Electrolux

The Global Appliance Company

Annual Report 1997

Contents

Investor Relations
and Financial Information

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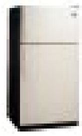
Consolidated results	March 10
Annual report	Mid-April
Form 20-F	April
Quarterly report, 1st quarter	April 29
Half-yearly report	August 11
Quarterly report, 3rd quarter	October 29

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

Electrolux today

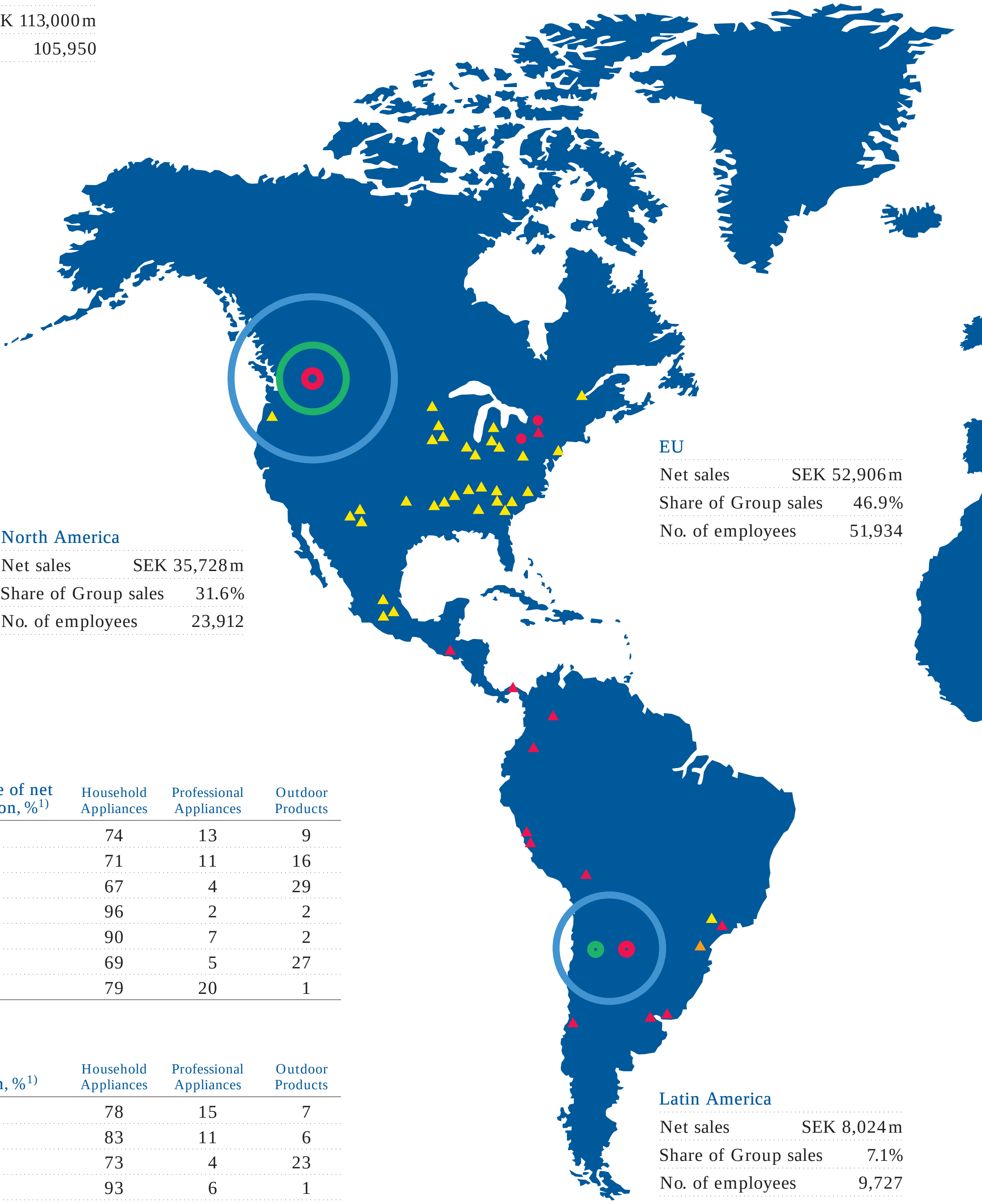
Electrolux is one of the *world's leading producers* of household appliances  for indoor and outdoor use, and of corresponding products for professional users.  These products make daily tasks easier and more convenient for millions of people throughout the world.  Every year, consumers in more than *100 countries* buy more than *55 million* Group products.  Electrolux is the European market leader in white goods, and is the third largest white-goods company in the US.  The Group is the world's largest producer of floor-care products,  absorption refrigerators for caravans and hotel rooms, and compressors for refrigerators and freezers.  Electrolux is also the largest or second largest company in the world for food-service equipment,  professional laundry equipment, and forestry and garden equipment. 

Electrolux – The Global Appliance Company

The world of Electrolux

Group total

Net sales	SEK 113,000m
No. of employees	105,950



North America

Net sales	SEK 35,728m
Share of Group sales	31.6%
No. of employees	23,912

EU

Net sales	SEK 52,906m
Share of Group sales	46.9%
No. of employees	51,934

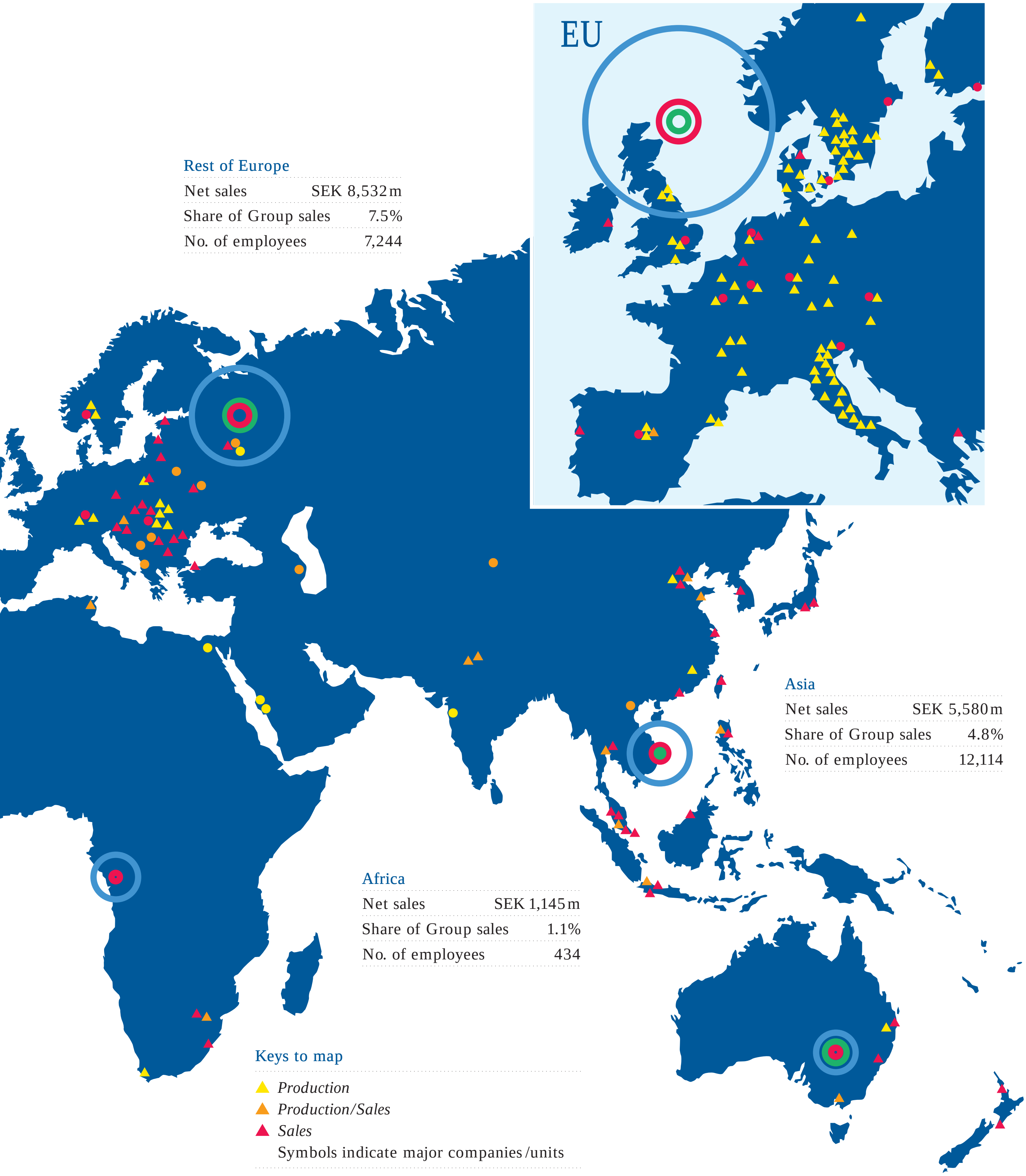
Latin America

Net sales	SEK 8,024m
Share of Group sales	7.1%
No. of employees	9,727

Business areas' share of net Group sales, by region, %[1]	Household Appliances	Professional Appliances	Outdoor Products
EU	74	13	9
Rest of Europe	71	11	16
North America	67	4	29
Latin America	96	2	2
Asia	90	7	2
Oceania	69	5	27
Africa	79	20	1

Business areas' share of Group employees, by region, %[1]	Household Appliances	Professional Appliances	Outdoor Products
EU	78	15	7
Rest of Europe	83	11	6
North America	73	4	23
Latin America	93	6	1
Asia	87	10	4
Oceania	76	9	15
Africa	85	8	6

[1] Net sales and employees for operations included in "Other" are not given in the tables, and refer primarily to the EU.



Rest of Europe

Net sales	SEK 8,532m
Share of Group sales	7.5%
No. of employees	7,244

Asia

Net sales	SEK 5,580m
Share of Group sales	4.8%
No. of employees	12,114

Africa

Net sales	SEK 1,145m
Share of Group sales	1.1%
No. of employees	434

Oceania

Net sales	SEK 1,085m
Share of Group sales	1.0%
No. of employees	585

Keys to map

- ▲ *Production*
- ▲ *Production/Sales*
- ▲ *Sales*

Symbols indicate major companies/units

- ● *Joint venture/Minority interest*
- ● *Representation office*
- ● *Holding company*

- ◎ *Household Appliances*
- ◎ *Professional Appliances*
- ◎ *Outdoor Products*

The size of a circle indicates a business area's share of net Group sales in a region.

Market position | Major brands

HOUSEHOLD APPLIANCES

White goods
Market leader in Europe, third largest producer in US.

Floor-care products
World leader, global market share approximately 20%.

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

Leisure appliances
World leader in absorption refrigerators for caravans and hotel rooms.

Kitchen and bathroom cabinets
One of the larger producers in Nordic countries and US.

Rex	Gibson
Tricity Bendix	Tornado
Faure	Volta
Juno	Progress
Zanker	Alfatec
Corberó	Beam
Zoppas	LUX
Elektro Helios	ZEM
Husqvarna	VOE
Tappan	Paula Rosa
White-Westinghouse	Kemper
Kelvinator	Diamond

PROFESSIONAL APPLIANCES

Food-service equipment
Market leader in Europe, world's second largest producer.

Laundry equipment
World leader in equipment for apartment-house laundry rooms, coin bars, hotels and institutions.

Refrigeration equipment
One of the largest producers in Europe.

Cleaning equipment
One of the world's largest in vacuum cleaners and wet/dry cleaners.

Therma	Wascomat
Juno	Universal Nolin
Electrolux-Washex	Kent
Electrolux-Senking	LUX Professional
Nyborg	Pulimat
Dubix	

OUTDOOR PRODUCTS

Forestry and garden equipment
World's largest in chainsaws, with global market share of about 40%.

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

Rally

Business area

HOUSEHOLD APPLIANCES

This business area comprises mainly white goods, i.e. refrigerators, freezers, cookers, washing machines and dishwashers. In 1997, white goods accounted for 74% of sales in Household Appliances, and for half of total Group sales. Other product lines include floor-care products, components, absorption refrigerators for caravans and hotel rooms, and kitchen and bathroom cabinets.

PROFESSIONAL APPLIANCES

The main operations comprise food-service equipment for restaurants and institutions, including food and beverage vendors, as well as laundry equipment for such applications as apartment-house laundry rooms and professional laundries. These operations together accounted for almost 70% of sales in this business area. Other product lines include refrigeration and freezing equipment for food retailers and wet/dry cleaners for professional users.

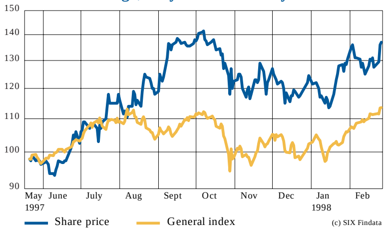
OUTDOOR PRODUCTS

This business area includes garden equipment, chainsaws and other equipment for forestry work. Garden equipment includes lawn mowers and garden tractors, as well as portable equipment such as lawn trimmers and leaf blowers.

Highlights of the year

Michael Treschow is named President and CEO in January, and takes office officially at the Annual General Meeting on April 29.

Trading price for Gränges shares at the Stockholm Stock Exchange, May 1997–February 1998

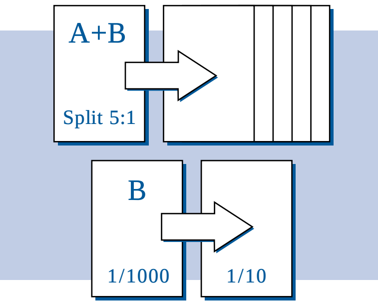


The Annual General Meeting authorizes distribution of all shares in the Gränges subsidiary to Electrolux shareholders. Gränges shares are listed on the Stockholm Stock Exchange as of May 21.

In June, the Board of Directors authorizes a 2-year restructuring program involving personnel cutbacks of about 12,000, involving shutdown of about 25 plants and 50 warehouses. The program is aimed at enabling the Group to achieve its long-term goals of an operating margin of 6.5–7% and a return on equity of 15%.

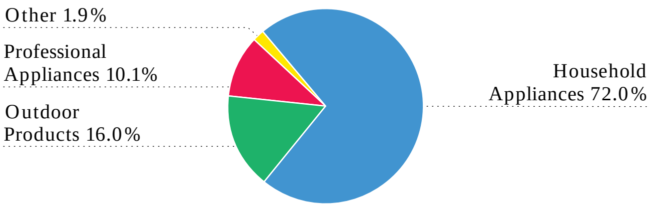
Streamlining of the Group continues with the divestment of Husqvarna Sewing Machines and the operation in goods protection. At the start of 1998 agreements are also reached for divestment of Överums Bruk, which manufactures agricultural implements, and the SIA group, which markets and sells items for interior decoration.

The Board proposes an unchanged dividend for 1997 of SEK 12.50 per share. The Board also proposes a stock split of 5:1 and an increase in the voting rights of B-shares from 1/1000 to 1/10.

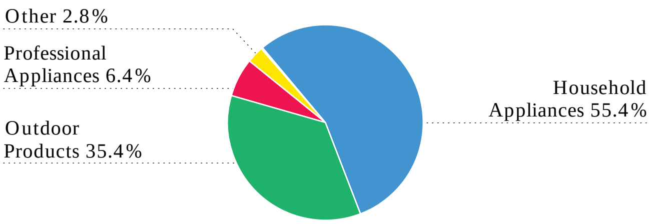


Highlights of the year

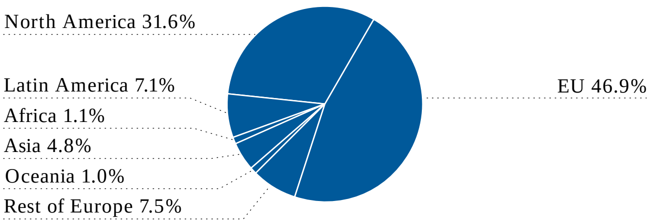
Net sales by business area



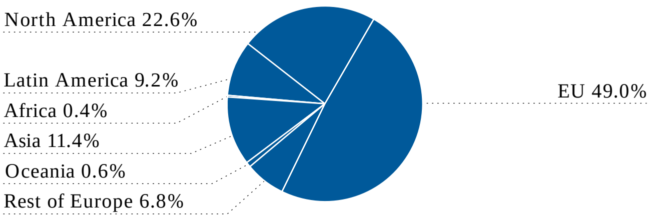
Operating income by business area



Net sales by region



Employees by region



Key data

	1997	1997 excl. non-recurring items[1]	1996	Pro forma 1996 excl. Gränges
Net sales, SEKm	113,000	113,000	110,000	101,556
Operating income, SEKm	2,654	4,550	4,448	4,033
Income after financial items, SEKm	1,232	3,128	3,250	2,937
Income before taxes, SEKm	1,283	3,179	3,032	2,719
Net income, SEKm	352	1,782	1,850	1,644
Net income per share, SEK	4.80	24.30	25.30	22.40
Dividend per share, SEK	12.50	12.50	12.50	12.50
Return on equity, %	1.6	7.9	8.7	8.3
Return on net assets, %	6.1	10.2	10.3	10.0
Equity/assets ratio, %	30.8	33.4	33.8	33.9
Net debt/equity ratio	0.94	0.86	0.80	0.79
Capital expenditure, SEKm	4,329	4,329	4,870	4,424
Average number of employees	105,950	105,950	112,140	105,300

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]	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
Professional Appliances	290	6.4	190	4.7
Outdoor Products	1,613	35.4	1,295	32.1
Other[2]	127[3]	2.8	93	2.3
Total	4,550	100.0	4,033	100.0

Operating margin by business area

Excl. non-recurring items[1] and Gränges	1997 %	1996 %
Household Appliances	3.1	3.3
Professional Appliances	2.5	1.7
Outdoor Products	8.9	8.6
Other[2]	6.1	4.5
Total	4.0	4.0

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.

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 about 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 sustained, competitive growth in the value of their invested capital.

The final major change was the distribution of shares in the Gränges subsidiary to shareholders, 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 in value of 27% during 1997, 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, 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 equity 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 was an eventful one for Electrolux in many ways, 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, Group operating income was charged with a provision of SEK 2,500m for the on-going restructuring program. Exclusive of non-recurring items and Gränges, 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. Group income before taxes increased by 17% to SEK 3,179m.

Of our business areas, Outdoor Products continued to report good growth in 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. Of the non-strategic units outside Household Appliances, Professional Appliances and Outdoor Products, the only remaining operation is Gotthard Nilsson, a recycling company with annual sales of almost SEK 2,000m.

Restructuring program authorized

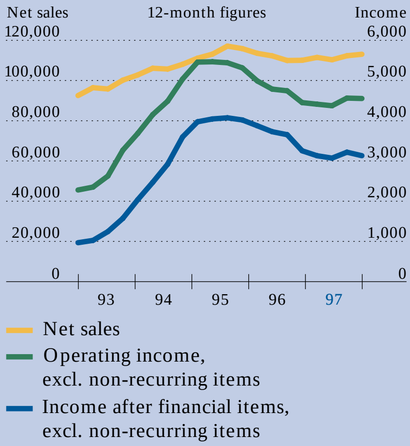
For some years, Electrolux has reported weak income growth and an unsatisfactory return on equity. Following an improvement in 1994–95, both operating margin and return on equity showed negative trends in 1996 and early 1997. For the full year 1997, the operating margin exclusive of non-recurring items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

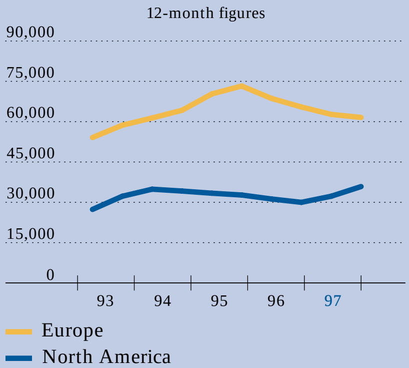
The restructuring program will be implemented over two years and will involve personnel cutbacks of about 12,000, or 11%, through the shutdown of about 25 plants and 50 warehouses

Sales and income

Net sales and income, SEKm



Net sales in Europe and North America, SEKm



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 products 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 relocation 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 products, 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 focusing 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.

Restructuring program

Goal is to achieve the Group's long-term financial goals:

Operating margin 6.5–7%

Return on equity 15%

Personnel reduction of 12,000, i.e. 11%.

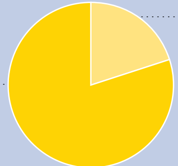
Shutdown of about 25 of Group's 150 plants, and about 50 of 300 warehouses.

Comprehensive changes in marketing and sales organizations.

Most of program refers to Household Appliances and Professional Appliances in Europe.

Timetable: About 2 years from mid-1997.

Total cost SEK 2,500 m, booked in second quarter of 1997



As of Dec. 31, 1997:

Personnel cutbacks	3,800
Negotiations started or completed at	16 plants
Warehouses:	
Shutdown	17
Notice of shutdown	16

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%.

Improved internal efficiency

President and CEO

Five Group staffs

Six business sectors

Change in organization to create clearly defined areas of responsibility and a good overview.

Comprehensive strategic investments in IT for improved customer service and reduced costs for both partners.

Additional coordination of purchasing to make better use of Group's size.

Improved product-development process based on identified customer needs.

Strategy for leading development of environmentally adapted products creates value for shareholders and customers.

Increased focus on growth in value for shareholders through changes in internal monitoring of income and profitability.

Development of shared product platforms and standardized components.

Development of the "Creation" oven has reduced the number of variants of built-in ovens in the European production system 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 white goods, compressors 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 also 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 contributes 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 retailers 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 retailers. 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 retailers. We own several of the biggest brands in Europe, and we can offer a high degree of differentiation toward specific 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 more than 100 countries buy more than 55 million products made by the Group. We sell more products than any of our competitors in a number of areas.

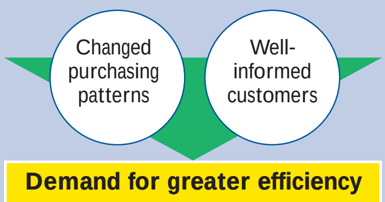
Changes in our business environment

Accelerating consolidation of retailer structure in Europe.

An integrated Europe with a common currency makes market more transparent.

New sales channels such as Internet are increasing in scope.

Changed purchasing patterns and well-informed customers require greater efficiency for both producers and retailers.



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, 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.

Good prospects for Electrolux

Leading market positions

Global no. 1–2 in areas accounting for more than 90% of sales.

Leading brands

Global, regional and local.

Leading products

Every year, customers in more than 100 countries buy more than 55 million Group products.

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 mainly comprises 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 the Electrolux B-share 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 are 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 charging 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.

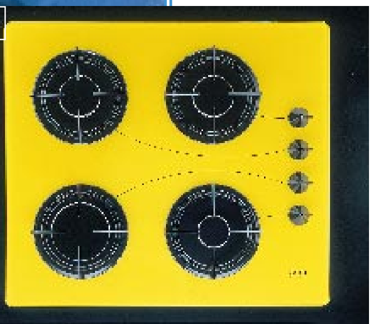
We are concentrating our efforts on implementation of the restructuring program according to schedule, which should generate a considerable improvement in operating income in comparison with 1997.

MICHAEL TRESCHOW

President and CEO

Household Appliances

- Higher sales and substantial increase in results for white goods in US
- Gradual improvement in demand for white goods in Europe, and higher income for European operation
- Investment in environmentally leading products contributes to improved sales and income in both Europe and US
- Divestment of Husqvarna Sewing Machines, with sales of SEK 850m, effective as of January 1



1. *Paulo Barbosa works at the Electrolux plant in Curitiba, Brazil, where this CFC-free refrigerator was manufactured.*

2. *The AEG "Öko Vampyr Rosso" vacuum cleaner.*

3. *A gas hob made of glass is part of Zanussi's "Yellow Kitchen" line of built-in products, launched in 1997.*

4. *The most water-efficient Electrolux dishwasher consumes only 15 liters of water for a normal load of 12 place-settings.*

Key data

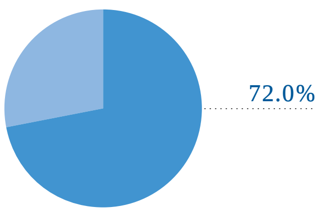
Key data	1997[1]	1996	1995	1994	1993
Net sales, SEKm	81,419	73,539	75,209	66,272	58,888
Operating income, SEKm	2,520	2,455	2,555	2,493	785
Operating margin, %	3.1	3.3	3.4	3.8	1.3
Net assets, SEKm	33,383	28,743	24,484	23,553	24,972
Return on net assets, %	7.8	8.6	9.8	9.9	3.1
Average number of employees	86,370	85,576	83,492	77,806	76,970
Capital expenditure, SEKm	3,349	3,633	3,579	2,772	2,394

Net sales by product line

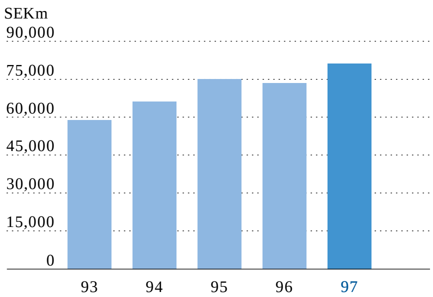
Net sales by product line	1997 SEKm	Share %	1996 SEKm	Share %
White goods[2]	60,447	74.3	54,725	74.4
Floor-care products	8,936	11.0	7,533	10.2
Components	4,761	5.8	3,987	5.4
Leisure appliances	3,521	4.3	3,052	4.2
Kitchen and bathroom cabinets	2,137	2.6	1,833	2.5
Other	1,617	2.0	2,409	3.3
Total	81,419	100.0	73,539	100.0

1) Excluding costs referring to the current restructuring program and a capital gain on divestment of Husqvarna Sewing Machines.
2) Including room air-conditioners.

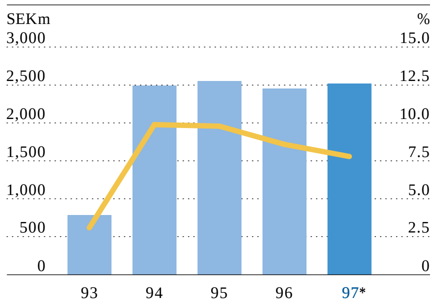
Share of total Group sales



Net sales



Operating income and return on net assets



*Excluding costs for restructuring program and capital gain

Electrolux is one of the world's largest producers of white goods. This product area accounts for the greater share of sales in the Household Appliances business area, and for more than half of total Group sales.

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

White goods

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

Of net sales in 1997, 57% referred to Europe, 29% to North America and 8% to Brazil.

Operating income for white goods was somewhat higher than in 1996, mainly as a result of a substantial improvement in the US. Higher income was also achieved in Europe, while the Brazilian operation reported a substantial decline in income due to considerably lower demand. Profitability for white goods was not satisfactory.

The Group's washing machines feature the lowest consumption of water and energy on the market.

The new AEG dishwasher has a built-in water-sensor that enables automatic selection of the program that gives the best washing results with minimal consumption of water and energy.

Operations in Western Europe

The market for white goods in Western Europe improved gradually and showed an increase in volume of about 4% for the full year, referring mainly to Scandinavia, Spain, the UK and France. In Germany, which accounts for about 30% of total market volume in Europe, demand was somewhat weaker than in 1996. The West European market for 1997 is estimated at about 46.3 (44.4) million units.

Group sales were higher than in the previous year. Market share was largely unchanged. Operating income improved despite lower volume and a less favorable product mix in the German market.

Operations in the US

The American white-goods market increased in volume by almost 2%. All product areas showed growth, the largest increases being for dishwashers, washing machines, spin-driers and freezers. Demand for room air-conditioners declined considerably as a result of a cool summer.

The market for core appliances in the US, i.e. deliveries from domestic producers plus imports, excluding microwave ovens and room air-conditioners, amounted to 32.9 (32.3) million units in 1997.

The Group achieved good sales growth in white goods and strengthened its market position. Sales of room air-conditioners were considerably lower than in the previous year, however. A marked improvement in operating income for the US operation was reported on the basis of higher capacity utilization and lower operating costs.

Operations in Brazil

From the second quarter onward, the white-goods market in Brazil declined sharply for refrigerators and freezers, which account for the largest share of Group sales. The total market showed an 8% decrease in volume for all product areas. However, demand for refrigerators declined by 15% and freezers by 27%. In the previous year, the total market increased by more than 20%.

The Group's latest Frigidaire-brand dishwashers in the US feature lower consumption of water and lower noise levels than comparable American products.

The Group's sales in Brazil declined and income was substantially lower than the high level for the previous year. Income was also adversely affected during the fourth quarter by a charge of approximately SEK 130m for adjustment to the deteriorated market situation.

The Group's market share was largely unchanged from 1996. In the course of the year the Prosdócimo brand was replaced by Electrolux.

The Group increased its stake in the Brazilian company through a public offer in November, increasing its share of capital from 50% to more than 90%.

Structural changes

Within the framework of the current restructuring program, it was decided that two refrigerator plants would be shut down, one in the UK with about 600 employees, and one in Finland with about 200 employees. It was also decided that a freezer unit in Hungary would be shut down and that production of washing machines and spin-driers in Germany would be rationalized. The two latter decisions affect about 250 employees. The above changes will be implemented at various dates during 1998 and 1999.

A number of changes were implemented in functions for marketing, sales and logistics to obtain greater efficiency and improved customer service. During the past two years, the total number of employees in these functions has been reduced by about 1,000, or more than 10%. In several countries, organizations for different brands have been coordinated in a common sales company. It was also decided that about 15 warehouses would be shut down.

Acquisition in Romania

At the end of the year the Group acquired S.C. Samus S.A, the leading producer of cookers in Romania. The company has annual sales of approximately SEK 150m and about 2,200 employees. In addition to a strong position in the local market for cookers, the acquisition gives the Group a production base in this product area for serving markets in Eastern and Central Europe.

Other Household Appliances

Demand for floor-care products in Europe was higher than in 1996. The Group achieved good sales growth on the basis of several new products. The European operation reported higher operating income, exclusive of direct sales. Market shares increased, particularly for the Electrolux brand.

The market for floor-care products in the US decreased in volume, however. The US subsidiary Eureka, one of the leading producers, reported sales and income in line with 1996. The trend for Latin America remained favorable. In contrast, the direct-sales operation reported a considerable drop in income, mainly as a result of the deterioration in market conditions in Southeast Asia.

Demand rose during the year for absorption refrigerators for caravans and hotel rooms. The Group achieved good sales growth in Scandinavia, North America and Asia. Operating income for leisure appliances improved over the previous year.

Some improvement in market conditions was also reported for kitchen and bathroom cabinets in Europe and the US. Sales increased, particularly in Europe, and the European operation reported improved operating income. Income for the American operation also improved as a result of previous restructuring, although from a low level in 1996.

Demand for refrigerator compressors increased somewhat in volume. The upturn referred entirely to Europe and the US, while a decline was shown in Asia and Latin America. The Group achieved good growth in volume. Total operating income for the components product line was lower as a result of the takeover of the operation in electric motors in AEG of Germany, which in 1996 was included for only part of the year.

Total operating income and profitability for products other than white goods in Household Appliances was lower as a result of the divestment of the operation in sewing machines, as well as lower income for components and direct sales of floor-care products and components.

Structural changes

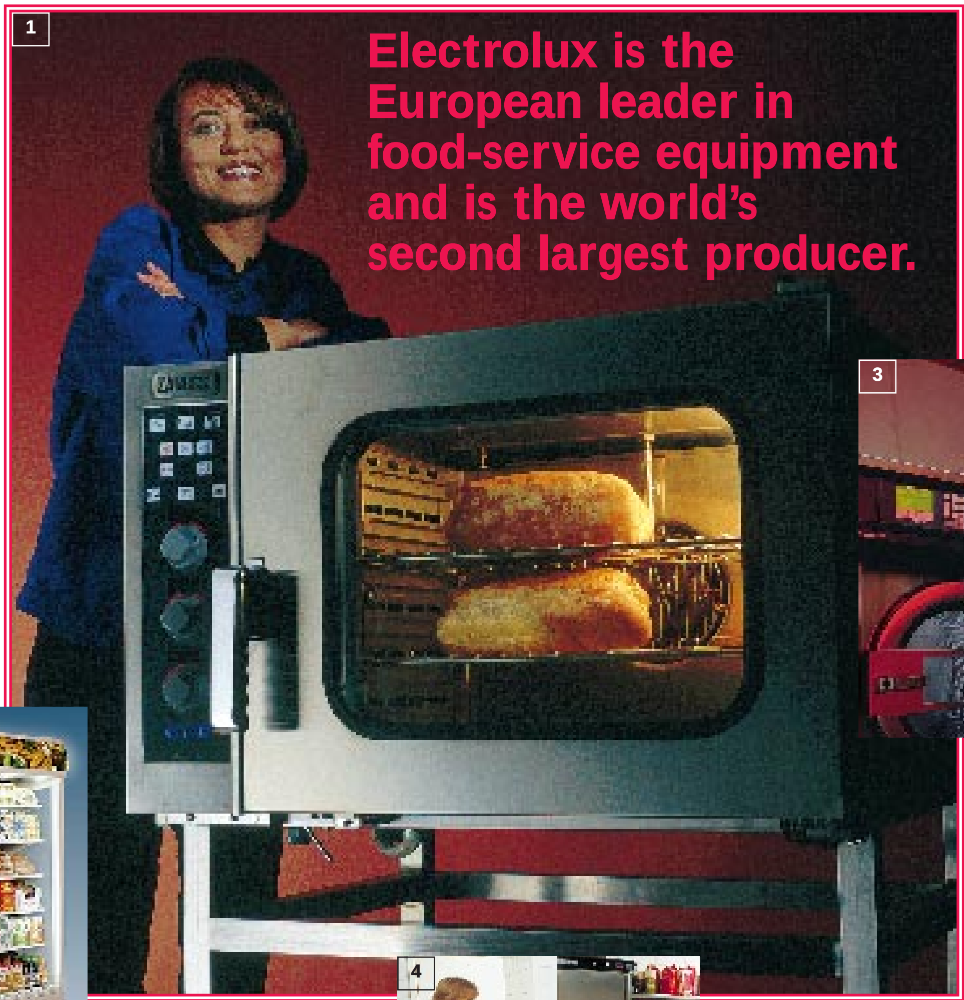
Within the framework of the current restructuring program, a small vacuum-cleaner plant in Canada was closed. In addition, it was decided that a vacuum-cleaner plant in the UK with about 600 employees will be shut down during 1998. A small leisure-appliances plant in the Czech Republic was discontinued.

At the start of 1998 Electrolux demonstrated a prototype of the world's first robot vacuum cleaner for home use.

The Zoe washing machine, the Oz refrigerator and the Teo cooker are visions of the household appliances of the future, created by Roberto Pezzetta and his team at the Group's design center in Italy. These products feature curved, organic forms and represent an entirely new design language for white goods.

Professional Appliances

- Some improvement in market conditions in Europe
- Continued good performance by laundry equipment
- Income improves for food-service equipment, but remains at low level



***1.** The Group's combi-ovens are manufactured at the Vallenoncello plant in northern Italy, where Laura Pellegrinet is a quality engineer.*

***2.** "Schiphol" is one of the Group's latest open-wall refrigeration cabinets, with outstanding thermal performance and product display facilities.*

***3.** "Clarus® Control" features an advanced microprocessor for control of each stage of the laundering process. A "memory card" enables the user to customize own programs.*

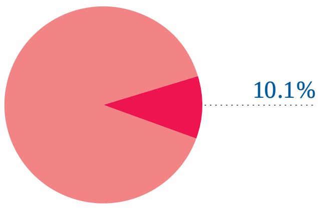
***4.** The new Electrolux range of user-friendly automatic scrubber-driers feature top performance.*

Key data	1997[1]	1996	1995	1994	1993
Net sales, SEKm	11,413	10,869	11,081	10,467	10,531
Operating income, SEKm	290	190	391	397	318
Operating margin, %	2.5	1.7	3.5	3.8	3.0
Net assets, SEKm	3,526	3,901	3,450	3,476	3,975
Return on net assets, %	7.6	4.9	10.5	10.7	7.9
Average number of employees	9,125	9,062	9,379	8,958	9,370
Capital expenditure, SEKm	274	300	364	237	191

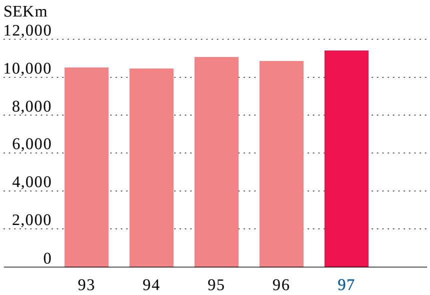
Net sales by product line	1997 SEKm	Share %	1996 SEKm	Share %
Food-service equipment	5,407	47.4	5,107	47.0
Laundry equipment	2,610	22.9	2,435	22.4
Refrigeration equipment	2,316	20.3	2,393[2]	22.0
Cleaning equipment	1,080	9.4	934	8.6
Total	11,413	100.0	10,869	100.0

1) Excluding costs referring to the current restructuring program.
2) Including SEK 350m referring to sales of refrigerators in Brazil, which as of 1997 was transferred to white goods.

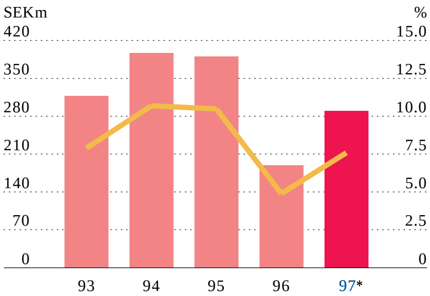
Share of total Group sales



Net sales



Operating income
and return on net assets



Operating income, SEKm
Return on net assets, %
*Excluding costs for restructuring program

Electrolux is the European market leader in food-service equipment, and is the second largest producer in the world. Food-service equipment, including food and beverage vendors, accounts for almost half of sales in this business area.

The Group is also the world market leader in laundry equipment for apartment-house laundry rooms, coin bars, hotels and institutions.

Electrolux is one of the world's largest producers of refrigerators and freezers for food retailers, and of vacuum cleaners and wet/dry cleaners for professional users.

Most sales for this business area are in Europe. In recent years, investments aimed at growth in new markets outside Western Europe and North America have increased.

Operations in 1997

Total demand for food-service equipment in Europe was unchanged from the previous year. There was some improvement in Scandinavia, however, while market conditions remained weak in Germany and neighboring countries. Group sales increased somewhat and operating income improved, but remained at a low level. Good growth in sales and income was reported for food and beverage vendors.

Demand for laundry equipment in Europe improved during the second half of the year. This product line achieved good sales growth, particularly in the Nordic countries and the UK. Somewhat higher sales volumes and lower operating costs led to an improvement in income over last year's good level.

Sales of refrigeration equipment rose in the Nordic countries, The Netherlands and several markets in Eastern Europe. New products enabled the Group to strengthen its market position within growth segments in food distribution. Income for comparable units improved, although from a low level in 1996.

Cleaning equipment also achieved an increase in sales. This product line continued to report weak income, however, mainly due to costs for entering new markets. Income for the American operation improved from last year's low level.

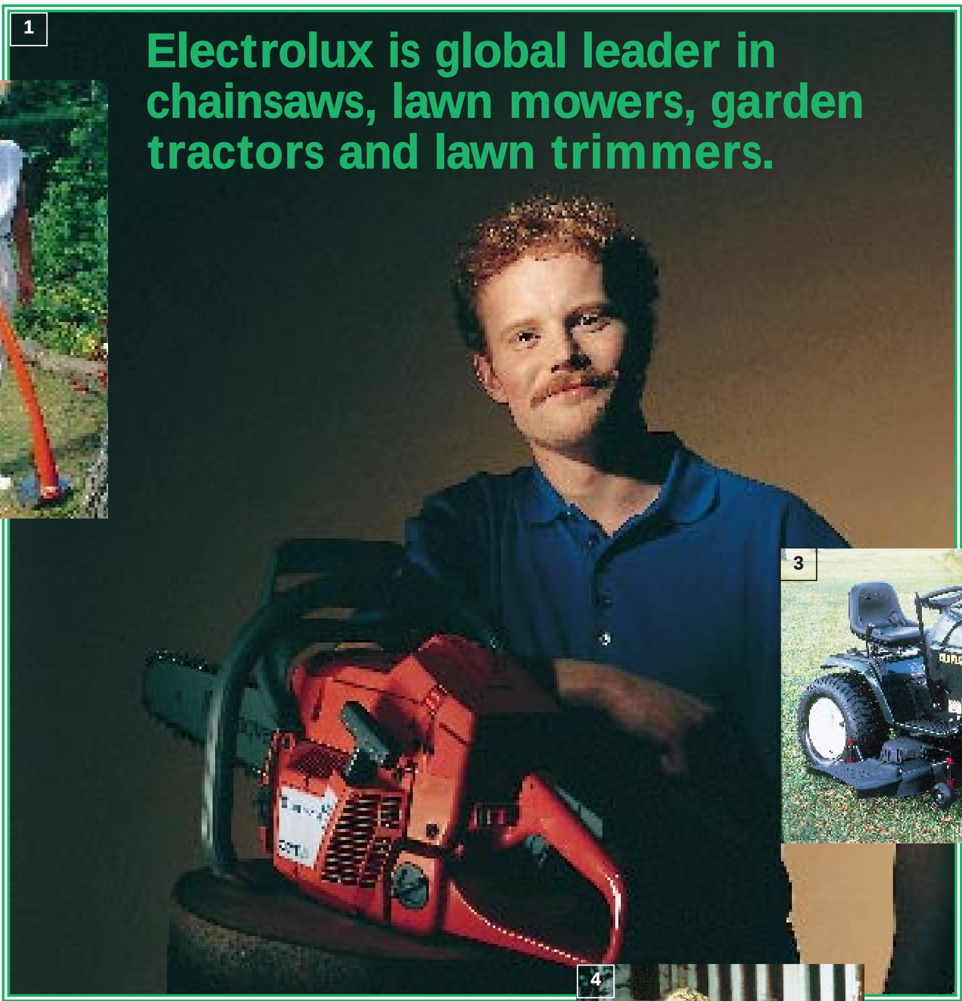
Total operating income and profitability improved for Professional Appliances.

Structural changes

Within the framework of the current restructuring program, it was decided that ten small plants would be closed in Sweden, Finland, France, Austria, the US and Canada, with a total of about 500 employees. The largest of these units is the plant for food-service equipment in Alingsås, Sweden, with about 180 employees.

Outdoor Products

- Husqvarna maintains very good growth in sales and operating income for chainsaws
- Higher income and improved market position for the US operation
- Total demand and sales unchanged for garden equipment in Europe, but income improves
- Agreement on divestment of operation in agricultural implements signed in January, 1998



1. *Fredrik Hallbäck is a laboratory engineer at the plant in Huskvarna, Sweden, where the Group's chainsaws for professional users are produced.*

2. *The Flymo light-weight mini-trimmer features a wrist support and can be operated with one hand.*

3. *Group products sold by the Sears retail chain in the US under the Craftsman brand include this recently launched garden tractor.*

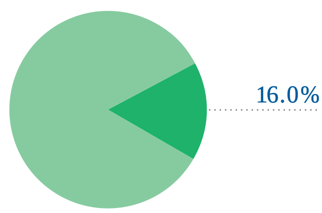
4. *The Group's US subsidiary Frigidaire Home Products launched the market's first cordless leaf-blower in 1997 under the Weed Eater brand.*

Key data	1997[1)]	1996	1995	1994	1993
Net sales, SEKm	18,087	15,061	15,902	15,237	13,638
Operating income, SEKm	1,613	1,295	1,436	1,540	1,317
Operating margin, %	8.9	8.6	9.0	10.1	9.7
Net assets, SEKm	7,034	7,367	7,474	7,460	6,945
Return on net assets, %	21.7	17.8	17.9	19.3	18.7
Average number of employees	9,839	9,396	10,157	9,874	9,170
Capital expenditure, SEKm	637	405	504	467	351

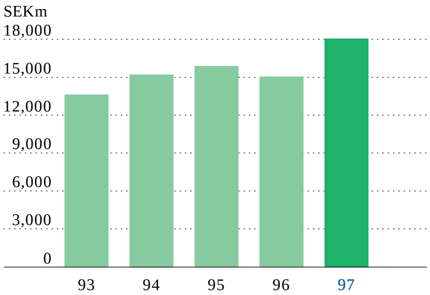
Net sales by product line	1997 SEKm	Share %	1996 SEKm	Share %
Forestry and garden equipment	17,820	98.5	14,817	98.4
Agricultural implements	267	1.5	244	1.6
Total	18,087	100.0	15,061	100.0

1) Excluding costs referring to the current restructuring program.

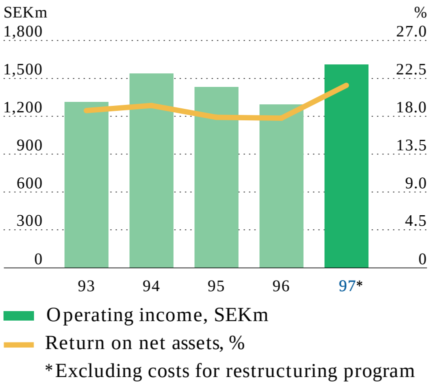
Share of total Group sales



Net sales



Operating income and return on net assets



Electrolux is the world's leading producer of chainsaws, with a global market share of about 40%. The Group is also the world's largest producer of lawn mowers, garden tractors and portable garden equipment such as lawn trimmers and leaf blowers.

Operations are run through Husqvarna and Flymo, with production units in Europe, and Frigidaire Home Products in the US.

Husqvarna's global sales operations comprise a complete range of outdoor products focused on the high end of the market, such as chainsaws for professional users. Flymo concentrates on electric-powered garden equipment for the European market and is the market leader in the UK.

In the US, the Group is the market leader in garden equipment, lawn mowers, trimmers and other portable products, and in light-duty chainsaws for the hobby segment. In 1997 the US operation accounted for more than half of sales in this business area.

Operations in 1997

Demand for professional chainsaws was higher than in the previous year. Husqvarna continued to report strong growth in sales volume and sustained its market position. Operating income improved over the high level of 1996.

Higher demand was also shown in North America for hobby chainsaws, lawn trimmers and blowers. The Group achieved a strong increase in sales on the basis of several new products. Income improved for the North American operation.

Demand for garden equipment in Europe was largely unchanged. There was some improvement in the UK market, however, and Flymo reported somewhat higher sales. Operating income for the European operation in garden equipment improved, mainly as a result of the structural changes made in 1996.

Total operating income and profitability for the Outdoor Products business area were higher than in the previous year.

Husqvarna has developed the world's first hedge trimmer with an exhaust-gas cleaner.

Report by the Board of Directors for 1997

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, is not included in the accounts for the year but is included for 1996. For other changes in Group structure, see page 25.

Exports from Sweden in 1997 amounted to SEK 9,399m (9,661), of which SEK 6,708m (5,984) was to Group subsidiaries. The Swedish plants accounted for 9% (15) of the total value of Group production.

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 22.

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.

Effects of changes in exchange rates

The Swedish krona weakened during the year, in particular against the US dollar and the British pound. According to the TCW Index[1)], the krona weakened during the year by about 3% against the currencies in the countries which are Sweden's major competitors. The strong depreciation of currencies in Southeast Asia during the second half of 1997 did not have any significant effect on Group equity or financial results.

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.

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

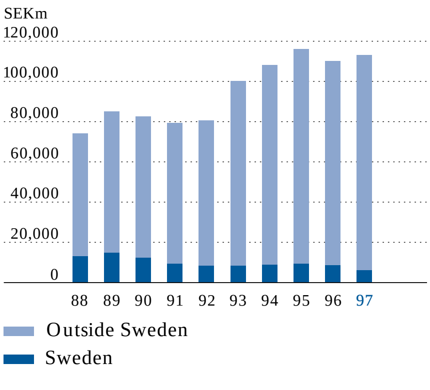
For information on the effects of changes in exchange rates, see page 28.

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 was 7.9% (8.3), and the return on net Group assets was 10.2% (10.0). For definitions of key concepts, see page 50.

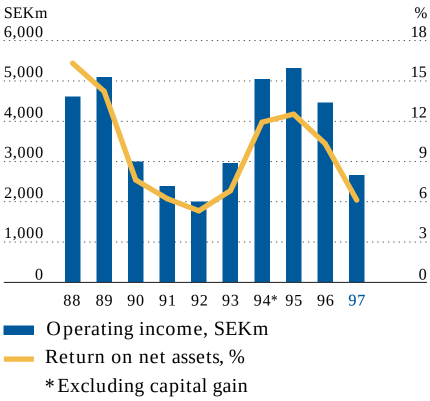
1) The Total Competitiveness Weighted Index shows the value of the krona in relation to currencies in countries that are Sweden's major competitors.

Net sales



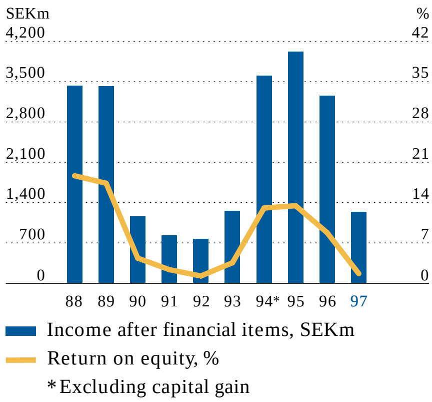
Net sales rose by 5% in 1997 for comparable units, after adjustment for exchange-rate effects.

Operating income and return on net assets



Operating income for 1997 amounted to SEK 4,550m, excluding non-recurring items.

Income and return on equity



Income after financial items for 1997 amounted to SEK 3,128m, excluding non-recurring items.

Net financial items

Short-term interest rates rose during 1997 in the US and the UK, while long-term rates declined in other Western countries. In Europe, interest differentials between countries continued to decrease, mainly because of falling rates in Italy and Spain.

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.

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 income before taxes. Exclusive of the restructuring program, taxes amounted to 41%. The Group's tax burden is adversely affected by the

Net sales and income	1997	1997 excl. non-recurring items[1]	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
Return on equity, %	1.6	7.9	8.3	8.7
Return on net assets, %	6.1	10.2	10.0	10.3
Net debt/equity ratio	0.94	0.86	0.79	0.80
Capital expenditure, SEKm	4,329	4,329	4,424	4,807

Net sales and income per quarter

	1st qtr	2nd qtr	3rd qtr	4th qtr	Full year
Net sales, SEKm					
1997	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 financial items, SEKm					
1997[1]	683	949	750	746	3,128
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, SEKm					
1997[1]	600	985	764	830	3,179
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
Net income per share, SEK					
1997[1]	4.90	7.70	6.20	5.50	24.30
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.

The Group's long-term financial goals

Operating income as % of net sales	6.5–7%
Return on equity	15%
Inventories plus accounts receivable as % of net sales	30%
Net debt/equity ratio	<1.0
Dividend as % of net income	30–50%

Report by the Board of Directors for 1997

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 2)	878	436	325	448	2,087

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.

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 costs referring to 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) after adjustment for exchange-rate effects. The improvement is traceable mainly to a positive change in operating capital.

Summary of cash flow	1997 SEKm	1996 SEKm
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 removal 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 7.

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 rose somewhat 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.

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]	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.

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, although it 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 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.

Equity

Group 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 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 was 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”.

Capital expenditure by business area	1997 SEKm	Share %	1996 SEKm	Share %
Household Appliances	3,349	77.4	3,633	75.6
Professional Appliances	274	6.3	300	6.2
Outdoor Products	637	14.7	405	8.4
Other	69	1.6	469 [1)]	9.8
Total	4,329	100.0	4,807	100.0

1) Approximately SEK 400m of capital expenditure in 1996 referred to Gränges.

The Group’s goal is that the net debt/equity ratio should not exceed 1.0.

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 the above ratios, see page 50.

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.

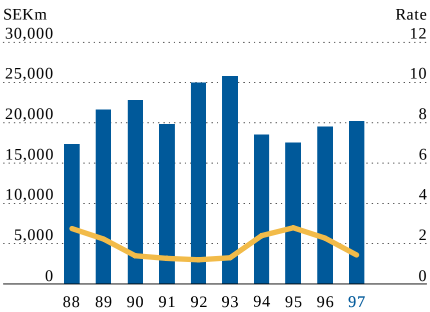
Net assets include assets referring to customer financing in the amount of SEK 2,894m (2,810).

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.

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

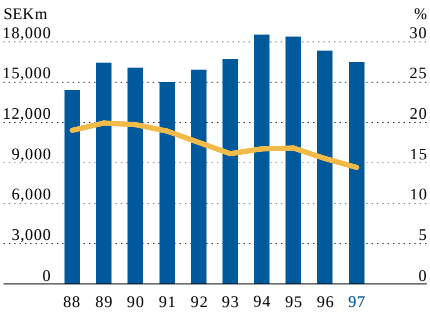
Net borrowings



Interest-bearing liabilities less liquid funds, SEKm
Interest coverage rate

Net borrowings amounted to SEK 20,159m in 1997.

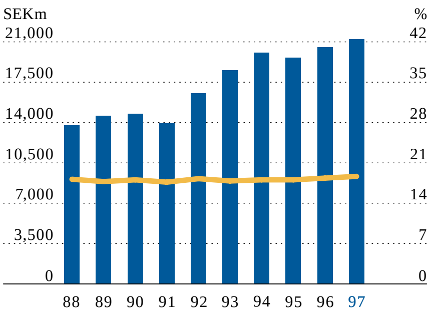
Inventories



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

Inventories declined to 14.4% of net sales in 1997, as against 15.5% in 1996.

Accounts receivable



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

Accounts receivable corresponded to 18.6% of net sales in 1997, as against 18.3% in 1996.

Capital expenditure and R&D costs

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.

Of the major investments authorized during the year, almost 40% referred to plants, of which a large share was in new markets. Investments in IT and communication accounted for about 20% and new products for over 15%.

Costs for research and development in 1997 amounted to SEK 1,585m (1,580), corresponding to 1.4% (1.4) 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.

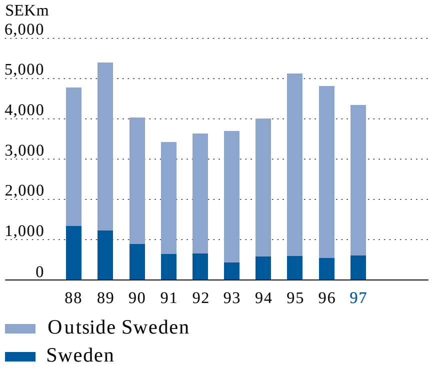
In December, the Group acquired S.C. Samus S.A., the leading producer of cookers in Romania, with annual sales of approximately SEK 150m and 2,200 employees.

Litigation regarding pension liabilities

In April 1997, a trial was 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 divestment by White Consolidated in 1985, the year before White Consolidated was acquired by Electrolux. PBGC is seeking to hold White Consolidated liable for the underfunding in certain pension plans which 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.

Capital expenditure



Capital expenditure in 1997 amounted to SEK 4,329m, corresponding to 3.8% of net sales.

Employees

The average number of Group employees decreased in 1997 to 105,950 (112,140), of whom 10,029 (13,920) in Sweden. At year-end, the Group had 103,000 (110,200) employees.

The decrease in the average number of employees is traceable largely to the fact that Gränges is not included for 1997. Several operations have also been divested.

In 1996, about 6,800 Gränges employees were included, and about 900 in subsequently divested operations.

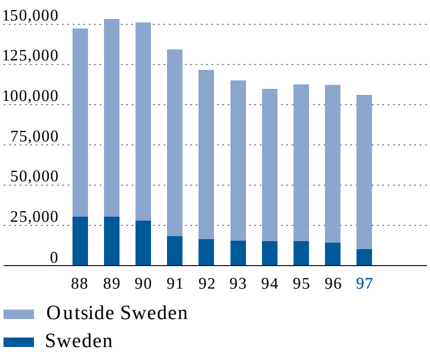
The restructuring program led to personnel reductions of about 3,800 during the second half of 1997.

Of the total average number of employees in 1997, about 10,000 (11,100) were in the Group's direct-sales operation, most of them in Asia.

Information on the number of employees by country and region is given on page 52.

Salaries and remuneration totalled SEK 19,883m (20,249), of which SEK 2,333m (3,063) in Sweden. See also Note 24 on page 42.

Average number of employees



The average number of Group employees declined to 105,950 in 1997, mainly as a result of divestments.

Average number of employees	1997	1996
Average number of employees		
Total	105,950	112,140
Sweden	10,029	13,920
Outside Sweden	95,921	98,220
By business area		
Household Appliances	86,370	85,576
Professional Appliances	9,125	9,062
Outdoor Products	9,839	9,396
Other	616	8,106
Total	105,950	112,140

Approximate values according to US GAAP	1997	1996
Net income, SEKm	877	1,668
Net income per share, SEK	12.00	22.80
Equity, SEKm	20,332	21,763
Total assets, SEKm	82,574	87,949

Earnings and financial position according to US accounting principles (US GAAP)

The table above summarizes the Group's net income and financial position according to US GAAP. Additional information on the significant differences between US and Swedish accounting principles is given in Note 26 on page 45.

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 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).

Net financial exchange-rate differences during the year amounted to SEK –642m (+221), of which SEK –455m (+4) comprised realized exchange losses on loans intended as hedges for equity in subsidiaries, while exchange losses on forward contracts for the same purpose totalled SEK –244m (186).

No effect on Group income is 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.

During the year the Board of Electrolux decided that as of 1998 PRI pensions in the parent company and in Swedish subsidiaries will be secured by an allocation of approximately SEK 1,100m to own pension funds.

Information on the number of employees, salaries and remuneration is given in Note 24, page 42, and on Group holdings in shares and participations in Note 25 on page 43.

Proposed dividend

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

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.

The EMU and the euro

The introduction of the euro will be of great significance for Electrolux, as a large share of Group sales are in countries which will be members of the currency union. The Group has been preparing for the change since the start of 1997, in terms of finance, taxes, legal matters and IT, as well as more strategic marketing issues.

The euro will be gradually phased in as a means of payment within the Group's operations in Europe. The Group will make a decision regarding corporate reporting in the euro after changes are made in the Swedish Companies Act.

The year 2000

Since the beginning of 1996, Electrolux has been working on a solution for problems which may occur in computer systems, electronic components, etc. in connection with the start of the 21st century.

The Group's products and production equipment are being reviewed at present. The Group's IT system has also been mapped, which involves replacement and in some cases modification of existing systems.

Current expectations are that the turn of the century should not involve any major problems for the Group in terms of products or internal systems.

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 criterion for return 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 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.

Financial risk management

The Group's operations involve exposure to various financial risks, including those related to financing, interest rates, exchange rates and credit. A financial policy has been authorized by the Board for managing these risks. Implementation of the policy is continuously monitored and controlled through the Group's central functions, and is reported to the Board.

Various types of financial instruments are used to limit financial risks, including forward contracts and options. The established policy framework also allows trading in currency and interest arbitrage operations to some degree.

Financial risk

Financial 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

Group liquid funds as of December 31, 1997 amounted to SEK 9,834m (13,510), which corresponds to 8.6% (12.1) of sales and 100% (152) of short-term borrowings. In addition, the Group had unutilized credit facilities amounting to SEK 19,244m (21,365) at year-end.

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 may change in connection with large individual transactions and seasonal variations. Net liquidity is defined as liquid funds less short-term borrowings.

Loans raised during the year

During the year the major share of the Group's liquid funds was used for redemption of long-term loans. Borrowings during the year referred mainly to new markets and comprised mainly bank loans.

The Group's interest-bearing borrowings at year-end 1997 amounted to SEK 29,993m (32,954), of which SEK 18,691m (22,432) comprised long-term loans with an average duration of 3.3 years (3.4). Net borrowings, i.e. total interest-bearing liabilities less liquid funds, rose to SEK 20,159m (19,444).

The tables below show long-term borrowings inclusive of swaps and options, which are used to achieve a balance between the different currencies.

The average interest cost for the Group's interest-bearing borrowings was 8.4% (7.7) during 1997. The increase refers largely to a higher proportion of total borrowings for new markets in Eastern Europe and Asia.

The Group's financing policy was adjusted during the year to enable a higher degree of financing with floating interest rates. The maturity profile for net borrowings shall be longer than 2 years.

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.

Interest-rate risk

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

As of December 31, 1997, the Group's total short- and long-term interest-bearing liabilities amounted to SEK 29,993m (32,954), of which the Swedish pension liability in the Pension Registration Institute (PRI) accounted for SEK 1,514m (1,612) for the parent company and Sweden in general.

The fixed-interest term for long-term borrowings was 1.7 years as of December 31, 1997. The fixed-interest term for liquid funds is 126 days.

Derivatives are actively employed to adjust interest-rate exposure, e.g. by extending or abridging the term for fixed rates without adjusting the underlying loans or placements. All figures given above include the effects of derivatives.

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 impact of the coverage on costs, liquidity and taxes.

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 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 below shows the proportions of Group external sales and operating expense in 1997 in the most important currencies.

There was a good currency balance during the year in the USD block. In contrast, there was an imbalance in other currencies, i.e. greater revenues than costs, particularly in currencies within the DEM block, and greater costs than revenues primarily in ITL and SEK.

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, borrowings or deposits. Options and other derivative instruments are also used. Exchange differences arising from short-term commercial receivables and liabilities in foreign currencies are included in operating income.

Maturity dates for long-term borrowings

Year	Amount, SEKm
1998	3,647
1999	3,508
2000	3,310
2001	2,586
2002	1,536
2003	723
Thereafter, until 2007	3,381
Total	18,691

Long-term borrowings, by currency

Currency	Amount, SEKm
USD	9,657
ITL	1,291
FRF	1,417
SEK	253
ESP	1,429
DEM	780
Other	3,864
Total	18,691

Net sales and expense, by currency

Currency	Share of net sales	Share of expense
SEK	5%	10%
USD block[1)]	41%	42%
DEM block[2)]	27%	21%
GBP	6%	4%
ITL	5%	15%
Other	16%	8%
Total	100%	100%

1) Includes currencies in Canada, Hong Kong, Taiwan, Singapore, Oceania and the Latin American countries where the Group operates.

2) Includes currencies in Benelux as well as Denmark, Finland, France and Austria.

The Group's currency policy involves a relatively short period for hedging, normally 1–6 months for the greater part of the flow exposure, which corresponds to the anticipated time for adjustment of prices. For certain flows, particularly for professional products, hedging is arranged for longer periods for specific projects. Decisions are made at appropriate times regarding longer periods for hedging.

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 SEK 117m on operating income for the year relative to 1996.

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 the 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.

During 1997 the total average coverage was 79% (102) before taxes, and was 62% at year-end. A change was made at the end of the year in the previous policy, which stipulated a coverage of between 70% and 140%, i.e. from the level at which the Group's net debt/equity ratio is maintained intact to the level where the effect of exchange-rate fluctuations on equity expressed in Swedish kronor is in principle zero. The change was motivated by the reduced volatility in the currency market following adaptation to the euro. The new policy is being introduced gradually and involves coverage within the framework of the parent company's existing net borrowings, which are distributed in relation to foreign net assets. The degree of coverage will thus be about 50%. Deviations through forward contracts can occur in compliance with a risk mandate that amounts to SEK 300m.

At year-end, forward contracts as hedges for net foreign investment amounted to SEK 4,739m (10,156). SEK 214m of the risk mandate had been utilized.

Net translation differences arising from consolidation of foreign subsidiaries in 1997 amounted to SEK +494m (+271). 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. However, translation losses referring to countries with highly inflationary economies have been charged against operating income. See "Accounting principles" on page 35.

Credit risks

Credit risks within the financial operation arise from financing of sales as well as in the form of credit risks related to 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.

The Group's financial operation

The Electrolux financial operation comprises two fields of activity, i.e. Electrolux Treasury and Electrolux Financial Services. Geographically, the operation is concentrated to Western Europe and North America, and employs about 230 people, of whom about 40 in Stockholm.

Electrolux Treasury

Electrolux Treasury comprises seventeen internal banks that are responsible for the Group's liquidity, borrowings, debt management and payments. The short-term operations of these internal banks are managed from Stockholm, as are long-term financing and the Group's overall currency and interest-rate risk exposure. Activities include active cash management and comprehensive currency trading, primarily in Sweden and Italy. A new unit was established in Singapore during the year, with the task of coordinating liquidity and financing in Asia.

Electrolux Financial Services

Electrolux Financial Services supports the Group's operative units with financial solutions for customers and suppliers, and comprises about fifteen units. This operation covers leasing, financing of projects, particularly for Professional Appliances, and dealer financing in Household Appliances and Outdoor Products. Consumer financing is run mainly in cooperation with established 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.

Consolidated income statement

(SEKm)		1997	1996
Net sales	(Note 2)	113,000	110,000
Cost of goods sold		–81,916	–80,057
Gross operating income		31,084	29,943
Selling expenses		–21,449	–20,025
Administrative expenses		–4,830	–5,269
Other operating income	(Note 3)	149	123
Other operating expense	(Note 4)	–404	–324
Operating income before items affecting comparability		4,550	4,448
Items affecting comparability	(Note 5)	–1,896	–
Operating income	(Notes 2, 6, 24)	2,654	4,448
Interest income	(Note 7)	1,285	1,453
Interest expense	(Note 7)	–2,707	–2,651
Income after financial items		1,232	3,250
Minority interests in income before taxes		51	–218
Income before taxes		1,283	3,032
Taxes	(Note 8)	–931	–1,182
Net income		352	1,850
Net income per share, SEK	(Note 9)	4.80	25.30

Consolidated balance sheet

ASSETS (SEKm)			December 31, 1997		December 31, 1996
Fixed assets					
Intangible assets	(Note 10)		3,517		3,558
Tangible assets	(Note 11)		22,519		24,118
Financial assets	(Note 12)		1,744		1,270
Total fixed assets			27,780		28,946
Current assets					
Inventories, etc.	(Note 13)		16,110		17,138
Current receivables					
Accounts receivable		21,184		20,494	
Other receivables		2,014		2,968	
Prepaid expense and accrued income		2,718	25,916	2,113	25,575
Short-term placements		6,063		10,300	
Cash and bank balances		3,771	9,834	3,210	13,510
Total current assets			51,860		56,223
TOTAL ASSETS			79,640		85,169
Assets pledged	(Note 14)		2,973		2,801

EQUITY AND LIABILITIES (SEKm)			December 31, 1997		December 31, 1996
Equity	(Note 16)				
Share capital	(Note 17)	1,831		1,831	
Statutory reserves		9,716		8,538	
Retained earnings		8,666		10,209	
Net income		352	20,565	1,850	22,428
Minority interests			913		1,952
Provisions					
Provisions for pensions and similar commitments	(Note 19)	6,247		5,974	
Other provisions	(Note 20)	4,656	10,903	3,054	9,028
Financial liabilities					
Long-term bond loans	(Note 21)	7,827		6,002	
Mortgages, promissory notes, etc.	(Note 21)	10,864		16,430	
Short-term loans		9,788	28,479	8,910	31,342
Operating liabilities					
Accounts payable		9,879		9,422	
Tax liability		26		541	
Other liabilities		2,309		3,989	
Accrued expense and prepaid income	(Note 22)	6,566	18,780	6,467	20,419
TOTAL EQUITY AND LIABILITIES			79,640		85,169
Contingent liabilities	(Note 23)		2,083		2,359

Parent company income statement

(SEKm)		1997	1996
Net sales		5,791	5,123
Cost of goods sold		–4,559	–4,135
Gross operating income		1,232	988
Group contributions		1,713	1,441
Selling expenses		–746	–739
Administrative expenses		–736	–611
Other operating income	(Note 3)	45	35
Other operating expense	(Note 4)	–19	–162
Operating income	(Note 24)	1,489	952
Interest income	(Note 7)	2,388	1,766
Interest expense	(Note 7)	–2,257	–1,240
Income after financial items		1,620	1,478
Allocations	(Note 18)	102	–80
Income before taxes		1,722	1,398
Taxes	(Note 8)	–70	–135
Net income		1,652	1,263

Parent company balance sheet

ASSETS (SEKm)			December 31, 1997		December 31, 1996
Fixed assets					
Intangible assets	(Note 10)		73		138
Tangible assets	(Note 11)		784		846
Financial assets	(Note 12)		28,595		26,170
Total fixed assets			29,452		27,154
Current assets					
Inventories, etc.	(Note 13)		482		467
Current receivables					
Receivable from subsidiaries		406		1,142	
Accounts receivable		458		451	
Tax refund claim		42		–	
Other receivables		36		59	
Prepaid expense and accrued income		119	1,061	200	1,852
Short-term placements		2,525		6,217	
Cash and bank balances		634	3,159	357	6,574
Total current assets			4,702		8,893
TOTAL ASSETS			34,154		36,047
Assets pledged	(Note 14)		10		–

EQUITY AND LIABILITIES (SEKm)			December 31, 1997		December 31, 1996
Equity	(Note 16)				
Share capital	(Note 17)	1,831		1,831	
Statutory reserve		2,731		2,731	
Retained earnings		4,106		5,360	
Net income		1,652	10,320	1,263	11,185
Untaxed reserves	(Note 18)		574		676
Provisions					
Provisions for pensions and similar commitments	(Note 19)	848		759	
Other provisions	(Note 20)	156	1,004	144	903
Financial liabilities					
Payable to subsidiaries		4,404		2,448	
Bond loans		10,034		8,711	
Mortgages, promissory notes, etc.		4,189		8,600	
Short-term loans		2,103	20,730	2,084	21,843
Operating liabilities					
Payable to subsidiaries		292		213	
Accounts payable		460		398	
Tax liability		–		45	
Other liabilities		43		75	
Accrued expense and prepaid income	(Note 22)	731	1,526	709	1,440
TOTAL EQUITY AND LIABILITIES			34,154		36,047
Contingent liabilities	(Note 23)		6,042		7,439

Statements of changes in financial position

(SEKm)	Group 1997	Group 1996	Parent company 1997	Parent company 1996
Operations				
Operating income	2,654	4,448	1,489	952
Depreciation according to plan charged against above income	4,255	4,438	280	265
Capital gain/loss included in operating income	–658	–114	–12	152
Provision for restructuring, not affecting liquidity in 1997	1,809	–	–	–
Change in operating assets and liabilities				
Change in accounts receivable	–682	–345	–7	–8
Change in current intra-Group balances	–	–	360	838
Change in inventories	494	1,286	–15	98
Change in other current assets	162	–519	104	–70
Change in current liabilities and provisions	610	–2,311	211	–140
Liquid funds generated by operations	8,644	6,883	2,410	2,087
Investments				
Operations	–968	–1,096	–	–
Divestment of operations	1,061	537	–	–
Shares and participations	34	59	–2,828	–5,099
Long-term notes receivable and accounts receivable	–457	–114	–246	–17
Change in intra-Group balances	–	–	1,485	237
Machinery, buildings, land, construction in progress, etc.	–4,329	–4,807	–175	–207
Other fixed assets	–45	20	4	–2
Income on sales of fixed assets	360	634	2	2
Liquid funds generated by operations, after investments	4,300	2,116	652	–2,999
Financing				
Change in long-term loans	–4,155	–924	–3,191	4,307
Financial items	–1,422	–1,198	131	526
Other				
Taxes paid	–1,920	–1,287	–215	–27
Dividends paid, cash	–915	–915	–915	–915
Change in minority interests	–58	–77	–	–
Exchange-rate differences referring to net liquidity	–384	–62	–	–
Change in net liquid funds*	–4,554	–2,347	–3,538	892
Net liquid funds at beginning of year	4,600	6,947	2,490	1,598
Net liquid funds at year-end	46	4,600	–1,048	2,490

* Net liquidity is defined as liquid funds less short-term borrowings.

Notes to the financial statements

Note 1. ACCOUNTING AND VALUATION PRINCIPLES

General accounting principles

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:

- The new EU-compatible regulations for corporate reporting are applied as of 1997. For Electrolux, this has involved mainly changes in the formats of income statements and balance sheets. The new regulations have not affected the Company's valuation principles.
- In the consolidated income statement, Group interests in associated companies are divided into a share of income before taxes and a share of taxes.
- Advances from customers and advances to suppliers referring to current assets are included in inventories as of 1997. This has involved a change in total assets for 1996. Accounts for previous years have not been adjusted.
- The statement of changes in financial position 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. Changes in balance-sheet items are therefore reported after computation at average 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 50.

Principles applied for consolidation

The consolidated financial statements have been prepared in accordance with Recommendation 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 acquisition value 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 owned 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 1997 the Group comprised 581 (680) operating units, and 448 (536) 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 returning untaxed reserves to equity after deductions for deferred taxes.

Minor investments in associated companies are reported as shares and participations at acquisition cost. During a transitional period, investments in newly established major associated companies can also be reported under shares and participations if it is particularly difficult to access information.

Goodwill

Corporate acquisitions are an important component of the Group's expansion. These acquisitions are often made in competition with other firms whose accounting practices differ from the Swedish, e.g. with respect to goodwill. Goodwill is depreciated over estimated useful life, which is estimated at 40 years for the strategically important acquisitions of Zanussi, White and American Yard Products, and in other cases according to RR1:96. The depreciation according to plan thus computed is charged against operating income.

In accordance with the recommendations of the Swedish Financial Accounting Standards Council for changes in reporting of goodwill in consolidated financial statements, Note 10 reports the effects which would arise if the depreciation schedule for goodwill in the above 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 operating income, as have differences arising from translation of net income at average and year-end rates. Correspondingly, adjustment of the value of fixed assets in these companies for inflation has been included in operating 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 not been charged against Group income, but have been taken directly to equity after deduction of deferred taxes.

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. In most cases, sales of projects are not reported as operating income until the project has been fully invoiced. In certain exceptional cases referring to particularly large projects extending over several accounting years, revenue is recognized while the project is in progress, on condition that revenue can be computed for the part of the project that has been completed and that this contributes to more accurate timing of Group income and expense.

Costs of research and development
These costs are reported on a current basis and in 1997 amounted to SEK 1,585m (1,580). These costs are included in "Cost of goods sold" in the consolidated income statement.

Depreciation on 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.

In certain cases, assets in individual companies have been revalued at the estimated acquisition cost to the Group in connection with preparation of the consolidated balance sheet. Depreciation according to plan on these assets is based on the adjusted value.

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 on real-estate has been written down against the residual value of previous write-ups. 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 only 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
Financial receivables and liabilities in foreign currencies are reported in accordance with Recommendation no. 7 of the Swedish National Accounting Standards Board. This means that such receivables and liabilities are valued at year-end rates. In the parent company, unrealized exchange gains on long-term loans are returned to the income statement under "Allocations" and are reported in the balance sheet under "Untaxed reserves".

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.

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 valued 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 26 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 GROUP SALES AND OPERATING INCOME (SEKm)

	Net sales		Operating income	
	1997	1996	1997	1996
Net sales and operating income, by business area				
Household Appliances	81,419	73,539	2,520	2,455
Professional Appliances	11,413	10,869	290	190
Outdoor Products	18,087	15,061	1,613	1,295
Other	2,081	10,531	127	508
Costs of restructuring	–	–	–2,500	–
Capital gain	–	–	604	–
Total	113,000	110,000	2,654	4,448

Note 3. OTHER OPERATING INCOME (SEKm)

	Group		Parent company	
	1997	1996	1997	1996
Gain on sale of:				
Tangible fixed assets	95	14	–	–
Operations and shares	54	109	45	35
Total	149	123	45	35

Note 4. OTHER OPERATING EXPENSE (SEKm)

	Group		Parent company	
	1997	1996	1997	1996
Loss on sale of:				
Tangible fixed assets	–76	–9	–	–
Operations and shares	–4	–	–19	–162
Shares of income in associated companies	–33	–43	–	–
Depreciation on goodwill	–291	–272	–	–
Total	–404	–324	–19	–162

Note 5. ITEMS AFFECTING COMPARABILITY (SEKm)

	Group
	1997
Costs of restructuring	–2,500
Capital gain	604
Total	–1,896

Note 6. LEASING

In 1997 the Group rented 1.7 million square meters in accordance with operational leasing contracts with average remaining contract periods of 2.6 years. Rental costs amounted to SEK 727m, and contracted future leasing costs to SEK 1,882m.

The Group also has leasing contracts for office equipment on normal commercial terms.

Note 7. INTEREST INCOME AND EXPENSE (SEKm)

	Group		Parent company	
	1997	1996	1997	1996
Interest income				
Interest income and similar income-statement items				
Dividends from subsidiaries	–	–	226	231
Other	1,267	1,436	246	529
Income from other securities and receivables classified as fixed assets				
Dividends from subsidiaries	–	–	1,914	995
Other	18	17	2	11
	1,285	1,453	2,388	1,766
Interest expense				
Interest expense and similar income-statement items				
To subsidiaries	–	–	–239	–180
Other	–2,737	–2,652	–1,376	–1,281
Exchange differences				
On loans and forward contracts as hedges for equity in subsidiaries	–	–	–699	190
On other loans and borrowings, net	30	1	57	31
	–2,707	–2,651	–2,257	–1,240

Premiums on forward contracts intended as hedges for equity in subsidiaries have been amortized as interest in the amount of SEK 8m (145).

In the consolidated accounts, exchange differences in the parent company on loans and forward contracts intended as hedges for equity in subsidiaries have been taken directly to equity after deduction of deferred taxes. The net change in equity is SEK –991m (32).

Group interest income includes income of SEK 224m (217) and interest expense of SEK 210m (205) referring to interest arbitrage transactions. Receivables and liabilities referring to interest arbitrage amounted to SEK 3,924m (3,608) at year-end and have been reported at net value.

Note 8. TAXES (SEKm)

	Group 1997	Group 1996	Parent company 1997	Parent company 1996
Income taxes	–1,315	–1,162	–70	–135
Deferred taxes	421	–62	–	–
Dividend tax	–50	–13	–	–
Minority interests in taxes	18	69	–	–
Group share of taxes in associated companies	–5	–14	–	–
Total	–931	–1,182	–70	–135

As of December 31, 1997 the Group had a tax-loss carry-forward of SEK 5,385m (4,559), which has not been included in computation of deferred taxes.

Nominal and actual tax rates (%)	1997	1996
Corporate tax in Sweden	28.0	28.0
Difference in tax rates for foreign subsidiaries	19.0	14.4
Losses for which deductions have not been made	19.2	7.8
Provision for restructuring	31.9	–
Non-taxable income-statement items, net	4.1	–1.2
Timing differences	3.3	1.3
Utilized tax-loss carry-forwards	–39.9	–5.8
Dividend tax	3.9	0.4
Other	3.0	–5.9
Actual tax rate	72.5	39.0

In 1995 the parent company was informed by the Swedish tax authorities that taxable income would be increased by approximately SEK 1.3 billion, which corresponds to an increase in tax of approximately SEK 350 million, and refers to the fiscal treatment of the result arising from liquidation of a foreign subsidiary. An appeal has been lodged, but the court has not yet rendered its decision. All the experts consulted by Electrolux agree that there is no legal basis for the action by the tax authorities, so that a provision to cover the amount in question is not considered necessary.

Note 9. NET INCOME PER SHARE

	1997	1996
Net income, SEKm	352	1,850
Number of shares in 1997 and 1996: 73,233,916		
Net income per share, SEK	4.80	25.30

Note 10. INTANGIBLE ASSETS (SEKm)

	Group			Parent company
	Leasehold rights, etc.	Goodwill	Total	Brands, etc.
Opening balance	93	3,465	3,558	138
Acquired during the year	80	–47	33	3
Sold during the year	–	–105	–105	–
Depreciation for the year	–11	–291	–302	–68
Exchange-rate differences, etc.	9	324	333	–
Closing balance	171	3,346	3,517	73

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 78m (78), and the residual value of goodwill would be reduced by SEK 794m (716), while equity would decline in a corresponding amount. Depreciation on goodwill is reported under other operating expense.

Note 11. TANGIBLE FIXED ASSETS (SEKm)

	Buildings and land	Machinery and other equipment	Inventories	Construction in progress and advances	Total
Group					
Acquisition costs					
Opening balance	12,812	33,358	4,938	1,348	52,456
Acquired during the year	254	1,420	946	1,709	4,329
Corporate acquisitions/divestments	–1,161	–4,668	–7	–141	–5,977
Transfer of work in progress and advances	304	1,003	298	–1,605	–
Sales, scrapping, etc.	–346	–1,632	–913	–13	–2,904
Exchange differences on opening balances in foreign subsidiaries, etc.	368	1,684	74	112	2,238
Closing balance	12,231	31,165	5,336	1,410	50,142
Accumulated depreciation according to plan					
Opening balance	4,368	21,167	2,803	–	28,338
Depreciation for the year	433	2,768	763	–	3,964
Corporate acquisitions/divestments	–671	–3,192	6	–	–3,857
Sales, scrapping, etc.	–188	–1,500	–525	–	–2,213
Exchange differences on opening balances in foreign subsidiaries, etc.	208	1,137	46	–	1,391
Closing balance	4,150	20,380	3,093	–	27,623
Balance-sheet value	8,081	10,785	2,243	1,410	22,519

Tax assessment value, Swedish Group companies:
Buildings SEK 784m (1,686), land SEK 128m (256).
Accumulated write-ups on land at year-end: SEK 45m (45).

	Buildings and land	Machinery and other equipment	Inventories	Construction in progress and advances	Total
Parent company					
Acquisition costs					
Opening balance	214	1,570	311	68	2,163
Acquired during the year	1	113	40	18	172
Transfer of work in progress and advances	1	61	–	–62	–
Sales, scrapping, etc.	–	–95	–81	–	–176
Closing balance	216	1,649	270	24	2,159
Accumulated depreciation according to plan					
Opening balance	132	961	228	–	1,321
Depreciation for the year	6	171	35	–	212
Sales, scrapping, etc.	–	–84	–74	–	–158
Closing balance	138	1,048	189	–	1,375
Balance-sheet value	78	601	81	24	784

Tax assessment value: buildings SEK 411m (412), land SEK 52m (52).
Undepreciated write-ups on buildings and land: SEK 9m (9).

Note 12. FINANCIAL FIXED ASSETS (SEKm)

	Group		Parent company	
	1997	1996	1997	1996
Participations in associated companies	178	244	–	–
Participations in other companies	280	223	90	82
Shares in subsidiaries	–	–	24,554	23,309
Long-term receivables in subsidiaries	–	–	3,640	2,714
Long-term holdings in securities	238	275	–	–
Other receivables	1,048	528	311	65
Total	1,744	1,270	28,595	26,170

The book value of the parent company's shares and participations in certain subsidiaries has been written down and charged against net income in the amount of SEK 8m (65). A specification of shares and participations is given in Note 25.

Note 13. INVENTORIES (SEKm)

	Group 1997	Group 1996	Parent company 1997	Parent company 1996
Raw materials	4,126	3,138	142	112
Work in progress	847	2,319	23	23
Finished products	11,481	11,877	317	332
Advances to suppliers	102	213	–	–
Advances from customers	–446	–409	–	–
Total	16,110	17,138	482	467

Note 14. ASSETS PLEDGED FOR LIABILITIES TO CREDIT INSTITUTIONS (SEKm)

	Group 1997	Group 1996	Parent company 1997	Parent company 1996
Real-estate mortgages	2,236	2,137	–	–
Corporate mortgages	382	404	–	–
Receivables	84	50	–	–
Inventories	44	22	–	–
Other	227	188	10	–
Total	2,973	2,801	10	–

Note 15. SYNTHETIC OPTIONS FOR SENIOR MANAGEMENT

Of the approximately 150 senior managers who were offered synthetic options in 1993, 112 exercised the right to subscribe these options in January, 1994. A total of 506,000 options were issued, priced according to prevailing market conditions at SEK 35. The strike price is SEK 450, and the options mature in 2001.

At year-end there were 24 (58) owners remaining with total holdings of 110,452 (238,300) options.

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 liability was SEK 20m (15), and net income for the year has been charged with SEK 25m (12).

Note 16. EQUITY (SEKm)

Group	Share capital	Restricted reserves	Retained earnings	Net income	Total
Opening balance	1,831	8,538	10,209	1,850	22,428
Transfer of retained earnings	–	–	1,850	–1,850	–
Dividend payments, cash	–	–	–915	–	–915
Distribution of Gränges AB	–	–	–1,783	–	–1,783
Transfers between restricted and unrestricted equity	–	1,178	–1,178	–	–
Translation differences, etc.	–	–	483	–	483
Net income	–	–	–	352	352
Closing balance	1,831	9,716	8,666	352	20,565

Disposable consolidated earnings amount to SEK 9,018m. No allocation to statutory reserves is required. SEK 2,180m (2,253) referring to the share of equity in timing differences is reported under "Statutory reserve" in the balance sheet. This amount can be transferred to unrestricted reserves but will then be subject to taxation.

Parent company	Share capital	Statutory reserve	Retained earnings	Net income	Total
Opening balance	1,831	2,731	5,360	1,263	11,185
Transfer of retained earnings	–	–	1,263	–1,263	–
Dividend payments, cash			–915	–	–915
Distribution of Gränges AB	–	–	–1,602	–	–1,602
Net income	–	–	–	1,652	1,652
Closing balance	1,831	2,731	4,106	1,652	10,320

Note 17. SHARE CAPITAL AND NUMBER OF SHARES

	Value at par (SEKm)
On December 31, 1997 the share capital comprised the following:	
2,000,000 A-shares, par value SEK 25	50
71,233,916 B-shares, par value SEK 25	1,781
Total	1,831

Note 18. UNTAXED RESERVES, PARENT COMPANY (SEKm)

	Opening balance	Allocations	Closing balance
Tax equalization reserve (L-fund)	25	–6	19
Accumulated depreciation in excess of plan on:			
Brands	134	–66	68
Machinery and equipment	330	–10	320
Buildings	31	0	31
Exchange-rate reserve	–	3	3
Other financial reserves	42	–21	21
Tax allocation reserve	114	–2	112
Total	676	–102	574

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	
	1997	1996	1997	1996
Interest-bearing pensions	1,514	1,612	848	759
Other pensions	1,409	1,862	–	–
Other commitments	3,324	2,500	–	–
Total	6,247	5,974	848	759

Note 20. OTHER PROVISIONS (SEKm)

	Group		Parent company	
	1997	1996	1997	1996
Provision for restructuring	1,809	–	68	–
Guarantee commitments	1,136	994	68	71
Deferred taxes	–	893	–	–
Other	1,711	1,167	20	73
Total	4,656	3,054	156	144

Note 21. INTEREST-BEARING LIABILITIES (SEKm)

	Group	
	1997	1996
Short-term loans	9,788	8,910
Long-term loans	18,691	22,432
Interest-bearing pensions	1,514	1,612
Total	29,993	32,954

Group long-term borrowings by currency:	1997 SEKm	1996 SEKm
USD	9,657	10,647
ITL	1,291	2,874
FRF	1,417	2,156
SEK	253	356
ESP	1,429	1,563
DEM	780	954
Other currencies	3,864	3,882
Total	18,691	22,432

Long-term borrowings mature as follows:	1997 SEKm
1998	3,647
1999	3,508
2000	3,310
2001	2,586
2002	1,536
2003	723
Thereafter, through 2007	3,381
Total	18,691

At year-end 1997 the Group had unutilized credit facilities in the amount of SEK 19,244m (21,365).

Note 22. ACCRUED EXPENSE AND PREPAID INCOME (SEKm)

	Group 1997	Group 1996	Parent company 1997	Parent company 1996
Accrued holiday pay	1,026	1,019	167	156
Other accrued payroll costs	1,151	1,600	118	98
Accrued interest expense	1,435	1,995	293	322
Prepaid income	317	348	6	16
Accrued expense	2,637	1,505	147	117
Total	6,566	6,467	731	709

Note 23. CONTINGENT LIABILITIES (SEKm)

	Group 1997	Group 1996	Parent company 1997	Parent company 1996
Discounted bills	109	102	–	–
Accounts receivable, with recourse	1,529	1,791	–	–
Guarantees and other commitments				
On behalf of subsidiaries	–	–	5,970	7,388
Other	344	331	49	36
Capital value of pension commitments in excess of reported liability	101	135	23	15
Total	2,083	2,359	6,042	7,439

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. EMPLOYEES AND PAYROLL COSTS

The average number of employees in 1997 was 105,950 (112,140), of which 73,031 (78,437) were men and 32,919 (33,703) were women. For specification of number of employees by country, see page 52.

	1997 Salaries and remuneration	1997 Employer contributions	1996 Salaries and remuneration	1996 Employer contributions
Salaries, other remuneration and employer contributions (SEKm)				
Parent company	1,087	563	990	438
(of which pension costs)		(155)		(98)
Subsidiaries	18,796	5,622	19,259	5,736
(of which pension costs)		(415)		(499)
Group total	19,883	6,185	20,249	6,174
(of which pensions costs)		(570)		(597)

	1997 Boards and Presidents	1997 Other employees	1996 Boards and Presidents	1996 Other employees
Salaries and remuneration by geographical area, for Board members, etc. and other employees (SEKm)				
Sweden				
Parent company	9	1,078	9	981
Other	55	1,191	65	2,008
Total Sweden	64	2,269	74	2,989
EU excluding Sweden	165	10,360	187	10,689
Rest of Europe	15	393	13	365
North America	33	4,990	36	4,285
Latin America	15	791	16	783
Asia	24	617	29	646
Africa	1	38	1	30
Oceania	4	104	3	103
Total outside Sweden	257	17,293	285	16,901
Group total	321	19,562	359	19,890

Note 24. (continued)

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

In accordance with the decision by the Annual General Meeting, fees to the Board of Directors were paid in the amount of SEK 2,300,000, comprising SEK 1,000,000 to the Chairman, SEK 300,000 to the Deputy Chairman and SEK 200,000 to each of the other members and deputy members who are not employed by the Group. The Chairman and the Deputy Chairman receive pensions based on their previous employment in the company.

The President and CEO receives a fixed annual salary of SEK 6,600,000 and a bonus of 0.65‰ on income before taxes maximized to 60% of the fixed salary, with a guaranteed bonus for 1997 of SEK 1,350,000. The retirement age for the President is 60. The President is covered by the ITP plan, and in addition is from the age of 60, 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 31–100 times the basic amount, and 32.5% of the portion exceeding 100 times the basic amount. Between 60–65 years of age, an additional pension will be paid amounting to 5% of salary as of the date of retirement up 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, the same pension terms apply according to pension plans or insurance in their country of employment, with the right to receive pensions at 60 years of age at the earliest.

Note 25. SHARES AND PARTICIPATIONS

	Holding, %	Book value, equity method, SEKm
Associated companies		
Atlas Eléctrica, S.A., Costa Rica	20	56
Automatic Minibar System Ltd, UK	50	–11
Cefemo S.A.R.L., France	50	23
Eureka Forbes Ltd, India	40	33
IVG Bulka-Lehel GmbH, Germany	50	0
A/O Khimki Husqvarna, Russia	50	5
MISR Compressor Manufacturing, Co., S.A.E., Egypt	27.7	41
Saudi Arabia Refrig Mfg, Saudi Arabia	49	31
Saudi Italian Industrial Co., Ltd, Saudi Arabia	25	0
		178

	Holding, %	Book value, SEKm
Other companies		
Swedish companies		
AB Tryggve Jansson	49	4
Gotthard Vafab Miljö AB	50	2
Nordwaggon AB	50	9
Foreign companies		
Banca Popolare de Friulia, Italy	0.1	2
Winful J/V, China	5	16
Email Ltd, Australia	5.1	120
Falck Ambiente, S.p.A, Italy	49	2
Finanziaria Industriale Finind, S.p.A., Italy	21.3	12
IDITO, Italy	49	2
Inox Taglio SRL, Italy	10	2
Kotimaiset Kotitalouskoneet Oy, Finland	50	5
Mutual Fund Investment, Deferred compensation program, USA	–	41
Other		63
		280

Note 25. (continued)

		Holding, %
Subsidiaries		
Major Group companies:		
Sweden	AB Gotthard Nilsson	100
	Husqvarna AB	100
Austria	Electrolux Beteiligungs G.m.b.H.	100
	Electrolux Austria G.m.b.H.	100
	Electrolux Systemtechnik G.m.b.H.	100
Belgium	N.V. Zanker, S.A.	100
Brazil	Electrolux Ltda	100
	Electrolux do Brasil S.A.*	91.03
China	Electrolux (China) Co. Ltd	100
	Electrolux Zhongyi (Changsha) Refrigerators Co. Ltd	60
	Zanussi Elettromeccanica Tianjin Compressor Co. Ltd	50
Denmark	Electrolux Holding A/S	100
	Electrolux Hvidvareselskaber A/S	100
	A/S Vestfrost	50
Finland	Oy Electrolux AB	100
France	Electrolux S.A.	100
	UFAM S.A.	100
	Dimelec S.N.C.	100
	Dito-Sama S.A.	100
	Elwa, S.A.	100
Germany	Electrolux Deutschland GmbH	100
	AEG Hausgeräte GmbH	100
	Electrolux Hausgeräte GmbH	100
	FHP Motors GmbH	100
	Electrolux Finanz GmbH	100
	Electrolux Siegen GmbH	100
Hungary	Lehel Hütögepgyar Kft	100
	Electrolux Leisure Appliances Kft	100
India	Maharaja International Ltd	55.81
Italy	Electrolux Zanussi S.p.A.	100
	S.G.T. S.R.L.	100
	Zanussi Elettromeccanica S.p.A.	100
Luxembourg	Electrolux Luxembourg S.A.R.L.	100
	Electrolux Reinsurance (Luxembourg) S.A.	100
Mexico	Mexectro, S.A. de CV	100
Singapore	Electrolux Group Treasury Asia Pacific Ltd	100
Spain	Electrolux España S.A.	100
	Electrolux Electrodomesticos España S.A.	100
	Electrolux Produccion España S.L.	100
Switzerland	Electrolux Holding AG	100
The Netherlands	Electrolux Associated Co. B.V.	100
	Electrolux Holding B.V.	100
	Electrolux Finance B.V.	100
Turkey	Electrolux Dayanikli Tuketim Mamulleri Sanayi VE Ticaret	100
United Kingdom	Electrolux UK Ltd	100
	Electrolux Holdings Ltd	100
	Electrolux Finance, PLC	100
	Emaco Ltd	100
USA	White Consolidated Industries, Inc.	100

* Voting rights in Electrolux do Brasil S.A. are 99.9%.

Note 26. CONSOLIDATED FINANCIAL STATEMENTS ACCORDING TO US GAAP

The consolidated accounts have been prepared in accordance with Swedish accounting standards, which differ in certain significant respects from American accounting principles (US GAAP). The most important differences are described below:

Adjustment for acquisitions

In accordance with Swedish accounting principles, the tax benefit arising from application of tax-loss carry-forwards in acquired companies is deducted by the Group from the current year's tax costs. According to US GAAP, this tax benefit should be booked as a retroactive adjustment of the value of acquired intangible assets.

Pensions

According to the American recommendations for pensions known as FAS 87 (Employers' Accounting for Pensions), computation of the projected benefit obligation and pension costs for the year must take account of such factors as future salary increases and inflation. The computed Swedish provision for PRI pensions is not adjusted for future salary increases, but this is offset by the lower discounting rate applied for computation of the provisions for PRI pensions in comparison with FAS 87. The initial difference arising from the first application of FAS 87 is amortized over the future average employment period, so that the effect on net income is insignificant.

Securities

According to Swedish accounting principles, holdings of debt and equity securities should be reported according to the lowest-value principle. According to FAS 115 (Accounting for Certain Investments in Debt and Equity Securities), these holdings should be classified with respect to intention, i.e. if they are to be traded, if they are to be retained until maturity, or if they are in an intermediate category. Valuation and reporting of income differ according to the classification of the securities. For Electrolux, this means that certain securities must be reported at market value in the balance sheet, while the difference between market and acquisition value must be taken directly to equity, according to US GAAP. In connection with the sale of these securities, the change in value previously reported directly against equity is reported in the income statement.

Deferred taxes

Taxation and financial reporting are affected during different periods by certain items. Electrolux reports deferred taxes on the most important timing differences, which refer mainly to untaxed reserves, with due consideration in certain cases for the future fiscal effects of tax-loss carry-forwards. US GAAP requires reporting of fiscal effects for all significant differences and tax-loss carry-forwards, with the proviso that deferred tax assets may be reported only if it is probable that the tax benefit will be utilized.

Timing differences

According to Swedish accounting principles, provisions for costs referring to a shutdown are booked when the decision is made to shut down the plant. US GAAP rules require meeting additional criteria before provisions can be made for severance pay and other costs related to shutdowns. Therefore, compliance with US GAAP requires that provisions for these and similar costs be made at a later date.

Write-ups on assets

In certain situations, Swedish accounting principles permit write-ups of fixed assets in excess of acquisition cost. This does not normally accord with US GAAP.

Distribution of Gränges

In accordance with the decision by the Annual General Meeting in April 1997, all shares in Gränges AB were distributed to Electrolux shareholders on May 20, 1997. In accordance with Swedish accounting principles, Gränges has been removed from the Group's financial statements for 1997, but is included in the comparative figures for 1996.

According to US GAAP, Gränges should be included in the Group's balance sheet and income statement up to the date that the decision to distribute the shares was made, and should be reported in the income statement as a divested operation. Gränges is not included in the Group's net sales for 1997, but is included for 1996 in the amount of SEK 8,444 m.

Note 26. (continued)

APPLICATION OF US GAAP WOULD HAVE THE FOLLOWING APPROXIMATE EFFECTS ON CONSOLIDATED NET INCOME, EQUITY AND THE BALANCE SHEET:

A. Consolidated net income (SEKm)

	1997	1996
Net income as reported in the consolidated income statement	352	1,850
Adjustments before taxes:		
Acquisitions	6	–71
Timing differences	669	–315
Other	19	–3
Taxes on above adjustments	–191	149
Other taxes	–39	58
Gränges AB	–	–206
Approximate net income according to US GAAP, excluding divested operation	816	1,462
Divested operation	61	206
Approximate net income according to US GAAP	877	1,668
Approximate net income per share in SEK according to US GAAP, excluding divested operation	11.10	20.00
Approximate net income per share in SEK according to US GAAP (no. of shares in 1997 and 1996 = 73,233,916)	12.00	22.80

B. Equity (SEKm)

	1997	1996
Equity as reported in the consolidated balance sheet	20,565	22,428
Adjustments:		
Revaluation of fixed assets	–45	–45
Acquisitions	–1,090	–1,074
Pensions	–127	–244
Securities	123	187
Timing differences	971	330
Taxes on the above adjustments	–247	–55
Other taxes	182	236
Approximate equity according to US GAAP	20,332	21,763

C. 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	
	1997	1996	1997	1996
Intangible assets	3,517	3,558	2,546	2,624
Tangible assets	22,519	24,118	22,442	24,037
Financial assets	1,744	1,270	1,876	1,457
Current assets	51,860	56,223	55,710	59,831
Total assets	79,640	85,169	82,574	87,949
Equity	20,565	22,428	20,332	21,763
Minority interests	913	1,952	913	1,952
Provisions for deferred taxes	–	893	–	712
Provisions for pensions and similar commitments	6,247	5,974	6,461	6,322
Other provisions	4,656	2,161	3,685	1,831
Financial liabilities	28,479	31,342	32,403	34,950
Operating liabilities	18,780	20,419	18,780	20,419
Total liabilities and equity	79,640	85,169	82,574	87,949

Proposed distribution of earnings

According to the consolidated financial statements, the Group's unappropriated earnings amount to SEK 9,018m. No allocation to restricted equity is required.

	Thousands of kronor
The Board of Directors and the President propose that net income for the year	1,652,666
and retained earnings	4,105,625
totalling	5,758,291
be distributed as follows:	
A dividend of SEK 12.50	
to each shareholder, totalling	915,424
To be carried forward	4,842,867
Total	5,758,291

Stockholm, March 10, 1998

ANDERS SCHARP
Chairman of the Board

GÖSTA BYSTEDT
Deputy Chairman

PEGGY BRUZELIUS
HANS ELFVING
LOUIS R. HUGHES
ROLAND MÖRK

CLAES DAHLBÄCK
THOMAS HALVORSEN
INGEMAR LARSSON
STEFAN PERSSON

MICHAEL TRESCHOW
President

Auditors' report

To the Annual General Meeting of the shareholders
of AB Electrolux (Reg. no. 556009-4187)

We have audited the parent company and the consolidated financial statements, the accounts and the administration of the Board of Directors and the President of AB Electrolux for the 12-month period ending December, 1997. 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 financial statements 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. 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 financial statements. We examined significant decisions, actions taken and circumstances of the Company in order to be able to determine the possible liability to the Company of any Board member or the President or whether they have in some 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.

In our opinion, the parent company and the consolidated financial statements have been prepared in accordance with the Annual Accounts Act, and, consequently we recommend

that the income statements and the balance sheets of the Parent Company and the Group be adopted, and

that the profit of the Parent Company be dealt with in accordance with the proposal in the Administration Report.

In our opinion, the Board members and the President have not committed any act or been guilty of any omission which could give rise to any liability to the Company. We therefore recommend

that the members of the Board of Directors and the President be discharged from liability for the financial year.

Stockholm, March 10, 1998

Ernst & Young AB

GUNNAR WIDHAGEN
Authorized Public Accountant

Statement of added value

Added value represents the contribution made by a company's production, i.e. the increase in value arising from manufacture, handling, etc. within the company. It is defined as sales revenues less the costs of purchased goods and services.

Sales revenues for the Electrolux Group in 1997 totalled SEK 113,000m (110,000). After deduction of purchases of goods and services, the value added by the Group amounted to SEK 32,977m (35,309), a decrease of 7% (–4) from the previous year. The decrease refers mainly to the provision for the restructuring program. During the past five years, added value has increased at an average annual rate of 4.5% (5.8).

In 1997, SEK 3,628m (5,536) of the value added remained within the Group and was utilized among other things for capital expenditure as well as product development and marketing. Dividend payments to shareholders accounted for 3% (3) of added value in 1997, or 4% (3) of the Group's total payroll costs.

The added value generated within the Group over the past two years and its distribution are shown in the tables below.

CALCULATION OF ADDED VALUE	1997 SEKm	%	1997 per employee, SEK '000	1996 SEKm	%
Total revenues	113,000	100	1,067	110,000	100
Cost of purchased goods and services	–80,023	–71	–756	–74,691	–68
Added value	32,977	29	311	35,309	32

DISTRIBUTION OF ADDED VALUE	1997 SEKm	%	1997 per employee, SEK '000	1996 SEKm	%
To employees					
Salaries	19,883	60	188	20,249	58
Employer contributions	6,185	19	58	6,174	17
	26,068	79	246	26,423	75
To State and municipalities					
Taxes	944	3	9	1,237	3
To credit institutions					
Interest, etc.	1,422	4	13	1,198	3
To shareholders					
Dividend payments (1997: Proposed)	915	3	9	915	3
	3,281	10	31	3,350	9
Retained in the Group					
For wear on fixed assets (depreciation)	4,255	13	40	4,438	13
Other	–627	–2	–6	1,098	3
	3,628	11	34	5,536	16
Added value	32,977	100	311	35,309	100

Eleven-year review

Amounts in SEKm unless otherwise indicated	1997	1996	1995	1994	1993	1992
Net sales and income						
Net sales	113,000	110,000	115,800	108,004	100,121	80,436
Income [1]	2,654	4,448	5,311	5,034	2,945	1,992
Income after financial items [1]	1,232	3,250	4,016	3,595	1,250	758
Net income [1] [2] [3]	352	1,850	2,748	2,195	584	183
Financial position						
Total assets	79,640	85,169	83,156	84,183	77,647	71,618
Net assets [2] [3] [10]	41,637	43,824	39,422	39,477	42,568	41,728
Accounts receivable	21,184	20,494	19,602	20,015	18,522	16,509
Inventories	16,454	17,334	18,359	18,514	16,698	15,883
Equity [2] [3]	20,565	22,428	21,304	20,465	16,853	16,772
Data per share, SEK						
Net income [1] [2] [3]	4.80	25.30	37.50	30.00	8.00	2.50
Net income according to US GAAP [4]	12.00	22.80	39.80	77.20	5.10	2.60
Equity [2] [3]	281	306	291	279	230	229
Dividend, adjusted for share issues [5]	12.50	12.50	12.50	12.50	6.25	6.25
Trading price of B-shares at year-end [7]	551	396	272.50	377	284	238
Key ratios						
Return on equity, % [1] [2] [3]	1.6	8.7	13.4	13.0	3.5	1.2
Return on net assets, % [1] [2] [3] [10]	6.1	10.3	12.5	11.9	6.8	5.3
Net assets as % of net sales [2] [3] [6] [8] [10]	36.5	39.1	36.1	35.6	40.9	46.1
Accounts receivable as % of net sales [6] [8]	18.6	18.3	18.0	18.0	17.8	18.2
Inventories as % of net sales [6] [8]	14.4	15.5	16.8	16.7	16.1	17.5
Net debt/equity [10]	0.94	0.80	0.80	0.88	1.49	1.49
Interest coverage rate	1.42	2.26	2.77	2.38	1.28	1.18
Equity/assets ratio, % [2] [3] [10]	30.8	33.8	31.8	29.5	24.9	26.4
Dividend as % of equity [2] [3] [5]	4.4	4.1	4.3	4.5	2.7	2.7
Other data						
Gross capital expenditure						
on real estate, equipment and tools [9]	4,450	7,088	5,238	7,537	3,727	3,737
exclusive of opening value in acquisitions during the year [9]	4,329	4,807	5,115	3,998	3,682	3,623
Capital expenditure as % of sales	3.8	4.4	4.4	3.7	3.7	4.5
Average number of employees	105,950	112,140	112,300	109,470	114,700	121,200
Salaries and remuneration	19,882	20,249	20,788	19,431	18,691	15,902
Number of shareholders	45,660	48,300	54,600	55,400	65,700	68,100

Definitions

CAPITAL INDICATORS

Net liquidity
Liquid funds less short-term borrowings.

Net assets
Total assets exclusive of liquid funds, less non-interest-bearing liabilities and provisions.

Adjusted total assets
Total assets less liquid funds.

Total adjusted equity
Equity, including minority interests.

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 26.

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.

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.

1991	1990	1989	1988	1987	Average growth rate, % 5 years	10 years
79,027	82,434	84,919	73,960	67,430	7.0	5.3
2,382	2,992	5,085	4,595	4,053	–	–
825	1,153	3,412	3,425	2,888	–	–
377	741	2,579	2,371	–	–	–
62,329	65,793	63,298	56,840	48,470	2.1	5.1
35,521	39,347	38,623	30,863	24,804	–0.0	5.3
13,893	14,707	14,547	13,728	12,183	5.1	5.7
14,955	16,042	16,409	14,359	12,169	0.7	3.1
15,758	16,565	17,025	14,873	11,941	4.2	5.6
5.20	10.10	35.20	32.30	20.60	–	–
5.50	11.20	31.20	28.60	25.00	–	–
215	226	232	203	164	4.2	5.5
12.50	12.50	12.50	11.50	10.00	14.9	2.3
218	160	280	293	193	18.3	11.1
2.3	4.3	17.3	18.6	12.9		
6.2	7.6	14.2	16.3	15.3		
45.0	48.6	46.9	40.7	36.8		
17.6	18.0	17.7	18.1	18.1		
18.9	19.7	19.9	19.0	18.0		
1.25	1.38	1.25	1.22	1.06		
1.25	1.38	2.21	2.73	2.53		
28.0	27.2	28.7	28.1	26.1		
5.8	5.5	5.3	5.6	6.0		
3,704	4,444	6,237	5,292	3,788		
3,414	4,018	5,389	4,772	3,485	3.6	2.2
4.3	4.9	6.3	6.5	5.2		
134,200	150,900	152,900	147,200	140,500	–2.7	–2.8
15,507	17,213	17,458	15,257	14,427	4.6	3.3
70,000	74,000	68,000	70,000	70,000		

1) 1994: Exclusive of capital gain on Autoliv.
2) As of 1988, allocations and untaxed reserves are reported in accordance with Recommendation no. RR 1:96 of the Swedish Financial Accounting Standards Council, i.e. distributed as deferred taxes and equity.
3) 1988 and previously: Computed after 50% tax on allocations and untaxed reserves.
4) Adjusted in connection with introduction of FAS 106 and 109 in 1993.
5) 1997: 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.
10) As of 1993, minority interests are included in adjusted equity.

Return on equity
Net income expressed as a percentage of opening equity. For 1988 and previous years, this ratio is computed as income after financial items less minority interests and 50% standard tax, expressed as a percentage of adjusted 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.

Net sales and average number of employees, by country

EU	1997 Net sales, SEKm	1997 % of Group total	1996 Net sales, SEKm	1996 % of Group total	1997 Number of employees	1996 Number of employees
Germany	14,705	13.0	16,090	14.6	10,601	11,405
UK	7,088	6.3	7,491	6.8	4,909	6,430
Italy	5,943	5.3	5,574	5.1	13,306	13,340
France	5,887	5.2	6,301	5.7	2,897	3,198
Sweden	5,878	5.2	8,346	7.6	10,029	13,920
Spain	3,010	2.7	2,904	2.6	3,684	3,686
The Netherlands	2,267	2.0	2,576	2.3	727	1,049
Denmark	2,256	2.0	2,632	2.4	3,076	3,065
Finland	1,588	1.4	1,612	1.5	724	895
Belgium	1,460	1.3	1,455	1.3	354	387
Austria	1,412	1.3	1,398	1.3	1,109	1,244
Ireland	494	0.4	412	0.4	86	80
Greece	403	0.4	390	0.4	82	81
Portugal	380	0.3	347	0.3	89	98
Luxembourg	135	0.1	122	0.1	261	600
Total	52,906	46.9	57,650	52.4	51,934	59,478

REST OF EUROPE	1997 Net sales, SEKm	1997 % of Group total	1996 Net sales, SEKm	1996 % of Group total	1997 Number of employees	1996 Number of employees
Switzerland	2,046	1.8	2,430	2.2	1,266	1,374
Norway	1,798	1.6	1,703	1.6	794	928
Russia	860	0.8	425	0.4	124	149
Poland	806	0.7	798	0.7	183	323
Turkey	672	0.6	306	0.3	187	95
Czech Republic	661	0.6	560	0.5	292	257
Hungary	568	0.5	577	0.5	3,920	3,548
Baltic nations	336	0.3	245	0.2	137	126
Romania	149	0.1	130	0.1	31	28
Slovakia	145	0.1	111	0.1	215	26
Slovenia	119	0.1	94	0.1	38	34
Bulgaria	55	0.1	63	0.1	23	20
Other	317	0.2	253	0.2	34	15
Total	8,532	7.5	7,695	7.0	7,244	6,923
Total EUROPE	61,438	54.4	65,345	59.4	59,178	66,401

NORTH AMERICA	1997 Net sales, SEKm	1997 % of Group total	1996 Net sales, SEKm	1996 % of Group total	1997 Number of employees	1996 Number of employees
USA	32,422	28.7	27,381	24.9	22,823	22,716
Canada	3,306	2.9	2,489	2.3	1,089	1,050
Total	35,728	31.6	29,870	27.2	23,912	23,766

LATIN AMERICA	1997 Net sales, SEKm	1997 % of Group total	1996 Net sales, SEKm	1996 % of Group total	1997 Number of employees	1996 Number of employees
Brazil	5,696	5.0	5,341	4.8	5,539	4,965
Argentina	528	0.5	296	0.3	80	51
Mexico	452	0.4	215	0.2	1,051	1,617
Paraguay	139	0.1	123	0.1	429	446
Colombia	135	0.1	96	0.1	653	673
Venezuela	114	0.1	40	0.0	256	240
Chile	97	0.1	89	0.1	193	317
Peru	82	0.1	60	0.1	718	618
Ecuador	63	0.1	41	0.0	232	240
Uruguay	41	0.0	65	0.1	–	–
Other	677	0.6	644	0.6	576	83
Total	8,024	7.1	7,010	6.4	9,727	9,250

ASIA	1997 Net sales, SEKm	1997 % of Group total	1996 Net sales, SEKm	1996 % of Group total	1997 Number of employees	1996 Number of employees
Far East						
Japan	1,029	0.9	1,099	1.0	856	889
China	677	0.6	808	0.7	2,535	1,919
Thailand	668	0.6	800	0.7	2,704	2,778
Indonesia	489	0.4	438	0.4	2,692	2,834
Malaysia	456	0.4	423	0.4	1,079	1,226
India	327	0.3	81	0.1	1,076	689
Hong Kong	291	0.3	269	0.2	145	137
South Korea	202	0.2	225	0.2	95	113
Taiwan	168	0.2	182	0.1	256	326
Singapore	156	0.1	148	0.1	150	218
The Philippines	64	0.1	92	0.1	457	491
Vietnam	42	0.0	59	0.1	–	–
Other	62	0.0	46	0.1	69	72
Total	4,631	4.1	4,670	4.2	12,114	11,692
Middle East						
Saudi Arabia	252	0.2	304	0.3	–	–
United Arab Emirates	170	0.2	151	0.1	–	–
Lebanon	107	0.1	93	0.1	–	–
Kuwait	62	0.1	69	0.1	–	–
Iran	48	0.0	57	0.0	–	–
Other	310	0.1	306	0.3	–	–
Total	949	0.7	980	0.9	–	–
Total ASIA	5,580	4.8	5,650	5.1	12,114	11,692

AFRICA	1997 Net sales, SEKm	1997 % of Group total	1996 Net sales, SEKm	1996 % of Group total	1997 Number of employees	1996 Number of employees
Egypt	335	0.3	376	0.3	–	–
South Africa	322	0.3	273	0.2	408	346
Algeria	59	0.1	59	0.1	–	–
Tunisia	59	0.1	53	0.1	26	26
Other	370	0.3	283	0.2	–	–
Total	1,145	1.1	1,044	0.9	434	372

OCEANIA	1997 Net sales, SEKm	1997 % of Group total	1996 Net sales, SEKm	1996 % of Group total	1997 Number of employees	1996 Number of employees
Australia	842	0.8	833	0.8	493	552
New Zealand	209	0.2	219	0.2	92	107
Other	34	0.0	29	0.0	–	–
Total	1,085	1.0	1,081	1.0	585	659

GROUP TOTAL	1997 1) Net sales, SEKm	1996 1) 2) Net sales, SEKm	1997 Number of employees	1996 2) Number of employees
	113,000	110,000	105,950	112,140

1) Sales by country receiving products.

2) Gränges is included in the figures for 1996.

Board of Directors

MEMBERS OF THE BOARD

Anders Scharp

Chairman of the Board

Born 1934, M. Eng. Board Chairman: Atlas Copco AB, Incentive AB, Saab AB, Scania AB, AB SKF, Swedish Employers' Confederation (SAF). Deputy Chairman: Investor AB. Board Member: Email Ltd (Australia), Federation of Swedish Industries. Elected 1980.

Shareholding in AB Electrolux: 54,666 shares.

Gösta Bystedt

Deputy Chairman

Born 1929, M. Eng., M. Econ. Board Chairman: Kalmar Industries AB. Deputy Chairman: Axel Johnson AB. Board Member: Atlas Copco AB, Federation of Swedish Industries, AB SKF. Elected 1969.

Shareholding in AB Electrolux: 67,759 shares.

Peggy Bruzelius

Born 1949, M. Econ. Executive Vice-President, S-E-Banken until year-end, 1997. Board Member: Swedish Trade Council. Member of Industry and Commerce Stock Exchange Committee. Elected 1996.

Shareholding in AB Electrolux: 500 shares.

Claes Dahlbäck

Born 1947, M. Econ. President, Investor AB. Board Chairman: Stora Kopparbergs Bergslags AB, Vin & Sprit AB. Deputy Chairman: S-E-Banken. Board Member: AB Astra, Incentive AB. Elected 1983.

Shareholding in AB Electrolux: 500 shares.

Thomas Halvorsen

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

Shareholding in AB Electrolux: 0 shares.

Louis R. Hughes

Born 1949, BS M.Eng., MBA. President, General Motors International Operations, Glattbrugg, Switzerland. Executive Vice-President, General Motors Corporation, Detroit, Michigan, USA. Board Chairman: European Council of American Chambers of Commerce, Saab Automobile AB, Swiss-American Chamber of Commerce. Board Member: Deutsche Bank AG. Elected: 1996.

Shareholding in AB Electrolux: 0 shares.

Stefan Persson

Born 1947. President and CEO, H&M Hennes & Mauritz AB. Board Member: Ingka Holding B.V. (IKEA), S-E-Banken Försäkring. Elected 1994.

Shareholding in AB Electrolux: 1,500 shares.

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, Parker Hannifin Corporation, USA. Elected 1997.

Shareholding in AB Electrolux: 6,000 shares.

DEPUTY MEMBER

Lennart Ribohn

Born 1943, B.A. Senior Executive Vice-President, AB Electrolux. Board Member: SEB Fonder AB. Elected 1991.

Shareholding in AB Electrolux: 45,944 shares and 21,650 share options.

EMPLOYEE REPRESENTATIVES

Hans Elfving
Born 1941. Representative of the Federation of Salaried Employees in Industry and Services. Elected 1993.

Shareholding in AB Electrolux: 117 shares.

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

Shareholding in AB Electrolux: 0 shares.

Roland Mörk
Born 1938. Representative of the Swedish Confederation of Trade Unions. Elected 1988.

Shareholding in AB Electrolux: 0 shares.

DEPUTY MEMBERS

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

Shareholding in AB Electrolux: 100 shares.

Bert Gustafsson
Born 1951. Representative of the Federation of Salaried Employees in Industry and Services. Elected 1997.

Shareholding in AB Electrolux: 0 shares.

Gunnar Jansson
Born 1954. Representative of the Swedish Confederation of Trade Unions. Elected 1996.

Shareholding in AB Electrolux: 0 shares.

HONORARY CHAIRMAN OF THE BOARD

Hans Werthén
Born 1919, M. Eng., Hon. Tech. D.
At the Annual General Meeting in 1991, Hans Werthén relinquished his positions in AB Electrolux and was named Honorary Chairman of the Board. He was President of AB Electrolux 1967–1974, and Chairman of the Board 1975–1991.

Group organization

Michael Treschow
President and CEO
Born 1943, M. Eng. Employed by Atlas Copco AB 1975–1997, as President and CEO 1991–1997. Joined Electrolux officially at the Annual General Meeting on April 29, 1997.

Shareholding in Electrolux: 6,000 shares.

Johan Bygge
Head of Group staff Controlling, Accounting, Auditing, IT
Born 1956, M. Econ. Project Manager and Deputy Group Controller, Telefonaktiebolaget LM Ericsson 1983, head of Cash Management 1986. Group Controller in AB Electrolux 1987, Senior Vice-President Group Controller 1994. Senior Vice-President Group Controlling, Administration and Information Technology 1996.

Shareholding in AB Electrolux: 300 shares.

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. Senior Vice-President Group Treasurer AB Electrolux 1981.

Shareholding in AB Electrolux: 5,000 shares and 5,000 options.

Lars Göran Johansson
Head of Group staff Communication and Public Affairs
Born 1954. M. Econ. Project Manager at consulting company KREAB 1978, President 1985. Led campaign for "Yes to Europe" 1992. Senior Vice-President Communication and Public Affairs AB Electrolux 1995.

Shareholding in AB Electrolux: 0 shares.

Ulf Magnusson
Head of Group staff Legal
Born 1934. B. of Law. Employed at Gränges AB 1964, General Counsel 1967–1981. Senior Vice-President and General Counsel AB Electrolux 1981.

Shareholding in AB Electrolux: 0 shares.

Michael Regan
Head of Group staff Organizational Development and Management Resources
Born 1949. B.A. Personnel Director white-goods division Thorn EMI, UK 1985. Director Human Resources and responsible for Corporate Communications Electrolux UK 1988. Director Human Resources Operations for Europe 1995. Senior Vice-President Organizational Development and Management Resources 1997.

Shareholding in AB Electrolux: 0 shares.

In May, 1997 the Electrolux organization was changed and now comprises six operating sectors instead of fifteen product lines that reported directly, and the number of staff functions was reduced from twelve to five. The change has not affected external reporting, which is still based on product lines and business areas.

President and CEO

Technology Environment Quality

Communication and Public Affairs

Legal

Controlling, Accounting, Auditing, IT

Treasury

Organizational Development and Management Resources

White goods Europe

White goods and Outdoor products North America

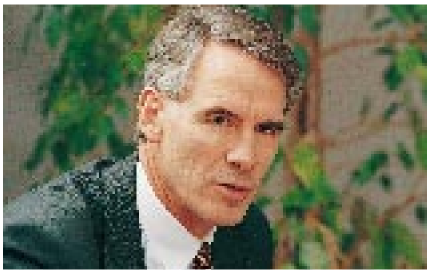
New markets, Components, Direct sales

Professional appliances

Outdoor products

Floor-care, Leisure and Complementary products

Staffs
Business sectors
Advisory to President and Group management in respective areas



Bengt Andersson

Head of business sector Outdoor products

Born 1944, Degree in Mechanical Engineering. 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.

Shareholding in Electrolux: 400 shares.

Hans G. Bäckman

Head of business sector Floor-care, Leisure and Complementary products

Born 1936, M. Eng. Divisional Manager of Husqvarna AB 1977, Product-line Manager forestry and garden equipment 1983, Executive Vice-President AB Electrolux since 1988. President Frigidaire Company, USA, Product-line Manager for forestry and garden equipment in North America 1991.

Shareholding in AB Electrolux: 21,700 shares and 21,650 options.

Robert E. Cook

Head of business sector White goods and Outdoor products North America

Born 1943, Graduate in Law, Denver College, Colorado, USA. President Roper Corporation, USA 1985 and American Yard Products, USA, 1988. President Frigidaire Home Products, 1997. Executive Vice-President AB Electrolux 1997.

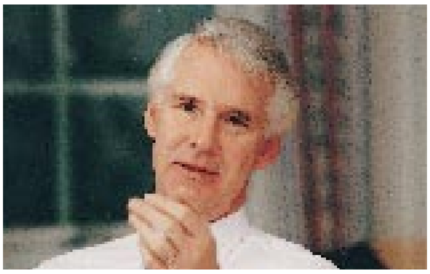
Shareholding in AB Electrolux: 10,825 options.

MatsOla Palm

Head of business sector White goods Europe

Born 1941. Employed at IBM 1966–1978 and Volvo Group 1979–1995, most recently as head of Volvo North America 1992–1995. Joined Electrolux as head of sales and marketing for white goods in Europe 1995. Executive Vice-President AB Electrolux 1996.

Shareholding in AB Electrolux: 0 shares.



Lennart Ribohn

Head of business sector New markets, Components, Direct sales

Born 1943, B.A. Group Controller 1971, Executive Vice-President AB Electrolux 1981, Senior Executive Vice-President since 1988.

Shareholding in AB Electrolux: 45,944 shares and 21,650 options.

Aldo Sessegolo

Head of business sector Professional appliances

Born 1938, Graduate in Electronic Engineering, University of Padua, Italy. Employed at Zanussi since 1970, head of the white-goods sales company in Italy 1986. Product-line Manager food-service equipment 1993. Head of Professional Appliances business area 1995. Executive Vice-President AB Electrolux 1997.

Shareholding in AB Electrolux: 0 shares.

White goods Europe	*White goods and Outdoor products North America*	*New markets, Components, Direct sales*	*Professional appliances*	*Outdoor products*	*Floor-care, Leisure and Complementary products*
MatsOla Palm	**Robert E. Cook**	**Lennart Ribohn**	**Aldo Sessegolo**	**Bengt Andersson**	**Hans G. Bäckman**
White goods	White goods Room air-conditioners Forestry and garden equipment (Poulan/Weed Eater, Rally)	White goods Compressors Electric motors Direct sales (Lux) Coordination of all product lines in new markets	Food-service equipment Food and beverage vendors Bakery equipment Laundry equipment Refrigeration equipment Cleaning equipment	Forestry and garden equipment (Husqvarna, Flymo)	Floor-care products Leisure appliances Compact appliances Room air-conditioners Kitchen and bathroom cabinets Recycling

Electrolux shares

The market capitalization of Electrolux at year-end 1997 was SEK 40.3 billion (29.0), which represents an increase of SEK 11 billion or 39% compared with year-end 1996. The market capitalization corresponded to 1.9% (1.8) of the total market capitalization of the Stockholm Stock Exchange.

The trading price for B-shares rose by 39% during the year. The general index rose by 25%. The highest trading price for B-shares was SEK 699 on October 9 and the lowest was SEK 388.50 on January 7. The high for the A-share was SEK 700 on October 6, and the low was SEK 414 on January 13.

Electrolux share listings

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

1) American Depositary Receipts. One ADR corresponds to one B-share.

Trading volume

In 1997, 59.5 million (46.9) Electrolux shares were traded on the Stockholm Stock Exchange to a value of SEK 32.5 billion (16.2). This represented 2.4% (1.8) of the total share trading volume of SEK 1,346 billion (918) for the year.

The average value of the total number of A- and B-shares traded daily was SEK 130.4m (64.5).

The number of Electrolux shares traded on the London Stock Exchange in 1997 was 141.3 million (49.5), and in NASDAQ 5.7 million (2.4) ADRs. At year-end, 1,514,887 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 was 1.21 (1.21), which means that the volatility of Electrolux shares was 21% greater than the general index. This value applies to the last four years.

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 15.9% over the past ten years, including the distribution of Gränges. The corresponding figure for the Stockholm Stock Exchange was 18.8%.

Dividend and dividend policy

The Board has decided to propose an unchanged dividend for 1977 of SEK 12.50 per share at the Annual General Meeting, corresponding to 51% (49) of net income, excluding non-recurring items.

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

At the Annual General Meeting in April, 1997 it was decided that all shares in the Gränges subsidiary would be distributed to Electrolux shareholders. Each share in Electrolux, whether A- or B-, entitled the holder to ½ share in Gränges. The company was listed on the O-list of the Stockholm Stock Exchange on May 21, 1997. The closing price on the first day of trading was SEK 98, and on the last day of trading in 1997 was SEK 124.50, representing an increase of 27%.

Acquisition value of Gränges shares

The Swedish Tax Board has decided that the acquisition value for both A- and B-shares in Electrolux acquired prior to the distribution of Gränges should comprise 90.5% referring to Electrolux shares, and 9.5% to Gränges shares.

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

The Board has decided to propose 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 change, which requires a qualified majority of both A- and B-shareholders, involves an increase in the voting rights of B-shares in the Company from 3.4% to 78.1%, and a decrease in the 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.

Share capital and number of shares

On December 31, 1997 there were 2,000,000 Electrolux A-shares and 71,233,916 B-shares, for a total of 73,233,916 shares. Each share has a par value of SEK 25. Total share capital at year-end amounted to SEK 1,830.8m.

Major shareholders in AB Electrolux

	Number of shares	Share capital, %	Voting rights, %
4th National Pension Insurance Fund	5,311,304	7.25	0.25
SPP	2,109,861	2.88	0.10
Investor	1,859,978	2.54	45.26
Skandia	1,696,363	2.32	1.12
S-E-Banken investment funds	1,386,862	1.89	0.07
Trygg-Hansa	1,225,894	1.67	0.06
Incentive	1,000,000	1.37	48.28
Svenska Handelsbanken investment funds	758,238	1.03	0.04
AMF Sjukförsäkring	750,000	1.02	0.04
Nordbanken investment funds	597,850	0.82	0.03
Folksam	490,000	0.65	0.02

As of December 31, 1997, approximately 60% of the total share capital was owned by foreign investors, about 30% by Swedish institutions and mutual funds, and about 10% 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.

Distribution of shareholdings in AB Electrolux

Shareholding	No. of shareholders	As % of shareholders
1–1,000	44,113	96.6
1,001–10,000	1,168	2.6
10,001–100,000	287	0.6
100,001–	93	0.2
Total	45,661	100.0

The above information is based on the register of shareholders in AB Electrolux at VPC (Swedish Securities Exchange Center) as of December, 1997.

Trading volume of Electrolux shares in Stockholm, London and New York

(Thousands)	1997	1996	1995	1994	1993
Stockholm, A- and B-shares *(ELUXa* and *ELUXb)*	59,515	46,860	58,565	62,615	41,870
London, B-shares *(ELXB)*	141,274	49,454	61,530	58,800	46,850
New York, ADRs *(ELUXY)*	5,726	2,381	2,188	1,499	1,231

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

Major foreign shareholders, by country

(December, 1997)	Share capital, %
USA	33
UK	15
Other	12
Total	60

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

	1997	1996	1995	1994	1993
A-shares	17	27	9	58	3
B-shares	130,378	64,441	77,736	93,720	38,567
Total	130,395	64,468	77,745	93,778	38,570

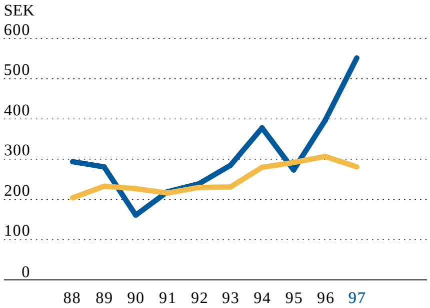
Per-share data, 1988–1997

	1997	1996	1995	1994	1993	1992	1991	1990	1989	1988
Year-end trading price, SEK[1]	551	396	272.50	377	284	238	218	160	280	293
Highest trading price, B-shares, SEK	699	427	387	439	313	289	290	316	385	303
Lowest trading price, B-shares, SEK	388.50	271.50	254	282	193	142	154	121	236	190
Change in price during the year, %	39	45	–28	33	19	9	36	–43	–4	52
Equity, SEK	281	306	291	279	230	229	215	226	232	203
Trading price/equity, %	196	129	94	135	123	104	101	71	121	154
Dividend, SEK	12.50[2]	12.50[3]	12.50	12.50	6.25	6.25	12.50	12.50	12.50	11.50
Dividend, %[4]	51.4[6]	49.4	33.3	41.7	78.1	250.0	240.0	123.8	35.5	35.6
Direct yield, %[5]	2.3	3.2	4.6	3.3	2.2	2.6	5.7	7.8	4.5	3.9
Net income, SEK	24.30[6]	25.30	37.50	30.00[6]	8.00	2.50	5.20	10.10	35.20	32.30
EBIT multiple[7]	23 13[6]	11	7	9[6]	16	21	15	12	8	8
P/E ratio[8]	22.7	15.7	7.3	12.6	35.5	95.2	41.9	15.8	8.0	9.1
Number of shareholders	45,660	48,300	54,600	55,400	65,700	68,100	70,000	74,000	68,000	70,000

1) Last price paid for B-shares.
2) Proposed by the Board.
3) Plus ½ share in Gränges for every Electrolux share.
4) As % of net income.
5) Dividend per share divided by trading price at year-end.
6) Excluding non-recurring items.
7) Market capitalization plus net borrowings and minority interests, divided by operating income.
8) Trading price in relation to net income per share after full dilution. For 1988–1997, computed as net income per share after full tax.

Electrolux shares

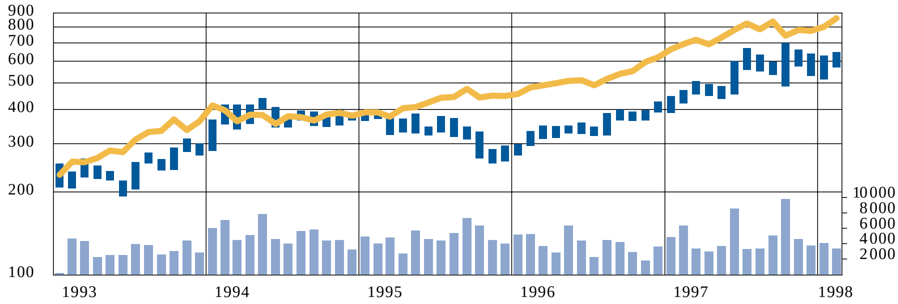
Trading price and equity per share



Trading price per B-share at year-end
Equity per share

The price/equity ratio for Electrolux B-shares at year-end 1997 was 1.97.

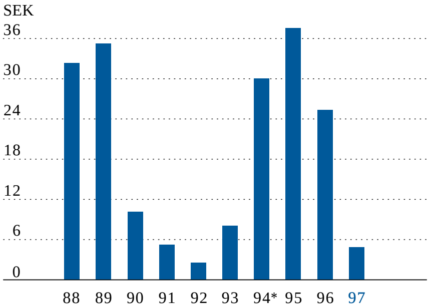
Price and trading volume of Electrolux B-shares on the Stockholm Stock Exchange, 1993–February 1998



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

(c) SIX Findata

Net income per share

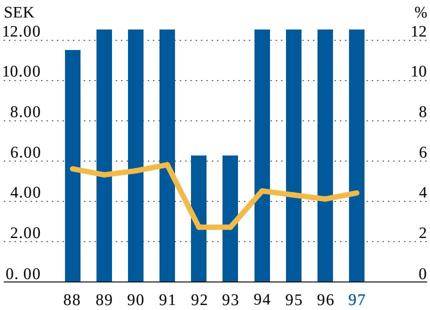


After full tax

* Excluding capital gain

Net income per share inclusive of non-recurring items declined to SEK 4.80 in 1997.

Dividend per share



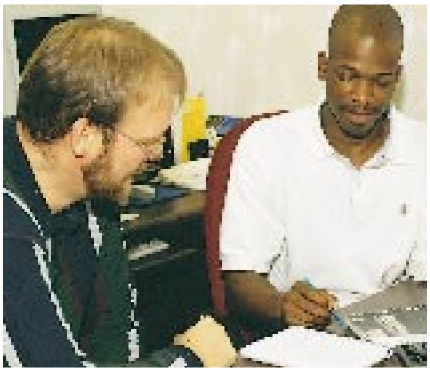
Dividend, SEK
Share of equity, %

The Board of Directors proposes an unchanged dividend of SEK 12.50 per share for 1997.

Change in share capital 1988–1997

	Total share capital, SEKm	Of which through conversion
1988	1,812	9
1989	1,818	6
1990	1,831	13
1991	1,831	–
1992	1,831	–
1993	1,831	–
1994	1,831	–
1995	1,831	–
1996	1,831	–
1997	1,831	–

Human resources



A comprehensive program for development of competence is being prepared as a complement to the training currently offered at the Electrolux University.

Operations in Electrolux are geographically widespread, with 95% of sales and 90% of employees outside Sweden. The Group operates companies in 65 countries. A management corps with international experience and a high degree of diversity is a major factor for the future development of Electrolux.

Activities related to human resources are thus focused on achieving greater mobility for managers between countries and operations. Another goal is to achieve greater diversity in terms of age, gender and nationality. For example, the share of women among senior managers is still less than 3%.

In 1997 a number of activities were initiated in this connection:

- An open internal job market where all employees can apply for free positions was tested as a pilot project. The results are currently being evaluated prior to a decision on implementation throughout the Group.
- A comprehensive program for development of competence is being prepared, as a complement to the management training offered by the Electrolux University.
- Training at the Electrolux University will focus to a greater extent on the practical aspects of work within the Group, and managers from various operations will participate as instructors.
- Recruiting of graduates from universities and other institutions will be based on a more strategic, long-term approach. Young new employees will be offered greater opportunities for moving between countries and operations.

Training during 1997

Courses given at the Electrolux University in 1997 included leadership, project management, strategic development and quality control. The Group also offers an MBA program in cooperation with other multinational corporations.

Electrolux University

European Works Council

A European Works Council was established in 1995 through an agreement between the Company and employees. The Council consists of 23 employees from 16 European countries, mainly within the EU. Two employee representatives from the Electrolux Board also participate in the activities of the Works Council.

The annual meeting in 1997 was attended by several representatives of Group executive management. An extraordinary meeting was also arranged during the year to provide information on the details of the restructuring program.

On the basis of discussions within the Works Council, a smaller steering committee was established, comprising Council members and representatives of Group management. The committee met once a month during the second half of 1997 in order to monitor implementation of the restructuring program. The committee will continue to meet during 1998, but at less frequent intervals.

Robert E. Cook (below) President of Frigidarie Home Products, was a popular speaker at the 1997 Change Master Program in Augusta, Georgia.

The Group's environmental activities

Strategy and motivation

The Group's stated strategy is to lead the development of products and processes with low environmental impact, and to promote increased demand for such products. The main factors motivating this strategy are:

- Growing customer preferences for products with lower environmental impact and higher efficiency, e.g. lower consumption of energy, chemicals and water.
- Lower environmental impact and greater resource-efficiency, which lead to lower costs for the Group's production units.
- Stricter environmental legislation, primarily regarding energy consumption, waste management and the use of chemicals.

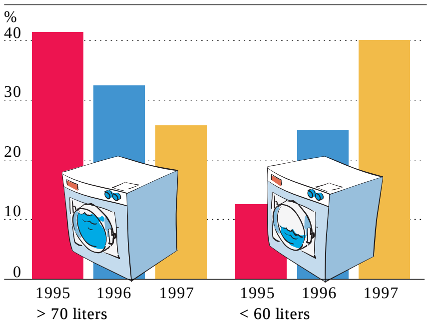
Environmental activities improve profitability

Since 1996, key financial ratios have been applied in connection with audits of environmental activities. In 1997, the results again indicated that a pro-active environmental strategy contributes to Group profitability and creates value for shareholders.

In 1997, environmentally leading white goods in Europe accounted for 10% of total unit sales, while they accounted for 15% of gross margin.

Initiatives at Group plants aimed at reducing consumption of material, water and energy have also led to lower costs and reduced environmental impact. For example, at the Group's plant for washing machines and spin-driers in Porcia, Italy, consumption of methane gas as a source of energy has been reduced by 55% per unit produced over a 6-year period. Over the same period, consumption of electricity has been reduced by 19% and of water by 43%, per unit produced. This represents a cost saving of 43%.

Sales of washing machines in The Netherlands, 1995–1997



In 1997, washing machines that consume less than 60 liters accounted for 40% of all washers sold, as compared to 12.5% in 1995.

Changing patterns of demand

Environmental demands from customers, legislators and public authorities are steadily increasing, particularly with reference to the environmental impact and resources consumption connected with use of products.

Consumption of energy, water and other inputs over the lifetime of a product often involves a cost for the customer that is comparable with the purchase price. Energy-efficiency has thus become an important sales argument and is already an established concept among professional users. This has been paralleled by increased environmental awareness and demands for products with lower environmental impact on the part of consumers.

Changes in the pattern of demand are growing steadily in importance as a motivating factor for continued environmental activities. However, these changes occur gradually and vary between products and markets.

Energy consumption

Anticipated climatic changes resulting from emissions of greenhouse gases comprise a key environmental issue. At the UN Conference on Climate in Kyoto, Japan in 1997, an agreement to reduce these emissions was signed by 55 countries. For the EU, the US and Japan, the agreement stipulates reductions of 8%, 7% and 6%, respectively, from the levels of 1990.

The energy issue is of central significance for Electrolux, as nearly all the Group's products consume energy and thus directly or indirectly generate emissions of greenhouse gases. The EU and the US, the Group's two most important markets, are introducing standards or requiring voluntary action to reduce energy consumption in refrigerators, freezers and washing machines. This is exemplified by a recent agreement within the white-goods sector in the EU, which specifies that energy consumption in washing machines that are imported or produced in the EU in 2000 shall be 20% lower than in 1994.

NUTEK (Swedish National Board for Industrial and Technical Development) named Electrolux as the winner of an international competition for the most energy-efficient refrigeration cabinet for professional users. Egil Öfverholm of NUTEK congratulates Heikki Takanen, Manager of the refrigeration equipment product line, and Rolf Segerström, Director of R&D.

Electrolux has invested a substantial share of development resources in white goods in order to obtain improved energy consumption, and the Group is thus better prepared to meet more stringent requirements than are many other producers in the industry.

Water consumption

Pure water is a scarce resource in many parts of the world. Awareness of this situation together with higher operating costs are stimulating demand for water-efficient products.

In recent years Electrolux has launched products that are market leaders in terms of low water consumption. For example, AEG is a brand with one of the largest shares of dishwashers within the EU, with water consumption of less than 20 liters.

European technology is also applied globally within the Group. In 1997, the subsidiary Frigidaire Home Products in the US launched a front-loaded washer that uses 40% less water than conventional top-loaded machines. It received "The 1997 American Building Products Award" from HOME Magazine, the leading consumer publication in the US.

Energy labeling

Information and communication are decisive for stimulating demand for products with lower environmental impact. In 1995, a system was introduced in the EU for energy labeling of white goods with labels that among other things show energy-efficiency on a 7-point scale. To date, the system has been applied for refrigerators and freezers, washing machines, spin-driers and combined washer/driers. A similar system for dishwashers will be introduced in 1998. Studies are in progress regarding room air-conditioners, hot-water units and ovens, and will probably result in energy labeling of these products as well. A corresponding system for energy labeling has also been introduced in North America.

In 1996, Electrolux became the first company in the industry to launch a system for detailed environmental declarations for all white goods in Europe. The system was developed in response to demand from professional users such as construction companies and municipalities. Dealers are expected to show growing interest in this system.

Environmental labeling is another method for informing customers about a product's environmental performance. Group products with environmental labeling include cadmium-free nickel-hydride batteries for cordless vacuum cleaners, a series of cleaning agents from Euroclean, and a garden tractor from Husqvarna.

Phase-out of freons

Ten years after the international agreement in Montreal for phasing out ozone-depleting substances, the white-goods market in developed countries is free of CFC, i.e. hard freons. Electrolux has been a leader in this process, and the Group's refrigerators and freezers in Europe are completely free of substances that affect ozone.

In 1995–96, Electrolux acquired refrigerator plants in Brazil, India and China that used CFC in production. In connection with investments in new models and production equipment in these plants, freon-free technology is being introduced. In Brazil, Electrolux launched the market's first CFC-free products in 1997. Production of refrigerators and freezers with no substances that affect ozone was also started in China during the year.

Emissions and noise

Stricter legislation regarding emissions from equipment with two-stroke engines is expected during the next few years in the US and the EU. Customers as well as public authorities are increasingly demanding products with lower noise levels.

In the autumn of 1996, Husqvarna launched a new generation of 2-stroke engines, designated E-tech, which combine new combustion technology with catalytic cleaning, and comply with the strictest emission standards by a margin of 40%. In 1996, 9% of the Group's portable garden equipment was fitted with E-Tech engines or featured catalytic exhaust-gas cleaners, and accounted for 1% of total sales of these products. In 1997, the share of sales of these products rose to 60%, and half the product range is currently fitted with E-Tech engines or catalytic cleaners.

Husqvarna's new, environmentally adapted E-Tech 2-stroke engine is featured in a growing number of the Group's products for forestry and gardening.

Recycling and waste

Legislation regarding producer responsibility is being discussed in most European countries. Proposals were presented during 1997 in such countries as Sweden and The Netherlands. This issue is also being discussed at the EU level on the basis of a draft directive. All proposals require that the producer take responsibility for recovery and recycling of products at own expense. Electrolux is participating actively in a dialogue at national levels and within the EU, and has also in practice assumed producer responsibility for white goods in Germany and Switzerland, as well as for professional appliances in Sweden and Finland.

Electrolux was first-to-market with a portable vacuum cleaner featuring rechargeable cadmium-free batteries. The Group played an active role in development of the cadmium-free nickel-hydride battery that replaced NiCd in this application.

Environmental management in production

An environmental management system is an efficient tool for goal-oriented environmental activities. In 1995, the Group started introducing ISO 14001 certified systems for environmental management at production plants, all of which will be certified by 2000. By year-end 1997, 24 plants had been certified, all of them in Europe. The leading countries within the Group in this respect are Italy, Sweden and Germany. Electrolux has the largest share of environmentally certified plants among all industrial companies in Italy.

The certified plants account for 27% of Group plants in Europe, but represent 50% of total factory floor area. Introduction of ISO 14001 has not yet begun in North America, nor at the plants recently acquired by the Group in new markets. Most of the changes that have been made involve reductions in consumption of water and energy and the volume of waste.

Environmental investments

Environment-related investments are now an integrated component in the Group's total investment in new products and processes, and in most cases cannot be individually reported. Dedicated environmental investments for 1997 are estimated at less than 1% (1) of total authorized investments.

Acquired companies and plants are analyzed in order to estimate the risk of environmental liabilities related to previous operations, and to assess the investment requirement for environmental adaptations.

Additional information on the Group's environmental activities is given in a separate report for 1997, which is available at www.electrolux.com and on request from Electrolux Environmental Affairs, tel. +46 8 738 65 98, fax +46 8 738 76 66.

Annual General Meeting

The Annual General Meeting will be held at 5 p.m. on Wednesday, April 29, 1998 at the Berwald Hall, Strandvägen 69, Stockholm.

Registration

Shareholders who intend to participate in the Annual General Meeting must be registered with the VPC AB (Swedish Securities Register Center) not later than Friday, April 17, 1998. Shareholders whose shares are registered through banks or trustees must have their shares temporarily registered in their own names at the VPC in good time.

Participation

In addition, notice of intent to participate must be given to Electrolux not later than 4 p.m. on Friday, April 24, 1998 by mail to AB Electrolux, Dept. C-J, SE-105 45 Stockholm, Sweden, or by telephone at Int +46 8 738 67 93 or 738 63 38. Notice should include the shareholder's name, registration number if any, address and telephone number. Shareholders participating by proxy must submit a copy of the proxy authorization prior to the date of the AGM.

Dividend

The Board has proposed May 5, 1998 as record date, after which it is expected that dividends will be paid by the VPC on May 12, 1998.

April 29, 1998 is the last day for trading in Electrolux shares that entitle a dividend for 1997.

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