Electrolux

Press release, Stockholm, February 11, 2000

CONSOLIDATED RESULTS, 1999

Strong growth in results - income after financial items up more than 30%

All figures in SEKm, unless otherwise stated	**1999**	1998	Change, %	**Q4/99**	Q4/98	Change, %
Net sales	**119,550**	117,524	2	**28,406**	28,133	1
Excluding items affecting comparability[1]:						
Operating income	**7,420**	6,064	22	**1,858**	1,594	17
Margin,%	***6.2***	*5.2*		***6.5***	*5.7*	
Income after financial items[2]	**6,463**	4,886	32	**1,674**	1,387	21
Net income per share, SEK	**11.45**	8.85	29	**2.85**	2.55	12
Value creation[3]	**1,782**	437				
Return on equity,%	**17.2**	14.8				
Operating income	**7,204**	7,028	3	**1,858**	1,753	6
Margin, %	***6.0***	*6.0*		***6.5***	*6.2*	
Income after financial items	**6,142**	5,850	5	**1,569**	1,546	2
Net income per share, SEK	**11.40**	10.85	5	**2.85**	2.95	-4
Return on equity, %	**17.1**	19.3				
Dividend, SEK[4]	**3.50**	3.00				

1) 1999: a provision of SEK 1,841m for pension litigation and a capital gain of SEK 1,625m.
1998: a net capital gain of SEK 964m on divestments.
2)Excluding a trading loss of SEK 240m, and positive impact of SEK 135m from discontinuation of euro hedging in Q4 1999.
3)See definitions on page 25.
4)1999: proposed.

AB ELECTROLUX

MAILING ADDRESS 105 45 STOCKHOLM | PHONE +46 8 738 60 00 | FAX +46 8 738 74 61 | PRESS HOTLINE 08-657 65 07 | WEB SITE www.electrolux.com

Report by the President and CEO

During the past few years we have implemented comprehensive restructuring and continued to streamline the Group in order to focus on our core businesses.

Electrolux shall be a leading company in consumer durables for indoor and outdoor use, with a selected range of corresponding products for professional users. A company with good growth and profitability, creating value for business partners, employees and shareholders.

The restructuring program and other adjustments in 1997-1999 have involved total personnel cutbacks of about 14,500 and divestment or shutdown of 27 plants and 50 warehouses. Since 1997 eleven operations have been divested with total annual sales of more than SEK 20 billion, annual operating income of about SEK 1 billion, and about 22,000 employees.

The Group's quarterly income and margin, excluding items affecting comparability, have improved on the previous year for 11 consecutive quarters. For the full year 1999 the operating margin was 6.2% and the return on equity was 17.2%. In both the second and fourth quarters the operating margin was 6.5%. Both these key ratios are now in line with the Group's previously established financial targets.

Between 1997 and 1999 the trading price for Electrolux B-shares rose by 170%, while the general index for the Stockholm Stock Exchange increased by 101%.

We are now entering a new phase where the focus is on growth and proactive investments in customer relations and product management. At the same time, we are developing our systems for monitoring results and profitability in order to obtain greater focus on value creation. This will involve creating possibilities for growth as well as optimal operational and capital efficiency. Bonus systems and stock options for 350 top managers are directly linked to value creation.

Increased resources will be allocated to development of new products, e. g. for the "networked home". Work on improving internal efficiency is continuing, but at a less dramatic pace.

Improved income and profitability in 1999
Market trends in 1999 were favorable in both North America and Europe. The market in Brazil was weaker in most of the Group's product areas, however. Demand in South-east Asia stabilized, and in some areas even increased somewhat from the low level of the previous year.

Group sales rose by 4% for comparable units, after adjustment for exchange-rate effects. Exclusive of items affecting comparability, operating income rose by 22% to SEK 7,420m, which corresponds to an operating margin of 6.2%, as against 5.2% in the previous year.

The improvement in operating income is traceable mainly to higher sales volumes and improved productivity. A large share of the increase in productivity refers to the restructuring program. Lower costs for materials and half-finished goods also made a positive contribution, while price and mix had adverse effects. Changes in exchange rates, i.e. both translations and transactions, had a positive effect on operating income amounting to approximately SEK 380m, mainly referring to the USD and currencies outside Europe. In connection with comparisons it should also be remembered that divested operations contributed approximately SEK 130m to operating income last year.

Income after financial items, exclusive of items affecting comparability, rose by 30% to SEK 6,358m, and net income per share rose by 29% to SEK 11.45. The return on equity, also excluding items affecting comparability, improved to 17.2% from 14.8% and the return on net assets to 18.4% from 14.7%.

Cash flow improved considerably even when proceeds on divestments are excluded. The net debt/equity ratio decreased to 0.50, the lowest level since 1973.

A large share of the increase in sales and income during the year referred to the North American operation, where we had a positive trend for major appliances, floor-care products and leisure appliances as well as outdoor products. The increase in volume was particularly favorable in major appliances, where we had higher growth than the market. Increased capacity utilization and continued improvements in internal efficiency led to higher operating margin in major appliances, which is now nearly on a level with the corresponding operation in Europe. This is of course especially gratifying since we reported a break-even result in 1997. Our operating margin is nevertheless still considerably lower than our major American competitors.

Higher sales and income as well as an improved margin were also reported in Europe for comparable units. The increase in income is traceable mainly to Household Appliances and Professional Appliances, where restructuring also had a positive impact. Income for Household Appliances improved in both Germany and the UK, where we previously had problems.

As expected, the operations in Brazil and Asia reported losses, although trends were generally favorable. We expect to report continued improvements in income in both these regions in 2000.

In the third quarter we made a provision of USD 225 million, or SEK 1,841m, as a result of a decision in litigation on pension obligations in the US. The litigation refers to pension obligations for three operations which our American subsidiary White Consolidated sold in 1985, the year before the company was acquired by Electrolux. The court’s decision was appealed in August.

During the fourth quarter of 1999 net financial items were charged with losses on currency trading in the amount of SEK 240m, resulting from unauthorized and irregular trading in forward contracts by an employee at our internal bank in Germany. I regard this occurrence as very serious. We immediately launched an investigation and a review of our routines for authorization. Trading in forward contracts is now largely managed centrally by the Group’s Treasury department in Stockholm.

Restructuring program completed

The restructuring program that has been in progress since June 1997 was essentially completed during 1999. The program involved total personnel cutbacks of about

11,000, or 11%, as well as shutdown or divestment of 23 plants and 50 warehouses, corresponding to 15% of the total of these facilities.

The program was a prerequisite for increasing capacity utilization and reducing costs. Approximately 95% of the total anticipated annual cost savings and efficiency gains had been obtained by year-end 1999. As we have stated previously, the full effect of the program will be generated during 2000.

The greatest changes were made in Europe, where most of the discontinued facilities were located. Substantial efficiency gains have been made in production as well as in sales, marketing and logistics. For example, productivity within our German production system for major appliances increased by approximately 30% from 1997 to 1999. In the US, productivity improved by about 40% in production of refrigerators and more than 50% in dishwashers.

Implementing such comprehensive changes and cutbacks has been a difficult and painful process. This task has been performed very well. We will have to continue restructuring in the future as well, but as an ongoing process in our daily operations.

New Group structure

In 1999 we divested the operation in food and beverage vending machines and the major part of the operation in direct sales. An agreement was also reached in December for the divestment of the professional refrigeration product line.

The vending-machine operation was highly profitable but offered only limited opportunities for synergy effects. In refrigeration equipment, the Group’s market position was too weak to enable good profitability. The direct-sales operation had become marginal in terms of the Group’s sales of vacuum cleaners, which are mainly to the retail sector.

Achieving success in the face of increasingly tougher and more global competition requires concentrating the Group’s resources to a limited number of areas where we are a leader and have competitive advantages.

The professional operations differ in most respects from consumer products. Production involves smaller volumes, often manufactured to customer specifications, and the channels for distribution are different. There are some synergies when it comes to products, however, and concepts for the more advanced professional products can be transferred to consumer items. We are now concentrating the professional operation to food-service equipment, laundry equipment and leisure appliances, all of which have strong positions in the international market as well as good profitability.

In the US and elsewhere, household appliances and outdoor products are distributed through the same retailers, since they are sold to the same consumers. About 50% of our sales in North America refer to dealers who buy both categories of products. In recent years we have obtained synergies as well as lower costs for sales and administration by supplying household appliances for both indoor and outdoor use.

As of 2000, in our external financial information we will refer to Consumer Durables and Professional Products, instead of to the three business areas Household

Appliances, Professional Appliances and Outdoor Products. Consumer Durables, which accounted for over 75% of Group sales in 1999, will be divided into three geographical regions. Professional Products will be divided into indoor and outdoor products.

Focus on growth

Now that the restructuring program has been completed, we are shifting our focus to proactive investments in customer care and product management in order to generate growth.

Our primary aim is to grow organically, and our goal is to have a higher growth rate than the market. There is also a potential for acquisitions within a number of the Group's product areas.

Between 1990-99, sales for Electrolux more than doubled, from SEK 59 billion to SEK 120 billion, inclusive of acquisitions and after adjustment for divestments. This corresponds to an annual growth of 8%. I expect that Electrolux will continue to show good growth in the coming years and simultaneously achieve good profitability.

Group headquarters in Stockholm were moved into a new, modern and highly functional facility during the summer, which also reflects the fact that we are entering a new phase in the development of our business.

Changes in European retailing sector create opportunities

Consolidation of the retail structure in Europe toward a smaller number of large chains that operate in several countries is currently accelerating. Mergers in 1999 included the acquisition of Hugo Van Praag in Belgium by Kingfisher of Britain, one of the largest retailers in Europe. The French retailers Carrefour and Promodès merged to become the second largest retailer in the world. Dixon's, the biggest retail chain for electrical appliances in the UK, acquired Elköp of Norway, the largest such chain in Scandinavia. The US company Wal-Mart, the biggest retailer in the world, entered Europe through the acquisition of ASDA, the largest supermarket chain in the UK.

In household appliances, three retail companies now account for about one-fourth of the market in Western Europe. This trend is most advanced in the UK, where 9 large retailers account for about 60% of the market, and in France, where 10 account for about the same market share, and in Scandinavia, where 9 also account for about 60%. Of overall Group sales the ten largest retail customers currently account for about 25% of sales, and their share is growing.

The trend for consolidation favors large producers that can provide pan-European service, which requires a good geographical spread and a broad product range. Electrolux is the largest household appliance company in Europe and is the only one of the major producers with substantial market shares and leading brands in virtually every Western European country.

In order to better coordinate operations on a pan-European basis, we are changing the structure and organization for major appliances in Europe. The national organizations are being coordinated through a new company, Electrolux Home Products, with headquarters in Brussels. All marketing, product development, production, logistics and other vital functions will be integrated on a European basis and managed by the new company. The national sales organization, which previously comprised a number of these functions, will instead focus mainly on sales and customer service in their local markets. This change, which will be largely completed in 2000, will reduce costs and improve customer service and make us a more attractive partner for both large and small retailers.

For service to large customers, we can utilize our experience in the US, where consolidation among retailers has already taken place. Three large chains now account for about 40% of sales of household appliances in the American market, and the top ten chains account for about 60%. The Group has for many years been the main supplier of outdoor products to the largest chains in the US. In recent years the US operation has achieved good sales growth for household appliances by among other things providing better service to the major retailers. As I mentioned previously, this has also enabled greater efficiency in internal flows, which in turn made a considerable contribution to the improvement in income and profitability.

More efficient supply chain
Inventory management and logistics are vital areas where we are working to improve efficiency. The restructuring program has involved considerable changes in both Europe and the US. Within major appliances and floor-care products in Europe, we ship a total of about 50,000 products daily from 26 plants to more than 200 different locations. The corresponding figures in the US are 76,000 products, 14 plants and about 1,700 locations. It is obviously vital for us to do this as efficiently as possible.

Since 1997 the order fill rate for Electrolux Home Products in Europe, i.e. our ability to deliver the right goods in the right quantity at the right time, has improved by almost 40%, while inventories measured in days have been reduced by more than 20%. The number of warehouses was reduced from 52 to 33 between 1997 and 1999. In the US Frigidaire Home Products now operates with a smaller warehouse area than three years ago, when their sales volume was about 40% lower than today. There is still scope for improving the supply-chain in both Europe and the US.

The efficiency of our logistics function is indicated by the fact that one of the biggest retail chains for electrical products in Sweden has commissioned us to handle all the products they sell, i.e. both our own and other brands of white goods, as well as computers, TVs and radios.

Major investments in IT
An efficient infrastructure in the form of IT solutions is a prerequisite for implementing the above changes. The Group’s IT operations were previously highly fragmented. In 1998 we introduced a new IT organization with global responsibility in order to coordinate investments and opportunities in this area. In 1999, investment in IT amounted to almost SEK 200m. The cost for Y2K compliance was SEK 310m. We did not experience any disturbances in connection with the millennium shift, or afterward.

Internet
It is obvious that the Internet is having a great effect on sale and distribution of products, as well as on our entire business process.

The Internet gives Electrolux the opportunity to develop a closer relationship with consumers by supplying product information and other services. We do not expect to sell finished products to consumers, but instead are actively developing new sales concepts in close cooperation with retailers. Web-based communication is fast, effective and cost-efficient and will be used increasingly to improve and streamline the entire supply chain, from suppliers to customers.

Developing “intelligent” household appliances that can access the Internet will enable us to offer consumers new services that make their household tasks easier.

Faster rate of product renewal
Maintaining a high rate of product renewal is essential for achieving growth, which is enabled by greater internal efficiency and higher profitability. The Group’s size also provides a good base for product development.

Our task is to make daily life more convenient for consumers and professional users. We do this by supplying innovative products with improved performance, greater functionality and attractive user-friendly design. Recent examples of such products are the Oz refrigerator and the Zoe washing machine with attractive colours and sculptured design, and the Automower, a robot lawnmower that is either battery or solar-cell driven. Our concept for a robot vacuum cleaner has generated a great deal of attention world-wide.

In 1999 we launched a new front-loaded washing machine with an inclined drum and front that eliminate the need to bend over in order to load wash. We also introduced a new, quieter vacuum cleaner with high-power suction and a curved, ergonomically designed “Backsaver tube”, as well as several models of cyclone vacuum cleaners. NOW, a new range of refrigerators, enables the consumer to select various combinations of colors and materials for the door, handle and fittings. Products introduced within Professional Appliances include a new steam oven that received a major award in France for its unique design and performance, as well as new generations of trimmers and riders.

At the start of the year we presented Screenfridge, a concept for an “intelligent refrigerator”. Screenfridge features a number of functions that are completely new for a refrigerator. These include tracking the contents of various compartments, suggesting recipes, enabling shopping on the Internet, and serving as a family communication center with e-mail or video messaging as well as a monitor in a home security system.

In October we started a joint venture with Ericsson for development of products and services for the networked home. The purpose of this cooperation is to develop the concept of the kitchen as a center for household services, which involves a need for “intelligent” appliances that can communicate. We believe that there is a substantial market potential in this area. The project combines Ericssons expertise in modern telecommunications with Electrolux leadership in home appliances. The first products of the joint venture should be launched within the next year.

During the year we signed an agreement for cooperation with Toshiba of Japan. This cooperation has generated a number of specific ongoing projects such as development of core technologies for refrigerators, cookers, washing machines and vacuum cleaners, as well as electronic components and control systems. Other areas include concepts for new products and environmental performance. Toshiba has also started to distribute some of the Group's household appliances in Japan.

Product development is also driven by demands for improved environmental performance in terms of products and processes. We are maintaining our strategy of leadership in this respect.

Electrolux already has a number of environmentally leading products. Virtually all new products have improved in this respect, however, and provide not only better performance but also lower operating costs for the consumer. A good example of this is the latest high-performance AEG dishwasher launched in 1999, which consumes only 11 liters of water and has a noise level of 42 dbA, so that it is virtually silent. One of the major investment project during the year refers to a new line of refrigerators in the US that feature a reduction of about 30% in energy consumption. These refrigerators will also meet the mandatory phase-out of HCFC that is scheduled for 2003.

New brand policy
Electrolux has a portfolio of leading brands that appeal to a variety of market segments. As marketing is becoming more integrated world-wide, management of this competitive advantage must be more disciplined. The most successful companies in the future will be those with the strongest brands.

A new brand policy established in December 1998 involves concentrating resources to a smaller number of large, well-defined brands, and positioning them consistently in all markets where they are used. The new policy also involves using the Electrolux corporate brand as an endorsement for all product brands.

Implementation of the new policy during 1999 included the launch of an internal education and training program. A brand scorecard has been designed and tested, and an initial pilot for tracking brand strength in 45 countries will be run during the first half of 2000. In addition, advertising that reflects the new brand policy has been developed and will be launched during the first quarter of 2000 in nine Central and Eastern European countries.

Effect of the euro
The launch of the euro affects Electrolux in several ways. The EMU area accounts for over 30% of Group sales, and an even greater share of our assets. A single currency for all flows in this area will simplify administration and reduce both transaction costs and exchange-rate exposure. In addition, the European market will become more transparent. We will have to devote more time to strategic marketing issues that are related to pricing and product specifications. Electrolux will start reporting in euros as soon as it is permitted by Swedish legislation and is administratively feasible.

Leadership with more diversity
The intensifying competition in the market-place calls for active leadership by the Group's more than 5,000 managers. Guidelines and activities for managerial development were defined during the year. The goal is to obtain a more international and more diverse management that reflects the scope of the Group in terms of geographical presence, customers and personnel. In 1999 the project for an open

internal labor market covering all management positions was expanded, and will be completed in 2000. A program was started for recruiting about 15 young managers annually for the next three years, and giving them opportunities for career development as international business leaders. We are also intensifying our efforts to recruit university graduates.

Value creation
When the restructuring program was launched in 1997 we stated that when the program generates full effect in 2000, the Group should reach its financial targets of an operating margin of 6.5-7% and a return on equity of at least 15%.

At that time the Group's operating margin was 4.0%, exclusive of items affecting comparability. This margin was 6.2% for the full year 1999, but was 6.5% for both the second and fourth quarters. During this period, the return on equity exclusive of items affecting comparability rose from 8.3% to 17.2%.

We are now entering a new phase in which the Group must achieve sustainable and profitable growth. In addition, there is still scope for reducing operating costs and improving capital efficiency.

Since 1998 we have internally used a model for value creation to measure performance by sector, product line and region. Value created is now the way we measure performance in the Group.

Value created is defined as operating income after depreciation less the weighted average cost of capital on the Group's net assets.

During 1997-99 the Group has in average created an annual growth in value of SEK 1.2 billion. It is our ambition to continue this positive trend of creating additional value.

While our focus is on growth, the task of managers in individual business units is to devise strategies for managing drivers for value creation, such as sales growth, margin improvement and asset turnover to create value in their respective operations.

Since 1998, the bonus system for senior management has been linked to value creation. A value-based bonus system is now extended to about 350 top managers in the Group.

The Group's net debt/equity ratio is expected to remain below 0.80. The dividend should continue to correspond to 30-50% of net income.

Outlook for 2000
We expect continued good demand in North America during 2000 in all product areas. In Europe, market conditions should improve in comparison with 1999.

The market situation in Brazil is always difficult to forecast. However, a continued trend toward lower interest rates should enable some recovery in demand during the year.

In the light of the market conditions described above and with continued positive effects from the restructuring program, we expect a further improvement in both income and value created during 2000.

Michael Treschow
President and CEO

Report by the Board of Directors for 1999

Net sales and income
Net sales for the Electrolux Group in 1999 rose to SEK 119,550m, as against SEK 117,524m in the previous year. Of the 2% increase in sales, changes in the Group's structure accounted for –3%, changes in exchange rates for +1%, and volume/price/mix for +4%. For changes in Group structure, see page 15.

Group operating income amounted to SEK 7,204m (7,028), which corresponds to 6.0% (6.0) of net sales, and income after financial items amounted to SEK 6,142m (5,850), which corresponds to 5.1% (5.0) of net sales. Net income amounted to SEK 4,175m (3,975), corresponding to SEK 11.40 (10.85) per share.

The above income-figures include items affecting comparability comprising a provision of USD 225m (SEK 1,841m) referring to pension litigation in the US (see page 13), and a capital gain of SEK 1,625m on divestment of the operation in food and beverage vending-machines. In 1998 items affecting comparability comprised net capital gains totalling SEK 964m on divestment of operations.

Income excluding items affecting comparability
Exclusive of items affecting comparability, operating income improved by 22% to SEK 7,420m (6,064), corresponding to 6.2% (5.2) of net sales, and income after financial items improved by 30% to SEK 6,358m (4,886), corresponding to 5.3% (4.2) of net sales. Net income increased by 30% to SEK 4,200m (3,235), corresponding to SEK 11.45 (8.85) per share.

Effects of changes in exchange rates
Changes in exchange rates in terms of both translation and transactions had a net positive effect of approximately SEK 380m on operating income. This refers mainly to the weakening of the Swedish krona against the dollar and related currencies as well as the British pound.

Net financial items
Net financial items amounted to SEK -1,062m (-1,178), corresponding to –0.9% (-1.0) of sales. The improvement is traceable mainly to lower average interest rate, and reduction in tied up capital. The discontinuation of the Group's hedging of euro equity as of the start of the fourth quarter had a positive impact of SEK 135m.

In the fourth quarter net financial items were charged with a currency loss amounting to SEK 240m, resulting from unauthorized trading by an employee at the Group's internal bank in Germany.

Operating income by business area and region
All three business areas reported higher operating income with improved margins for Household Appliances and Professional Appliances. The operating margin for Outdoor Products was largely unchanged from the high level of the previous year. See page 13.

In geographical terms, operating income rose particularly in North America. Income for operations in Europe and Asia also showed improvement on the previous year. See table on page 22.

Fourth quarter 1999
Sales for the Group in the fourth quarter of 1999 amounted to SEK 28,406m, as against SEK 28,133m for the corresponding period in 1998. Of the 1% increase in sales, changes in currency rates accounted for -2%, changes in the Group's structure for -2%, and volume and price/mix for +5%.

Operating income rose to SEK 1,858m (1,753), corresponding to a margin of 6.5% (6.2), and income after financial items increased to SEK 1,569m (1,546), corresponding to a margin of 5.5% (5.5). Net income amounted to SEK 1,051m (1,093), which corresponds to SEK 2.85 (2.95) per share. The figures for 1998 include items affecting comparability of SEK 159m referring to net capital gains from divestment of operations.

In comparison with the previous year, excluding items affecting comparability, operating income rose by 17%, income after financial items by 13% and net income by 12%.

During the quarter, net financial items were charged with a currency loss of SEK 240m as a result of unauthorized trading by an employee at the Group's internal bank in Germany.

The improvement in operating income refers to Household Appliances and Outdoor Products, while income for Professional Appliances was lower due to divestments. For comparable units income for Professional Appliances increased over last year.

Cash flow
The cash flow generated by business operations and after investments, adjusted for exchange-rate effects, rose considerably to SEK 5,523m (3,922). The improvement is traceable mainly to improved earnings and reduced working capital.

Equity and net debt/equity ratio
Group equity as of December 31, 1999 amounted to SEK 25,781m (24,480), which corresponds to SEK 70 (67) per share.

The return on equity was 17.1% (19.3), and the return on net assets was 18.3% (17.6).

Excluding items affecting comparability, the return on equity was 17.2% (14.8), and the return on net assets was 18.4% (17.6).

Net borrowings declined to SEK 13,423m (17,966) and the net debt/equity ratio, improved to 0.50 (0.71).

Liquid funds at year-end amounted to SEK 10,312m (11,387), corresponding to 8.7% (9.5) of net Group sales. The Group continued to amortize long-term and short-term loans during the year.

The above figures included items affecting comparability. For definitions of the above ratios, see page 25.

Net assets
Net assets, i.e. total assets exclusive of liquid funds, interest-bearing financial receivables as well as non-interest-bearing liabilities and provisions amounted to SEK 36,121m (39,986). Net assets amounted to 30.6% (33.3) of sales, after adjustment for exchange-rate effects.

As of 1999, the definition of net assets has been changed to comprise only the assets that generate operating income, i.e. interest-bearing financial receivables amounting to SEK 3,908m as per December 31, 1999 are excluded. The figures for the previous years have been adjusted accordingly.

Inventories and accounts receivable
Inventories in 1999 amounted to SEK 16,549m (17,325) and accounts receivable to SEK 21,513m (21,859), which after adjustment for exchange-rate effects corresponds to 14.0% (14.4) and 18.2% (18.2) of net sales, respectively.

Restructuring program 1997-1999
The two-year restructuring program that was started in June 1997 to raise capacity utilization and cut costs was essentially completed in 1999.

The program has involved total personnel cutbacks of about 11,000 employees, of whom 1,700 left during 1999. A total of 21 plants and 45 warehouses have been shut down or divested. Notification of closure has been given for two additional plants and five warehouses. In 1999, three plants were shut down, one in the UK and two in Australia.

At year-end 1999, a total of SEK 2,320m was utilized of the provision of SEK 2,500m that was allocated for the program in 1997. SEK 500m was utilized during 1999.

Provision for pension litigation in the US

At the end of July, 1999 a decision against the Electrolux US subsidiary White Consolidated Industries Inc. (WCI) was rendered by a district court in Pennsylvania, USA in litigation on pension commitments.

The decision holds WCI liable for the underfunding of pension plans relating to businesses it divested in 1985, the year before it was acquired by Electrolux. The litigation was filed in 1991 and the trial was completed in April 1997. The plaintiff is a government agency, the Pension Benefit Guaranty Corporation (PBGC), which is responsible for the payment of defaulting pension obligations.

Electrolux appealed the decision on August 18, 1999.

In accordance with applicable accounting standards, the Group made a non-cash pre-tax provision of USD 225million (SEK 1,841m) in the third quarter. The amount of the provision is based on PBGC's estimate of the liability. The after-tax effect of this provision is USD 140 million (SEK 1,141m).

Electrolux is pursuing all available courses of action, including the appeal mentioned above, in order to mitigate the effect of this issue on the Group's financial results.

Operations by business area

Household Appliances

The market for white goods in Western Europe increased by about 4% in volume for the year as a whole. Market growth in the fourth quarter is estimated at approximately 7%. Group sales of white goods in Europe increased over the previous year. Operating income improved on the basis of higher volumes and greater internal efficiency.

The white-goods market in the US showed volume growth of almost 8% for core appliances in 1999. The increase during the fourth quarter was 9%. Frigidaire Home Products achieved strong growth in volume, which together with greater internal efficiency led to a substantial improvement in operating income.

Demand for room air-conditioners in the US increased substantially. The Group achieved a strong increase in volume, as well as a marked improvement in operating income and margin.

The market for white goods in Brazil, excluding microwave ovens and air conditioners was largely unchanged in volume compared with last year. There was a continued downturn in the product areas that account for the greater part of Group sales, however, and sales for the Brazilian operation declined. Operating income remained negative but improved over last year, expressed in SEK.

Total operating income for white goods was considerably higher in comparison with the previous year, and margin improved.

The market for floor-care products increased in volume in both Europe and the US. The Group's operating income and margin showed a considerable improvement as a result of increased volumes, a better product mix and greater internal efficiency.

Strong growth in sales and operating income was also reported for leisure appliances on the basis of good demand in both Europe and US. Demand for compressors and motors was weak in most markets, except for the US. Both sales and operating income for the Group's component operation were lower than last year.

Overall, sales for the Household Appliances business increased over last year. Operating income and margin improved.

Professional Appliances

Market conditions for food-service equipment in Europe improved somewhat over the previous year. Group sales increased, particularly in Southern Europe. Higher volumes and implemented restructuring led to a considerable improvement in operating income and margin.

Demand for laundry equipment was largely unchanged, and Group sales were on a level with 1998. Operating income and margin showed a significant improvement, however, mainly as a result of internal cost cutting.

Demand for refrigeration equipment declined in most product areas. Operating income for this product line declined substantially as a result of lower volumes, increased price competition and an unfavorable product mix. Costs referring to continued streamlining of the organization also had a negative impact.

Total sales for Professional Appliances increased somewhat for comparable units. Operating income improved, and margin was higher.

Outdoor Products

The total market for professional chain saws was largely unchanged compared to the previous year. There was a decline in Eastern Europe and Latin America. The market in North America remained strong, however, and demand also improved in South-east Asia. Group sales and operating income were lower than last year. Operating margin declined as a result of an unfavorable product mix as well as increased capital expenditure in product development and IT.

The European market for garden equipment showed higher demand and Group sales increased over 1998. Operating income declined, however, as a charge was taken in the third quarter for start-up problems for new consumer products.

In North America, demand for light-duty chain saws and garden products was somewhat higher compared to the previous year. Frigidaire Home Products reported higher sales, and both operating income and margin improved on the basis of higher volume and greater operational efficiency.

Overall, sales and operating income for the Outdoor Products business area increased compared to 1998, while margin was largely unchanged from the high level of last year.

The Y2K issue
Electrolux business sectors, with support from Group staff functions, started to work on the Y2K issue in 1996. Products, manufacturing processes, office and building systems, and third parties were scrutinized for possible Y2K problems. When potential problems were identified, the risks they posed were assessed and quantified, and corrections or replacements were made. Contingency plans covering the different areas were also prepared. Audits were performed to ensure that remediation efforts were completed.

Net effect and costs
The Group did not experience any major problems in connection with the millennium shift or afterward.

The total cost for Y2K compliance in the Group amounted to approximately SEK 310m, of which SEK 170m in 1999.

Future action
A number of Y2K problems may not arise until weeks or even months after year-end. The business sectors are monitoring the situation closely and are ready to implement appropriate contingency plans if necessary.

Major changes in the Group

Divestments
As of September 30, the Group’s operation in food and beverage vending machines was divested. The operation was part of the food-service equipment product line and in 1998 reported sales of approximately SEK 1,000m, with about 600 employees. The divestment generated a capital gain of SEK1,625m.

As of November 1, the major part of the Group’s operation in direct sales was divested. Divestment of the remaining units in Latin America is scheduled for completion during the spring 2000. In 1999 this operation had sales of 1,370m and about 6,600 employees.

In November an agreement was reached for the divestment of the operation in professional refrigeration. The major part of this product line was divested as of January 31, 2000. Divestment of the remaining operations in Brazil, China and Eastern Europe are scheduled for completion during the spring 2000. In 1999 this product line had sales of SEK 2,279m and about 2,000 employees

Acquisitions
As of March, the Group acquired the European operation in the American company McCulloch, which produces light-duty chain saws, trimmers, hedge trimmers and leaf blowers. In 1998 this operation reported sales of USD 81 million (approximately SEK 650m), and had 250 employees.

As of October, the Group acquired Yazoo-Kees, a North American manufacturer and distributor of landscape maintenance equipment with annual sales of approximately USD 20 million (SEK 160m) and about 100 employees. The company has been integrated into the Husqvarna outdoor operation.

J/V with Ericsson
In October a 50-50 joint venture with Ericsson was started, devoted to development and sales of products and services for the networked home. The company will actively drive standardization of future intelligent home products. Both Electrolux and Ericsson have already invested in this area and will jointly make an initial investment of SEK 70m in the new company. The new company became operational in December 1999 after approval by EU authorities.

Employees
The average number of employees in 1999 was 92,916 (99,322), of whom 8,881 (9,749) were in Sweden. At year-end the total number of employees was 91,758 (93,864).

The decrease from 1998 is a combined effect of the restructuring program and divestments, as well as productivity improvements at the Group's plants.

Parent company
Net sales for the parent company in 1999 amounted to SEK 6,685m (5,918), of which SEK 3,732m (3,060) referred to sales to Group companies and SEK 2,953m (2,858) to sales to external customers. Net income amounted to SEK 2,734m (1,989).

Proposed dividend

The Board of Directors proposes an increase of the dividend for 1999 to SEK 3.50 per share, for a total dividend payment of SEK 1,282m.

Possible repurchase of own shares
The Board of Directors welcomes the proposed possibility to repurchase shares and will present a proposal to the Annual General Meeting in light of the final decisions taken by legislative bodies.

Allocation of SPP pension surplus

The Swedish insurance company SPP has announced that it will allocate a portion of the surplus in its pension funds to participating companies. SPP has stated that Electrolux share of the surplus is SEK 358.6m, of which the parent company's share is SEK 249.3m.

Subject to approval by the Swedish Competition Authority of SPP's allocation model, which is expected during 2000, it is not clear how the companies can use the refunds.

The refund has not been included in the financial statements for 1999.

Annual option program
In 1998, an annual option program for about 100 senior managers was introduced. The options are allotted on the basis of value created according to the Group's model for value creation (see below). If no value has been created, no options are issued.

The value of the options is linked to the trading price of the Electrolux B-shares, and they can be used to purchase Electrolux shares at a fixed price. The strike price is

115% of the trading price on the date the options are issued, i.e. SEK 170 for the 1998 program. The maturity period of the options is 5 years. The options may not be redeemed until at least 12 months after the date of issue.

Options for the 1999 program will be allotted during the first half of 2000 on the basis of the additional value created in 1999, relative to 1998. A provision of SEK 85m plus employer contributions has been made for the 1999 program.

The Board has also authorized the option program for 2000, under which options will be issued in 2001, on condition that value is created in comparison with 1999.

Value creation

The Group is developing its internal systems for monitoring results and profitability in order to obtain greater focus on value creation.

Value created is continuously measured by sector, product line and region according to a model that has been gradually developed in the Group since 1998.

Since 1998 the bonus system for senior management has been linked to value creation. A value-based bonus system is now made available to a wider group of managers throughout the organization.

Value created is calculated as operating income after depreciation (EBIT), excluding items affecting comparability, less the weighted average cost of capital (WACC) on net assets:
[(Sales-operating costs = EBIT) - (WACC x Net assets)]. The weighted average cost of capital is estimated at 14% before tax.

During 1997-99 the Group has in average created an annual growth in value of SEK 1.2 billion.

New Group structure

As of 2000, the Group’s external financial information will refer to Consumer Durables and Professional Products instead of the three business areas Household Appliances, Professional Appliances and Outdoor Products.

In 1999 Consumer Durables accounted for somewhat more than 75% of Group sales. For this business area, net sales and operating income will be given for three geographical regions, Europe, North America and rest of the world. Professional Products will be divided into indoor and outdoor products. The table below shows the figures for 1999 according to the new structure.

Net sales and operating income, SEKm

Proforma	Net sales		Operating income			
	1999	1998	**1999**	Margin, %	1998	Margin, %
Consumer Durables						
Europe	**43,267**	42,978	**2,341**	5.4	2,204	5.1
North America	**42,466**	37,862	**3,054**	7.2	2,237	5.9
Rest of the world	**5,984**	7,014	**-401**	-6.7	-632	-9.0
Professional Products, Indoor	**20,450**	21,077	**1,912**	9.3	1,795	8.5
Professional Products, Outdoor	**7,100**	6,519	**963**	13.6	972	14.9
Other	**283**	2,074	**-51**		-76	
Common Group costs	**-**	-	**-398**		-436	
Items affecting comparability	**-**	-	**-216**		964	
Total	**119,550**	117,524	**7,204**	6.0	7,028	6.0

Stockholm, February 11, 2000
AB ELECTROLUX (publ)
Board of Directors

Factors affecting forward-looking statements

The Report by the President and CEO and the Report by the Board of Directors contain “forward-looking” statements within the meaning of the US Private Securities Litigation Reform Act of 1995. Such statements include, among others, the financial goals or targets of Electrolux for future periods and future business and financial plans. Actual results may differ materially from these goals and targets due to a variety of factors. These factors include but may not be limited to the following; the success in developing new products and marketing initiatives, progress in achieving operational and capital efficiency goals, the success in identifying growth opportunities and acquisition candidates, and the integration of these opportunities with existing businesses, progress in achieving structural and supply-chain reorganization goals, competitive pressures to reduce prices, significant loss of business from major retailers, consumer demand, and the effect of local economies on product demand.

Financial reports in 2000

Quarterly report, 1st quarter and Annual General Meeting	April 25
Quarterly report, 2nd quarter	August 11
Quarterly report, 3rd quarter	October 27

Consolidated income statement

			Fourth quarter	
	1999	1998	**1999**	1998
	SEKm	SEKm	**SEKm**	SEKm
Net sales	**119,550**	117,524	**28,406**	28,133
Cost of goods sold	**-87,288**	-86,899	**-20,438**	-20,379
Selling expenses	**-18,450**	-18,058	**-4,510**	-4,369
Administrative expenses	**-6,261**	-6,336	**-1,523**	-1,761
Other operating income/expense	**-131**	-167	**-77**	-30
Items affecting comparability	**-216**	964	**-**	159
Operating income*	**7,204**	7,028	**1,858**	1,753
Margin,%	***6.0***	*6.0*	***6.5***	*6.2*
Financial items, net	**-1,062**	-1,178	**-289**	-207
Income after financial items	**6,142**	5,850	**1,569**	1,546
Margin,%	***5.1***	*5.0*	***5.5***	*5.5*
Taxes	**-2,005**	-1,964	**-528**	-494
Minority interests in net income	**38**	89	**10**	41
Net income	**4,175**	3,975	**1,051**	1,093
** Including depreciation in the amount of:*	***-3,905***	*-4,125*	***-954***	*-1,023*

Consolidated balance sheet

	Dec. 31, 1999	Dec. 31, 1998
	SEKm	SEKm
Fixed assets	**28,051**	27,885
Inventories, etc.	**16,171**	16,957
Accounts receivable	**21,513**	21,859
Other receivables	**5,597**	5,201
Liquid funds	**10,312**	11,387
Total assets	**81,644**	83,289
Shareholders' equity	**25,781**	24,480
Minority interests	**825**	953
Interest-bearing liabilities and provisions	**23,735**	29,353
Non-interest-bearing liabilities and provisions	**31,303**	28,503
Total equity and liabilities	**81,644**	83,289

Parent company income statement

	1999 SEKm	1998 SEKm
Net sales	**6,685**	5,918
Operating expense	**-6,931**	-6,069
Operating income	**-246**	-151
Group contributions	**861**	1,049
Financial items, net	**2,182**	1,122
Income after financial items	**2,797**	2,020
Allocations	**-39**	26
Income before taxes	**2,758**	2,046
Taxes	**-24**	-57
Net income	**2,734**	1,989

Parent company balance sheet

	Dec. 31, 1999 SEKm	Dec. 31, 1998 SEKm
Fixed assets	**31,423**	31,525
Inventories, etc.	**630**	593
Current receivables	**739**	666
Receivable from subsidiaries	**2,933**	1,924
Liquid funds	**3,731**	2,036
Total assets	**39,456**	36,744
Shareholders’ equity	**13,029**	11,394
Untaxed reserves	**587**	548
Payable to subsidiaries	**10,516**	5,740
Interest-bearing liabilities and provisions	**13,588**	17,531
Non-interest-bearing liabilities and provisions	**1,736**	1,531
Total equity and liabilities	**39,456**	36,744

Cash-flow statements

	Group		Parent company	
	1999	1998	**1999**	1998
	SEKm	SEKm	**SEKm**	SEKm
Operations and investments				
Income after financial items	**6,142**	5,850	**2,797**	2,020
Depreciation according to plan charged against above income	**3,905**	4,125	**216**	289
Capital gain/loss included in operating income	**-1,620**	-964	**-29**	-77
Provision for restructuring	**-507**	-1,122	**-**	-
Provision for pension litigation	**1,841**	-	**-**	-
Taxes paid	**-2,166**	-2,135	**-27**	-48
Changes in operating assets and liabilities	**1,065**	-1,056	**1,840**	-1,650
Cash flow from operations	**8,660**	4,698	**4,797**	534
Investments in operations	**-418**	-237	**-**	-
Divestment of operations	**2,120**	2,342	**-**	-
Capital expenditure	**-4,439**	-3,756	**-302**	-250
Other	**-400**	875	**2,254**	-1,504
Total cash flow from operations and investments	**5,523**	3,922	**6,749**	-1,220
Change in short-term loans	**-4,039**	954	**-1,371**	-1,147
Change in long-term loans	**-553**	-2,988	**-2,584**	2,159
Dividends	**-1,099**	-915	**-1,099**	-915
Change in minority interests	**-**	6	**-**	-
Total cash flow	**-168**	979	**1,695**	-1,123
Liquid funds at beginning of year	**11,387**	9,834	**2,036**	3,159
Exchange-rate differences referring to liquid funds	**-907**	574	**-**	-
Liquid funds at year-end	**10,312**	11,387	**3,731**	2,036

Change in net borrowings

Total cash flow excl. change in loans	**4,646**	3,013	**5,650**	-2,135
Net borrowings at beginning of year	**-17,966**	-20,159	**-15,303**	-13,168
Exchange-rate differences referring to net liquidity	**-103**	-820	**-**	-
Net borrowings at year-end	**-13,423**	-17,966	**-9,653**	-15,303

Net sales by business area

	1999 SEKm	**Share %**	1998 SEKm	Share %
Household Appliances	**86,982**	**72.8**	84,581	72.0
Professional Appliances	**10,960**	**9.2**	11,574	9.8
Outdoor Products	**21,325**	**17.8**	19,295	16.4
Other[1]	**283**	**0.2**	2,074	1.8
Total	**119,550**	**100.0**	117,524	100.0

1) Financial operation and in 1998 also the operation in Gotthard Nilsson, etc.

Operating income by business area

Excl. items affecting comparability	**1999 SEKm**	**Share %**	1998 SEKm	Share %
Household Appliances[1]	**5,070**	**68.3**	4,065	67.0
Margin, %	***5.8***		*4.8*	
Professional Appliances	**766**	**10.3**	723	11.9
Margin, %	***7.0***		*6.2*	
Outdoor Products	**2,033**	**27.4**	1,788	29.5
Margin, %	***9.5***		*9.3*	
Other[2]	**-51**	**-0.6**	-76	-1.2
Common Group costs	**-398**	**-5.4**	-436	-7.2
Total	**7,420**	**100.0**	6,064	100.0

1) Including a charge of SEK 175m in 1998 referring to Brazil and Asia.

2) Includes the cost in the financial operation and in 1998 also the operation in Gotthard Nilsson, etc.

Net sales and operating income, by geographical area, SEKm

	Net sales		Operating income	
	1999	1998	**1999**	1998
Europe	**60,016**	62,102	**4,677**	4,489
North America	**47,675**	41,681	**3,290**	2,543
Rest of the world	**11,859**	13,741	**-547**	-968
Items affecting comparability	**-**	-	**-216**	964
Total	**119,550**	117,524	**7,204**	7,028

Quarterly figures

Net sales and income, per quarter

		1st qtr	2nd qtr	3rd qtr	4th qtr	Full year
Net sales, SEKm	**1999**	**29,053**	**33,021**	**29,070**	**28,406**	**119,550**
	1998	28,567	32,308	28,516	28,133	117,524
Operating income, SEKm	**1999**	**1,656**	**2,151**	**1,539**	**1,858**	**7,204**
	Margin,%	***5.7***	***6.5***	***5.3***	***6.5***	***6.0***
	1999[1)]	**1,656**	**2,151**	**1,755**	**1,858**	**7,420**
	Margin,%	***5.7***	***6.5***	***6.0***	***6.5***	***6.2***
	1998	1,376	2,224	1,675	1,753	7,028
	Margin,%	*4.8*	*6.9*	*5.9*	*6.2*	*6.0*
	1998[2)]	1,376	1,669	1,425	1,594	6,064
	Margin,%	*4.8*	*5.2*	*5.0*	*5.7*	*5.2*
Income after financial items, SEKm	**1999**	**1,384**	**1,835**	**1,354**	**1,569**	**6,142**
	Margin,%	***4.8***	***5.6***	***4.7***	***5.5***	***5.1***
	1999[1)]	**1,384**	**1,835**	**1,570**	**1,569**	**6,358**
	Margin,%	***4.8***	***5.6***	***5.4***	***5.5***	***5.3***
	1998	1,060	1,863	1,381	1,546	5,850
	Margin,%	*3.7*	*5.8*	*4.8*	*5.5*	*5.0*
	1998[2)]	1,060	1,308	1,131	1,387	4,886
	Margin,%	*3.7*	*4.0*	*4.0*	*4.9*	*4.2*
Net income, SEKm	**1999**	**912**	**1,188**	**1,024**	**1,051**	**4,175**
	1999[1)]	**912**	**1,188**	**1,049**	**1,051**	**4,200**
	1998	667	1,230	985	1,093	3,975
	1998[2)]	667	862	766	940	3,235
Net income per share, SEK	**1999**	**2.50**	**3.25**	**2.80**	**2.85**	**11.40**
	1999[1)]	**2.50**	**3.25**	**2.85**	**2.85**	**11.45**
	1998	1.85	3.35	2.70	2.95	10.85
	1998[2)]	1.85	2.35	2.10	2.55	8.85

1) Exclusive of items affecting comparability, which in 1999 comprised a provision of USD 225m (SEK 1,841m) in the third quarter, and a capital gain of SEK 1,625m also in the third quarter.

2) Exclusive of items affecting comparability, which in 1998 comprised a total net capital gain of SEK 964m, of which SEK 555m in the second quarter, SEK 250m in the third quarter and SEK 159m in the fourth quarter.

Net sales by business area, per quarter, SEKm

		1st qtr	2nd qtr	3rd qtr	4th qtr	Full year
Household Appliances	**1999**	**20,266**	**22,393**	**22,045**	**22,278**	**86,982**
	1998	20,140	21,512	21,345	21,584	84,581
Professional Appliances	**1999**	**2,563**	**3,006**	**2,747**	**2,644**	**10,960**
	1998	2,722	2,999	2,760	3,093	11,574
Outdoor Products	**1999**	**6,155**	**7,557**	**4,190**	**3,423**	**21,325**
	1998	5,157	7,246	3,790	3,102	19,295

Operating income by business area, per quarter, SEKm

		1st qtr	2nd qtr	3rd qtr	4th qtr	Full year
Household Appliances	**1999**	**1,071**	**1,206**	**1,327**	**1,466**	**5,070**
	Margin,%	***5.3***	***5.4***	***6.0***	***6.6***	***5.8***
	1998	879	813[1)]	1,057	1,316	4,065
	Margin,%	*4.4*	*3.8*	*5.0*	*6.1*	*4.8*
Professional Appliances	**1999**	**129**	**272**	**187**	**178**	**766**
	Margin,%	***5.0***	***9.0***	***6.8***	***6.7***	***7.0***
	1998	103	223	177	220	723
	Margin,%	*3.8*	*7.4*	*6.4*	*7.1*	*6.2*
Outdoor Products	**1999**	**574**	**794**	**334**	**331**	**2,033**
	Margin,%	***9.3***	***10.5***	***8.0***	***9.7***	***9.5***
	1998	488	751	348	201	1,788
	Margin,%	*9.5*	*10.4*	*9.2*	*6.5*	*9.3*
Common Group costs	**1999**	**-109**	**-107**	**-87**	**-95**	**-398**
	1998	-95	-93	-122	-126	-436

1) Including a charge of SEK 175m in 1998 referring to Brazil and Asia.

Electrolux shares

Per-share data, 1995-1999[1]	1999	1998	1997	1996	1995
Year-end trading price, SEK[2]	**214.00**	139.50	110.20	79.20	54.50
Highest trading price, B-shares, SEK	**222.00**	161.00	139.80	85.40	77.40
Lowest trading price, B-shares, SEK	**118.00**	87.50	77.70	54.30	50.80
Change in price during the year, %	**53**	27	39	45	-28
Equity, SEK	**70**	67	56	61	58
Trading price/equity, %	**304**	209	196	129	94
Dividend, SEK	**3.50** 3)	3.00	2.50	2.50 4)	2.50
Net income, SEK	**11.45** 5)	8.85 5)	4.85 5)	5.05	7.50
EBIT multiple[6]	**12.9**	10.0	4.6	2.2	1.4
	12.5 5)	11.5 5)	2.6 5)		
P/E ratio[7]	**18.7**	15.8	22.7	15.7	7.3
Number of shareholders	**52,600**	50,500	45,660	48,300	54,600

1) The figures for 1995-1997 have been adjusted for the 5:1 stock split in 1998.

2) Last price paid for B-shares.

3) Proposed by the Board.

4) Plus 1/2 share in Gränges for every Electrolux share.

5) Excluding items affecting comparability.

6) Market capitalization plus net borrowings and minority interests, divided by operating income.

7) Trading price in relation to net income per share after full dilution. For 1995–1999, computed as net income per share after full tax.

Definitions

Operating margin
Operating income as a percentage of net sales.

Net income per share
Net income divided by number of shares.

Number of shares
The number of shares in 1999 amounted to 366,169,580.

Return on equity
Net income as a percentage of opening equity.

Return on net assets
Operating income as a percentage of average net assets.

Net assets
Total assets exclusive of liquid funds, interest-bearing financial receivables as well as non-interest-bearing liabilities and provisions.

Value creation
Operating income (EBIT) excl. items affecting comparability less a weighted, average cost of capital on net assets (WACC).

Equity/assets ratio
Adjusted equity expressed as a percentage of adjusted total assets.

Adjusted total assets
Total assets less liquid funds.

Net debt/equity ratio
Net borrowings in relation to adjusted equity.

Net borrowings
Total interest-bearing liabilities less liquid funds.

Total adjusted equity
Equity, including minority interests.