

**Speech by President and CEO Michael Treschow
at the Electrolux Annual General Meeting, 24 April 2001**

Dear shareholders and guests,

This is my fourth Annual General Meeting with Electrolux. And I am happy to say that during the four years that I have had the privilege of leading this company, it has never been so focused, efficient and profitable as it is today.

2000 was a good year for Electrolux. For some years, the Electrolux Group has had targets of an operating margin of at least 6.5-7% and a return on equity of at least 15%.

I am pleased to report that we achieved these targets last year. Sales rose to almost SEK 125 billion. Operating income rose to more than SEK 8 billion, which corresponds to an operating margin of 6.5%. This is the highest margin since 1985. The return on equity was 18.5%. All of these figures are exclusive of items that affect comparability.

Net income per share rose by 16% to SEK 13.25. And the Board is proposing that the AGM increase the dividend to SEK 4 per share.

Value created rose by SEK 641 million to a total of SEK 2,423 million in 2000. As you know, value creation is what we use to measure the success of the Group. There are three ways to increase the value created. The most effective is to increase sales without increasing the assets employed. The second way is to cut costs. The third is to rationalize assets that do not provide a sufficient return.

Performance by Business Sector

Most of the Group's operations performed well in 2000. Consumer Durables, which accounts for almost 80% of our sales, reported higher sales, profitability and value created. In North America, the trends for all the financial indicators were good, while results in Europe were not satisfactory. This was caused partly by higher costs for materials and downward pressure on prices in the retail channel, but also by an unfavorable mix in terms of products, countries, and customers. In addition, we were affected by internal costs for re-organization within white goods. Together with the new management for white goods in

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Europe, I expect a substantially better performance. On the other hand, it is gratifying that we turned around operations outside Europe and North America so that they achieved positive operating income for the first time in several years.

For Professional Indoor Products, the results were mixed. The operation in food-service equipment reported higher operating income despite somewhat lower sales. Laundry equipment reported lower sales and income, mainly because we divested a number of operations. In addition, we experienced delays in launches of new products. We have now solved these problems, and you can see one of the new professional laundry machines here on the stage. Leisure appliances, which include hotel refrigerators, reported continued good profitability. However, the results for compressors and motors were substantially lower.

I am happy to report that Professional Outdoor Products continued to perform well, with stable growth in sales, higher margins and continued good profitability and increased value creation as a result. Within Professional Outdoor Products we have expanded in diamond tools. These machines are used for cutting concrete and rock, and we are now one of the world leaders in this sector. We have also expanded in turf-care equipment. You see one of these machines here on stage.

I would also like to say a few words about two other acquisitions.

Important acquisitions

In February of this year we acquired the Australian company Email, the largest producer of white goods in Australia. This acquisition gives us a very strong market position in the region. We now have a total market share of almost 60% in Australia. With the acquisition our annual sales increase by SEK 4.7 billion and the Group gets almost 4,500 new employees. I visited the company shortly after the deal was finalized, and everyone I met seemed very enthusiastic about joining the Electrolux Group, which was shown among other things by their speedy replacement of all signs, in order to announce their new corporate residence.

In June of last year we bought the rights to the Electrolux brand in North America. We can now use the same corporate name throughout the entire world, which simplifies our communication. In the US it's more impressive to say that we are "The world's No. 1 choice" than that we are third in the American market. At the moment preparations are being finalized for the Kitchen and Bathroom Show in Orlando, Florida, which is the first major marketing activity for the Electrolux brand in the US. It will be the premiere for two completely new product families of cookers and refrigerators. One of the refrigerators in the new family is on display here today.

Two flows for increased efficiency

We can describe the way we operate in terms of two flows. One is the physical flow that includes the raw materials which are transformed into products and

eventually reach consumers through dealers. Making this flow more efficient generates big gains for us. We've made the most progress in North America. Since 1997 we have increased sales by 35%, while at the same time the inventory space we use has been reduced by half in relation to sales. We are now transferring this experience to Europe.

But there's another important flow. It involves increasingly faster and better information about sales, inventories and production. New technology links us closer to suppliers and retailers. For example, in Sweden 85% of all our suppliers are now connected to our IT systems. This reduces inventory requirements and lowers costs.

But the flows do not become faster and more efficient simply because we have technology and systems. The decisive factor for a company's success is personnel who can really implement plans - which is always much more difficult than you think. It is the competence and commitment of our 85,500 employees that make the difference. That's why we have prioritized two areas - ensuring good leadership and the key competences that we need for developing our operation. And the people who move to another country and use their skills and experience in our operations there are especially valuable. Without their efforts you cannot run a global company. We are also reviewing our reward systems. Since 1998 we have gradually introduced a value-based bonus system for the Group's 350 top managers.

But being more efficient is not enough. We must also sell more. We can either grow our sales by consumers choosing more of our products instead of those from our competitors. Or by offering consumers new functions, better design and more innovative products, which enables us to receive more revenue for each product that we sell. Or by consumers replacing their existing appliances with new products more often.

I would therefore like to take a closer look at how we develop and deepen our relations with consumers.

Closer to the consumer

The first and perhaps the most important area involves really understanding consumer needs. We have increased our investments in market research in order to obtain more insight into how our products could be improved and upgraded. A good example of this is the Oxygen vacuum cleaner, which has won a number of prizes. The curved tube and the adjustable handle are details that have been developed from insight into consumer needs.

Another exciting opportunity for us involves turning the concept of "product" around and looking at it from the consumer's point of view. Is a lawn mower a product, or is it a question of how you take care of your garden? In the same way, the consumer may be buying the function of "clean laundry" instead of a washing machine. What other sorts of products contribute to this function?

Which services can contribute to it? I believe you will agree with me that this opens many new possibilities for development of products and services. It also opens the door to various types of cooperation and alliances with other companies.

Product development

Our knowledge of consumer needs enables us to develop more attractive products. We also have to ensure that the characteristics which each brand represents are clearly visible in both the product and its use.

I'd like to illustrate this point with a few examples. Our design departments have developed a graphic language library as a reference tool in their work on AEG, Zanussi and Electrolux brands. These are images that are used to inspire the design work and help create distinctive personalities for each brand.

Let's start with AEG. As you can see, this is a brand that represents the best of German engineering, with performance and precision as outstanding characteristics.

Zanussi, on the other hand, is a bit younger and more playful, with design and innovation as key words in communication.

Electrolux represents slightly softer values, for which care – including care for the environment, convenience and functional design are essential components.

You can see these ideas become reality in the form of a several new Electrolux products in the AlfaOne series, which are on display here on stage. I'm sure you'd agree that we have succeeded in creating an exciting, attractive design which I personally believe has a very bright future.

I'd also like to say a few words about our work on the networked home and intelligent living. In this area we cooperate with such companies as Toshiba of Japan and Ericsson of Sweden to develop concepts and products that meet future needs. You've probably heard about Screenfridge, our intelligent refrigerator, which is now in service in a number of projects in Denmark and Sweden.

We recently presented a prototype of an unattended delivery unit with refrigerated and freezing compartments, which you see here on the stage. It's designed to be placed outside a house or apartment, and enables delivery of food and other items when you're not home. Security is ensured by a code lock on the door of the unit. The people who deliver the goods are given a one-time code so they can deliver the goods. The point is that delivery has been a problem when people order by telephone, post order or the Internet.

Another innovative product is the solar panel driven lawnmower, which is here on stage.

An important area for our development activities involves exactly this - creating products that minimize the environmental impact. This applies to the entire life-cycle of the product, from manufacture to use and to final recycling. But the biggest environment benefits occur during use of the product. I visited the US last week, where energy savings are very much in focus. If we can help consumers save water and energy by providing them with better products, we contribute to both the environment and their wallets. I am very glad that one of our Electrolux refrigerator/freezers was recently named as the most energy-efficient in Europe by European energy organizations. If all Swedish households switched to our most resource-efficient white goods, this would correspond to a saving comparable to the power of two regular coal fired power plants and an annual gain of some SEK 4 billion.

Marketing and communication

The next step is to market the products that are developed in response to consumer needs. We have a brand policy that consists of a few main points.

We are concentrating our forces on fewer brands, which shall have a visible link to the Electrolux Group and our slogan, "The world's No. 1 choice". We want to create a family of brands where the Electrolux Group signals a guarantee of quality, leadership and reliability for all our products.

After this AGM is formally concluded, we are going to present the winners of our technology prize. We also have a prize for brand management within the Group, the Electrolux Brand Award. Last year the winner was once again Electrolux in India. This time for achievements with a local Indian brand, Allwyn, which in a short time doubled its market share.

The brand message to be transmitted is that Allwyn simply runs and runs and runs - so long that it's actually boring in the end. So boring that with a twinkle in the eye it can be compared with other typical behavior in India.

We now come to the fourth area - how we maintain contact with consumers.

For example, in a few weeks we're going to launch completely new web pages for some of our major brands. We will have some 50 new sites in different countries. The goal is to make it easier for the consumer to find the information that he or she is looking for - both before and after a purchase.

Customer service is another area that's important for us to develop. We invest continuously in our personnel's level of competence, so that for example the people who answer the phones in our customer service will be able to help the customer directly. In Sweden we this year expect that we will be able to double the number of service inquiries that are handled directly on the phone, without arranging a visit from a service technician.

It's also important for us to utilize the knowledge that our service and customer-service operations accumulate from consumers. With this knowledge we can improve both development of new products and our marketing even further. The circle is completed.

Dear shareholders, right now we are in a period of uncertainty, where the question is how deep and how long the economic downturn will be. But even if there is uncertainty about our business environment and the trends for business conditions, I am convinced that the prospects are good for Electrolux. We will continue our efforts to strengthen our competitiveness and be "The world's No. 1 choice". We have to deliver functional, innovative products that consumers want - and retailers prefer to sell. We need to be an interesting and profitable business partner for both large and small companies. And a stimulating work place for our employees, with opportunities for personal development.

Then we are also a company that creates value for you, our shareholders.

Electrolux is the world's largest producer of powered appliances for kitchen, cleaning and outdoor use, such as refrigerators, washing machines, cookers, vacuum cleaners, chain saws, lawn mowers, and garden tractors. In 2000, Group sales were SEK 124,5 billion and the Group had 86,000 employees. Every year, customers in more than 150 countries buy more than 55 million Electrolux Group products for both consumer and professional use. The Electrolux Group includes famous appliance brands such as AEG, Electrolux, Zanussi, Frigidaire, Eureka, and Husqvarna.

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