating results may be affected by seasonality.

Demand for certain of Electrolux products is affected by seasonality and factors that are hard to predict such as the weather. For example, market demand for lawn mowers, trimmers and room air conditioners is generally lower during the winter season. As a result, Electrolux outdoor products and room air conditioners product lines experience most of their sales volume and profitability in the first seven months of the year. Electrolux expects this seasonality to continue in the future.

Electrolux future success depends on its ability to develop new and innovative products.

Product innovation and development are critical factors in improving margins and enabling net sales growth in all of Electrolux product lines. To meet Electrolux customers' needs in these businesses, Electrolux must continuously design new, and update existing, products and services and invest in and develop new technologies. Product development is also driven by criteria for better environmental performance and lower cost of use. Introducing new products requires significant management time and a high level of financial and other commitments to research and development, which may not result in success. During 2005, Electrolux invested SEK 2,187 (2,052) million in research and development, corresponding to 1.7 (1.7) % of net sales. R&D projects during the year mainly referred to new products and design projects within appliances including development of new platforms. Electrolux sales and net income may suffer if investments are made in technologies that do not function as expected or are not accepted in the marketplace.

Electrolux may experience difficulties relating to business acquisitions and dispositions.

Electrolux has in the past, and may in the future, increase significant market positions in its product areas through organic growth and acquisitions and by improving operational efficiencies. Expansion through acquisitions is inherently risky due to the difficulties of integrating people, operations, technologies and products. Electrolux may incur significant acquisition, administrative and other costs in connection with any such transactions, including costs related to integration of acquired or restructured businesses. There can be no assurances that Electrolux will be able to successfully integrate any businesses it acquires into existing operations or that they will perform according to expectations once integrated. Similarly, dispositions of certain non-core assets may prove more costly than anticipated and may affect its net sales and results of operations.

Electrolux may not be able to successfully implement planned cost-reduction measures and generate the expected cost-savings.

Between 2002 and 2005, as well as in earlier years, Electrolux has implemented restructuring programs in an effort to improve operating efficiencies and the Group's profitability. These restructuring measures included the divestitures of unprofitable non-core operations, layoffs of employees, consolidation of manufacturing operations and other cost-cutting measures. Electrolux has also put substantial effort into driving down costs and complexity throughout the supply *chain by improving integration of the supply chain and demand flow management. There can be no assurances that these measures of approximately SEK 8–10 billion in respect of the years 2005–2008 will generate the level of cost savings that Electrolux has estimated going forward.*

Electrolux is dependent on third party suppliers to deliver key components and materials for its products.

Electrolux manufacturing process depends on the availability and timely supply of components and raw materials, generally from third party suppliers. While supply problems can affect the performance of most of Electrolux business sectors, Electrolux is particularly sensitive to supply problems related to electronic components, compressors, steel, plastics, aluminum and copper. Electrolux works closely with its suppliers to avoid supply-related problems and is increasing its supply of sourced finished products, but there can be no assurances that it will not experience problems in the future. Such problems could have material adverse effects on the business, results of operations or financial condition of Electrolux. In addition, unanticipated increases in the price of components or raw materials due to market shortages could also adversely affect the financial results of Electrolux businesses.

Electrolux is subject to risks related to changes in commodity prices.

Electrolux is subject to risks related to changes in commodity prices as the ability to recover increased cost through higher pricing may be limited by the competitive environment in which Electrolux operates. The recent development in many commodity markets has resulted in higher prices, particularly for steel and plastics. This has had an adverse effect on the Group's operating results in 2005 and may have a negative effect on the Group's operating result in 2006. Electrolux commodity risk is mainly hedged through bilateral contracts with suppliers.

Electrolux is exposed to foreign exchange risks and interest rate risk.

Electrolux operates in approximately 60 countries around the world and as a result is subject to the risks associated with cross-border transactions. In particular, Electrolux is exposed to foreign currency exchange rate risks and risks relating to delayed payments from customers in certain countries or difficulties in the collection of receivables generally. Electrolux is also subject to risks arising from translation of balance sheets and income statements of foreign subsidiaries. The major currencies that Electrolux is exposed to are the Euro, the U.S. dollar (including currencies correlating with the dollar), the British pound and Canadian dollar. While Electrolux geographically widespread production and its hedging transactions reduce the effects of changes in exchange rates, there can be no assurances that these measures will be sufficient.

In addition, Electrolux holds assets and liabilities to manage the liquidity and cash needs of its day-to-day operations. These interest rate sensitive assets and liabilities are subject to interest rate risk. While these interest rate exposures are minimized to some extent by the use of derivative financial instruments, there can be no assurances that these hedging activities will be effective or sufficient.

Electrolux business is affected by global economic conditions.

Current conditions in many of the economies in which Electrolux operates and the global economy remain very uncertain. As a result, it is difficult to estimate the global and regional economic development for the foreseeable future. In addition, the business environment and the economic condition of Electrolux markets are influenced by political uncertainties, including the current political situation in the Middle East. A lengthy recession or sustained loss of consumer confidence in the markets in which Electrolux operates could trigger a significant industry-wide decline in sales and could also lead to slower economic growth and a corresponding significant reduction in demand. Electrolux generates a substantial portion of its net sales from North America and Europe, both of which have experienced a slow economy in the past. In the last two years, North America has demonstrated a rebound in its economy. Terrorist attacks in recent years have had a negative impact also on tourism, which has negatively affected the performance of Electrolux Professional Indoor business operations. These global and regional conditions could have an adverse impact on the operations of Electrolux, with a resulting material adverse effect on results of operations and financial condition.

Electrolux is subject to regulatory risks associated with its international operations.

As a result of its worldwide operations, Electrolux is subject to a wide variety of complex laws, regulations and controls, and various non-binding treaties and guidelines, such as those related to employee safety, employee relations, product safety and exchange controls. Electrolux expects that sales to, as well as manufacturing in, and sourcing from, emerging markets, particularly in China, Southeast Asia, Eastern Europe and Mexico, will continue to be an increasing portion of its total operations. Changes in regulatory requirements, economic and political instability, tariffs and other trade barriers and price or exchange controls could limit its operations in these countries and make the repatriation of profits difficult. In addition, the uncertainty of the legal environment in certain of the countries in which it operates could limit Electrolux ability to effectively enforce its rights in those markets. Electrolux products are also affected by environmental legislation in various markets, which principally involves limits for energy consumption (which relate to certain of its white goods products) and emissions (which relate to certain of its outdoor products that are powered by gasoline) as well as the obligation to recycle waste of electrical products.

Electrolux is subject to certain environmental risks.

Electrolux operations are subject to numerous European Union, or EU, national and local environmental, health and safety directives, laws and regulations, including those pertaining to the storage, handling, treatment, transportation and disposal of hazardous and toxic materials, the construction and operation of its plants and standards relating to the discharge of pollutants to air, soil and water. Although Electrolux believes its operations are in substantial compliance with presently applicable environmental, health and safety laws and regulations, violations of such laws and regulations have occurred from time to time and may occur in the future. In addition, risks of substantial costs and liabilities, including for the investigation and remediation of past or present contamination, are inherent in Electrolux ongoing operations and its ownership or occupation of industrial properties, and may arise specifically from its planned closure of certain of its manufacturing plants.

Other developments, such as increased requirements under environmental, health and safety laws and regulations, increasingly strict enforcement of them by governmental authorities, and claims for *damage to property or injury to persons resulting from environmental, health or safety impacts of Electrolux operations or past contamination, could prevent or restrict its operations, result in the imposition of fines, penalties or liens, or give rise to civil or criminal liability. Electrolux maintains liability insurance at levels that management believes are appropriate and in accordance with industry practice. In addition, Electrolux maintains provisions on its balance sheet for certain environmental remediation matters. There can be no assurances, however, that (i) Electrolux will not incur environmental losses beyond the limits, or outside the coverage, of any insurance or that any such losses would not have a material adverse effect on the results of its operations or financial condition, or (ii) Electrolux provisions for environmental remediation will be sufficient to cover the ultimate loss or expenditure.*

Compliance with EU directives regulating environmental impacts associated with electrical and electronic equipment may be costly.

The EU has adopted two directives specifically regulating environmental impacts associated with electrical and electronic equipment, and compliance with these directives is being phased in. The Waste Electrical and Electronic Equipment, or WEEE, directive imposes responsibility on manufacturers and importers of electrical and electronic equipment for the cost of recycling, treatment and disposal of such equipment after its useful life. Based on Electrolux present working assumptions, its preliminary estimate of the annual cost to Electrolux with respect to products sold before August 2005, the date compliance with the directive came into effect, is approximately SEK 600million, and an additional SEK 600 million with respect to products sold after August 2005. These estimates remain highly uncertain as, among other things, the recycling ratio and actual costs are not yet fully known in all relevant jurisdictions. Compliance with the WEEE directive could have a material adverse effect on Electrolux income, financial position and cash flow.

The "Directive on the Restriction of the Use of Certain Hazardous Substances in Electrical and Electronic Equipment", known as the RoHS directive, will ban the placing on the EU market of electrical or electronic equipment containing lead, mercury, cadmium, hexavalent chromium and two groups of brominated flame retardants from July 1, 2006, albeit with a number of exceptions. Almost all Electrolux electrical equipment must be modified to some extent to fulfill the RoHS directive, as Electrolux commonly uses some of the prohibited substances at present.

Lawsuits in the United States claiming asbestos-related personal injuries are pending against the Electrolux Group.

Litigation and claims related to asbestos are pending against the Group in the United States. Almost all the cases relate to externally supplied components used in industrial products manufactured by discontinued operations of Electrolux 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, 2005, there were 1,082 lawsuits pending against Electrolux entities representing approximately 8,400 plaintiffs. During 2005, 802 new cases with approximately 850 plaintiffs were filed and 562 pending cases with approximately 8,600 plaintiffs were resolved. Approximately 7,100 of the plaintiffs relate 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.

Electrolux may incur higher than expected warranty expenses.

Electrolux value chain comprises all the steps in its operations, from research and development, to production to marketing and sales. Operational failures in its value chain processes could result in quality problems or potential product, labor safety, regulatory or environmental risks. Such risks are particularly present in relation to Electrolux production facilities which are located all over the world and have a high degree of organizational and technological complexity. Unforeseen product quality problems in the development and production of new and existing products could result in loss of market share and higher warranty expense, any of which could have a material adverse effect on Electrolux results of operations and financial condition.

Electrolux may be subject to significant product recalls or product liability actions that could adversely affect its business, results of operations or financial condition.

Under laws in many countries regulating consumer products, Electrolux may be forced to recall or repurchase some of its products under certain circumstances, and more restrictive laws and regulations may be adopted in the future. For example, as a manufacturer and distributor of consumer products in the United States, Electrolux is subject to the U.S. Consumer Products Safety Act, which empowers the U.S. Consumer Products Safety Commission to exclude products from the U.S. market that are found to be unsafe or hazardous. Under certain circumstances, the U.S. Consumer Products Safety Commission could require Electrolux to repurchase or recall one or more of its products. Any repurchase or recall of products could be costly to Electrolux and could damage its reputation. If Electrolux was required to remove, or it voluntarily removed, its products from the market, Electrolux reputation could be tarnished and it might have large quantities of finished products that could not be sold. Accordingly, there can be no assurances that product recalls would not have a material adverse effect on Electrolux business, results of operations and financial condition.

Electrolux also faces exposure to product liability claims in the event that one of its products is alleged to have resulted in property damage, bodily injury or other adverse effects. Electrolux has become implicated in certain lawsuits in the ordinary course of its business, including suits involving allegations of improper delivery of goods or services, product liability and product defects and quality problems. Electrolux is largely self-insured for product liability matters expected to occur in the normal course of business and funds these risks, for the most part, through wholly owned insurance subsidiaries. Electrolux accrues for such self-insured claims and litigation risks when it is probable that an obligation has been incurred and the amount can be reasonably estimated. In addition, for large catastrophic losses, Electrolux maintains excess product *liability insurance with third-party carriers in amounts that it believes are reasonable. However, there can be no assurances that product liability claims will not have a material adverse effect on Electrolux business, results of operations or financial condition.*

Electrolux is subject to risks related to its insurance coverage.
Electrolux maintains third-party insurance coverage and self-insures through wholly owned insurance subsidiaries (captives) for a variety of exposures and risks, such as property damage, business interruption and product liability claims. However, while Electrolux believes it has adequate insurance coverage for all anticipated exposures in line with industry standards, there can be no assurances that (i) Electrolux will be able to maintain such insurance on acceptable terms, if at all, at all times in the future or that claims will not exceed, or fall outside of, its third-party or captive insurance coverage, or (ii) its provisions for uninsured or uncovered losses will be sufficient to cover its ultimate loss or expenditure.

There can be no assurance that Electrolux proposal to spin-off its Outdoor Products operations will be completed successfully or that the separation process will not give rise to additional liabilities.
In February 2005, the Electrolux Board announced its intention to spin-off the Group's Outdoor Products operations ("Outdoor Products") as a separate unit. In order to govern the creation of Outdoor Products as a separate legal entity, as well as govern the relationship in certain aspects between Electrolux and Outdoor Products after the contemplated separation, Electrolux and Husqvarna AB (being the parent of the Outdoor Products group) and some of their respective subsidiaries have entered into a Master Separation Agreement and related agreements (the "Separation Agreements"). The Board of Electrolux has proposed that the Annual General Meeting to be held in April of this year resolve that all the shares in Husqvarna AB, be distributed to the shareholders of Electrolux.

There can be no assurance that Electrolux will be successful in completing the spin-off of Husqvarna as currently contemplated, nor that the benefits expected to be realized from the spin-off will be achieved, either of which could have a material adverse effect on business, results of operations or financial condition.

Additionally, under the Separation Agreements, Electrolux has retained certain potential liabilities with respect to the proposed spin-off and Outdoor Products. These potential liabilities include certain liabilities of the Outdoor Products business which cannot be transferred or which are considered too difficult to transfer. Losses pursuant to these liabilities are reimbursable pursuant to indemnity undertakings from Husqvarna. In the event that Husqvarna is unable to meet its indemnity obligations should they arise, Electrolux would not be reimbursed for the related loss, and this could have a material adverse effect on Electrolux's results of operations and financial condition.

Electrolux is also exposed to tax risks in relation to the spin-off.
Electrolux has received a private letter ruling from the U.S. Internal Revenue Service (IRS) with regard to the contemplated distribution of the shares in Husqvarna and the U.S. corporate restructurings that will precede the distribution. The ruling confirms that these transactions will not entail any U.S. tax consequences for Electrolux, its U.S. subsidiaries or U.S. shareholders of Electrolux. In the event that any facts and circumstances upon which the IRS private ruling has been based is found to be incorrect or incomplete in a material respect or if the facts at the time of separation, or at any relevant point in time, are materially different from the facts upon which the ruling was based, Electrolux could not rely on the ruling. Additionally, future events that may or may not be within the control of Electrolux or Husqvarna, including purchases by third parties of Husqvarna stock or Electrolux stock, could cause the distribution of Husqvarna stock and the U.S. corporate restructurings that will precede the distribution not to qualify as tax-free to Electrolux and/or U.S. holders of Electrolux stock. An example of such event is if one or more persons were to acquire a 50% or greater interest in Husqvarna stock or Electrolux stock.

Electrolux has – as one of the Separation Agreements – concluded a Tax Sharing and Indemnity Agreement with Husqvarna. Pursuant to the tax sharing agreement, Husqvarna and two of its U.S. subsidiaries have undertaken to indemnify Electrolux and its group companies for U.S. tax cost liabilities in certain circumstances. If the contemplated distribution of the shares in Husqvarna or the U.S. corporate restructurings that will precede the distribution would entail U.S. tax cost liabilities, and Husqvarna would not be obliged to indemnify such liabilities or would not be able to meet its indemnity undertakings, this could have a material adverse effect on Electrolux results of operations and financial condition.

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.

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Annual General Meeting

The Annual General Meeting will be held at 5 pm on Monday, April 24, 2006, at the Berwald Hall, Dag Hammarskjölds väg 3, Stockholm.

Participation

Shareholders who intend to participate in the Annual General Meeting must

- be registered in the share register kept by VPC AB (Swedish Central Securities Depository & Clearing Organization) on Tuesday, April 18, 2006, and
- give notice of intent to participate, thereby stating the number of assistants attending, to Electrolux no later than 4 pm on Wednesday, April 19, 2006.

Notice of participation

Notice of intent to participate can be given

- by mail to AB Electrolux, C-J, SE-105 45 Stockholm, Sweden
- by telephone +46 8 738 64 10
- by fax +46 8 738 63 35
- on the Internet on the Group's website: www.electrolux.com/agm

Notice should include the shareholder's name, registration number, if any, address and telephone number. Information provided together with the notice will be made subject to data processing and will be used solely for the Annual General Meeting. Shareholders may vote by proxy, in which case a power of attorney should be submitted to Electrolux prior to the Annual General Meeting.

Shares registered by trustee

Shareholders, whose shares are registered through banks or other trustees, must have their shares temporarily registered in their own names on Tuesday, April 18, 2006, in order to participate in the Annual General Meeting.

Dividend

The Board has proposed a cash dividend of SEK 7.50 per share and Thursday, April 27, 2006, as record day for the dividend. With this record date, it is expected that dividends will be paid from VPC on Wednesday, May 3, 2006. The last day for trading in Electrolux shares including the right to dividend for 2005 is April 24, 2006.

The Board has further proposed that the Annual General Meeting shall decide to distribute as dividend all shares in Husqvarna AB to the shareholders in Electrolux. One A-share in Husqvarna will then be received for each A-share in Electrolux, and one B-share in Husqvarna will be received for each B-share in Electrolux.

It is intended that in connection with the proposed distribution, the shares in Husqvarna shall be listed on the O-list of the Stockholm Stock Exchange. The record day for receipt of shares in Husqvarna and the listing on the Stockholm Stock Exchange is scheduled for the first half of June, 2006. As soon as the record date has been decided upon, it will be communicated in a separate press release.

Thinking of you

Electrolux

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