

PRESS RELEASE

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Speech by Hans Stråberg at AGM

Shareholders, guests, ladies and gentlemen,

A year has now passed since I took over as President and CEO of Electrolux. It has been a year of much hard work, but above all a year in which a great deal happened that is positive and forward-looking.

First, I'd like to say a few words about the most important thing of all. The core of Electrolux, what the Electrolux brand stands for: *Innovative, trusted solutions for an easier and more enjoyable life.*

This is more than just a slogan, it's a summary of what Electrolux brings to its meeting with the customer. No matter whether it's an ordinary consumer or a hard-driving professional. And no matter where in the world the meeting occurs.

This is more than just something we say, it's something we strive to live up to. It's a synthesis of what we want our customers to think when they meet us – and what they should associate with Electrolux.

This short sentence consists of three key messages:

Our first message is *innovation*. We need to constantly develop innovative, cutting-edge products that show we are the leader. Not only in size but in ideas, too.

Our second message is *reliability* and *trust*. We are “the world's number one choice.” More people choose products from us than any of our competitors. That's a strong message – especially in our business. We sell products people use for a long time. They cost a relatively large slice of the household budget, and if they don't work, it causes major problems. That's why the confidence of consumers is so important to us. And the same thing applies to our professional customers. Their income depends on our products.

Our third message is that we make life *easier and more enjoyable*. This is Electrolux's heart and soul: understanding how to help users save time and energy, and how to make their work more fun. Living up to this message means making our products more attractive and more valuable to the customer.

Let me give you a few examples of products that communicate Electrolux's core values by their very nature:

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The new Ultra Silencer makes vacuuming more enjoyable because it is probably the quietest vacuum cleaner on earth. We're currently launching it in several European countries, including Sweden.

An example of an innovative product is the Integration range. It has a built-in microwave oven. And it provides energy savings of up to 40% compared with an ordinary oven.

It should be easy to see what you have in the refrigerator. Our new frost-free refrigerators give you a good overview of their contents year round. And you never need to defrost.

It should be easy to load the washing machine. That's why our Solution washers have a tilted front.

It should be easy to deal with the great pile of grass you end up with after you mow the lawn. That's why our Turbo compact mower compacts the grass into a manageable little cube.

It should be enjoyable to have a lawn. So enjoy it! Let our Auto Mower robot mow the lawn for you.

It should be easy for a professional chef to quickly cool dishes straight out of the oven. That's why we developed a unique system for institutional kitchens called Air-o-Chill .

Last but not least, I want to mention the Electrolux Trilobite automatic vacuum cleaner, which has rapidly become a success story around the world. And I hardly need to add that it's an innovative, reliable product that makes life easier and more enjoyable.

Let us now turn to the past year. If I were to try to summarize 2002 in a few short words, I'd say: "a strong result, strong balance sheet, growing market share."

Sales were up 5.5% in 2002 for comparable units and adjusted for exchange rate fluctuations – that is, what we call organic growth. We also captured market share in several important markets, including Europe and the United States. What this reflects more than anything else is our strong relationships with large, growing retailers, both in Europe and the US. We offer them efficient logistics, a broad range of products, quality and service that few other manufacturers can match.

Our profitability – which is to say our operating margin – climbed back over the 6% mark. Our return on equity was 18.6% last year, up from 13.2% in 2001. In absolute terms, our operating income was the highest in Electrolux history, over eight billion kronor.

In the course of the year, we continued to reduce the amount of capital tied up; our net assets were just 27% of net sales. That means we are using our assets very efficiently.

Increased sales, higher earnings and less tied-up capital all helped us create more value, which is our measure of success within the Group. Operating income minus the cost of our average net assets is our measure of value created. To put it another way, our earnings have to cover the cost of the capital the Group uses before we begin to create value. In 2002, we created value to the tune of 3.5 billion kronor, a new record.

Our already strong balance sheet got even stronger. At year-end, our net debts were just 5% of equity, down from 37% in 2001. The Board therefore proposes to the annual meeting that we continue to buy back shares to create a better balance between equity and borrowed capital. But we'll be returning to that issue later today.

Our cash flow also improved, thanks to higher income and reduced operating capital.

Looking at the year's trends on a per-share basis, there is much cause for optimism. Net income per share increased 52% last year, from just over 11 to almost 17 kronor. Our share significantly outperformed the exchange index during the year, too.

These strong earnings and a strong balance sheet are our grounds for increasing the dividend by 33%, from 4.50 to 6.00 kronor – which you, the shareholders, will have the opportunity to voice your opinion on today.

What did we do right to achieve such good results in 2002? And how do we view Electrolux's prospects for continued growth, in terms of both profitability and sales?

As I discussed at last year's annual meeting, I put a great deal of emphasis on a thorough review of all the Group's product lines this year. The result of the reviews is a rolling three-year business plan for every single product line.

The differences between our product lines are quite significant, and we have divided them into three groups. Product lines in the first group have a high profit margin, a strong market position and have "earned the right" to continue to grow. About half the Group's sales are accounted for by this group.

The second group has a good profit margin and a good market position, but we need to take measures to increase value creation. About 15% of our sales are accounted for by this group.

The third group includes product lines with low profit margins that are not creating value. It accounts for about 35% of sales.

I'd like to discuss what we are currently doing to reverse the trend in this third group. The first step is to cut costs and make sure the operations are creating value. For this reason, we kicked off a program of action this past December for white goods in Brazil, India and China and for our compressor manufacturing operations. The program includes concentrating production at fewer facilities and rationalization of the marketing and sales organizations. Manufacture of air conditioners for the American market is

being transferred to countries with lower costs. All in all, some 5,000 employees are affected by the program. The cost of implementing it is just over 1.3 billion kronor. We expect it to result in annual savings of over 400 million kronor starting in 2005. In addition to these restructuring measures, we have written down assets totaling 1 billion kronor relating to our compressor operations.

Let me also mention something about the first-quarter report for the year, which was published around lunchtime today. Sales for the quarter amounted to 32.1 billion kronor. This is a 4.5 percent decrease compared to the same period in 2002. The entire decrease is attributable to changes in exchange rates. Sales actually increased 6.6 percent if we remove the exchange rate differences.

Our operating income amounted to 1.8 billion kronor - a decrease of 5.7 percent. This figure was also negatively affected by the exchange rates to the Swedish krona. Operating margin increased to 5.6 percent - a tenth of a percentage point decrease compared to the first quarter of last year. We improved our result in consumer durables in Europe. And we had a continued positive sales and income trend in our North American operations, measured in US dollars. Professional Outdoor Products also improved its operating income.

Sales and results of consumer durables in the rest of the world continued to develop negatively, particularly in India and China. As I said previously, the work is ongoing to discontinue this negative trend in both of these countries. In Brazil, however, we achieved a substantial improvement of our result.

As we have reviewed our product lines, I have tried to focus on internal communication of the Group's strategy. My message has concerned four prioritized areas:

The first message is continued cost-efficiency and profitability. Before a business area can grow, it has to achieve stability and control over its costs.

In 2002, we recorded significantly higher income for our European organization, largely thanks to cost controls and improved efficiency. Our efforts continue unabated. There are still opportunities to simplify procedures, reduce the number of product platforms and reduce the complexity of production.

In the profitable parts of the Group, it's important to make sure that our focus on costs does not fall by the wayside. I will therefore keep questioning many of our expense items.

But we can't just save our way to profits and growth. We have to commit to the future, too. That's where my remaining three strategic messages come in.

The second message is that we have to improve our knowledge and understanding of the problems and needs that consumers experience in our product areas. We will use this

insight to develop innovative new products that satisfy needs and solve problems for consumers.

As I touched on previously, we have many examples of innovative products. But we have to become even better at understanding the consumer in order to develop better products that consumers are willing to pay more for. That's why I have changed the procedure for reviewing investments in new products. If you want an investment request approved, first you have to show how the new product meets an unfulfilled consumer need.

There's currently a lot going on within the Group in the area of consumer insight. We have made a major commitment to group interviews with consumers, in-depth interviews, questionnaires, behavioral studies and needs-based segmentation.

We will be putting a lot of time and resources into truly understanding consumer needs early in the product development process. What that does is improve our accuracy: in product development, in design and in marketing.

My third strategic message is that we need to build Electrolux into the leading global brand in our industry. As you know, our portfolio includes many brands. Building and maintaining all these brands is expensive and complicated. In today's media avalanche, only truly strong brands stand a chance of gaining the attention and trust of consumers. And studies show that consumers are willing to pay more for strong brands.

Our goal is to see the Electrolux brand generate two-thirds of Group sales by 2007. In order to achieve it, we will link Electrolux to our strong local brands during a transitional period. This picture shows how it might look.

We have already begun the transition in several European countries. In the United States, a range of stainless steel products has now been launched under the Electrolux name. At the end of this year, a brand new range of Electrolux products will be launched there. The range was premiered at a major US kitchen show that I visited just over a week ago. Here we made the most of the strength of a global company. The oven is based on German technology, the stovetop was developed in Italy and the new dishwasher comes from Australia. We received a very positive response from our retailers. And I have high hopes for what our American operations can achieve in the years to come, especially in their efforts to promote the Electrolux brand.

We are going to increase investments in marketing during the next few years. Our total advertising spending will increase, too. By reallocating resources from local brands and other areas, we will be able to commit more to the Electrolux brand in the future.

My fourth strategic message is that we need to develop our employees and managers. We need to care for and develop talented people at every level. We have to make sure our managers are good coaches for their employees. And we have to make sure that

talented employees have the opportunity to take on different positions and different challenges.

Talent management is what we call our efforts to identify, develop and retain talented employees. It is our goal to reduce external recruiting for management positions. In a company the size of Electrolux, there should be plenty of internal talent ready and willing to take on the challenges.

As far as coaching goes, we have initiated a global training program for some 2,500 managers. For two intensive days, they have a chance to learn how to develop their employees. We started with the management team and are continuing the program out in the organization.

It has been said before, but it's worth saying again: this is a fantastic company you own. If you take a look in the rearview mirror at the Electrolux of a few years back and compare it with today's Electrolux, it's plain to see that we are more profitable, more streamlined and better focused than we were before. Besides that, we are stronger financially than ever before. And we are the world's largest company in our industry.

It would be easy to sit back and let things keep rolling along the way they always have. But as you well understand, that's not what I'm planning to do. We can grow even more profitable through keeping a strong focus on costs, developing more innovative products and building Electrolux into a strong global brand.

I have no doubt we will succeed. From our internal surveys, I know that our employees are strongly committed to doing their best to help us achieve our goals. There is a unique pride and determination in this company and we want to make the most of it.

You'll find that determination everywhere you look in our Group – from Augusta, Georgia to Pordenone, Italy to Changsha, China to Orange, Australia.

It's a determination to develop innovative, reliable solutions that make life easier and more enjoyable for millions of customers all around the world.

Thank you very much!

The Electrolux Press Hotline is available at +46 8 657 65 07.

The Electrolux Group is the world's largest producer of powered appliances for kitchen, cleaning and outdoor use, such as refrigerators, washing machines, cookers, vacuum cleaners, chainsaws, lawn mowers, and garden tractors. Every year, customers in more than 150 countries buy more than 55 million Electrolux Group products for both consumer and professional use sold under famous brands such as AEG, Electrolux, Zanussi, Frigidaire, Eureka and Husqvarna. In 2002, Electrolux had sales of SEK 133.2 billion and 82,000 employees.

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