

Information to shareholders of AB Electrolux prior to the Annual General Meeting on April 22, 2003, pertaining to the cancellation of repurchased shares, new issue, etc.

Background

For the past couple of years Swedish companies have been permitted to buy back their own shares. The law limits the extent to which a company can repurchase its shares, partly by allowing it to hold a maximum of 10% of the total number of shares in the company. After repurchases, Electrolux holds 23,120,752 of its own Class B shares in the company, corresponding to 6.8% of the company's total number of shares.

To allow additional repurchases, the Board has proposed to the Annual General Meeting the cancellation of 14,612,580 repurchased Class B shares in the same manner as was done in 2002.

What is being proposed is a relatively technical procedure, but it is time-saving, demands less work of the company than other comparable procedures, and will allow the company to initiate the new buy-back programme far sooner. The process is described below, with a diagram presented on the last page of this document.

Cancellation of repurchased shares

Cancellation of repurchased shares without repayment is carried out by way of a reduction of the share capital. The reduction amount – that is, the number of withdrawn shares multiplied by the par value of the shares (SEK 5) – reduces the share capital and increases the statutory reserve or a non-restricted reserve.

Since the share capital that is part of restricted equity is reduced, the company's creditors' position is deteriorating. Accordingly, a decision about such a reduction may not be implemented unless approved by a court, which can take up to 6 months.

Exception to the rule on court approval

If the company, through a new issue, receives an amount equivalent to the reduction amount, court approval is not required. The "restoring issue" may be carried out without requiring court approval for the reduction, even if the newly issued shares are to be redeemed. As a result, the restoring issue may include redeemable shares in a new class (Class C). If,

when these C-shares are redeemed, an amount equal to the reduction amount is allocated to statutory reserves, no court approval is required for the redemption of these shares.

The fact that the redemption of these Class C shares does not require court approval is due to the possibility of redeeming shares being stipulated in the Articles of Association. Thus, creditors are expected to be aware that the shares can be redeemed, and that restricted equity is restored through an allocation from non-restricted shareholders' equity to the statutory reserve.

All necessary, formal resolutions are made at the Annual General Meeting. The resolutions are set out below. After cancellation, Electrolux will own 8,508,172 of its own shares, corresponding to 2.05% of the votes. This will enable it to repurchase additional shares.

Board proposals

The Board's proposals mean that a withdrawal of the repurchased shares and a reduction of share capital will be implemented in accordance with the proposals under points 14 a)-c) of the agenda for the Annual General Meeting.

Point 14 a) Reduction of the share capital

The share capital will be reduced by SEK 73,062,900 through the withdrawal of the company's holding of 14,612,580 Class B shares. The reduction amount will be transferred to non-restricted shareholders' equity.

Point 14 b) New issue of shares of series C

The share capital will be restored through a directed issue of Class C shares in an amount corresponding to the reduction amount of SEK 73,062,900. In this way, the reduction and withdrawal of the repurchased shares may be implemented more or less immediately, without requiring court approval. The Class C shares are issued at a price corresponding to their par value per share, and will be redeemed in accordance with the decision made under Point 14 c). These shares carry no rights to dividends and are redeemable at the request of the company or the shareholders.

Point 14 c) Reduction of the share capital by redemption of shares of series C and transfer to the statutory reserve

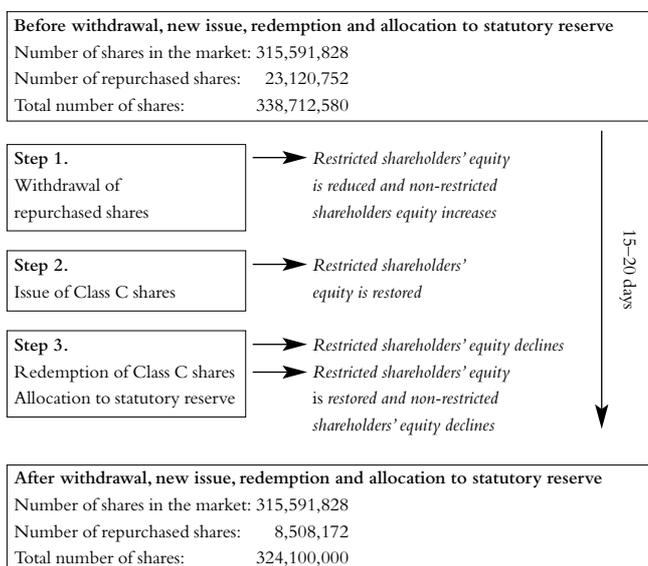
The share capital will be reduced by SEK 73,062,900 through the redemption of the Class C shares issued under Point 14 b) with repayment to the holder of these Class C shares, Svenska Handelsbanken. The amount to be repaid is equal to the amount paid for the shares at the time of subscription, adjusted upwards by an interest factor. At the same time, the Annual General Meeting will resolve to restore the company's restricted shareholders' equity by transferring an amount equal to the reduction amount, SEK 73,062,900, from the company's non-restricted shareholders' equity to the statutory reserve. Redemption of the Class C shares does not require court approval, since the newly issued C shares are redeemable in accordance with the Articles of Association, and a transfer is made from non-restricted shareholders' equity to the statutory reserve.

Effects on Electrolux's shareholders' equity

The table below illustrates the effects on Electrolux's shareholders' equity of a reduction of the share capital through the withdrawal of 14,612,580 Class B shares, the new issue of Class C shares, and the reduction of share capital through the redemption of C shares and the transfer to the statutory reserve. The table is somewhat simplified, since it does not show the effect of the interest on the amount paid for the C shares, which is repaid when these shares are redeemed.

(SEK m)	Cancellation of Class B shares	Issue of Class C shares	Redemption of C shares and transfer to statutory reserve	Total change
Share capital	-73,062,900	+73,062,900	-73,062,900	-73,062,900
Restricted reserves	0	0	+73,062,900	+73,062,900
Restricted shareholders' equity	-73,062,900	+73,062,900	0	0
Non-restricted reserves	+73,062,900	0	-73,062,900	0
Result for the year	0	0	0	0
Non-restricted shareholders' equity	+73,062,900	0	-73,062,900	0
Shareholders' equity	0	+73,062,900	-73,062,900	0

The process step by step



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