

## PRESS RELEASE

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### Speech by President & CEO Hans Stråberg at the Annual General Meeting 2005

(ELUX) Shareholders, guests, ladies and gentlemen,

Our company – Electrolux – is in the midst of a process of change. We're changing the way we develop new products. We're changing our branding efforts. We're changing our methods of buying materials and components. We're changing our production base and we're changing the structure of the Group.

We are implementing these changes to build a better future for Electrolux and increase growth. To improve our profitability and create more value for you, the shareholder.

We are implementing these changes in an ever tougher global environment. But we enjoy a unique position of strength that gives us the freedom to take action.

A lot remains to be done, but the changes are yielding results. I now see concrete evidence that innovative new products – developed with genuine insight into consumer needs – sell better and provide higher profit margins.

The world around us is unpredictable. But I believe that you – and I – are doing the right thing by committing to Electrolux. These changes are going to give us the ability to grow and become even more profitable.

In terms of earnings, 2004 was a comparatively good year – even if we never feel entirely satisfied! Despite extreme price increases for steel and plastic, we achieved profits in line with expectations. In large part, this is thanks to the efforts of all of our competent employees. I think they deserve our gratitude.

Let me show you some earnings figures. Our operating margin was 5.5 percent adjusted for items affecting comparability. Our operating profit was almost 6.7 billion kronor, and our return on equity was 17.9 percent.

Factoring in exchange rate effects and the cost of moving production, our operating profit was just over 4.7 billion kronor. Our return on equity was 12.7 percent.

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We continue to operate with very little capital tied up. Our net assets as a percentage of net sales totaled 25.5 percent. That means we are using our assets very efficiently.

Our debt/equity ratio – that is, net loans divided by adjusted equity – was a low 0.05 percent. Our equity/assets ratio (*solidity*) dropped from 42.7 percent to 35.4 percent.

Our value creation for the year totaled almost 3 billion kronor. This was almost as high as our best two years to date, 2002 and 2003.

These results and our strong balance sheet are grounds for raising the dividend that you, the shareholders, will be voting on here today: from 6.50 to 7 kronor.

Let me also mention something about the results for the first quarter, which were published around noon today. Sales during the quarter amounted to 29.7 billion kronor. This is a decrease of 2.5 percent compared to the same period in 2004. The decrease is due to currency rate changes. In actuality, sales increased slightly if we disregard the currency rates.

Our operating income was 1.3 billion kronor and our margin was 4.4 percent. But when looking at these figures, remember that in this period we took running restructuring costs of 170 million kronor. Also we had material price increases of 600 million kronor. As we announced previously, we are increasing our prices to compensate for the increased costs of materials.

One new measure this year is that we are preparing to spin off our outdoor products business.

Let me briefly explain the three most important reasons for doing so:

First, the synergies we enjoy by combining outdoor products with the rest of the Group are no longer of great significance. We coordinated the two parts in North America in order to get our household operations there on their feet. It worked very well. Now this important part is yielding good results on its own, and has excellent prospects for the future.

Second, the strategic challenges the two parts face, are different. Outdoor products already has very strong product development. It does not have the same needs for structural measures as other parts of the Group. I therefore believe it would benefit the outdoor business to have its own board and management, devoted solely to its particular strategic issues.

Third, we want to put the value of this fine operation in the spotlight where everybody can see it. Whether 1+1 is more than 2 is obviously up to the market to decide. But it will at least be possible to discuss the numbers with a separate valuation.

The board's leading alternative is to distribute the business to you, the shareholders, next year. The idea is to keep it simple: one share of Electrolux gives you one share of the new company. I will be a very committed shareholder in both companies myself.

Currently, we're reviewing all the details so we can make the spin-off as cost-efficiently as possible. On the one hand, this is a matter of building up new structures and procedures for the outdoor sector. It's also a question of separating the operations in countries where we have joint companies.

The board will get back to you, the shareholders, with a more detailed proposal on the split. Our objective is to make the decision at next year's annual meeting.

Our previous experience of spinning off portions of our operations has been very positive. I am therefore convinced that both parts of the Group – and thus you, the shareholders, as well – will benefit from the separation.

At last year's annual meeting, I discussed some of the global trends that are affecting us. One of the most important is increased opportunities for purchasing and production in countries with a lower cost base.

The obvious effect of this is tougher price competition. And hand in hand with this trend, we consumers are doing what we should do in an open global economy. We are choosing the products that offer the greatest consumer value at the lowest possible price.

You can think what you like about this trend, which has such obvious consequences for many of our employees. But as a company, we have to take the trend at face value and make decisions that acknowledge its reality.

An important part of our strategy is therefore to cut our purchasing and manufacturing costs by drawing benefit from these trends.

In 2004, we decided to close some ten plants, including six white goods and two vacuum cleaner plants. The largest facility is the Greenville refrigerator plant in the United States, with 2,700 employees. Production will be shut down there in 2005 and moved to Mexico. Another familiar facility is in Västervik, Sweden. Its production was moved to Hungary and the Västervik plant was closed in March of this year.

We announced today that we are starting an investigation of production in four factories in Europe. It concerns possible closure of the refrigerator factory in Fuenmayor, Spain, with 450 employees and the outdoor products factory in Parabiago, Italy, with 100 employees.

In addition we are evaluating the downsizing of production in Mariestad and Florence, Italy. Both of these are refrigerator factories. The downsizing could affect 300 employees in Mariestad and 250 in Florence. The downsizing refers to unprofitable product categories. In Mariestad, the downsizing refers to unprofitable volumes that are being exported outside the Nordic countries and Russia.

We expect the measures that we are taking on the production side to be largely completed by the close of 2008. The measures will cost between 8 and 10 billion kronor. The resulting annual savings are expected to be between 2.5 and 3.5 billion kronor starting in 2009. The measures may affect approximately half of the white goods plants we have in “high-cost” countries. After 2008, I expect us to be back on a normal footing as regards structural measures.

Let me be absolutely clear on this point: closing plants is nothing we take lightly. It's always the last resort. It destroys expertise, it costs money and it causes good employees to lose their jobs. Our preferred alternative is always to improve efficiency. But in some product segments, that's not enough. The cost differences are simply too great. And therefore we have to take the measures that are most beneficial to the company.

At the same time, we are making parallel investments in new production facilities in Eastern Europe, Mexico and Asia. The table on this slide shows the investments we have decided on so far. Among others, we opened a new refrigerator plant in Hungary this January with an annual capacity of 560,000 units.

When we build new plants, we make sure the individual units are as versatile as possible. Reducing the number of product platforms – a process that is currently under way – will also enable us to improve productivity.

Having fewer product platforms enables us to buy larger quantities of fewer components. We are now putting pressure on our suppliers to cut their prices, and coordinating more purchases at the global level. In this way we succeeded in compensating for most of 2004's major material price increases.

An important item on my agenda is increasing global coordination in several areas, including development of new products. We are currently developing global generation plans for upcoming products.

One aspect of our generation planning efforts is identifying the product segments that will grow fastest in the future. This is an important part of our improved product development method, which all sectors are now employing. Another important aspect is consumer insight. With this as our foundation, we can develop innovative products that we know consumers want, faster and with greater precision. This also enables us to charge more money.

Let me give you three examples of such products that brought us market success in 2004.

On the Brazilian market, we launched a brand new cooker under the name Revolux. It was developed in cooperation with hundreds of Brazilian consumers. They tested several different versions and provided us with valuable insight into market needs. Among other things, this led us to make a product with two ovens.

In Europe, we introduced the world's first frost-free freezer.

The Ergorapido vacuum cleaner here on stage is probably the best example of how effective our product development method can be. This cordless vacuum cleaner has changed the way many people clean. It's so attractive that you can leave it out in the room. You use it to pick up crumbs, dirt – whatever – quickly and easily. We achieved full return on our investment after just a half year's sales. Sales continue to rush along, and we are currently introducing additional colors.

In 2004 we increased our product development commitment to 1.7% of sales. We expect to reach 2% within a few years. We are already seeing the investments pay off in higher prices and better profit margins. And the percentage of new products introduced in 2004 was significantly higher than in 2003.

Let me also tell you about some of the products that will be launched this year in markets around the world.

First, for professional customers. The new Libero line makes it easy for small restaurants to build versatile food prep modules that can be used right in front of their guests.

On to outdoor products. Our professional garden products customers will appreciate this four-wheel-drive garden tractor. It significantly improves reach, and servo steering makes it easier to drive.

And now home kitchens. We are currently launching an elegant 90 centimeter dishwasher. It's a perfect fit for attractively designed modern kitchens with free floor space under the cabinets.

M2 is the name of a new generation of cookers that received high marks in our consumer testing. It has an extra large window, making it easy to see what's going on inside the oven.

The Visi dishwasher also has a window in the front door. Thanks to our studies, we know that many people feel more safe and sound if they can see what's happening inside the dishwasher. It's the same secure feeling people have thanks to the window on the front of a washing machine.

For people who like plenty of room to work in the kitchen, we are introducing a one meter wide gas cooker with a double oven and top grill.

The equivalent for outdoor use is this outdoor grill being launched in both Europe and the USA. It has just about everything the outdoor cook could want, including an infrared heater and heated drawers.

This elegant wine cooler is already on sale in Sweden. You can see the cherrywood shelves through the tinted glass that protects against UV radiation.

American-style side-by-side refrigerators are a fast-growing segment. Here we see a model with an icemaker and an electronic child security lock that is now being introduced in Europe.

In North America, we're expanding the exclusive Electrolux ICON range with new stoves, gas cookers and a double oven with glass doors and pull-out oven racks. The range has received a lot of attention, and has indeed become something of an icon for the Electrolux brand in North America.

Electrolux is going to become the leading global brand in our industry. The basis for building such a brand is having the right products. Innovative products that meet genuine user needs and are attractively designed.

There are no shortcuts when it comes to building a strong brand. It takes time. Yet I feel confident in saying that we've come a long way towards our goal, both with our new products and with the other work we're doing to strengthen the Electrolux brand. We know, because every month in 14 countries, we measure the progress of our brands and those of our competitors.

In 2004, we picked up the pace of our efforts to double-brand our strong local brands with Electrolux. Products have now been double-branded in most major markets. In Italy, for example, we have double-branded with the strong local Rex brand. The results outstripped our expectations, and we picked up a greater share of the market.

In 2005, we are starting to double-brand one of the best-known brands in Europe – AEG – with a major share of the important German market.

All in all, the Electrolux brand now accounts for 40% of our sales, up from 10% just a few years ago.

The focus on Electrolux gives us more marketing impact than ever before.

Australia is a good example. The competition from Asian brands there is fierce, and our share of market had dropped in previous years. With new products and a well executed campaign, Australia succeeded in taking back most of what we had lost. And they were promoting the Electrolux brand, cutting back from seven brands to three – with Electrolux as the flagship.

Let's look at a few commercials from successful 2004 campaigns. We'll start with one from Australia.

In a few days, friends, it will be three years since I was entrusted with being the President and CEO of your company. I knew then that we would face some tough challenges. During the past three years, we have implemented major changes to deal with these challenges. A lot still remains to be done.

But we know what we have to do, and we know we're on the right track.

Sometimes I hear people say that it doesn't matter what we do. Household products is a mature industry with weak growth, they say. There can't be any exciting opportunities for the future here, can there?

But those people are wrong! There are tremendous opportunities for growth, if only we can see them!

People are spending more and more money on their homes. Not long ago, a study was carried out in Great Britain. It showed that people are now spending twice as large a percentage of their household income on their homes as they did in the eighties. We're seeing the same trend throughout the western world.

As their disposable income grows, people can afford to put more money into their homes.

Why is the percentage growing? The trend is crystal clear: the home is more and more important to more and more people. When researchers ask people, what says the most about you – your clothes, your car, your home or your job? – people in five of six European countries answer, My home.

The home trend means interest in design and style are on the upswing, too...and cooking!...and restaurants! One very strong indicator that we're working in an industry with good prospects for the future is the fact that more and more companies are entering the industry. Follow the money – the bottom line never lies.

But it's not enough to sit around waiting for demand to come to us. Profitable future growth will come primarily in specific segments.

We have the methods, the tools and the insight we need to identify, create and develop these segments. We have the resources to develop innovative products for these areas of the market. And with our innovations, we're building an even stronger brand, one that consumers like and feel confidence in.

That's why I believe so strongly in Electrolux.

Thank you very much!

#### Further information

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 2004, Electrolux had sales of SEK 121 billion and 72,000 employees.

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