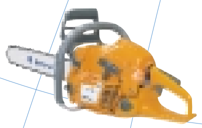
Electrolux

Annual Report 1999

LEADERSHIP

consumer durables



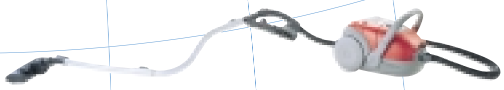
powerful brands

value creatin

INNOVATIVE PRODUCTS

professional products

customer focus



THE WORLD'S NUMBER ONE CHOICE

Contents

Investor Relations and Financial Information

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Financial reports in 2000

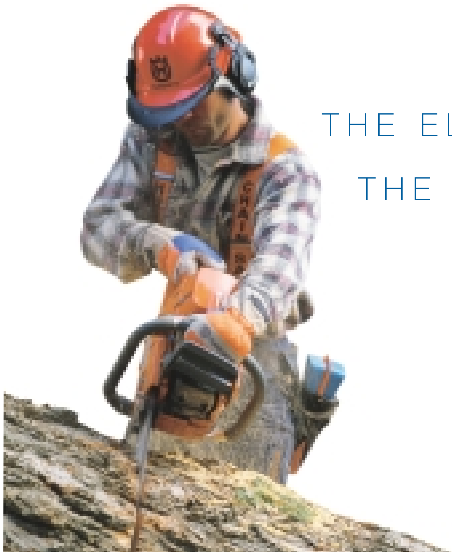
Consolidated results	February 11
Annual report	Mid-March
Form 20-F	April
Quarterly report, 1st quarter	April 25
Quarterly report, 2nd quarter	August 11
Quarterly report, 3rd quarter	October 27

The above reports are available on request from AB Electrolux, Investor Relations and Financial Information, SE-105 45 Stockholm, Sweden. Tel. +46 8 738 60 03 or 738 61 41. Financial information from Electrolux is also available on the Internet at www.electrolux.com

The goal of the Electrolux Group is to be a world leader in **consumer durables** for **indoor** and **outdoor** use, with a selected range of corresponding products for **professional** users.

By continuously increasing efficiency, developing innovative products and improving customer care, Electrolux shall be a company with good **growth** and **profitability**. A company that creates **value** for business partners, employees and shareholders.

Today, with annual sales of almost SEK 120 billion, Electrolux is the **world's largest** producer of appliances for kitchen, cleaning and outdoor use, such as refrigerators, cookers, washing machines, chainsaws, lawn mowers and garden tractors. Every year consumers in more than **150 countries** buy more than **55 million** Group products, which are sold under famous brands such as AEG, Zanussi, Frigidaire, Eureka, and Husqvarna.



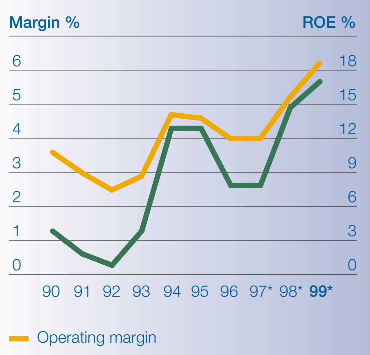
THE ELECTROLUX GROUP

THE WORLD'S NUMBER ONE CHOICE

Operating income

Exclusive of items affecting comparability, **operating income** improved by 22% to SEK 7,420m (6,064), corresponding to 6.2% (5.2) of sales. Income after financial items improved by 30% to SEK 6,358m (4,886), corresponding to 5.3% (4.2) of sales. Earnings per share increased by 29% to SEK 11.45 (8.85). Return on equity rose to 17.2% (14.8).

Operating margin and ROE



*Excl. items affecting comparability

Dividend

The Board proposes increasing the **dividend** for 1999 to SEK 3.50 per share.

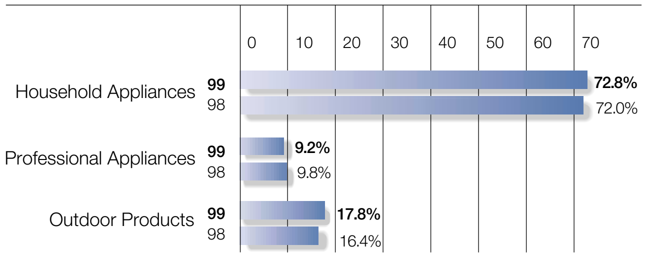
Restructuring program completed

	Q1 97	Target, approx.	Q4 99
No. of plants	150	-25	-23
No. of warehouses	300	-50	-50
No. of employees	101,800	–12,000	–11,000
EBIT margin	*3.8%*	*6.5–7.0%*	*6.5%*
ROE	*6.3%*	*>15%*	*17.2%*

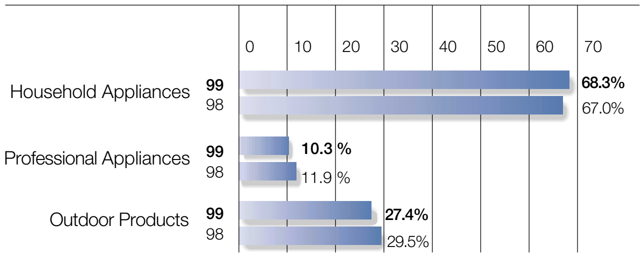
Restructuring

The **restructuring** program that was started in June 1997 was essentially completed during the year. It has involved personnel cutbacks totalling about 11,000 and the shutdown of 23 plants and 50 warehouses.

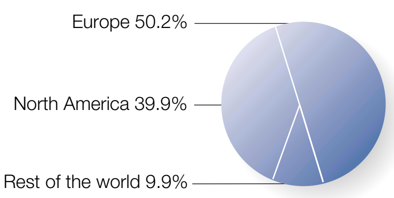
Net sales by business area



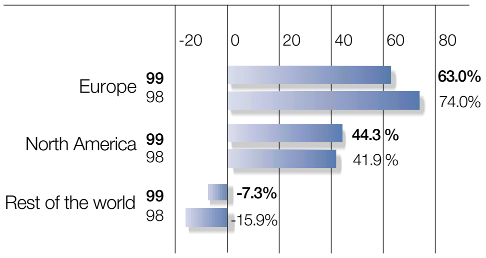
Operating income by business area



Net sales by region

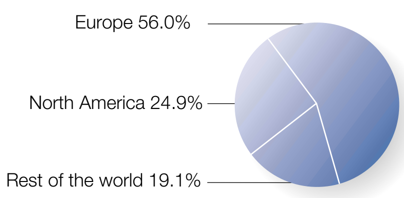


Operating income by region[1]



1) See Note 2, page 37.

Employees by region



Divestment of operations

Streamlining of the Group continued during 1999 with the **divestment of operations** in food and beverage vending machines, and the major part of the direct sales operation. An agreement was also reached for the divestment of professional refrigeration equipment. These operations had total annual sales of almost SEK 5,000m and about 9,000 employees.

Alliances

An agreement was signed with Toshiba of Japan for **cooperation** in household appliances. The Group also formed a jointly owned company with Ericsson that will develop products and services for the networked home.

Value creation

Value creation as a measure of performance was announced at the beginning of 2000. During 1997–1999 the Group has in average created an annual growth in value of SEK 1.2 bn.

Key data	SEKm 1999	SEKm 1999 excl. items affecting comparability 1)	SEKm 1998	SEKm 1998 excl. items affecting comparability 1)	EURm 1999 3)	EURm 1998 3)
Net sales	119,550	119,550	117,524	117,524	13,982	13,745
Operating income	7,204	7,420	7,028	6,064	842	822
Margin, %	*6.0*	*6.2*	*6.0*	*5.2*	*6.0*	*6.0*
Income after financial items	6,142	6,358	5,850	4,886	718	684
Net income	4,175	4,200	3,975	3,235	488	465
Net income per share, SEK, EUR	11.40	11.45	10.85	8.85	1.33	1.27
Dividend per share, SEK, EUR	3.50 2)	3.50 2)	3.00	3.00	0.41	0.35
Return on equity, %	17.1	17.2	19.3	14.8	17.1	19.3
Return on net assets, %	18.3	18.4	17.6	14.7	18.3	17.6
Net debt/equity ratio	0.50	0.50	0.71	0.70	0.50	0.71
Capital expenditure	4,439	4,439	3,756	3,756	519	439
Average number of employees	92,916	92,916	99,322	99,322	92,916	99,322

1) Excluding items affecting comparability. In 1999, these items comprised a provision of USD 225m (SEK 1,841m) referring to pension litigation in the US, and a capital gain of SEK 1,625m on divestment of the operation in food and beverage vending machines. In 1998, these items included net capital gains totalling SEK 964m.

2) Proposed by the Board.

3) Including items affecting comparability. Exchange rate: EUR 1 = SEK 8.55

New Group structure as of 2000

consumer DURABLES

Net sales SEK 91,717m

Consumer durables comprise mainly white goods, i.e. refrigerators, freezers, cookers, washing machines, dishwashers and room air-conditioners. In 1999, white goods accounted for 74% of total sales in consumer durables, and more than half of total Group sales. Other product lines include floor-care products as well as light-duty chainsaws and garden equipment such as lawn mowers, trimmers and leaf blowers.

Market position

White goods

Market leader in Europe, third largest producer in the US.

Floor-care products

World leader, global market share approximately 20%.

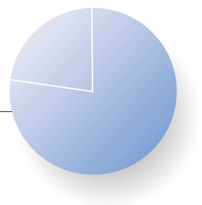
Garden equipment

World's largest producer of such items as lawn mowers, garden tractors and lawn trimmers.

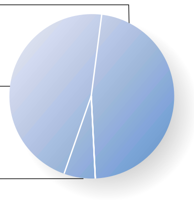
Brands

AEG, Allwyn, Arthur Martin Electrolux, Corberó, Electrolux, Elektro Helios, Eureka, Faure, Flymo, Frigidaire, Frigidaire Gallery, Husqvarna, Juno, Kelvinator, Maxclean, McCulloch, Menalux, Partner, Poulan, Rex, Rosenlew, Samus, Tappan, Therma, Tornado, Volta, Voss, WeedEater, White-Westinghouse, Zanker, Zanussi, Zanussi-Samus, Zoppas

Share of Group sales



Net sales by region



Electrolux FRIGIDAIRE AEG ZANUSSI EUREKA Flymo Poulan WEED EATER McCULLOCH Kelvinator PARTNER

See also New Group structure – pro forma figures, page 18.

professional PRODUCTS

Net sales SEK 27,550m

indoor PRODUCTS

This operation comprises food-service equipment for restaurants and institutions, as well as laundry equipment for such applications as apartment-house laundry rooms and professional laundries. Other product lines include components, i.e. compressors and motors, and absorption refrigerators for caravans and hotel rooms.

Market position

Food-service equipment

Market leader in Europe, world's second largest producer.

Laundry equipment

World leader in equipment for apartment-house laundry rooms, launderettes, hotels and institutions.

Leisure appliances

World leader in absorption refrigerators for caravans and hotel rooms.

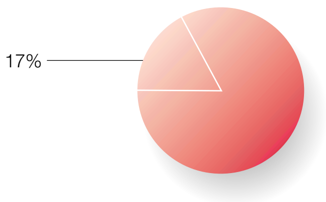
Components

World's largest producer of compressors for refrigerators and freezers, market leader in Europe and US.

Brands

Dito Sama, Dometic, Electrolux, Electrolux Wascator, Juno, Kelvinator, Molteni, Therma, Wascomat, Washex, VOE, Zanussi Professional, ZEM, Zoppas

Share of Group sales



outdoor PRODUCTS

This operation comprises chainsaws, clearing saws and other equipment for professional forestry work. Other product lines include landscape maintenance equipment, turf-care equipment and power cutters for professional use.

Market position

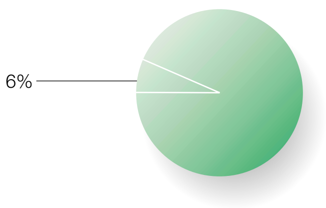
Forestry equipment

Husqvarna and Jonsered are two of the three leading brands for professional chainsaws.

Brands

Husqvarna, Jonsered, Partner Industrial

Share of Group sales



Report by the President and CEO

Michael Treschow

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, twelve 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

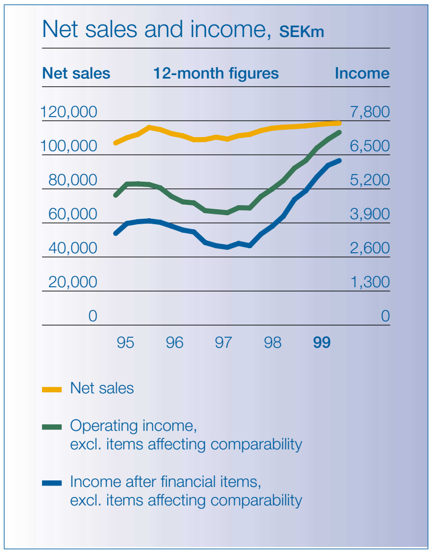
Market trends in 1999 were favorable in both North America and Europe. The market in Brazil was weaker in most of the Group's product areas, however. Demand in Southeast Asia stabilized, and in some areas even increased somewhat from the low level of the previous year.

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 dollar 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.



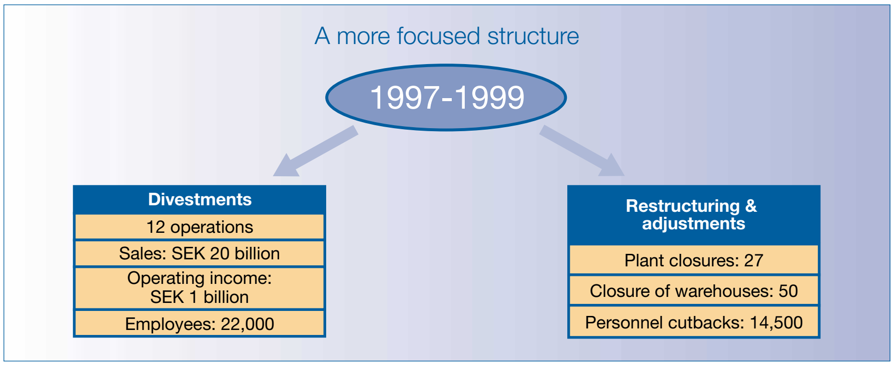
A large share of the increase in sales and income during the year referred to the North American operation, where we had a positive trend for major appliances, floor-care products and leisure appliances as well as outdoor products. The increase in volume was particularly favorable in major appliances, 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

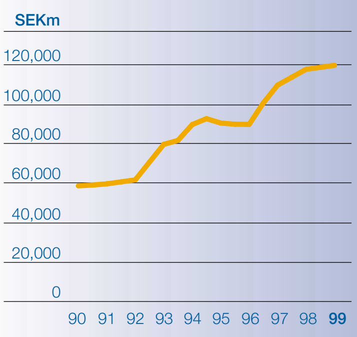
Now that the restructuring program has been completed, we are shifting our focus to proactive investments in customer care and product management in order to generate growth.

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 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.

Net sales excluding divestments



Average annual growth in sales: 8%.

H.M. King Carl XVI Gustaf of Sweden signs a memorial plaque for the Future Appliances World exhibition at the inauguration of the new Electrolux headquarters.

Changes in European retailing sector create opportunities

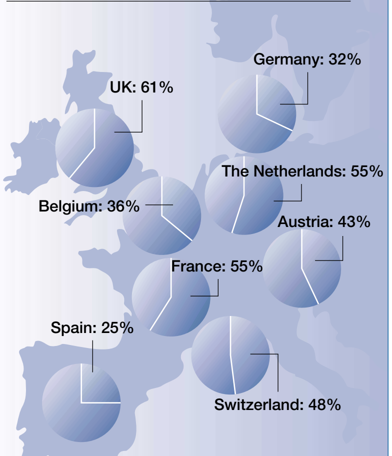
Consolidation of the retail structure in Europe toward a smaller number of large chains that operate in several countries is currently accelerating. Mergers in 1999 included the acquisition of Hugo Van Praag in Belgium by Kingfisher of Britain, one of the largest retailers in Europe. The French retailers 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%. The ten largest retail customers currently account for about 25% of overall Group 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, improve customer service, and make us a more attractive partner for both large and small retailers.

Retail structure in Europe



The map shows the total market share of the 9–10 largest retailers in each country.

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 46,000 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%. 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.

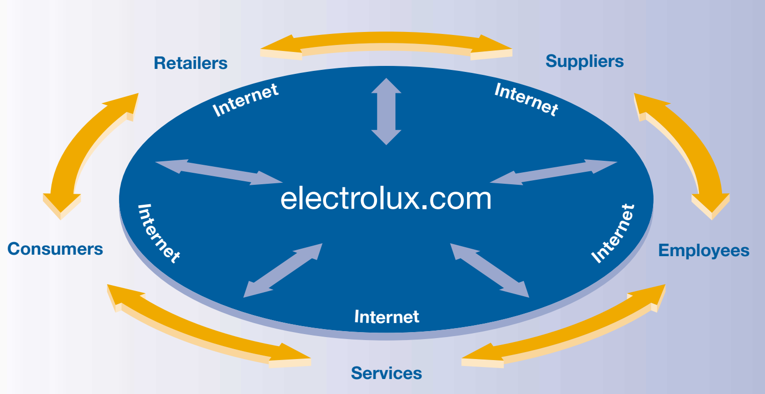
Faster rate of product renewal

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 colors 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 worldwide.

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 "Back-saver 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

The networked company



The Internet not only creates opportunities for new consumer products and services, but is also being used increasingly to improve the efficiency of the entire business process.

The Podium cooker, part of a series of futuristic products, features pan sensing heaters and an induction hob for maximum performance.

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 Ericsson's 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 dB(A), so that it is virtually silent. One of the major investment projects 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

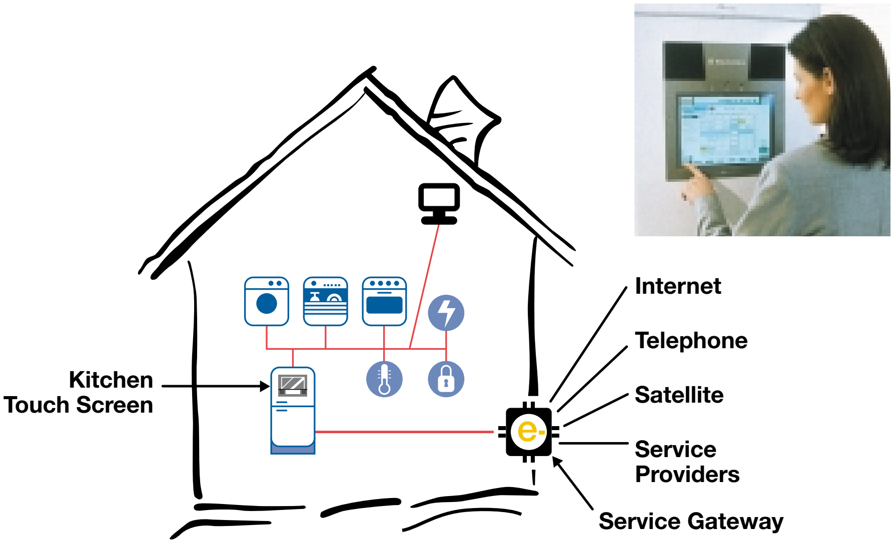
Electrolux has a portfolio of leading brands that appeal to a variety of market segments. As marketing is becoming more integrated worldwide, management of this competitive advantage must be more disciplined. The most successful companies in the future will be those with the strongest brands.

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



At the start of 1999 Electrolux introduced the Screenfridge, the "intelligent refrigerator," with features that are completely new for this type of appliance. In October, the Group formed a jointly owned company with Ericsson in order to develop products for the networked home.

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

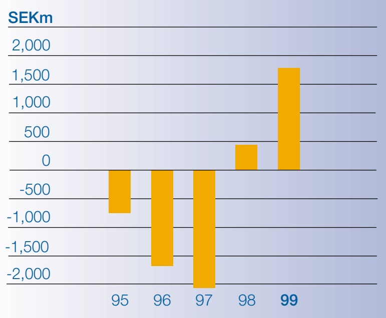
When the restructuring program was launched in 1997 we stated that when the program generates full effect in 2000, the Group should reach its financial targets of an operating margin of 6.5-7% and a return on equity of at least 15%.

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 creation



In 1997–99 Electrolux created average annual growth in value of SEK 1.2 billion. The Group's ambition is to continue this positive trend.

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

IQ is a cooker of tomorrow. With its rapid heated oven it provides multilevel cooking for a variety of cook-chill meals simultaneously.

Household Appliances

- Increased demand in Europe and North America
- Brazilian market weaker in most Group product areas
- Considerable rise in income and higher margin for white goods
- Marked improvement in income and margin for floor-care products

Household Appliances includes white goods, i.e. cookers, refrigerators, freezers, washing machines, dishwashers, room air-conditioners and microwave ovens, which in 1999 accounted for 74% of sales in this business area. Other product lines include floor-care products, absorption refrigerators for caravans and hotel rooms, compressors, and motors.

Market position

Electrolux is the market leader for white goods in Europe and through Frigidaire Home Products is the third largest white-goods company in the US. The Group is also the second largest producer of white goods in Brazil.

Electrolux is the world leader in floor-care products, absorption refrigerators and compressors for refrigerators and freezers.

White goods

Sales of white goods rose by 7% in 1999 in comparison with the previous year. About 50% of total sales referred to Europe, almost 40% to North America and over 3% to Brazil. Operating income was considerably higher, and margin improved.

Operations in Europe

The market for white goods in Western Europe increased in volume by about 4%. The upturn referred mainly to the UK, France and Spain. Demand in the German market continued to decline.

Demand in the Eastern European markets where the Group operates was lower than in 1998, primarily in Russia, Turkey and Rumania.

Sales were higher for the European operation in Electrolux Home Products. Higher volumes and additional improvements in internal efficiency led to continued positive trends for operating income and margin. The Group's market share was higher than in 1998.

The Western European market in 1999 is estimated at 50.6 (48.6) million units, exclusive of microwave ovens.

Structural changes in Europe

Within the framework of the Group's restructuring program, a refrigerator plant in the UK was closed, affecting about 600 employees, and 6 warehouses were shut down. Notification has been given for closure of another plant and 4 more warehouses.

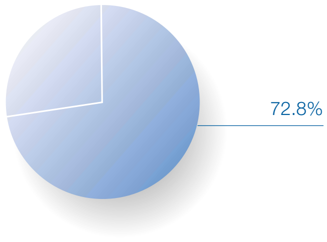
Within the white-goods operation in Europe the restructuring program has thus involved the shutdown of 3 plants for refrigerators and freezers and 24 warehouses. Substantial rationalization has also been implemented within the production system in Germany. The total number of employees has been reduced by almost 5,400. In addition to an improved production structure, these actions have led to substantial improvements in efficiency within the functions for marketing, sales and logistics.

Comprehensive changes are also in progress within the European organization in order to achieve further increases in efficiency and develop the business. All processes such as administration, product development, marketing, brand positioning,

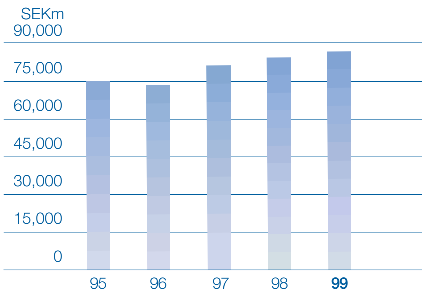
The Group's latest washing machine offers high performance plus an inclined drum and front that facilitates loading wash.

Pragma is a new, free-standing cooker with integrated fan from Zanussi.

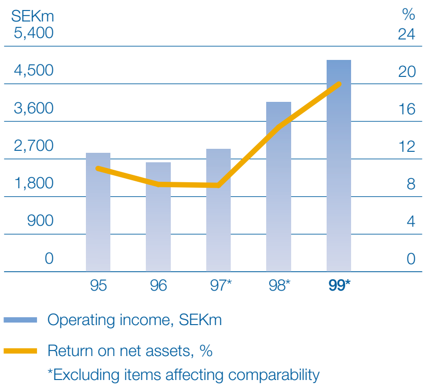
Share of total Group sales



Net sales



Operating income and return on net assets



AEG's new dishwasher features a water-efficient program that consumes only 11 liters of water. With a noise level of 42 dB(A), it is virtually silent.

Key data

Key data	1999[1)]	1998[1)]	1997	1996	1995
Net sales, SEKm	**86,982**	84,581	81,419	73,539	75,209
Operating income, SEKm[2)]	**5,070**	4,065	2,943	2,618	2,844
Operating margin, %[2)]	**5.8**	4.8	3.6	3.6	3.8
Net assets, SEKm	**25,481**	26,953	33,383	28,743	24,484
Return on net assets, %[2)]	**19.9**	15.3	9.1	9.2	10.9
Average number of employees	**74,034**	80,302	86,370	85,576	83,492
Capital expenditure, SEKm	**3,650**	2,932	3,349	3,633	3,579

Net sales by product line

Net sales by product line	1999 SEKm	Share %	1998 SEKm	Share %
White goods[3)]	**68,683**	**79.0**	64,605	76.4
Floor-care products	**8,809**	**10.1**	8,436	10.0
Components	**4,957**	**5.7**	5,590	6.6
Leisure appliances	**4,533**	**5.2**	3,913	4.6
Kitchen and bathroom cabinets	**–**	**–**	1,221	1.4
Other	**–**	**–**	816	1.0
Total	**86,982**	**100.0**	84,581	100.0

1) Excluding items affecting comparability.
2) As of 1998 common Group costs are reported separately and not distributed among the business areas. The figures for the previous years have been adjusted accordingly.
3) Including room air-conditioners.

production, logistics and service are being integrated on a pan-european basis and managed in a new company, Electrolux Home Products, which is based in Brussels. Service to major international customers will also be managed in this company.

Operations in the US

The white-goods market in the US showed an increase in volume of about 8%, exclusive of microwave ovens and room air-conditioners. The increase was 11% inclusive of the two previously mentioned product areas.

The Group's American operation in Frigidaire Home Products reported strong growth in volume, which together with higher internal efficiency led to a considerable improvement in operating income. Margin improved over the previous year. The Group's market share also increased.

Frigidaire Home Products achieved higher sales in room air-conditioners as well. Both operating income and margin for this product area showed a marked improvement.

The US market for white goods, i.e. deliveries from domestic producers plus imports, exclusive of microwave ovens and room air-conditioners, amounted to 38.6 (35.8) million units in 1999.

Structural changes in the US

In the American operation, the Group's restructuring program has involved increasing efficiency in the functions for marketing, sales and distribution. This has led to the shutdown of 5 warehouses and a reduction of about 2,000 in the number of employees.

Frigidaire's Gallery refrigerator range was first to feature PureSource filtration for its ice dispenser.

Operations in Latin America and Asia

The white-goods market in Brazil increased by almost 1%, exclusive of microwave ovens and room air-conditioners. However, demand continued to decline within product areas such as refrigerators and freezers, which account for the greater part of Group sales. The Brazilian operation reported lower sales than in 1998. Operating income remained negative, but improved expressed in Swedish kronor.

In Asia, the estimated level of demand was unchanged in India, and somewhat higher in both China and the ASEAN countries.

Group sales in India showed a marked increase, particularly for refrigerators, in which Electrolux is the market leader under the Kelvinator brand. The operation in India reported a result close to break-even. During the year the remaining parts of the operation that was acquired from Voltas Ltd in 1998 were integrated in the new company, Electrolux-Voltas Ltd. Other Group operations in white goods in India are scheduled for integration in this company during 2000.

In China as well, Group sales were markedly higher than in 1998. Operating income improved over the previous year, but remained negative.

A similar trend was reported in the ASEAN countries, where the Group achieved very good growth in sales, although from a low level in 1998. Operating income showed a marked improvement.

The Group's Eureka subsidiary is one of the leading producers of vacuum cleaners in the US.

Floor-care products

The market for floor-care products increased by about 5% in Europe and 11% in the US. The Group reported good sales growth in both markets. Operating income showed a marked improvement as a result of higher volumes, a better product mix and higher internal efficiency.

Extensive changes have been made in this product line in recent years in terms of both organization and the structure of production, which has involved streamlining and focusing the operation. Substantial investments have also been made in new products.

Structural changes

The Group's restructuring program has involved closing 3 plants in the UK, Australia and Canada. Notice has been given for shutdown of an additional unit. These actions have led to total personnel cutback of more than 1,000.

Other household appliances

Demand for absorption refrigerators for caravans and hotel rooms was higher in 1999 in Europe and the US. This product line achieved good growth in sales in both markets. Operating income was considerably higher than in 1998.

Demand for compressors and motors remained weak in most markets, except in the US. Market conditions in Europe improved during the second half of the year. Sales for this product line declined, and operating income was lower than in 1998.

Structural changes

In accordance with the Group's restructuring program, a US plant for leisure products was closed in 1999. For this product line, the program has thus involved the shutdown of 3 plants, in the Czech Republic, the US and Australia, as well as one warehouse. The number of employees has been reduced by almost 300.

Professional Appliances

- Slightly improved market conditions for food-service equipment in Europe, lower demand for refrigeration equipment
- Higher income for both food-service equipment and laundry equipment
- Divestment of operations in food and beverage vending machines, and in refrigeration equipment

Following a series of divestments in 1998 and 1999, the operation in Professional Appliances now consists of two product lines, i.e. food-service equipment and laundry equipment.

Food-service equipment accounted for about half of sales in 1999 and comprises kitchen equipment for hotels, restaurants and institutions as well as equipment for bakeries and dynamic preparation. Laundry equipment comprises mainly washing machines, tumble-dryers and ironers for e.g. apartment-house laundry rooms, launderettes, hotels and institutions.

Market position

Electrolux is the world leader in laundry equipment. In food-service equipment, the Group is the European market leader and the second largest supplier in the world market.

Electrolux is a world leader in professional laundry equipment.

The Group is the European leader in food-service equipment, and is also the second largest producer in the global market.

Operations in 1999

Market conditions for food-service equipment improved somewhat over 1998. Group sales rose, primarily in southern Europe. Higher volumes and implemented restructuring led to a considerable increase in operating income for this product line. Operating margin improved despite divestment of the profitable operation in food and beverage vending machines.

Demand for laundry equipment was largely unchanged. Sales for this product line showed only a slight increase, although an upturn was achieved in Eastern Europe and Southeast Asia. Operating income and margin improved, mainly as a result of internal cost cuttings.

Demand for refrigeration equipment was weaker than last year in most product areas. Operating income declined as a result of lower volumes, increased price competition and a less favorable product mix. Income was also adversely affected by costs referring to continued streamlining of the organization for this product line.

Restructuring

Five warehouses were shut down within the framework of the Group's restructuring program. For Professional Appliances, this program has thus involved shutdown or divestment of 12 plants and 11 warehouses, as well as personnel cutbacks totalling about 1,500.

Key data

Key data	1999[1]	1998[1]	1997	1996	1995
Net sales, SEKm	**10,960**	11,574	11,413	10,869	11,081
Operating income, SEKm[2]	**766**	723	340	213	432
Operating margin, %[2]	**7.0**	6.2	3.0	2.0	3.9
Net assets, SEKm	**2,646**	3,191	3,526	3,901	3,450
Return on net assets, %[2]	**25.9**	21.2	8.9	5.5	11.6
Average number of employees	**7,761**	8,732	9,125	9,062	9,379
Capital expenditure, SEKm	**124**	215	274	300	364

Net sales by product line

Net sales by product line	1999 SEKm	Share %	1998 SEKm	Share %
Food-service equipment	**6,131**	**55.9**	5,891	50.9
Laundry equipment	**2,406**	**22.0**	2,380	20.6
Refrigeration equipment	**2,279**	**20.8**	2,564	22.2
Cleaning equipment[3]	**144**	**1.3**	739	6.3
Total	**10,960**	**100.0**	11,574	100.0

1) Excluding items affecting comparability.
2) As of 1998 common Group costs are reported separately and are not distributed among the business areas. The figures for the previous years have been adjusted accordingly.
3) Cleaning equipment with annual sales of about SEK 850m, was divested as of October 1, 1998.

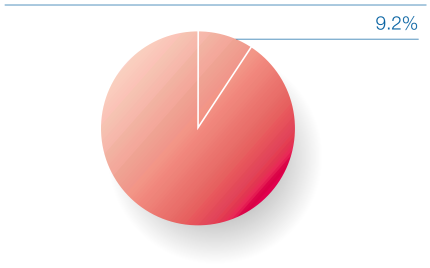
Divestments

The operation in food and beverage vending machines was divested as of September 30, 1999. It is included in Group sales for the year in the amount of SEK 870m.

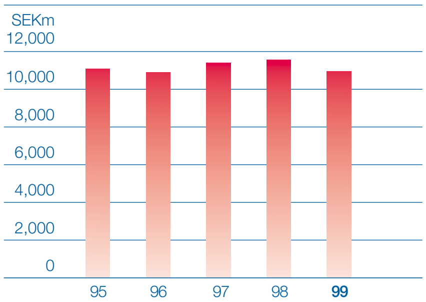
An agreement for divestment of the operation in refrigeration equipment was reached in November 1999. The major part of this product line was divested as of January 31, 2000. Divestment of the remaining operations in Brazil, China and Eastern Europe is scheduled for completion during the spring 2000.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

A new 30-liter oven that cooks with steam and hot air received the 1999 APRIA EQUIP'HOTEL award in France.

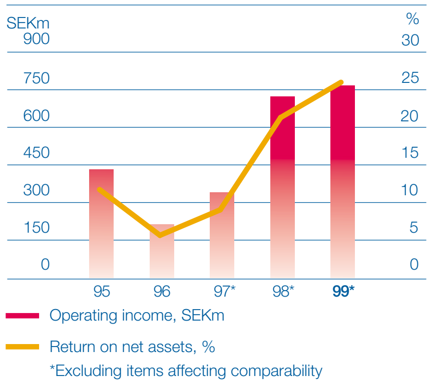
Share of total Group sales



Net sales



Operating income and return on net assets



Outdoor Products

- Demand unchanged for chainsaws, higher for garden equipment
- Lower income for Husqvarna, mainly due to less favorable mix
- Decline in income for garden equipment in Europe as result of non-recurring costs
- Good growth in sales and income for US operation
- Acquisition of McCulloch's operation in Europe and a manufacturer of landscape maintenance equipment in the US

Key data	1999[1)]	1998[1)]	1997	1996	1995
Net sales, SEKm	**21,325**	19,295	18,087	15,061	15,902
Operating income, SEKm[2)]	**2,033**	1,788	1,680	1,331	1,500
Operating margin, %[2)]	**9.5**	9.3	9.3	8.8	9.4
Net assets, SEKm	**8,351**	8,703	7,034	7,367	7,474
Return on net assets, %[2)]	**21.7**	21.1	22.6	18.3	18.7
Average number of employees	**10,237**	9,982	9,839	9,396	10,157
Capital expenditure, SEKm	**515**	550	637	405	504

Net sales by product line	1999 SEKm	Share %	1998 SEKm	Share %
Forestry and garden equipment	**21,325**	**100.0**	19,295	100.0
Total	**21,325**	**100.0**	19,295	100.0

1) Excluding items affecting comparability.
2) As of 1998 common Group costs are reported separately and are not distributed among the business areas. The figures for the previous years have been adjusted accordingly.

The Group's outdoor products include high-performance equipment for professional users as well as light-duty products for the consumer market. In 1999, Professional products accounted for 33% of sales, and consumer products for 67%.

The operation is run through the Husqvarna, McCulloch and Flymo subsidiaries, with production in Europe, as well as Frigidaire Home Products in the US. The American operation accounts for more than half of sales in this business area.

Professional products comprise mainly chainsaws, clearing saws and landscape maintenance equipment under the Husqvarna brand, which are sold worldwide through professional dealers.

The battery-driven Husqvarna Auto Mower cuts up to 1,200 m² of lawn automatically, and recharges itself at a specially designed docking station.

Consumer products include electrical garden equipment in Europe under the Flymo brand as well as light-duty chainsaws, garden tractors, trimmers and leaf blowers under the McCulloch and Partner brands in Europe, and Poulan and Weedeater in North America.

Market position

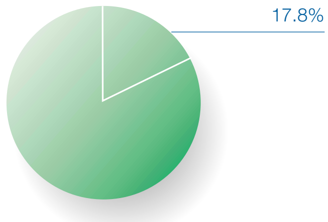
Electrolux is the world leader in chainsaws, with an estimated total global market share of more than 40%. The Group is also the world's largest producer of lawn mowers, garden tractors, lawn trimmers and other portable garden equipment.

Operations in 1999

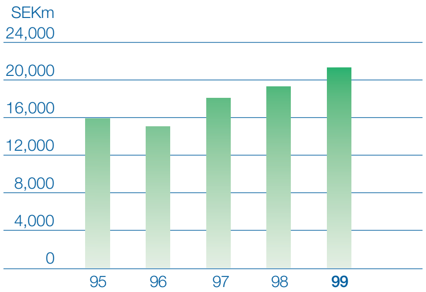
Total market volume for professional chainsaws was estimated at the same level as in 1998. Demand increased in both North America and Asia, but declined in Latin America and Eastern Europe. Group sales and operating income for professional chainsaws were lower than in 1998. Operating margin declined due to a less favorable product mix and increased investment in product development and IT.

Demand for garden equipment in Europe increased, and the Group achieved higher sales volume. Operating income declined considerably, however, as a result of costs in the third quarter for start-up problems referring to new consumer products.

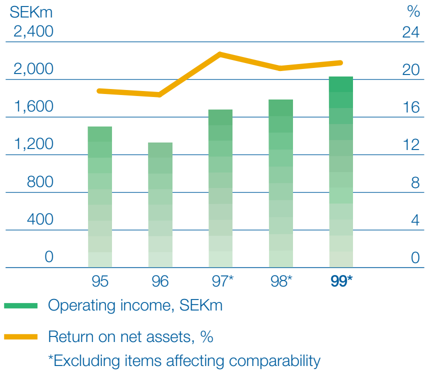
Share of total Group sales



Net sales



Operating income and return on net assets



The market in North America showed somewhat higher demand for both light-duty chainsaws and garden equipment. Sales for Frigidaire Home Products were higher than in 1998. Operating income and margin improved on the basis of higher volumes and greater internal efficiency.

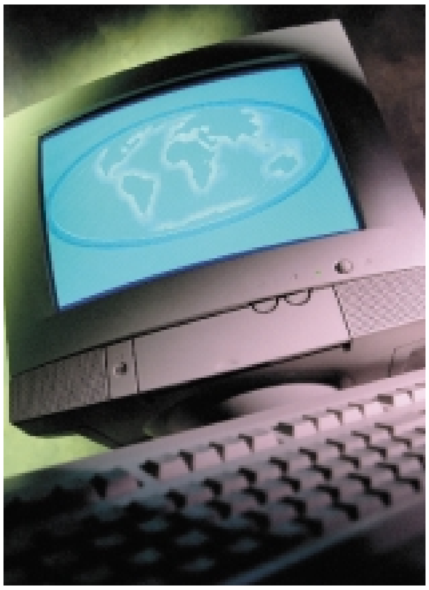
Acquisitions

In March 1999 the Group acquired the European operation in McCulloch of the US, which is focused on light-duty chainsaws, trimmers, hedge trimmers and leaf blowers. This operation is included in sales for 1999 in the amount of approximately SEK 350m. The number of employees is about 250.

In October 1999 the Group acquired Yazoo-Kees in the US, a manufacturer and distributor of landscape maintenance equipment with annual sales of approximately SEK 160m, and about 100 employees. The company has been integrated into the Husqvarna operation.

PoulanPRO tractors combine high performance, comfort and convenience.

Electrolux IT Solutions



Transparency of information and a global approach to local IT needs is important for Electrolux. To meet these goals, a new business-oriented IT organization, Electrolux IT Solutions (ITS), was formed as of January 1, 1999. ITS combines the Group's core IT competence and technical resources in a single unit.

ITS currently serves the Group's entire European and North American operations with global control, system operation, resource management and development processes. ITS has 800 specialists at 36 different locations in 15 countries. Their task is to position IT as a strategic process tool for the Electrolux Group.

Organization

In its first year of operations, ITS concentrated on creating a dedicated IT organization that can effectively serve the entire Group.

A focus on customer requirements is ensured by the ITS Key Account Managers. They are supported by specialists in operations and business solutions, who have expertise in IT management and development. ITS also has dedicated personnel for supply and information security.

ITS is in the process of developing a clearly defined portfolio of products and services, based on a multi-cultural management structure that serves diverse IT needs in geographically widespread markets. An International Leadership Development Program will ensure that ITS has a stock of future leaders.

Enabling information transparency

In 1999, a number of significant projects were conducted in parallel with the establishment of ITS. These included assuring total Y2K compliance and implementing the Group's new backbone network.

ITS will enable the Group to create operational advantages through cost-efficient, high-quality computer resources. It will also enable full information transparency, so that Electrolux can design reliable, application-dependent business processes.

In addition, ITS will provide an IT platform on which Electrolux companies can develop optimal e-commerce solutions that will increase the Group's business value in the international market place.

More information about ITS is available at www.electrolux.com/it-solutions

New Group structure – pro forma figures

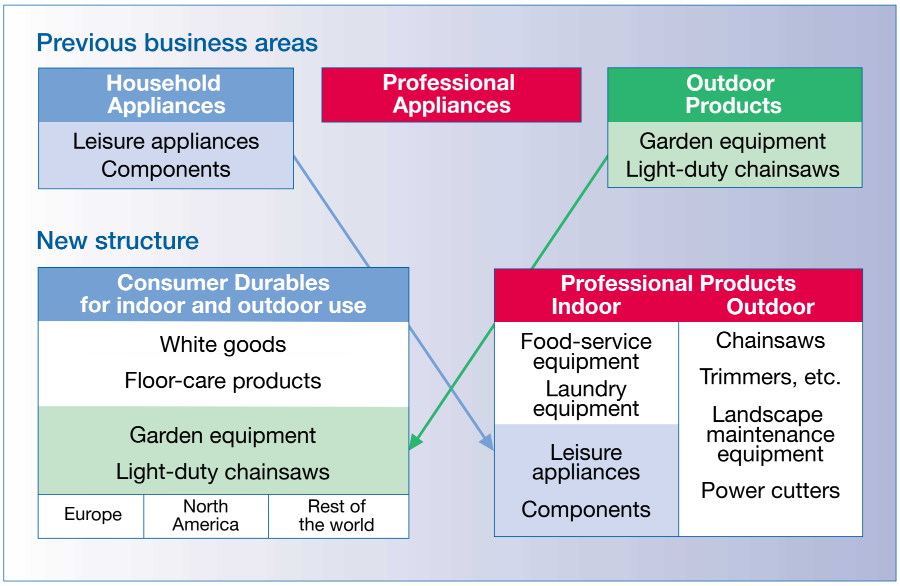
As of 2000, the Group's external financial information will refer to Consumer Durables and Professional Products instead of the three business areas Household Appliances, Professional Appliances and Outdoor Products.

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, i.e. Europe, North America and the rest of the world. Professional Products will be divided into indoor and outdoor products.

The tables show the figures for 1999 according to the new structure.

Net sales and operating income, SEKm	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
Total Consumer Durables	91,717	87,854	4,994	5.4	3,809	4.3
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
Total Professional Products	27,550	27,596	2,875	10.4	2,767	10.0
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

Key data	Consumer Durables		Professional Products	
	1999	1998	1999	1998
Net assets, SEKm	24,590	27,876	10,564	10,623
Return on net assets, %	18.1	13.1	27.3	27.0
Average number of employees	68,957	75,613	23,074	23,403
Capital expenditure, SEKm	3,034	2,291	992	1,078



Report by the Board of Directors for 1999

Net sales

Net sales for the Electrolux Group in 1999 rose to SEK 119,550m, as against SEK 117,524m in the previous year, of which 96% (95) or SEK 115,127m (111,873) was outside Sweden. Of the 1.7% increase in sales, changes in the Group's structure accounted for –3.1%, changes in exchange rates for +0.7%, and volume and price/mix for +4.1%. For changes in Group structure, see page 23.

Exports from Sweden in 1999 amounted to SEK 9,265m (8,963), of which SEK 7,317m (6,513) was to Group subsidiaries. The Swedish plants accounted for 8.6% (8.3) of the total value of Group production.

Income and profitability

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.

Items affecting comparability

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 22), 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.

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

Operating income for 1999 was favorably affected by translation of income statements in foreign subsidiaries in the amount of approximately SEK 120m. Changes in exchange rates in terms of both translation and transactions had an overall net positive effect of approximately SEK 380m on the Group's operating income. This refers mainly to the weakening of the Swedish krona against the dollar and related currencies as well as the British pound.

At the start of the year Brazil abandoned its link to the dollar, and the Brazilian real declined by about 32% against the Swedish krona. Although the euro declined against the krona at year-end, the average rate for the year remained virtually unchanged.

For key ratios in which liquidity, net assets, inventories and accounts receivable are given in relation to net sales, the exchange-rate effect has been eliminated by translating net sales at year-end rates.

For further information on the effects of changes in exchange rates, see Currency risk, page 27.

Profitability

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% (14.7). For definitions of key ratios, see page 52.

Net financial items

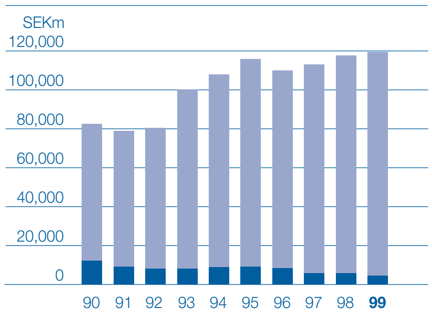
The continued upswing in the US economy led to a rise in interest rates, which then spread to Europe during the second half of the year. The average increases in interest rates related to dollars and euros were about 1% and 0.5% for short-term rates, respectively, and about 1.5% for long-term rates.

The net of Group financial income and expense amounted to SEK –1,062m (–1,178), which corresponds to –0.9% (–1.0) of net sales. The improvement is traceable mainly to lower average interest rates, and reduction in tied-up capital. 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, see page 23.

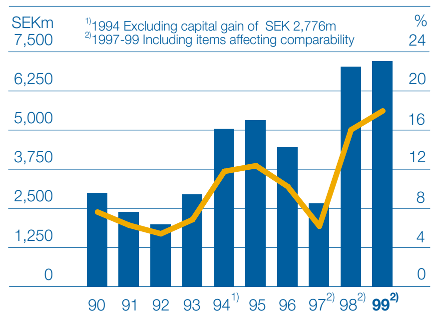
Exclusive of the impact of the discontinuation of the hedging of euro equity and the currency loss mentioned above, net financial items amounted to SEK –957m, corresponding to 0.8% of net sales.

Net sales



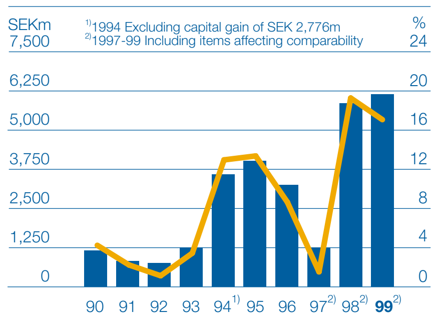
Net sales rose by 4% in 1999 for comparable units, after adjustment for exchange-rate effects.

Operating income and return on net assets



Operating margin in 1999 improved to 6.0%, or 6.2% excluding items affecting comparability.

Income and return on equity



Return on equity in 1999 was 17.1%, or 17.2% excluding items affecting comparability.

Net Group financial items, SEKm	
Normal net	–957
Effect of exchange loss in Germany	–240
Effect of discontinuing EUR-hedge	135
Net financial items, 1999	–1,062

Taxes

Total taxes for 1999 amounted to SEK 2,005m (1,964), corresponding to 32.6% (33.6) of income after financial items. Exclusive of items affecting comparability, the actual tax rate was 34.5% (35.6).

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.

Operations by business area

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.

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 higher internal efficiency led to a substantial improvement in operating income.

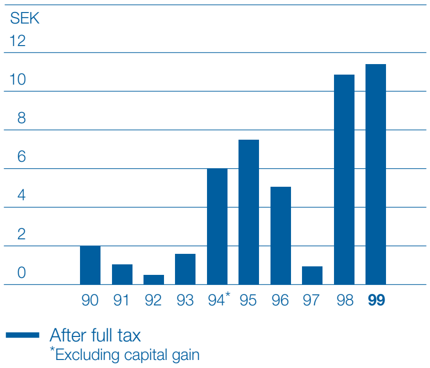
Demand for room air-conditioners in the US increased substantially. The Group achieved a strong increase in volume, as well as a marked improvement in operating income and margin.

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 in Swedish kronor over last year.

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. Group operating income and margin showed considerable improvement as a result of increased volumes, a better product mix and higher internal efficiency.

Net income per share



Excluding items affecting comparability, net income per share increased by 29% to SEK 11.45 in 1999.

Net sales and income	1999	1999 excl. items affecting comparability[1)]	1998	1998 excl. items affecting comparability[1)]
Net sales, SEKm	119,550	119,550	117,524	117,524
Operating income, SEKm	7,204	7,420	7,028	6,064
Margin, %	6.0	6.2	6.0	5.2
Income after financial items, SEKm	6,142	6,358	5,850	4,886
Net income, SEKm	4,175	4,200	3,975	3,235
Net income per share, SEK	11.40	11.45	10.85	8.85
Return on equity, %	17.1	17.2	19.3	14.8
Return on net assets, %	18.3	18.4	17.6	14.7
Net debt/equity ratio	0.50	0.50	0.71	0.70
Capital expenditure, SEKm	4,439	4,439	3,756	3,756

1) Excluding items affecting comparability. In 1999, these items comprised of a provision of USD 225m (SEK 1,841m) referring to pension litigation in the US, and a capital gain of SEK 1,625m on divestment of the operation in food and beverage vending machines. In 1998, these items included net capital gains totalling SEK 964m.

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

Summary of cash flow, SEKm	1999	1998
Income after financial items	6,142	5,850
Depreciation according to plan	3,905	4,125
Capital gain/loss included in operating income	–1,620	–964
Provision for restructuring	–507	–1,122
Provision for pension litigation	1,841	–
Taxes paid	–2,166	–2,135
Change in operating assets and liabilities	1,065	–1,056
Investments in operations	–418	–237
Divestment of operations	2,120	2,342
Capital expenditure	–4,439	–3,756
Other	–400	875
Total cash flow from operations and investments	5,523	3,922

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
Other1)	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 Appliances1)	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*	
Other2)	–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 costs in the financial operation, and in 1998 also the operation in Gotthard Nilsson, etc.

Strong growth in sales and operating income was also reported for leisure appliances on the basis of good demand in both Europe and the 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 area 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 basically unchanged and Group sales were on level with 1998. Operating income and margin showed 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 chainsaws 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 Southeast 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 chainsaws 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.

Equity

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

Change in equity, SEKm

Opening equity	24,480
Dividend	–1,099
Translation differences, etc.	–1,775
Net income for the year	4,175
Equity at year-end	25,781

Net debt/equity ratio

The net debt/equity ratio, i.e. net borrowings in relation to adjusted equity, improved to 0.50 (0.71). The Group's goal is that the net debt/equity ratio should not exceed 0.80.

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. For definitions of the above ratios, see page 52.

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 of December 31, 1999, are excluded. The figures for 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.

The Group's goal is that inventories plus accounts receivable should not exceed 30% of sales.

Capital expenditure and R&D costs

Capital expenditure in 1999 amounted to SEK 4,439m (3,756), of which SEK 571m (477) referred to Sweden. Capital expenditure thus corresponded to 3.7% (3.2) of net sales.

Investment in products accounted for 30% of the Group's total capital expenditure. Major ongoing projects include a new range of energy-efficient refrigerators within Frigidaire Home Products in the US, as well as two development projects in the European white-goods operation. One of these refers to a common platform for a new series of washing machines, and the other to a new series of frost-free combi-refrigerator/freezers. Another current project involves development of a new generation of high-efficiency compressors.

About 50% of the Group's total capital expenditure during the year referred to equipment for production processes in existing plants. Of these investments, one-third involved replacement of existing equipment, and almost half referred to rationalization and increases in capacity.

Capital expenditure by business area	1999 SEKm	Share %	1998 SEKm	Share %
Household Appliances	**3,650**	**82.2**	2,932	78.1
Professional Appliances	**124**	**2.8**	215	5.7
Outdoor Products	**515**	**11.6**	550	14.6
Other	**150**	**3.4**	59	1.6
Total	**4,439**	**100,0**	3,756	100,0

Restructuring program 1997–1999	1997	1998	1999	1997–99 Total	% of target	Target
Personnel cutbacks	3,800	5,400	1,700	10,900	91	12,000
No. of plants closed	7	11	5[1)]	23	92	25
No. of warehouses closed	17	13	20[1)]	50	100	50
Utilized from provision, SEKm	700	1,120	500	2,320	93	2,500

1) Of which two plants and five warehouses, for which notice has been given.

Investment in IT in 1999 accounted for about 5% of total capital expenditure, which was about the same level as last year.

R&D cost

Costs for research and development in 1999 amounted to SEK 1,523m (1,535), corresponding to 1.3% (1.3) of net sales.

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.

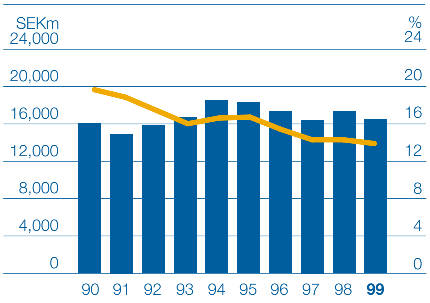
At year-end 1999, a total of SEK 2,320m had been utilized of the provision of SEK 2,500m that was allocated for the program in 1997. SEK 500m was utilized during 1999.

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.

Inventories

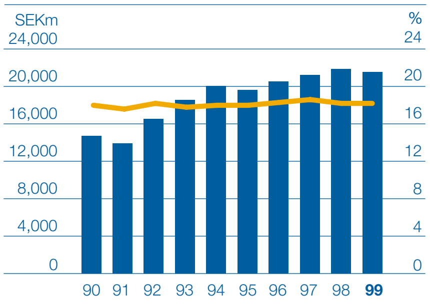


Inventories, SEKm

As % of sales, adjusted for exchange-rate effects as of 1992

Inventories corresponded to 14.0% of net sales in 1999, as against 14.4% in 1998.

Accounts receivable

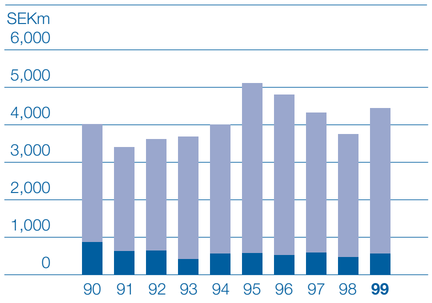


Accounts receivable, SEKm

As % of sales, adjusted for exchange-rate effects as of 1992

Accounts receivable in relation to net sales in 1999 remained unchanged at 18.2%.

Capital expenditure



Outside Sweden

Sweden

Capital expenditure in 1999 amounted to SEK 4,439m, corresponding to 3.7% of net sales.

Electrolux appealed the decision on August 18, 1999.

In accordance with applicable accounting standards, the Group made a non-cash pretax provision of USD 225 million (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.

Exchange loss due to unauthorized currency trading

In the fourth quarter, the Group took an exchange loss of SEK 240m as a result of unauthorized currency trading by an employee at the Group's internal bank in Germany. This bank is an administrative unit that manages liquidity, short-term loans and currency exchange related to commercial currency flows for the Group's German companies, and thus has no authority to engage in trading, apart from transactions that are related to the currency needs of the German operations. The employee used advanced methods for manipulating bank accounts in order to conceal the loss that had accumulated during the year. As a result of this occurrence, the Group's currency trading has been largely centralized to the head office, and all routines for control of currency trading are under review.

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 had been 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 millenium shift, or afterwards.

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 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 is scheduled for completion during the spring 2000. In 1999 this product line had sales of SEK 2,279m and about 2,000 employees.

Acquisitions

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

In 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 sale 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.

Alliance with Toshiba

At the end of May Electrolux and Toshiba of Japan signed an agreement for cooperation in household appliances. Cooperation between the two companies will cover transfer of technology and products, as well as components, environmental issues and purchasing, in addition to distribution, service and logistics in the Japanese market.

Toshiba is a global leader in information and communication systems, electronic components and energy systems, as well as in consumer products such as PCs, TVs, videos, room air-conditioners, vacuum cleaners and white goods. Toshiba is one of the leading white-goods companies in Japan. For the fiscal year ending March 1999, the company reported sales of JPY 5,300 billion (approximately SEK 370 billion).

Average number of employees	1999	1998
Average number of employees:		
Sweden	8,881	9,749
Outside Sweden	84,035	89,573
Total	92,916	99,322
By geographical area:		
Europe	52,032	56,329
North America	23,174	24,786
Rest of the world	17,710	18,207
Total	92,916	99,322
By business area:		
Household Appliances	74,034	80,302
Professional Appliances	7,761	8,732
Outdoor Products	10,237	9,982
Other	884	306
Total	92,916	99,322

Approximate values according to US GAAP	1999	1998
Net income, SEKm	4,053	3,748
Net income per share, SEK[1)]	11.05	10.25
Equity, SEKm	25,213	24,018
Total assets, SEKm	84,935	85,700

1) No. of shares 366,169,580.

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 an effect of the restructuring program and divestments, as well as improved productivity at the Group's plants.

About 1,700 employees left the Group in 1999 as a result of the restructuring program, most of them in Europe. At the same time, the number of employees at the European plants increased as a result of higher production volumes.

In North America, the number of employees decreased as a result of rationalization, despite continued high production levels.

The total average number of employees during the year includes about 5,700 (7,400) people in the direct-sales operation. Most of them are in Latin America and Asia.

Salaries and remuneration in 1999 amounted to SEK 17,812m (18,506), of which SEK 2,149m (2,191) in Sweden. See also Note 25, page 44.

Earnings and financial position according to US GAAP

The table above summarizes the Group's net income and financial position according to US accounting principles (US GAAP). For additional information and a description of the significant differences between US and Swedish accounting principles, see Note 27, page 48.

Electrolux also submits an annual Form 20-F report to the SEC (US Securities and Exchange Commission).

Parent company

The parent company comprises the functions of the Group's head office as well as thirteen companies that operate on commission from AB Electrolux.

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. After allocations of SEK –39m (26) and taxes of SEK –24m (–57), the parent company reported net income of SEK 2,734m (1,989).

Net financial exchange-rate differences during the year amounted to SEK –552m (–10), of which SEK –607m (–62) comprised exchange losses on loans intended as hedges for equity in subsidiaries, while realized exchange gains on forward contracts for the same purpose totalled SEK 19m (2).

No effect on Group income is normally generated by the above, since exchange differences are offset against the translation difference, i.e. the change in equity that arises when net assets in foreign subsidiaries are translated at year-end rates. However, during the fourth quarter 1999, the equity hedge in euros was discontinued, which had a positive effect on Group income in the amount of SEK 135m.

Information on the number of Group employees, salaries and remuneration is given in Note 25, page 44. Information on the Group's holding in shares and participations is given in Note 26, page 46.

Proposed dividend

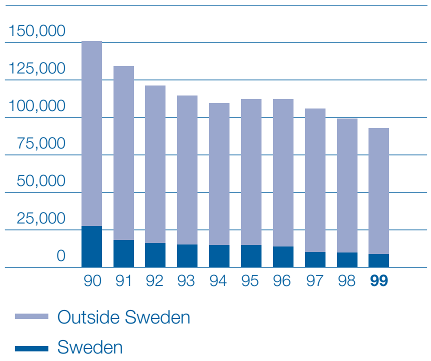
The Board of Directors proposes an increase of the dividend for 1999 to SEK 3.50 per share, for a total dividend payment of SEK 1,282m.

The goal is for the dividend to normally correspond to 30–50% of net income.

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 the light of the final decisions taken by legislative bodies.

Average number of employees



The average number of Group employees declined to 92,916 in 1999, mainly as a result of the completed restructuring program and divestments.

Pension funds

As of 1998, PRI pensions in the parent company and Swedish subsidiaries are secured by allocations to own pension funds. The Electrolux Group's 1997 fund secures commitments for pensions accumulated through 1997, and the Electrolux Group's 1998 fund secures commitments for pensions accumulated from 1998 onward.

In 1999 SEK 11m was paid to the 1997 fund, and SEK 89m to the 1998 fund.

The year-end market value of the assets in the 1997 and 1998 pension funds amounted to SEK 1,473m (1,179) and SEK 108m (–), respectively. The value of the assets in the 1997 fund exceeded pension obligations by SEK 397m (39), while the value of the assets in the 1998 fund was SEK 15m less than the pension obligations. Allocations for the deficit in the 1998 fund have been made in the companies concerned.

The funds are being managed by external investment companies, and comprise shares as well as interest-bearing securities. The major part of cash assets in the pension funds had been invested by year-end 1999.

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.

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. The intention is to make a value-based bonus system 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: [(Net sales – operating costs = EBIT) – (WACC x Average net assets)]. The weighted average cost of capital is calculated at 14% before tax.

During 1997–1999 the Group has in average created an annual growth in value of SEK 1.2 billion.

For additional information on value creation, see the Report by the President and CEO page 11.

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 above). 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 option will be issued in 2001, on condition that value is created in comparison with 1999.

Option program 1993

Within the program for synthetic options in 1993, there remain 18 (22) persons with a total holding of 411,270 (534,020) options. The options mature on January 10, 2002 and the strike price is SEK 81.

For details on the Group's option programs see Note 25, page 45.

The EMU and the euro

The euro has a considerable effect on Electrolux, as over 30% of Group sales are in the 11 countries which are members of the EMU. The significance for the Group's assets is even greater, which means that the euro is the most important currency for Electrolux.

The euro has been used as a means of payment within Group units in the EMU countries since the start of 1999.

Price transparency and pricing

The euro enables transparency in pricing in different markets, which means that the new currency is related to strategic market issues. The euro facilitates comparison of the prices of similar products in different countries, and will contribute to increased competition.

All products in the European market have been reviewed in terms of such factors as price, brand and market position. The Group is well prepared to implement new pricing strategies at the appropriate time. The effect of the euro on both sales and purchasing has to be considered in product design and development.

Relations with customers and suppliers

The euro is gradually being used in transactions with suppliers. Purchasing in euros facilitates price comparisons and reduces both currency risks and uncertainty.

Trade in euros with customers has been limited to date. Electrolux is prepared to switch to euros as soon as it is requested.

Transaction exposure

The euro has a favorable effect and provides greater exchange-rate stability, mainly because transaction exposure is substantially lower. The number of currencies that must be secured has been reduced, so that the related costs are lower.

Listing in Swedish kronor and euros

As of June 7, 1999 Electrolux B-shares are listed in both kronor and euros on the Stockholm Stock Exchange. The decision to implement a parallel listing is intended to facilitate trading and distribution of Electrolux shares, which will thus be accessible to European institutions with charters that restrict investments to the euro.

In order for trading in euro-listed shares to take place, shareholders must convert their shares from the krona- to the euro-listing. Shares are converted by VPC AB (Swedish Central Securities Depository & Clearing Organization) in Stockholm at the request of a bank or a broker. VPC has set the cost of conversion at SEK 1,000 per transaction, irrespective of the number of shares involved. No shares were traded in euros during the year on the Stockholm Stock Exchange.

The Board of Directors' activities in 1999

AB Electrolux Board of Directors consists of nine members, with no deputies, who are elected by the Annual General Meeting, and three members, with deputies, who are appointed by the employee organizations. Company personnel participate in Board meetings, and provide presentations on specific issues.

In addition to the statutory meeting, the Board held five meetings during the year, one of them in connection with a visit to a subsidiary in Germany.

During the year the Board adopted the following set of working procedures:

- 4–6 meetings per year shall normally be held, of which at least one in connection with a visit to a subsidiary.
- The Company's auditor shall submit a report to the Board at least once a year.
- Remuneration to senior management shall be proposed by a committee of Board members.

The working procedures also involve detailed instructions for the President as to which issues require the Board's approval, and the type of financial and other reports that shall be submitted to the Board. The instructions specify the maximum amounts which various decision-making functions within the Group have the right to approve for capital expenditure. They also cover the financial policy to be applied by the Group.

It has also been established, as a working procedure, that matters may be referred to an ad hoc committee of Board members for review and subsequent proposal to the Board.

Electrolux and the environment

Electrolux operates 123 manufacturing facilities in 24 countries. Manufacturing operations consist mainly of assembling components made by suppliers. Other processes include metalworking, molding of plastics, painting and enameling, and casting of parts to a limited extent.

Chemicals are used in the form of process aids such as lubricants and cleaning fluids, and as part of products, e.g. in the form of insulation material, paint and enamel.

The production processes generate an impact on the environment in the form of water- and air-borne emissions, solid waste, and noise.

Studies of the total environmental impact of the Group's products during their entire lifetimes, i.e. from production to final disposal, show that the greatest environmental impact is generated indirectly, when the products are used. The stated Electrolux strategy is to develop and actively promote increased sales of products with lower environmental impact.

ISO certification

Environmental management systems shall be in place by 2000 at all manufacturing facilities. In 1999, six plants were certified according to ISO 14001, and one certified plant was divested. At year-end 1999, a total of 40 plants had been certified.

Mandatory permits and notification in Sweden

The Group operates 18 plants in Sweden, which account for about 9% of the total value of production. Permits are required by the Swedish authorities for 11 of these plants, while seven are required to submit notification. The permits refer to e.g. maximum permissible air- and water-borne emissions and noise levels. No significant non-compliance with Swedish environmental legislation was reported during the year.

More information about Electrolux environmental activities is available at www.electrolux.com

Financial risk management

The Group's operations involve exposure to various financial risks that are related to:

- Financing
- Interest rates
- Currency rates
- Credit.

A financial policy has been authorized by the Board for managing and minimizing these risks. The risks are to be limited by use of financial instruments such as forward and options contracts.

Work with financial risks has been largely centralized in order to maximize the benefits of economies of scale and synergies. Trading in currency and interest-based instruments is permitted within the framework of the established guidelines. This trading is aimed primarily at maintaining an appropriate information flow and a feeling for the market that contribute to proactive management of the Group's financial risks.

Financing risk

Financing risk refers to the risk that financing of the Group's capital requirement and refinancing of existing credits will become more difficult or more costly.

Liquidity

The Group's goal is that liquid funds should correspond to at least 2.5% of sales. The Group shall also have access to unutilized credit facilities corresponding to at least 10% of sales. In addition, the Group aims at maintaining net liquidity at about zero, although this is subject to change in connection with large individual transactions and seasonal variations. Net liquidity is defined as liquid funds less short-term borrowings.

As shown in the table above, liquid funds as a percentage of sales considerably exceeded the Board's minimum criterion in both 1999 and 1998, as a result of a strong operative cash flow and divestment of operations.

The Group's liquidity profile	Dec. 31, 1999	Dec. 31, 1998
Liquid funds, SEKm	**10,312**	11,387
% of net sales	**8.7**	9.5
Fixed-interest term, days	**25**	147
Unutilized credit facilities, SEKm	**19,733**	22,031

Loans raised during the year

The Group's loan policy includes guidelines that define the share of borrowings that shall be financed at floating and at fixed interest rates. The goal is for the maturity profile to be more than 2 years. Derivatives such as interest or currency swaps are actively used to manage interest-rate exposure and achieve a balance between currencies.

During the year long-term loans were raised in the amount of SEK 2,077m and amortized in the amount of SEK 3,542m. Borrowings were channelled mainly through the parent company's Medium Term Note program in London and Stockholm, and through Private Placements. Commercial Paper programs were established during the year in Poland and India.

At year-end 1999, the Group's total interest-bearing borrowings, inclusive of interest-bearing pension liabilities, amounted to SEK 23,735m (29,353), of which SEK 16,713m (17,795) comprised long-term loans with an average lifetime of 2.7 years (3.3). Net borrowings, i.e. total interest-bearing liabilities less liquid funds, declined to SEK 13,423m (17,966). The decrease is traceable mainly to the application of liquid funds for amortization of loans.

The average interest cost for the Group's interest-bearing borrowings was 6.6% (7.4). The decline from the previous year is traceable mainly to the general trend for interest rates, as well as the replacement of long-term maturing loans with high interest rates by short-term loans with lower rates.

The tables on page 28 show long-term borrowings inclusive of the swap transactions that are used to achieve a balance between different currencies.

Ratings

Electrolux has an Investment Grade rating from Moody's, with a Baa2 long rating, and a BBB+ rating from Standard & Poor. The corresponding short ratings are P-2 and A-2/K1, respectively, and K1 in Sweden.

Interest-rate risk

This risk refers to the adverse effects of changes in market interest rates on Group income.

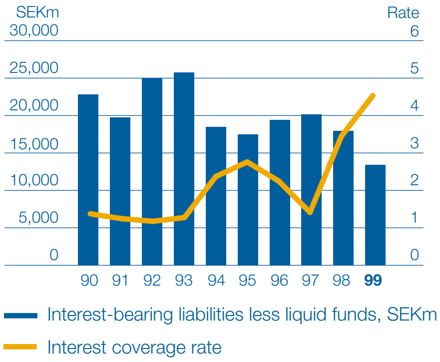
As of December 31, 1999, the Group's total short- and long-term interest-bearing liabilities amounted to SEK 23,735m (29,353).

The average duration for long-term borrowings was 1.5 years (1.1) as of December 31, 1999. The average duration for liquid funds was 25 days (147). See tables on page 28.

Currency risk

This risk refers to the adverse effects of changes in currency rates on the Group's income and equity. In order to avoid such effects, the Group covers these risks with due consideration for the effect of the coverage on costs, liquidity and taxes.

Net borrowings



Net borrowings declined to SEK 13,423m in 1999.

Maturity dates for long-term borrowings[1)]

Year	Amount, SEKm
2000	4,168
2001	3,099
2002	1,577
2003	2,299
2004	3,735
2005	1,381
Thereafter, until 2037	454
Total	16,713

1) Including swap transactions.

Long-term borrowings, by currency[1)]

Currency	Amount, SEKm	Average duration, years	Interest, %	Average, maturity years
USD	9,612	0.7	6.2	2.7
EUR	6,669	2.5	4.4	2.7
SEK	53	0.7	8.1	0.7
HUF	67	1.0	13.7	3.7
CHF	27	0.4	3.1	0.4
Other	285	2.8	12	2.8
Total	16,713	1.5	5.6	2.7

1) Including swap transactions.

Net sales and expense, by currency

Currency	Share of net sales, %	Share of expense, %
SEK	4	9
USD block[1)]	45	45
EUR	30	31
GBP	6	4
Other	15	11
Total	100	100

1) Includes currencies in Canada, Hong Kong, Taiwan, Singapore, Oceania and the Latin American countries, except for Brazil, which is included in "Other."

Exposure arising from commercial flow

Transactions between Group companies, suppliers and customers generate a flow exposure. About 75% of the currency flow is between Group companies. The effect of changes in exchange rates is reduced by the Group's geographically widespread production and the two-way currency flows that it involves. Internal exposure is also reduced by international cash pooling and the Group's netting system. In addition, this system enables the remaining currency flow to be continuously monitored, so that action can be taken to compensate for changes in positions.

The table above shows the share of Group external sales and operating expense in 1999 in the most important currencies.

The table above shows that in 1999 there was a good currency balance in the major currencies, i.e. the dollar and the euro.

Group subsidiaries cover their risks in commercial currency flows through the Group's financial units. The financial operation thus assumes the currency risks and can cover them externally through forward contracts, options, borrowings and deposits. Exchange differences arising from short-term commercial receivables and liabilities in foreign currencies are included in operating income.

Unrealized gains and losses on forward contracts are recognized in net income in the same period as the flow is recognized. At year end 1999, the deferred net unrealized loss on forward contracts amounted to SEK –43m (–8).

The effect of hedging instruments on operating income in 1999 amounted to approximately SEK –126m (–33).

The Group's currency policy involves a relatively short period for hedging, normally 1–6 months for the greater part of the flow exposure. Hedging is arranged for longer periods for certain large flows that are related to specific projects.

Exposure arising from translation of income statements

Changes in exchange rates also affect Group income in connection with translation of income statements in foreign subsidiaries into Swedish kronor.

In connection with the translation of income statements in foreign subsidiaries, changes in exchange rates had a positive effect of approximately SEK 120m on operating income for the year relative to 1998.

Exposure arising from translation of balance sheets

The net of assets and liabilities in foreign subsidiaries comprises a net investment in foreign currency, which generates a translation difference in connection with consolidation. In order to limit degradation of Group equity, borrowings and forward contracts are based on the estimated risk with due consideration for fiscal effects. This means that the decline in value of a net investment arising from a fall in the exchange rate for a specific currency against the krona is offset by the exchange gains on the parent company's borrowings and forward contracts in the same currency, and vice versa.

The Group's policy is for hedging to be applied within the framework of the parent company's existing net borrowings, which can be distributed among different currencies in proportion to the Group's net assets outside Sweden. The policy stipulates 50% coverage, but exceptions can be made within the limits of a risk mandate that was set at SEK 300m for 1999. Hedging of equity in euros was discontinued as of October 1, 1999. In 1999, total pre-tax average coverage for non-euro equity was 64% (56), and at year-end was 56% (61). Forward contracts as hedges for foreign net assets amounted to SEK 927m (6,196) at year-end 1999. The risk mandate was applied in the amount of SEK 217m (285).

Net translation differences arising from consolidation of foreign subsidiaries in 1999 amounted to SEK –1,761m (+912). Of this amount, SEK –795m referred to Brazil, whose currency was sharply devalued early in the year. In computing these differences, due consideration is given to exchange differences in the parent company referring to borrowings and forward contracts intended as hedges for equity in subsidiaries, less estimated taxes. The above amount has been taken directly to equity in the consolidated balance sheet in accordance with applicable accounting principles. However, translation losses referring to countries with highly inflationary economies have been charged against operating income. See "Accounting principles" on page 36.

Credit risk

Credit risks within the financial operation arise from financing of sales, as financial credit risks in connection with placement of liquid funds, and as counterpart risks related to derivatives. In order to limit financial credit risks, a counterpart guideline has been established that defines the maximum permissible exposure in relation to permissible counterparts.

Growth markets

The Group's expansion in various growth markets is accompanied by greater financial risks. These risks arise on the basis of regulated currency and credit markets and relatively high probability of devaluations. The finance staff works actively on analysis, monitoring and management of risks, which includes supporting subsidiaries in these markets to the greatest possible extent in both local and other currencies.

The Group's financial operation

Electrolux maintains three financial operations, i.e. Electrolux Treasury, Electrolux Financial Services and Electrolux Cash Management Services. Geographically, the operation is concentrated to Western Europe and North America. The financial operation employs about 220 people, of whom about 50 in Stockholm.

Electrolux Treasury

Electrolux Treasury comprises eighteen internal banks that are responsible for the Group's liquidity, borrowings, debt management, and payment system.

Long-term financing and the Group's overall currency and interest-rate risk exposure are managed from Stockholm. Financial operations include active cash management and comprehensive currency trading, primarily in Sweden, Italy and Singapore.

Euro cash pool and Global Clearing Center

The Group is in the process of establishing a euro cash pool, in order to concentrate all European financial and commercial flows in one place and manage them centrally.

A payment system called the Global Clearing Center has been developed and will be used for all payments within Europe.

Electrolux Financial Services

Electrolux Financial Services supports the Group's operations with financial solutions for customers and suppliers, and comprises about fifteen units.

This operation covers leasing, financing of projects, particularly for Professional Appliances, and financing of dealers for Household Appliances and Outdoor Products. Consumer financing is run mainly in cooperation with financial institutions.

Factoring for suppliers is a comprehensive activity mainly in southern Europe. Demand for financial solutions is growing, particularly within Professional Appliances in Central and Eastern Europe.

Electrolux Cash Management Services

Electrolux Cash Management Services runs three major programs in order to assist and educate the operations in rationalizing the use of capital, i.e. for Accounts Receivable, Accounts Payable and Inventory Reduction.

These programs are designed to minimize tied-up capital within the Group. In addition, the Cash Management Service performs specific analyses of Group subsidiaries in order to free capital, increase cash flow and improve administrative efficiency.

Consolidated income statement

		1999 SEKm	1998 SEKm	1999 EURm	1998 EURm
Net sales	(Note 2)	**119,550**	117,524	**13,982**	13,745
Cost of goods sold		**–87,288**	–86,899	**–10,209**	–10,163
Gross operating income		**32,262**	30,625	**3,773**	3,582
Selling expense		**–18,450**	–18,058	**–2,158**	–2,112
Administrative expense		**–6,261**	–6,336	**–732**	–741
Other operating income	(Note 3)	**192**	141	**22**	16
Other operating expense	(Note 4)	**–323**	–308	**–38**	–36
Items affecting comparability	(Note 5)	**–216**	964	**–25**	113
Operating income	(Notes 2, 6, 25)	**7,204**	7,028	**842**	822
Interest income	(Note 7)	**1,076**	1,349	**126**	158
Interest expense	(Note 7)	**–2,138**	–2,527	**–250**	–296
Income after financial items		**6,142**	5,850	**718**	684
Taxes	(Note 8)	**–2,005**	–1,964	**–234**	–229
Minority interests in net income	(Note 9)	**38**	89	**4**	10
Net income		**4,175**	3,975	**488**	465
Net income per share, SEK, EUR	(Note 10)	**11.40**	10.85	**1.33**	1.27

Exchange rate: EUR 1 = SEK 8.55

Consolidated balance sheet

ASSETS		Dec. 31, 1999 SEKm	Dec. 31, 1998 SEKm	Dec. 31, 1999 EURm	Dec. 31, 1998 EURm
Fixed assets					
Intangible assets	(Note 11)	3,298	3,327	386	389
Tangible assets	(Note 12)	20,894	21,959	2,444	2,568
Financial assets	(Note 13)	3,859	2,599	451	304
Total fixed assets		28,051	27,885	3,281	3,261
Current assets					
Inventories, etc.	(Note 14)	16,171	16,957	1,891	1,983
Current receivables					
Accounts receivable		21,513	21,859	2,516	2,557
Other receivables		4,213	3,123	493	365
Prepaid expense and accrued income		1,384	2,078	162	243
		27,110	27,060	3,171	3,165
Liquid funds					
Short-term placements		5,341	6,302	625	737
Cash and bank balances		4,971	5,085	581	595
		10,312	11,387	1,206	1,332
Total current assets		53,593	55,404	6,268	6,480
TOTAL ASSETS		81,644	83,289	9,549	9,741
Assets pledged	(Note 15)	3,091	2,635	362	308

EQUITY AND LIABILITIES		Dec. 31, 1999 SEKm	Dec. 31, 1998 SEKm	Dec. 31, 1999 EURm	Dec. 31, 1998 EURm
Equity	(Note 16)				
Share capital	(Note 17)	1,831	1,831	214	214
Restricted reserves		11,036	11,427	1,291	1,336
Retained earnings		8,739	7,247	1,022	848
Net income		4,175	3,975	488	465
		25,781	24,480	3,015	2,863
Minority interests		825	953	96	111
Provisions					
Provisions for pensions and similar commitments	(Note 19)	3,972	4,298	464	503
Other provisions	(Note 20)	5,699	4,026	667	471
		9,671	8,324	1,131	974
Financial liabilities					
Long-term bond loans	(Note 21)	5,515	6,777	645	792
Mortgages, promissory notes, etc.	(Note 21)	11,198	11,018	1,310	1,289
Short-term loans		6,727	11,275	787	1,319
		23,440	29,070	2,742	3,400
Operating liabilities					
Accounts payable		11,132	10,476	1,302	1,225
Tax liabilities		641	180	75	21
Other liabilities		2,468	2,642	289	309
Accrued expense and prepaid income	(Note 22)	7,686	7,164	899	838
		21,927	20,462	2,565	2,393
TOTAL EQUITY AND LIABILITIES		81,644	83,289	9,549	9,741
Contingent liabilities	(Note 23)	957	1,658	112	194

Exchange rate: EUR 1 = SEK 8.55

Consolidated cash-flow statement

	1999 SEKm	1998 SEKm	1999 EURm	1998 EURm
Operations				
Income after financial items	6,142	5,850	718	684
Depreciation according to plan charged against above income	3,905	4,125	457	483
Capital gain/loss included in operating income	–1,620	–964	–189	–113
Provision for restructuring	–507	–1,122	–59	–131
Provision for pension litigation	1,841	—	215	—
	9,761	7,889	1,142	923
Taxes paid	–2,166	–2,135	–254	–250
Cash flow from operations excl. change in operating assets and liabilities	7,595	5,754	888	673
Change in operating assets and liabilities				
Change in inventories	264	–715	31	–83
Change in accounts receivable	–1,407	–336	–165	–39
Change in other current assets	–387	–134	–45	–16
Change in current liabilities and provisions	2,595	129	304	15
Cash flow from operations	8,660	4,698	1,013	550
Investments				
Operations (Note 24)	–418	–237	–49	–28
Divestment of operations (Note 24)	2,120	2,342	248	274
Machinery, buildings, land, construction in progress, etc.	–4,439	–3,756	–519	–439
Other	–400	875	–47	102
Cash flow from investments	–3,137	–776	–367	–91
Total cash flow from operations and investments	5,523	3,922	646	459
Financing				
Change in short-term loans	–4,039	954	–472	112
Change in long-term loans	–553	–2,988	–65	–350
Dividend paid, cash	–1,099	–915	–129	–107
Change in minority interests	0	6	0	1
Cash flow from financing	–5,691	–2,943	–666	–344
Total cash flow	–168	979	–20	115
Liquid funds at beginning of year	11,387	9,834	1,332	1,150
Exchange-rate differences referring to liquid funds	–907	574	–106	67
Liquid funds at year-end	10,312	11,387	1,206	1,332
Change in net borrowings				
Total cash flow excl. change in loans	4,646	3,013	543	352
Net borrowings at beginning of year	–17,966	–20,159	–2,101	–2,357
Exchange-rate differences referring to net liquidity	–103	–820	–12	–96
Net borrowings at year-end	–13,423	–17,966	–1,570	–2,101

Exchange rate: EUR 1 = SEK 8.55

Parent company income statement

		1999 SEKm	1998 SEKm	1999 EURm	1998 EURm
Net sales		**6,685**	5,918	**782**	692
Cost of goods sold		**–5,228**	–4,726	**–612**	–553
Gross operating income		**1,457**	1,192	**170**	139
Selling expense		**–749**	–727	**–88**	–85
Administrative expense		**–636**	–699	**–74**	–82
Other operating income	(Note 3)	**19**	126	**2**	15
Other operating expense	(Note 4)	**–337**	–43	**–39**	–5
Operating income	(Note 25)	**–246**	–151	**–29**	–18
Group contributions		**861**	1,049	**101**	123
Interest income	(Note 7)	**3,987**	2,683	**466**	314
Interest expense	(Note 7)	**–1,805**	–1,561	**–211**	–183
Income after financial items		**2,797**	2,020	**327**	236
Allocations	(Note 18)	**–39**	26	**–4**	3
Income before taxes		**2,758**	2,046	**323**	239
Taxes	(Note 8)	**–24**	–57	**–3**	–6
Net income		**2,734**	1,989	**320**	233

Exchange rate: EUR 1 = SEK 8.55

Parent company balance sheet

ASSETS		Dec. 31, 1999 SEKm	Dec. 31, 1998 SEKm	Dec. 31, 1999 EURm	Dec. 31, 1998 EURm
Fixed assets					
Intangible assets	(Note 11)	7	11	1	1
Tangible assets	(Note 12)	826	775	97	91
Financial assets	(Note 13)	30,590	30,739	3,577	3,596
Total fixed assets		31,423	31,525	3,675	3,688
Current assets					
Inventories, etc.	(Note 14)	630	593	74	69
Current receivables					
Receivable from subsidiaries		2,933	1,924	343	225
Accounts receivable		585	431	69	50
Tax refund claim		30	33	4	4
Other receivables		27	40	3	5
Prepaid expense and accrued income		97	162	11	19
		3,672	2,590	430	303
Liquid funds					
Short-term placements		1,730	1,403	202	164
Cash and bank balances		2,001	633	234	74
		3,731	2,036	436	238
Total current assets		8,033	5,219	940	610
TOTAL ASSETS		39,456	36,744	4,615	4,298
Assets pledged	(Note 15)	11	30	1	4

EQUITY AND LIABILITIES		Dec. 31, 1999 SEKm	Dec. 31, 1998 SEKm	Dec. 31, 1999 EURm	Dec. 31, 1998 EURm
Equity	(Note 16)				
Share capital	(Note 17)	1,831	1,831	214	214
Statutory reserve		2,731	2,731	319	319
Retained earnings		5,733	4,843	671	567
Net income		2,734	1,989	320	233
		13,029	11,394	1,524	1,333
Untaxed reserves	(Note 18)	587	548	69	64
Provisions					
Provisions for pensions and similar commitments	(Note 19)	204	192	24	23
Other provisions	(Note 20)	206	149	24	17
		410	341	48	40
Financial liabilities					
Payable to subsidiaries		10,113	5,395	1,183	631
Bond loans		6,881	8,741	805	1,022
Mortgages, promissory notes, etc.		4,814	5,538	563	648
Short-term loans		1,689	3,060	197	358
		23,497	22,734	2,748	2,659
Operating liabilities					
Payable to subsidiaries		403	345	47	40
Accounts payable		588	516	69	61
Other liabilities		51	55	6	6
Accrued expense and prepaid income	(Note 22)	891	811	104	95
		1,933	1,727	226	202
TOTAL EQUITY AND LIABILITIES		39,456	36,744	4,615	4,298
Contingent liabilities	(Note 23)	4,707	3,867	551	452

Exchange rate: EUR 1 = SEK 8.55

Parent company cash-flow statement

	1999 SEKm	1998 SEKm	1999 EURm	1998 EURm
Operations				
Income after financial items	**2,797**	2,020	**327**	236
Depreciation according to plan charged against above income	**216**	289	**25**	34
Capital gain/loss included in operating income	**–29**	–77	**–3**	–9
	2,984	2,232	**349**	261
Taxes paid	**–27**	–48	**–3**	–6
Cash flow from operations excl. change in operating assets and liabilities	**2,957**	2,184	**346**	255
Change in operating assets and liabilities				
Change in inventories	**–37**	–111	**–4**	–13
Change in accounts receivable	**–154**	27	**–18**	3
Change in current intra-Group balances	**1,736**	–1,004	**203**	–117
Change in other current assets	**78**	–47	**9**	–5
Change in current liabilities and provisions	**217**	–515	**25**	–60
Cash flow from operations	**4,797**	534	**561**	63
Investments				
Change in shares and participations	**5,810**	–1,504	**679**	–176
Machinery, buildings, land, construction in progress, etc.	**–302**	–250	**–35**	–29
Other	**–3,556**	—	**–416**	–
Cash flow from investments	**1,952**	–1,754	**228**	–205
Total cash flow from operations and investments	**6,749**	–1,220	**789**	–142
Financing				
Change in short-term loans	**–1,371**	–1,147	**–160**	–134
Change in long-term loans	**–2,584**	2,159	**–302**	252
Dividend paid, cash	**–1,099**	–915	**–129**	–107
Cash flow from financing	**–5,054**	97	**–591**	11
Total cash flow	**1,695**	–1,123	**198**	–131
Liquid funds at beginning of year	**2,036**	3,159	**238**	369
Liquid funds at year-end	**3,731**	2,036	**436**	238
Change in net borrowings				
Total cash flow excl. change in loans	**5,650**	–2,135	**661**	–250
Net borrowings at beginning of year	**–15,303**	–13,168	**–1,790**	–1,540
Net borrowings at year-end	**–9,653**	–15,303	**–1,129**	–1,790

Exchange rate: EUR 1 = SEK 8.55

Note 1. ACCOUNTING AND VALUATION PRINCIPLES

General accounting principles

The consolidated financial statements are prepared in accordance with accounting principles generally accepted in Sweden, thereby applying the Swedish Financial Accounting Standards Council's standards. These accounting principles differ in certain respects from those in the United States. For a description of significant differences, see Note 27. In the interest of achieving comparable financial information within the Group, Electrolux companies apply uniform methods for reporting obsolescence on inventories, provisions for doubtful receivables, provisions for guarantee commitments, depreciation on fixed assets, etc., irrespective of national fiscal legislation. In some countries it is permissible to make additional allocations, which are reported under "Restricted equity" after deduction of deferred taxes.

The following should be noted:

- In the consolidated income statement, Group interests in associated companies are divided into a share of income before taxes and a share of taxes.
- The cash-flow statement has been prepared according to the indirect method. In order to eliminate the effects of changes in exchange rates from year to year, both the opening and closing balances have been translated at average exchange rates for the year.
- Computation of net debt/equity, equity/assets and net assets includes minority interests in adjusted shareholders' equity. Definitions of these ratios are given on page 53.
- The definition of net assets has been changed to include only assets that generate operating income, i.e. interest-bearing financial receivables are excluded. The figures for net assets and the return on net assets in previous years have been adjusted accordingly.
- Accumulated translation differences charged to equity in accordance with standard RR8 of the Swedish Financial Accounting Standards Council are presented in Note 16. For practical reasons, Electrolux has not applied the standard previous to January 1, 1998.

Principles applied for consolidation

The consolidated financial statements have been prepared in accordance with Standard RR1:96 of the Swedish Financial Accounting Standards Council and involve application of the purchase method, whereby the assets and liabilities in a subsidiary on the date of acquisition are evaluated to determine the acquisition value to the Group. Any differences between the acquisition price and the market value of the acquired net assets are reported as goodwill or negative goodwill.

Definition of Group companies

The consolidated financial statements include AB Electrolux and all companies in which the parent company at year-end directly or indirectly owns more than 50% of the voting rights referring to all shares and participations, or in which the company exercises decisive control in other ways.

The following applies to acquisitions and divestments during the year:

- Companies acquired during the year have been included in the consolidated income statement as of the date of acquisition.
- Companies divested during the year have been included in the consolidated income statement up to and including the date of divestment.

At year-end 1999 the Group comprised 462 (489) operating units, and 368 (386) companies.

Associated companies

Major investments in associated companies, i.e. those in which the parent company directly or indirectly owned 20–50% of the voting rights at year-end, have been reported according to the equity method. This means that the Group's share of income before taxes in an associated company is reported as part of the Group's operating income. Investments in such a company are reported at a value which corresponds to the Group's share of the company's equity, adjusted for possible over- and under-value. Computation of equity in an associated company involves including untaxed reserves in equity after deductions for deferred taxes.

Minor investments in associated companies are reported as shares and participations at acquisition cost.

Goodwill

Goodwill is reported as an intangible asset and is depreciated over the estimated useful life, which is normally 10-20 years. Goodwill arising from strategic acquisitions is depreciated over 20-40 years. Acquisitions are an important component of the Group's expansion, and are often made in competition with other companies whose accounting practices differ from the Swedish, e.g. with respect to goodwill. Electrolux applies a depreciation period of 40 years for the goodwill that arose from the strategically important acquisitions of Zanussi, White and American Yard Products. In accordance with the transitional rules in the recommendation of the Swedish Financial Accounting Standards Council regarding corporate reporting, Note 10 reports the effects that would arise if the depreciation period for these three acquisitions were limited to 20 years.

Estimated useful life is reviewed annually to determine whether the current depreciation schedule should be revised.

Translations of financial statements in foreign subsidiaries

The balance sheets of foreign subsidiaries have been translated into Swedish kronor at year-end rates. Income statements have been translated at the average rates for the year. Translation differences thus arising have been taken directly to equity.

The above principles have not been applied for subsidiaries in countries with highly inflationary economies. Translation differences referring to these companies have been charged against income. This method enables increases and/or decreases in equity in countries with highly inflationary economies to be reported in their entirety in the consolidated income statement.

Hedging of net investment

The parent company uses forward contracts and loans in foreign currencies as hedges for the net foreign investment. Exchange-rate differences related to these contracts and loans have been charged to the Group's equity after deduction of taxes, to the extent there are corresponding translation differences.

Other accounting and valuation principles

Revenue recognition

Sales of products and services are recorded as of the date of shipment, when the sale is invoiced. Sales include the sale value less VAT (Value-Added Tax), specific sales taxes, returns and trade discounts.

Costs of research and development
These costs are reported on a current basis and are included in "Cost of goods sold" in the consolidated income statement.

Depreciation of tangible fixed assets
Depreciation according to plan is based on the original acquisition value of the asset prior to write-offs against investment reserves or their equivalents. The depreciation period is based on the estimated useful life of the asset. Depreciation according to plan is distributed by function, according to the way the asset is used.

The parent company reports the difference between book depreciation and depreciation according to plan in the income statement under "Allocations." The corresponding item in the balance sheet is reported as "Accumulated depreciation in excess of plan" under "Untaxed reserves." Accumulated depreciation in excess of plan includes utilization of investment funds, etc. See Note 18.

Other operating income and expense
These items include profits and losses arising from sale of fixed assets and divestment of operations, as well as the share of income in associated companies. Other operating expense also includes depreciation of goodwill. See Notes 3 and 4.

Items affecting comparability
This item includes events and transactions with effects on income that are of significance when income for the period is compared with that for other periods.

Taxes
Taxes incurred by the Electrolux Group are affected by allocations and other fiscally motivated arrangements in individual Group companies. They are also affected by utilization of tax-loss carry-forwards referring to previous years or to acquired companies. This applies to both Swedish and foreign Group companies. Tax-loss carry-forwards are recognized only if it is probable that they will be utilized. A comparison of the Group's nominal and actual tax rates is given in Note 8.

Receivables and liabilities in foreign currency
Receivables and liabilities are valued at year-end rates. Financial receivables and liabilities for which forward contracts have been arranged are reported at the spot rates prevailing on the date of the contract. The premium is amortized on a current basis and reported as interest.

Loans and forward contracts intended as hedges for equity in foreign subsidiaries are reported in the parent company at the rate prevailing on the date when the loan or contract arose. In the consolidated accounts, these loans and forward contracts are valued at year-end rates and the exchange differences of the parent company are charged directly to equity after deduction of taxes.

With regard to forward contracts intended as hedges for the cross-border flow of goods and services, accounts receivable and accounts payable are valued at contract rates.

Inventories
Inventories are valued at the lower of acquisition cost and market value. Acquisition cost is computed according to the first-in, first-out method (FIFO). Appropriate provisions have been made for obsolescence.

Financial fixed assets
Shares and participations in major associated companies are accounted for according to the equity method. Other financial fixed assets are reported at acquisition value.

US GAAP
Information in conformity with US GAAP (US Generally Accepted Accounting Principles) is given in Note 27 and in the separate 20-F Form which is submitted annually to the SEC (Securities and Exchange Commission) in the United States.

Note 2. NET SALES AND OPERATING INCOME (SEKm)

	Net sales		Operating income	
	1999	1998	**1999**	1998
Net sales and operating income, by business area				
Household Appliances	**86,982**	84,581	**5,070**	4,065
Professional Appliances	**10,960**	11,574	**766**	723
Outdoor Products	**21,325**	19,295	**2,033**	1,788
Other	**283**	2,074	**–51**	–76
Common Group costs	**—**	—	**–398**	–436
Items affecting comparability	**—**	—	**–216**	964
Total	**119,550**	117,524	**7,204**	7,028
Net sales and operating income, by geographical area				
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

Operating income includes net exchange differences in the amount of SEK –10m (–85).

Note 3. OTHER OPERATING INCOME (SEKm)

	Group		Parent company	
	1999	1998	**1999**	1998
Gain on sale of:				
Tangible fixed assets	**137**	117	**19**	2
Operations and shares	**55**	24	**–**	124
Total	**192**	141	**19**	126

Note 4. OTHER OPERATING EXPENSE (SEKm)

	Group 1999	Group 1998	Parent company 1999	Parent company 1998
Loss on sale of:				
Tangible fixed assets	**–42**	–50	**–4**	–27
Operations and shares	**–60**	0	**–333**	–16
Shares of income in associated companies	**–11**	–24	**—**	—
Depreciation on goodwill	**–210**	–234	**—**	—
Total	**–323**	–308	**–337**	–43

Note 5. ITEMS AFFECTING COMPARABILITY (SEKm)

	Group 1999	Group 1998
Capital gains	**1,625**	1,153
Capital losses	**—**	–189
Provision for pension litigation	**–1,841**	—
Total	**–216**	964

Capital gains in 1999 referred to divestment of the operation in the amount of SEK 1,625m in food and beverage vending machines. Regarding the provision for pension litigation, see page 22. In 1998, capital gains referred to divestment of operations in the amount of SEK 87m in interior decoration, SEK 718m in kitchen and bathroom cabinets, SEK 185m in professional cleaning equipment, and SEK 163m in the Gotthard Nilsson group. Costs for divestments were charged in 1998 in the amount of SEK 89m for the holding in CEFEMO and SEK 100m for the Lux operations.

Note 6. LEASING

In 1999 the Group rented 1.4 million square meters in accordance with operational leasing contracts, with average remaining contract periods of 2.5 years. Rental costs amounted to SEK 620m, and contracted future leasing costs to SEK 1,550m. The Group also has leasing contracts for office equipment on normal commercial terms.

Note 7. INTEREST INCOME AND EXPENSE (SEKm)

	Group 1999	Group 1998	Parent company 1999	Parent company 1998
Interest income				
Interest income and similar items				
From subsidiaries	**—**	—	**450**	263
From others	**1,061**	1,332	**170**	252
Income from other securities and receivables classified as fixed assets				
Dividends from subsidiaries	**—**	—	**3,365**	2,166
Dividends from others	**15**	17	**2**	2
Total interest income	**1,076**	1,349	**3,987**	2,683
Interest expense				
Interest expense and similar items				
To subsidiaries	**—**	—	**–259**	–249
To others	**–2,198**	–2,499	**–994**	–1,302
Exchange differences				
On loans and forward contracts as hedges for equity in subsidiaries	**—**	–	**–588**	–60
On other loans and borrowings, net	**60**	–28	**36**	50
Total interest expense	**–2,138**	–2,527	**–1,805**	–1,561

Premiums on forward contracts intended as hedges for equity in subsidiaries have been amortized as interest in the amount of SEK 104m (–29). In the consolidated accounts, exchange differences in the parent company on loans and forward contracts intended as hedges for equity in subsidiaries have been charged to equity after deduction of taxes. The net change in equity is SEK 345m (–864). Group interest income includes income of SEK 137m (26) and interest expense of SEK 132m (26) referring to interest arbitrage transactions. Receivables and liabilities referring to interest arbitrage amounted to SEK 4,119m (3,308) at year-end, and have been excluded.

Note 8. TAXES (SEKm)

	Group		Parent company	
	1999	1998	**1999**	1998
Income taxes	**–2,722**	–1,441	**–24**	–57
Deferred taxes	**749**	–483	**—**	—
Dividend tax	**–24**	–34	**—**	—
Group share of taxes in associated companies	**–8**	–6	**—**	—
Total	**–2,005**	–1,964	**–24**	–57

As of December 31, 1999 the Group had a tax-loss carry-forward of SEK 3,782m (4,929), which has not been included in computation of deferred tax assets.

Theoretical and actual tax rates (%)	Group	
	1999	1998
Theoretical tax rate	**38.4**	38.6
Losses for which deductions have not been made	**3.0**	3.5
Non-taxable income-statement items, net	**–1.2**	–2.6
Timing differences	**0.6**	2.3
Utilized tax-loss carry-forwards	**–8.1**	–8.0
Dividend tax	**0.4**	0.6
Other	**–0.5**	–0.8
Actual tax rate	**32.6**	33.6

The theoretical tax rate of the Group is calculated on the basis of weighted total Group net sales per country, multiplied by the local statutory tax rates. In addition, the theoretical tax rate is adjusted for the effect of non-deductible depreciation of goodwill.

Note 9. MINORITY INTERESTS (SEKm)

	1999	1998
Minority interests in:		
Income after financial items	**27**	76
Taxes	**11**	13
Net income	**38**	89

Note 10. NET INCOME PER SHARE

	1999	1998
Net income, SEKm	**4,175**	3,975
Number of shares 366,169,580		
Net income per share, SEK	**11.40**	10.85

Note 11. INTANGIBLE ASSETS (SEKm)

	Group			Parent company
	Leasehold rights, etc.	Goodwill	Total	Brands, etc.
Opening balance	156	3,171	3,327	11
Acquired during the year	0	284	284	—
Sold during the year	–11	–11	–22	—
Depreciation for the year	–9	–210	–219	–4
Exchange-rate differences	–6	–66	–72	—
Closing balance	130	3,168	3,298	7

Three items of goodwill are depreciated by the Group over 40 years. If this goodwill were to be depreciated over 20 years instead, in accordance with Recommendation no. RR 1:96 of the Swedish Financial Accounting Standards Council, income for the year would decline by SEK 91m (89), and the residual value of goodwill would be reduced by SEK 1,123m (1,038), while equity would decline in a corresponding amount. Depreciation on goodwill is reported under other operating expense. Book values are examined each year to determine whether a write-down exceeding the planned amortization is necessary.

Note 12. TANGIBLE FIXED ASSETS (SEKm)

	Buildings and land	Machinery and technical installations	Other equipment	Construction in progress and advances	Total
Group					
Acquisition costs					
Opening balance	12,141	31,998	5,030	1,876	51,045
Acquired during the year	334	1,423	769	1,913	4,439
Corporate acquisitions/divestments	–39	–398	–102	–10	–549
Transfer of work in progress and advances	43	1,305	60	–1,408	—
Sales, scrapping, etc.	–409	–530	–1,478	–13	–2,430
Exchange differences	–693	–1,139	–318	–12	–2,162
Closing balance	11,377	32,659	3,961	2,346	50,343
Accumulated depreciation according to plan					
Opening balance	4,328	21,623	3,135	—	29,086
Depreciation for the year	371	2,745	572	—	3,688
Corporate acquisitions/divestments	–26	–283	–87	—	–396
Sales, scrapping, etc.	–257	–497	–1,042	—	–1,796
Exchange differences	–173	–760	–200	—	–1,133
Closing balance	4,243	22,828	2,378	—	29,449
Balance-sheet value	7,134	9,831	1,583	2,346	20,894

Tax assessment value, Swedish Group companies: Buildings SEK 495m (545), land SEK 113m (116).

Accumulated write-ups on buildings and land at year-end: SEK 19m (18).

	Buildings and land	Machinery and technical installations	Other equipment	Construction in progress and advances	Total
Parent company					
Acquisition costs					
Opening balance	211	1,681	227	69	2,188
Acquired during the year		133	160	7	300
Transfer of work in progress and advances	—	40	—	–37	3
Sales, scrapping, etc.	–10	–153	–58	—	–221
Closing balance	201	1,701	329	39	2,270
Accumulated depreciation according to plan					
Opening balance	139	1,118	156	—	1,413
Depreciation for the year	5	176	31	—	212
Sales, scrapping, etc.	–6	–127	–48	—	–181
Closing balance	138	1,167	139	—	1,444
Balance-sheet value	63	534	190	39	826

Tax assessment value: Buildings SEK 260m (252), land SEK 52m (52).

Undepreciated write-ups on buildings and land: SEK 9m (9).

Note 13. FINANCIAL FIXED ASSETS (SEKm)

	Group		Parent company	
	1999	1998	**1999**	1998
Participations in associated companies	**223**	263	**—**	—
Participations in other companies	**281**	278	**94**	90
Shares in subsidiaries	**—**	—	**20,322**	26,150
Long-term receivables in subsidiaries	**—**	—	**9,625**	4,235
Long-term holdings in securities	**367**	261	**—**	—
Deferred taxes	**924**	241	**—**	—
Other receivables	**2,064**	1,556	**549**	264
Total	**3,859**	2,599	**30,590**	30,739

A specification of shares and participations is given in Note 26.

Note 14. INVENTORIES (SEKm)

	Group		Parent company	
	1999	1998	**1999**	1998
Raw materials	**4,169**	3,884	**155**	169
Work in progress	**793**	844	**45**	32
Finished products	**11,587**	12,597	**430**	391
Advances to suppliers	**36**	67	**—**	1
Advances from customers	**–414**	–435	**—**	—
Total	**16,171**	16,957	**630**	593

Note 15. ASSETS PLEDGED FOR LIABILITIES TO CREDIT INSTITUTIONS (SEKm)

	Group		Parent company	
	1999	1998	**1999**	1998
Real-estate mortgages	**1,817**	2,055	**—**	—
Corporate mortgages	**11**	14	**—**	—
Receivables	**342**	150	**—**	—
Inventories	**336**	60	**—**	—
Other	**585**	356	**11**	30
Total	**3,091**	2,635	**11**	30

Note 16. EQUITY (SEKm)

	Share capital	Restricted reserves	Retained earnings	Net income	Total
Group					
Opening balance	1,831	11,427	7,247	3,975	24,480
Transfer of retained earnings	—	—	3,975	–3,975	—
Dividend payment	—	—	–1,099	—	–1,099
Translation differences	—	—	–1,775	—	–1,775
Transfers between restricted and unrestricted equity	—	–391	391	—	—
Net income	—	—	—	4,175	4,175
Closing balance	1,831	11,036	8,739	4,175	25,781

Unrestricted consolidated earnings amount to SEK 12,914m. No allocation to restricted reserves is required. SEK 2,127m (2,455) referring to the share of equity in timing differences is reported under "Restricted reserve" in the balance sheet. This amount can be transferred to unrestricted reserves but the timing differences will then be subject to taxation. The accumulated translation differences charged to equity since January 1, 1998 amount to SEK –914m (861). Translation differences in 1999 amount to SEK –1,775m and have been reduced by SEK 345m through equity hedging.

	Share capital	Statutory reserve	Retained earnings	Net income	Total
Parent company					
Opening balance	1,831	2,731	4,843	1,989	11,394
Transfer of retained earnings	—	—	1,989	–1,989	—
Dividend payment	—	—	–1,099	—	–1,099
Net income	—	—	—	2,734	2,734
Closing balance	1,831	2,731	5,733	2,734	13,029

Note 17. SHARE CAPITAL AND NUMBER OF SHARES (SEKm)

	Value at par
On December 31, 1999 the share capital comprised the following:	
10,000,000 A-shares, par value SEK 5	50
356,169,580 B-shares, par value SEK 5	1,781
Total	1,831

A-shares carry one vote and B-shares one-tenth of a vote.

Note 18. UNTAXED RESERVES, PARENT COMPANY (SEKm)

	Opening balance	Allocations	Closing balance
Tax equalization reserve (L-fund)	13	–7	6
Accumulated depreciation in excess of plan on:			
Brands	4	–1	3
Machinery and equipment	324	49	373
Buildings	28	–2	26
Exchange-rate reserve	52	—	52
Other financial reserves	15	—	15
Tax allocation reserve	112	—	112
Total	548	39	587

Other financial reserves include fiscally permissible allocations referring to receivables in subsidiaries in politically and economically unstable countries.

Note 19. PROVISIONS FOR PENSIONS AND SIMILAR COMMITMENTS (SEKm)

	Group		Parent company	
	1999	1998	**1999**	1998
Interest-bearing pensions	**295**	283	**204**	192
Other pensions	**1,227**	1,486	**—**	—
Other commitments	**2,450**	2,529	**—**	—
Total	**3,972**	4,298	**204**	192

In 1998 two Group pension funds were established for the Group's Swedish companies in order to secure pension commitments related to the ITP plan, i.e. PRI pensions. The Electrolux Group's 1997 fund secures pensions through 1997, and the Electrolux Group's 1998 fund secures pensions from 1998 onward. In 1999 SEK 11m was allocated to the 1997 fund, and SEK 89m to the 1998 fund. Compensation in 1999 amounted to SEK 45m from the 1997 fund.

At year-end 1999 the market value of assets amounted to SEK 1,473m (1,179) in the 1997 fund and SEK 108m in the 1998 fund, which exceeded the pension obligations in the pension fund 1997 by SEK 397m (39) and with a deficit of SEK 15m in the 1998 fund.

A provision has been made in the balance sheet of the respective units as per December 31,1999, for the deficit in the 1998 fund.

Note 20. OTHER PROVISIONS (SEKm)

	Group		Parent company	
	1999	1998	**1999**	1998
Provision for restructuring	**180**	687	**7**	17
Guarantee commitments	**1,141**	1,215	**76**	76
Pension litigation	**1,841**	—	**—**	—
Other	**2,537**	2,124	**123**	56
Total	**5,699**	4,026	**206**	149

Note 21. INTEREST-BEARING LIABILITIES (SEKm)

	Group	
	1999	1998
Short-term loans	**6,727**	11,275
Long-term loans	**16,713**	17,795
Interest-bearing pensions	**295**	283
Total	**23,735**	29,353

Long-term borrowings, incl. swap-transactions, by currency:	**1999 SEKm**	1998 SEKm
USD	**9,612**	9,200
EUR	**6,669**	5,609
SEK	**53**	272
Other currencies	**379**	2,714
Total	**16,713**	17,795

Long-term borrowings mature as follows:	**1999 SEKm**
2000	**4,168**
2001	**3,099**
2002	**1,577**
2003	**2,299**
2004	**3,735**
2005	**1,381**
Thereafter, through 2037	**454**
Total	**16,713**

At year-end 1999 the Group had unutilized, uncommitted credit facilities in the amount of SEK 19,733m (22,031).

Note 22. ACCRUED EXPENSE AND PREPAID INCOME (SEKm)

	Group		Parent company	
	1999	1998	**1999**	1998
Accrued holiday pay	**884**	894	**180**	176
Other accrued payroll costs	**1,274**	1,150	**116**	155
Accrued interest expense	**437**	394	**249**	240
Prepaid income	**924**	1,190	**3**	4
Other accrued expense	**4,167**	3,536	**343**	236
Total	**7,686**	7,164	**891**	811

Note 23. CONTINGENT LIABILITIES (SEKm)

	Group		Parent company	
	1999	1998	**1999**	1998
Discounted bills	**15**	72	**—**	—
Accounts receivable, with recourse	**369**	946	**—**	—
Guarantees and other commitments				
On behalf of subsidiaries	**—**	—	**4,580**	3,744
Other	**444**	476	**90**	94
Capital value of pension commitments in excess of reported liability	**129**	164	**37**	29
Total	**957**	1,658	**4,707**	3,867

In addition to the above contingent liabilities, guarantees for fulfillment of contractual undertakings are given as part of the Group's normal course of business.

There was no indication at year-end that payment will be required in connection with any contractual guarantees.

Note 24. ACQUIRED AND DIVESTED OPERATIONS (SEKm)

	Group
	1999
Fixed assets	**97**
Inventories	**–108**
Receivables	**–764**
Other current assets	**–103**
Liquid funds	**–147**
Loans	**204**
Other liabilities and provisions	**592**
Purchase price	**1,849**
Liquid funds in acquired/divested operations	**–147**
Effect on Group liquid funds	**1,702**

Note 25. EMPLOYEES AND PAYROLL COSTS

The average number of employees in 1999 was 92,916 (99,322), of whom 63,362 (67,687) were men and 29,554 (31,635) were women.

For specification of number of employees by country, see page 56.

	Group	
	1999	1998
Number of employees by geographical area		
Europe	**52,032**	56,329
North America	**23,174**	24,786
Rest of the world	**17,710**	18,207
Total	**92,916**	99,322

	1999		1998	
Salaries, other remuneration and employer contributions (SEKm)	**Salaries and remuneration**	**Employer contributions**	Salaries and remuneration	Employer contributions
Parent company	**1,155**	**604**	1,140	664
(of which pension costs)		**(116)***		(160)*
Subsidiaries	**16,657**	**4,714**	17,366	5,124
(of which pension costs)		**(429)**		(481)
Group total	**17,812**	**5,318**	18,506	5,788
(of which pensions costs)		**(545)**		(641)

*Of which SEK 19m (10) refers to pension costs for the current company President and his predecessors.

Note 25. EMPLOYEES AND PAYROLL COSTS (continued)

Salaries and remuneration for Board members, Presidents and other employees, by geographical area (SEKm)	1999 Boards and Presidents	1999 Other employees	1998 Boards and Presidents	1998 Other employees
Sweden				
Parent company	19	1,136	14	1,126
Other	31	963	46	1,005
Total Sweden	50	2,099	60	2,131
EU excluding Sweden	151	8,622	154	8,973
Rest of Europe	41	899	38	888
North America	74	4,971	73	4,871
Latin America	22	461	22	645
Asia	29	276	20	479
Africa	1	42	1	54
Oceania	4	70	3	94
Total outside Sweden	322	15,341	311	16,004
Group total	372	17,440	371	18,135

Remuneration, etc. to the Chairman of the Board, the President, other members of senior Group management and auditors

In accordance with the decision by the Annual General Meeting, fees to the Board of Directors were paid in the amount of SEK 3,000,000, comprising SEK 1,000,000 to the Chairman, SEK 350,000 to the Deputy Chairman and SEK 275,000 to each of the other members and deputy members who are not employed by the Group.

The President and CEO received a fixed annual salary of SEK 6,600,000. The bonus for 1999 amounts to SEK 4,009,850 and has been paid in the form of a pension benefit. The bonus is calculated as 0.00065 of the Group's income before taxes, maximized to 70% of the fixed salary. The President has also received 66,800 options under the 1999 options program. The retirement age of the President is 60. The President is covered by the ITP plan, and in addition is entitled to a lifetime pension consisting of 32.5% of the portion of salary as of the date of retirement that corresponds to 20-30 times the basic amount according to the Swedish National Insurance Act, 50% of the portion corresponding to 30-100 times the basic amount, and 32.5% of the portion exceeding 100 times the basic amount. Between the age of 60 and 65, an additional pension will be paid amounting to 5% of salary as of the date of retirement, maximized to 30 times the basic amount. Pension rights from previous employment are included in the above. There is no agreement for special severance pay.

Similar pension agreements apply for other members of Group management employed in Sweden, although the pensionable age is 65 (in one case 58). For members of Group management employed outside Sweden, different pension terms apply according to the country of employment, with the right to receive pensions at 60 years of age at the earliest. There are no agreements for special severance pay.

The total capital value of pension commitments referring to the current President, his predecessors and their survivors amount to SEK 108m (103).

Fees in 1999 to KPMG, which as of 1999 performs virtually all external auditing within the Group, amounted to SEK 27m referring to audits, and SEK 12m referring to various types of consultancy for the Group. Audit fees to other audit firms amounted to SEK 2m.

Annual option program

The annual option program introduced in 1998 entitles 93 persons to allotment of options. Three categories of personnel are covered by the program, and each category is allotted a specific number of options, based on the value created after deducting a cost of capital on the Group's net assets from operating income. No options are issued if there is no increase in value. See definitions, page 52.

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. The strike price is 115% of the trading price on the date the options are issued. 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.

Within the framework of the 1998 program, a total of 1,128,900 options were allotted in March 1999, with a strike price of SEK 170. A provision of SEK 52m (38) plus employer contributions has been made for the 1998 program. The program is insured up to approximately 70% through a total return swap agreement.

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.

Synthetic options 1993

Of the approximately 150 senior managers who were offered synthetic options in 1993, 112 exercised the right to subscribe these options in January, 1994. The options were priced according to prevailing market conditions at SEK 35. A total of 2,530,000 options were issued, after adjustment for a stock split of 5:1 in 1998.

At year-end 1999 there were 18 (22) owners remaining with total holdings of 411,270 (534,020) options. The strike price is SEK 81, and the options mature on January 10, 2002.

The value of the options is indexed to the Electrolux share price. The options cannot be used for purchase of the company's shares, but will be redeemed in cash by the company. The change in the value of these synthetic options is included in the annual Electrolux income statement. At year-end the total provision was SEK 53m (32), and net income for the year has been charged with SEK 33m (13).

Note 26. SHARES AND PARTICIPATIONS

	Holding, %	Book value, equity method, SEKm
Associated companies		
Atlas Eléctrica, S.A., Costa Rica	20.0	71
Shanghai-Zanussi Elettromeccanica Co. Ltd, China	30.0	56
Eureka Forbes Ltd, India	40.0	42
Saudi Arabia Refrig Mfg, Saudi Arabia	49.0	21
Sidème S.A., France	34.0	16
A/O Khimki Husqvarna, Russia	50.0	5
MISR Compressor Manufacturing, Co., S.A.E., Egypt	27.7	4
Racks Refrigeração Ltda, Brazil	30.0	3
Zanussi Elettromeccanica Wanbao Refrig Tech Co. Ltd., China	50.0	3
IVG Bulka-Lehel GmbH, Germany	50.0	1
Plotter Engenharia S/C Ltda, Brazil	30.0	1
Automatic Minibar System Ltd, United Kingdom	50.0	0
Viking Financial Services, USA	50.0	0
		223

	Holding, %	Book value, SEKm
Other companies		
Email Ltd, Australia	5.1	129
Primus Capital Fund II, USA	—	100
Winful J/V, China	5.0	17
Nordwaggon AB, Sweden	50.0	9
Kotimaiset Kotitalouskoneet Oy, Finland	50.0	5
Inox Taglio SRL, Italy	10.0	2
Other		19
		281

Note 26. SHARES AND PARTICIPATIONS (continued)

Subsidiaries

		Holding, %
Major Group companies:		
Austria	Electrolux Hausgeräte G.m.b.H.	100
	Electrolux Austria G.m.b.H.	100
	Verdichter OE G.m.b.H.	100
Belgium	N.V. Zanker, S.A.	100
	Electrolux Home Products Corp. N.V.	100
	Electrolux Belgium N.V.	100
Brazil	Electrolux Ltda	100
	Electrolux do Brasil S.A.	99.9
Canada	White Consolidated Industries Canada Inc.	100
China	Electrolux (China) Co. Ltd	100
	Electrolux Zhongyi (Changsha) Refrigerators Co. Ltd	60
	Zanussi Zhongyi (Changsha) Refrigerators Co. Ltd	60
	Zanussi Elettromeccanica Tianjin Compressor Co. Ltd	50
Denmark	Electrolux Holding A/S	100
	Electrolux Hvidevareselskaber A/S	100
	A/S Vestfrost	50
Finland	Oy Electrolux AB	100
France	Electrolux France S.A.	100
	Electrolux Home Products France S.A.	100
	Electrolux Professionnel S.A.	100
Germany	Electrolux Deutschland GmbH	100
	AEG Hausgeräte GmbH	100
	Electrolux-Zanussi Hausgeräte GmbH	100
	FHP Motors GmbH	100
	Electrolux Siegen GmbH	100
Hungary	Electrolux Lehel Hütögépgyár Kft	100
	Electrolux Leisure Appliances Kft	100
India	Electrolux Kelvinator Ltd	55.8
	Electrolux-Voltas Ltd	74
Italy	Electrolux Zanussi S.p.A.	100
	Zanussi Elettromeccanica S.p.A.	100
	Electrolux Zanussi Grandi Impianti S.p.A.	100
	Electrolux Zanussi Italia S.p.A.	100
Luxembourg	Electrolux Luxembourg S.à r.l.	100
	Electrolux Reinsurance (Luxembourg) S.A.	100
Mexico	Electrolux de Mexico, S.A. de CV	100
	Kelvinator de Mexico S.A. de CV	100
The Netherlands	Electrolux Associated Company B.V.	100
	Electrolux Holding B.V.	100
Norway	Electrolux Norge AS	100
Spain	Electrolux España S.A.	100
	Electrolux Home Products España S.A.	100
	Electrolux Production España S.L.	100
Sweden	Husqvarna AB	100
	Electrolux Wascator AB	100
	Electrolux Hemprodukter AB	100
Switzerland	Electrolux Holding AG	100
United Kingdom	Electrolux UK Ltd	100
	Electrolux Holdings Ltd	100
	Electrolux Outdoor Products Ltd	100
	Electrolux Professional Ltd	100
	Electrolux Household Appliances Ltd	100
USA	White Consolidated Industries, Inc.	100

A detailed specification of Group companies has been submitted to the Swedish Patent and Registration Office and is available on request from AB Electrolux, Investor Relations and Financial Information.

Note 27. US GAAP INFORMATION

The consolidated financial statements have been prepared in accordance with Swedish accounting standards, which differ in certain significant respects from US GAAP. The following describes those differences which have a significant effect on net income and shareholders' equity:

Pensions

According to Swedish accounting standards, pension obligations are recorded in the consolidated financial statements based upon actuarial assumptions. US accounting standards are defined in SFAS No. 87 "Employers' Accounting for Pensions" which is more prescriptive particularly in the use of actuarial assumptions such as future salary increases, discount rates and inflation. Additionally, SFAS No. 87 requires that a specific actuarial method (the projected unit credit method) be used.

Securities

According to Swedish accounting standards, holdings of debt and equity securities for trading purposes should be reported at the lower-of-cost or market. Financial assets and other investments that are to be held to maturity are valued at acquisition cost.

In accordance with US GAAP and SFAS No. 115 "Accounting for Certain Investments in Debt and Equity Securities," such holdings should be classified according to management's intention within one of three categories: "held-to-maturity," "trading," or "available for sale." Debt securities classified as held-to-maturity are reported at amortized cost. Securities bought and held principally for the purpose of selling them in the near future are classified as trading securities and valued at fair value, with the unrealized gains and losses included in current earnings. Debt and marketable equity securities not classified as either held-to-maturity or trading are classified as available for sale and recorded at fair value, with the unrealized gains and losses excluded from net profit and reported, net of applicable income taxes, as a separate component of shareholders' equity.

Income taxes

Electrolux reports deferred taxes on the most significant temporary differences, which primarily include untaxed reserves, and loss carry-forwards as well as the tax effects of certain consolidation entries. In accordance with US GAAP and SFAS 109, deferred tax liabilities or assets are recognized for the expected future consequences of temporary differences with liabilities being provided in full. Assets are recognized and adjusted through a valuation allowance only to the amount that they are more likely than not to be realized.

Foreign currency transactions

Electrolux uses forward exchange contracts to hedge certain future transactions, based on budgeted volume. For Swedish GAAP purposes, unrealized gains and losses on such forward exchange contracts are deferred and recognized in the same period that the hedged transaction is recognized.

Under US GAAP, gains and losses on forward exchange can be deferred only to the extent that the forward exchange contract is designated as a hedge of a firm commitment. Forward exchange contracts that exceed the amount of or that are not designated hedges of firm commitments are marked to market under US GAAP, and unrealized gains and losses are recognized in the income statement.

Restructuring and other provisions

Under US GAAP, the recognition of restructuring cost is deferred until a commitment date is established, generally the date that management having appropriate level of authority commits the company to the restructuring plan, identifies all significant actions, including the method of disposition and the expected date of completion, and in the case of employee terminations, specifies the severance arrangements and communicates them to employees. The guidance under Swedish GAAP is not as prescriptive and in certain circumstances allows for earlier recognition.

Adjustment for acquisitions

In accordance with Swedish accounting standards, previous to 1996 the tax benefit arising from the application of loss carry-forwards in companies acquired during the year is recognized in the current year. According to US GAAP, the benefits are required to be recorded as component of purchase accounting.

Revaluation of assets

Under Swedish GAAP, properties may under certain circumstances be written up and reported at values in excess of the acquisition cost. Such revaluation is not permitted in accordance with US GAAP.

US accounting standards not yet adopted

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133 (SFAS 133), Accounting for Derivative Instruments and Hedging Activities. This statement establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts (collectively referred to as derivatives), and for hedging activities. It requires that an entity recognizes all derivatives as either assets or liabilities in the statement of financial position and measure those instruments at fair value. This statement is effective for all fiscal years beginning after June 15, 2000. Management has not determined the effect of the adoption of SFAS 133.

Note 27. US GAAP INFORMATION (continued)

THE FOLLOWING IS A SUMMARY OF THE APPROXIMATE EFFECTS THAT APPLICATION OF US GAAP WOULD HAVE ON CONSOLIDATED NET INCOME, EQUITY AND THE BALANCE SHEET.

A. Consolidated net income (SEKm)	1999	1998
Net income as reported in the consolidated income statement	4,175	3,975
Adjustments before taxes:		
Acquisitions	42	27
Restructuring and other provisions	–189	–306
Pensions	–41	–41
Foreign currency transactions	–35	–8
Taxes on the above adjustments	68	89
Other taxes	33	12
Approximate net income according to US GAAP	4,053	3,748
Approximate net income per share in SEK according to US GAAP (No. of shares 366,169,580)	11.05	10.25

B. Comprehensive income (SEKm)	1999	1998
Approximate net income according to US GAAP	4,053	3,748
Comprehensive income recognized in accordance with Swedish accounting principles	–1,775	855
Comprehensive income recognized for US GAAP adjustments:		
Translation differences	8	28
Securities	11	–56
Pensions	–2	–1
Other	–1	27
Approximate comprehensive income according to US GAAP	2,294	4,601

C. Equity (SEKm)	1999	1998
Equity as reported in the consolidated balance sheet	25,781	24,480
Adjustments before taxes:		
Acquisitions	–984	–1,046
Restructuring and other provisions	448	655
Pensions	–187	–163
Foreign currency transactions	–43	–8
Securities	46	30
Other	–19	–18
Taxes on the above adjustments	–66	–129
Other taxes	237	217
Approximate equity according to US GAAP	25,213	24,018

D. Balance sheet (SEKm)

The table below summarizes the consolidated balance sheets prepared in accordance with Swedish accounting principles and US GAAP.

	According to Swedish principles		According to US GAAP	
	1999	1998	1999	1998
Intangible assets	3,298	3,327	2,339	2,366
Tangible assets	20,894	21,959	20,851	21,913
Financial assets	3,859	2,599	4,076	2,779
Current assets	53,593	55,404	57,669	58,642
Total assets	81,644	83,289	84,935	85,700
Equity	25,781	24,480	25,213	24,018
Minority interests	825	953	825	953
Provisions for pensions and similar commitments	3,972	4,298	4,160	4,518
Other provisions	5,699	4,026	5,251	3,371
Financial liabilities	23,440	29,070	27,559	32,378
Operating liabilities	21,927	20,462	21,927	20,462
Total liabilities and equity	81,644	83,289	84,935	85,700

Proposed distribution of earnings

According to the consolidated financial statements, the Group's unappropriated earnings amount to SEK 12,914m.
No allocation to restricted equity is required.

	Thousands of kronor
The Board of Directors and the President propose that net income for the year	2,733,656
and retained earnings	5,733,269
totalling	8,466,925
be distributed as follows:	
A dividend of SEK 3.50 per share to each shareholder, totalling	1,281,594
To be carried forward	7,185,331
Total	8,466,925

Stockholm, February 11, 2000

RUNE ANDERSSON
Chairman of the Board

JACOB WALLENBERG
Deputy Chairman

PEGGY BRUZELIUS **THOMAS HALVORSEN** **LOUIS R. HUGHES**
NOBUYUKI IDEI **STEFAN PERSSON** **KAREL VUURSTEEN**
BERT GUSTAFSSON **GUNNAR JANSSON** **INGEMAR LARSSON**

MICHAEL TRESCHOW
President

Auditors' report

To the Annual General Meeting of the shareholders of AB Electrolux
(Corporate identity no. 556009-4178)

We have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the Board of Directors and the President of AB Electrolux for the year 1999. These accounts and the administration of the Company are the responsibility of the Board of Directors and the President. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual accounts and the consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the Board of Directors and the President, as well as evaluating the overall presentation of information in the annual accounts and the consolidated accounts. As a basis for our opinion concerning discharge from liability, we examined significant decisions, actions taken and circumstances of the Company in order to be able to determine the liability, if any, to the Company of any board member or the President. We also examined whether any board member or the President has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

The annual accounts and the consolidated accounts have been prepared in accordance with the Annual Accounts Act and, thereby, give a true and fair view of the Company's and the Group's financial position and results of operations in accordance with generally accepted accounting principles in Sweden.

We recommend to the Annual General Meeting of the shareholders, that the income statements and the balance sheets of the Parent Company and the Group be adopted, that the profit of the Parent Company be dealt with in accordance with the proposal in the administration report, and that the members of the Board of Directors and the President be discharged from liability for the financial year.

Stockholm, February 11, 2000

KPMG
THOMAS JANSSON
Authorized Public Accountant

Eleven-year review

Amounts in SEKm unless otherwise indicated	**1999**	1998	1997	1996	1995	1994
Net sales and income						
Net sales	**119,550**	117,524	113,000	110,000	115,800	108,004
Operating income[1)]	**7,204**	7,028	2,654	4,448	5,311	5,034
Margin, %	***6.0***	*6.0*	*2.3*	*4.0*	*4.6*	*4.7*
Income after financial items[1)]	**6,142**	5,850	1,232	3,250	4,016	3,595
Margin, %	***5.1***	*5.0*	*1.1*	*3.0*	*3.5*	*3.3*
Net income[1)]	**4,175**	3,975	352	1,850	2,748	2,195
Financial position						
Total assets	**81,644**	83,289	79,640	85,169	83,156	84,183
Net assets[2)]	**36,121**	39,986	38,740	41,306	37,293	37,518
Working capital	**8,070**	12,101	10,960	12,360	10,757	8,869
Accounts receivable	**21,513**	21,859	21,184	20,494	19,602	20,015
Inventories	**16,549**	17,325	16,454	17,334	18,359	18,514
Accounts payable	**11,132**	10,476	9,879	9,422	10,027	11,066
Equity	**25,781**	24,480	20,565	22,428	21,304	20,465
Data per share, SEK[3)]						
Net income[1)]	**11.40**	10.85	0.95	5.05	7.50	6.00
Net income according to US GAAP[4)]	**11.05**	10.25	2.40	4.55	7.95	15.45
Equity	**70**	67	56	61	58	56
Dividend, adjusted for share issues[5)]	**3.50**	3.00	2.50	2.50	2.50	2.50
Trading price of B-shares at year-end[7)]	**214.00**	139.50	110.20	79.20	54.50	75.40
Key ratios						
Value creation	**1,782**	437				
Return on equity, %[1)]	**17.1**	19.3	1.6	8.7	13.4	13.0
Return on net assets, %[1) 2)]	**18.3**	17.5	6.4	10.9	13.2	12.4
Net assets as % of net sales[2) 6) 8)]	**30.6**	33.3	34.0	36.9	34.2	33.8
Accounts receivable as % of net sales[6) 8)]	**18.2**	18.2	18.6	18.3	18.0	18.0
Inventories as % of net sales[6) 8)]	**14.0**	14.4	14.4	15.5	16.8	16.7
Net debt/equity[2)]	**0.50**	0.71	0.94	0.80	0.80	0.88
Interest coverage ratio	**4.55**	3.46	1.42	2.26	2.77	2.38
Dividend as % of equity[5)]	**5.0**	4.5	4.4	4.1	4.3	4.5
Other data						
Gross capital expenditure						
on real estate, equipment and tools[9)]	**4,465**	4,053	4,450	7,088	5,238	7,537
exclusive of opening value in						
acquisitions during the year[9)]	**4,439**	3,756	4,329	4,807	5,115	3,998
Capital expenditure as % of sales	**3.7**	3.2	3.8	4.4	4.4	3.7
Average number of employees	**92,916**	99,322	105,950	112,140	112,300	109,470
Salaries and remuneration	**17,812**	18,506	19,883	20,249	20,788	19,431
Number of shareholders	**52,600**	50,500	45,660	48,300	54,600	55,400

Definitions

Capital indicators

Net liquidity
Liquid funds less short-term borrowings.

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

Adjusted total assets
Total assets less liquid funds.

Total adjusted equity
Equity, including minority interests.

Working capital
Net assets less fixed assets.

Net income per share

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

Net income per share according to US GAAP
See information on US GAAP in Note 27. All computations have been adjusted for full dilution, stock splits, bonus issues and new issues. In connection with new issues, the number of shares is computed as the average number of shares for the year.

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

Other key ratios

In computation of key ratios where capital is related to net sales, the latter are annualized and converted at year-end exchange rates, so that due consideration is given to changes in exchange rates and Group structure.

Operating margin
Operating income expressed as a percentage of net sales.

Value creation
Operating income excluding items affecting comparability less the weighted average cost of capital (WACC) on average net assets: [(Net sales – operating costs = operating income) – (WACC x Average net assets)].

1993	1992	1991	1990	1989	Average growth rate, % 5 years	10 years
100,121	80,436	79,027	82,434	84,919	2.1	3.8
2,945	1,992	2,382	2,992	5,085	—	—
2.9	*2.5*	*3.0*	*3.6*	*6.0*	—	—
1,250	758	825	1,153	3,412	—	—
1.2	*0.9*	*1.0*	*1.4*	*4.0*	—	—
584	183	377	741	2,579	—	—
77,647	71,618	62,329	65,793	63,298	–0.5	2.8
40,870	40,289	34,306	38,031	37,885	–0.5	–0.1
11,181	12,998	10,364	12,386	12,608	0.4	–2.5
18,522	16,509	13,893	14,707	14,547	1.5	4.2
16,698	15,883	14,955	16,042	16,409	–2.1	0.3
9,486	8,281	7,370	7,985	7,626	0.3	4.2
16,853	16,772	15,758	16,565	17,025	5.1	4.6
1.60	0.50	1.05	2.00	7.05	—	—
1.00	0.50	1.10	2.25	6.25	—	—
46	46	43	45	46	5.0	4.6
1.25	1.25	2.50	2.50	2.50	—	—
56.80	47.60	43.60	32.00	56.00	—	—
3.5	1.2	2.3	4.3	17.3		
7.1	5.5	6.4	7.9	14.5		
39.3	44.5	43.5	47.0	46.0		
17.8	18.2	17.6	18.0	17.7		
16.1	17.5	18.9	19.7	19.9		
1.49	1.49	1.25	1.38	1.25		
1.28	1.18	1.25	1.38	2.21		
2.7	2.7	5.8	5.5	5.3		
3,727	3,737	3,704	4,444	6,237		
3,682	3,623	3,414	4,018	5,389	3.4	–0.7
3.7	4.5	4.3	4.9	6.3		
114,700	121,200	134,200	150,900	152,900	–3.2	–4.8
18,691	15,902	15,507	17,213	17,458	–1.6	0.5
65,700	68,100	70,000	74,000	68,000		

1) 1994: Exclusive of capital gain on Autoliv.
2) As of 1993, minority interests are included in adjusted equity.
3) The figures for 1989-97 have been adjusted for the 5:1 stock split in 1998.
4) Adjusted in connection with introduction of FAS 106 and 109 in 1993.
5) 1999: Proposed by the Board.
6) Net sales are annualized.
7) Last price paid for B-shares.
8) As of 1992, adjusted for exchange-rate effects.
9) As of 1992, calculated as annual average.

Return on equity
Net income expressed as a percentage of opening equity. The latter is adjusted for debentures converted during the year and for new issues.

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

Interest coverage rate
Operating income plus financial items, in relation to total interest expense.

Net borrowings
Total interest-bearing liabilities less liquid funds.

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

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

Quarterly figures

Net sales and income		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, 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, 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.

Net sales and average number of employees, by country

EU	1999 Net sales, SEKm	1999 % of Group total	1998 Net sales, SEKm	1998 % of Group total	1999 Number of employees	1998 Number of employees
Germany	13,758	11.5	13,968	11.9	7,713	9,166
UK	6,892	5.8	7,055	6.0	3,059	3,923
Italy	6,827	5.7	6,494	5.5	12,959	13,215
France	6,169	5.2	6,033	5.1	2,470	2,614
Sweden	4,422	3.7	5,651	4.8	8,881	9,749
Spain	2,948	2.5	3,305	2.8	3,273	3,414
The Netherlands	2,047	1.7	2,239	1.9	737	755
Denmark	2,001	1.7	2,283	1.9	2,661	2,829
Finland	1,742	1.5	1,758	1.5	362	597
Austria	1,356	1.1	1,235	1.1	847	912
Belgium	1,235	1.0	1,345	1.1	237	273
Ireland	593	0.5	525	0.4	136	101
Greece	477	0.4	403	0.3	89	84
Portugal	444	0.4	444	0.4	61	76
Luxembourg	124	0.1	133	0.1	196	220
Total	51,035	42.7	52,871	45.0	43,681	47,928

REST OF EUROPE	1999 Net sales, SEKm	1999 % of Group total	1998 Net sales, SEKm	1998 % of Group total	1999 Number of employees	1998 Number of employees
Switzerland	2,174	1.8	2,272	1.9	1,140	1,233
Norway	1,892	1.6	1,779	1.5	618	711
Poland	968	0.8	866	0.7	202	182
Czech Republic	755	0.6	698	0.6	250	283
Hungary	686	0.6	627	0.5	3,957	3,771
Russia	607	0.5	897	0.8	79	109
Turkey	436	0.4	586	0.5	142	179
Baltic States	346	0.3	344	0.3	116	135
Rumania	246	0.2	315	0.3	1,507	1,469
Slovakia	222	0.2	194	0.2	260	228
Slovenia	203	0.2	131	0.1	27	39
Bulgaria	58	0.0	88	0.1	20	20
Other	388	0.3	434	0.4	33	42
Total	8,981	7.5	9,231	7.9	8,351	8,401
Total EUROPE	60,016	50.2	62,102	52.8	52,032	56,329

NORTH AMERICA	1999 Net sales, SEKm	1999 % of Group total	1998 Net sales, SEKm	1998 % of Group total	1999 Number of employees	1998 Number of employees
USA	43,759	36.6	38,114	32.4	21,955	23,713
Canada	3,916	3.3	3,567	3.0	1,219	1,073
Total	47,675	39.9	41,681	35.5	23,174	24,786

LATIN AMERICA	1999 Net sales, SEKm	1999 % of Group total	1998 Net sales, SEKm	1998 % of Group total	1999 Number of employees	1998 Number of employees
Brazil	2,578	2.2	4,306	3.7	3,383	4,072
Mexico	616	0.5	540	0.5	1,442	1,261
Argentina	459	0.4	524	0.4	108	99
Venezuela	129	0.1	171	0.1	146	209
Paraguay	86	0.1	118	0.1	334	361
Colombia	66	0.1	125	0.1	324	513
Ecuador	56	0.0	72	0.1	235	254
Chile	53	0.0	69	0.1	76	126
Peru	47	0.0	73	0.1	434	548
Uruguay	26	0.0	36	0.0	–	–
Other	473	0.4	471	0.4	66	74
Total	4,589	3.8	6,505	5.5	6,548	7,517

ASIA	1999 Net sales, SEKm	1999 % of Group total	1998 Net sales, SEKm	1998 % of Group total	1999 Number of employees	1998 Number of employees
Far East						
Japan	1,031	0.9	928	0.8	646	725
China	1,003	0.8	1,097	0.9	2,696	2,494
India	953	0.8	610	0.5	3,108	1,456
Thailand	297	0.2	302	0.3	1,460	2,028
Hong Kong	208	0.2	202	0.2	109	103
Indonesia	190	0.2	147	0.1	712	1,053
South Korea	149	0.1	167	0.1	51	85
Malaysia	139	0.1	276	0.2	895	957
Singapore	131	0.1	102	0.1	272	256
Taiwan	99	0.1	160	0.1	161	220
Vietnam	45	0.0	47	0.0	33	–
The Philippines	40	0.0	45	0.0	227	368
Other	171	0.1	134	0.1	–	–
Total	4,456	3.7	4,217	3.6	10,370	9,745
Middle East						
Saudi Arabia	188	0.2	241	0.2	–	–
United Arab Emirates	117	0.1	160	0.1	–	–
Iran	92	0.1	60	0.1	–	–
Lebanon	82	0.1	106	0.1	–	–
Kuwait	80	0.1	81	0.1	–	–
Other	185	0.2	275	0.2	–	–
Total	744	0.6	923	0.8	–	–
Total ASIA	5,200	4.3	5,140	4.4	10,370	9,745

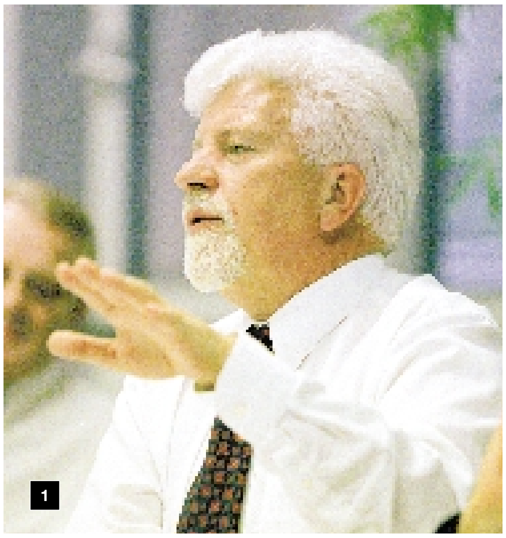
AFRICA	1999 Net sales, SEKm	1999 % of Group total	1998 Net sales, SEKm	1998 % of Group total	1999 Number of employees	1998 Number of employees
Egypt	303	0.3	365	0.3	–	–
South Africa	242	0.2	262	0.2	359	410
Algeria	118	0.1	79	0.1	–	–
Tunisia	108	0.1	94	0.1	36	31
Other	266	0.2	278	0.2	–	–
Total	1,037	0.9	1,078	0.9	395	441

OCEANIA	1999 Net sales, SEKm	1999 % of Group total	1998 Net sales, SEKm	1998 % of Group total	1999 Number of employees	1998 Number of employees
Australia	803	0.7	801	0.7	315	418
New Zealand	196	0.2	173	0.1	82	86
Other	34	0.0	44	0.0	–	–
Total	1,033	0.9	1,018	0.9	397	504

GROUP TOTAL	1999 [1)] Net sales, SEKm	1998 [1)] Net sales, SEKm	1999 Number of employees	1998 Number of employees
	119,550	117,524	92,916	99,322

1) Sales by country receiving products.

Board of Directors



1 Rune Andersson
Chairman
Born 1944, M. Eng., Hon. Tech. D. Board Chairman: Svedala Industri AB, Trelleborg AB, Älvsbyhus AB. Board Member: Doro AB, Meaning Green AB. Various positions at Electrolux 1977-1982, including head of operation in food-service equipment. Elected 1998.

Holding in AB Electrolux: 500,000 A-shares, through a company.

2 Peggy Bruzelius
Born 1949, M. Econ. Board Chairman: Grand Hotel Holding AB, Lancelot Asset Management AB. Board Member: Celcius AB, D&D Dagligvaror AB, AB Drott, Axel Johnson AB, AB Ratos, Scania AB, Swedish Trade Council. Member of Industry and Commerce Stock Exchange Committee. Elected 1996.

Holding in AB Electrolux: 2,500 B-shares.

3 Thomas Halvorsen
Born 1949, B.A. President, National Pension Insurance Fund, Fourth Fund Board. Board Member: Beijer & Alma AB, Sydkraft AB. Elected 1996.

Holding in AB Electrolux: 0 shares.

4 Louis R. Hughes
Born 1949, B.S., M. Eng., MBA. Executive Vice-President, General Motors Corporation, Detroit, USA. Board Chairman: Saab Automobile AB. Board Member: British Telecom plc, Deutsche Bank AG. Elected 1996.

Holding in AB Electrolux: 0 shares.

5 Nobuyuki Idei
Born 1937, B.A. Econ. President and Chief Executive Officer, Sony Corporation, Tokyo, Japan. Board Member: General Motors Corporation, USA. Co-Chairman Committee on New Businesses, Keidaren (Japan Federation of Economic Organizations). Elected 1998.

Holding in AB Electrolux: 0 shares.

6 Stefan Persson
Born 1947. Board Chairman: H&M Hennes & Mauritz AB. Board Member: Ingka Holding B.V. (IKEA). Elected 1994.

Holding in AB Electrolux: 7,500 B-shares.

7 Michael Treschow
President and CEO
Born 1943, M. Eng. Board Chairman: Swedish Trade Council. Deputy Chairman: Saab Automobile AB. Board Member: Atlas Copco AB, Investor AB. Elected 1997.

Holding in AB Electrolux: 33,250 B-shares, 42,400 options.

8 Karel Vuursteen
Born 1941, M. Eng. President and CEO Heineken N.V., Amsterdam, The Netherlands. Board Member: Gucci Group N.V., Nyenrode University, Whitbread Plc. Advisory Council Member ING Group. Elected 1998.

Holding in AB Electrolux: 0 shares.

9 Jacob Wallenberg
Deputy Chairman
Born 1956, B.S. in Econ., MBA. Board Chairman: SEB, Skandinaviska Enskilda Banken. Executive Deputy Chairman: Investor AB. Deputy Chairman: Atlas Copco AB, Knut and Alice Wallenberg Foundation. Board Member: ABB Ltd, WM-data AB, The Nobel Foundation, Federation of Swedish Industries. Elected 1998.

Holding in AB Electrolux: 2,000 B-shares.

EMPLOYEE REPRESENTATIVES MEMBERS

10 Bert Gustafsson

Born 1951. Representative of the Federation of Salaried Employees in Industry and Services. Deputy Member, 1997–1998. Ordinary Member, 1999.

Holding in AB Electrolux: 0 shares.

11 Gunnar Jansson

Born 1954. Representative of the Swedish Confederation of Trade Unions. Deputy Member, 1996–1998. Ordinary Member, 1999.

Holding in AB Electrolux: 0 shares.

12 Ingemar Larsson

Born 1939. Representative of the Swedish Confederation of Trade Unions. Deputy Member, 1990–1995. Ordinary Member, 1996.

Holding in AB Electrolux: 200 B-shares.

EMPLOYEE REPRESENTATIVES DEPUTY MEMBERS

13 Malin Björnberg

Born 1959. Representative of the Federation of Salaried Employees in Industry and Services. Elected 1999.

Holding in AB Electrolux: 0 shares.

14 Richard Dellner

Born 1953. Representative of the Federation of Salaried Employees in Industry and Services. Elected 1996.

Holding in AB Electrolux: 500 B-shares.

15 Gert Johansson

Born 1942. Representative of the Swedish Confederation of Trade Unions. Elected 1999.

Holding in AB Electrolux: 0 shares.

HONORARY CHAIRMAN OF THE BOARD

Hans Werthén

Hans Werthén, Hon. Tech. D. and Honorary Chairman of the Electrolux Board of Directors, died on January 1, 2000.

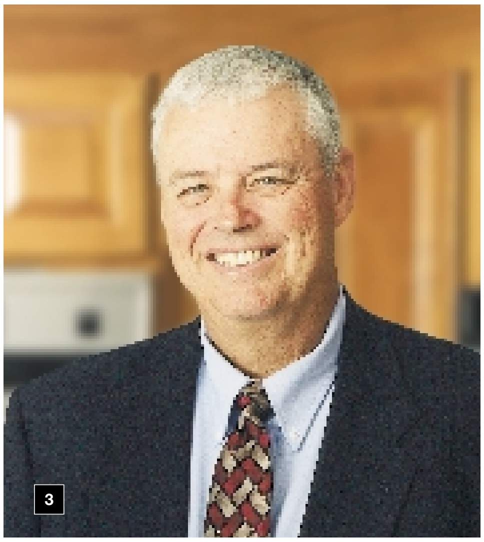
He was President of AB Electrolux from 1967 to 1974, Chairman of the Board from 1974 to 1991, and Honorary Chairman since 1991.

Under his leadership, Electrolux expanded strongly to become a world leader in its product areas.

He will be remembered at Electrolux for his extraordinary talents as a businessman, his inspiring leadership, and his deep interest in technology.

His passing means that the Swedish business community has lost one of its most dynamic leaders during the 20th century.

Group organization



1 Michael Treschow

President and CEO

Born 1943, M. Eng. Employed by Atlas Copco AB 1975, as President and CEO 1991–1997. Joined Electrolux in 1997. Holding in AB Electrolux: 33,250 B-shares, 42,400 options.

2 Bengt Andersson

Head of business sectors Professional Outdoor products and Consumer Outdoor products outside North America

Born 1944, Mech. Eng. Production engineer Facit AB 1966–1975. Joined Electrolux in 1973. Sector Manager Facit-Addo 1976, Technical Director Electrolux Motor 1980, Product-line Manager Outdoor products North America 1990, Product-line Manager Forestry and garden equipment Husqvarna and Flymo 1991. Executive Vice-President AB Electrolux 1997. Holding in AB Electrolux: 5,000 B-shares, 21,200 options.

3 Robert E. Cook

Head of business sector White goods and Outdoor products North America

Born 1943, Graduate in Law. President Roper Corporation, USA 1985. Joined Electrolux in 1988 as President American Yard Products, USA. President Frigidaire Home Products 1997. Executive Vice-President AB Electrolux 1997. Holding in AB Electrolux: 12,500 ADRs, 75,325 options.*

* Number of options according to synthetic option program and management option program 1998.

4 Detlef Münchow

Head of business sector Professional Indoor products

Born 1952, MBA and PhD Econ. Member of senior management in consulting firms Knight Wendling/ Wegenstein AG 1980-1989 and GMO AG 1989-1992. FAG Bearings AG since 1993-1998, as Chief Operating Officer in FAG Bearings Corporation, USA. Joined Electrolux in 1999 as Executive Vice-President AB Electrolux. Holding in AB Electrolux: 0 shares, 0 options.

5 MatsOla Palm

Head of business sectors White goods Europe and New markets

Born 1941. Employed at IBM 1966–1978 and Volvo Group 1979–1995, most recently as head of Volvo North America 1992–1995. Joined Electrolux in 1995 as head of sales and marketing for white goods in Europe. Executive Vice-President AB Electrolux 1996. President Electrolux Home Products 1999. Retires in spring 2000. Holding in AB Electrolux: 12,000 B-shares, 21,200 options.

6 Lennart Ribohn

Responsible for product lines coordination in New markets

Born 1943, B.A. Joined Electrolux in 1963. Group Controller 1971, Executive Vice-President and CFO 1981, Senior Executive Vice-President since 1988. Responsible for New markets 1994. Head of business sector New markets, Components and Direct sales 1997–1999. Retires in spring 2000. Holding in AB Electrolux: 229,720 B-shares and 129,450 options.*

7 Hans Stråberg

Head of business sector Floor-care products and Small appliances

Born 1957, M. Eng. Joined Electrolux in 1983. Head of product area dishwashers and washing machines 1987–1992. Head of product division floor-care products, Västervik, 1992–1995. Executive Vice-President Frigidaire Home Products, USA 1995–1998. Executive Vice-President AB Electrolux 1998. Holding in AB Electrolux: 2,870 B-shares, 15,900 options.

8 Johan Bygge

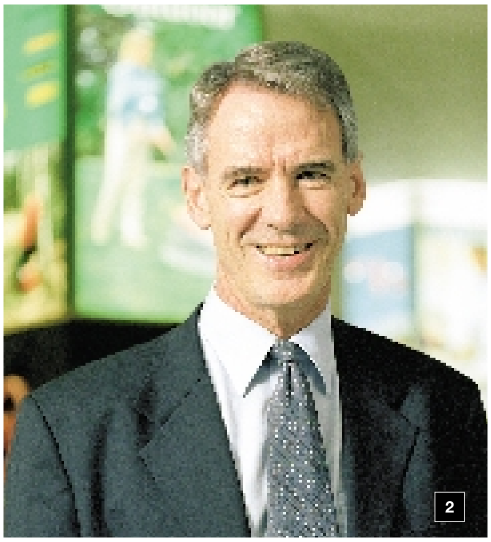
Head of Group staff Controlling, Accounting, Taxes, Auditing, IT

Born 1956, M. Econ. Project Manager and Deputy Group Controller, Telefonaktiebolaget LM Ericsson 1983, head of Cash Management 1986. Joined Electrolux in 1987 as Group Controller, Senior Vice-President Group Controller 1994. Senior Vice-President Group Controlling, Administration and Information Technology 1996. Holding in AB Electrolux: 1,500 B-shares, 21,200 options.

9 Matts P. Ekman

Head of Group staff Treasury

Born 1946. M. Econ., MBA. Various positions at Gränges AB, Treasury Department 1972–1980, Finance Director, 1980–1981. Joined Electrolux in 1981 as Senior Vice-President Group Treasurer. Holding in AB Electrolux: 25,000 B-shares and 46,200 options.*



10 Lars Göran Johansson

Head of Group staff Communication and Public Affairs

Born 1954. M. Econ. Project Manager at consulting company KREAB 1978, President 1985-1991. Led campaign for "Yes to Europe" 1992-1994. Joined Electrolux as Senior Vice-President Communication and Public Affairs 1995. Holding in AB Electrolux: 500 B-shares, 21,200 options.

11 Michael Regan

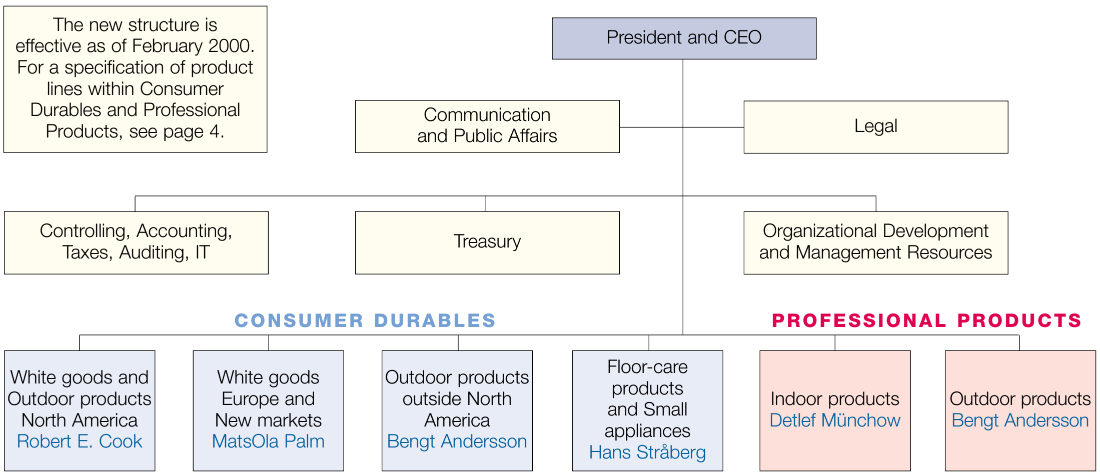
Head of Group staff Organizational Development and Management Resources

Born 1949. B.A. Personnel Director white-goods division Thorn EMI, UK 1985–1987. Joined Electrolux in 1987. Director Human Resources and responsible for Corporate Communications Electrolux UK 1988. Director Human Resources European operations 1995. Senior Vice-President Organizational Development and Management Resources 1997. Holding in AB Electrolux: 0 shares, 21,200 options.

12 Cecilia Vieweg

Head of Group staff Legal

Born 1955, B. of Law. Attorney with Berglund & Co Advokatbyrå, Gothenburg 1987–1990, Corporate Legal Counsel, AB Volvo 1990–1992. General Counsel, Volvo Car Corporation 1992–1997. Attorney and partner in Wahlin Advokatbyrå, Gothenburg 1998. Joined Electrolux in 1999 as General Counsel. Holding in AB Electrolux: 0 shares, 0 options.



Electrolux shares

The market capitalization of Electrolux at year-end 1999 was SEK 78.4 billion (51.1), which represents an increase of SEK 27.3 billion or 53% compared with year-end 1998. The market capitalization corresponded to 2.1% (2.1) of the total market capitalization of the Stockholm Stock Exchange.

The trading price for B-shares rose by 53% during the year. The general index for the Stockholm Stock Exchange rose by 66%. The highest trading price for B-shares was SEK 222 on December 30, and the lowest was SEK 118 on January 15.

The high for the A-share was SEK 220 on December 30, and the low was SEK 119 on February 1.

Electrolux share listings

Exchange	Year
London, B-shares	1928
Stockholm, A- and B-shares[1)]	1930
Geneva, B-shares	1955
Paris, B-shares[1)]	1983
Zurich, Basel, B-shares	1987
USA, NASDAQ (ADRs)[2)]	1987

1) As from 1999 the Electrolux B-share is listed in euros on the stock exchanges in Stockholm and Paris.
2) American Depositary Receipts. One ADR corresponds to two B-shares.

Trading volume

In 1999, 277.6 million (268.9) Electrolux shares were traded on the Stockholm Stock Exchange to a value of SEK 45.4 billion (34.1). This represented 1.8% (1.8) of the total share trading volume of SEK 2,609 billion (1,830) for the year.

The average value of the total number of A- and B-shares traded daily was SEK 180.2m (136.4).

Electrolux B-shares have also been listed in euros on the Stockholm Stock Exchange since June 7, 1999. However, no shares were traded in euros in 1999.

The total number of Electrolux shares traded on the London Stock Exchange in 1999 was 246.9 million (452.7), and in NASDAQ 5.7 million (7.2) ADRs. At year-end, 3,115,674 depositary receipts were outstanding. Trading volume on other exchanges was considerably lower.

Beta-value

The Beta-value indicates the volatility of the trading price for a share relative to the general market trend. The Beta-value of Electrolux shares for the past four years was 0.85 (0.91), which means that the volatility of Electrolux shares was 15% lower than the general index.

Effective yield

Effective yield indicates the actual profitability of a placement in shares, and comprises dividends received plus change in trading price.

The average annual effective yield on a placement in Electrolux shares was 18.9% over the past ten years, including the distribution of Gränges in 1996 and adjusted for the 5:1 stock split in 1998. The corresponding figure for the Stockholm Stock Exchange was 18.5%.

Annual option program

An annual option program for senior management was introduced in 1998. The program entitles an allotment of options, which can be used for acquisition of shares to a fixed price. The value of the options is linked to the trading price of the Electrolux B-shares. The strike price is 115% of the trading price on the date the options are issued.

The options mature in 5 years. The first options were allotted in March 1999.

Dividend and dividend policy

The Board has decided to propose an increased dividend for 1999 of SEK 3.50 per share at the Annual General Meeting, corresponding to 31% (34) of net income, exclusive of items affecting comparability.

The goal is for the dividend to normally correspond to 30–50% of net income

Share capital and number of shares

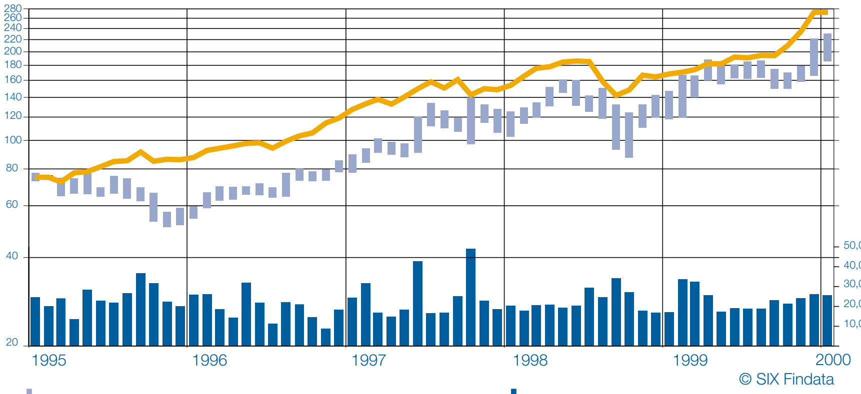
On December 31, 1999 there were 10,000,000 Electrolux A-shares and 356,169,580 B-shares, for a total of 366,169,580 shares. A-shares carry one vote and B-shares one-tenth of a vote. Each share has a par value of SEK 5.00. Total share capital at year-end amounted to SEK 1,830.8m.

Distribution of shareholdings in AB Electrolux

Shareholding	No. of shareholders	As % of shareholders
1–1,000	44,259	84.0
1,001–10,000	7,423	14.1
10,001–100,000	353	0.7
100,001–	618	1.2
Total	52,653	100.0

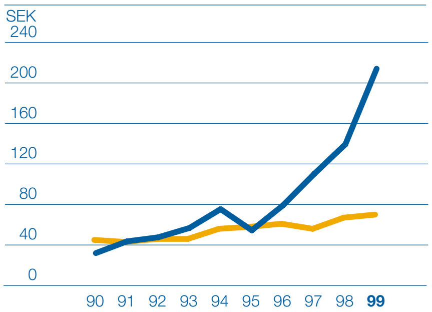
Source: VPC AB as of December 31, 1999.

Price and trading volume of Electrolux B-shares on the Stockholm Stock Exchange, 1995–January 2000



Electrolux B, monthly high/low, SEK — General index — Trading volume, thousands of shares

Trading price and equity per share

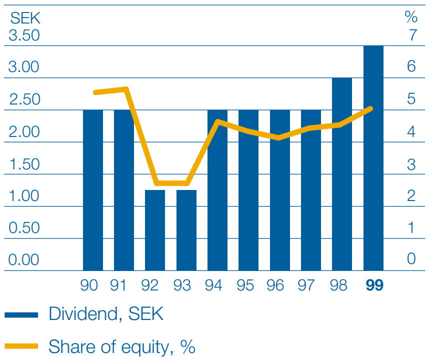


Trading price per B-share at year-end

Equity per share

At year-end 1999, the price/equity ratio for Electrolux B-shares was 3.04.

Dividend per share



The Board of Directors proposes an increase of the dividend to SEK 3.50 per share for 1999.

Trading volume of Electrolux shares

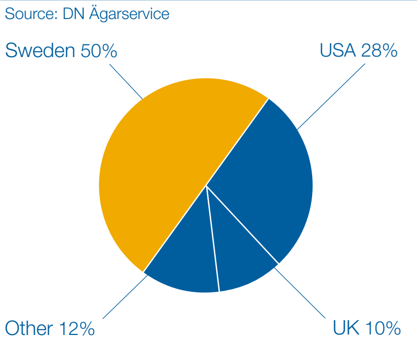
(Thousands)	**1999**	1998	1997	1996	1995
Stockholm, A- and B-shares (ELUXa and ELUXb)	**277,636**	268,920	297,577	234,300	292,825
London, B-shares (ELXB)	**246,860**	452,749	706,370	247,270	307,650
NASDAQ, ADRs (ELUX)	**5,711**	7,246	14,315	5,953	5,470

JP Morgan, Morgan Guarantee Trust Company, is the depositary bank for ADRs.

Average daily trading volume of Electrolux shares on the Stockholm Stock Exchange, in thousands of kronor

	1999	1998	1997	1996	1995
A-shares	**77**	89	17	27	9
B-shares	**180,120**	136,353	130,378	64,441	77,736
Total	**180,197**	136,442	130,395	64,468	77,745

Shareholders by country



As of December 31, 1999, approximately 50% of the total share capital was owned by foreign investors.

Major shareholders in AB Electrolux

	Number of A-shares	Number of B-shares	Total number of shares	Share capital, %	Voting rights, %
4th National Pension Insurance Fund	–	26,556,520	26,556,520	7.3	5.8
Nordbanken investment funds	–	15,161,900	15,161,900	4.1	3.3
Investor	9,182,390	4,411,295	13,593,685	3.7	21.1
SPP	–	10,615,272	10,615,272	2.9	2.3
SHB investment funds	–	8,550,090	8,550,090	2.3	1.9
Skandia	153,465	8,060,614	8,214,079	2.2	2.1
SEB investment funds	–	7,694,795	7,694,795	2.1	1.7
AMF Pension	–	6,630,600	6,630,600	1.8	1.5
AMF Insurance	–	5,966,160	5,966,160	1.6	1.3
Banco investment funds	–	3,738,080	3,738,080	1.0	0.8
Total major shareholders	9,335,855	97,385,326	106,721,181	29.0	41.8
Other shareholders	664,145	258,784,254	259,448,399	71.0	58.2
Total	10,000,000	356,169,580	366,169,580	100.0	100.0

As of December 31, 1999, about 50% of the total share capital was owned by foreign investors, about 41% by Swedish institutions and mutual funds, and about 9% by private Swedish investors. Most of the shares owned by foreign investors are registered through trustees, so that the actual shareholders are not officially registered.

Per-share data 1990–1999[1)]

	1999	1998	1997	1996	1995	1994	1993	1992	1991	1990
Year-end trading price, SEK[2)]	**214.00**	139.50	110.20	79.20	54.50	75.40	56.80	47.60	43.60	32.00
Highest trading price, B-shares, SEK	**222.00**	161.00	139.80	85.40	77.40	87.80	62.60	57.80	58.00	63.20
Lowest trading price, B-shares, SEK	**118.00**	87.50	77.70	54.30	50.80	56.40	38.60	28.40	30.80	24.20
Change in price during the year, %	**53**	27	39	45	–28	33	19	9	36	–43
Equity, SEK	**70**	67	56	61	58	56	46	46	43	45
Trading price/equity, %	**304**	209	196	129	94	135	123	104	101	71
Dividend, SEK	**3.50[3)]**	3.00	2.50	2.50	2.50	2.50	1.25	1.25	2.50	2.50
Dividend, %[5)]	**30.5[7)]**	34.0[7)]	51.4[7)]	49.4	33.3	41.7	78.1	250.0	240.0	123.8
Direct yield, %[6)]	**1.6**	2.2	2.3	3.2	4.6	3.3	2.2	2.6	5.7	7.8
Net income, SEK	**11.45[7)]**	8.85[7)]	4.85[7)]	5.05	7.50	6.00[7)]	1.60	0.50	1.05	2.00
EBIT multiple[8)]	**12.9**	10.0	4.6	2.2	1.4	1.8	3.2	4.2	3.0	2.4
EBIT multiple[7) 8)]	**12.5**	11.5	2.6							
P/E ratio[9)]	**18.7**	15.8	22.7	15.7	7.3	12.6	35.5	95.2	41.9	15.8
Number of shareholders	**52,600**	50,500	45,660	48,300	54,600	55,400	65,700	68,100	70,000	74,000

1) The figures for 1990-1997 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) As % of net income.
6) Dividend per share divided by trading price at year-end.
7) Excluding items affecting comparability.
8) Market capitalization plus net borrowings and minority interests, divided by operating income.
9) Trading price in relation to net income per share after full dilution. For 1990-1999, computed as net income per share after full tax.

Human resources

Activities within Human Resources during 1999 were focused on recruitment and development of managers, which is of strategic importance for the Group's development and profitability.

The goal is to achieve a more internationally diversified management team, with men and women from different countries and cultures. This would better reflect the geographical spread of the Group's operations in terms of its presence, customers and personnel.

New guidelines

During the year a framework was established for guidelines and activities related to people development. The main goal is to ensure the right competence in the right position, and to encourage and promote mobility between countries and business areas. This means that:

- All managers are considered as resources for the entire Group
- Each employee is responsible for their own career
- The role of managers in people development is critical, and managers are responsible to provide a supportive infrastructure to encourage individual growth
- All career opportunities within the Group are open to everyone
- Each employee is assigned a clearly defined job mission, and performance is monitored
- Achieving success requires mobility, i.e. job challenges and continuous learning
- Diversity is to be seen as an asset
- Managers should model the corporate culture
- The Group shall ensure common management skills.

Active leadership

Continuously increasing competition requires active leadership on the part of the more than 5,000 managers within Electrolux. Each individual manager and employee has a vital role to play in the teamwork that leads to success.

Every employee within a group shall have clearly defined job missions and goals, shall understand how their own work contributes to the company's success, and shall feel inspired to maximize the development of their potential.

Activities aimed at ensuring recruitment of managers and strengthening managerial development shall be measured and evaluated. The system of remuneration will be reviewed in order to focus more intensively on contributions and performance.

Value-based management

Since 1998, Electrolux has gradually introduced a value-based management system for top managers, which is also linked to the Group's model for value creation. The intention is to drive this system further down the organization in coming years.

Open internal labor market

The Electrolux Open Labor Market was started on a pilot basis in 1997, and was decided to be extended full-scale in 1999. All managerial vacancies within the Group are announced in this market. Employees throughout the world thus have equal opportunities to apply for these vacancies, and everyone is informed of the career opportunities that are offered within the Group.

During 1999, more than 500 vacancies were announced, mainly in Europe. The Open Labor Market will be launched for the entire operation in North America in 2000.

Recruitment of graduates

Electrolux future requirements for skilled managers shall be secured by recruiting young personnel who are recent graduates of higher academic institutions. The goal is to recruit about 500 graduates annually. Work has started to improve our image and positioning regarding this important source of talent for securing our future competitiveness.

In addition, a program has been started for recruiting about 15 talented leaders each year for the next three years, who have already demonstrated in their earlier careers that they have the potential to become future leaders of international businesses. They will receive various international job assignments as well as advanced leadership training, which will give them opportunities for rapid career development as international business leaders.

Business-oriented education

Since 1995, the Electrolux University has offered training programs in such areas as leadership, strategic development, project management and quality control. These programs and other training shall be linked more closely to the Group's strategies, business systems and need for change, and shall focus on how work should be performed within the Group in actual practice with the aim of increasing business competence.

Participants in the Group's international "Business Excellence" program for developing management skills.

The Group's environmental activities

The Electrolux environmental strategy is to lead the development of products and processes with high environmental performance and to actively promote demand for these products.

Driving forces

The main driving forces for the Group's environmental strategy are:

- Increasing demand for products with lower environmental impact and lower consumption of resources such as electricity, water and chemicals
- The potential for reducing consumption of resources, and thus reducing environmental impact and costs
- Increasingly more rigorous environmental criteria in the form of laws and regulations, mainly referring to energy consumption, recycling, use of chemicals, and emission limits for combustion engines in e.g. outdoor products.

In general, the environmental impact of the Group's products is greatest during use, through consumption of e.g. electricity, fuel and water. Better environmental performance generates lower total cost for the consumer over the lifetime of the product. Products featuring high resource-efficiency and low environmental impact thus provide competitive benefits. This is the basis for Electrolux proactive and constructive environmental strategy.

Organization of environmental activities

On the basis of the Group's environmental strategy, each business sector develops its own strategy for environmental activities. In each sector, a number of environmental coordinators report to a Sector Environmental Responsible. At the corporate level, Group Environmental Affairs provides support and is responsible for the Group's environmental reports, communication and training aids.

Electrolux has identified a number of Corporate Environmental minimum requirements that apply in all business sectors. These include introduction of an environmental management system and Environmental Performance Indicators, as well as continuous improvement of competence.

In 1995 the Group began work on implementing environmental management systems in all production units. All systems are scheduled to be in place by 2000. Six units were certified according to ISO 14001 during 1999, bringing the total number of certified facilities to 40, representing 41% of the Group's total factory floor area. One previously ISO 14001-certified unit was divested during the year. Six units have also registered environmental management systems according to the European regulation EMAS.

Resource-efficiency

Work on achieving more efficient use of resources is focused on improvement of products and production processes. Since the greatest environmental impact occurs when a product is used, resource-efficient products generate the biggest environmental benefits.

For the Group's consumer products, greater resource-efficiency involves both environmental benefits and cost savings for the user.

Electrolux refrigerators and freezers sold in Europe during 1999 featured 6% higher energy-efficiency. For combined refrigerators/freezers the increase was 4%, and for chest freezers 13%. The corresponding figure for washing machines is 5%. This enables substantial savings in consumption of energy as well as reduced emissions of carbon dioxide.

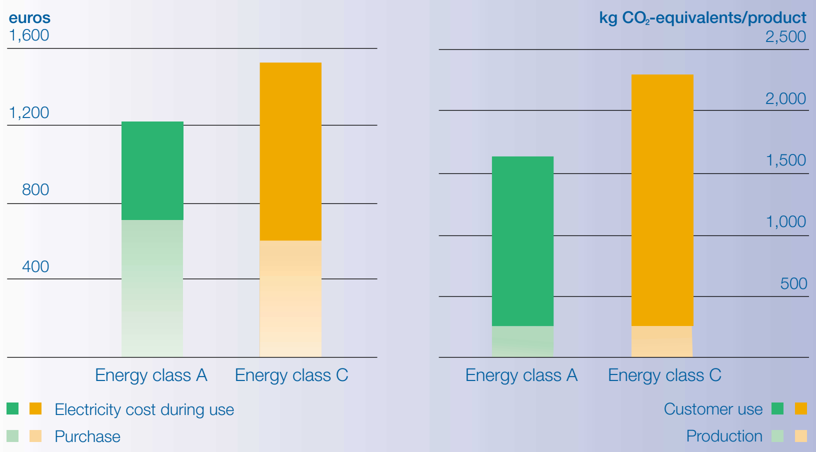
Professional users are interested in the life-cycle cost of a product as a component of investment decisions, and therefore demand efficient products.

User preferences and stricter legislation create demand for outdoor products with lower environmental impact in the form of e.g. lower exhaust-gas emissions and noise levels as well as better ergonomics. This applies to both professional and private users.

Action is continuously taken at the Group's production units to reduce consumption of materials, water and energy, which has resulted in lower environmental impact and lower costs. Material efficiency for the Group is approximately 86%. This means that 100 kg of materials input is needed to manufacture 86 kg of product.

Energy efficient products are better for the environment and cost less

The cost for electricity during use of a refrigerator in energy class C exceeds the purchase price. In the example, the slightly higher purchase price for the class A refrigerator is compensated by the lower electricity cost after less than four years. The lower life-cycle cost for the class A refrigerator goes hand in hand with the lower environmental impact during the life cycle.



Source: IEA, Electrolux
LCA calculations made according to ISO 14040. Calculations based on a life span of ten years.

Regulations and legislation

With regard to regulations and legislation on the international, national and local levels, Electrolux continuously monitors trends and decision-making processes, and participates actively in advisory functions.

Energy directives and labeling

Energy labeling within the EU was introduced in 1995 and now covers most white goods. Labels are currently applied to refrigerators and freezers, washing machines, tumble-dryers, combined washer/tumble-dryers and dishwashers. An EU directive for labeling of ovens is expected in 2000 and may take effect the following year.

Corresponding systems for energy labeling exist in North America. In China, voluntary energy labeling similar to that in Europe was introduced in 1999. In Brazil, legislation on energy labeling will be introduced in 2000. The EU introduced maximum permissible limits for energy consumption in refrigerators and freezers in September 1999. The Group's product range conforms to these criteria. A voluntary commitment by the industry established corresponding limits for washing machines in 1998, which will become more rigorous as of 2000. In 1999 the industry announced a similar commitment for dishwashers, which will take effect in 2001.

Producer responsibility

Discussions regarding producer responsibility, i.e. the manufacturer's responsibility for used products, continued during the year, particularly in the EU. Two draft directives for electrical appliances were presented by the European Commission. It is expected that a definitive proposal for a directive will be presented to the European Parliament and the Council of Ministers in the spring of 2000. Regulations on producer responsibility have been introduced in Japan, Norway, The Netherlands and Switzerland and have also been proposed in Germany, Finland and Sweden. Legislative proposals for producer responsibility are not currently under discussion in the US.

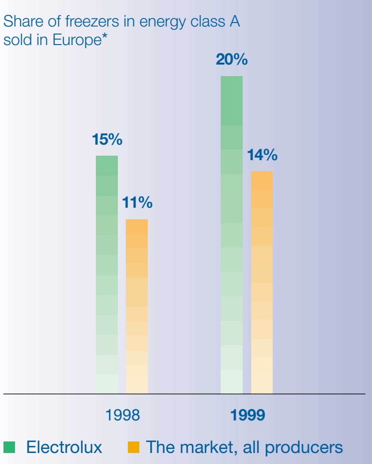
Discussion focuses on two main systems, i.e. a generation-solution which obliges a producer to take back used products regardless of their origin, and a market-driven system in which the sole responsibility for taking back a specific used product lies with its manufacturer. There is no consensus of opinion within the industry. Electrolux believes that regulations should promote product development and market-driven solutions. The effect of producer responsibility on the company's costs and revenues depends on the type of product and how regulations are formulated.

Phase-out of freons

The white-goods market in the industrialized countries is now totally free of CFC, i.e. hard freons. Electrolux has been a leader in this respect, and since 1995 the Group's refrigerators and freezers in Europe have not contained any substances that can damage the ozone layer.

In 1995, 1996, 1998 and 1999 the Group acquired refrigerator plants in new markets in Brazil, India and China in which CFC was used in production. In 1999 both CFC and HCFC were entirely phased out of production in China. Conversion of production in India and Brazil is continuing, and investments were made during 1999. In Brazil, Electrolux received two environmental awards in 1999, for leadership in CFC-free refrigerators, among other things. During 1999 CFC was entirely phased out of the Group's production of refrigerators in Brazil.

Increased demand



*Refers to Austria, Belgium, Germany, Italy, The Netherlands, Spain, Sweden and the UK.

Demand is increasing for resource-efficient products such as freezers in energy class A. The graph shows that this market segment grew in 1999, and that Electrolux has a stronger position within it.

New initiatives in 1999

The alliance between Electrolux and Toshiba that was formed in 1999 includes environmental issues. To date, this cooperation has resulted in joint projects for more efficient products and environmental aspects of various materials.

In order to promote knowledge of how resource-efficient products contribute to both economic and environmental savings, the Group launched the EcoEco Savings service at www.electrolux.com during the year. This service shows visitors how replacing older appliances with new, more effective models provides both economic and environmental savings. The visitor can select comparisons at the level of a household, a city or a country.

A pilot project for Functional Sales was launched in Gotland, Sweden in November 1999. The business principle is for the customer to pay per wash, instead of buying a washing machine and electricity. The project is being run in cooperation with Vattenfall, a major Swedish energy supplier, and is expected to stimulate development of more efficient products and resource-conscious washing.

Environmental investments

Environmental investments are integrated in the Group's total capital expenditure for products and processes, and are therefore not reported separately.

Acquisition of companies and plants involves analysis of soil and groundwater to assess potential environmental risks referring to operations in previous years, as well as of investment requirements for environmental adaptation of production systems. These analyses are integrated in the acquisition process and are based on an established Due Diligence process. In North America the assessment process is also regulated by relatively detailed legislation.

Audits of environmental activities in the newly acquired plants in India indicate considerable improvements in routines for handling chemicals and waste. Efficient waste management at these plants has generated revenues.

Environmental strategy contributes to profitability

Environmental activities are an integral part of business operations. The Group has established a number of Environmental Performance Indicators in order to measure the outcome of the environmental work.

In 1999, the Group's Green Range indicator – for products with the best environmental performance – again showed that a proactive environmental strategy contributes to higher profitability and creates value for shareholders. Within white goods in Europe, products with the best environmental features accounted for 21% of the units sold and 31% of gross margin.

As the Green Range accounted for more than 20% of the units sold in 1999, the criteria will be tightened for future calculations

Criteria similar to the Green Range are being introduced during 2000 for Husqvarna- and Jonsered-brand garden equipment.

Gradual replacement of older-generation white goods by new, resource-efficient products creates major business opportunities, particularly in Europe and North America. In the North American market, which has been dominated by top-loading washing machines with vertical axis, the new front-loading and water-efficient Frigidaire Gallery Tumble Action Washer, which features a horizontal axis, has achieved market success. In 1999 the Group produced the 500,000th of these machines.

Electrolux shares have been selected by a number of investment funds with environmental profiles, including all such funds based in Sweden. The Group is also one of 229 corporations worldwide that are listed in the Dow Jones Sustainability Index.

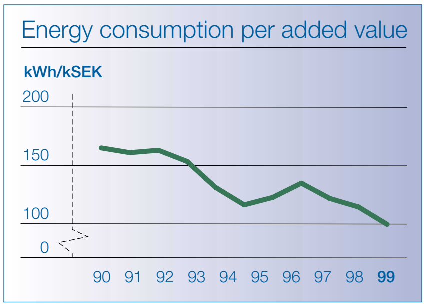
Production related measurements

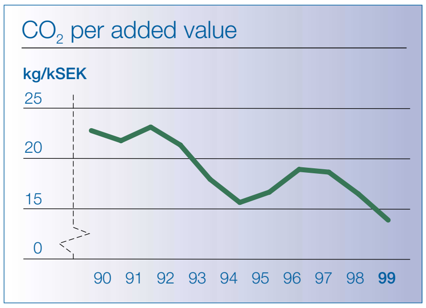
Production-related measurements have been aggregated on Group level since 1988, to monitor energy and water consumption and related CO_2 emissions at our manufacturing facilities. In previous years, these have been published in the separate, non-externally audited Environmental Report. The site measurements for 1999 are based on data from about 98% of the Group's total manufacturing area.

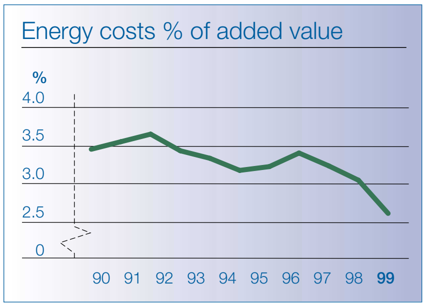
Because much of the environmental impact depends on production volume, some of the measurements are calculated in relation to added value – defined as the difference between total manufacturing costs and direct material costs. The added value measurement takes into account changes in production structure and thus makes it possible to compare year to year. The data are not compensated for extraordinary fluctuations in energy consumption (due to e.g. a particularly mild winter), inflation or exchange-rate changes.

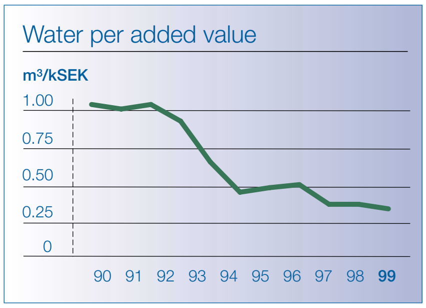
The site measurements for 1999 show a considerable decrease in both water and energy consumption, as well as CO_2 emissions, both in absolute figures and in relation to added value. One likely explanation is the major restructuring program the Group has implemented, and which has resulted in increased efficiency.

During 1995 the measurements were extended to include other forms of production related environmental impact. These, measurements and other information about Electrolux environmental activities, are available at www.electrolux.com









Annual General Meeting

The Annual General Meeting will be held at 5 p.m. on Tuesday, April 25, 2000 at the Berwald Hall, Dag Hammarskjölds Väg 3 (formerly Strandvägen 69), Stockholm.

Registration

Shareholders who intend to participate in the Annual General Meeting must be registered with VPC AB (Swedish Central Securities Depository & Clearing Organization) on Friday, April 14, 2000. Shareholders whose shares are registered through banks or trustees must have their shares temporarily registered in their own names at the VPC on that date.

Participation

In addition, notice of intent to participate must be given to Electrolux not later than 4 p.m. on Monday, April 17, 2000, when also the number of advisors should be stated. Notice of intent to participate can be made by mail to AB Electrolux, Dept. C-J, SE-105 45 Stockholm, Sweden, or by telephone at +46 8 470 89 00. Notice can also be given at: www.electrolux.com/agm

Notice should include the shareholders name, registration number, if any, address, and telephone number. Shareholders participating by proxy should submit a copy of the proxy authorization prior to the date of the AGM.

Dividend

The Board has proposed Friday, April 28, 2000 as record day, after which it is expected that dividends will be paid by VPC on May 4, 2000.

April 25, 2000 is the last day for trading in Electrolux shares that entitle a dividend for 1999.

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The world's No.1 choice.

Electrolux Annual Report 1999

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