Information to the shareholders of AB Electrolux prior to the Annual General Meeting on April 22, 2003 regarding Stock Options

Background

Stock based incentive programs are an important part of international as well as Swedish compensation practices. The proposal that follows is supported by the Board of Directors since it is a key part of the total compensation for top managers of Electrolux.

Remuneration Committee

Compensation for the President and CEO and the Group Management is managed and approved by the subcommittee of the Board of Directors known as the Remuneration Committee. The Remuneration Committee considers the stock options program as well as certain pension programs for a wider group of employees. The Remuneration Committee is comprised of the Chairman of the Board, the Vice-Chairman and the President although it is important to note that the President does not participate in decisions effecting his own compensation. The Remuneration Committee briefed and recommended to the Board of Directors the proposed 2003 program at the February 11, 2003 Board meeting.

Compensation Policy

Electrolux must attract, retain and motivate team members, in part, through a total compensation program which addresses economic and security issues for the employee and their families. The total compensation program is part of a holistic approach to the management of the Electrolux talent pool which is essential to deliver share holder value. Compensation must be fair, competitive, responsive to country specific demands and maintain a global perspective for top managers.

Fixed salary, variable salary, benefits and long term incentives, delivered as stock options, define the total compensation program for top management positions. For many years, Electrolux has embraced, a "pay for performance" philosophy which is evident in the higher proportion of variable versus fixed salary. Stock options align management incentives with shareholder's interests through variable compensation which depends on share price development.

Variable salary has a short term focus (calendar year) rewarding business sector level value creation except for the President and the Group Staff organisations which are compensated on the total Group result. Growth in value created is the primary financial driver for variable salary and this growth is the result of P/L improvement, a reduction net assets, growth in sales or some combination thereof. Stock options have a long term view rewarding share price development on the Group level for all participants. A developed business strategy requires that having a long term incentive program is an important counter-balance for short term incentive plans which may reward short term results at the expense of the future.

Stock options programs are offered by the vast majority of multi-national companies in Europe as well as Sweden according to a 2002 survey performed by Mercer, an internationally respected consulting firm with a specialty in compensation matters.

Prior Programs

The stock options programs were under two different plans. The first was introduced in 1998 and the plan was revised in 2001. The proposed 2003 program is governed by the 2001 plan.

The 2002 options program included 176 option holders in 21 countries. Nearly 80% of option holders are in the top four countries which are Sweden, USA, Italy and the UK. Approximately 13% of option program participants in 2002 are expatriates.

The history of prior programs is summarized in the table immediately below. The provision for outstanding options representing employer contributions is periodically reviewed. As of December 31, 2002, the total provision for all option programs was SEK 128m.

Program Year	Grant date	Black & Scholes Value at Grant	Total number of options: Options Granted	Total number of options: End of 2002	Number of options in each lot[1]	Strike price SEK	Term of the options	Vesting (years)
1998	Feb.25, 1999	35	694,300	556,500	10,600	170	5 years	1
1999	Feb.25, 2000	42	1,285,900	1,068,800	16,700	216	5 years	1
2000	Feb.26, 2001	35	617,500	524,300	6,500	170	5 years	1
2001	May 10, 2001	39	2,520,000	2,475,000	15,000	177	7 years	3[2]
2002	May 6, 2002	48	2,865,000	2,865,000	15,000	191	7 years	3[2]

[1] *4 lots have been granted to the President, 2 lots to Group Management and 1 lot to all others*

[2] *One third vests after 12 months, one third after 24 months and the final one third after 36 months.*

Board Proposals

The Board's proposals imply approval of a stock options program for 2003 and transfer of shares to cover this program and certain costs, mainly social security charges, in accordance with the proposals under points 14 f)-h) of the agenda for the Annual General Meeting.

The proposed 2003 stock options program has the following parameters.

Number of options in program:	3, 000,000	
Number of participants:	maximum 200	
Number of options per lot:	15,000	
Award criteria:	Position	
Number of lots per participants:	President & CEO	- 4 lots
	Group Management	- 2 lots
	All others	- 1 lot
Shares:	B – shares	
Strike price:	110% of the Average Trading Price for 10 Trading Days before Grant (May)	
Vesting table:	1/3 after 12 months	
	1/3 after 24 months	
	1/3 after 36 months	
Term:	7 years	
Estimated Black & Scholes value based on input from early February. The actual Black & Scholes value will change at the time of grant:	SEK 27	

Proposed 2003 Program Costs

The estimated cost of the 2003 program based on the Black & Scholes model for stock options valuations at SEK 27 per option. The board proposes to dedicate a maximum of 3,000,000 shares of repurchased shares as a hedge against the gain on share price appreciation as well as an additional 429,000 shares to hedge for employer contributions. Employer contributions under the proposed 2003 program as well as earlier programs is estimated at 22% of the Black and Scholes value.The pre-tax effect on the P & L for the proposed program is equal to SEK 18m (employer contributions) plus the financing costs for the repurchased stock amounting to SEK 20m. As an alternative to the aforementioned method for accounting that would be used, an estimate of cost based on the exposure draft of the new IASB standard indicates the cost of the 2003 program would be SEK 23m plus the financing costs (SEK 20m).If the options are executed at expiry the cost for the program will be low since it will be compensated by the increase in the share price.

Dilution

Dilution is the effect which occurs when the amount of shares increases and the companies assets and profits are diluted over a larger number of shares.The Electrolux stock options programs are not dilutive as a result of the plan designs. Hedging the options programs with repurchased shares does have a dilutive effect by itself. Repurchased shares are used to hedge against the gain made at exercise and the employer contributions in order to protect against the alternative expense. When repurchased shares are sold to option holders, the shares transfer from Treasury held shares to shares in the general marketplace. At this point in time, dilution occurs. If option holders do not exercise the options due to expiration of term, termination of employment or the absence of share price development, dilution will not occur in connection with the options program. History indicates that the maximum dilution does not occur since the exposure declines due to the aforesaid reasons. In the event that all option holders exercise all options that were active at the end of 2002 plus the proposed 2003 program, the maximum dilution would be 3.6%. The proposed 2003 program represents a maximum 1.1% of the total dilution. Dilution that does occur from the stock options programs will be delivered as a net benefit to shareholders.

Summary

The net benefit to shareholders is the result of the share price development which must occur for an exercise to be transacted, the program is hedged and the stock options programs fulfill a competitive requirement that must be alternatively satisfied with other less favourable costs in the total compensation program if not for the stock options programs.

Stockholm in april, 2003
AB Electrolux

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