Electrolux

Stockholm, March 10, 1998

CONSOLIDATED RESULTS, 1997

	1997	1997* excl. non-recurring items	Pro forma 1996 excl. Gränges	1996
Net sales, SEKm	**113,000**	**113,000**	101,556	110,000
Operating income, SEKm	**2,654**	**4,550**	4,033	4,448
Income after financial items, SEKm	**1,232**	**3,128**	2,937	3,250
Income before taxes, SEKm	**1,283**	**3,179**	2,719	3,032
Net income, SEKm	**352**	**1,782**	1,644	1,850
Net income per share, SEK	**4.80**	**24.30**	22.40	25.30
Dividend per share, SEK	**12.50**	**12.50**	12.50	12.50
Return on equity, %	**1.6**	**7.9**	8.3	8.7
Return on net assets, %	**6.1**	**10.2**	10.0	10.3
Equity/assets ratio, %	**30.8**	**33.4**	33.9	33.8
Net debt/equity ratio	**0.94**	**0.86**	0.79	0.80
Capital expenditure, SEKm	**4,329**	**4,329**	4,424	4,807
Average number of employees	**105,950**	**105,950**	105,300	112,140

** Excl. SEK 2,500m in costs for the current restructuring program and a capital gain of SEK 604m.*

- **Good growth in sales and income in Europe and the US**
- **Higher income for white goods, mainly on basis of considerable improvement in North America**
- **Continued good performance by Outdoor Products**
- **Streamlining to core areas largely completed through divestment of several operations**
- **Restructuring program is on track**
- **In addition to an unchanged dividend, the Board proposes a stock split of 5:1 and an increase in the voting rights of B-shares from 1/1,000 to 1/10**

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Report by the Chairman of the Board

Electrolux product areas are exposed to sharp competition even when market conditions are good. High internal efficiency and continuous product improvements are required in order to achieve good profitability.

In white goods, and in other Group product areas as well, there is a trend toward larger companies with increasingly more global operations in both production and distribution. The cost benefits obtainable by large producers through coordination of e.g. product development, product platforms and purchasing across different markets will lead to an even more severe competitive situation for smaller and local companies.

At Electrolux, we have implemented an acquisition strategy in order to build positions of leadership in the global market and obtain sufficient volumes in our core areas. In recent years we have focused on streamlining the Group to comprise fewer business areas in order to better utilize these competitive advantages and concentrate our resources. Since 1994 thirteen operations with total annual sales of more than SEK 20 billion have been divested, while a number of investments have been implemented in our core areas.

Streamlining is complete
Operations in Electrolux are now focused on household appliances, corresponding products for professional users, and outdoor products. Our judgement is that with this structure the Group has a good potential for providing shareholders with competitive and sustained growth in the value of their invested capital.

The final major change was the distribution of shares in the Gränges subsidiary to share-holders, which was authorized by the Annual General Meeting in April, 1997. Gränges was listed on the Stockholm Stock Exchange in May. Despite the downturn on the stock market at the end of last year, shareholders who retained their Gränges shares have enjoyed an increase of value of 27% during 1997 or, from SEK 98 per share to SEK 124.50, and the increase has continued during 1998. The Electrolux share also performed well during 1997, increasing in value by 39%.

New President and CEO
Michael Treschow became President and CEO of Electrolux at the Annual General Meeting on April 29, succeeding Leif Johansson, who assumed the corresponding positions at Volvo. Michael Treschow has broad industrial and international experience and comes to Electrolux from the engineering company, Atlas Copco where he was President and CEO since 1990. As Chairman of the Board for Atlas Copco as well, I can report that the company performed very well under his leadership.

Michael Treschow has implemented a number of changes in the Electrolux Group and initiated a comprehensive restructuring program in June. Since then, some of our competitors in the white-goods sector have announced similar rationalization programs, which should have a favorable effect on profitability in this sector.

Increased voting rights for B-shares

The share capital in Electrolux comprises A- and B-shares, the former bearing one vote and the latter one thousandth of a vote. B-shares were originally introduced in 1928 in connection with acquisition of foreign sales companies. B-shares were also issued during the 1980s in connection with the Group's strong international expansion.

The virtually non-existent voting power of B-shares has generated increasingly more negative perceptions among investors in the capital markets. The Board has therefore decided to propose a change in the Articles of Association at the Annual General Meeting, whereby the voting right for a B-share will increase to 1/10.

Both A- and B-shares are listed on the Stockholm Stock Exchange. B-shares are also listed on a number of international exchanges, including London, as well as Nasdaq in the US. The increased voting right will hopefully generate greater interest in Electrolux shares and have a positive effect on the market's valuation of them.

The Board has also decided to propose a stock split of 5 to 1, which means that the par value of the Electrolux share will be changed from SEK 25 to SEK 5.

Financial goals and restraints

Electrolux has shown unsatisfactory profitability for several years. We anticipate that the restructuring program will enable the Group to achieve its previously established goal of an operating margin of 6.5-7% and an after-tax return on capital of 15%.

Other financial goals include a net debt/equity ratio, i.e. net borrowings in relation to adjusted equity, that does not exceed 1.0. However, our intention is to tighten this restraint somewhat in coming years. With a dividend to shareholders that shall continue to correspond to 30-50% of net income, the Group still has sufficient room for expansion. Over the next few years we should be able to achieve a reduction in tied-up capital and an improved cash flow.

Unchanged dividend

In the light of the current restructuring program and the costs associated with it, the Board has decided to propose an unchanged dividend of SEK 12.50 for 1997 at the Annual General Meeting. The Board's decision also reflects caution with respect to the crisis in Asia and its possible effects on our main markets in Europe and North America.

The past year has been in many ways an eventful one for Electrolux, and featured a number of changes which I am convinced will contribute to the Group's favorable development. I would like to thank all our employees for a good performance in 1997.

Anders Scharp
Chairman of the Board

Report by the President and CEO

Market conditions in Europe improved gradually during the year in most of our product areas, with the exception of Germany and neighboring countries. Demand in the US remained at a high level. On the other hand, Brazil and Southeast Asia showed a sharp decline in market demand, particularly during the second half of the year.

Electrolux achieved good sales growth in both Europe and the US. In terms of comparable units and after adjustment for exchange-rate effects, sales in the third and fourth quarters rose by 8% and 9%, respectively. The sales increase for the full year was 5%.

During the second quarter, operating income was charged with a provision of SEK 2,500m for the on-going restructuring program. Exclusive of non-recurring items, operating income rose by 13% to SEK 4,550m, although with an unchanged low margin of 4%. Net financial items were adversely affected by a reduced interest-rate differential between the Swedish krona and foreign currencies, as well as by higher interest costs resulting from a stronger dollar. Income after financial items rose by 7% to SEK 3,128m. Minority interests were lower than in the previous year, as the Brazilian subsidiary reported a substantial decline in income, and the Group increased its share of capital in the company. Income before taxes increased by 17% to SEK 3,179m.

Of our business areas, Outdoor Products continued to report good growth in both sales and operating income, as well as an improved operating margin of 8.9%. It is also gratifying that white goods in North America reported a strong increase in results. White goods in Europe also achieved higher income, despite weak demand and a less favorable product mix in the important German market. We also achieved very good growth in white goods and other product areas in new markets in Eastern Europe.

Disappointments during the year naturally include market trends in Brazil and Asia, which had a substantial adverse effect on income, particularly in Household Appliances. In addition to the effects of lower sales volume and prices, we took a charge of SEK 150m during the fourth quarter for adjustments in response to lower demand in these markets. The performance of Professional Appliances also continued to be weak.

The important task of streamlining the Group's structure continued during the year and involved a number of divestments. In addition to distributing Gränges to shareholders, we divested Husqvarna Sewing Machines and the operation in goods protection. In January, 1998 an agreement was reached for divestment of the operation in agricultural implements and the SIA group, which markets and sells items for interior decoration. These operations had total annual sales of approximately SEK 10,300m. Outside our three core areas the only remaining operation is Gotthard Nilsson, a recycling company with annual sales of almost SEK 2,000m.

Restructuring program authorized

For some years, Electrolux has reported weak income growth and an unsatisfactory return on equity. Following an improvement in 1994-95, both operating margin and return on capital showed negative trends in 1996 and early 1997. For the full year 1997, the operating margin exclusive of non-recurring items was 4.0% and the return on capital was 7.9%.

In June we decided to implement a comprehensive restructuring program in order to create a framework that will enable the Group to achieve its long-term goals of an operating margin of 6.5-7% and a return on capital of 15%. The program is aimed at increasing capacity utilization and productivity, and reducing operating costs. The program does not involve discontinuation of any product area or geographical market.

The restructuring program will be implemented over two years and will involve personnel cutbacks of about 12,000, or 11%, through the shutdown of about 25 plants and 50 warehouses and through comprehensive changes in the Group's marketing and sales organizations. Prior to the start of the restructuring program, the Group had about 150 plants and approximately 300 warehouses.

Although the program refers mainly to Europe, in particular to white goods, floor-care equipment and operations in Professional Appliances, most of the Group's units will be affected in some way. In terms of plant shutdowns, Professional Appliances accounts for the greatest number as this business area also shows the most fragmented structure, with many small units. However, Household Appliances will account for the largest share of restructuring costs and personnel cutbacks.

As I mentioned previously, the cost of the program is estimated at about SEK 2,500m, which was charged in its entirety against income in the second quarter. About 80% of the cost refers to personnel cutbacks and the rest to moving costs and write-downs on assets. To date, our judgement is that the provision should be sufficient.

By year-end, about 3,800 employees had left the Group as a result of the program, and about SEK 700m of the provision had been utilized. Negotiations on shutdowns had been initiated or completed at 16 plants, which will be closed at various dates during 1998, and in some cases during 1999. The larger units include two plants in the UK, for refrigerators and floor-care equipment, one in Finland for refrigerators, one in Hungary for freezers and one in Sweden for food-service equipment. Comprehensive changes are also being made in white goods in Germany, including rationalization of production of washers and spin-driers. A total of 17 warehouses had been closed by year-end, and shutdowns of another 16 had been authorized.

The program is on track to date. We expect that its positive effects will start to become apparent during the second half of 1998. Naturally, the full effect will not be achieved until after 2000, i.e. following the final implementation of the program in 1999.

Organizational changes
In order to create clearly defined areas of responsibility and a better overview of on-going operations, immediately after I joined the Group, I introduced a new organization with six operating sectors instead of fifteen product lines that reported directly. The number of staff functions was also reduced from twelve to five.

All sector and staff heads are included in the Group's executive management group, which meets once a month. In addition I have quarterly reviews of current operations and strategies in each sector. Since June we have had two meetings with the Group's one hundred senior managers.

The aim of the new organization is to contribute to a better focus of internal resources and processes.

Development of competence
With regard to the professional development of the Group's managers, we need to encourage greater mobility between operations and countries. We also have to achieve greater diversity in terms of age and nationality, with a larger proportion of women in leading positions.

A comprehensive program for managerial development is now being prepared as a complement to the leadership training that is already offered by the Electrolux University. During the year a number of courses were given in such areas as leadership, project management, strategic development and quality assurance, and we also offer an MBA program in cooperation with several other multinational corporations.

Greater internal efficiency
Streamlining of the Group and implementation of the restructuring program are creating a good foundation for the Group's future development. Work on reducing the fragmentation of operations and obtaining a more cohesive structure must continue, however.

In this connection it is important to reduce the number of operational units, which at year-end still amounted to about 600. We must also improve and standardize our internal systems and routines, and obtain greater exchange of experiences between different operations. For example, in a number of countries we have created a single company for Professional Appliances. Another example is the merger of white goods and outdoor products in North America, which was implemented in 1997 and has already generated good results.

Extensive efforts are also being devoted to creating a standardized, shared IT system, in which we are currently making major strategic investments.

Purchasing is another area where we should be able to achieve cost reductions. Each year the Group purchases materials, products and services for more than SEK 50 billion. Materials account for about 60% of the total production cost for white goods and most of our other products. Additional opportunities exist for coordinating Group purchases in order to make better use of our size. We can also improve the internal decision-making process and integrate purchasing more systematically in product development and production. We will actively seek to establish long-term cooperative relationships with suppliers, and will also expand the number of suppliers to include new companies outside our traditional markets, e.g. in Asia and Eastern Europe.

Although there are still substantial differences in products for different geographical markets within white goods and other areas, there is scope for development of additional shared product platforms and standardized component systems that will reduce the cost of product variations. A good deal of work has already been done in this respect in Europe for washing machines and dishwashers. The Group's latest dishwasher and the new front-loaded washing machine for the US market have both been developed from European platforms. Product launches in 1997 included a new built-in oven in Europe based on a single product platform that enables us to manufacture product variations to meet criteria in all European countries. As a result, the number of variants of this product within the production system will be reduced by about 30%.

Strong brands
We are continuing work on building the Group's global and international brands. These include Electrolux, which is the main brand in both Household Appliances and Professional Appliances when we enter new markets in Eastern Europe, Asia and Latin America. This does not apply to India, however, where in 1997 the Group regained the right to use the Kelvinator brand, one of the leading refrigerator brands in the country. Kelvinator is also used in both white goods and Professional Appliances in the US.

Investments in new products and intensified marketing over the past few years in the US have strengthened the Frigidaire brand, which is now one of our major brands.

The many acquisitions in both white goods and Professional Appliances in Europe have given the Group a large number of different brands. However, it should be noted that the various markets in Europe are still dominated by a large number of local producers and brands with long traditions and substantial market shares. Although a large number of brands involves greater complexity, it also creates opportunities for differentiation in marketing, and thus for growth. As I mentioned previously, this means that we must focus more on common product platforms and standardized components in order to achieve this differentiation in a cost-effective manner. Brands that do not provide sufficient value will not be retained in the long term.

Strong product range
Electrolux has a strong product range and is a leader in several areas, not least in terms of environmental performance. The challenge is to maintain a high rate of product renewal.

The Group's size gives us a good foundation for product development relative to many competitors. In this connection we are aiming at making the internal process more efficient as well as making development work more market-driven by basing it on identified customer preferences. Among other things an organizational change to this end has been implemented within white goods in Europe.

We also have good competence within design, which is becoming increasingly more of a strategic tool for positioning brands and obtaining greater segmentation in relation to different customer groups.

Our strategy of being a leader in products with improved environmental performance is unchanged. Products that are environmental leaders normally show higher profitability than the average for Group products, and their share of sales is growing. These products offer lower consumption of energy and water and thus reduce operating costs for the consumer, which contribute to a lower total cost for the lifetime of the appliance.

Changes in retailer structure
Over the next few years we will probably see an accelerated consolidation of retailer structures in Europe toward larger companies that operate in several countries. As early as the start of the 21st century, the number of major dealers dominating the white-goods market may be reduced from 100-150 to about 50. A corresponding development has already occurred in the US. At the same time, new sales channels such as Internet are expanding at the cost of traditional channels. The EMU and the common currency will also make the European market more transparent and will have an effect on our pricing.

New purchasing patterns and well-informed customers generate demands for greater efficiency for both producers and dealers. As always, such changes present not only threats, but opportunities as well.

Electrolux is the largest producer of white goods in Europe. Our size and our geographical coverage will continue to make us an attractive partner for both large and small dealers. We own several of the biggest brands in Europe, and we can offer a high degree of differentiation toward different customers on the basis of a large number of local brands and a broad product range.

Among other things, the restructuring program and our on-going IT investments will enable us to increase efficiency in such areas as inventories and transportation. In order to obtain a more powerful marketing organization within white goods in Europe, we are implementing changes that include coordinating marketing and sales for different brands in a single sales company for each country. These changes will enable us to provide better service to our customers, and will result in lower costs for both partners.

Good prospects for the Group
Electrolux has strong positions in the global market and a number of valuable brands. Each year, consumers in almost 150 countries buy more than 55 million products made by the Group. We sell more products than our competitors in a number of areas.

The Group thus has a good base in terms of market share and volume, and has the potential for a competitive cost structure. However, we must obtain greater coordination within several areas in order to better utilize our total size.

The current restructuring program is aimed at achieving stability and profitability as fast as possible. Work on increasing internal efficiency must continue, however, in order to create greater opportunities for investments in e.g. product development and marketing.

I see no reason today to make any major changes in the Group's structure. However, we must have the strength to develop all three business areas.

We will continue our efforts to grow in markets outside Western Europe and North America, in order to obtain geographical coverage that corresponds better to the structure of the world market within our product areas. One priority in this respect is of course Eastern Europe, where the Group has performed well, with sales increasing from approximately SEK 800m in 1991 to more than SEK 3,800m in 1997.

Despite the turbulence in Asia and the sharp market downturn in Brazil, I still see possibilities for expansion in these markets in the somewhat longer term. This explains why in November we increased our stake in our Brazilian company from 50% of the share capital to over 90%. The Group has a good position in Brazil, with market shares of 35% for refrigerators and over 40% for freezers, and in a short time we have taken a market share of more than 20% for washing machines. In 1997 we maintained our market shares although we phased out the Prosdócimo brand and replaced it with Electrolux. Despite a substantial decrease in operating income, the Brazilian company nevertheless reported positive net income for the year.

Asia accounts for approximately 5% of the Group's total sales. Japan has been the largest single market for many years, and together with China and the ASEAN countries, i.e. Thailand, Malaysia, Singapore, The Philippines and Indonesia, accounts for most of our sales in the region. In recent years the Group has invested in establishing a presence in India and China, primarily for white goods. In January, 1997 we started selling own-make refrigerators under the Kelvinator brand in India and achieved satisfactory sales and income. The Group's operation in China, which comprises mainly production of refrigerators and compressors, is still largely in a development phase and had an adverse effect on income.Our long-term potential for growth in China remains, however.

With respect to the ASEAN countries, we have implemented cutbacks and made adjustments in response to the market downturn. For many years, the Group has achieved good growth in sales and income in the region, and operating income was also positive in 1997. We have no plans to withdraw from this region.

Value for shareholders

In recent years the Group has not created sufficient value for shareholders. However, in 1997 the value of Electrolux B-shares rose by 39%, while the general index for the Stockholm Stock Exchange increased by 25%. The company's market capitalization rose by over SEK 11 billion in addition to the value that the distribution of Gränges represented for shareholders.

Our goal is for an investment in Electrolux to generate a better long-term yield than other comparable alternatives. In order to obtain greater internal focus on providing value for shareholders, our systems for monitoring results and profitability is currently being enhanced.

In this connection, the Board has decided to introduce a new option program for about 100 senior managers. The program runs annually, and is based on the value that has been created after changing operating income with a market-determined cost of capital on net assets. If no value has been created, no options will be issued. The first options will be issued at the start of 1999 based on the development in 1998.

Outlook for 1998

We expect a continued improvement in market conditions in Europe, which accounts for almost 60% of Group sales. Our judgement is that the white-goods market in Europe will show 2-3% growth in volume, primarily during the first half.

In the US, which accounts for almost 30% of Group sales, demand will probably remain at high levels in most product areas.

We are concentrating our efforts on implementation of the restructuring program according to schedule, which should generate a considerable improvement in operating income in comparison with 1997.

Michael Treschow
President and CEO

Report by the Board of Directors

Net sales

Net sales for the Electrolux Group in 1997 rose to SEK 113,000m as against SEK 110,000m in the previous year, of which 95% (92%) or SEK 107,115m (101,654) was outside Sweden. Of the 3% increase in sales, changes in the Group’s structure accounted for -8%, changes in exchange rates for +6%, and volume and price/mix for +5%. Gränges, which was distributed to shareholders in May, has been eliminated from the accounts for the year but is included for 1996. For other changes in Group structure, see page 16.

Income and profitability

Group operating income amounted to SEK 2,654m (4,448), income after financial items to SEK 1,232m (3,250), and income before taxes to SEK 1,283m (3,032).

Operating income was charged during the fourth quarter with costs of approximately SEK 150m for adjustments in response to the deterioration in market conditions in Brazil and the ASEAN countries.

Net income after minority interests and taxes amounted to SEK 352m (1,850), corresponding to SEK 4.80 (25.30) per share.

Provision for restructuring program

The operating income reported above includes a provision of SEK 2,500m in the second quarter for the current restructuring program and a capital gain of SEK 604m on the divestment of Husqvarna Sewing Machines in the same quarter. For a description of the restructuring program, see page 12.

Exclusive of the provision for restructuring and the capital gain in 1997, and Gränges in 1996, operating income improved by 13% to SEK 4,550m (4,033), corresponding to 4.0% (4.0%) of sales. Income after financial items rose by 7% to SEK 3,128m (2,937), corresponding to 2.8% (2.9) of sales. Income before taxes improved by 17% to SEK 3,179m (2,719), corresponding to 2.8% (2.7) of sales.

Exchange-rate effects

Changes in exchange rates in terms of both transactions and translation of income statements in subsidiaries had a slightly positive effect on the Group’s operating income in 1997. However, the effect on income after financial items was negative in the amount of approximately SEK 40m.

Net financial items

The net of Group financial income and expense amounted to SEK -1,422m (-1,198), which corresponds to -1.3% (-1.1) of sales. The decline is traceable to a lower return on liquid funds in the Swedish krona and the Italian lira, and to the lower interest differential between the Swedish krona and foreign currencies, which led to a sharp decrease in interest income on forward contracts intended as hedges for the Group’s foreign equity.

Profitability
The return on equity after taxes was 1.6% (8.7), and the return on net Group assets was 6.1% (10.3). Excluding the provision for the restructuring program and the capital gain in 1997 and Gränges in 1996, the return on equity after taxes was 7.9% (8.3), and the return on net Group assets was 10.2% (10.0). For definitions of key ratios, see page 23.

Taxes
Taxes reported by the Group consist of income taxes, including deferred taxes. Real-estate taxes and similar charges have been included in operating income since 1994.

Total taxes for 1997 amounted to SEK 931m (1,182), corresponding to 73% (39) of pre-tax income. Exclusive of the restructuring program, taxes amounted to 41% of pre-tax income. The Group's tax burden is adversely affected by the fact that a large share of operations is in countries with high tax levels. In addition, losses in some countries during 1997 that resulted e.g. from the current restructuring program could not be offset against taxes.

Cash flow
The cash flow generated by the Group's business operations after investments amounted to SEK 4,300m (2,116). The improvement is traceable mainly to a positive change in operating capital.

Summary of cash flow, SEKm	**1997**	1996
Operating income	**2,654**	4,448
Depreciation according to plan	**4,255**	4,438
Capital gain/loss	**-658**	-114
Provision for restructuring, with no effect on liquidity for 1997	**1,809**	-
Change in operating capital	**584**	-1,889
Investment in operations	**-968**	-1,096
Divestment of operations	**1,061**	537
Other investments	**-4,437**	-4,208
Cash flow generated by operations	**4,300**	2,116

Restructuring program
On June 12, 1997, the Board of Directors of Electrolux authorized a restructuring program which will be implemented over two years.

The program involves personnel cutbacks of approximately 12,000, or 11%, on the basis of comprehensive changes in the Group's marketing and sales organizations, and shutdowns of about 25 plants and 50 warehouses. Prior to the start of the program, the Group had about 150 plants and approximately 300 warehouses.

The aim of the program is to enable the Group to achieve its long-term goals of an operating margin of 6.5-7% and a return on equity of 15%.

The program has proceeded according to plan and by year-end 1997 about 3,800 employees had left the Group as a result of implemented action. Negotiations on shutdowns had been initiated or completed at 16 plants in the UK, Hungary, Sweden, Finland, The Czech Republic, Austria, France and North America. In addition, 17 warehouses had been closed and decisions taken on closure of another 16.

By year-end 1997 a total of approximately SEK 700m had been utilized of the provision of SEK 2,500m that had been made during the second quarter. About 80% of the total provision refers to personnel cutbacks. The remainder refers to moving costs and write-downs on inventories and other assets.

The program is focused on Household Appliances and Professional Appliances in Europe. For additional details of the program, see also the Report by the President and CEO on page 5.

Operations by business area

Market conditions in Europe improved gradually during the year, primarily for Household Appliances. Demand in the US remained at high levels in most product areas. A sharp downturn in demand occurred in Brazil and Southeast Asia, however.

Excluding the provision of SEK 2,500m for the restructuring program and the capital gain of SEK 604m on divestment of Husqvarna Sewing Machines in 1997, and excluding Gränges in 1996, operating income rose as mentioned above by 13% to SEK 4,550m (4,033). The increase is traceable largely to the Outdoor Products business area. Professional Appliances also reported a good increase, although from a low level in the previous year. Household Appliances reported only a marginal increase in operating income.

Household Appliances

The market for white goods in Western Europe showed an increase of about 4% in volume as a result of good growth during the second half of the year. The increase referred mainly to the Nordic countries, the UK and Spain. Group sales rose over the previous year, and operating income improved despite a less favorable product mix, particularly in Germany.

The white goods market in the US was largely unchanged in terms of volume. There was a considerable drop in demand for room air-conditioners, however. The Group achieved a good increase in sales volume for white goods. Operating income for the North American white-goods operation improved considerably on the basis of higher capacity utilization and lower operating costs.

Demand for white goods in Brazil from the second quarter onward was considerably lower than in the previous year, particularly for refrigerators and freezers, the Group’s most important product areas. The Brazilian operation reported lower sales and a substantial decline in income in comparison with the full year 1996.

Total operating income for the Group’s white goods was higher than in 1996.

Operating income for other household appliances declined as a result of the divestment of Husqvarna Sewing Machines and the takeover of the remaining 50% of the electric-motor operation from AEG, which was included for only part of 1996. On the other hand, good growth in sales and income was reported for leisure appliances and floor-care products exclusive of the direct-sales operation.

The Household Appliances business area as a whole reported higher sales and operating income, but a somewhat lower margin.

Professional Appliances

Demand for food-service equipment in Western Europe was largely unchanged. The Group achieved somewhat higher sales in this product area. Income remained weak, but improved over the previous year, on the basis of internal changes and a good performance by food and beverage vendors.

Market conditions in Europe for industrial laundry equipment improved somewhat during the second half of 1997. This product line reported somewhat higher sales volume, which together with reduced operating costs led to good income growth over 1996.

Sales of refrigeration equipment were higher for comparable units, and operating income improved. Higher sales volume and somewhat better income were also reported for cleaning equipment, exclusive of the direct-sales operation. Income for both these product lines remained at low levels, however.

The Professional Appliances business area as a whole reported higher net sales and operating income than in 1996, and an improved margin.

Outdoor Products

Demand for chainsaws rose over the previous year. Husqvarna reported higher sales volume and improved operating income.

The market for garden equipment in the US showed higher demand in several product areas. The Group’s US operation reported higher sales than in 1996 as well as improved income.

Demand for garden equipment in Europe was unchanged on the whole. The Group’s sales volume was somewhat higher, particularly in the UK. Income for the European operation improved, mainly as a result of structural changes implemented in 1996.

The Outdoor Products business area as a whole reported good growth in sales and operating income, and a somewhat higher margin.

Shareholders’ equity
Group shareholders’ equity decreased as of December 31, 1997 to SEK 20,565m (22,428), mainly as a result of the distribution of Gränges. The provision for the restructuring program also had an adverse effect. The comparative figure for 1996 exclusive of Gränges was SEK 20,645m. Equity per share for 1997 was SEK 281, as against SEK 306 in 1996, or SEK 282 exclusive of Gränges.

Change in shareholders’ equity, SEKm

Opening equity	22,428
Cash dividend	-915
Distribution of Gränges	-1,783
Translation differences, etc.	483
Net income for the year	352
Equity at year-end	20,565

Equity/assets and net debt/equity ratios
The equity/assets ratio amounted to 30.8%, as against 33.8% in 1996. Computation of this ratio involves deducting liquid funds from short-term borrowings.

The net debt/equity ratio, i.e. net borrowings in relation to adjusted equity, was 0.94 (0.80). The less favorable equity/assets and net debt/equity ratios are traceable mainly to the provision for restructuring and the acquisition of additional shares in Electrolux do Brasil, which reduced the value of the balance-sheet item ”Minority interests”.

Liquid funds at year-end amounted to SEK 9,834m (13,510), corresponding to 8.6% (12.1) of net Group sales. A large portion of the Group’s liquid funds was used during the year for redemption of long-term loans.

All of the above figures have been calculated inclusive of the costs of the restructuring program and the capital gain, and also include Gränges for 1996. For definitions of these ratios, see page 23.

Net assets
Net assets, i.e. total assets less liquid funds and all non-interest-bearing liabilities including deferred tax on untaxed reserves, declined to SEK 41,637m (43,824). The decrease is traceable mainly to the distribution of Gränges and divestment of operations. Net assets amounted to 36.5% (39.1) of sales after adjustment for exchange-rate effects. The decline is traceable mainly to the provision for restructuring that was booked in the second quarter.

Inventories and accounts receivable
Inventories in 1997 amounted to SEK 16,454m (17,334) and accounts receivable to SEK 21,184m (20,494), which after adjustment for exchange-rate effects corresponds to 14.4% (15.5) and 18.6% (18.3) of net sales, respectively.

Capital expenditure
Capital expenditure in 1997 amounted to SEK 4,329m (4,807), of which SEK 591m (527) referred to Sweden. Total capital expenditure thus corresponded to 3.8% (4.4) of net sales.

Changes in Group structure
All shares in the Gränges subsidiary were distributed to Electrolux shareholders as of May 20, 1997. Each share in Electrolux, whether A- or B-, entitled the holder to a half-share in Gränges. The distribution of Gränges reduced the Group’s equity by SEK 1,783m and total assets by SEK 5,594m. Gränges was listed on the O-list of the Stockholm Stock Exchange as of May 21. The company has been retroactively eliminated from the Group’s accounts for 1997. In 1996, Gränges had sales of SEK 8,400m and about 6,800 employees.

A final agreement on divestment of Husqvarna Sewing Machines was reached at the beginning of April. This divestment generated a capital gain of SEK 604m. The agreement stipulated transfer to the buyer retroactively as of January 1, 1997, so that this operation has also been eliminated from the accounts for 1997. In 1996, Husqvarna Sewing Machines had net sales of SEK 850m and about 700 employees.

The operation in goods protection, with annual sales of SEK 250m and about 230 employees, was divested as of June 30. This divestment generated a capital gain of approximately SEK 50m. At the end of January, 1998, an agreement was reached on divestment of the operation in agricultural implements as well as the Group’s stake in the SIA group. The former operation had sales of SEK 267m and 250 employees in 1997. The SIA group, which markets and sells items for interior decoration, had sales of SEK 535m and about 270 employees in 1997. Both divestments are scheduled for completion during March, 1998 and will be effective retroactively as of January 1, 1998.

In November, an additional 67,720 million non-voting preferential shares in Electrolux do Brasil S.A., formerly Refripar, were acquired through a public bid for a total of BRL 137 million (approximately SEK 900m). Electrolux stake in the company thus amounts to 99.9% of the voting shares and 82.9% of the non-voting preferential shares, corresponding to 91.03% of the share capital. Prior to the bid, Electrolux owned 99.9% of the voting and 4% of the non-voting shares, corresponding to 50% of the share capital.

In December, the Group acquired S.C. Samus S.A., the leading producer of cookers in Romania, with annual sales of approximately SEK 150m and 2,200 employees.

Litigation regarding pension liabilities
In April 1997, a trial concluded in a litigation regarding pension liabilities against the Electrolux US subsidiary White Consolidated Industries Inc., which has been in progress since 1991 in a Federal court in Pittsburgh, Pennsylvania.

The plaintiff is a government agency, the Pension Benefit Guaranty Corporation (PBGC), responsible for the payment of defaulting pension obligations. The PBGC alleges a principal purpose to evade pension liabilities in a divestiture by White Consolidated in 1985, the year before White Consolidated was acquired by Electrolux. The PBGC is seeking to hold White Consolidated liable for the underfunding in certain pension plans the PBGC estimated in March, 1997 to be approximately USD 177 million, including interest. Electrolux believes that the PBGC action is devoid of merit, and has therefore made no provision. A verdict in the case has not yet been announced.

Parent company

Net sales for the parent company in 1997 amounted to SEK 5,791m (5,123), of which SEK 2,930m (2,351) referred to sales to Group companies and SEK 2,861m (2,772) to sales to external customers. After allocations of SEK 102m (-80) and taxes of SEK -70m (-135), the parent company reported net income of SEK 1,652m (1,263).

Proposed dividend

The Board of Directors proposes an unchanged dividend of SEK 12.50 per share, for a total dividend payment of SEK 915m.

Proposed stock split and increase in voting rights for B-shares

The Board proposes a change in the Articles of Association that will increase the voting rights of B-shares from 1/1000 to 1/10 of a vote. The proposal, which requires a qualified majority of both A- and B-shareholders, involves an increase of the total voting rights of B-shares in the Company from 3.4% to 78.1%, and a decrease in the total voting rights of A-shares from 96.6% to 21.9%.

The Board also proposes that the par value of all shares in the Company be changed, from SEK 25 to SEK 5. If the Board’s proposals are approved by the Annual General Meeting, it is expected that all Electrolux shares will be listed with the new par value and all B-shares with the new voting rights as of June 2, 1998.

Option program

The Board has decided to introduce an option program for about 100 senior Electrolux managers. The program runs annually, and the allotment of options is based on the value that has been created after charging Group operating income with a market-determined cost of capital on net assets. If no value has been created, no options will be issued. The options can be utilized for purchase of Electrolux shares, and.one option entitles purchase of one B-share. The strike price has been set at 115% of the trading price at the time the option is issued. The maturity period is 5 years.

The first options will be issued at the start of 1999 on the basis of the value that has been created in 1998. The cost of the program for 1998 has been maximized to SEK 50m plus employer contributions.

CONSOLIDATED INCOME STATEMENT, SEKm

	1997	**1997 excl. non-recurring items**	1996	Pro forma 1996 excl. Gränges
Net sales	**113,000**	**113,000**	110,000	101,556
Operating expense *	**-110,346**	**-108,450**	-105,552	-97,523
Operating income	**2,654**	**4,550**	4,448	4,033
Margin, %	*2.3*	*4.0*	*4.0*	*4.0*
Financial items, net	**-1,422**	**-1,422**	-1,198	-1,096
Income after financial items	**1,232**	**3,128**	3,250	2,937
Margin, %	*1.1*	*2.8*	*3.0*	*2.9*
Minority interests in income before taxes	**51**	**51**	-218	-218
Income before taxes	**1,283**	**3,179**	3,032	2,719
Margin, %	*1.1*	*2.8*	*2.8*	*2.7*
Taxes	**-931**	**-1,397**	-1,182	-1,075
Net income	**352**	**1,782**	1,850	1,644
* Including depreciation in the amount of	**-4,255**	**-4,255**	-4,438	-4,011

CONSOLIDATED BALANCE SHEET, SEKm

	Dec. 31, 1997	Dec. 31, 1996	Prof orma Dec. 31, 1996 excl. Gränges
Fixed assets	**27,780**	28,946	26,684
Inventories	**16,110**	17,138	15,545
Accounts receivable	**25,916**	25,575	24,069
Liquid funds	**9,834**	13,510	13,277
Total assets	**79,640**	85,169	79,575
Shareholders’ equity	**20,565**	22,428	20,645
Minority interests	**913**	1,952	1,949
Interest-bearing liabilities and provisions	**29,993**	32,954	31,170
Non-interest-bearing liabilities and provisions	**28,169**	27,835	25,811
Total shareholders’ equity	**79,640**	85,169	79,575

PARENT COMPANY INCOME STATEMENT, SEKm

	1997	1996
Net sales	**5,791**	5,123
Group contributions	**1,713**	1,441
Operating expense	**-6,015**	-5,612
Operating income	**1,489**	952
Financial items, net	**131**	526
Income after financial items	**1,620**	-1,478
Allocations	**102**	-80
Income before taxes	**1,722**	1,398
Taxes	**-70**	-135
Net income	**1,652**	1,263

PARENT COMPANY BALANCE SHEET, SEKm

	Dec. 31, 1997	Dec. 31, 1996
Fixed assets	**25,812**	24,440
Inventories, etc	**482**	467
Current receivables	**655**	710
Receivables from Group companies	**4,046**	3,856
Liquid funds	**3,159**	6,574
Total assets	**34,154**	36,047
Shareholders’ equity	**10,320**	11,185
Owed to Group companies	**4,696**	2,661
Interest-bearing liabilities and provisions	**17,019**	20,041
Untaxed reserves	**574**	676
Non-interest-bearing liabilities and provisions	**1,545**	1,484
Total liabilities and shareholders’ equity	**34,154**	36,047

Net sales by business area

excl. Gränges	**1997 SEKm**	**Share %**	1996 SEKm	Share %
Household Appliances	**81,419**	**72.0**	73,539	72.4
Professional Appliances	**11,413**	**10.1**	10,869	10.7
Outdoor Products	**18,087**	**16.0**	15,061	14.9
Other	**2,081**	**1.9**	2,087	2.0
Total	**113,000**	**100.0**	101,556	100.0

Operating income by business area,

excl. non-recurring items[1] *and Gränges*	**1997 SEKm**	**Share %**	1996 SEKm	Share %
Household Appliances	**2,520**	**55.4**	2,455	60.9
Margin ,%	*3.1*		*3.3*	
Professional Appliances	**290**	**6.4**	190	4.7
Margin ,%	*2.5*		*1.7*	
Outdoor Products	**1,613**	**35.4**	1,295	32.1
Margin, %	*8.9*		*8.6*	
Other[2]	**127**[3]	**2.8**	93	2.3
Margin, %	*6.1*		*4.5*	
Total	**4,550**	**100.0**	4,033	100.0

1) Excluding costs of SEK 2,500m for the current restructuring program, and a capital gain of SEK 604m on divestment of Husqvarna Sewing Machines.
2) Comprises mainly the recycling operation in Gotthard Nilsson AB.
3) Including a capital gain of approximately SEK 50m on divestment of the operation in goods protection.

Net sales and income per quarter, SEKm

		1st qtr	2nd qtr	3rd qtr	4th qtr	Full year
Net sales, SEKm	**1997[1)]**	**26,345**	**30,928**	**27,906**	**27,821**	**113,000**
	1996	27,582	29,430	25,911	27,077	110,000
	1996[2)]	25,499	27,338	23,857	24,862	101,556
Operating income, SEKm	**1997[1)]**	**1,004**	**1,324**	**1,102**	**1,120**	**4,550**
Margin, %		*3.8*	*4.3*	*3.9*	*4.0*	*4.0*
	1996	1,156	1,246	913	1,133	4,448
Margin, %		*4.2*	*4.2*	*3.5*	*4.2*	*4.0*
	1996[2)]	1,064	1,156	819	994	4,033
Margin, %		*4.2*	*4.2*	*3.4*	*4.0*	*4.0*
Income after	**1997**	**[1)]**	**683**	**949**	**750**	**746**
	3,128					
financial items, SEKm						
Margin, %		*2.6*	*3.1*	*2.7*	*2.7*	*2.8*
	1996		901	913	604	832
	3,250					
Margin, %		*3.3*	*3.1*	*2.3*	*3.1*	*3.0*
	1996[2)]	842	854	534	707	2,937
Margin, %		*3.3*	*3.1*	*2.2*	*2.8*	*2.9*
Income before taxes,	**1997**	**[1)]**	**600**	**985**	**764**	**830**
	3,179					
SEKm	1996		797	871	520	844
	3,032					
	1996[2)]	738	812	450	719	2,719
Net income, SEKm	**1997**	**[1)]**	**355**	**562**	**462**	**403**
1,782						
	1996		502	527	313	508
1,850						
	1996[2)]	463	488	267	426	1,644
Income per	**1997**	**[1)]**	**4.90**	**7.70**	**6.20**	**5.50**
24.30						
share, SEK	1996		6.90	7.20	4.30	6.90
25.30						
	1996[2)]	6.30	6.70	3.60	5.80	22.40

1) Excluding costs of SEK 2,500m for the current restructuring program, and a capital gain of SEK 604m.
2) Pro forma, excluding Gränges.

Net sales by business area, per quarter, SEKm

		1st qtr	2nd qtr	3rd qtr	4th qtr	Full year
Household Appliances	**1997**	**18,886**	**20,873**	**20,809**	**20,851**	**81,419**
	1996	17,974	18,958	18,232	18,375	73,539
Professional Appliances	**1997**	**2,406**	**3,159**	**2,814**	**3,034**	**11,413**
	1996	2,491	2,813	2,511	3,054	10,869
Outdoor Products	**1997**	**4,617**	**6,265**	**3,819**	**3,386**	**18,087**
	1996	4,156	5,131	2,790	2,984	15,061
Other	**1997**	**436**	**631**	**464**	**550**	**2,081**
	1996 1)	878	436	325	448	2,087

1) Pro forma, excluding Gränges.

Operating income by business area, per quarter, SEKm

		1st qtr	2nd qtr	3rd qtr	4th qtr	Full year
Household Appliances	**1997 1)**	**642**	**511**	**666**	**701**	**2,520**
Margin, %		*3.4*	*2.4*	*3.2*	*3,4*	*3,1*
	1996	680	517	531	727	2.455
Margin, %		*3.8*	*2.7*	*2,9*	*4,0*	*3,3*
Professional Appliances	**1997 1)**	**-69**	**134**	**115**	**110**	**290**
Margin, %		*-2.9*	*4.2*	*4.1*	*3.6*	*2.5*
	1996	13	116	36	25	190
Margin, %		*0.5*	*4.1*	*1.4*	*0.8*	*1.7*
Outdoor Products	**1997 1)**	**421**	**656**	**322**	**214**	**1,613**
Margin, %		*9.1*	*10.5*	*8.4*	*6.3*	*8.9*
	1996	379	497	237	182	1,295
Margin, %		*9.1*	*9.7*	*8.5*	*6.1*	*8.6*
Other	**1997 1)**	**10**	**23**	**-1**	**95 3)**	**127 3)**
Margin, %		*2.3*	*3.6*	*-0.2*	*17.3*	*6.1*
	1996 2)	-8	26	15	60	93
Margin, %		*-0.9*	*6.0*	*4.6*	*13.4*	*4.5*

1) Excluding costs of SEK 2,500m for the current restructuring program, and a capital gain of SEK 604m.
2) Pro forma, excluding Gränges.
3) Including a capital gain of approximately SEK 50m on the divestment of the operation in goods protection.

Definitions

Operating margin
Operating income as a percentage of net sales.

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

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

Adjusted total assets
Total assets less liquid funds.

Total adjusted equity
Shareholders' equity less minority interests.

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

Net borrowings
Total interest-bearing liabilities less liquid funds.

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

Number of shares
The number of shares in 1997 and 1996 amounted to 73,233,916.

The results for the first quarter of 1998 will be published on April 29, the same day that the Annual General Meeting will convene at 5.00 p.m. in the Berwald Hall, Strandvägen 69, Stockholm.