

Press Release, April 29, 1998

ELECTROLUX FIRST QUARTER REPORT, 1998

<i>First quarter</i>	<i>1998</i>	<i>1997¹⁾</i>	<i>Change, %</i>
Net sales, SEKm	28,567	26,345	8.4
Operating income, SEKm	1,376	1,004	37.1
Income after financial items, SEKm	1,060	683	55.2
Income before taxes, SEKm	1,075	600	79.2
Net income, SEKm	667	355	87.9
Net income per share, SEK	9.10	4.90	85.7

1) Excluding Gränges.

- **Good growth in sales and income in Europe and North America**
- **All three business areas report higher operating income**
- **Higher operating income for white goods in both Europe and North America**
- **Restructuring program on track**

Sales and income

Net sales for Electrolux in the first quarter of 1998 amounted to SEK 28,567m as against SEK 26,345m last year. This corresponds to an increase of 8%, of which +3% refers to changes in exchange rates, -1% to changes in Group structure, and +6% to price/mix/volume. Neither Gränges, which was distributed to shareholders in 1997, nor Husqvarna Sewing Machines, which was divested as of January 1, 1997 is included in the figures for last year. For other changes in Group structure, see below, "Major changes in the Group".

Operating income rose by 37% to SEK 1,376m (1,004), corresponding to 4.8% (3.8) of sales, and income after financial items improved by 55% to SEK 1,060m (683), corresponding to 3.7% (2.6) of sales. Income before taxes rose by 79% to SEK 1,075m (600), corresponding to 3.8% (2.3) of sales. Net income amounted to SEK 667m (355), corresponding to SEK 9.10 (4.90) per share.

Changes in exchange-rates during the period, i.e. both transactions and translations, did not have any significant affect on income for the period.

All business areas reported higher operating income, with Household Appliances and Professional Appliances reporting the largest increases. In geographical terms, the Group achieved higher operating income in Europe and North America, while a substantial downturn was reported in Latin America, and a decline in Asia as well.

Cash flow

The cash flow generated by the Group's business operations after investments amounted to SEK -2,294m (-2,225), adjusted for exchange-rate effects. Cash flow was affected favorably by the improvement in income, and adversely by the higher level of capital tied up in inventories.

The first half of the year normally features a weak cash flow resulting from a build-up of inventories prior to seasonal increases in sales of such products as refrigerators and freezers, room air-conditioners and outdoor products.

Equity and net debt/equity ratio

Equity including minority interests amounted to SEK 21,784m (23,785), which corresponds to SEK 297 (325) per share.

The net debt/equity ratio increased to 1.05 (0.97).

The decline in equity, including minority interests, as well as the increase in the net debt/equity ratio are traceable mainly to the provision for restructuring in the second quarter of 1997, and the acquisition of additional shares in Electrolux do Brasil.

Liquid funds as of March 31, 1998 amounted to SEK 9,729m (10,464). Net borrowings declined to SEK 22,894m, as against SEK 23,073m in 1997.

The return on equity after taxes was 13.0% (6.3), and the return on net Group assets was 12.8% (8.9).

Major changes in the Group

Current restructuring program

The current restructuring program is proceeding according to plan. About 1,700 employees left the Group during the first quarter of 1998 in accordance with the program, which as of March 31, 1998 had resulted in personnel cutbacks totalling about 5,500. Approximately SEK 950m of the provision of SEK 2,500m had been utilized.

Negotiations regarding shutdowns had been initiated or completed at 17 plants in the UK, Hungary, Sweden, Finland, the Czech Republic, Austria, France, Germany and North America. By the end of the quarter, 21 warehouses had been closed and an additional 17 were scheduled for shutdown.

Divestments

An agreement was reached in January regarding divestment of the operation in agricultural implements, which in 1997 had sales of SEK 267m and about 250 employees. The divestment has generated a capital gain of about SEK 20m.

A final agreement was also reached regarding divestment of the SIA group, which markets and sells items for interior decoration. In 1997 SIA had net sales of SEK 535m and about 270 employees.

In addition, an agreement was reached regarding divestment of the German subsidiary Senkingwerk GmbH, in the Professional Appliances business area. The company produces heavy-duty equipment for industrial laundries and in 1997 had sales of approximately SEK 200m and about 170 employees.

Operations by business area

Household Appliances

The market for white goods in Western Europe rose in volume by about 10%. The increase is traceable primarily to the UK, Spain and Scandinavia. The German market also showed an increase in comparison with last year. The Group achieved good

growth in sales volume in comparison with last year, as well as higher operating income and an improved margin.

The American market for white goods rose in volume by about 15%. The Group achieved a substantial increase in sales volume, as well as a marked improvement in operating income.

In Brazil, demand for refrigerators and freezers was considerably lower than in the first quarter of 1997. Group sales and income were substantially lower.

Total operating income for white goods was considerably higher than last year.

Of the other operations in Household Appliances, floor-care products reported higher operating income despite lower demand and somewhat lower sales than in 1997. Improved market conditions and higher sales volumes led to higher operating income for the operations in leisure appliances, kitchen and bathroom cabinets and components.

The Household Appliances business area reported higher sales and operating income, as well as an improved margin.

Professional Appliances

Demand for food-service equipment in Western Europe was largely unchanged from 1997. Sales for this product line rose slightly and income improved, although from a very weak first quarter in 1997. Continued good growth in sales and income was reported for food and beverage vendors.

There was some improvement in market conditions for laundry equipment in Europe, while demand was lower in North America and Asia. This product line achieved good growth in sales and considerably higher operating income.

Refrigeration equipment and cleaning equipment also reported improved income, although from low levels in the previous year for both product lines.

The Professional Appliances business area reported good growth in sales and a considerable improvement in both operating income and margin.

Outdoor Products

Demand for professional chainsaws was higher than last year. Husqvarna reported good growth in sales, particularly in North America, as well as higher operating income.

Demand was also higher for garden equipment in Europe. Flymo reported a strong increase in both sales and income.

A late seasonal start for garden equipment in North America led to somewhat weaker sales growth in this product area than in 1997. The American operation reported slightly lower operating income and margin.

The Outdoor Products business area reported higher sales and operating income, but a somewhat lower margin.

Stockholm, April 29, 1998

Michael Treschow

President and CEO

This report has not been audited.

The result for the first half of 1998 will be published on August 11, 1998.

Financial information from Electrolux is also available on Internet at

<http://www.electrolux.com>

CONSOLIDATED INCOME STATEMENT, SEKm

	First quarter, 1998	First quarter, 1997 ²⁾
Net sales	28,567	26,345
Operating expense ¹⁾	-27,191	-25,341
Operating income	1,376	1,004
<i>Margin, %</i>	4.8	3.8
Financial items, net	-316	-321
Income after financial items	1,060	683
<i>Margin, %</i>	3.7	2.6
Minority interests in income before taxes	15	-83
Income before taxes	1,075	600
<i>Margin, %</i>	3.8	2.3
Taxes	-408	-245
Net income for the period	667	355
1) Including depreciation in the amount of	1,058	1,084
2) Excluding Gränges.		

CONSOLIDATED BALANCE SHEET, SEKm

	March 31, 1998	March 31, 1997 ¹⁾
Fixed assets	27,285	27,905
Inventories	18,738	18,211
Accounts receivable	23,904	22,954
Other receivables	5,374	5,062
Liquid funds	9,729	10,464
Total assets	85,030	84,596
Shareholders' equity	20,930	21,677
Minority interests	854	2,108
Interest-bearing liabilities and provisions	32,623	33,537
Non interest-bearing liabilities and provisions	30,623	27,274
Total shareholders' equity and liabilities	85,030	84,596

1) Excluding Gränges.

NET SALES BY BUSINESS AREA, SEKm

	First quarter, 1998	First quarter, 1997 ¹⁾	Change, %
Household Appliances	19,928	18,501	7.7
Professional Appliances	2,722	2,311	17.8
Outdoor Products	5,154	4,551	13.2
Other ²⁾	763	982	-22.3
Total	28,567	26,345	8.4

1) Excluding Gränges.

2) Gotthard Nilsson, etc.

OPERATING INCOME BY BUSINESS AREA, SEKm

	First quarter, 1998	First quarter, 1997 ¹⁾	Change, %
Household Appliances	864	747	15.7
<i>Margin, %</i>	4.3	4.0	
Professional Appliances	103	-52	-
<i>Margin, %</i>	3.8	-2.3	
Outdoor Products	471	435	8.3
<i>Margin, %</i>	9.1	9.6	
Other ²⁾	33	-6	-
Holding costs ³⁾	-95	-120	-20.8
Total	1,376	1,004	37.0

1) Excluding Gränges.

2) Gotthard Nilsson, etc.

3) As of the first quarter of 1998, these items are not distributed among the different business areas. Figures for the previous year have been adjusted accordingly.

STATEMENT OF CHANGES IN FINANCIAL POSITION

	First quarter, 1998	First quarter, 1997
Operating income	1,376	1,004
Depreciation according to plan	1,058	1,084
Changes in operating assets and liabilities	-4,019	-3,690
Investments	-711	-806
Other	2	183
Liquid funds generated by operations	-2,294	-2,225
Change in long-term loans	-2,232	-711
Financial items	-316	-311
Taxes paid	-48	-372
Exchange-rate differences referring to net liquidity	-44	-340
Change in net liquid funds	-4,934	-3,959

KEY RATIOS

	First quarter, 1998	First quarter, 1997 ¹⁾
Net income per share, SEK ²⁾	9.10	4.90
Return on equity, % ³⁾	13.0	6.3
Return on net assets, % ⁴⁾	12.8	8.9
Net debt/equity ratio ⁵⁾	1.05	0.97
Capital expenditure, SEKm	711	806
Average number of employees	101,800	106,500

1) Excluding Gränges.

2) The number of shares amounts to 73.2 million.

3) Net income for the year, expressed as a percentage of opening equity.

4) Operating income, expressed as a percentage of average net assets.

5) Net borrowings, i.e. interest-bearing liabilities less liquid funds, in relation to adjusted equity.

The latter is defined as shareholders' equity inclusive of minority interests.