Electrolux

Positioning the Group for **profitable growth...**

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Financial reports in 2002

Consolidated results	February 8
Annual report	Early April
Form 20-F	May
Quarterly report, 1st quarter	April 18
Quarterly report, 2nd quarter	July 18
Quarterly report, 3rd quarter	October 22

The above reports are available on request from
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Financial information from Electrolux is also available on the Internet at
www.electrolux.com/ir

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This is Electrolux

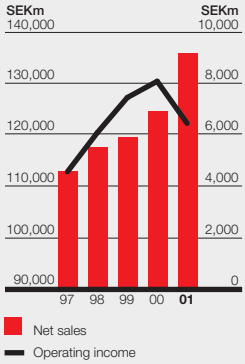
With sales of SEK 135.8 billion, Electrolux is the world's largest producer of appliances and equipment for kitchen, cleaning and outdoor use, such as refrigerators, cookers, washing machines, chainsaws, lawn mowers and garden tractors. Electrolux is also one of the largest producers in the world of similar equipment for professional users.

The Group has two business areas, Consumer Durables and Professional Products, both of which include products for indoor and outdoor use.

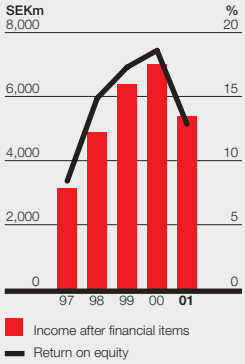
Key data	2001	2000	2001 EURm
Amounts in SEKm and EURm unless otherwise stated			
Net sales	135,803	124,493	14,681
Operating income	6,281	7,602	679
Margin, %	4.6	6.1	
Income after financial items	5,215	6,530	564
Net income per share, SEK, EUR	11.35	12.40	1.23
Dividend per share, SEK, EUR	4.50[1]	4.00	0.48
Return on equity, %	13.2	17.0	
Return on net assets, %	15.0	19.6	
Value creation	262	2,423	28
Net debt/equity ratio	0.37	0.63	
Average number of employees	87,139	87,128	

[1] Proposed by the Board.

Net sales and operating income*

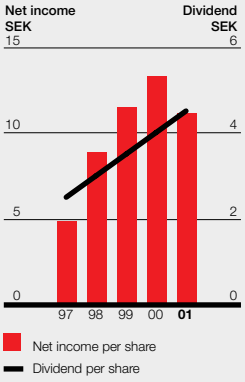


Income after financial items and return on equity*

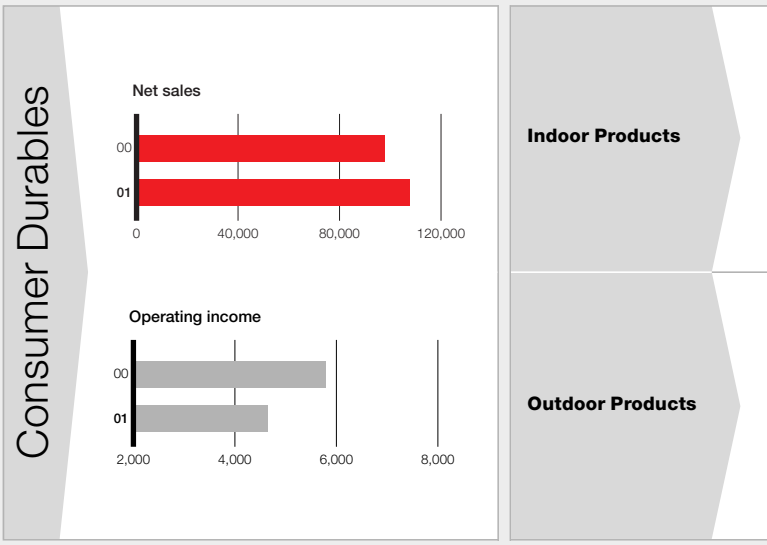


* Excluding items affecting comparability.

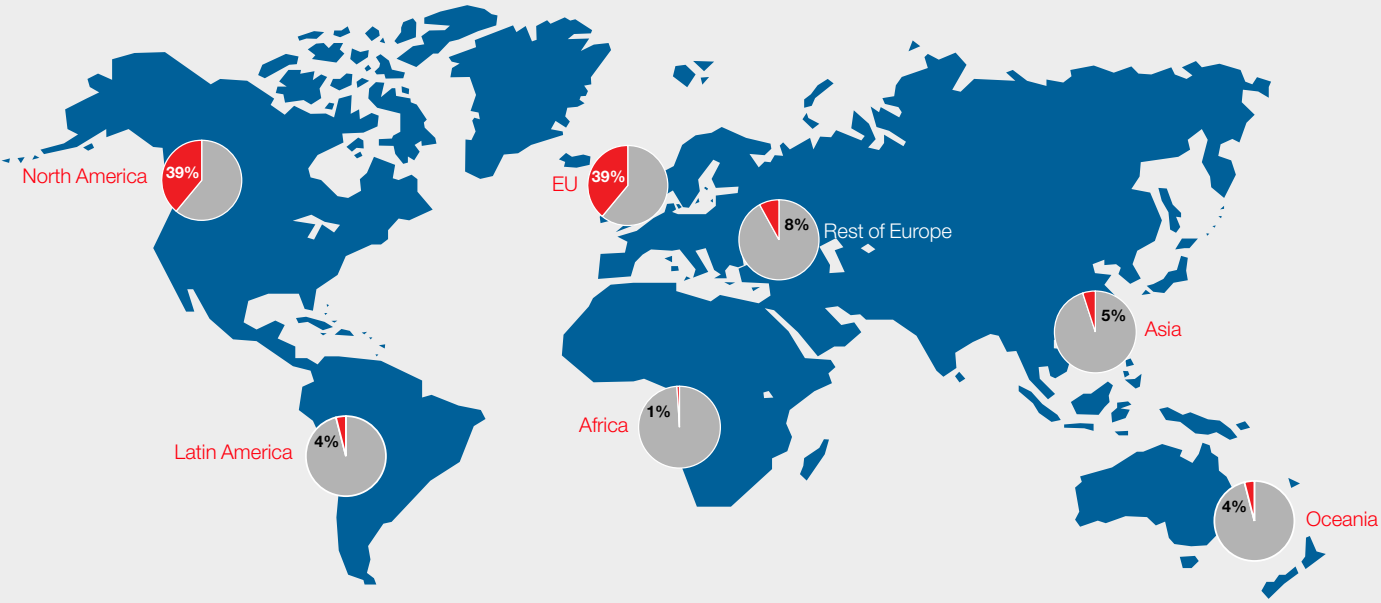
Net income and dividend per share*



Net sales and operating income, SEKm



Net sales by geographical area



Products	Market position	Electrolux family of brands
	White goods: Market leader in Europe. Floor-care products: World leader, largest producer in Europe and one of the two largest in the US.	Electrolux, Kelvinator, AEG, EUREKA VACUUM CLEANERS, FRIGIDAIRE, ZANUSSI
	The world's largest producer of lawn mowers, garden tractors and other portable petrol-driven garden equipment.	Flymo, PARTNER, McCULLOCH, WEED EATER, Poulan
	Food-service equipment: Market leader in Europe. Laundry equipment: World leader in equipment for apartment-house laundry rooms, launderettes, hotels and institutions. Components: One of the world's largest producers of compressors for refrigerators and freezers.	Electrolux, Electrolux Wascator, ZANUSSI PROFESSIONAL, MOLTEN
	World's largest producer of chainsaws.	Husqvarna, PARTNER INDUSTRIAL PRODUCTS, Jonsered

...by:

- Driving down costs and complexity throughout the supply chain
- Improving performance in operations that are not creating value
- Consolidating the brand portfolio to fewer and stronger brands
- Understanding the needs of consumers better
- Accelerating innovation and product renewal to meet these needs
- Making sure we have the right people

“Our strategy for… …profitable growth”

Our vision is for Electrolux to be the world leader in consumer durables for indoor and outdoor use, with a selected range of corresponding products for professional users.

Through good growth and profitability, Electrolux shall create value for shareholders as well as for consumers, business partners and employees.

Value creation is our measure of operational performance within the Group, and is monitored for each sector, product line and region.

After several years of streamlining and extensive restructuring, we are now ready to position the Group for profitable growth.

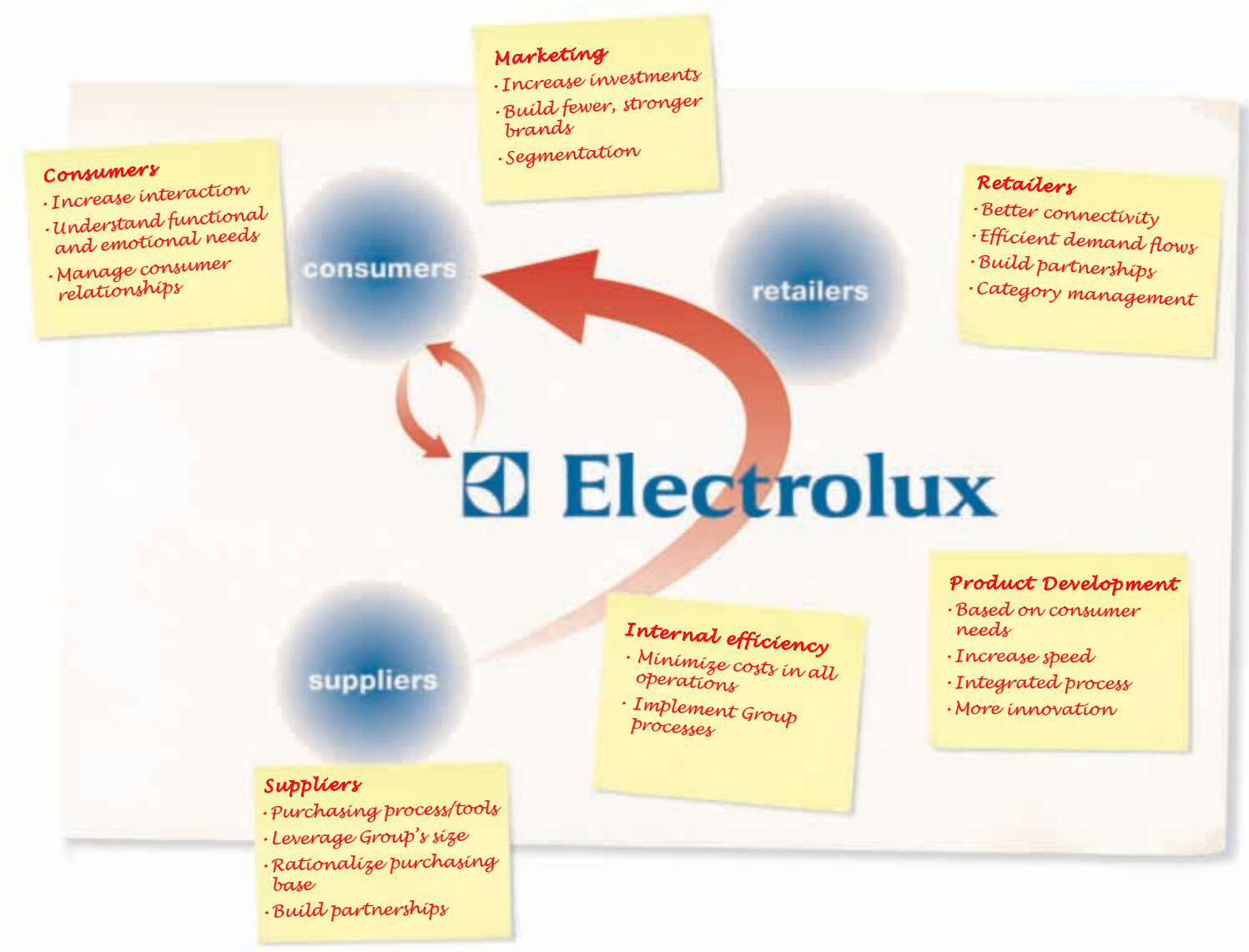
We will:

- *Leverage our leading positions and size advantage*
- *Increase our investments in marketing, branding and product innovation*
- *Finance these by reducing costs and complexity throughout the entire supply chain*

Michael Treschow, President and CEO until April 18, 2002.

Hans Stråberg, President and CEO from April 18, 2002.

In our industry it is vital to constantly minimize costs in every aspect of operations. But that isn’t enough. We must also listen carefully to consumers and customers in order to understand their needs. By segmenting our markets on the basis of these needs, we will build greater preferences for our products and brands. And we will link this to strong key-account management. That’s what it takes to stay the world’s No. 1 choice.



Our six Group processes

In order to ensure a systematic approach to improving efficiency, we have identified six core processes that are common to the entire organization, in areas where improvement is strategically vital.

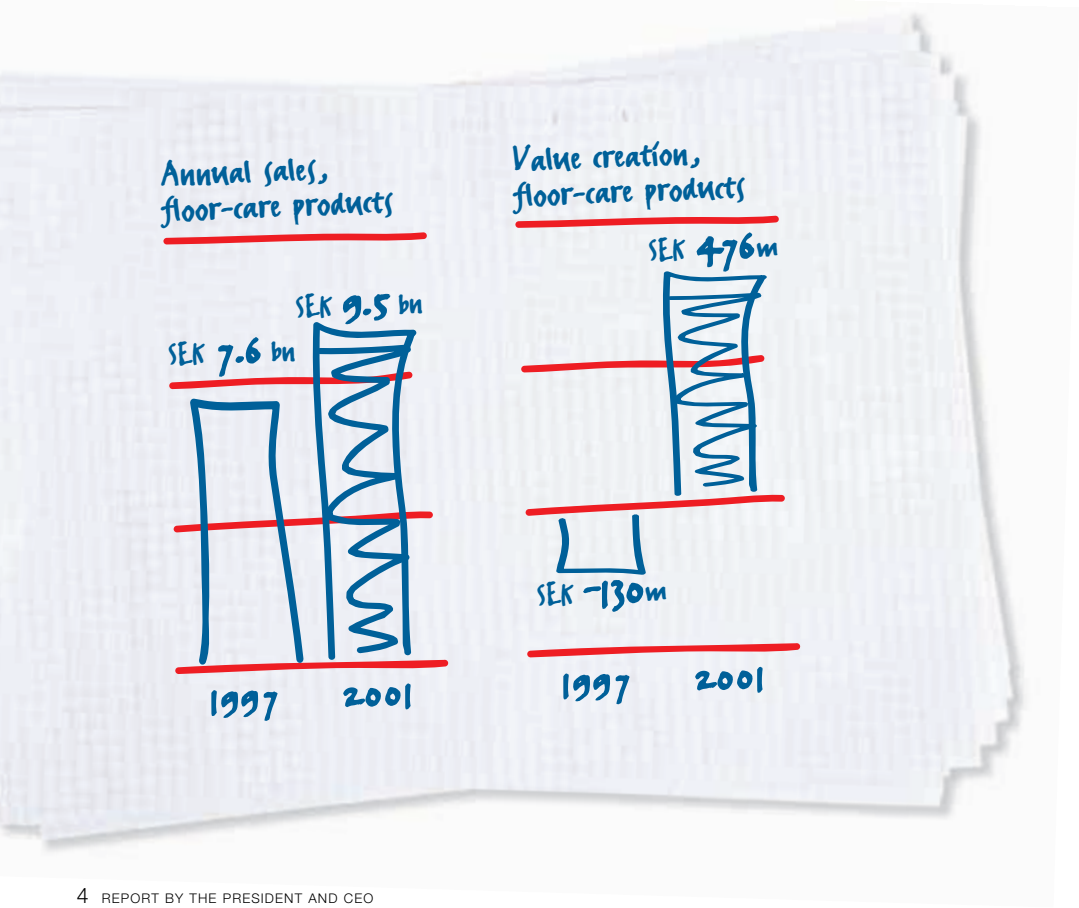
“Our strategy has been **successful** in floor-care products”

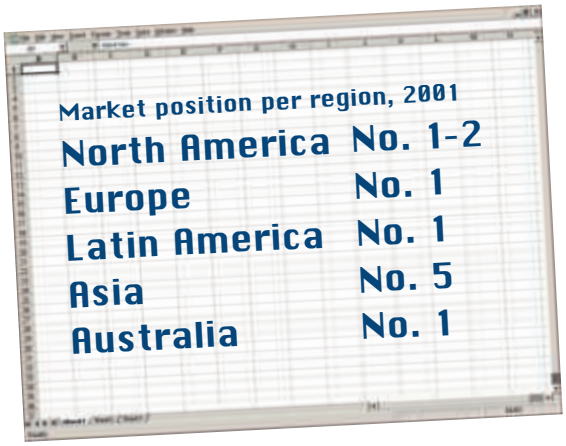
Within floor-care products, over the past four years we achieved average annual growth of 9% in sales and 24% in operating income. During this period the return on net assets rose from 17% to 29%. Value creation improved from a negative figure in 1998 to about half a billion SEK in 2001.

We were able to achieve this by driving down costs in production and distribution, and increasing our investments in product development and marketing.

The production structure was streamlined by reducing the number of plants from twelve to six. We also changed our organization, making regional managers fully responsible for their operations, simultaneously establishing global processes for e.g. brands and purchasing.

In terms of brands, we decided to focus on Electrolux outside North America, and achieved a significant increase in market share for this brand.





Market position per region, 2001

North America	No. 1-2
Europe	No. 1
Latin America	No. 1
Asia	No. 5
Australia	No. 1

We also strengthened the product-development process, and launched a number of new, innovative models. These included Oxygen in Europe as well as a series of bagless vacuum cleaners for the premium segment of the US market.

New, innovative products, strong brands and efficient handling of the demand flow have strengthened our relations with retailers. On the basis of our leading position in the global market for floor-care products, we are now working on improving customer relations through even better product offerings and services.

Strict cost control and a focus on marketing and innovation now comprise the foundation of our culture within floor-care.

Oxygen features a curved tube and a new, highly efficient filter, and satisfies consumer needs for ergonomic and efficient cleaning. It was developed for the premium segment of the market, but has sold in large volumes.

Hans Stråberg, head of floor-care products, 1998–2002.

One out of three standard vacuum cleaners sold in the US is a Eureka product from the Electrolux Group.

"Declining demand and lower income in 2001…

The decline in operating income and margin in 2001 was mainly due to:

- Substantial costs for phase-in of a new generation of refrigerators in the US
- Lower sales of outdoor products and air-conditioners as a result of cold weather and destocking at the retail level
- Weak demand and unfavorable cost structure within components

Substantial costs for new-generation refrigerators in the US

The appliance operation in North America reported a marked drop in income as a result of lower volumes and substantial costs for the start-up and phase-in of a new generation of refrigerators at the plants in Anderson, North Carolina, and Greenville, Michigan.

Costs for factors such as additional staffing, overtime and factory rejects had a negative effect on operating income of about USD 100m (approximately SEK 1,050m). The situation gradually normalized during the fourth quarter.

Inventory cutbacks by retailers in North America for both indoor and outdoor products also had a negative impact on sales and income for Consumer Durables in North America.

Problems for Components

Income for Components declined from last year by almost SEK 400m and was negative. The decrease referred mainly to the compressor product area and was due to weak demand, downward pressure on prices, higher material costs, and costs related to adjustment of capacity and inventories.

Most of the Group's compressor operations are in high-cost European countries and North America. We are also competing with companies in Asia and Latin America that have lower costs, and have benefited from changes in currency rates in recent years.

We are implementing an action plan to improve profitability in the compressor operation. Operating income is expected to improve gradually, but will still be negative in 2002.

Improved income for several operations

Higher operating income and margin were reported for major appliances in Europe and in other markets outside North America, as well as for food-service equipment and laundry equipment.

Continued good growth in both sales and income was also achieved by Professional Outdoor Products.

Sales and income	2001	Change	2000
Net sales, SEKm	135,803	9%	124,493
Operating income, excluding items affecting comparability, SEKm	6,422	–20%	8,050
Margin, %	*4.7*		*6.5*
Income after financial items, excluding items affecting comparability, SEKm	5,356	–23%	6,978
Margin, %	*3.9*		*5.6*
Net income per share, excluding items affecting comparability, SEK	11.10	–16%	13.25
Value creation, SEKm	262	–2,161	2,423

Negative factors in 2001

- Lower demand in most product areas for full year
- Poor season for outdoor products, due to cold weather
- Destocking at retail level
- Negative trends for price and mix, mainly within Consumer Durables
- Marked drop in income for major appliances in North America, due to costs for phase-in of new-generation refrigerators
- Sharp decline in income for the Components product line

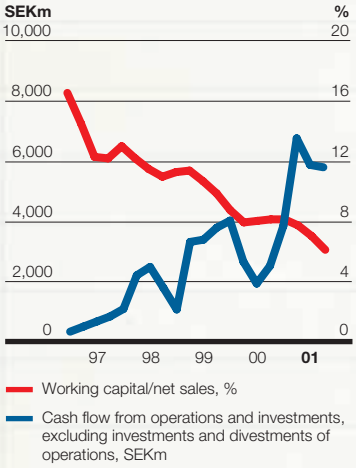
Positive factors in 2001

- Good growth in volume and higher income for major appliances in Europe
- Higher sales and income for Professional Indoor Products, excluding Components
- Continued positive trends for sales and income for Professional Outdoor Products
- Lower costs for materials and semi-finished goods
- Strong improvement in cash flow and net debt/equity ratio
- Continued streamlining of Group structure

Strong improvement in cash flow and net debt/equity ratio

Despite difficult business conditions in 2001, both cash flow and the net debt/equity ratio improved substantially over last year. We covered our cost of capital, and we created value.

Cash flow and working capital

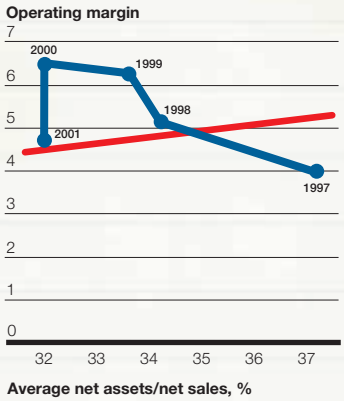


Cash flow and working capital in relation to sales have improved substantially since 1997.

Net debt/equity

Net debt in relation to equity has been reduced significantly over the last five years.

Return on net assets



Since 1998, the Group has covered its cost of capital, which is calculated at 14% before tax.

...and provisions for restructuring"

In view of weaker market conditions and the negative trend for the Group's income, we decided to speed up actions to cut costs and improve productivity.

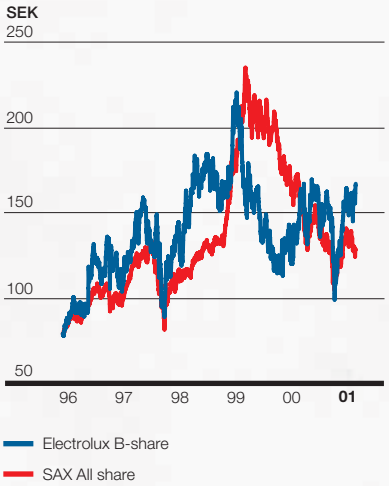
These changes refer mainly to the operations in components and major appliances, and include plant shutdowns, write-downs of assets, and rationalization of sales organizations and administration.

Provisions in 2001 totaled SEK 3,261m. Savings are estimated at approximately SEK 856m in 2002, SEK 1,390m in 2003, and SEK 1,425m annually from 2004 onward. The announced actions involve personnel cutbacks of about 5,000.

Restructuring and savings, by product line

Provisions in 2001	Provision, SEKm	Personnel cutbacks	Estimated savings, SEKm 2002	2003
Major appliances, Europe	997	1,434	206	552
Floor-care products, Europe	19	30	9	17
Garden equipment, Europe	157	185	51	96
Major appliances, North America	114	325	157	210
Major appliances, Rest of the world	40	738	38	47
Total Consumer Durables	**1,327**	**2,712**	**461**	**922**
Food-service equipment	168	353	89	89
Components	1,710	1,841	273	343
Other	56	31	33	36
Total	**3,261**	**4,937**	**856**	**1,390**

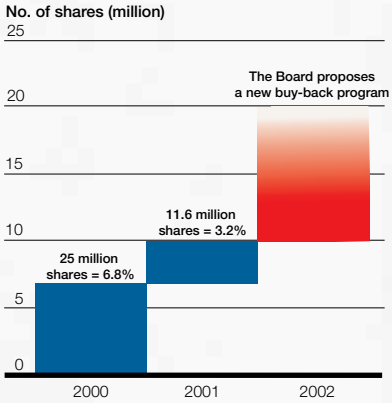
Positive trend for Electrolux share



In 2001, the trading price of Electrolux B-shares rose by 28%, as against a decline of 17% in the Stockholm All Share Index (SAX).

The MSCI Europe Index for European stock exchanges declined by 18% and the S&P 500 in the US fell by 13%.

Repurchase of own shares



By year-end 2001, the Group had repurchased almost 10% of the total number of Electrolux shares, in accordance with the mandate from the AGM.

At the AGM in 2002 the Board proposes cancellation of the shares not required for fulfilling obligations under the option programs. The Board also proposes authorization of a new program for share buy-backs, maximized to 10% of the total number of shares.

“Highlights of 2001”

February

Acquisition of household division of Email Ltd, the largest household appliances company in Australia

July

Divestment of main part of leisure-appliances product line, generating capital gain of SEK 3,120m

Acquisition of Marazzini in Italy, producing mainly lawn mowers, with annual sales of approximately SEK 400m and about 90 employees

September

Board decides to resume program for share buy-backs as authorized by AGM, enabling purchase of an additional 3.16% of total shares

October

Michael Treschow proposed as Chairman of the Board of Ericsson, leaves Electrolux in April 2002

Hans Stråberg, head of floor-care products in Electrolux Group, appointed new President and CEO, taking office in connection with AGM in April 2002

Outlook for 2002

We expect market demand in 2002 to be generally flat compared with the previous year in both Europe and North America. However, there is still uncertainty regarding consumer confidence and spending, particularly in North America.

Notwithstanding the above expectations for flat market demand, on the basis of the previously announced internal restructuring the Group should achieve an improvement in operating income and value creation for the full year 2002, excluding items affecting comparability.

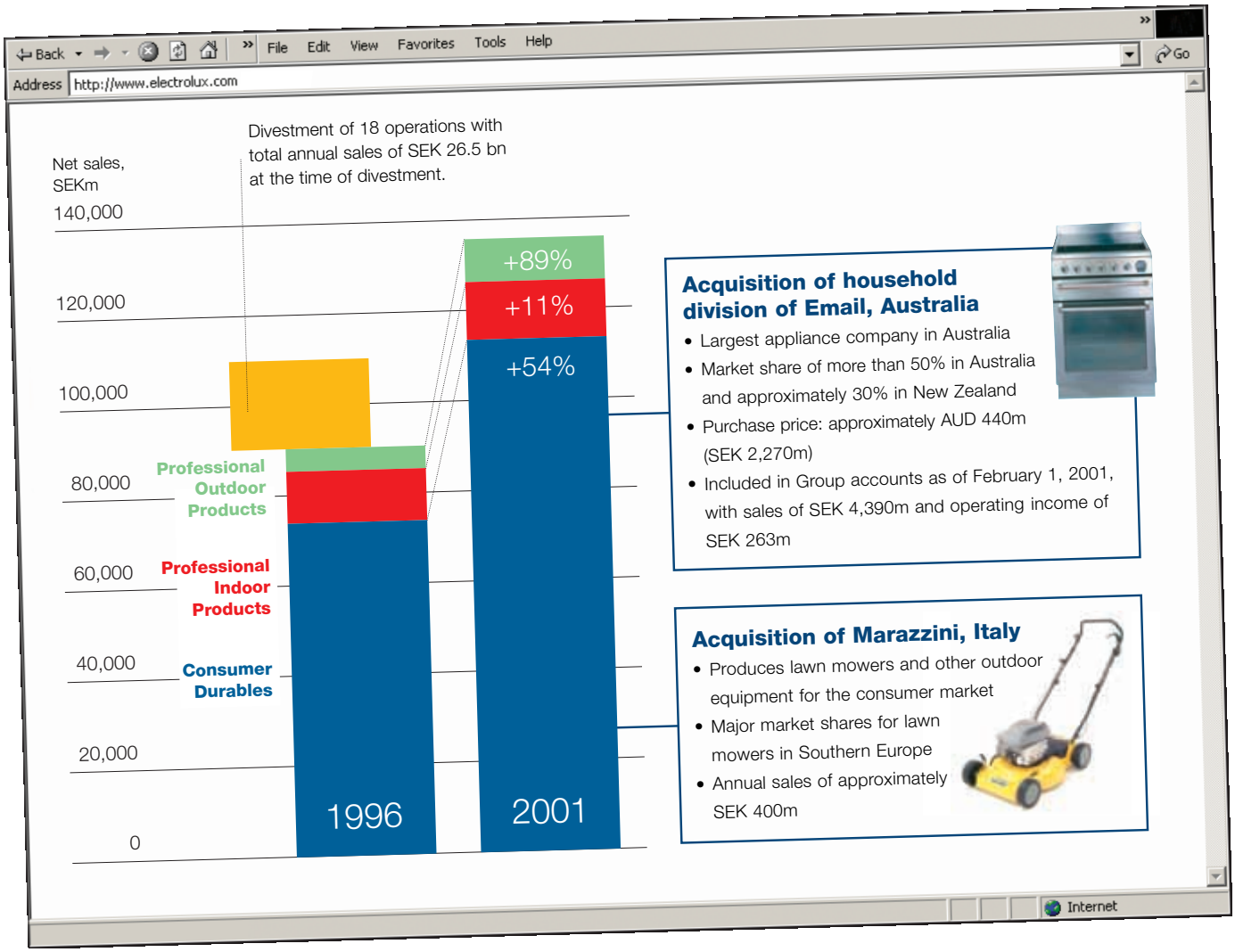
“Continued streamlining and focus on core areas”

We continued streamlining the Group by divesting the leisure appliances operation, as well as two smaller operations in baking equipment and electric motors, all three within Professional Indoor Products. These operations had total annual sales of about SEK 6 billion.

We also strengthened our core areas by acquiring the household division of Email Ltd, the market leader within appliances in Australia, as well as Marazzini, an Italian producer of lawn mowers and other outdoor equipment for the consumer market.

After adjustment for divestments and including the above acquisitions on an annual basis, Consumer Durables now accounts for almost 85% of Group sales.

Consumer Durables will now account for about 85% of Group sales.



Market positions (units sold)	Europe	USA
Lawn mowers	No. 1 (electric)	No. 1
Trimmers	No. 2	No. 1
Garden tractors	No. 3-4 (No. 1)[1]	No. 1
Light-duty chainsaws	No. 1	No. 1
Overall market share	Approx. 20%	Approx. 40%

1) Including tractors sold under the Husqvarna brand.

"Consumer outdoor products, new business sector as of 2001"

Our outdoor products have consistently shown good growth and profitability, particularly in the professional segments and the consumer market in North America.

Husqvarna and Jonsered are among the top three worldwide brands for professional chainsaws and related equipment. After a number of acquisitions in recent years, Husqvarna is also a major producer of power cutters, diamond tools, and professional turf-care equipment.

In consumer products, the Group is the world's largest producer of lawn mowers, lawn tractors, trimmers and chainsaws.

In 2001, our consumer outdoor operations outside North America, with total annual sales of almost SEK 3 billion, were consolidated into one business sector. The objectives were to obtain a proper focus on these operations and to leverage our internal strengths in terms of product expertise, purchasing, large-scale production, and not least customer relations. The change has also involved further development of global processes in this product area.

We see opportunities for further growth in both professional and consumer outdoor products.

The product range in the new sector includes lawn mowers, trimmers, tractors, light-duty chainsaws and other garden equipment.

"We are reducing costs and complexity in **Europe...**

Major appliances in Europe showed positive trends for volume and income during 2001, resulting in an increase in both operating margin and market share.

Our continued efforts to create a pan-European organization and integrated processes paid off, contributing to improved efficiency and lowered costs. SG&A, i.e. costs for selling and administration, for major appliances in Europe dropped in 2001 to 17.5% of sales in contrast to 19.6% in 2000.

Fewer plants and platforms

We are increasing our efforts to drive down costs and reduce complexity within the organization.

Most of the SEK 1.5 billion provision for restructuring that was announced in December 2001 refers to major appliances in Europe, and includes:

- **Closure of three production plants**
- **Investment in new product platforms**
- **Continued rationalization of sales and administration**
- **Concentration of product development to the major plants**
- **Centralization of the brand organization to the head office of Electrolux Home Products in Brussels**

Product area	Change in number of platforms		
Refrigerators	46	→	17
Washing machines	13	→	6
Dishwashers	4	→	1
Cookers	41	Structures →	27
Ovens	32	Cavities →	10

Major investments in new platforms

Approximately SEK 1 billion will be invested in new product platforms over the next few years with the aim of reducing the number of product variants and making production less complex, which will contribute to accelerated launches of new products.

This will enable increased plant specialization, further consolidation of manufacturing to a few master plants with R&D and administrative resources, and a reduced number of smaller, leaner units.

Fewer platforms mean less tied-up capital, lower R&D costs and shorter time to market for new products. They also enable lower purchasing costs, thanks to larger volumes of standard components.

Electrolux is the main supplier of major appliances to IKEA in North America.

...and upgrading our product offering in **North America”**

From 1997 until 2000 we achieved continuous improvement in income and market position for our major-appliance operation in North America. So the difficulties with respect to the new generation of refrigerators and financial performance in 2001 were disappointing, to say the least.

On the other hand, it was rewarding that we managed to continue driving efficiency in other parts of the organization and continued to reduce working capital. Cash flow for Electrolux Home Products in North America in 2001 improved substantially over last year.

The situation within the refrigerator division gradually normalized. We now have an efficient production set-up within this product area in North America.

The new products were well received by the market, and strengthened our product offering significantly. They also give us an opportunity to target higher-price segments, for which we lacked appropriate products in the past.

In 2001 we also introduced a new line of cookers for the US market. We thus have new products within areas that account for about half of our appliance sales in the US. This will have a positive impact on both product mix and margin.

It is vital for us to continue renewing and upgrading the product range, without losing focus on profitability. Opportunities still exist for improving internal efficiency. We are also planning to introduce the Electrolux brand for household appliances in North America.

“We are improving our supply chain...

In recent years we have focused increasingly on improving the supply chain within both Consumer Durables and Professional Products.

By focusing on the needs of our customers and linking these needs directly to our supply units, we have managed to reduce costs and working capital for both parties, at the same time increasing product availability. We have received several awards for outstanding customer service, which is proof that we are on the right track.

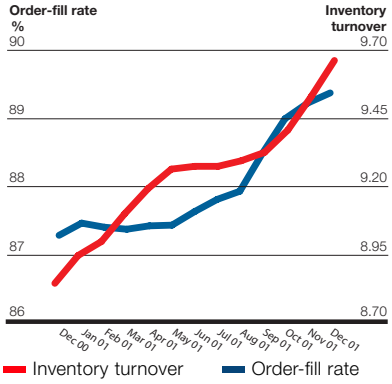
For the appliance operation in the US, inventories as a percent of sales have been reduced from 17% in 1997 to 9% in 2001.

New ways of working with our customers can eliminate inefficiencies and cut costs for both parties.

In 2001, we also achieved a significant improvement for appliances in Europe in terms of handling the supply chain. Inventory turnover of finished goods was up nearly 10%, and we improved our customer service considerably, as measured by the order-fill rate. This was achieved through the use of new IT tools, better alignment of internal partners, and better information throughout the entire process. Tracking of cost-to-serve indicators allowed us to react to our weaknesses, creating a fact-based platform for management decisions.

Numerous opportunities for improvement still exist. We are now focusing on increasing internal flexibility in order to accelerate internal processes and respond even more swiftly to customer demands. This will allow us to offer dedicated supply chains to our strategic partners as a competitive tool for maintaining our leadership position in the household appliance industry.

Supply-chain improvements in Europe



In 2001, inventory turnover of finished goods for major appliances in Europe was up 10% and the order-fill rate improved to 89.4%. This rate shows fulfillment of order lines according to customer requests, i.e. delivery of the right products to the right place at the right time.

...and growing our key accounts”

The trend to fewer, bigger and more international retailers continues, particularly in Europe. For example, in 2001 Dixons of the UK acquired a major stake in UniEuro, the second largest electrical retailer in Italy.

As these retailers are reducing their supplier base, this trend favors large producers with good geographical spread and broad product ranges.

In Europe, Electrolux is the only company with substantial market shares and leading brands in virtually every country.

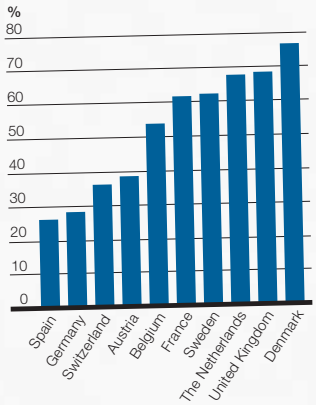
In the past few years, sales to our key accounts have risen faster than overall market growth. We believe we can continue to benefit from the trend to consolidation at the retail level, if we continue to improve both customer service and our cost structure.

Electrolux hobs and built-in ovens on display in a Sears retail outlet. Sears has a market share of more than 40% for major appliances in the US.

Effective IT-systems vital for improving the supply chain

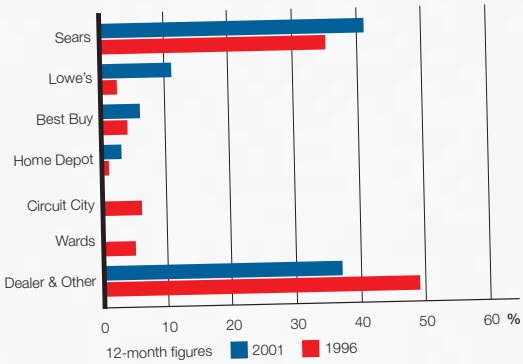
In 2001 Electrolux Home Products in Europe signed a new contract to supply a retailer which has more than 130 stores. To enable serving this customer efficiently, Electrolux IT Solutions, the Group's global IT company, designed an EDI solution for automatic handling of the order and delivery process. The system has led to reduced inventory costs for both parties. It has also simplified planning in factories, as production is based on sales forecasts developed from continuously updated sales figures.

Retail structure in Europe
Major appliances



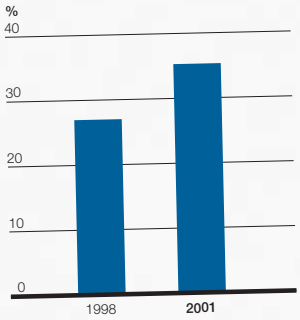
The graph shows the total market share of the 10 largest retailers of major appliances in each country.

Retail structure in USA
Major appliances



In the US, the three largest retail chains account for more than 50% of sales of major appliances.

Group sales to top 20 accounts



In recent years the Group's key accounts have grown faster than the market.

"We're building fewer, **stronger** brands based on a better **understanding** of consumers…

Building fewer, stronger brands and improving our skills in brand management are crucial to securing our leadership positions. Today, we are the world's number one choice in terms of the number of products sold – and we intend to keep that position. But we also aim to become number one in the minds of consumers.

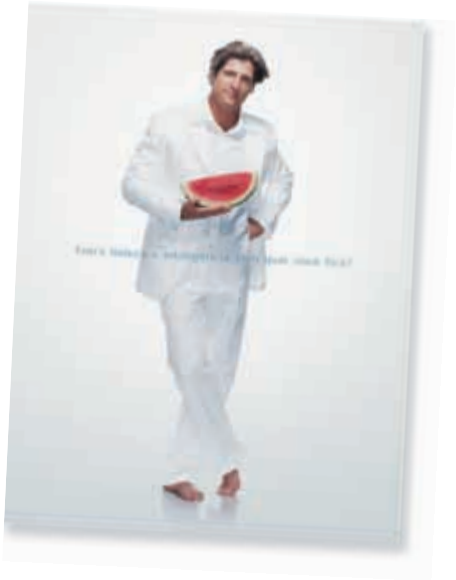
- **We need to reduce the number of brands**
  Numerous acquisitions, particularly in the fragmented European market, have given us too many brands
- **We need to strengthen our key brands**
  Strong brands make consumers more willing to try new products or buy a product in another category with the same brand, or to recommend our products to friends and colleagues
- **We must focus our efforts on the Electrolux brand**
  Electrolux is our most important brand. It will be used for all product categories and in all markets

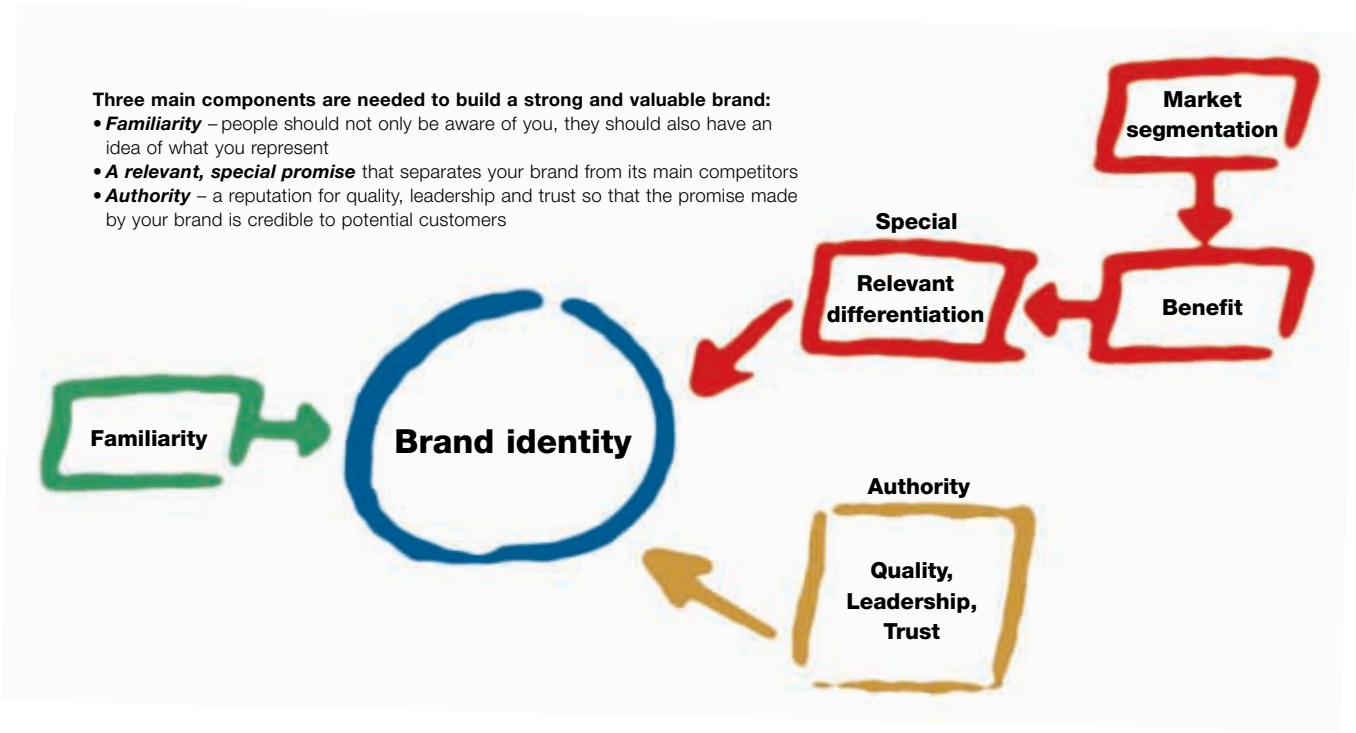
Strong brands create more value. We have learned this from our systematic, uniform consumer research over the past few years.

Our Brand Scorecard Measurement System helps us to build brands by providing data on familiarity, brand power and brand loyalty for Group brands as well as competitors' brands in more than 30 countries. This research also shows we have brands ranking among the top 3 in almost every key European market.

Decisions regarding consolidation of the brand portfolio are being made within each business sector. For example, in professional food-service equipment the number of brands has been reduced from 15 to 3 over the past few years.

In Brazil, we have gained market share through a focused effort that combines launches of new and innovative products with powerful marketing. This was so successful that the Brazilian operation won the Electrolux Brand Award for best brand management in 2001.





During the last few years we have put a lot of effort into better understanding of end-users. Using the Brand Scorecard System we have interviewed more than 40,000 consumers about their brand attitudes and preferences.

In 2001, we conducted more than 5,000 in-depth interviews to learn about consumer attitudes, needs and motivators.

This has given us unique and valuable insight into the variety of consumers' functional and emotional needs. It has enabled us to create market segmentation models with clearly defined segments for different product sectors. These now guide all our marketing activities, from product development to media selection.

We will continuously become better at differentiating our offerings in a way that is relevant, useful and valuable for consumers. And this in turn will create more value for us.

The Brazilian operation won the Electrolux Brand Award in 2001 for a successful campaign supporting the launch of a new line of refrigerators.

...and more **innovative** products”

Our mission is to make daily life easier and more enjoyable. In order to do so, our products must satisfy the needs of consumers and professional users in the different segments in which we operate.

The Group’s large volumes provide a good base for product development. But we need to make our product development processes more effective, and to reduce time-to-market. Because we know from experience that new and innovative products are the key drivers of both growth and profitability.

New fan technology maintains uniform temperature throughout the new Evolution refrigerator. A special filter prevents odors from transmitting from foods with strong flavors.

The Clinic s-bag™ vacuum cleaner bag fits all Group canister cleaners. Designed for people with allergies, it retains up to 99% of harmful particles, which is five times better than a conventional dust bag.

Husqvarna products are designed to make work as fast, efficient and convenient as possible.

The Solution washing machine has an inclined drum and front for better ergonomy. It received the Chicago Athenaeum’s Good Design™ Award in 2001.

A fresher home with less cleaning. The automated Trilobite vacuum cleaner creates free time for more enjoyable activities than housework.

Zanussi's Live-In System permits all household appliances to be controlled from a single point in the kitchen. The system also allows access to the Internet and can play CDs or be used as a radio or a TV.

e2-Home, jointly owned by Electrolux and Ericsson, has introduced the world's first home network for convenient living, in two new residential areas in Stockholm. The network is accessible via a pc and controls e.g. indoor temperature and the security alarm. Other functions include E-mail, a calendar, a message service, laundry-room bookings, and reading the electricity and water meters.

The Electrolux Magic Refrigerator Collection for the Chinese market offers consumers a variety of 25 exterior door surface decorations.

Cyber Fridge, a prototype of an intelligent refrigerator for the professional kitchen. The door opens on voice command.

The Kitchen Sink Dishwasher belongs to the Group's future generation of appliances for compact living. It serves as both a dishwasher and a sink.

"Having the right people is the key to **realizing our opportunities"**

In our highly competitive industry, having the right people – in the right positions – is the way to ensure that we realize our opportunities.

In recent years, we have focused on leadership issues, creating processes for talent management and leadership development.

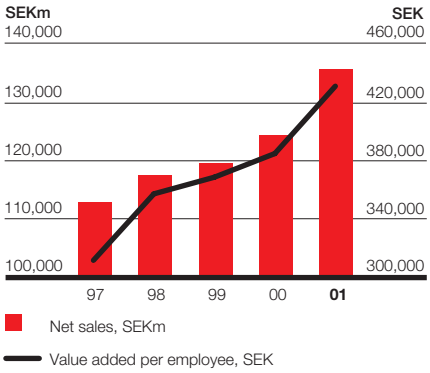
Actively managing talent as an asset is a prerequisite for success. Our talent management approach focuses on development and performance. We have implemented rigorous evaluation processes in order to develop and leverage the Group's entire pool of managerial talent. We have an open-market approach that involves transparency of talent as well as opportunities. All management positions are announced on the web-based Open Labor Market.

To secure key competence, Electrolux must continue to become an even more attractive employer, offering interesting employment opportunities worldwide. Being a world leader adds to our attractiveness.

By promoting mobility in the entire Group, we aim to expand cross-sector and cross-cultural expertise, which adds to our competitive strength.

Managers at Electrolux are expected to develop their people in the same way that they secure returns on other key assets. Our objective is to increase the proportion of internally recruited leaders – including those for the very highest positions.

Sales and value added per employee



Value added per employee rose by an annual average of 8.5% during the period 1997–2001.

Electrolux

Michael Treschow President and Chief Executive Officer

Dear shareholder,

Once again, I've had the pleasure of guiding you through the Group's recent past and present situation, and giving you a glimpse of our future as we anticipate it in our vision and strategies.

This annual report also concludes my five years at Electrolux, a period of dramatic change for our company.

Although the Group's performance wasn't the very best in 2001, I honestly believe that I'm handing over a stronger company to my successor. Most of the critical elements for future success are in place, including a more focused and efficient structure. But to stay the world's number one choice calls for even more. It calls for understanding end-users and customers better than our competitors do, and taking the lead in brand building and product renewal.

I'm confident that I couldn't leave the company in better hands than those of Hans Stråberg, to do just that. With a different background and experience than mine, he will be able to see new opportunities for the Group.

Many thanks for these rewarding years. It's been a great pleasure working for Electrolux.

Stockholm, March 2002

Michael Treschow

P.S. Hans – remember, I'm still a shareholder!
Michael

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The Electrolux Group. The world's No.1 choice

Consumer Durables

The Trilobite automated vacuum cleaner contributes to a cleaner, fresher home and creates free time for more enjoyable activities than housework.

Trilobite was launched in the autumn of 2001 as the first automated vacuum cleaner on the market. It uses ultrasound to navigate, and works entirely on its own. It charges itself automatically when necessary, and shuts itself off when cleaning is over.

Higher sales and operating income in **Europe.** Marked **decline** in income in **North America** due to phase-in of new refrigerator line.

- Largely unchanged demand for core appliances in both Western Europe and the US
- Marked decline in income for appliances in North America, mainly due to costs for phase-in of new-generation refrigerators
- Good growth in volume and higher income for appliances in Europe
- Acquisition in Australia contributes to considerable rise in income for appliances outside Europe and the US
- Lower demand and income for outdoor products

Consumer Durables comprises mainly white goods, i.e. refrigerators, freezers, cookers, washing machines, dishwashers, room air-conditioners and microwave ovens. In 2001, these products accounted for approximately 75% of sales for this business area, which also includes floor-care products as well as garden equipment and light-duty chainsaws.

Market position

Electrolux is the leading white-goods company in Europe and Australia. The Group also has substantial market shares in the US, Brazil, India and China.

Electrolux is the world's largest producer of floor-care products, lawn mowers, garden tractors, lawn trimmers and other portable petrol-driven garden equipment.

White goods

Sales of white goods in 2001 rose to SEK 82,732m (72,861). The European operation accounted for almost 50% of sales, and North America for about 35%. The remainder referred mainly to Australia, Brazil and China, as well as India and the ASEAN countries. Operating income declined considerably from the previous year, mainly as a result of a marked decrease in income in North America.

Operations in Europe

Industry shipments of core appliances in Western Europe increased by about 1% in volume over the previous year. Shipments showed a downturn in the second and third quarters, but rose by about 3% in the fourth quarter. Most of the growth for the full year as well as the fourth quarter referred to the UK. The German market remained weak, declining by about 3% from 2000.

Group sales in Europe through Electrolux Home Products were higher than in 2000, particularly in Eastern Europe. The Group strengthened its European market share. Operating income rose as a result of higher volumes as well as improved productivity and cost reductions. Trends for price and mix in terms of both products and markets remained negative.

The Western European market in 2001 is estimated at a total of 54.2 (53.7) million units, excluding microwave ovens.

Provision for restructuring

A provision of SEK 997m was made in the fourth quarter for restructuring within the European appliance operation. The changes include closure of three plants, i.e. one for refrigerators and one for hobs in Germany, and one for cookers in Norway. In addition, continued rationalization of sales and administration will be implemented, and product development will be concentrated to fewer units, located at major plants.

In order to accelerate implementation of the Group's brand policy, which involves concentrating on fewer brands, the brand organization within Electrolux Home Products in Europe will be centralized at the headquarters in Brussels.

In order to reduce complexity with regard to both products and production, approximately SEK 1,000m will be invested in new product platforms over the next few years. This will contribute to a faster rate of product launches and will enable continued consolidation of manufacturing to a few master plants with R&D and administrative functions, and to a number of smaller, leaner manufacturing units.

These actions involve personnel cutbacks of approximately 1,400 employees and are expected to generate savings of approximately SEK 210m in 2002 and SEK 550m in 2003.

Operations in the US

In the US, industry shipments of core appliances declined by approximately 1% compared with 2000. Shipments inclusive of room air-

The new built-in ovens from AEG feature automatic cooking programs as well as runners with ball-bearings that enable baking trays to be pulled out full-length without tipping.

The new, energy-efficient Innovation dishwasher is scheduled for launch during the first half of 2002. It washes a full service for six, and can be built in at a convenient height.

Products from Zanussi combine color, form and function in attractive, functional designs.

WhirlWind vacuum cleaners from the Group's Eureka subsidiary are the best-selling bagless cleaners in the US.

Electrolux is the largest producer of electric lawn mowers in Europe. This model from Flymo features a window on its 30-liter grass collector.

conditioners and microwave ovens also showed a downturn of approximately 1%. The decline referred to the first two quarters, while shipments in the third and fourth quarters rose in comparison with the same periods in 2000. The increase for the fourth quarter was about 6%, although from a low level in the previous year.

Group sales of white goods through Electrolux Home Products in the US decreased, primarily due to lower volumes for refrigerators. Destocking at the retail level, particularly during the first half of the year, also had a negative impact on sales. Operating income showed a marked decline as a result of lower volumes and substantial non-recurring costs related to the phase-in of a new generation of refrigerators. Total costs for delivery failures, additional personnel and overtime had a total negative effect on income of approximately USD 100m (approximately SEK 1,050m).

The US market for core appliances, i.e. industry shipments from domestic producers plus imports, exclusive of microwave ovens and room air-conditioners, amounted to 39.1 (39.4) million units in 2001.

Provision for restructuring

A provision of SEK 114m was made in the fourth quarter for rationalization of the sales and administrative organizations. These measures involve personnel cutbacks of about 325 employees, and are expected to generate savings of approximately SEK 160m in 2002 and SEK 210m in 2003.

Operations in Latin America, Asia and Australia

In Brazil, industry shipments of major appliances rose in the first half of the year, but declined during the third and fourth quarters, and were lower for the full year in comparison with 2000.

Sales for the Group's Brazilian appliance operation were largely unchanged. Operating income improved considerably as a result of new products and greater internal efficiency, but remained negative.

The Group achieved good growth in volume in China and the ASEAN countries. Demand in India decreased, and Group sales were lower than in the previous year. Operating income for the Indian operation showed a marked decline.

Overall, sales and operating income for white goods outside Europe and North America increased considerably as a result of the consolidation of the Australian operation that was acquired at the start of the year.

Provision for restructuring

A provision of SEK 40m was made in the fourth quarter for personnel cutbacks in Brazil and relocation of one plant in India. These measures will involve personnel cutbacks of approximately 740 employees, and are expected to generate savings of approximately SEK 40m in 2002 and SEK 45m in 2003.

Floor-care products

Demand for floor-care products rose slightly in the US and declined somewhat in Europe. Sales for the Group's floor-care product line were higher than in 2000, as a result of greater volumes in both the US and Europe. Operating income was largely unchanged, but margin declined due to a less favorable product mix.

Provision for restructuring

A provision of SEK 19m was made in the fourth quarter for consolidation of production lines in the Group's plant in Sweden. This is expected to generate savings of approximately SEK 10m in 2002 and SEK 15m in 2003.

Outdoor products

Consumer demand for outdoor products declined in both Europe and the US as a result of cold weather and destocking by retailers in both markets. Pre-season deliveries in the fourth quarter were also lower than in the previous year. Group sales in Europe declined and operating income showed a marked downturn. Lower sales were also reported for the US operation, and both operating income and margin declined, although from a high level.

Provision for restructuring

A provision of SEK 157m was made during the year, mainly for consolidation of production and logistics in Europe. These measures will involve personnel cutbacks of approximately 185, and are expected to generate savings of approximately SEK 50m in 2002 and SEK 95m in 2003.

Acquisitions and divestments

As of February 1, 2001, the Group acquired Australia's largest appliance company. This operation is included in the financial statements for 2001, with sales of SEK 4,390m and operating income of SEK 263m.

As of July 1, 2001, the Group acquired Marazzini Ernesto S.p.A. in Italy, which manufactures mainly lawn mowers and other outdoor products for the consumer market. The company has strong market positions in Italy and France. In 2000, the company had sales of approximately SEK 400m, and about 90 employees.

As of January 1, 2002, the Group divested its European home comfort operation. In 2001, this operation had sales of approximately SEK 850m, and about 280 employees. For additional information on the divested operations, see page 38.

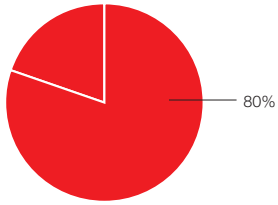
Key data, SEKm[1]	2001	2000	1999
Europe			
Net sales	47,200	42,704	42,640
Operating income	2,528	2,179	2,444
Operating margin, %	5.4	5.1	5.7
Net assets	9,426	9,558	9,352
Return on net assets, %	23.3	21.7	24.0
Value creation	1,172	986	1,224
Capital expenditure	1,244	1,189	1,636
Average number of employees	31,462	32,558	33,690
North America			
Net sales	46,814	46,581	41,452
Operating income	1,814	3,577	2,895
Operating margin, %	3.9	7.7	7.0
Net assets	14,330	13,983	13,108
Return on net assets, %	12.3	24.2	20.2
Value creation	–297	1,669	1,036
Capital expenditure	1,530	1,490	1,086
Average number of employees	16,704	18,095	21,235
Rest of the world			
Net sales	14,976	9,203	7,597
Operating income	287	23	–342
Operating margin, %	1.9	0.2	–4.5
Net assets	6,754	3,903	3,764
Return on net assets, %	4.6	0.6	–8.7
Value creation	–1,023	–1,056	–1,398
Capital expenditure	334	198	260
Average number of employees	18,866	12,735	11,743

[1] Excluding items affecting comparability.

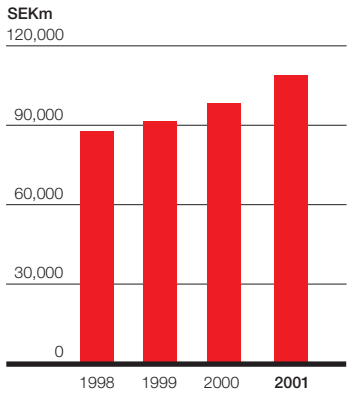
Net sales by product line, SEKm	2001	Share %	2000	Share %	1999	Share %
White goods[1]	82,732	75.9	72,861	74.0	67,965	74.1
Floor-care products	9,562	8.8	8,633	8.8	8,809	9.6
Garden equipment	16,612	15.2	16,789	17.0	14,225	15.5
Other	84	0.1	205	0.2	691	0.8
Total	**108,990**	**100.0**	**98,488**	**100.0**	**91,689**	**100.0**

[1] Including room air-conditioners.

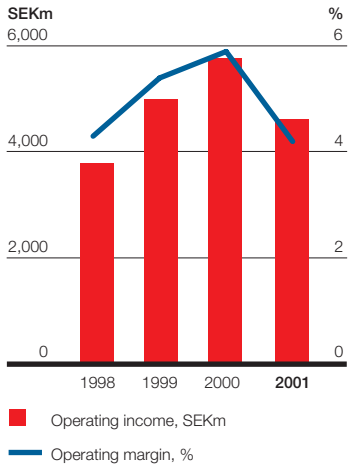
Share of total Group sales



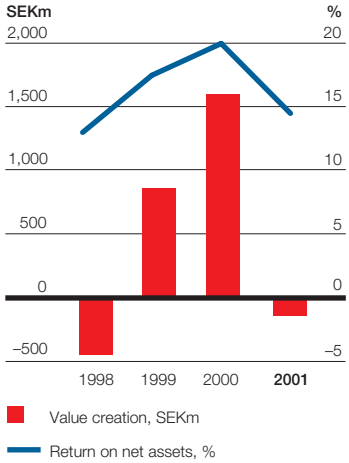
Net sales



Operating income and margin



Value creation and return on net assets



Outdoor products from Husqvarna are designed to make work as fast, efficient and convenient as possible.

This new hedge trimmer, developed for professional use, is exceptionally ergonomical and well-balanced. Low weight and an adjustable cutting bar make it easy to cut hedge sides and tops with high precision and less effort.

Decline in operating income for **Components**, **higher** income for **other operations** within Indoor Products. Good **growth** in sales and income for **Outdoor** Products.

Indoor products

- **Substantial decline in income for components**
- **Higher income for both food-service equipment and laundry equipment**
- **Provision for restructuring, mainly within components**
- **Divestment of leisure-appliances product line**

The Group's operation in Professional Indoor Products comprises food-service equipment for hotels, restaurants and institutions, as well as laundry equipment for apartment-house laundry rooms, launderettes, hotels and other professional users. It also includes components, i.e. compressors and motors, which are used in the Group's products and are also sold to external customers.

Market position

Electrolux is the world's third largest producer of food-service equipment, with a leading position in the European market. The Group is also a leader in the global market for laundry equipment, and is one of the world's largest producers of compressors.

Food-service equipment

Demand for food-service equipment in Europe was largely unchanged for the full year. Group sales in this product area increased over the previous year, primarily in the Nordic countries and the US. Operating income improved, mainly on the basis of lower costs for selling and administration resulting from structural adjustments. Comprehensive development projects for upgrading the product range were initiated during the year.

Provision for restructuring

A provision of SEK 168m was made in the third quarter for restructuring of this product line. Of this amount, approximately SEK 100m was related to the capital loss incurred by the divestment of the baking equipment operation in France. Other changes include the shutdown of a plant in Germany as well as rationalization referring to implementation of a new business model. These measures involve personnel cutbacks of approximately 350, and are expected to generate savings of approximately SEK 90m in both 2002 and 2003.

Laundry equipment

Demand for laundry equipment rose in both Europe and the US, and the Group achieved good growth in sales. Operating income and margin improved substantially over the previous year, particularly in the second half. The launch of a new product range in the second half of 2000 as well as the launch of new dryers in the US contributed to the improved performance.

Components

Demand for compressors and motors remained weak throughout the year in both Europe and Asia. Sales for the components product line were lower than last year. Operating income showed a marked decline and was negative for the full year due to lower volumes, downward pressure on prices, higher material costs and costs related to inventory adjustments.

Provision for restructuring

Provisions totalling SEK 1,710m were made during the third and fourth quarters of 2001 for restructuring of this product line. Of this amount, approximately 80% referred to write-downs of assets.

The restructuring involves the shutdown of a compressor plant in the US. Alternatives regarding an existing production unit for compressors in Mexico are being evaluated. Production capacity will also be reduced at the Group's compressor plants in Italy and Spain. In addition, write-downs were booked on assets in joint ventures in Egypt and China. The provision also includes a capital loss of approximately SEK 50m referring to divestment of an operation in electric motors in Sweden. These measures involve personnel cutbacks of approximately 1,840 and are expected to generate savings of approximately SEK 270m in 2002 and SEK 340m in 2003.

Electrolux is the European leader in food-service equipment.

The Group's French subsidiary Molteni specializes in highly exclusive cookers that are built by hand to meet customer specifications.

Electrolux Wascator is one of the world's leading companies in professional laundry equipment.

The Group's chainsaws under the Husqvarna and Jonsered brands have a total share of about 40% in the professional segments.

The Husqvarna product range also includes garden equipment for professional users, such as this de-thatcher.

Divestments

As of July 31, the Group divested the major part of the leisure-appliances product line, which manufactures absorption refrigerators for recreational vehicles and hotel rooms as well as other applications. The remainder of this product line was divested as of January 31, 2002. In 2001, the latter reported sales of approximately SEK 1,300m and had about 1,400 employees. The leisure-appliances product line is included in the accounts for 2001 with sales of approximately SEK 4,200m and operating income of approximately SEK 600m.

During the second half of the year, the Group divested two smaller operations, i.e. Electrolux Baking S.A. in France, which was part of the food-service equipment product line, and FHP Elmotor in Sweden, which was part of the components product line. For additional information on the divested operations, see page 38.

Outdoor products

- **Chainsaws report lower demand and sales**
- **Higher sales for garden equipment**
- **Good growth in sales and income overall**

The Group's operation in Professional Outdoor Products comprises mainly high-performance chainsaws, clearing saws and turf-care equipment. Most of these products are sold under the Husqvarna brand.

This business area also includes power cutters, diamond tools and other equipment for cutting of e.g. cement and stone. Cutters are sold under the Partner brand, and diamond tools under the Dimas brand. In 2001 these products accounted for about 15% of sales for Professional Outdoor Products.

Market position

Husqvarna and Jonsered are among the top three world-wide brands for professional chainsaws, with a total global market share of about 40% in the professional segment. The Group is the world's second largest producer of power cutters, and one of the largest producers of diamond tools and related machines and equipment.

Operations during the year

Demand for professional chainsaws declined in Europe and North America for the year as a whole, but rose in Latin America and the Asian-Pacific region. In the fourth quarter, demand increased in all markets except Latin America. Total Group sales of chainsaws were lower than in 2000.

Good growth in sales was reported for professional garden equipment as well as power cutters. Higher sales were also reported for diamond tools, although mainly as a result of acquisitions.

Overall, sales for Professional Outdoor Products showed continued good growth, and operating income improved. Operating margin declined somewhat from the previous year, however, as a result of lower volumes for chainsaws.

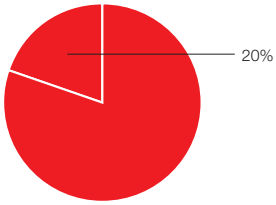
Key data, SEKm[1]	2001	2000	1999
Indoor products			
Net sales	17,073	17,561	20,450
Operating income	1,070	1,577	1,902
Operating margin, %	6.3	9.0	9.3
Net assets	4,769	7,196	7,464
Return on net assets, %	15.7	23.7	24.6
Value creation	250	713	896
Capital expenditure	657	955	814
Average number of employees	14,429	18,186	21,069
Outdoor products			
Net sales	9,452	8,039	7,100
Operating income	1,313	1,153	983
Operating margin, %	13.9	14.3	13.8
Net assets	2,901	2,948	2,847
Return on net assets, %	39.5	34.8	36.9
Value creation	914	756	663
Capital expenditure	213	171	178
Average number of employees	4,201	3,930	3,754

[1] Excluding items affecting comparability.

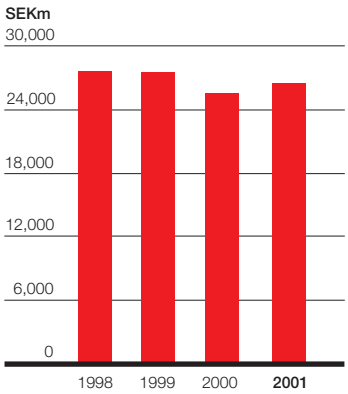
Net sales by product line, SEKm	2001	Share %	2000	Share %	1999	Share %
Food-service equipment	5,324	31.2	4,942	28.1	6,131	30.0
Laundry equipment	2,407	14.1	2,183	12.4	2,406	11.8
Leisure appliances	4,184	24.5	5,296	30.2	4,533	22.2
Components	5,075	29.7	5,085	29.0	4,957	24.2
Divested operations[1]	83	0.5	55	0.3	2,423	11.8
Total Indoor Products	**17,073**	**100.0**	**17,561**	**100.0**	**20,450**	**100.0**
Total Outdoor Products	9,452	100.0	8,039	100.0	7,100	100.0
Total Professional Products	**26,525**	**100.0**	**25,600**	**100.0**	**27,550**	**100.0**

[1] Mainly cleaning equipment, vending machines and refrigeration equipment.

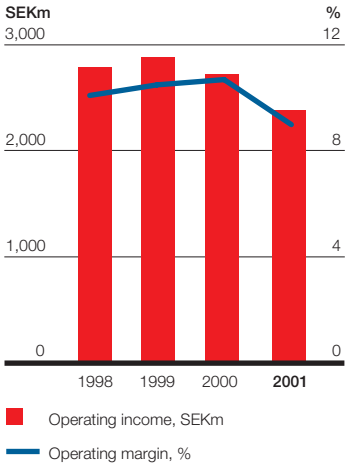
Share of total Group sales



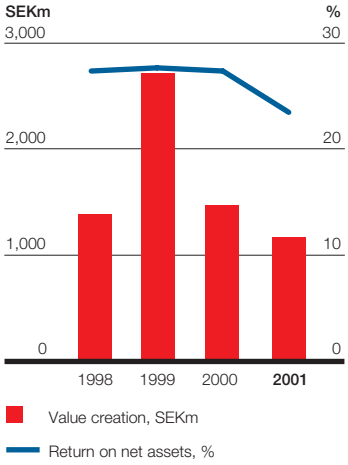
Net sales



Operating income and margin



Value creation and return on net assets



Environmental activities

Energy-efficient appliances provide both ecological and financial savings. Electrolux offers the most energy-efficient combined refrigerator/freezer in Europe, and has won the Energy+ Award for efficient cold appliances.

An appliance merits the Energy+ classification if it consumes less than half the amount of energy required for comparable appliances. The Energy+ program is supported by the European Commission.

Environmental activities are fully **integrated into** business **operations**. Performance indicators confirm **high profitability** for **leading products.**

Strategy and policy

Electrolux environmental strategy is based on a holistic approach. The basic drivers of our strategy for developing and marketing products with good environmental performance comprise regulations, consumer demand and the need to limit the consumption of resources in manufacturing as well as during product use. Environmental work is both an essential part of Electrolux operations and a business opportunity, as well as a central component of the Group's brands. The Group's environmental policy was updated in 2001.

Environmental impact and risk during manufacturing

Electrolux manufacturing processes involve relatively low environmental impact and risk in comparison with the manufacturing industry as a whole. This has been confirmed in studies performed by Oekom, a Munich-based firm of analysts. The Group works continuously to reduce the relative consumption of energy and water at production sites, and to achieve high use rates for purchased material and components. Results have been measured since 1988 and are reported on pages 32–33.

Environmental regulations regarding both manufacturing and acquisition of plants vary between countries and regions, as does their application by authorities. Group units comply with local regulations, and also act cautiously in the light of the long-term nature of operations.

The Electrolux environmental policy

We want our products, services and production to be part of a sustainable society.
We are committed to:

- Designing products to reduce their adverse environmental impact in production, use and disposal.
- Reducing resource consumption, waste and pollution in our operations.
- Taking a proactive approach regarding environmental legislation that affects our business.
- Encouraging suppliers, subcontractors, retailers and recyclers of our products to adopt the same environmental principles as Electrolux.
- Giving appropriate weight to this environmental policy when making future planning and investment decisions.
- Setting targets and objectives, within the scope of the environmental management system, to achieve continual improvement and a sustainable development.

Electrolux Group Management adopted this environmental policy on September 10, 2001. Each business sector manager is responsible for implementing the policy. The Environmental Policy was first published in April 1993 and updated in 1995 and 2001.

Electrolux products

In general, the greatest environmental impact of Group products occurs during use, through consumption of energy, fuel and water, and in some cases in the form of noise and emissions. Since a large part of the consumer's total life-cycle cost for a product refers to usage (consumption of electricity, water, etc.), highly efficient environmental performance reduces this cost. Products with high environmental performance thus provide competitive benefits.

Organization

Today, environmental work is fully integrated in business operations and is led by an environmental manager in each business sector, who reports to sector management. Group Environmental Affairs is responsible for coordination at Group level. The Group's Vice President, Environmental Affairs reports to Group management and represents the Group externally on environmental issues.

Energy labeling and energy directives

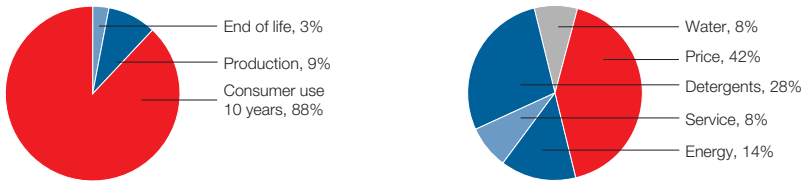
Limits on energy consumption and energy-labeling of products are core issues for the industry as well as the Group.

Within the EU, energy labels are mandatory for:

- Refrigerators
- Freezers and chest freezers
- Combined refrigerators/freezers
- Washing machines
- Tumble dryers
- Combined washer/dryers
- Dishwashers

For more information, see www.electrolux.com/environment

Environmental impact and cost of washing machines in Europe



Environmental impact of household appliances occurs mainly during use, and the purchase price is often less than half of the total life-cycle cost. Efficient appliances mean both economic and ecological savings.

Mandatory energy labels on ovens are expected within the EU in 2003.

The European regulations for energy labeling require that every product bear an easily comprehensible label indicating the product's energy class, according to a classification system in which an A-rating is the most energy-efficient class. This means that environmental impact and electricity costs are displayed to the customer and become factors in purchasing decisions. Energy labeling of products has contributed greatly to increased demand for energy-efficient products.

Similar labeling regulations are also applied in other markets, such as North America, Hong Kong, Japan and Australia. There is voluntary labeling in China and Brazil, which may become mandatory in these countries.

Limits for highest permissible energy consumption are stipulated for refrigerators and freezers in Australia, the EU, China and North America. In the US and Canada, these limits are also enforced for other appliances. In the EU, the white-goods industry has enforced voluntary limits for washing machines. Limits for dishwashers have been determined and will go into effect in late 2003 or early 2004.

The Group's products are well within these limits and are well represented in the best energy classes.

Emission caps

Emission caps for combustion engines are important for outdoor products. The California Air Resources Board (CARB) recently tightened its rules, which were already the strictest in the world. Similar legislation is expected at the federal level in the US for smaller engines by the year 2005 and for engines over 50 cc in 2007. The EU plans to introduce regulations corresponding to the US requirements. These caps will then apply to all products sold in these markets.

In 1995, Husqvarna developed the unique E-tech technology, which complies with the CARB limits by a wide margin. The new generation E-tech II complies with existing as well as expected regulations, and was introduced in 2001.

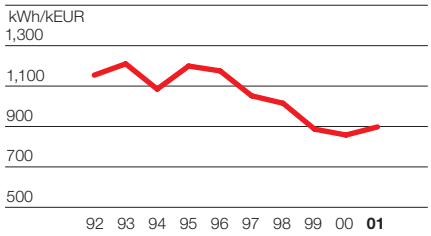
Restricted materials in products

In 1986 the United Nations adopted the Montreal protocol, calling for the phase-out of ozone-depleting substances. The use of CFCs as refrigerant and insulation material is prohibited in Europe and the US, and the Group's product ranges in these markets have been free of CFCs for many years. Legislation concerning ozone-depleting substances is planned in India for 2003. The Group has been a leader in the phase-out of both CFC and HCFC in new markets, such as China and Brazil. The phase-out of substances with ozone-depleting potential (ODP) and global-warming potential (GWP) continued in new markets during the year. The Group's refrigerators in China and Brazil are now entirely CFC-free. The refrigerator operations in Australia that were acquired during the year use mainly HFC and HC with no ODP.

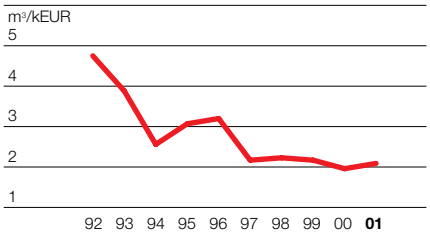
Producer responsibility

Discussion of producer responsibility, i.e. mandatory take-back of discarded products, intensified during the year in the EU in connection with the WEEE directive (Waste of Electric and Electronic Equipment). The Group actively advocates producer responsibility based on individual financing. This would create conditions for fair competition and encourage producers to environmentally adapt their products for more efficient recycling and disposal. The Group's views are shared by the industry in general as well as a majority of the European Parliament, but there is still uncertainty about the final directive and its implementation at the national level.

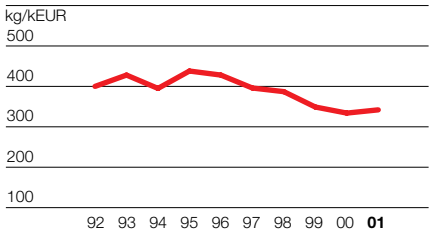
Energy consumption per added value



Water consumption per added value

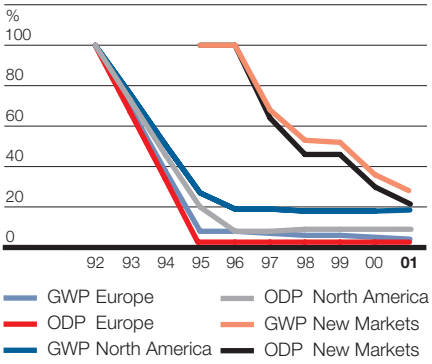


CO_2 per added value



Since a large part of environmental impact depends on the volume of production, some indicators are calculated in relation to added value, which is defined here as the difference between total production cost and the cost for direct material.

Phase-out of substances with ozone-depleting and global warming potential



The calculations are based on the ODP (Ozone Depleting Potential) and GWP (Global Warming Potential) equivalents, as defined by the UN's Environment Program (UNEP). In order to adjust for changes in production structure and enable annual comparisons, values are normalized against the total amount of used substances. The curves reflect the transition from CFC, via HCFC to HFC and HC.

Costs for environmental activities

Electrolux has chosen not to report environmental costs separately, as environmental issues are one of many components in product development and new investment, as well as marketing and communication. Improved environmental performance is a core part of the product development process, and new products generally have better environmental features than older ones. As illustrated by the Environmental Performance Indicators, these products also generate higher profitability. Similarly, implementation of environmental management systems involves a cost, but actually results in cost savings, as well as increased value of the units.

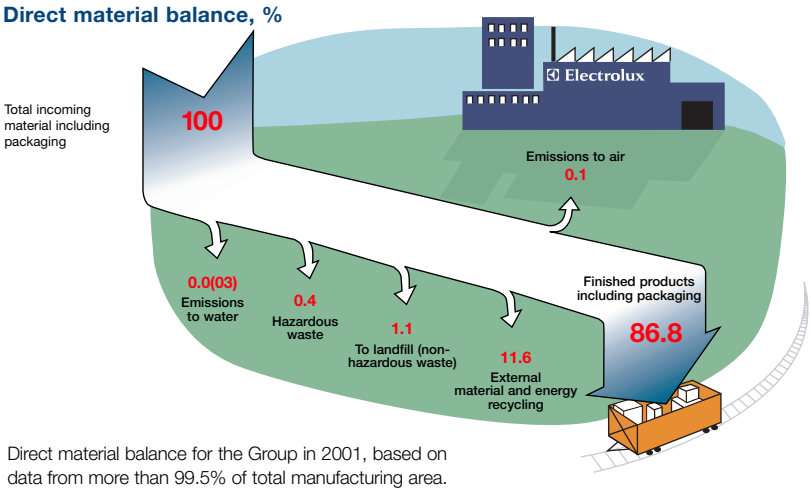
Results

In order to assess the results of the Group's environmental work, a number of environmental performance indicators have been developed. Production-related site measurements have been calculated at the Group level since 1988. The product and market related indicators have been fully implemented for white goods in Europe since 1996.

This year's data confirm the trends to improved environmental performance in Group products and production processes, and to relatively higher profitability for environmentally leading white goods.

Consumption of water and energy, and related CO_2 emissions at manufacturing units decreased during the year. However, restructuring resulted in an increase in relation to added value.

Direct material balance, %



Direct material balance for the Group in 2001, based on data from more than 99.5% of total manufacturing area.

Environmental management systems

An environmental management system (EMS) is a vital tool for achieving and maintaining a high environmental standard in manufacturing. The Group's policy stipulates that all manufacturing units with at least 50 employees shall be certified according to ISO 14001. Newly acquired units shall complete the certification process within three years after acquisition.

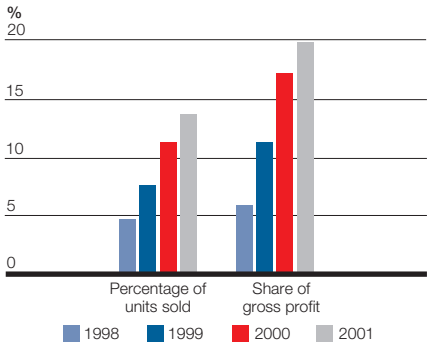
By the end of 2001, 58% of the Group's total manufacturing area was certified according to ISO 14001, which corresponds to 49 production units, or 43% of the total number of units. The corresponding figures for Europe were 79% or 43 units, corresponding to 63% of the total number of European units. Three certified units were divested during the year, and seven units that lack EMS were acquired.

The Group also aims to implement EMS for the entire operation in each business sector. Apart from production units, five non-manufacturing units have received ISO 14001 certification. Five units are also registered according to EMAS.

Electrolux as an environmental investment

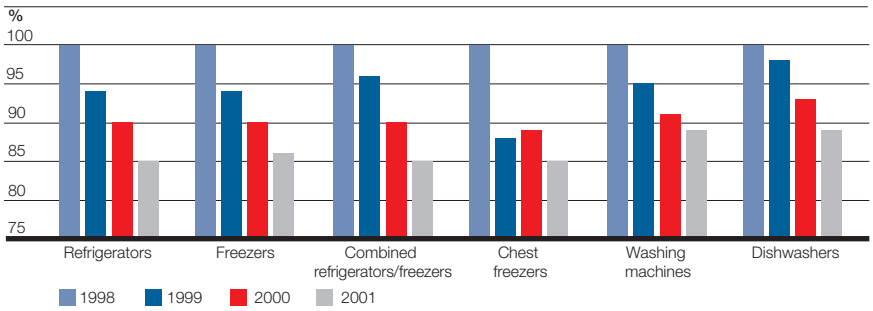
The Electrolux share continues to be selected by a number of environmental investment funds and is recommended by several analysts, e.g. Miljöeco, The Natural Step, FTSE4Good and Innovest, and has a high rating on the Dow Jones Sustainability Index. In the assessment for 2001, Electrolux received a rating of AAA (on a scale from AAA to CCC) by Innovest Strategic Value Advisors, which commented "Electrolux has below-average risk, above-average environmental management capacity, and above-average engagement in environmentally-favorable businesses."

Green range



Within major appliances in Europe, the products with the best environmental performance accounted for 14% of total units sold in 2001, and 20% of gross profit.

Fleet average



Reduction in energy consumption for products sold in Europe, with energy index set at 100 in the year 1998.

Report by the Board of Directors for 2001

Sales and income

Net sales

Net sales for the Electrolux Group in 2001 rose to SEK 135,803m, as against SEK 124,493m in the previous year, of which 97% (96) or SEK 131,285m (120,029) was outside Sweden. Of the 9.1% increase in sales, changes in the Group's structure accounted for +2.4%, changes in exchange rates for +9.1%, and volume/price/mix for –2.4%. For changes in Group structure, see page 38.

Income

The Group's operating income for 2001 decreased by 17.4% to SEK 6,281m (7,602), which corresponds to 4.6% (6.1) of net sales. Income after financial items decreased by 20.1% to SEK 5,215m (6,530), representing 3.8% (5.2) of net sales. Net income decreased by 13.2% to SEK 3,870m (4,457), corresponding to SEK 11.35 (12.40) per share.

Income excluding items affecting comparability

The above income figures include items affecting comparability in the amount of SEK –141m (–448), see page 35.

Excluding these items, operating income decreased by 20.2% to SEK 6,422m (8,050), representing 4.7% (6.5) of net sales. Income after financial items declined by 23.2% to SEK 5,356m (6,978), corresponding to 3.9% (5.6) of net sales. Net income decreased by 20.7% to SEK 3,774m (4,762), and net income per share decreased by 16.2% to SEK 11.10 (13.25).

Key data, SEKm

unless otherwise stated	2001	Change	2000	1999
Net sales	135,803	9.1%	124,493	119,550
Operating income	6,281	–17.4%	7,602	7,204
Margin, %	*4.6*		*6.1*	*6.0*
Income after financial items	5,215	–20.1%	6,530	6,142
Net income	3,870	–13.2%	4,457	4,175
Net income per share, SEK	11.35	–8.5%	12.40	11.40
Dividend per share, SEK[2]	4.50	12.5%	4.00	3.50
Return on equity, %	13.2		17.0	17.1
Return on net assets, %	15.0		19.6	18.3
Net debt/equity ratio	0.37		0.63	0.50
Capital expenditure	4,195		4,423	4,439
Average number of employees	87,139	0.0%	87,128	92,916

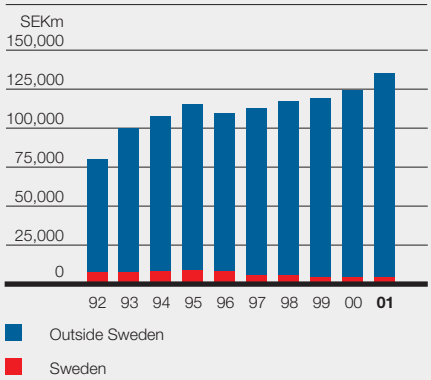
Excluding items affecting comparability[1]	2001	Change	2000	1999
Net sales	135,803	9.1%	124,493	119,550
Operating income	6,422	–20.2%	8,050	7,420
Margin, %	*4.7*		*6.5*	*6.2*
Income after financial items	5,356	–23.2%	6,978	6,358
Net income	3,774	–20.7%	4,762	4,200
Net income per share, SEK	11.10	–16.2%	13.25	11.45
Dividend per share, SEK[2]	4.50	12.5%	4.00	3.50
Return on equity, %	12.9		18.5	17.2
Return on net assets, %	14.6		20.0	18.4
Value creation	262	–2,161	2,423	1,782
Net debt/equity ratio	0.37		0.63	0.50
Capital expenditure	4,195		4,423	4,439
Average number of employees	87,139	0.0%	87,128	92,916

1) For information on items affecting comparability, see page 35.
2) Proposed by the Board.

Net sales and operating income, by geographical area, SEKm

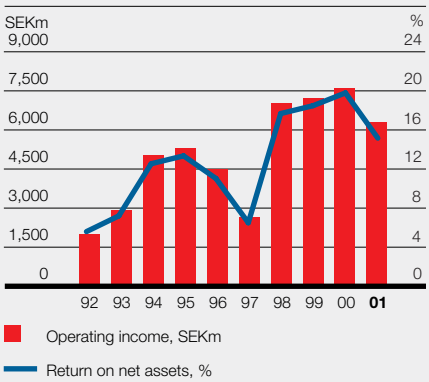
	Net sales			Operating income		
	2001	2000	1999	2001	2000	1999
Europe	63,455	58,169	60,016	4,401	4,353	4,677
North America	52,907	52,906	47,675	2,162	3,884	3,290
Rest of the world	19,441	13,418	11,859	–141	–187	–547
Items affecting comparability	—	—	—	–141	–448	–216
Total	**135,803**	**124,493**	**119,550**	**6,281**	**7,602**	**7,204**

Net sales



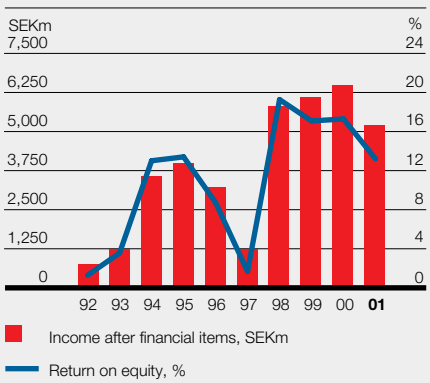
Net sales rose by 9% from previous year.

Operating income and return on net assets



Operating income declined by 17% and return on net assets decreased to 15%.

Income after financial items and return on equity



Return on equity in 2001 was 13.2%.

Net sales by business area, SEKm	2001	2000	1999
Consumer Durables			
Europe	47,200	42,704	42,640
North America	46,814	46,581	41,452
Rest of the world	14,976	9,203	7,597
Total Consumer Durables	**108,990**	**98,488**	**91,689**
Professional Products			
Indoor	17,073	17,561	20,450
Outdoor	9,452	8,039	7,100
Total Professional Products	**26,525**	**25,600**	**27,550**
Other	288	405	311
Total	**135,803**	**124,493**	**119,550**

Operating income by business area, SEKm	2001	Margin,%	2000	Margin,%	1999	Margin,%
Consumer Durables						
Europe	2,528	5.4	2,179	5.1	2,444	5.7
North America	1,814	3.9	3,577	7.7	2,895	7.0
Rest of the world	287	1.9	23	0.2	–342	–4.5
Total Consumer Durables	**4,629**	**4.2**	**5,779**	**5.9**	**4,997**	**5.4**
Professional Products						
Indoor	1,070	6.3	1,577	9.0	1,902	9.3
Outdoor	1,313	13.9	1,153	14.3	983	13.8
Total Professional Products	**2,383**	**9.0**	**2,730**	**10.7**	**2,885**	**10.5**
Common Group costs, etc.	–590		–459		–462	
Items affecting comparability	–141		–448		–216	
Total	**6,281**	**4.6**	**7,602**	**6.1**	**7,204**	**6.0**

Provisions in 2001	Provision, SEKm	Personnel cutbacks	Estimated savings, SEKm 2002	2003
Major appliances, Europe	997	1,434	206	552
Floor-care products, Europe	19	30	9	17
Garden equipment, Europe	157	185	51	96
Major appliances, North America	114	325	157	210
Major appliances, rest of the world	40	738	38	47
Total Consumer Durables	**1,327**	**2,712**	**461**	**922**
Food-service equipment	168	353	89	89
Components	1,710	1,841	273	343
Other	56	31	33	36
Total	**3,261**	**4,937**	**856**	**1,390**

Items affecting comparability

Items affecting comparability in 2001 are listed in the table below.

Items affecting comparability, SEKm	
Capital gain in Q3 from divestment of leisure-appliances product line	3,120
Restructuring provision in Q3, mainly referring to the components product line	–1,763
Restructuring provision in Q4, mainly referring to major appliances in Europe	–1,498
Total	**–141**

In 2000 items affecting comparability amounted to SEK –448m and included provisions for restructuring totaling SEK 1,124m, a capital gain of SEK 241m and SPP pension refunds of SEK 435m.

Provisions in 2001

During 2001 provisions of SEK 3,261m were made for measures to improve the Group's cost structure and productivity. These measures refer largely to the components product line and major appliances. Approximately SEK 1,700m, or 50%, relates to write-down of assets and other non-cash related costs, which have been included in the 2001 accounts. About 1,100 employees had left the Group prior to year-end. These measures are expected to generate savings of approximately SEK 856m in 2002, SEK 1,390m in 2003 and SEK 1,425m on an annual basis after 2003. See table to the left.

Provisions in 2000

A provision of SEK 883m for structural changes and cost adjustments was made in the fourth quarter of 2000. As of December 31, 2001 SEK 515m of this provision had been utilized, generating savings of SEK 448m during the year. By the end of 2001, approximately 1,350 employees affected by this program had left the Group.

Financial items

Both the US Federal Reserve and European central banks lowered their lending rates during the year to stimulate economic development. This resulted in decreasing short and long-term interest rates.

Value creation, SEKm[1]	2001	2000	1999
Consumer Durables			
Europe	1,172	986	1,224
North America	–297	1,669	1,036
Rest of the world	–1,023	–1,056	–1,398
Total Consumer Durables	*–148*	*1,599*	*862*
Professional Products			
Indoor	250	713	896
Outdoor	914	756	663
Total Professional Products	*1,164*	*1,469*	*1,559*
Common Group costs, etc.	–754	–645	–639
Total	**262**	**2,423**	**1,782**

[1]Excluding items affecting comparability. See definitions page 73.

Net financial items amounted to SEK –1,066m (–1,072), which corresponds to –0.8% (–0.9) of sales. The financial net was positively impacted by lower interest rates, while interest payments in foreign currency had a negative effect.

Taxes

Total taxes for 2001 amounted to SEK 1,477m (2,121), which corresponds to 28.3% (32.5) of income after financial items. Excluding items affecting comparability, the actual tax rate was 32.0% (32.4). See Note 8 on page 53.

Effects of changes in exchange rates

Changes in exchange rates as regards both transactions and translation effects, had a net positive impact on income after financial items of approximately SEK 566m (375). Of this, SEK 479m (190) referred to translation of income statements in subsidiaries.

These effects are traceable mainly to the weakening of the Swedish krona against most currencies, and in particular the US dollar and the British pound.

For key ratios in which liquidity, net assets, inventories and accounts receivable are stated in relation to net sales, the effects of changes in exchange rates have been eliminated by translating net sales at year-end rates.

For additional information on the effects of changes in exchange rates, see the section on Currency rate risk, page 40.

Value creation

The total value created by the Group in 2001 amounted to SEK 262m compared with SEK 2,423m in the previous year. The decrease is traceable mainly to a decline in operating margin to 4.7% (6.5), excluding items affecting comparability. The impact of the decline in operating margin was to some extent offset by the growth in sales. The capital turnover rate remained at 3.1 (3.1).

Operations by business area

Demand weakened during the year in most of the Group's product areas, in both Europe and North America. Market conditions in Asia improved over last year, with the exception of India. Demand in Latin America improved in the first half of the year, but declined in the last two quarters.

Group operating income was also negatively affected by more severe price competition and negative trends as regards the product mix within several operations. Costs for material and half-finished goods were, however, lower than last year.

Of the Group's business areas, Consumer Durables achieved higher sales, mainly as a result of the acquisition of the Australian appliance operation at the beginning of the year, and changes in exchange rates. Operating income and margin declined.

Professional Products reported higher total sales, largely as a result of currency effects. Operating income and margin declined for indoor products, while outdoor products achieved continued good growth in both income and margin.

Consumer Durables

Industry shipments of core appliances in Western Europe increased in volume by approximately 1% over the previous year. Shipments in the fourth quarter showed an upturn of about 3%. Group sales in Europe through Electrolux Home Products were higher than last year. Operating income improved as a result of higher volumes, as well as improved productivity and cost reductions. Trends for price and mix, in terms of both products and markets remained negative.

In the US, industry shipments of core appliances declined by approximately 1% compared with last year. Shipments of major appliances, i.e. including room air-conditioners and microwave ovens, also declined by approximately 1%. In the fourth quarter, shipments rose by approximately 6% for both core appliances and major appliances compared with a weak fourth quarter in the previous year. Group sales of white goods in North America through Electrolux Home Products decreased from last year, primarily due to lower sales of refrigerators. Destocking at retail level, particularly during the first half of the year, also had a negative impact on sales. Operating income showed a marked decline as a result of lower volumes and substantial non-recurring costs related to the phase-in of a new generation of refrigerators. Delivery failures and costs for additional personnel and overtime within the refrigerator division had a total negative effect on income of approximately USD 100m (approximately SEK 1,050m).

In Brazil, industry shipments of major appliances increased in the first half of the year, but declined during the second half, and were lower for the full year. Sales for the Group's Brazilian appliance operation were largely unchanged over last year. Operating income improved substantially as a result of new products and internal efficiency measures, but was still negative. The Group achieved good growth in volume in China and the ASEAN countries. Demand in India showed a major downturn, and Group sales were lower than last year. Operating income for the Indian operation showed a marked decline. Overall, sales and operating income for major appliances outside Europe and North America increased substantially as a result of the consolidation of the Australian operation, which was acquired at the beginning of the year.

Demand for floor-care products rose slightly in the US and declined somewhat in Europe. Sales for the Group's floor-care product line increased over last year as a result of higher volumes in both the US and Europe. Operating income was largely unchanged, but with a lower margin due to a less favorable product mix.

Demand for consumer outdoor products declined in both Europe and the US, as a result of cold weather and inventory reductions by retailers in both markets. Pre-season deliveries in the fourth quarter were also lower than in the previous year. Group sales in Europe declined and oper-

ating income showed a marked downturn. Lower sales were also reported for the US operation. Operating income and margin declined, however from a high level.

Overall, sales for the Consumer Durables business area increased over last year, primarily due to the consolidation of the Australian operation and the effects of changes in exchange rates. Operating income and margin declined.

Professional Indoor Products

Demand for food-service equipment in Europe was largely unchanged. Group sales in this product area increased over last year, primarily in the Nordic countries and in the US. Operating income improved as a result of higher volumes and the positive effects of structural changes in the second half of the year.

Demand for laundry equipment increased in both Europe and the US, and the Group achieved higher sales volumes. Operating income and margin improved substantially from last year, particularly in the second half of the year.

Demand for compressors and motors continued to be weak throughout the year, in both Europe and Asia. Sales volumes for the components product line were lower than last year. Operating income showed a marked downturn due to lower volumes, downward pressure on prices, higher material costs and costs related to inventory adjustments. Within the framework of the restructuring measures announced in the autumn of 2001, actions are being taken to improve income and profitability for this product line.

Total sales for Professional Indoor Products were lower than last year, as a result of divestments. Operating income and margin declined.

Professional Outdoor Products

Demand for professional chainsaws declined in Europe and North America for the year as a whole, but increased in Latin America and the Asian-Pacific region. In the fourth quarter, positive trends in demand were noted in all markets except Latin America. Total Group sales of chainsaws were lower than last year.

Strong growth in sales was reported for professional lawn and garden products. Higher sales were also noted for power cutters and diamond tools, mainly as a result of acquisitions.

Overall, sales for Professional Outdoor Products showed continued good growth, and operating income improved. Margin declined from last year, however, due to lower volumes of chainsaws.

Financial position

Equity

Group equity at year-end amounted to SEK 28,864m (26,324), corresponding to SEK 88 (77) per share.

Change in equity, SEKm	
Opening equity	26,324
Dividends	–1,365
Repurchase of own shares	–1,752
Translation differences, etc.	1,787
Net income for the year	3,870
Equity at year-end	**28,864**

Net debt/equity ratio

The net debt/equity ratio, i.e. net borrowings in relation to adjusted equity, improved to 0.37 (0.63). The program for repurchase of own shares was reinitiated during the year in order to adjust the capital structure.

Liquid funds at year-end amounted to SEK 12,374m (8,422), which corresponds to 9.1% (6.6) of net sales.

For definitions of the above terms, see page 73.

Net assets

Net assets as of year-end declined to SEK 37,162m (39,026).

Average net assets for the year, adjusted for items affecting comparability, amounted to SEK 44,002m (40,194), which equals 32.4% (32.3) of net sales. For definitions of net assets, see page 73.

Inventories and accounts receivable

Inventories amounted to SEK 17,359m (17,295), and accounts receivable to SEK 24,189m (23,214), corresponding to 12.8% (13.5) and 17.8% (18.1) of net sales respectively, after adjustment for exchange rate effects.

Return on equity and net assets

The return on equity was 13.2% (17.0), and the return on net assets was 15.0% (19.6).

Excluding items affecting comparability, the return on equity was 12.9% (18.2) and the return on net assets was 14.6% (20.0).

For definitions of these items, see page 73.

Cash flow

The cash flow generated by business operations and investments improved considerably to SEK 10,695m (2,732), after adjustment for effects of exchange rates. This improvement is due mainly to a decrease in working capital and higher net proceeds from divestments and acquisitions. The decrease in working capital refers largely to lower inventories and increased operating liabilities, see page 46.

Capital expenditure

Capital expenditure in 2001 amounted to SEK 4,195m (4,423), of which SEK 282m (470) refers to Sweden. Capital expenditure corresponded to 3.1% (3.6) of net sales.

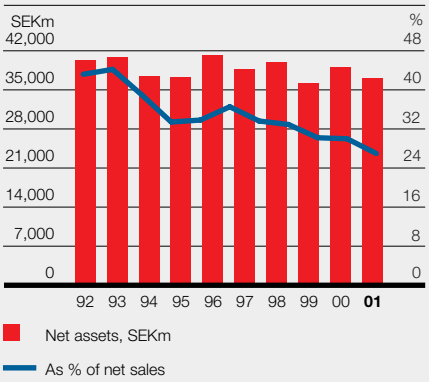
Approximately 40% of total capital expenditure during the year referred to new products. Major projects included a new generation of energy efficient refrigerators and a new line of cookers, both of which were launched in the US during the year. On-going projects include a new front-loaded washer in Europe, and a new high-efficiency compressor both scheduled for completion in 2002.

Slightly more than 20% of total capital expenditure referred to rationalization and replacement of existing production equipment, and about 10% to expansion of capacity, e.g. for washers and dryers in the Group's plant in Porcia, Italy. Investments in IT accounted for approximately 4%, and investments in fire-protection measures for almost 2%.

Costs for Research and Development

R&D costs in 2001 amounted to SEK 1,793m (1,311), which corresponds to 1.3% (1.1) of net sales.

Net assets



Net assets in relation to net sales corresponded to 27.4% in 2001, as against 30.4% in 2000.

Employees

The average number of employees in 2001 was 87,139 (87,128), of whom 7,272 (8,159) were in Sweden. At year-end, the total number of employees was 85,749 (86,270).

The table, on the next page, shows the change in the average number of employees during 2001.

Salaries and remuneration in 2001 amounted to SEK 20,330m (17,241), of which SEK 1,972m (2,047) refers to Sweden. See also Note 25 on page 60.

Major changes in the Group

Acquisitions

As of February 1, the Group acquired the household appliances division of Email Ltd in Australia. The purchase price was approximately AUD 440m (approximately SEK 2,270m). Email is included in the financial statements for 2001, with SEK 4,390m in sales, SEK 263m in operating income, and SEK 2,376m in net assets.

As of July 1, the Group acquired Marazzini Ernesto S.p.A. in Italy, which mainly manufactures lawn mowers and other outdoor products for the consumer market. In 2000 the company had sales of approximately SEK 400m, and approximately 90 employees.

Divestments

As of April 26, the Group sold 90% of the shares in the wholly owned Italian finance company Veneta Factoring S.p.A., which reduced the Group's net borrowings by SEK 2,641m. The sale generated a marginal capital gain for the Group.

As of July 31, the Group divested the major part of the leisure-appliances product line which had sales in 2000 of approximately SEK 4,200m and about 2,200 employees. The divestment generated a capital gain of SEK 3,120m. The remaining parts, which had sales in 2001 of approximately SEK 1,300m and about 1,400 employees, were divested as of January 31, 2002. This divestment generated a capital gain of approximately SEK 1,800m, which will be included in the result for the first quarter of 2002.

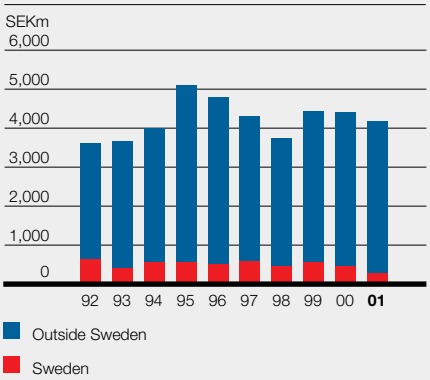
As of October 1, the Group divested Electrolux Baking S.A. in France, which manufactures baking equipment for the professional market and was part of the food-service equipment product line within Professional Indoor Products. This operation had sales in 2000 of SEK 315m, and about 230 employees. The divestment generated a capital loss of approximately SEK 100m, which was included in the Group's provision for restructuring in the third quarter of 2001.

As of November 30, the Group divested FHP Elmotor in Ankarsrum, Sweden. FHP Elmotor produces electric motors and was part of the components product line within Professional Indoor Products. The company had sales in 2000 of approximately SEK 265m and about 265 employees. The divestment involved a capital loss of approximately SEK 50m,

Summary of cash flow, SEKm	2001	2000	1999
Income after financial items	5,215	6,530	6,142
Depreciation according to plan	4,277	3,810	3,905
Provisions and capital gains/losses	–2,148	628	–286
Taxes paid	–1,496	–2,329	–2,166
Change in operating assets and liabilities	3,634	–2,540	1,065
Cash flow from operations	**9,482**	**6,099**	**8,660**
Investment in/divestment of operations and trademark	4,861	180	1,702
Capital expenditure	–4,195	–4,423	–4,439
Other	547	876	–400
Cash flow from investments	**1,213**	**–3,367**	**–3,137**
Cash flow from operations and investments	**10,695**	**2,732**	**5,523**
Dividend	–1,365	–1,282	–1,099
Repurchase of shares	–1,752	–3,193	0
Cash flow after dividends and repurchase of shares	**7,578**	**–1,743**	**4,424**

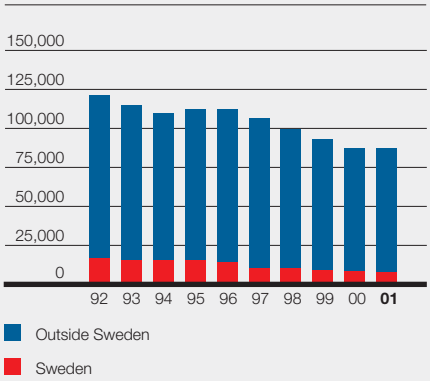
Capital expenditure by business area	2001 SEKm	Share %	2000 SEKm	Share %	1999 SEKm	Share %
Consumer Durables	3,108	74.1	2,877	65.0	2,982	67.2
Professional Products	870	20.7	1,126	25.5	992	22.3
Other	217	5.2	420	9.5	465	10.5
Total	**4,195**	**100.0**	**4,423**	**100.0**	**4,439**	**100.0**

Capital expenditure



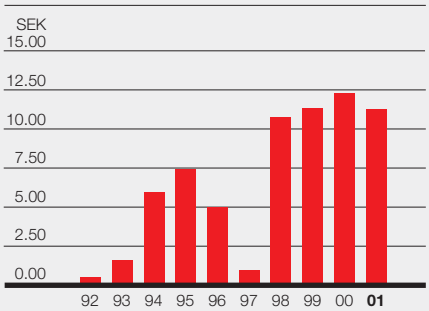
Capital expenditure in 2001 amounted to SEK 4,195m, corresponding to 3.1% of net sales.

Average number of employees



The average number of Group employees remained fairly stable in 2001.

Net income per share



Excluding items affecting comparability, net income per share decreased by 16% to SEK 11.10 in 2001.

Change in average number of employees

Average number of employees in 2000	87,128
Number of employees in acquisitions 2001	3,485
Number of employees in divestments 2001	–1,026
Other changes	–2,448
Average number of employees in 2001	**87,139**

Average number of employees	2001	2000	1999
Average number of employees:			
Sweden	7,272	8,159	8,881
Outside Sweden	79,867	78,969	84,035
Total	**87,139**	**87,128**	**92,916**
By geographical area:			
Europe	46,899	49,671	52,032
North America	21,294	22,879	23,174
Rest of the world	18,946	14,578	17,710
Total	**87,139**	**87,128**	**92,916**
By business area:			
Consumer Durables	67,032	63,418	66,668
Professional Products	18,630	22,116	24,823
Other	1,477	1,594	1,425
Total	**87,139**	**87,128**	**92,916**

which was included in the Group's provision for restructuring in the third quarter of 2001.

As of January 1, 2002, the Group divested its European home comfort operation, which was part of the Consumer Durables business area. This operation had sales in 2001 of approximately SEK 850m, and about 280 employees. The divestment generated a capital gain of SEK 110m, which will be included in the accounts for the first quarter of 2002.

Treasury operations

The Group Treasury organization has the global responsibility for financing and liquidity, and for the management of financial exposures. Group Treasury also performs proprietary trading in financial instruments. There are four Regional Treasury Centers; in Sweden, Singapore, Brazil and the US. The Regional Treasury Centers are responsible for local cash management, financing and support to the subsidiaries. All trading activities, together with the management of the interest rate exposure in the debt portfolio and the currency exposure in the balance sheet, are located in Stockholm.

Financial risk management

The Group's operations involve exposure to different types of financial risks, related to:

- Financing
- Interest rates
- Currency rates
- Credit risk in the financial activities

Financing risk

Financing risk refers to the risk that the financing of the Group's capital requirements and the refinancing of existing loans will become more difficult or more costly. Financing risk is managed on the basis of a policy for the Group's liquidity position and borrowings. In this context, the Group's credit rating is also important.

Liquidity

The Group's goal is that liquid funds should correspond to at least 2.5% of net sales. The Group shall also aim at maintaining the net liquidity level at approximately zero, with consideration for fluctuations arising in conjunction with acquisitions, divestments and seasonal variations. Net liquidity is defined as liquid funds less short-term borrowings.

As shown in the table below, liquid funds as a percentage of net sales exceeded the Group's minimum criterion considerably in both 2001 and 2000, primarily due to divestments.

Borrowings

Electrolux's goal is to attain an average time to maturity for long-term debt of at least two years, and maturities should be evenly spread.

During 2001 long-term loans were raised in the amount of SEK 3,427m, and amortized in the amount of SEK 2,724m. Short-term loans were raised mainly through a SEK and a US subsidiary's Commercial Paper program and through local bank borrowings in other subsidiaries outside Sweden. Long-term loans were channeled primarily through the Group's Global Medium Term Note program, under which a bond of EUR 300m was issued during the first quarter.

At year-end the Group's interest-bearing borrowings inclusive of interest-bearing pension liabilities amounted to SEK 23,183m (25,398), of which SEK 17,658m (16,299) referred to long-term loans with average maturities of 3.6 years (3.5).

Net borrowings at year-end amounted to SEK 10,809m (16,976). The improvement is traceable mainly to a decline in working capital, as well as higher net proceeds from divested and acquired operations.

The average interest rate for the Group's interest-bearing loans at December 31 was 5.1% (6.7).

Derivatives in the form of interest and currency swaps are used to manage risk exposures and achieve a balance between the different currencies. The tables on page 40 show long-term borrowings, including swaps, which were undertaken to achieve this balance.

Liquidity profile, SEKm	Dec. 31, 2001	Dec. 31, 2000	Dec. 31, 1999
Liquid funds	12,374	8,422	10,312
% of net sales	9.1	6.6	8.7
Net liquidity	7,118	–427	3,585
Fixed-interest term, days	32	58	25
Unutilized credit facilities	23,756	23,270	19,733

Maturity dates for long-term borrowings, SEKm[1)]

Year	Amount
2002	2,020
2003	2,525
2004	3,278
2005	4,701
2006	546
2007	47
2008 and thereafter	4,541
Total	**17,658**

1) Including swap transactions.

Long-term borrowings, by currency[1)]

Currency	Amount, SEKm	Interest fixing, years	Interest, %	Average maturity, years
USD block	6,449	0.9	5.2	2.7
EUR	10,080	0.9	4.6	4.0
SEK	369	2.3	4.9	9.6
INR	276	2.4	11.1	2.4
Other	484	0.9	6.5	3.2
Total	**17,658**	**1.0**	**5.0**	**3.6**

1) Including swap transactions.

Rating

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

Ratings
Electrolux has an Investment Grade rating from the three leading international rating institutions, Moody's, Fitch and Standard & Poor's. All three institutions kept their long-term rating unchanged during the year, but Fitch changed the outlook to negative mainly as a consequence of changed global economic conditions. The other two institutions kept the outlook at stable and at positive, respectively. See table above.

Interest rate risk
This risk refers to the effects of changes in market interest rates on Group net income. Electrolux distinguishes between the interest rate risks in long-term borrowings and in liquidity. Factors determining this risk include the interest-fixing period.

Interest rate risk in long-term borrowings
The Group's financial policy defines guidelines for the interest-fixing period of fixed rates in the portfolio of long-term loans. The current policy is an average interest-fixing period of one year. The Group is allowed to deviate from this goal in accordance with the financial policy, but the maximum fixed-rate period is three years. At year-end 2001 the average interest-fixing period for long-term borrowings was 1.0 years (1.2).

Interest rate risk in liquidity
The fixed interest period for liquid funds at year-end 2001 was 32 days (58).

Currency rate risk
This risk refers to the adverse effects of changes in exchange rates on the Group's income and equity. In order to avoid such effects, the Group covers these risks within the framework of the financial policy.

Exposure arising from commercial flows
Approximately 75% of the currency flow is between Group companies. The Group's geographically widespread production reduces the effects of changes in exchange rates. In addition, the Group's netting system reduces internal exposure.

The table on page 41 shows the distribution of the Group's sales and operating expenses in major currencies during 2001. As can be seen from the table, there was a favorable currency balance during the year in the most important currencies, i.e. the US dollar and the euro. 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.

Group subsidiaries cover their risks in commercial currency flows through the Group's four regional treasury centers. The financial operation thus assumes the currency risks and covers such risks externally.

Exchange rate differences arising from commercial receivables and liabilities in foreign currency are included in operating income.

Gains and losses on forward contracts are reported in the same period in which the corresponding cash flows arise. At year-end, unrealized exchange rate losses on forward contracts amounted to SEK –114m (–98).

The effect of hedging on operating income during 2001 amounted to approximately SEK –168m (–230). The net of hedging and transaction flows in the Group was, however, positive.

Exposure arising from translation of balance sheets
The net of assets and liabilities in foreign subsidiaries constitutes a net investment in foreign currency, which generates a translation difference. In order to limit depreciation of Group equity resulting from translation differences, hedging is executed on the basis of borrowings and forward contracts, taking into account interest differentials and fiscal effects. This implies that the decline in value of a net investment, resulting from a rise in the exchange rate of the Swedish krona, is offset by the exchange gain on the parent company's borrowings and forward contracts, and vice versa.

The Group's policy is that hedging shall be applied within the framework of the parent company's existing net borrowings, which are distributed among different currencies in proportion to the Group's net assets outside Sweden. The current policy stipulates 50% coverage of foreign equity, excluding equity in euros.

Net translation differences arising from consolidation of foreign subsidiaries amounted to SEK 1,815m (561) in 2001. In computing these differences, due consideration is given to exchange rate differences in the parent company referring to borrowings and forward contracts which are intended as hedges for equity in foreign subsidiaries, less estimated taxes. This amount has been taken directly to equity in the consolidated balance sheet, in accordance with applicable

Net sales and expense, by currency	Share of net sales, %	Share of expense, %
SEK	3	7
USD	37	38
EUR	31	34
GBP	5	3
Other	24	18
Total	**100**	**100**

accounting principles. However, translation losses referring to countries with highly inflationary economies have been charged against operating income. See Accounting principles on page 50.

Credit risk in the financial activities

Credit risks within financial activities arise from the placement of liquid funds and as counterpart risks related to derivatives. In order to limit financial credit risk, a counterpart list has been established which defines the maximum permissible exposure to approved counterparts.

The euro

About 30% of the Group's sales are in the twelve EU countries, which have adopted the euro as a single currency. The significance of the euro is even greater in terms of assets, which makes it the most important currency for the Group.

Payments between Group units within the EMU have been made in euro since 1999. Since then, a project for transition to the euro as the basic currency for all Group companies within the area has been implemented.

During 2001, the necessary administrative changes and modifications of IT systems were completed as planned. Conversion costs for these systems have amounted to approximately SEK 50m.

The transition to the single currency has a positive effect on the Group in terms of reduced currency exposure and lower transaction costs. It will also facilitate price comparisons in connection with purchasing.

At the same time, the transparency of the euro will lead to greater convergence of prices in different markets. However, some products will remain unique to the local markets as a reflection of national preferences and cultures. Electrolux monitors these trends continuously, and is well prepared to adjust pricing and marketing strategies accordingly.

Agreement regarding pension litigation

Following a court decision in 1999 against the Group's US subsidiary White Consolidated Industries Inc. (WCI) in litigation regarding pension commitments, the Group made a pretax provision of USD 225m (SEK 1,841m) in the third quarter of the same year.

In July 2000, an agreement was reached between the Pension Benefit Guaranty Corporation (PBGC) in the US and WCI, stipulating that WCI would either assume responsibility for the pension plans in question, or pay USD 180m plus interest to PBGC and the beneficiaries. This agreement expired on October 31, 2001.

Prior to the expiration date, WCI decided to make the above-mentioned payment. A subsequent agreement with PBGC was reached in October 2001, under which a part of this payment would be deferred until 2002.

In accordance with these arrangements, USD 111m (SEK 1,150m) was paid in 2001 to PBGC and the beneficiaries, and USD 94m (SEK 970m) was paid in January, 2002. The payments were fully covered by the above-mentioned provision in 1999.

Parent company

The parent company comprises the functions of the Group's head office, as well as the head office for the seven companies operating on a commission basis for AB Electrolux.

Net sales for the parent company in 2001 amounted to SEK 7,311m (7,344), of which SEK 4,233m (4,191) referred to sales to Group companies and SEK 3,078m (3,153) to sales to external customers. After allocations of SEK 152m (1) and taxes of SEK 76m (37), net income for the year amounted to SEK 4,392m (6,504).

Undistributed earnings in the parent company at year-end amounted to SEK 11,715m.

Net financial exchange rate differences during the year amounted to SEK –927m (–452), of which SEK –397m (–26) comprised realized exchange rate losses on loans intended as hedges for equity in subsidiaries, while SEK –544m (–436) comprised exchange rate losses on derivative contracts for the same purpose.

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

For information on the number of employees, salaries and remuneration, see Note 25 on page 60. For information on holdings in shares and participations, see Note 26, page 62.

Proposed dividend

The Board of Directors proposes a dividend for 2001 of SEK 4.50 per share, for a total dividend payment of SEK 1,483m (1,365). The proposed dividend corresponds to 41% (30) of net income per share for the year, excluding items affecting comparability. The Group's goal is that the dividend corresponds to 30–50% of net income for the year.

Repurchase of own shares

In September 2001, the Board decided to re-initiate the share repurchase program. The decision was taken in accordance with the renewed authorization granted by the Annual General Meeting on April 24, 2001, to buy a further 3.16% of the total number of shares, during the period up to the next Annual General Meeting. During the remaining part of 2001, the Group repurchased 11,570,000 B-shares for a total of SEK 1,752m, corresponding to an average price of SEK 151.38 per share.

In 2000, the Group bought 25,035,000 series B-shares, corresponding to 6.84% of the total number of shares (366,169,580), for a total of SEK 3,193m. The average price paid for the shares bought during 2000 was SEK 127.40 per share.

Electrolux thus owns slightly less than 10.0% of the total number of shares, corresponding to a par value of SEK 183m. The Group has no voting rights for these shares.

The intention of the share repurchase program has been to ensure the possibility of adapting the capital structure of the Group and thereby contribute to increased shareholder value, or to use the repurchased shares in connection with the financing of potential acquisitions and the Group's option program.

Proposal for new repurchase program

In order to allow for further repurchase of shares, the Board has decided to propose to the Annual General Meeting in April 2002 that the number of B-shares not required for hedging of the stock option programs be eliminated through a process of cancellation.

The Board has also decided to propose that the Annual General Meeting in April 2002 approve a new program for repurchase of a maximum of 10% of the total number of shares. The authorization would cover the period up to the next Annual General Meeting. The details of the proposal will be communicated after they are determined by the Board.

Option programs

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

A detailed description of all option programs and related costs can be found in Note 25 on page 60.

2001 option program

Electrolux introduced a new employee stock option program in 2001. Under the 2001 stock option program, 2,535,000 options were allotted to less than 200 senior managers in lots of 15,000 options. The President was granted 4 lots, members of Group Management 2 lots and all other managers 1 lot. The options were allotted free of charge to participants, with a maturity period of seven years. The strike price is SEK 177, which was 10% above the average closing price of the Electrolux B-shares on the Stockholm Exchange during a limited period prior to allotment.

2002 option program

The Board has approved a proposal for a stock option program in 2002 submitted by the Remuneration Committee. A maximum of 3,000,000 options will be allotted for up to 200 senior managers. The 2002 program is based on the above mentioned parameters in the 2001 program including the number of options per lot.

The Board of Directors' activities in 2001

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

Seven Board meetings were held during the year, one of them in conjunction with a visit to a subsidiary in Italy. In addition, there were three meetings addressing specific issues.

During the year, the Board of Directors has performed on-going reviews of the Group's result and financial position, and has also dealt with issues concerning acquisitions and divestments, investments and the strategic direction of the Group. Often Board meetings have addressed special themes. An example of this is the meeting held in Italy in which design issues was the theme.

The Board of Directors has adopted the following working procedures:

- Usually 4–6 meetings per year shall be held, of which at least one will be in conjunction with a visit to a subsidiary.
- The company's auditor shall be requested to submit a report to the Board of Directors at least once a year.
- Remuneration to senior management shall be proposed by a committee, established by the Board of Directors.

The working procedures also include a detailed instruction to the President as regards the issues requiring the Board of Directors' approval, and as regards the type of financial and other reports which shall be submitted to the Board of Directors. These instructions specify, amongst other things, the maximum amounts which various decision-making functions within the Group have the right to approve, as regards capital expenditure, etc. The working procedures also cover the financial policy to be applied by the Group.

The Board of Directors has also established the practice of referring specific matters to ad hoc committees formed with the sole purpose of addressing those issues.

Preparatory discussions on election of Directors and Auditors

The following applies to the nominating process for the Board members who will be proposed for election by a group of major shareholders at the 2002 Annual General Meeting. During the late autumn of 2001 and winter of 2001/2002, Investor AB (represented by Jacob Wallenberg), Alecta Mutual Pension Insurance (represented by Ramsay J Brufer), Robur Investment Funds (represented by Marianne Nilsson) and the Chairman of the Board have met twice to evaluate the Board's activities, the manner in which the Board has been composed during the year and the need for special expertise in the Board.

At the 2002 Annual General Meeting, an auditor shall be nominated for the period until the 2006 Annual General Meeting. A proposal will be prepared by Investor AB (represented by Jacob Wallenberg) and The Fourth Swedish National Pension Fund (represented by Thomas Halvorsen).

The results of this preparatory work are provided in the written notice of the Annual General Meeting.

Environmental activities

Electrolux operates 115 manufacturing facilities in 23 countries. Manufacturing operations comprise largely of the assembly of components made by suppliers. Other processes include metalworking, molding of plastics, painting and enameling, and, to some degree, the casting of parts.

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

Studies of the total effect of the Group's products during their entire lifetimes, i.e. through production and use to disposal, show 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.

The Environmental Performance Indicators (EPI's) that have been computed for the Group's largest business area, White goods in Europe, also show that this is a profitable strategy. The Green Range indicator shows that since 1996, white goods with leading environmental performance account for a larger portion of gross margin than sales. During 2001, the products included in the Green Range segment accounted for 14% of products sold, but 20% of the gross margin. For more information about the Green Range and other EPI's, see pages 32 and 33.

Mandatory permits and notification in Sweden and elsewhere

Electrolux operates 13 plants in Sweden, which account for approximately 6% of the total value of the Group's production. Permits are required by Swedish authorities for 8 of these plants, while 5 are required to submit notification. The permits refer to e.g. maximum permissible values for air and waterborne emissions and for noise. No significant non-compliance with Swedish environmental legislation was reported in 2001.

Manufacturing units in other countries adjust their operations, apply for necessary permits and report to the authorities in accordance with local legislation. The Group applies the precautionary principle, both with reference to acquisitions of new plants and continuous operations. Potential non-compliance, disputes or items that pose a material financial risk are reported to the Group in accordance with Group policy. These routines have disclosed no items of significance during the year.

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

The so-called producer responsibility issue is of crucial importance in Europe, in particular in connection with the WEEE directive (Waste of Electric and Electronic Equipment), currently discussed within the European Union. In the WEEE discussion, the Group conducts intense information work in favor of an individual financing responsibility for recycling of products. This would create incentives for the manufacturers to invest in product development to facilitate recycling.

Consolidated income statement

Amounts in SEKm unless otherwise stated

	Note	2001	2000	1999
Net sales	Note 2	**135,803**	**124,493**	**119,550**
Cost of goods sold		–105,654	–93,549	–87,288
Gross operating income		**30,149**	**30,944**	**32,262**
Selling expenses		–17,806	–17,092	–18,450
Administrative expenses		–5,790	–5,585	–6,261
Other operating income	Note 3	150	130	192
Other operating expenses	Note 4	–281	–347	–323
Items affecting comparability	Note 5	–141	–448	–216
Operating income	Notes 2, 6, 25	**6,281**	**7,602**	**7,204**
Financial income	Note 7	973	1,029	1,076
Financial expenses	Note 7	–2,039	–2,101	–2,138
Income after financial items		**5,215**	**6,530**	**6,142**
Taxes	Note 8	–1,477	–2,121	–2,005
Minority interests in net income	Note 9	132	48	38
Net income		**3,870**	**4,457**	**4,175**
Net income per share, SEK	Note 10	11.35	12.40	11.40

Consolidated balance sheet

Amounts in SEKm unless otherwise stated

Assets	Note	Dec. 31, 2001	Dec. 31, 2000	Dec. 31, 1999
Fixed assets				
Intangible assets	Note 11	5,159	3,993	3,298
Tangible assets	Note 12	22,526	22,388	20,894
Financial assets	Note 13	4,666	3,299	3,859
Total fixed assets		**32,351**	**29,680**	**28,051**
Current assets				
Inventories, etc.	Note 14	17,001	16,880	16,171
Current receivables				
Accounts receivable		24,189	23,214	21,513
Other receivables		7,015	7,709	4,213
Prepaid expenses and accrued income		1,517	1,384	1,384
		32,721	**32,307**	**27,110**
Liquid funds				
Short-term placements		4,061	3,386	5,341
Cash and bank balances		8,313	5,036	4,971
		12,374	**8,422**	**10,312**
Total current assets		**62,096**	**57,609**	**53,593**
Total assets		**94,447**	**87,289**	**81,644**
Assets pledged	Note 15	**2,410**	**2,117**	**3,091**

Equity and liabilities		Dec. 31, 2001	Dec. 31, 2000	Dec. 31, 1999
Equity	Note 16			
Share capital	Note 17	1,831	1,831	1,831
Restricted reserves		13,438	11,850	11,036
Retained earnings		9,725	8,186	8,739
Net income		3,870	4,457	4,175
		28,864	**26,324**	**25,781**
Minority interests		699	810	825
Provisions				
Provisions for pensions and similar commitments	Note 19	4,095	4,048	3,972
Other provisions	Note 20	8,341	6,629	5,699
		12,436	**10,677**	**9,671**
Financial liabilities				
Long-term bond loans	Note 21	9,637	6,503	5,515
Mortgages, promissory notes, etc.	Note 21	8,021	9,796	11,198
Short-term loans		5,256	8,849	6,727
		22,914	**25,148**	**23,440**
Operating liabilities				
Accounts payable		17,304	12,975	11,132
Tax liabilities		1,198	946	641
Other liabilities		2,612	3,144	2,468
Accrued expenses and prepaid income	Note 22	8,420	7,265	7,686
		29,534	**24,330**	**21,927**
Total equity and liabilities		**94,447**	**87,289**	**81,644**
Contingent liabilities	Note 23	**1,220**	**1,325**	**957**

Consolidated cash flow statement

Amounts in SEKm unless otherwise stated

	Note	2001	2000	1999
Operations				
Income after financial items		5,215	6,530	6,142
Depreciation according to plan charged against above income		4,277	3,810	3,905
Capital gain/loss included in operating income		–2,931	–249	–1,620
Provision for restructuring		1,975	877	–507
Provision for pension litigation		–1,192	—	1,841
		7,344	**10,968**	**9,761**
Taxes paid		–1,496	–2,329	–2,166
Cash flow from operations excluding change in operating assets and liabilities		**5,848**	**8,639**	**7,595**
Change in operating assets and liabilities				
Change in inventories		1,164	–17	264
Change in accounts receivable		–50	–884	–1,407
Change in other current assets		146	–3,002	–387
Change in operating liabilities and provisions		2,374	1,363	2,595
Cash flow from operations		**9,482**	**6,099**	**8,660**
Investments				
Trademark		—	–450	—
Operations	Note 24	–2,524	–496	–418
Divestment of operations	Note 24	7,385	1,126	2,120
Machinery, buildings, land, construction in progress, etc.		–4,195	–4,423	–4,439
Other		547	876	–400
Cash flow from investments		**1,213**	**–3,367**	**–3,137**
Total cash flow from operations and investments		**10,695**	**2,732**	**5,523**
Financing				
Change in short-term loans	Note 24	–4,232	1,784	–4,039
Change in long-term loans		173	–2,206	–553
Dividend		–1,365	–1,282	–1,099
Repurchase of shares		–1,752	–3,193	—
Cash flow from financing		**–7,176**	**–4,897**	**–5,691**
Total cash flow		**3,519**	**–2,165**	**–168**
Liquid funds at beginning of year		**8,422**	**10,312**	**11,387**
Exchange rate differences referring to liquid funds		**433**	**275**	**–907**
Liquid funds at year-end		**12,374**	**8,422**	**10,312**
Change in net borrowings				
Total cash flow excluding change in loans		**7,578**	**–1,743**	**4,646**
Net borrowings at beginning of year		**–16,976**	**–13,423**	**–17,966**
Exchange rate differences referring to net liquidity		**–1,411**	**–1,810**	**–103**
Net borrowings at year-end		**–10,809**	**–16,976**	**–13,423**

Parent company income statement

Amounts in SEKm unless otherwise stated

	Note	2001	2000	1999
Net sales		**7,311**	**7,344**	**6,685**
Cost of goods sold		–6,129	–6,072	–5,228
Gross operating income		**1,182**	**1,272**	**1,457**
Selling expenses		–794	–695	–749
Administrative expenses		–575	–376	–636
Other operating income	Note 3	19	33	19
Other operating expenses	Note 4	–750	–632	–337
Operating income	Note 25	**–918**	**–398**	**–246**
Group contributions		1,143	1,229	861
Financial income	Note 7	6,498	7,416	3,987
Financial expenses	Note 7	–2,559	–1,781	–1,805
Income after financial items		**4,164**	**6,466**	**2,797**
Allocations		152	1	–39
Income before taxes		**4,316**	**6,467**	**2,758**
Taxes	Note 8	76	37	–24
Net income		**4,392**	**6,504**	**2,734**

Parent company balance sheet

Amounts in SEKm unless otherwise stated

Assets	Note	Dec. 31, 2001	Dec. 31, 2000	Dec. 31, 1999
Fixed assets				
Intangible assets	Note 11	633	429	7
Tangible assets	Note 12	552	781	826
Financial assets	Note 13	31,801	31,310	30,590
Total fixed assets		**32,986**	**32,520**	**31,423**
Current assets				
Inventories, etc.	Note 14	808	690	630
Current receivables				
Receivables from subsidiaries		11,548	4,517	2,933
Accounts receivable		631	554	585
Tax refund claim		50	49	30
Other receivables		431	511	27
Prepaid expenses and accrued income		238	128	97
		12,898	**5,759**	**3,672**
Liquid funds				
Short-term placements		1,114	795	1,730
Cash and bank balances		3,167	1,906	2,001
		4,281	**2,701**	**3,731**
Total current assets		**17,987**	**9,150**	**8,033**
Total assets		**50,973**	**41,670**	**39,456**
Assets pledged	Note 15	**5**	**9**	**11**

Equity and liabilities		Dec. 31, 2001	Dec. 31, 2000	Dec. 31, 1999
Equity	Note 16			
Share capital	Note 17	1,831	1,831	1,831
Statutory reserve		2,731	2,731	2,731
Retained earnings		7,323	3,992	5,733
Net income		4,392	6,504	2,734
		16,277	**15,058**	**13,029**
Untaxed reserves	Note 18	**483**	**586**	**587**
Provisions				
Provisions for pensions and similar commitments	Note 19	230	217	204
Other provisions	Note 20	376	245	206
		606	**462**	**410**
Financial liabilities				
Payable to subsidiaries		16,552	10,527	10,113
Bond loans		10,427	7,695	6,881
Mortgages, promissory notes, etc.		3,683	4,844	4,814
Short-term loans		588	339	1,689
		31,250	**23,405**	**23,497**
Operating liabilities				
Payable to subsidiaries		865	685	403
Accounts payable		566	655	588
Other liabilities		78	99	51
Accrued expenses and prepaid income	Note 22	848	720	891
		2,357	**2,159**	**1,933**
Total equity and liabilities		**50,973**	**41,670**	**39,456**
Contingent liabilities	Note 23	**9,139**	**7,870**	**4,707**

Parent company cash flow statement

Amounts in SEKm unless otherwise stated

	2001	2000	1999
Operations			
Income after financial items	4,164	6,467	2,797
Depreciation according to plan charged against above income	173	226	216
Capital gain/loss included in operating income	40	–40	–29
	4,377	**6,653**	**2,984**
Taxes paid	75	19	–27
Cash flow from operations excluding change in operating assets and liabilities	**4,452**	**6,672**	**2,957**
Change in operating assets and liabilities			
Change in inventories	–118	–60	–37
Change in accounts receivable	–77	31	–154
Change in current intra-Group balances	2,088	–107	1,736
Change in other current assets	–30	–515	78
Change in current liabilities and provisions	162	–4	217
Cash flow from operations	**6,477**	**6,017**	**4,797**
Investments			
Change in shares and participations	–2,629	–2,168	5,810
Machinery, buildings, land, construction in progress, etc.	–188	–565	–302
Other	–783	667	–3,556
Cash flow from investments	**–3,600**	**–2,066**	**1,952**
Total cash flow from operations and investments	**2,877**	**3,951**	**6,749**
Financing			
Change in short-term loans	249	–1,350	–1,371
Change in long-term loans	1,571	844	–2,584
Dividend	–1,365	–1,282	–1,099
Repurchase of shares	–1,752	–3,193	—
Cash flow from financing	**–1,297**	**–4,981**	**–5,054**
Total cash flow	**1,580**	**–1,030**	**1,695**
Liquid funds at beginning of year	**2,701**	**3,731**	**2,036**
Liquid funds at year-end	**4,281**	**2,701**	**3,731**
Change in net borrowings			
Total cash flow excluding change in loans	**–240**	**–524**	**5,650**
Net borrowings at beginning of year	**–10,177**	**–9,653**	**–15,303**
Net borrowings at year-end	**–10,417**	**–10,177**	**–9,653**

Notes to the financial statements

Amounts in SEKm unless otherwise stated

Note 1 Accounting and valuation principles

General accounting principles

The consolidated financial statements are prepared in accordance with accounting principles generally accepted in Sweden, thereby applying the standards of the Swedish Financial Accounting Standards Council. These accounting principles differ in certain respects from those in the United States. For a description of significant differences, see Note 27 on page 64. In the interest of achieving comparable financial information within the Group, Electrolux companies apply uniform methods for reporting obsolescence on inventories, provisions for doubtful receivables, provisions for guarantee commitments, depreciation on fixed assets, etc., irrespective of national fiscal legislation. In some countries it is permissible to make additional allocations, which are reported under "Restricted equity", after deduction of deferred taxes.

The following should be noted:

- A number of new standards from the Swedish Financial Standards Council went into effect as of January 1, 2001. The implementation of the new standards has had no material effect on the consolidated financial statements. Electrolux will apply the new standards RR1:00, RR15, RR16 and RR17 as of January 1, 2002.
- The cash flow statement has been prepared according to the indirect method. In order to eliminate the effects of changes in exchange rates from year to year, both the opening and closing balances have been translated at average exchange rates for the year.
- Computation of net debt/equity, equity/assets and net assets includes minority interests in adjusted shareholders' equity. Definitions of these ratios are given on page 73.

Principles applied for consolidation

The consolidated financial statements have been prepared in accordance with Standard RR 1:96 of the Swedish Financial Accounting Standards Council and involve application of the purchase method, whereby the assets and liabilities in a subsidiary on the date of acquisition, are evaluated to determine the acquisition value to the Group. Any differences between the acquisition price and the market value of the acquired net assets are reported as goodwill or negative goodwill.

Definition of Group companies

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

The following applies to acquisitions and divestments during the year:

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

At year-end 2001, the Group comprised 370 (429) operating units, and 290 (334) companies.

Associated companies

Major investments in associated companies, i.e. those in which the parent company directly or indirectly owned 20–50% of the voting rights at year-end, have been reported according to the equity method. This means that the Group's share of income before taxes in an associated company is reported as part of the Group's operating income and the Group's share of taxes is reported as part of the Group's taxes. Investments in such a company are reported at a value corresponding to the Group's share of the company's equity, adjusted for possible over and undervalue. Joint ventures are reported according to the equity method. Minor investments in associated companies and joint ventures are reported as shares and participations at acquisition cost.

Goodwill

Goodwill is reported as an intangible asset and is depreciated over the estimated useful life, which is usually 10–20 years. Goodwill arising from strategic acquisitions is depreciated over 20–40 years.

Acquisitions are an important component of the Group's expansion, and are often made in competition with other companies whose accounting practices differ from the Swedish, e.g. with respect to goodwill. Electrolux applies a depreciation period of 40 years for the goodwill arising from the strategically important acquisitions of Zanussi, White Consolidated Industries, American Yard Products and Email. In accordance with the transitional rules in the recommendation of the Swedish Financial Accounting Standards Council regarding corporate reporting, Note 11 on page 54 reports the effects that would arise if the depreciation period for these four acquisitions was limited to 20 years.

Book values are examined each year to determine whether a write-down exceeding the planned amortization is necessary.

Translations of financial statements in foreign subsidiaries

The balance sheets of foreign subsidiaries have been translated into Swedish kronor at year-end rates. Income statements have been translated at the average rates for the year. Translation differences thus arising have been taken directly to equity.

The above principles have not been applied for subsidiaries in countries with highly inflationary economies. Translation differences referring to these companies have been charged against income. This method enables increases and/or decreases in equity in countries with highly inflationary economies to be reported in their entirety in the consolidated income statement.

Hedging of net investment

The parent company uses forward contracts and loans in foreign currencies as hedges for the net foreign investment. Exchange rate differences related to these contracts and loans have been charged to the Group's equity after deduction of taxes, to the extent to which there are corresponding translation differences.

Other accounting and valuation principles

Revenue recognition

Revenue is recognized when the significant risks and rewards of ownership of the goods has been transferred to the buyer. Sales of products and services are recorded and invoiced on the date of shipment. Net sales include the sale value less VAT (Value-Added Tax), specific sales taxes, returns and trade discounts.

Costs of research and development

These costs are reported on a current basis and are included in "Cost of goods sold" in the consolidated income statement.

Tangible fixed assets

Tangible fixed assets are stated at historical cost less straight-line accumulated depreciation, which is based on the estimated useful life of the asset. These are:

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

The parent company reports additional fiscal depreciation, permitted by the Swedish tax authorities, as "allocations" in the income statement. In the balance sheet these are included in "untaxed reserves". See Note 18 on page 58.

Other operating income and expenses

These items include profits and losses arising from sale of fixed assets and divestment of operations, as well as the share of income in associated companies. Other operating expenses also include depreciation of goodwill. See Notes 3 and 4 on pages 51 and 52.

Items affecting comparability

This item includes events and transactions with effects of significance, when income for the period is compared with that for other periods.

Taxes

Taxes incurred by the Electrolux Group are affected by allocations and other taxable (or tax-related) transactions in the individual Group companies. They are also affected by utilization of tax losses carried forward referring to previous years or to acquired companies. This applies to both Swedish and foreign Group companies. Deferred tax assets on tax losses and temporary differences are recognized only if it is probable that they will be utilized. The rules in the new Swedish accounting standard RR9 Taxes, that went into effect on January 1, 2001, has basically been applied by Electrolux in previous years and has not created any material changes.

A comparison of the Group's theoretical and actual tax rates and other disclosures are given in Note 8 on page 53.

Receivables and liabilities in foreign currency

Receivables and liabilities are valued at year-end rates. Financial receivables and liabilities for which forward contracts have been arranged are reported at the spot rates prevailing on the date of the contract. The premium is amortized on a current basis and reported as interest.

Loans and forward contracts intended as hedges for equity in foreign subsidiaries are reported in the parent company at the rate prevailing on the date on which the loan or contract was established. In the consolidated accounts, these loans and forward contracts are valued at year-end rates and the exchange differences of the parent company are charged directly to equity after deduction of taxes.

With regard to forward contracts intended as hedges for the cross-border flow of goods and services, accounts receivable and accounts payable are valued at contract rates.

Inventories

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

Financial fixed assets

Shares and participations in major associated companies are accounted for according to the equity method. Other financial fixed assets are reported at acquisition value.

Note 2 Net sales and operating income

	Net sales			Operating income		
	2001	2000	1999	**2001**	2000	1999
Net sales and operating income, by business area						
Consumer Durables	108,990	98,488	91,689	4,629	5,779	4,997
Professional Indoor products	17,073	17,561	20,450	1,070	1,577	1,902
Professional Outdoor products	9,452	8,039	7,100	1,313	1,153	983
Other	288	405	311	–158	–59	–64
Common Group costs	—	—	—	–432	–400	–398
Items affecting comparability	—	—	—	–141	–448	–216
Total	**135,803**	**124,493**	**119,550**	**6,281**	**7,602**	**7,204**
Net sales and operating income, by geographical area						
Europe	63,455	58,169	60,016	4,401	4,353	4,677
North America	52,907	52,906	47,675	2,162	3,884	3,290
Rest of the world	19,441	13,418	11,859	–141	–187	–547
Items affecting comparability	—	—	—	–141	–448	–216
Total	**135,803**	**124,493**	**119,550**	**6,281**	**7,602**	**7,204**

Operating income includes net exchange rate differences in the amount of SEK –248m (–102). Exports from Sweden during the year amounted to SEK 9,409m (9,166), of which SEK 7,286m (7,047) were to Group subsidiaries. The Group's Swedish factories accounted for 6.4% (7.2) of the total value of production.

Note 3 Other operating income

	Group			Parent company		
	2001	2000	1999	**2001**	2000	1999
Gain on sale of:						
Tangible fixed assets	119	78	137	—	3	19
Operations and shares	31	52	55	19	30	—
Total	**150**	**130**	**192**	**19**	**33**	**19**

Note 4 Other operating expenses

	Group			Parent company		
	2001	2000	1999	**2001**	2000	1999
Loss on sale of:						
Tangible fixed assets	–8	–60	–42	–4	–5	–4
Operations and shares	–28	–62	–60	–746	–627	–333
Shares of income in associated companies	12	–19	–11	—	—	—
Depreciation on goodwill	–257	–206	–210	—	—	—
Total	**–281**	**–347**	**–323**	**–750**	**–632**	**–337**

Note 5 Items affecting comparability

	Group		
	2001	2000	1999
Capital gain, Leisure appliances	3,120	—	—
Restructuring	–3,261	—	—
Allocation of SPP pension refunds	—	435	—
Capital gain, professional refrigeration	—	241	—
Restructuring, Consumer Durables	—	–883	—
Restructuring, Professional Products	—	–241	—
Capital gain, vending machines	—	—	1,625
Provision for pension litigation	—	—	–1,841
Total	**–141**	**–448**	**–216**

The above items are described in the Report by the Board of Directors on page 34.

Note 6 Leasing

In 2001 the Group rented 1.5 million square meters in accordance with operational leasing contracts. The Group also has leasing contracts for office equipment, etc. The Group's leasing costs for 1999, 2000 and 2001 and future payment obligations for 2002 and onward amount to:

	Operating leases	Financial leases
1999	773	53
2000	828	53
2001	1,032	44

	Operating leases	Financial leases
2002	1,039	40
2003–06	1,978	119
2007–	855	—
Total	**3,872**	**159**

The book value of assets under financial leases consists of building and land in the amount of SEK 199m.

Note 7 Financial income and expenses

	Group			Parent company		
	2001	2000	1999	**2001**	2000	1999
Financial income						
Interest income and similar items						
From subsidiaries	—	—	—	688	688	450
From others	972	1,011	1,061	251	180	170
Dividends						
From subsidiaries	—	—	—	5,554	6,544	3,365
From others	1	18	15	5	4	2
Total financial income	**973**	**1,029**	**1,076**	**6,498**	**7,416**	**3,987**
Financial expenses						
Interest expense and similar items						
To subsidiaries	—	—	—	–589	–466	–259
To others	–2,059	–2,110	–2,198	–1,043	–863	–994
Exchange rate differences						
On loans and forward contracts as hedges for equity in subsidiaries	—	—	—	–941	–462	–588
On other loans and borrowings, net	20	9	60	14	10	36
Total financial expenses	**–2,039**	**–2,101**	**–2,138**	**–2,559**	**–1,781**	**–1,805**

Note 7 continued

Premiums on forward contracts intended as hedges for equity in subsidiaries have been amortized as interest in the amount of SEK –54m (–64). In the consolidated accounts, exchange rate differences in the parent company on loans and forward contracts, intended as hedges for equity in subsidiaries, have been charged to equity after deduction of taxes. The net change in equity was SEK –592m (575). Group interest income includes income of SEK 2m (34) and interest expense of SEK 2m (33) referring to interest arbitrage transactions. Receivables and liabilities referring to interest arbitrage amounted to SEK 0m (812) at year-end, and have been excluded.

Note 8 Taxes

	Group			Parent company		
	2001	2000	1999	**2001**	2000	1999
Current taxes	–1,160	–1,860	–2,746	76	37	–24
Deferred taxes	–305	–249	749	—	—	—
Group share of taxes in associated companies	–12	–12	–8	—	—	—
Total	**–1,477**	**–2,121**	**–2,005**	**76**	**37**	**–24**

Total current tax on the net gain when the majority of the leisure appliances product line was sold amounted to SEK 480m. Acquired and sold units have added a net SEK 97m of deferred tax assets, reduced deferred tax liabilities with a net SEK 56m and reduced taxes payables with a net SEK 50m.

As of December 31, 2001 the Group had a tax loss carried forward and other deductible, temporary differences of SEK 3,765m (4,392), which have not been included in computation of deferred tax assets.

	Group					
	Assets		Liabilities		Net	
Deferred tax assets and liabilities	**2001**	2000	**2001**	2000	**2001**	2000
Tangible fixed assets	62	158	1,813	1,669	–1,751	–1,511
Inventories	143	184	646	573	–503	–389
Receivables	80	25	26	8	54	17
Operating liabilities	781	616	—	—	781	616
Provisions for pensions and similar commitments	130	70	—	—	130	70
Other provisions	1,420	1,808	379	481	1,041	1,327
Other items	182	150	17	12	165	138
Tax value of loss carry-forwards utilized	1,013	511	—	—	1,013	511
Tax assets/liabilities	3,811	3,522	2,881	2,743	930	779
Set off of tax	–1,033	–2,721	–1,033	–2,721	—	—
Net tax assets/liabilities	**2,778**	**801**	**1,848**	**22**	**930**	**779**

	Group		
Theoretical and actual tax rates, %	**2001**	2000	1999
Theoretical tax rate	38.0	38.2	38.4
Losses for which deductions have not been made	5.8	3.5	3.0
Non-taxable income statement items, net	–10.0	–2.1	–1.2
Timing differences	5.8	–3.0	0.6
Utilized tax-loss carry-forwards	–12.2	–3.3	–8.1
Dividend tax	0.6	—	0.4
Other	0.3	–0.8	–0.5
Actual tax rate	**28.3**	**32.5**	**32.6**

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

Note 9 Minority interests

	2001	2000	1999
Minority interests in			
Income after financial items	133	43	27
Taxes	–1	5	11
Net income	**132**	**48**	**38**

Note 10 Net income per share

	2001	2000	1999
Net income, SEKm	3,870	4,457	4,175
Number of shares[1)]	340,064,997	359,083,955	366,169,580
Net income per share, SEK	11.35	12.40	11.40

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

There are no items diluting earnings per share during the periods above.

Note 11 Intangible assets

	Group			Parent company
	Goodwill	Other	Total	Brands, etc.
Closing balance Dec. 31, 1999	3,168	130	3,298	7
Acquired during the year	300	453	753	450
Sold during the year	–95	–26	–121	—
Depreciation for the year	–206	–11	–217	–28
Exchange rate differences	268	12	280	—
Closing balance Dec. 31, 2000	**3,435**	**558**	**3,993**	**429**
Acquired during the year	1,461	6	1,467	205
Sold during the year	–12	—	–12	—
Depreciation for the year	–257	–20	–277	–1
Write-downs	–311	—	–311	—
Exchange rate differences	292	7	299	—
Closing balance Dec. 31, 2001	**4,608**	**551**	**5,159**	**633**

In accordance with the transitional provisions for Standard RR1:96 of the Swedish Financial Accounting Standards Council, goodwill arising on acquisitions before the effective date may be amortized over periods longer than 20 years. The Group depreciates four items of goodwill over 40 years including that associated with the acquisitions of Email in 2001. The accounting adopted for the Email acquisition is consistent with the amortization period for other strategic acquisitions. If, instead, these goodwill items were to be depreciated over 20 years, in accordance with RR1:96, income for the year would decline by SEK 140m (98), and the residual value of goodwill would be reduced by SEK 1,643m (1,284), while equity would decline at a corresponding amount. Depreciation on goodwill is reported under other operating expenses. Book values are examined each year to determine whether a write-down exceeding the planned amortization is necessary.

The right to use the Electrolux brand in North America, acquired in May 2000, is depreciated over 40 years in the consolidated accounts. This estimated useful life is consistent with that used for goodwill for acquisitions in North America.

Note 12 Tangible fixed assets

Group	Buildings and land	Machinery and technical installations	Other equipment	Construction in progress and advances	Total
Acquisition costs					
Closing balance Dec. 31, 1999	11,377	32,659	3,961	2,346	50,343
Acquired during the year	273	1,454	502	2,194	4,423
Corporate acquisitions	66	72	94	1	233
Corporate divestments	–276	–470	–111	–4	–861
Transfer of work in progress and advances	167	1,672	22	–1,861	0
Sales, scrapping, etc.	–321	–967	–596	–11	–1,895
Exchange rate differences	645	1,981	146	263	3,035
Closing balance Dec. 31, 2000	**11,931**	**36,401**	**4,018**	**2,928**	**55,278**
Acquired during the year	186	1,413	405	2,191	4,195
Corporate acquisitions	313	1,086	106	40	1,545
Corporate divestments	–249	–935	–91	–10	–1,285
Transfer of work in progress and advances	204	1,897	–58	–2,043	0
Sales, scrapping, etc.	–402	–2,604	–1,107	–59	–4,172
Exchange rate differences	885	2,779	259	323	4,246
Closing balance Dec. 31, 2001	**12,868**	**40,037**	**3,532**	**3,370**	**59,807**
Accumulated depreciation according to plan					
Closing balance Dec. 31, 1999	4,243	22,828	2,378	—	29,449
Depreciation for the year	415	2,679	499	—	3,593
Corporate acquisitions	5	36	48		89
Corporate divestments	–93	–333	–86		–512
Sales, scrapping, etc.	–165	–896	–532	—	–1,593
Exchange rate differences	270	1,492	102	—	1,864
Closing balance Dec. 31, 2000	**4,675**	**25,806**	**2,409**	**—**	**32,890**
Depreciation for the year	389	3,116	495	—	4,000
Corporate acquisitions	11	617	48	—	676
Corporate divestments	–106	–718	–73	—	–897
Sales, scrapping, etc.	–138	–2,197	–725	—	–3,060
Write-downs	227	864	—	—	1,091
Exchange rate differences	375	2,042	164	—	2,581
Closing balance Dec. 31, 2001	**5,433**	**29,530**	**2,318**	**—**	**37,281**
Net book value Dec. 31, 2000	**7,256**	**10,595**	**1,609**	**2,928**	**22,388**
Net book value Dec. 31, 2001	**7,435**	**10,507**	**1,214**	**3,370**	**22,526**

Tax assessment value for Swedish Group companies was for buildings SEK 330m (407), and land SEK 72m (104). The corresponding book values for buildings were SEK 166m (197), and land SEK 20m (31). Accumulated write-ups on buildings and land were at year-end SEK 159m (158).

Note 12 continued

Parent company	Buildings and land	Machinery and technical installations	Other equipment	Construction in progress and advances	Total
Acquisition costs					
Closing balance Dec. 31, 1999	201	1,701	329	39	2,270
Acquired during the year	1	115	47	27	190
Transfer of work in progress and advances	—	19	1	–20	0
Sales, scrapping, etc.	–16	–175	–52	—	–243
Closing balance Dec. 31, 2000	**186**	**1,660**	**325**	**46**	**2,217**
Acquired during the year	—	61	25	22	108
Transfer of work in progress and advances	—	10	1	–11	0
Sales, scrapping, etc.	–105	–360	–15	–19	–499
Closing balance Dec. 31, 2001	**81**	**1,371**	**336**	**38**	**1,826**
Accumulated depreciation according to plan					
Closing balance Dec. 31, 1999	138	1,167	139	—	1,444
Depreciation for the year	5	157	36	—	198
Sales, scrapping, etc.	–5	–153	–48	—	–206
Closing balance Dec. 31, 2000	**138**	**1,171**	**127**	**—**	**1,436**
Depreciation for the year	4	133	36	—	173
Sales, scrapping, etc.	–78	–263	6	—	–335
Closing balance Dec. 31, 2001	**64**	**1,041**	**169**	**—**	**1,274**
Net book value Dec. 31, 2000	**48**	**489**	**198**	**46**	**781**
Net book value Dec. 31, 2001	**17**	**330**	**167**	**38**	**552**

Tax assessment value for buildings was SEK 95m (194), and land SEK 17m (51).
The corresponding book values for buildings were SEK 12m (35), and land SEK 5m (14).
Undepreciated write-ups on buildings and land were SEK 2m (9).

Note 13 Financial fixed assets

	Group			Parent company		
	2001	2000	1999	**2001**	2000	1999
Participations in associated companies	190	191	223	—	—	—
Participations in other companies	204	329	281	125	94	94
Shares in subsidiaries	—	—	—	25,088	22,490	20,322
Long-term receivables in subsidiaries	—	—	—	6,331	8,378	9,625
Long-term holdings in securities	172	208	367	—	—	—
Deferred taxes	2,778	801	924	—	—	—
Other receivables	1,322	1,770	2,064	257	348	549
Total	**4,666**	**3,299**	**3,859**	**31,801**	**31,310**	**30,590**

A specification of shares and participations is given in Note 26 on page 62.

Note 14 Inventories

	Group			Parent company		
	2001	2000	1999	**2001**	2000	1999
Raw materials	4,585	4,397	4,169	134	152	155
Work in progress	898	912	793	18	17	45
Finished products	11,876	11,987	11,587	656	521	430
Advances to suppliers	93	52	36	—	—	—
Advances from customers	–451	–468	–414	—	—	—
Total	**17,001**	**16,880**	**16,171**	**808**	**690**	**630**

Note 15 Assets pledged for liabilities to credit institutions

	Group			Parent company		
	2001	2000	1999	**2001**	2000	1999
Real-estate mortgages	1,384	1,095	1,817	—	—	—
Corporate mortgages	28	9	11	—	—	—
Receivables	285	383	342	—	—	—
Inventories	450	387	336	—	—	—
Other	263	243	585	5	9	11
Total	**2,410**	**2,117**	**3,091**	**5**	**9**	**11**

Note 16 Equity

Group	Share capital	Restricted reserves	Retained earnings	Net income	Total
Closing balance, Dec. 31, 1999	**1,831**	**11,036**	**8,739**	**4,175**	**25,781**
Transfer of retained earnings	—	—	4,175	–4,175	—
Dividend payment	—	—	–1,282	—	–1,282
Repurchase of shares	—	—	–3,193	—	–3,193
Translation differences	—	—	561	—	561
Transfers between restricted and unrestricted equity	—	814	–814	—	—
Net income	—	—	—	4,457	4,457
Closing balance Dec. 31, 2000	**1,831**	**11,850**	**8,186**	**4,457**	**26,324**
Transfer of retained earnings	—	—	4,457	–4,457	—
Dividend payment	—	—	–1,365	—	–1,365
Repurchase of shares	—	—	–1,752	—	–1,752
Dividends to minority shareholders	—	—	–28	—	–28
Translation differences	—	—	1,815	—	1,815
Transfers between restricted and unrestricted equity	—	1,588	–1,588	—	—
Net income	—	—	—	3,870	3,870
Closing balance Dec. 31, 2001	**1,831**	**13,438**	**9,725**	**3,870**	**28,864**

Unrestricted consolidated earnings amount to SEK 13,595m. No allocation to restricted reserves is required. The accumulated translation differences charged to equity since January 1, 1998 amount to SEK 1,462m (–353). Translation differences in 2001 amount to SEK 1,815m and have been reduced by SEK 592m through equity hedging.

Parent company	Share capital	Statutory reserve	Retained earnings	Net income	Total
Closing balance Dec. 31, 1999	**1,831**	**2,731**	**5,733**	**2,734**	**13,029**
Transfer of retained earnings	—	—	2,734	–2,734	—
Dividend payment	—	—	–1,282	—	–1,282
Repurchase of shares	—	—	–3,193	—	–3,193
Net income	—	—	—	6,504	6,504
Closing balance Dec. 31, 2000	**1,831**	**2,731**	**3,992**	**6,504**	**15,058**
Transfer of retained earnings	—	—	6,504	–6,504	—
Dividend payment	—	—	–1,365	—	–1,365
Repurchase of shares	—	—	–1,752	—	–1,752
Write-down of revaluation fund	—	—	–56	—	–56
Net income	—	—	—	4,392	4,392
Closing balance Dec. 31, 2001	**1,831**	**2,731**	**7,323**	**4,392**	**16,277**

Note 17 Share capital and number of shares

	Value at par
On December 31, 2001 the share capital comprised the following:	
10,000,000 A-shares, par value SEK 5	50
356,169,580 B-shares, par value SEK 5	1,781
Total	**1,831**

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

As of December 31, 2001 Electrolux had repurchased 36,605,000 B-shares, with a total par value of SEK 183m.

The average number of shares during the year has been 340,064,997 (359,083,955).

Note 18 Untaxed reserves, parent company

	Dec. 31, 2001	Allocations	Dec. 31, 2000	Allocations	Dec. 31, 1999
Tax equalization reserve (L-fund)	—	—	—	–6	6
Accumulated depreciation in excess of plan on:					
Brands	198	132	66	63	3
Machinery and equipment	244	–100	344	–29	373
Buildings	14	–8	22	–4	26
Exchange rate reserve	21	–10	31	–11	42
Other financial reserves	6	–5	11	–14	25
Tax allocation reserve	—	–112	112	—	112
Total	**483**	**–103**	**586**	**–1**	**587**

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

Note 19 Provisions for pensions and similar commitments

	Group			Parent company		
	2001	2000	1999	**2001**	2000	1999
Interest-bearing pensions	269	250	295	230	217	204
Other pensions	744	1,106	1,227	—	—	—
Other commitments	3,082	2,692	2,450	—	—	—
Total	**4,095**	**4,048**	**3,972**	**230**	**217**	**204**

In 1998 two Group pension funds were established for the Group's Swedish companies in order to secure pension commitments related to the ITP plan, i.e. PRI pensions.

The Electrolux 1997 pension fund secures pensions earned through 1997, and the Electrolux 1998 pension fund secures pensions earned from 1998 onward. The parent company and Swedish subsidiaries secure PRI pensions in the latter fund by allocations to own pension funds. In 2001, SEK 84m was paid into the 1998 fund.

The year-end market value of assets in the 1997 and 1998 pension funds amounted to SEK 1,078m (1,476) and SEK 201m (123) respectively. The market value of assets in the 1997 fund exceeded the capital value of pension commitments by SEK 230m (656). The market value of assets in the 1998 fund was SEK 83m (84) less than the value of pension commitments. A provision has been made in the balance sheets of the respective units as of December 31, 2001 for the deficit in the 1998 fund.

Pension obligations in the amount of SEK 5m (275) have been prepaid by Electrolux units to SPP in respect of the 1997 pension fund. These amounts have been refunded to the respective units in 2001.

The pension funds are managed by external investment companies, and the portfolio comprises both shares and interest-bearing securities. Most of the cash assets in the funds had been invested by year-end 2001.

Note 20 Other provisions

	Group			Parent company		
	2001	2000	1999	**2001**	2000	1999
Provision for restructuring	1,771	1,020	180	204	19	7
Guarantee commitments	1,223	1,072	1,141	88	84	76
Pension litigation	1,084	2,135	1,841	—	—	—
Deferred tax liabilities	1,848	22	—	—	—	—
Other	2,415	2,380	2,537	84	142	123
Total	**8,341**	**6,629**	**5,699**	**376**	**245**	**206**

Note 21 Interest-bearing liabilities

	Group		
	2001	2000	1999
Short-term loans	5,256	8,849	6,727
Long-term loans	17,658	16,299	16,713
Interest-bearing pensions	269	250	295
Total	**23,183**	**25,398**	**23,735**

Long-term borrowings, including swap transactions, by currency	**2001 SEKm**	2000 SEKm	1999 SEKm
USD	6,449	7,163	9,612
EUR	10,080	7,986	6,669
Other currencies	1,129	1,150	432
Total	**17,658**	**16,299**	**16,713**

Long-term borrowings, mature as follows	**2001**
2002	2,020
2003	2,525
2004	3,278
2005	4,701
2006	546
2007	47
Thereafter, up to and including 2038	4,541
Total	**17,658**

At year-end 2001, the Group had unutilized, uncommitted credit facilities in the amount of SEK 23,756m (23,270).

Note 22 Accrued expenses and prepaid income

	Group			Parent company		
	2001	2000	1999	**2001**	2000	1999
Accrued holiday pay	1,299	997	884	158	182	180
Other accrued payroll costs	1,081	864	1,274	98	114	116
Accrued interest expenses	265	262	437	220	166	249
Prepaid income	1,256	887	924	28	2	3
Other accrued expenses	4,519	4,255	4,167	344	256	343
Total	**8,420**	**7,265**	**7,686**	**848**	**720**	**891**

Note 23 Contingent liabilities

	Group			Parent company		
	2001	2000	1999	**2001**	2000	1999
Discounted bills	22	66	15	—	—	—
Accounts receivable, with recourse	580	660	369	—	—	—
Guarantees and other commitments						
On behalf of subsidiaries	—	—	—	8,992	7,736	4,580
Other	539	483	444	127	100	90
Capital value of pension commitments in excess of reported liability	79	116	129	20	34	37
Total	**1,220**	**1,325**	**957**	**9,139**	**7,870**	**4,707**

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.

Note 24 Acquired and divested operations

	Group		
	2001	2000	1999
Fixed assets	735	18	97
Inventories	–43	–272	–108
Receivables	–576	–251	–764
Other current assets	–2,450	–102	–103
Liquid funds	–68	–37	–147
Loans	2,943	22	204
Other liabilities and provisions	417	196	592
Purchase price	2,288	667	1,849
Liquid funds in acquired/divested operations	–68	–37	–147
Effect on Group liquid funds	**2,220**	**630**	**1,702**

In the consolidated cash flow statement SEK 2,641m, referring to short-term loans in the sold Veneta Factoring S.p.A., have been included in cash flow from investments under the heading Divestment of operations.

Note 25 Employees and payroll costs

The average number of employees in 2001 was 87,139 (87,128), of whom 59,123 (58,962) were men and 28,016 (28,166) were women.

	Group		
	2001	2000	1999
Number of employees by geographical area			
Europe	46,899	49,671	52,032
North America	21,294	22,879	23,174
Rest of the world	18,946	14,578	17,710
Total	**87,139**	**87,128**	**92,916**

	2001		2000		1999	
Salaries, other remuneration and employer contributions	**Salaries and remuneration**	**Employer contributions**	Salaries and remuneration	Employer contributions	Salaries and remuneration	Employer contributions
Parent company	1,046	462	1,143	509	1,155	604
(of which pension costs)		(149) [1]		(121) [1]		(116)
Subsidiaries	19,284	6,021	16,098	4,349	16,657	4,714
(of which pension costs)		(354)		(331)		(429)
Group total	**20,330**	**6,483**	**17,241**	**4,858**	**17,812**	**5,318**
(of which pension costs)		**(503)**		**(452)**		**(545)**

[1] Of which SEK 22m (6) refers to pension costs for the current company President and his predecessors.

	2001		2000		1999	
Salaries and remuneration for Board members, Presidents and other employees, by geographical area	**Boards and Presidents**	**Other employees**	Boards and Presidents	Other employees	Boards and Presidents	Other employees
Sweden						
Parent company	12	1,034	14	1,129	19	1,136
Other	18	908	22	882	31	963
Total Sweden	30	1,942	36	2,011	50	2,099
EU excluding Sweden	135	8,786	134	8,355	151	8,622
Rest of Europe	44	999	40	870	41	899
North America	55	6,451	63	4,802	74	4,971
Latin America	24	449	24	478	22	461
Asia	32	426	26	304	29	276
Africa	2	33	2	29	1	42
Oceania	5	917	3	64	4	70
Total outside Sweden	297	18,061	292	14,902	322	15,341
Group total	**327**	**20,003**	**328**	**16,913**	**372**	**17,440**

Note 25 continued

Remuneration, etc. to the Chairman of the Board, the President, other members of senior Group management and auditors

In accordance with the decision by the Annual General Meeting, fees were paid to the Board of Directors amounting to SEK 2,800,000. Of the total amount, SEK 75,000 was set aside for committee work, SEK 1,000,000 was paid to the Chairman, SEK 350,000 to the Deputy Chairman and SEK 275,000 to each of the other members who are not employed by the Group. The Board has decided that the SEK 75,000 set aside for committee work will not be distributed.

Remuneration to the President 1997–2001

SEK	Base salary	Variable salary	Total salary
1997	6,600,000	1,350,000	7,950,000
1998	6,600,000	3,852,000	10,452,000
1999	6,600,000	4,009,850	10,609,850
2000	6,600,000	2,621,000	9,221,000
2001	9,000,000	0	9,000,000

The President's variable salary is based on the principles used within the Group to reward value creation, and increases at a linear rate above a certain level. No variable salary was paid during 2001.

The President has received 60,000 options under the 2001 option program, and 135,000 options under previous years' option programs.

The retirement age for the President is 60. The President is covered by the ITP plan, and in addition is entitled to a lifetime supplementary pension calculated on the base salary at the time of retirement, plus an average of the variable salary for the last three years. The supplementary pension consists of 32.5% of the portion of salary that corresponds to 20–30 base amounts according to 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. Between the ages of 60 and 65, an additional pension will be paid amounting to 5% of the salary as of the date of retirement, maximized to 30 times the base amount. The total pension payment thus amounts to approximately SEK 4–4.5m annually from age 60 onward. Pension rights from previous employment are included in the above.

There is no agreement for special severance pay.

The members of Group management employed in Sweden participate in the same pension plans as other members of management at lower levels in Swedish companies. The pensionable age is age 65. For members of Group management employed outside Sweden, different pension terms apply according to the country of employment, with the right to receive pensions at 60 years of age at the earliest. There are no agreements for special severance pay.

The total capital value of pension commitments referring to the current President, his predecessors and their survivors amount to SEK 123m (105).

Fees in 2001 to KPMG, which performs virtually all external auditing within the Group, amounted to SEK 31m referring to audits, and SEK 27m referring to various types of consultancy for the Group. Audit fees to other audit firms amounted to SEK 4m.

Option programs

1998–2000 option programs

In 1998, an annual program for employee stock options was introduced for approximately 100 senior managers. Options were allotted on the basis of value created according to the Group's model for value creation. If no value was created, no options were issued.

The maturity period of the options was 5 years. The options were not eligible for exercise for 12 months following the date of allotment. The options can be used to purchase Electrolux B-shares at a strike price, which is 15% higher than the average closing price of the Electrolux B-shares on the Stockholm Exchange during a limited period prior to allotment.

The total number of options outstanding under the 1998 program is 694,300 and the strike price is SEK 170. A provision of SEK 39m (48), including employer contributions has been made for the 1998 program.

The total number of options outstanding under the 1999 program is 1,285,900 and the strike price is SEK 216. A provision of SEK 90m (101), including employer contributions has been made for the 1999 program.

The total number of options outstanding under the 2000 program is 595,800 and the strike price is SEK 170. A provision of SEK 75m (80), including employer contributions has been made for the 2000 program.

2001 option program

Electrolux introduced a new employee stock option program in 2001. Under the 2001 stock option program, 2,460,000 options are outstanding and were allotted to less than 200 senior managers in lots of 15,000 options. The President was granted 4 lots, members of Group Management 2 lots and all other managers 1 lot. The options were allotted free of charge to participants, with a maturity period of seven years. The strike price is SEK 177, which was 10% above the average closing price of the Electrolux B-shares on the Stockholm Exchange during a limited period prior to allotment.

2002 option program

The Board has approved a proposal for a stock option program in 2002 submitted by the Remuneration Committee. A maximum of 3,000,000 options will be allotted for up to 200 senior managers. The 2002 program is based on the above mentioned parameters in the 2001 program including the number of options per lot.

Hedging arrangements for the 1998–2002 option programs

In order to meet the company's obligations under the 1998 and 1999 stock option programs, the Annual General Meeting in 2000 approved a proposal by the Board to use 2,814,300 repurchased Electrolux B-shares for this purpose. Similarly, authorization was given at the Annual General Meeting in 2001 to sell up to 3,000,000 repurchased shares to meet the obligations under the 2001 stock option program. In the same format, the Board will present a proposal at the 2002 Annual General Meeting to sell up to 3,595,800 shares to satisfy the obligations under the 2000 and 2002 stock options programs.

Assuming that all stock options allotted under the 2002 program are exercised, a sale of previously repurchased shares will result in a dilution of 1.0%. Provided that the Board's proposal to hedge the 2000 and 2002 programs is accepted at the Annual General Meeting, and assuming that all options outstanding under the program of 1998 up to and including the 2001 program are exercised, the maximum dilution would be 1.5%.

Synthetic options 2000

The Board granted Wolfgang König, the Head of white goods outside North America, 118,400 synthetic employee stock options with the right to receive a cash amount for each option when exercised, calculated as the difference between the current share price and the strike price of SEK 147. The options may be exercised until July 1, 2006. The options have been allotted without consideration and as compensation for lost options with his former employer immediately before joining the Electrolux Group. This program is hedged with an equity swap. The cost is SEK 0.9m.

Note 25 continued

Synthetic options 1993

Of the approximately 150 senior managers who were offered synthetic options in 1993, 112 exercised the right to subscribe to these options in January, 1994. The options were priced according to prevailing market conditions at SEK 35. The strike price was SEK 81, and the options matured on January 10, 2002.

A total of 2,530,000 options were issued, after adjustment for a stock split of 5:1 in 1998. The value of the options was indexed to the Electrolux share price. The options could not be used for purchase of the company's shares, but only redeemed in cash by the company.

The change in the value of these synthetic options is included in the annual Electrolux income statement. At year-end the total provision was SEK 6m (50), and net income for the year has been credited with SEK 21m (1).

At year-end 2001 there were 4 (16) owners remaining with total holdings of 72,610 (383,355) options. Before the expiry of the term, all remaining options were exercised.

Note 26 Shares and participations

	Holding, %	Book value, equity method, SEKm
Associated companies and joint ventures		
Atlas Eléctrica, S.A., Costa Rica	18.4	65
Eureka Forbes Ltd, India	40.0	63
Shanghai-Zanussi Elettromeccanica Co. Ltd, China	30.0	50
Saudi Refrig Mfg, Saudi Arabia	49.0	35
Sidème S.A., France	34.0	21
Viking Financial Services, USA	50.0	7
A/O Khimki Husqvarna, Russia	50.0	2
IVG Bulka-Lehel GmbH, Germany	50.0	1
e2 Home AB, Sweden	50.0	1
Manson Tools AB, Sweden	49.0	0
MISR Compressor Manufacturing, Co., S.A.E., Egypt	27.7	–55
		190

The total acquistion cost for these associated companies and joint ventures is SEK 295m. Electrolux does not have unlimited liability for any of these companies.

	Holding, %	Book value, equity method, SEKm
Other companies		
Primus Capital Fund II, USA	—	119
Veneta Factoring S.p.A., Italy	10.0	19
Winful J/V, China	5.0	18
Business Partners B.V., The Netherlands	0.7	18
Nordwaggon AB, Sweden	50.0	9
Kotimaiset Kotitalouskoneet Oy, Finland	50.0	5
Other		16
		204

Note 26 continued

		Holding, %
Subsidiaries		
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
	Verdichter OE G.m.b.H.	100
Belgium	Electrolux Home Products Corp. N.V.	100
	Electrolux Belgium N.V.	100
Brazil	Electrolux Ltda	100
	Electrolux do Brasil S.A.	99.9
Canada	Electrolux Canada Corp.	100
China	Electrolux Home Appliances (Hangzhou) Co. Ltd	100
	Electrolux Zhongyi (Changsha) Refrigerators Co. Ltd	60
	Zanussi Zhongyi (Changsha) Refrigerators Co. Ltd	60
	Zanussi Elettromeccanica Tianjin Compressor Co. Ltd	50
Denmark	Electrolux Holding A/S	100
	Electrolux Home Products Denmark A/S	100
	A/S Vestfrost	50
Finland	Oy Electrolux Ab	100
	Oy Electrolux Kotitalouskoneet Ab	100
France	Electrolux France S.A.	100
	Electrolux Home Products France S.A.	100
	Electrolux Professionnel S.A.	100
Germany	Electrolux Deutschland GmbH	100
	AEG Hausgeräte GmbH	100
	FHP Motors GmbH	100
Hungary	Electrolux Lehel Hütögépgyár Kft	100
India	Electrolux Kelvinator Ltd	76
Italy	Electrolux Zanussi S.p.A.	100
	Zanussi Elettromeccanica S.p.A.	100
	Electrolux Professional S.p.A.	100
	Electrolux Zanussi Italia S.p.A.	100
Luxembourg	Electrolux Luxembourg S.à r.l.	100
Mexico	Electrolux de Mexico, S.A. de CV	100
	Kelvinator de Mexico S.A. de CV	100
The Netherlands	Electrolux Associated Company B.V.	100
	Electrolux Holding B.V.	100
	Electrolux Home Products B.V.	100
Norway	Electrolux Norge AS	100
Spain	Electrolux España S.A.	100
	Electrolux Home Products España S.A.	100
	Electrolux Home Products Operation España S.L.	100
	Cubigel S.A.	100
Sweden	Husqvarna AB	100
	Electrolux Wascator AB	100
	Electrolux Hemprodukter AB	100
	Electrolux Professional AB	100
Switzerland	Electrolux Holding AG	100
	A+T Hausgeräte AG	100
United Kingdom	Electrolux UK Ltd	100
	Electrolux Holdings Ltd	100
	Electrolux Outdoor Products Ltd	100
	Electrolux Professional Ltd	100
	Electrolux Household Appliances Ltd	100
USA	Electrolux Home Products Inc.	100
	Electrolux North America Inc.	100
	Electrolux Professional Inc.	100
	Electrolux Professional Outdoor Products Inc.	100

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

Note 27 US GAAP information

The consolidated financial statements have been prepared in accordance with Swedish accounting standards, which differ in certain significant respects from US GAAP. Following is a description of those differences which have a significant effect on net income and shareholders' equity.

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

Pensions

According to Swedish accounting standards, pension obligations are recorded in the consolidated financial statements on the basis of actuarial assumptions. US accounting standards are defined in SFAS No. 87 "Employers' Accounting for Pensions" which is more prescriptive, particularly in the use of actuarial assumptions for future salary increases, discount rates and inflation. Additionally, SFAS No. 87 requires that a specific actuarial method (the projected unit credit method) be used.

Certain pension commitments in Sweden are administered through a multi-employer plan for Swedish white-collar employees. In accordance with Swedish GAAP, Electrolux recognized income and recorded an asset for its allocable portion of a surplus, not utilized in 2000. Under US GAAP, the entire amount was not allowed to be recognized until it was received or available for utilization. In 2001, Electrolux utilized a significant portion of its remaining allocable surplus, and the amount has been recognized in current earnings in accordance with US GAAP.

Stock-based compensation

Electrolux has several employee stock option programs, which are offered to senior managers. In accordance with Swedish GAAP, the Company records provisions for related social fees at the time the options are allotted. However, under US GAAP, employer taxes on employee stock-based compensation should not be recognized until the date of the event triggering the measurement and payment of the tax to the taxing authority, which is generally the date the option is exercised.

Securities

According to Swedish accounting standards, debt and equity securities held for trading purposes should be reported at the lower of cost or market. Financial assets and other investments, that are to be held to maturity, are valued at acquisition cost.

In accordance with US GAAP and SFAS No. 115 "Accounting for Certain Investments in Debt and Equity Securities," holdings should be classified, according to management's intention, as either "held-to-maturity," "trading," or "available for sale." Debt securities classified as held-to-maturity are reported at amortized cost. Trading securities are recorded at fair value, with unrealized gains and losses included in current earnings. Debt and marketable equity securities that are classified as available for sale are recorded at fair value, with unrealized gains and losses reported as a separate component of shareholders' equity.

Income taxes

Electrolux reports deferred taxes in accordance with Swedish standard RR9. With the implementation of RR9 the accounting for deferred taxes under Swedish GAAP has become more closely aligned with US GAAP.

Financial instruments

Effective January 1, 2001, the company adopted SFAS No. 133 "Accounting for Derivative Instruments and Hedging Activities" and SFAS No. 138 "Accounting for Certain Derivative Instruments and Certain Hedging Transactions, an Amendment to FASB Statement No. 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 company to designate, document and assess the effectiveness of a hedge to qualify for hedge accounting treatment.

In accordance with US GAAP and SFAS No. 133, gains and losses from derivative instruments can only be deferred from current earnings to the extent that the instruments are designated and qualify as effective hedges. For all other derivatives, gains and losses from derivative instruments are recorded in earnings.

Under Swedish GAAP, unrealized gains and losses on hedging instruments used to hedge future cash flows are deferred and recognized in the same period that the hedged transaction is recognized.

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

In accordance with the transition provisions of SFAS No.133, the Company recorded a net transition loss of approximately SEK 24m in accumulated other comprehensive income and SEK 4m net loss in earnings to recognize the fair value of derivative and hedging instruments. Substantially all of the transition adjustment recognized in accumulated other comprehensive income has been reclassified into earnings as of December 31, 2001. The fair value adjustment to net debt is being amortized over the period of the debt in accordance with the transition rules. The year-end adjustment to record derivative instruments at fair value in accordance with US GAAP resulted in a net decrease to other comprehensive income in the amount of SEK 535m and a net loss adjustment of SEK 72m recognized in current earnings. The adjustment to accumulated other comprehensive income represents the difference between the amount of net investment hedges that were recorded in equity in accordance with Swedish GAAP, and the amount of net investment hedges that did not qualify for hedge accounting treatment under US GAAP.

Restructuring and other provisions

Under US GAAP, the recognition of restructuring cost is deferred until a commitment date is established. This is usually the date on which management, having appropriate level of authority, commits the company to the restructuring plan, identifies all significant actions, including the method of disposition and the expected date of completion, and, in the case of employee terminations, specifies the severance arrangements and communicates them to employees. The guidance under Swedish GAAP is not as prescriptive and, in certain circumstances, allows for earlier recognition. Additionally, US GAAP is more prescriptive on the types of costs which are allowed to be classified as restructuring cost, specifically those which are a direct result of the restructuring and are not associated with the ongoing activities of the company. Swedish GAAP is not as prescriptive regarding the types of costs which can be included and thus differences can result.

Note 27 continued

Software development
Under Swedish GAAP, all costs related to the development of software for internal use are generally expensed as incurred. Under US GAAP, direct internal and external costs incurred during the application development stage should be capitalized, whereas, internal and external costs incurred during the preliminary project stage and the post-implementation stage should be expensed as incurred.

Adjustment for acquisitions
According to Swedish accounting standards, prior to 1996 the tax benefit arising from realized pre-acquisition loss carry-forwards of an acquired subsidiary could be recognized in earnings as a reduction of current tax expense when utilized. According to US GAAP, the benefits are required to be recorded as a component of purchase accounting usually as a reduction of goodwill.

Revaluation of assets
Under Swedish GAAP, land and buildings may under certain circumstances be written up and reported at values in excess of the acquisition cost. Such revaluation is not permitted in accordance with US GAAP.

Recently issued accounting standards not yet adopted
In June 2001, the FASB issued SFAS No. 141, "Business Combinations", (SFAS No. 141) and SFAS No. 142, "Goodwill and Other Intangible Assets" (SFAS No. 142). SFAS No. 141 requires that the purchase method of accounting be used for all business combinations. SFAS No. 141 specifies criteria that intangible assets acquired in a business combination must meet to be recognized and reported separately from goodwill. SFAS No. 142 will require that goodwill and intangible assets with indefinite useful lives no longer be amortized, but instead tested for impairment at least annually in accordance with the provisions of SFAS No. 142. The Company adopted the provisions of SFAS No. 141 as of July 1, 2001 for US GAAP reporting purposes and SFAS No. 142 is effective January 1, 2002. Goodwill and intangible assets determined to have an indefinite useful life acquired in a purchase business combination completed after June 30, 2001 but before SFAS No. 142 is adopted are not amortized. Goodwill and intangible assets acquired in business combinations completed before July 1, 2001 continued to be amortized and tested for impairment prior to the full adoption of SFAS No. 142.

SFAS No. 142 requires the Company to perform a transitional goodwill impairment evaluation to assess whether there is an indication that goodwill is impaired as of the date of adoption. The Company must identify its reporting units, determine the carrying value and fair value of each reporting unit, and compare those values. To the extent the carrying amount of a reporting unit exceeds the fair value, an indication exists that the reporting unit goodwill may be impaired. The Company must then compare the implied fair value of the reporting unit goodwill with the carrying amount of the reporting unit goodwill to determine whether any transitional impairment loss should be recognized. The Company is currently completing its determination of the effect of the adoption of SFAS No. 142.

In June 2001, the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations" (SFAS No. 143). SFAS No. 143 requires the Company to record the fair value of an asset retirement obligation as a liability in the period in which it incurs a legal obligation associated with the retirement of tangible long-lived assets that result from the acquisition, construction, development and/or normal use of the assets. The Company also records a corresponding asset which is depreciated over the life of the asset. The Company is required to adopt SFAS No. 143 on January 1, 2003. The Company is currently reviewing the impact of the future adoption of SFAS No.143.

In August, 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" (SFAS No. 144). SFAS No. 144 addresses financial accounting and reporting for the impairment or disposal of long-lived assets. This Statement requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. SFAS No. 144 requires companies to separately report discontinued operations and extends that reporting to a component of an entity that either has been disposed of (by sale, abandonment, or in a distribution to owners) or is classified as held for sale. The Company is required to adopt SFAS No. 144 on January 1, 2002 and is currently completing its determination of the effect of the adoption of the standard.

Note 27 continued

The following is a summary of the approximate effects that application of US GAAP would have on consolidated net income, equity and the balance sheet. Certain amounts for 2000 and 1999 have been reclassified to conform with the 2001 presentation.

A. Consolidated net income, SEKm	2001	2000	1999
Net income as reported in the consolidated income statement	3,870	4,457	4,175
Adjustments before taxes:			
Acquisitions	304	45	42
Restructuring and other provisions	–296	391	–189
Pensions	266	–228	–41
Financial instruments	–33	4	–35
Capitalization of computer software	17	51	—
Securities	–48	—	—
Stock-based compensation	34	—	—
Taxes on the above adjustments	13	–68	68
Other taxes	–444	212	33
Approximate net income according to US GAAP	3,683	4,864	4,053
Approximate net income per share in SEK according to US GAAP	10.85	13.55	11.05
No. of shares[1]	340,064,997	359,083,955	366,169,580

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

B. Comprehensive income, SEKm	2001	2000	1999
Approximate net income according to US GAAP	3,683	4,864	4,053
Comprehensive income recognized in accordance with Swedish accounting principles	35	–2,632	–1,775
Comprehensive income recognized for US GAAP adjustments:			
Translation differences	–49	–42	8
Pensions	–18	–10	–2
Financial instruments	–535	—	—
Securities	—	–1	11
Revaluation of assets	–140	—	–1
Approximate comprehensive income according to US GAAP	2,976	2,179	2,294

C. Equity, SEKm	2001	2000	1999
Equity as reported in the consolidated balance sheet	28,864	26,324	25,781
Adjustments before taxes:			
Acquisitions	–711	–979	–984
Restructuring and other provisions	545	841	448
Pensions	–220	–437	–187
Financial instruments	–607	–39	–43
Capitalization of computer software	68	51	—
Securities	—	48	46
Revaluation of assets	–159	–19	–19
Stock-based compensation	34	—	—
Taxes on the above adjustments	–93	–124	–66
Other taxes	—	444	237
Approximate equity according to US GAAP	27,721	26,110	25,213

D. Balance sheet, SEKm

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

	According to Swedish principles			According to US GAAP		
	2001	2000	1999	2001	2000	1999
Intangible assets	5,159	3,993	3,298	4,565	3,086	2,339
Tangible assets	22,526	22,388	20,894	22,351	22,349	20,851
Financial assets	4,666	3,299	3,859	4,557	3,510	4,076
Current assets	62,096	57,609	53,593	63,193	59,043	57,669
Total assets	94,447	87,289	81,644	94,666	87,988	84,935
Equity	28,864	26,324	25,781	27,721	26,110	25,213
Minority interests	699	810	825	699	810	825
Provisions for pensions and similar commitments	4,095	4,048	3,972	4,429	4,329	4,160
Other provisions	8,341	6,629	5,699	7,796	5,788	5,251
Financial liabilities	22,914	25,148	23,440	23,494	26,621	27,559
Operating liabilities	29,534	24,330	21,927	30,527	24,330	21,927
Total equity and liabilities	94,447	87,289	81,644	94,666	87,988	84,935

Proposed distribution of earnings

According to the consolidated financial statements, the Group's unappropriated earnings amount to SEK 13,595m. No allocation to restricted equity is required.

	Thousands of kronor
The Board of Directors and the President propose that net income for the year	4,391,540
and retained earnings	7,323,654
Totalling	**11,715,194**
be distributed as follows:	
A dividend of SEK 4.50 per share to each shareholder, totalling	1,483,041
To be carried forward	10,232,153
Total	**11,715,194**

Stockholm, February 7, 2002

Rune Andersson
Chairman of the Board

Jacob Wallenberg
Deputy Chairman

Peggy Bruzelius **Thomas Halvorsen** **Louis R. Hughes** **Stefan Persson**
Karel Vuursteen **Bert Gustafsson** **Ulf Carlsson** **Ingemar Larsson**

Michael Treschow
President

Auditors' report

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

We have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the Board of Directors and the President of AB Electrolux for the year 2001. These accounts and the administration of the Company are the responsibility of the Board of Directors and the President. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual accounts and the consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the Board of Directors and the President, as well as evaluating the overall presentation of information in the annual accounts and the consolidated accounts. As a basis for our opinion concerning discharge from liability, we examined significant decisions, actions taken and circumstances of the Company in order to be able to determine the liability, if any, to the Company of any board member or the President. We also examined whether any board member or the President has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

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

We recommend to the Annual General Meeting of the shareholders, that the income statements and the 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 7, 2002

KPMG
Stefan Holmström
Authorized Public Accountant

Eleven-year review

Amounts in SEKm unless otherwise stated

	2001	2000	1999	1998	1997	1996
Net sales and income						
Net sales	135,803	124,493	119,550	117,524	113,000	110,000
Depreciation	4,277	3,810	3,905	4,125	4,255	4,438
Items affecting comparability	–141	–448	–216	964	–1,896	
Operating income[1]	6,281	7,602	7,204	7,028	2,654	4,448
Income after financial items[1]	5,215	6,530	6,142	5,850	1,232	3,250
Net income[1]	3,870	4,457	4,175	3,975	352	1,850
Cash flow						
EBITDA[3]	10,699	11,860	11,325	10,189	8,805	8,886
Net income excluding non-cash items	5,848	8,639	7,595	5,754	4,718	6,174
Changes in operating assets and liabilities	3,634	–2,540	1,065	–1,056	584	–2,198
Cash flow from operations	9,482	6,099	8,660	4,698	5,302	3,976
Cash flow from investments	1,213	–3,367	–3,137	–776	–4,344	–4,767
of which capital expenditures[2]	–4,195	–4,423	–4,439	–3,756	–4,329	–4,807
Cash flow from operations and investments	10,695	2,732	5,523	3,922	958	–791
Dividends and repurchase of shares	–3,117	–4,475	–1,099	–915	–915	–915
Margins[3]						
Operating margin, %	4.7	6.5	6.2	5.2	4.0	4.0
Income after financial items as % of net sales	3.9	5.6	5.3	4.2	2.8	3.0
EBITDA margin, %	7.9	9.5	9.5	8.7	7.8	8.1
Capital expenditure as % of net sales	3.1	3.6	3.7	3.2	3.8	4.4
Financial position						
Total assets	94,447	87,289	81,644	83,289	79,640	85,169
Net assets[4]	37,162	39,026	36,121	39,986	38,740	41,306
Working capital	4,811	9,346	8,070	12,101	10,960	12,360
Accounts receivable	24,189	23,214	21,513	21,859	21,184	20,494
Inventories	17,359	17,295	16,549	17,325	16,454	17,334
Accounts payable	17,304	12,975	11,132	10,476	9,879	9,422
Equity	28,864	26,324	25,781	24,480	20,565	22,428
Interest-bearing liabilities	23,183	25,398	23,735	29,353	29,993	32,954
Data per share, SEK[5][6]						
Net income[1]	11.35	12.40	11.40	10.85	0.95	5.05
Net income according to US GAAP[7]	10.85	13.55	11.05	10.25	2.40	4.55
Equity	88	77	70	67	56	61
Dividend, adjusted for share issues[8]	4.50	4.00	3.50	3.00	2.50	2.50
Trading price of B-shares at year-end[10]	156.50	122.50	214.00	139.50	110.20	79.20
Key ratios						
Value creation	262	2,423	1,782	437		
Return on equity, %[1]	13.2	17.0	17.1	18.2	1.7	8.5
Return on net assets, %[1][4]	15.0	19.6	18.3	17.5	6.4	10.9
Net assets as % of net sales[4][9][11]	27.4	30.4	30.6	33.3	34.0	36.9
Accounts receivable as % of net sales[9][11]	17.8	18.1	18.2	18.2	18.6	18.3
Inventories as % of net sales[9][11]	12.8	13.5	14.0	14.4	14.4	15.5
Net debt/equity ratio[4]	0.37	0.63	0.50	0.71	0.94	0.80
Interest coverage ratio	3.80	4.34	4.55	3.46	1.42	2.26
Dividend as % of equity[8]	5.1	5.2	5.0	4.5	4.4	4.1
Other data						
Average number of employees	87,139	87,128	92,916	99,322	105,950	112,140
Salaries and remuneration	20,330	17,241	17,812	18,506	19,883	20,249
Number of shareholders	58,600	61,400	52,600	50,500	45,660	48,300

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

					Compound annual growth rate, %	
1995	1994	1993	1992	1991	5 years	10 years
115,800	108,004	100,121	80,436	79,027	4.3	5.6
4,407	4,214	4,252	3,469	3,322	–0.7	2.6
5,311	5,034	2,945	1,992	2,382	7.1	10.2
4,016	3,595	1,250	758	825	9.9	20.2
2,748	2,195	584	183	377	15.9	26.2
9,718	9,248	7,197	5,461	5,704	3.8	6.5
7,110	6,259	4,767	3,588	3,422	–1.1	5.5
–3,288	–759	2,189	620	2,092		
3,822	5,500	6,956	4,208	5,514	19.0	5.6
–4,369	–1,844	–3,810	–3,612	–2,388		
–5,115	–3,998	–3,682	–3,623	–3,414	–2.7	2.1
–547	3,656	3,146	596	3,126		13.1
–915	–458	–458	–915	–915	27.8	13.0
4.6	4.7	2.9	2.5	3.0		
3.5	3.3	1.2	0.9	1.0		
8.4	8.6	7.2	6.8	7.2		
4.4	3.7	3.7	4.5	4.3		
83,156	84,183	77,647	71,618	62,329	2.1	4.2
37,293	37,518	40,870	40,289	34,306	–2.1	0.8
10,757	8,869	11,181	12,998	10,364	–17.2	–7.4
19,602	20,015	18,522	16,509	13,893	3.4	5.7
18,359	18,514	16,698	15,883	14,955	0.0	1.5
10,027	11,066	9,486	8,281	7,370	12.9	8.9
21,304	20,465	16,853	16,772	15,758	5.2	6.2
31,750					–6.8	
7.50	6.00	1.60	0.50	1.05	17.6	26.9
7.95	15.45	1.00	0.50	1.10	19.0	25.7
58	56	46	46	43	7.6	7.4
2.50	2.50	1.25	1.25	2.50	12.5	6.1
54.50	75.40	56.80	47.60	43.60	14.6	13.6
13.2	11.7	3.5	1.2	2.3		
13.2	12.4	7.1	5.5	6.4		
34.2	33.8	39.3	44.5	43.5		
18.0	18.0	17.8	18.2	17.6		
16.8	16.7	16.1	17.5	18.9		
0.80	0.88	1.49	1.49	1.25		
2.77	2.38	1.28	1.18	1.25		
4.3	4.5	2.7	2.7	5.8		
112,300	109,470	114,700	121,200	134,200	–4.9	–4.2
20,788	19,431	18,691	15,902	15,507	0.1	2.7
54,600	55,400	65,700	68,100	70,000	3.9	–

1) 1994: Exclusive of capital gain on Autoliv.

2) As of 1992, calculated as annual average.

3) As of 1997, items affecting comparability are excluded.

4) As of 1993, minority interests are included in adjusted equity.

5) The figures for 1990–97 have been adjusted for the 5:1 stock split in 1998.

6) 2000: After buy-backs of own shares, the average number of shares amounted to 359,083,955 and at year-end 341,134,580. 2001: After buy-backs of own shares, the average number of shares amounted to 340,064,997 and at year-end 329,564,580.

7) Adjusted in connection with introduction of FAS No. 106 and 109 in 1993.

8) 2001: Proposed by the Board.

9) Net sales are annualized.

10) Last price for paid for B-shares.

11) As of 1992, adjusted for exchange rate effects.

Quarterly figures

Amounts in SEKm unless otherwise stated

Net sales and income		Q1	Q2	Q3	Q4	Full year
Net sales	**2001**	**33,670**	**37,459**	**32,793**	**31,881**	**135,803**
	2000	31,229	34,199	29,644	29,421	124,493
	1999	29,053	33,021	29,070	28,406	119,550
Operating income	**2001**	**1,852**	**2,036**	**2,442**	**–49**	**6,281**
	Margin, %	**5.5**	**5.4**	**7.4**	**–0.2**	**4.6**
	2001 [1)]	**1,852**	**2,036**	**1,085**	**1,449**	**6,422**
	Margin, %	**5.5**	**5.4**	**3.3**	**4.5**	**4.7**
	2000	2,050	2,453	1,830	1,269	7,602
	Margin, %	6.6	7.2	6.2	4.3	6.1
	2000 [1)]	2,050	2,453	1,830	1,717	8,050
	Margin, %	6.6	7.2	6.2	5.8	6.5
	1999	1,656	2,151	1,539	1,858	7,204
	Margin, %	5.7	6.5	5.3	6.5	6.0
	1999 [1)]	1,656	2,151	1,755	1,858	7,420
	Margin, %	5.7	6.5	6.0	6.5	6.2
Income after financial items	**2001**	**1,499**	**1,752**	**2,202**	**–238**	**5,215**
	Margin, %	**4.5**	**4.7**	**6.7**	**–0.7**	**3.8**
	2001 [1)]	**1,499**	**1,752**	**845**	**1,260**	**5,356**
	Margin, %	**4.5**	**4.7**	**2.6**	**4.0**	**3.9**
	2000	1,786	2,285	1,504	955	6,530
	Margin, %	5.7	6.7	5.1	3.2	5.2
	2000 [1)]	1,786	2,285	1,504	1,403	6,978
	Margin, %	5.7	6.7	5.1	4.8	5.6
	1999	1,384	1,835	1,354	1,569	6,142
	Margin, %	4.8	5.6	4.7	5.5	5.1
	1999 [1)]	1,384	1,835	1,570	1,569	6,358
	Margin, %	4.8	5.6	5.4	5.5	5.3
Net income per share, SEK	**2001**	**3.10**	**3.45**	**5.65**	**–0.85**	**11.35**
	2001 [1)]	**3.10**	**3.45**	**1.75**	**2.80**	**11.10**
	2000	3.25	4.10	2.85	2.20	12.40
	2000 [1)]	3.25	4.10	2.85	3.05	13.25
	1999	2.50	3.25	2.80	2.85	11.40
	1999 [1)]	2.50	3.25	2.85	2.85	11.45
Average number of shares, million	**2001**	**341.1**	**341.1**	**341.1**	**336.9**	**340.1**
	2000	366.2	365.5	358.4	346.0	359.1
	1999	366.2	366.2	366.2	366.2	366.2
Value creation	**2001**	**290**	**392**	**–453**	**33**	**262**
	2000	691	1,040	406	286	2,423
	1999	183	657	380	562	1,782

[1)] Exclusive of items affecting comparability, 2001: SEK –141m, 2000: SEK –448m, 1999: SEK –216m.

Net sales by business area		Q1	Q2	Q3	Q4	Full year
Consumer Durables						
Europe	**2001**	**10,901**	**11,246**	**12,237**	**12,816**	**47,200**
	2000	10,308	10,126	10,832	11,438	42,704
	1999	10,182	10,515	10,780	11,163	42,640
North America	**2001**	**12,308**	**14,104**	**11,154**	**9,248**	**46,814**
	2000	12,351	14,640	10,484	9,106	46,581
	1999	10,545	12,749	9,725	8,433	41,452
Rest of the world	**2001**	**3,233**	**4,229**	**3,509**	**4,005**	**14,976**
	2000	1,951	2,259	2,276	2,717	9,203
	1999	1,717	1,963	1,925	1,992	7,597
Total Consumer Durables	**2001**	**26,442**	**29,579**	**26,900**	**26,069**	**108,990**
	2000	24,610	27,025	23,592	23,261	98,488
	1999	22,444	25,227	22,430	21,588	91,689
Professional Products						
Indoor	**2001**	**4,584**	**5,037**	**3,829**	**3,623**	**17,073**
	2000	4,398	4,890	4,092	4,181	17,561
	1999	4,910	5,674	5,006	4,860	20,450
Outdoor	**2001**	**2,525**	**2,692**	**2,108**	**2,127**	**9,452**
	2000	2,140	2,191	1,846	1,862	8,039
	1999	1,629	2,048	1,547	1,876	7,100
Total Professional Products	**2001**	**7,109**	**7,729**	**5,937**	**5,750**	**26,525**
	2000	6,538	7,081	5,938	6,043	25,600
	1999	6,539	7,722	6,553	6,736	27,550
Other	**2001**	**119**	**151**	**–44**	**62**	**288**
	2000	81	93	114	117	405
	1999	70	72	87	82	311
Total Group	**2001**	**33,670**	**37,459**	**32,793**	**31,881**	**135,803**
	2000	31,229	34,199	29,644	29,421	124,493
	1999	29,053	33,021	29,070	28,406	119,550

Operating income by business area		Q1	Q2	Q3	Q4	Full year
Consumer Durables						
Europe	**2001**	**447**	**578**	**585**	**918**	**2,528**
	Margin, %	**4.1**	**5.1**	**4.8**	**7.2**	**5.4**
	2000	566	418	504	691	2,179
	Margin, %	5.5	4.1	4.7	6.0	5.1
	1999	506	400	635	903	2,444
	Margin, %	5.0	3.8	5.9	8.1	5.7
North America	**2001**	**807**	**685**	**188**	**134**	**1,814**
	Margin, %	**6.6**	**4.9**	**1.7**	**1.4**	**3.9**
	2000	928	1,197	812	640	3,577
	Margin, %	7.5	8.2	7.7	7.0	7.7
	1999	719	989	678	509	2,895
	Margin, %	6.8	7.8	7.0	6.0	7.0
Rest of the world	**2001**	**45**	**130**	**21**	**91**	**287**
	Margin, %	**1.4**	**3.1**	**0.6**	**2.3**	**1.9**
	2000	–71	–11	–31	136	23
	Margin, %	–3.6	–0.5	–1.4	5.0	0.2
	1999	–82	–78	–47	–135	–342
	Margin, %	–4.8	–4.0	–2.4	–6.8	–4.5
Total Consumer Durables	**2001**	**1,299**	**1,393**	**794**	**1,143**	**4,629**
	Margin, %	**4.9**	**4.7**	**3.0**	**4.4**	**4.2**
	2000	1,423	1,604	1,285	1,467	5,779
	Margin, %	5.8	5.9	5.4	6.3	5.9
	1999	1,143	1,311	1,266	1,277	4,997
	Margin, %	5.1	5.2	5.6	5.9	5.4
Professional Products						
Indoor	**2001**	**328**	**459**	**176**	**107**	**1,070**
	Margin, %	**7.2**	**9.1**	**4.6**	**3.0**	**6.3**
	2000	423	673	313	168	1,577
	Margin, %	9.6	13.8	7.6	4.0	9.0
	1999	380	634	439	449	1,902
	Margin, %	7.7	11.2	8.8	9.2	9.3
Outdoor	**2001**	**331**	**371**	**280**	**331**	**1,313**
	Margin, %	**13.1**	**13.8**	**13.3**	**15.6**	**13.9**
	2000	309	295	289	260	1,153
	Margin, %	14.4	13.5	15.7	14.0	14.3
	1999	228	277	208	270	983
	Margin, %	14.0	13.5	13.4	14.4	13.8
Total Professional Products	**2001**	**659**	**830**	**456**	**438**	**2,383**
	Margin, %	**9.3**	**10.7**	**7.7**	**7.6**	**9.0**
	2000	732	968	602	428	2,730
	Margin, %	11.2	13.6	10.1	7.1	10.7
	1999	608	911	647	719	2,885
	Margin, %	9.3	11.8	9.9	10.7	10.5
Common Group costs, etc	**2001**	**–106**	**–187**	**–165**	**–132**	**–590**
	2000	–105	–119	–57	–178	–459
	1999	–95	–71	–158	–138	–462
Items affecting comparability	**2001**			**1,357**	**–1,498**	**–141**
	2000				–448	–448
	1999			–216		–216
Total Group (including items affecting comparability)	**2001**	**1,852**	**2,036**	**2,442**	**–49**	**6,281**
	Margin, %	**5.5**	**5.4**	**7.4**	**–0.2**	**4.6**
	2000	2,050	2,453	1,830	1,269	7,602
	Margin, %	6.6	7.2	6.2	4.3	6.1
	1999	1,656	2,151	1,539	1,858	7,204
	Margin, %	5.7	6.5	5.3	6.5	6.0

Definitions

Capital indicators

Net assets
Total assets exclusive of liquid funds, interest-bearing financial receivables, as well as non-interesting-bearing liabilities and provisions.

Adjusted equity
Equity, including minority interests.

Working capital
Net assets less fixed assets.

Net borrowings
Total interest-bearing liabilities less liquid funds.

Net debt/equity ratio
Net borrowings in relation to adjusted equity.

Net income per share

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

Net income per share according to US GAAP
See information on US GAAP in Note 27 on page 64. All computations have been adjusted for full dilution, stock splits, bonus issues and new issues. In connection with new issues, the number of shares is computed as the average number of shares for the year.

Other key ratios

In computation of key ratios where capital is related to net sales, the latter are annualized and converted at year-end exchange rates, so that due consideration is given to changes in exchange rates and Group structure.

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

Operating margin
Operating income expressed as a percentage of net sales.

Value creation
Operating income excluding items affecting comparability less the weighted average cost of capital (WACC) on average net assets. [(Net sales – operating costs = operating income) – (WACC x Average net assets)]. The WACC for 2001 was 14% before tax.

Return on equity
Net income expressed as a percentage of average equity. The latter is adjusted for debentures converted during the year and for new issues.

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.

Electrolux shares

The market capitalization of Electrolux at year-end 2001 was SEK 51.6 billion (41.8) after buyback of shares. The Group's market capitalization corresponded to 1.8% (1.2) of the total market capitalization of the Stockholm Exchange.

The highest trading price for Electrolux B-shares was SEK 171 on April 30, and the lowest was SEK 92 on September 21. The highest trading price for A-shares was SEK 155 on May 21, and the lowest was SEK 95 on September 21.

Trading volume

In 2001, 435.3 million (390.6) Electrolux shares were traded on the Stockholm Exchange at a value of SEK 62.5 billion (56.8). Electrolux shares thus accounted for 1.6% (1.3) of the total trading volume of SEK 3,994 billion (4,456) for the year.

The average value of the A- and B-shares traded daily was SEK 250.1m (226.4).

A total of 398.7 million (291.0) Electrolux shares were traded on the London Stock Exchange, and 8.0 million (6.4) American Depository Receipts (ADRs) were traded within the NASDAQ system. At year-end, 6,065,325 depository receipts were outstanding. Trading volume on other exchanges was considerably lower.

Quick facts

Share listings:
Stockholm, London, NASDAQ[1], Paris and the Swiss Exchange
Number of shares:
366,169,580
Number of shares after repurchase:
329,564,580
High and low 2001 for B-shares:
SEK 171–92
Market capitalization at year-end:
SEK 51.6 billion
GICS code[2]: 25201040
Ticker codes: Reuters ELUXb.ST, Bloomberg ELUXB SS

[1] One ADR corresponds to two B-shares.
[2] Global Industry Classification Standard (used for securities).

Repurchase of shares

	2001	2000	Total
No. of shares	11,570,000	25,035,000	36,605,000
% of outstanding No. of shares	3.2	6.8	9.997
Total amount paid, SEKm	1,752	3,193	4,945
Price per share, SEK	151.38	127.40	135.09

Repurchase of shares

The Group repurchased 11,570,000 B-shares during 2001. As of December 31, 2001 the total number of repurchased shares was 36,605,000. See table above.

Share volatility

The beta value indicates the volatility of the trading price of a share relative to the general market trend. A low beta value (<1) indicates a low-risk share relative to the other shares on the exchange, and a high beta value (>1) means a higher risk. The beta value of Electrolux B-shares for the past four years was 0.73 (0.53), which means that the volatility of Electrolux shares was 27% lower than the Stockholm Exchange All Share Index.

Effective yield

The effective yield indicates the actual profitability of shares, and comprises dividends received plus change in trading price.

The compounded annual effective yield on an investment in Electrolux shares was 17.2% over the past ten years, including the distribution of Gränges in 1996, and adjusted for the 5:1 stock split in 1998. The corresponding figure for the Stockholm Exchange was 18.5%.

Annual option program

An annual option program for senior managers was introduced in 1998. The program entitles an allotment of options which are redeemed for shares at a fixed price. The value of the options is linked to the trading price of the Electrolux B-share. For further information, see Note 25 on page 61.

Dividend and dividend policy

The Board has decided to propose an increased dividend of SEK 4.50 (4.00) per share at the Annual General Meeting, corresponding to 41% (30) of net income per share, excluding of items affecting comparability.

The goal is for the dividend to normally correspond to 30–50% of net income.

Share capital and number of shares

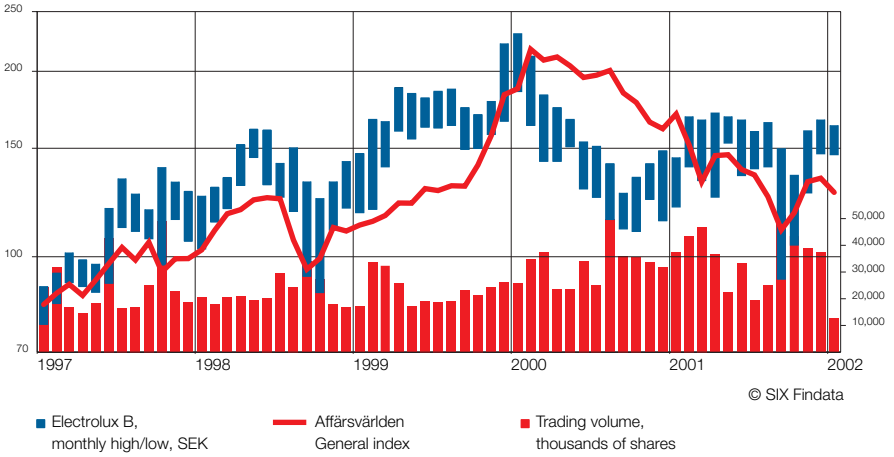
On December 31, 2001, there were 10,000,000 Electrolux A-shares and 356,169,580 B-shares, for a total of 366,169,580 shares. A-shares carry one vote and B-shares one-tenth of a vote. Each share has a par value of SEK 5.00. Total share capital at year-end amounted to SEK 1,830.8m.

Distribution of shareholdings in AB Electrolux

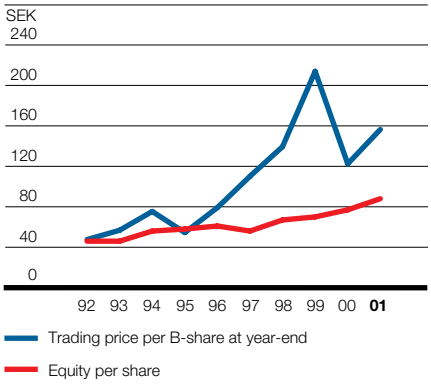
Shareholding	No. of shareholders	As % of shareholders
1–1,000	50,361	86.0
1,001–10,000	7,278	12.4
10,001–100,000	663	1.1
100,001–	273	0.5
Total	58,575	100.0

Source: SIS Ägarservice as of December 31, 2001.

Price and trading volume of Electrolux B-shares on the Stockholm Exchange, 1997–January 2002

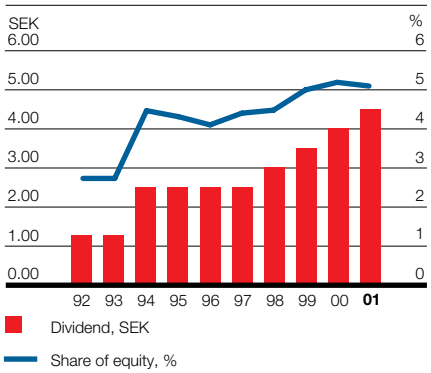


Trading price and equity per share



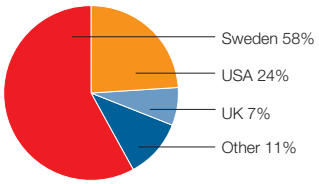
At year-end 2001, the price/equity ratio for Electrolux B-shares was 1.78 (1.59).

Dividend per share



The Board of Directors proposes an increase of the dividend to SEK 4.50 per share for 2001.

Shareholders by country



As of December 31, 2001, 42% of the total share capital was owned by foreign investors.

Source: SIS Ägarservice.

Trading volume of Electrolux shares

(Thousands)	2001	2000	1999	1998	1997
Stockholm, A- and B-shares (ELUXa and ELUXb)	435,335	390,573	277,636	268,920	297,577
London, B-shares (ELXB)	398,741	291,006	246,860	452,749	706,370
NASDAQ, ADRs (ELUX)	7,984	6,414	5,711	7,246	14,315

JP Morgan, Morgan Guarantee Trust Company, is the depository bank for ADRs.

Average daily trading volume of Electrolux shares on the Stockholm Exchange

(In thousands of kronor)	2001	2000	1999	1998	1997
A-shares	50	80	77	89	17
B-shares	250,020	226,324	180,120	136,353	130,378
Total	**250,070**	**226,404**	**180,197**	**136,442**	**130,395**

Major shareholders

	Number of A-shares	Number of B-shares	Total number of shares	Share capital, %	Voting rights, %
Investor	9,182,390	10,325,963	19,508,353	5.3	22.4
Robur investment funds	—	12,130,450	12,130,450	3.3	2.7
Alecta	—	10,434,944	10,434,944	2.8	2.3
Skandia	113,223	9,208,299	9,321,522	2.5	2.3
AFA Insurance	—	8,018,560	8,018,560	2.2	1.8
AMF pension funds	—	6,261,000	6,261,000	1.7	1.4
Fourth Swedish National Pension Fund[1]	—	6,012,000	6,012,000	1.6	1.3
SHB investment funds	—	5,944,588	5,944,588	1.6	1.3
SEB investment funds	—	5,929,104	5,929,104	1.6	1.3
Other shareholders	704,387	245,299,672	246,004,059	67.4	63.3
External shareholders	10,000,000	319,564,580	329,564,580	90.0	100.0
AB Electrolux	—	36,605,000	36,605,000	10.0	—
Total	**10,000,000**	**356,169,580**	**366,169,580**	**100.0**	**100.0**

[1] The reduced holding compared to 2000 is a result of restructuring of the Swedish public pension system.

As of December 31, 2001, about 42% of the total share capital was owned by foreign investors, about 49% by Swedish institutions and mutual funds, and about 9% by private Swedish investors. Most of the shares owned by foreign investors are registered through trustees. Consequently, the actual shareholders are not officially registered.

Per-share data[1]

	2001	2000	1999	1998	1997	1996	1995	1994	1993	1992
Year-end trading price, SEK[2]	156.50	122.50	214.00	139.50	110.20	79.20	54.50	75.40	56.80	47.60
Highest trading price, B-shares, SEK	171.00	230.00	222.00	161.00	139.80	85.40	77.40	87.80	62.60	57.80
Lowest trading price, B-shares, SEK	92.00	110.00	118.00	87.50	77.70	54.30	50.80	56.40	38.60	28.40
Change in price during the year, %	28	–43	53	27	39	45	–28	33	19	9
Equity, SEK	88	77	70	67	56	61	58	56	46	46
Trading price/equity, %	178	159	304	209	196	129	94	135	123	104
Dividend, SEK	4.50[3]	4.00	3.50	3.00	2.50	2.50[4]	2.50	2.50	1.25	1.25
Dividend, %[5]	40.5[6]	30.2[6]	30.5[6]	34.0[6]	51.4[6]	49.4	33.3	41.7	78.1	250.0
Dividend yield, %[7]	2.9	3.3	1.6	2.2	2.3	3.2	4.6	3.3	2.2	2.6
Net income, SEK	11.10[6]	13.25[6]	11.45[6]	8.85[6]	4.85[6]	5.05	7.50	6.00[6]	1.60	0.50
Cash flow, SEK[8]	15.55	4.67	11.53	2.57	2.66	–2.27	–3.53	4.10	7.80	1.29
EBIT multiple[9]	10.0	8.1	12.9	10.0	4.6	2.2	1.4	1.8	3.2	4.2
EBIT multiple[6][9]	9.8	7.7	12.5	11.5	2.6					
P/E ratio[10]	13.8	9.2	18.7	15.8	22.7	15.7	7.3	12.6	35.5	95.2
Number of shareholders	58,600	61,400	52,600	50,500	45,660	48,300	54,600	55,400	65,700	68,100

[1] The figures for 1992–1997 have been adjusted for the 5:1 stock split in 1998.
[2] Last price paid for B-shares.
[3] Proposed by the Board.
[4] Plus 1/2 share in Gränges for every Electrolux share.
[5] As % of net income.
[6] Excluding items affecting comparability.
[7] Dividend per share divided by trading price at year-end.
[8] Cash flow from operations less capital expenditures divided by average number of shares after buy-backs.
[9] Market capitalization plus net borrowings and minority interests, divided by operating income.
[10] Trading price in relation to net income per share.

Board of Directors


Rune Andersson


Peggy Bruzelius


Thomas Halvorsen


Louis R. Hughes


Stefan Persson


Michael Treschow


Karel Vuursteen


Jacob Wallenberg

Rune Andersson

Chairman
Born 1944, M. Eng., Hon. Tech. D. Board Chairman: Trelleborg AB, Älvsbyhus AB. Board Member: Doro AB. Various positions at Electrolux 1977–1982, including head of operation in food-service equipment. Elected 1998.

Holding in AB Electrolux: 500,000 A-shares, through a company.

Peggy Bruzelius

Born 1949, M. Econ. Board Chairman: Grand Hotel Holding AB, Lancelot Asset Management AB. Board Member: Axfood AB, AB Drott, Industry and Commerce Stock Exchange Committee, Axel Johnson AB, AB Ratos,
Scania AB, Syngenta AG, The Association of the Stockholm School of Economics. Elected 1996.

Holding in AB Electrolux: 2,500 B-shares.

Thomas Halvorsen

Born 1949, B.A. President, Fourth Swedish National Pension Fund. Board Member: AP Fastigheter AB, Beijer Alma AB. Elected 1996.

Holding in AB Electrolux: 0 shares.

Louis R. Hughes

Born 1949, B.S., Mech. Eng., MBA. Executive Vice-President, General Motors Corporation, Detroit, USA. (Retired in March 2000.), Non-executive Chairman, Maxager Technology, California, USA. Board Member: British Telecom plc, Sulzer AB. Elected 1996.

Holding in AB Electrolux: 0 shares.

Stefan Persson

Born 1947. Board Chairman: H&M Hennes & Mauritz AB. Board Member: Ingka Holding B.V. (IKEA), Stockholm School of Economics. Elected 1994.

Holding in AB Electrolux: 36,500 B-shares.

Michael Treschow

President and CEO
Born 1943, M. Eng. Board Chairman: Swedish Trade Council. European Chairman Transatlantic Business Dialogue (TABD)* for the year 2001. Board Member: Atlas Copco AB, Investor AB. Elected 1997.

Holding in AB Electrolux: 33,250 B-shares, 195,000 options.

* TABD is a cooperation between the business communities and the governments of the EU and US with the objective to improve trade and investment opportunities.

Karel Vuursteen

Born 1941, M. Eng. President and CEO Heineken N.V., Amsterdam, The Netherlands. Chairman: Advisory Council ING Group. Board Member: Gucci Group N.V., Head N.V., Nyenrode University, The Dutch National Lottery, Randstad Holding nv. Elected 1998.

Holding in AB Electrolux: 0 shares.

Jacob Wallenberg

Deputy Chairman
Born 1956, B.S. in Econ., MBA. Board Chairman: SEB, Skandinaviska Enskilda Banken. Deputy Chairman: Investor AB, Atlas Copco AB, Knut and Alice Wallenbergs Foundation, SAS AB. Board Member: ABB Ltd, EQT, WM-data AB, The Nobel Foundation, Confederation of Swedish Enterprise. Elected 1998.

Holding in AB Electrolux: 2,000 B-shares.

Ulf Carlsson

Bert Gustafsson

Ingemar Larsson

Malin Björnberg

Mats Ekblad

Åke Samuelsson

Employee Representatives Members

Ulf Carlsson

Born 1958. Representative of the Swedish Confederation of Trade Unions. Ordinary Member, 2001.

Holding in AB Electrolux: 0 shares.

Bert Gustafsson

Born 1951. Representative of the Federation of Salaried Employees in Industry and Services. Deputy Member, 1997–1998. Ordinary Member, 1999.

Holding in AB Electrolux: 0 shares.

Ingemar Larsson

Born 1939. Representative of the Swedish Confederation of Trade Unions. Deputy Member, 1990–1995. Ordinary Member, 1996.

Holding in AB Electrolux: 200 B-shares.

Employee Representatives Deputy Members

Malin Björnberg

Born 1959. Representative of the Federation of Salaried Employees in Industry and Services. Elected 1999.

Holding in AB Electrolux: 0 shares.

Mats Ekblad

Born 1967. Representative of the Federation of Salaried Employees in Industry and Services. Elected 2000.

Holding in AB Electrolux: 0 shares.

Åke Samuelsson

Born 1941. Representative of the Swedish Confederation of Trade Unions. Elected 2000.

Holding in AB Electrolux: 0 shares.

Group management


Michael Treschow


Bengt Andersson


Johan Bygge


Hans Stråberg


Lilian Fossum


Lars Göran Johansson

Michael Treschow

President and CEO
Born 1943, M. Eng. Employed by Atlas Copco AB 1975, as President and CEO 1991–1997. Joined Electrolux in 1997.

Holding in AB Electrolux: 33,250 B-shares, 195,000 options.

Michael Treschow will leave his position as President and CEO in connection with the Annual General Meeting on April 18, 2002 to become Chairman of Telefonaktiebolaget LM Ericsson.

Bengt Andersson

Head of Professional Outdoor products
Born 1944, Mech. Eng. Production engineer Facit AB 1966–1975. Joined Electrolux in 1973. Sector Manager Facit-Addo 1976, Technical Director Electrolux Motor 1980, Product-line Manager Outdoor products North America 1987, Product-line Manager Forest and Garden equipment Husqvarna 1991 and Flymo 1996. Executive Vice-President AB Electrolux 1997.

Holding in AB Electrolux: 5,000 B-shares, 97,600 options.

Johan Bygge

Head of Consumer Outdoor products outside North America
Born 1956, M. Econ. Deputy Group Controller, Telefonaktiebolaget LM Ericsson 1983, head of Cash Management 1986. Joined Electrolux in 1987 as Group Controller. Senior Vice-President Group Controlling, Accounting, Taxes, Auditing, Administration and IT 1996–2000 as well as Acting Treasurer in 2000. Executive Vice-President AB Electrolux January 2001. Board Member First Swedish National Pension Fund.

Holding in AB Electrolux: 2,024 B-shares, 97,600 options.

Robert E. Cook

Head of White goods and Outdoor products, North America
Born 1943, Graduate in Law. President Roper Corporation, USA 1985. Joined Electrolux in 1988 as President American Yard Products, USA. President Frigidaire Home Products, 1997. Executive Vice-President AB Electrolux 1997.

Holding in AB Electrolux: 12,500 ADRs, 97,600 options.

Wolfgang König

Head of White goods outside North America
Born 1950, Graduate in Law, MBA. Management consultant with McKinsey & Co. Inc., Germany, 1979–1987. Member of management board, Quelle AG, Austria, 1987–1989 and Kaufhof Warenhaus AG, Germany, 1989–1993. CEO Kodak AG, Germany, 1993–1997. General Manager Consumer Imaging Europe, Africa, Middle East and Corporate Vice-President Eastman Kodak Company, 1997. Executive Vice-President AB Electrolux July 2000.

Holding in AB Electrolux: 0 shares, 161,400 options.*

Detlef Münchow

Head of Professional Indoor products
Born 1952, MBA and PhD Econ. Member of senior management in consulting firms Knight Wendling/ Wegenstein AG 1980–1989 and GMO AG 1989–1992. FAG Bearings AG since 1993–1998, as Chief Operating Officer in FAG Bearings Corporation, USA. Joined Electrolux in 1999 as Executive Vice-President AB Electrolux.

Holding in AB Electrolux: 0 shares, 76,400 options.

*Number of options according to synthetic option program and management option programs 2000 to 2001.

Hans Stråberg

Head of Floor-care products and Small appliances
Born 1957, M. Eng. Joined Electrolux in 1983. Head of product area dishwashers and washing machines 1987–1992. Head of product division floor-care products, Västervik, 1992–1995. Executive Vice-President Frigidaire Home Products, USA, 1995–1998. Executive Vice-President AB Electrolux 1998.

Holding in AB Electrolux: 2,870 B-shares, 92,300 options.

Hans Stråberg will succeed Michael Treschow as President and CEO of Electrolux following the Annual General Meeting on April 18, 2002. He has been acting Chief Operating Officer since October 26, 2001.

Lilian Fossum

Head of Group staff Organizational Development and Management Resources
Born 1962, M. Econ. Management consultant with McKinsey 1985–1988. Group controller and other executive positions in the Axel Johnson group 1988–1992. Manager Business Development at Vattenfall, Stockholm 1994–1996. CFO Spendrups Bryggeri AB 1996, Deputy CEO and Manager Business Development 1999. Joined Electrolux in September 2000.

Holding in AB Electrolux: 7,600 B-shares, 34,300 options.


Robert E. Cook


Wolfgang König


Detlef Münchow


Nina Linander


Fredrik Rystedt


Cecilia Vieweg

Lars Göran Johansson

Head of Group staff Communication and Public Affairs
Born 1954, M. Econ. Project Manager at consulting company KREAB 1978, President 1985–1991. Headed the Swedish pro-EU campaign, in the referendum that determined Sweden's membership in 1994. Joined Electrolux as Senior Vice-President Communication and Public Affairs 1995.

Holding in AB Electrolux: 500 B-shares, 97,600 options.

Nina Linander

Head of Group staff Treasury
Born 1959, M. Econ, MBA. Several Corporate Finance positions at investment banks in London, UK, 1988–1993. Director of Product Area Electricity and other executive positions at Vattenfall 1994–2001. Joined Electrolux in September 2001.

Holding in AB Electrolux: 500 B-shares, 0 options.

Fredrik Rystedt

Head of Group staff Controlling, Accounting, Taxes, Auditing, IT
Born 1963, M. Econ. Joined Electrolux Treasury department 1989, subsequently held several positions within the Group's financial operations. Head of Mergers and Acquisitions 1996. Joined Sapa AB 1998 as head of Business Development, Chief Financial Officer Sapa AB 2000. Rejoined Electrolux in April 2001.

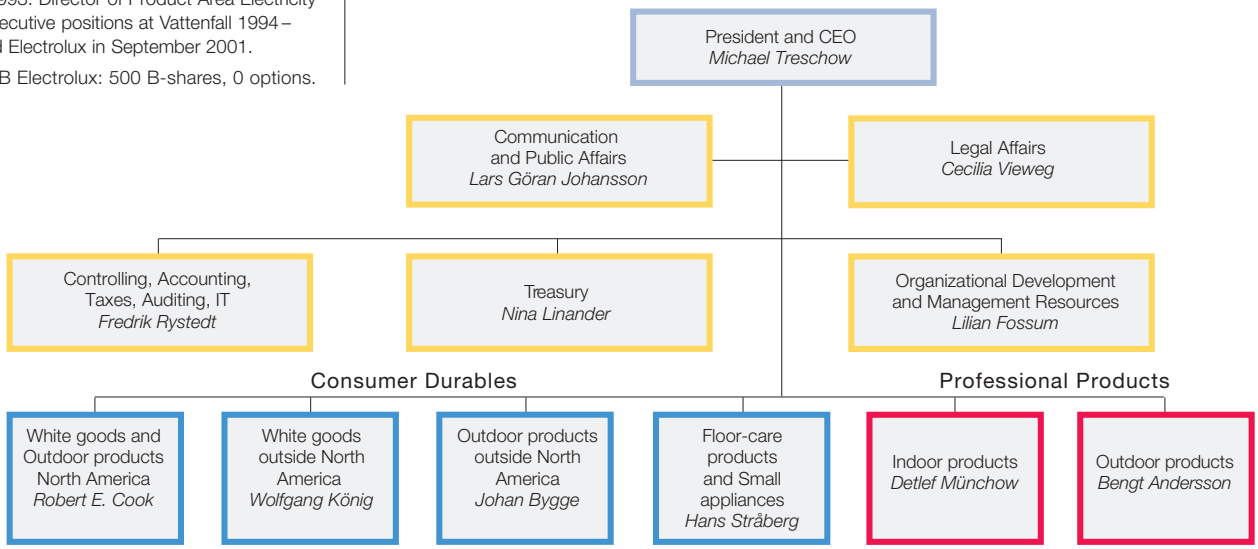
Holding in AB Electrolux: 0 shares, 30,000 options.

Cecilia Vieweg

Head of Group staff Legal Affairs
Born 1955, B. of Law. Attorney with Berglund & Co. Advokatbyrå, Gothenburg 1987–1990, Corporate Legal Counsel, AB Volvo 1990–1992. General Counsel, Volvo Car Corporation 1992–1997. Attorney and partner in Wahlin Advokatbyrå, Gothenburg 1998. Joined Electrolux in 1999 as General Counsel.

Holding in AB Electrolux: 0 shares, 76,400 options.

As of July 2001, Andrew Bentley, head of White goods outside Europe and North America, is an associate member of Group Management. Andrew Bentley reports to Wolfgang König.



Annual General Meeting

The Annual General Meeting will be held at 4 p.m. on Thursday, April 18, 2002 at the Berwald Hall, Dag Hammarskjölds Väg 3, Stockholm.

Registration

Shareholders who intend to participate in the Annual General Meeting must be registered with VPC AB (Swedish Central Securities Depository & Clearing Organization) on Monday, April 8, 2002.

Shareholders whose shares are registered through banks or trustees must have their shares temporarily registered in their own names at VPC on that date.

Participation

In addition, notice of intent to participate must be given to Electrolux not later than 4 p.m. on Friday, April 12, 2002, when also the number of advisors should be stated. Notice of intent to participate can be made by mail to AB Electrolux, Dept. C-J, SE-105 45 Stockholm, Sweden, by fax at +46 8 738 63 35, or by telephone at +46 8 738 64 10. Notice can also be given at: www.electrolux.com/agm

Notice should include the shareholder's name, registration number, if any, address and telephone number. Shareholders participating by proxy should submit a copy of the proxy authorization prior to the date of the AGM.

Dividend

The Board has proposed a dividend of SEK 4.50 per share and Tuesday, April 23, 2002 as record day, after which it is expected that dividends will be paid by VPC on Friday, April 26, 2002.

April 18, 2002 is the last day for trading in Electrolux shares that entitle a dividend for 2001.

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The Electrolux Group.

The world's No.1 choice.

The Electrolux Group is the world's largest producer of powered appliances for kitchen, cleaning and outdoor use.

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