Electrolux

Annual Report 1996

Electrolux the global appliance company

Contents

Electrolux at a glance

Business area	Major brands	Production locations

Household Appliances

This business area comprises mainly white goods, i.e. refrigerators, freezers, cookers, washing machines and dish-washers. In 1996, 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.

Electrolux, Zanussi, AEG, Frigidaire, Electrolux Compressors, Dometic, Ballingslöv kök, Eureka Vacuum Cleaners, Schrock Handcrafted Cabinetry, Americold

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

Production locations: Sweden, Norway, Denmark, Italy, Germany, North America, UK, Switzerland, France, Spain, Luxembourg, Austria, Slovakia, Czech Republic, Hungary, China, Brazil, India, Australia, Mexico, South Africa, Egypt

Commercial Appliances

The main operations comprise food-service equipment for restaurants and institutions, and laundry equipment for such applica-tions as apartment-house laundry rooms and commercial laundries. These opera-tions together accounted for almost 70% of sales in this business area. Other product lines comprise refrigeration and freezing equipment for food retailors as well as vacuum cleaners and wet/dry cleaners for professional users.

Electrolux, Zanussi Professional, Electrolux Wascator, Washex (A Member of the ELX Group), Electrolux Euroclean, Kelvinator

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

Production locations: Italy, Sweden, Finland, Denmark, Germany, France, Switzerland, The Netherlands, Hungary, US, Brazil

Outdoor Products

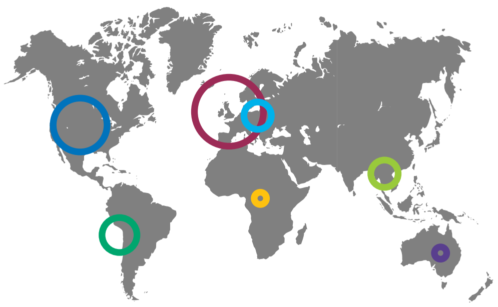
This business area includes garden equip-ment, chainsaws and other equipment for forestry work. Garden equipment includes lawn mowers and garden tractors, as well as portable equipment such as lawn trimmers and leaf blowers.

Husqvarna, Flymo, Poulan, Weed Eater

Poulan Pro, Rally, Överum

Production locations: Sweden, US, UK

Sales by region | Market position



North America	26%	Africa	1%
Latin America	9%	Asia	6%
EU	50%	Oceania	1%
Rest of Europe	7%		

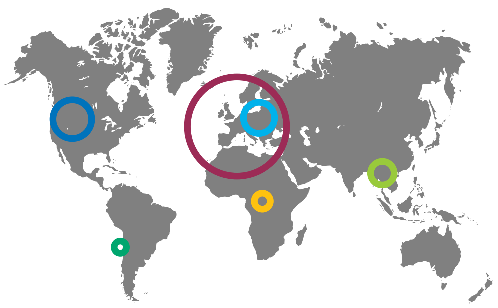
White goods
Market leader in Europe, third largest producer in US

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 largest producers in Nordic countries and US



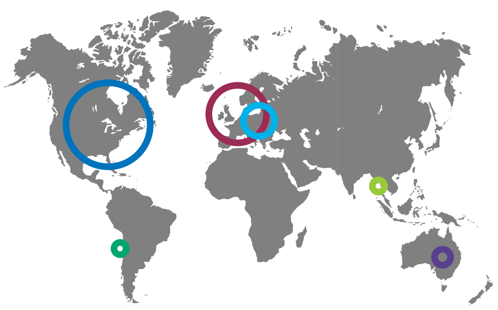
North America	12%	Rest of Europe	8%
Latin America	1%	Africa	2%
EU	73%	Asia	4%

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

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

Commercial refrigeration equipment
One of the largest producers in Europe

Commercial cleaning equipment
One of world's largest in vacuum cleaners and wet/dry cleaners

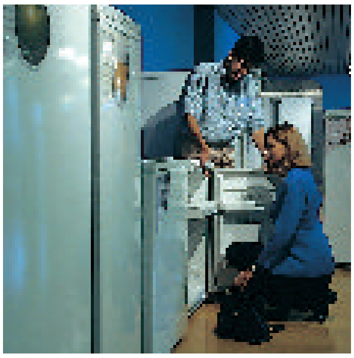


North America	58%	Rest of Europe	8%
Latin America	1%	Asia	1%
EU	30%	Oceania	2%

Forestry and garden equipment
World's largest in chainsaws, global market share almost 40%
World's largest producer of such items as lawn mowers, garden tractors and lawn trimmers

Agricultural implements
One of the leading producers in Northern Europe

Electrolux today



Electrolux is one of the world's leading manufacturers of indoor and outdoor household appliances, and of corresponding products for commercial users. These products make daily tasks easier and more convenient in millions of homes throughout the world.

Every year, consumers in almost 100 countries buy more than 55 million Group products. More than 90% of Electrolux sales are outside Sweden, and the Group operates more than 500 companies in over sixty countries.

Electrolux is the European market leader in white goods, and is the third largest white-goods company in the US. The Group is also 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 market for food-service equipment, industrial laundry equipment, and forestry and garden equipment.

Electrolux – The Global Appliance Company

Highlights of the year

- Continued expansion in new growth markets. Acquisition of majority stake in Refripar, Brazil's second largest white-goods company, with annual sales of approximately SEK 5,300m and about 5,000 employees.
- Divestment of non-strategic operations, primarily in Industrial Products business area.
- In January, 1997, the Board decided to present a proposal to the Annual General Meeting for distribution of all shares in the Gränges subsidiary to Electrolux shareholders. The Board also proposes an unchanged cash dividend of SEK 12.50 per share.

- Streamlining of the Group to comprise Household Appliances, Commercial Appliances and Outdoor Products is now virtually complete. A framework is being created to achieve synergy effects within these areas.
- Organizational changes have been implemented to make the Group less fragmented and more cohesive. As of 1997, operations in white goods and outdoor products in North America are integrated in a new company, Frigidaire Home Products.

Key data	1996	1995
Sales, SEKm	110,000	115,800
Operating income after depreciation, SEKm	4,448	5,311
Income after financial items, SEKm	3,250	4,016
Income before taxes, SEKm	3,032	3,947
Net income per share, SEK[1]	25.30	37.50
Dividend per share, SEK[2]	12.50	12.50
Return on equity, %[1]	8.7	13.4
Return on net assets, %[1]	10.3	12.5
Equity/assets ratio, %[1]	33.8	31.8
Net debt/equity ratio[1]	0.80	0.80
Capital expenditure, SEKm	4,807	5,115
Average number of employees	112,140	112,300

1) For a definition of this item, see page 48.

2) 1996: Proposed by the Board.

See Note 18 on page 42 for information on the Group's income and financial position according to US GAAP, as well as a description of the significant differences between US and Swedish accounting principles.

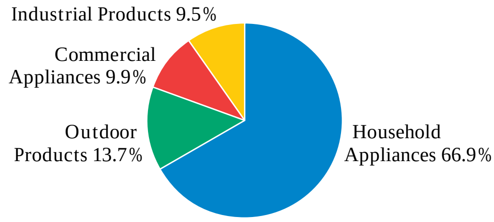
Sales by business area	1996 SEKm	%	1995 SEKm	1994 SEKm
Household Appliances	73,539[1]	66.9	75,209	66,272
Commercial Appliances	10,869	9.9	11,081	10,467
Outdoor Products	15,061	13.7	15,902	15,237
Industrial Products	10,531	9.5	13,608	16,028
Total	110,000	100.0	115,800	108,004

Operating income after depreciation, by business area				
Household Appliances	2,455[1]	55.2	2,555	2,493
Commercial Appliances	190	4.3	391	397
Outdoor Products	1,295	29.1	1,436	1,540
Industrial Products	508	11.4	929[1]	604[1] [2]
Total	4,448	100.0	5,311	5,034[2]

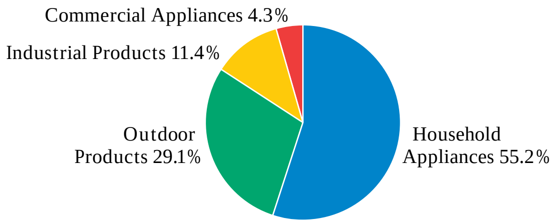
1) As of 1996, Household Appliances includes the electric-motor operation in FHP Motors, which was previously reported according to the equity method in Industrial Products.

2) Excluding capital gain.

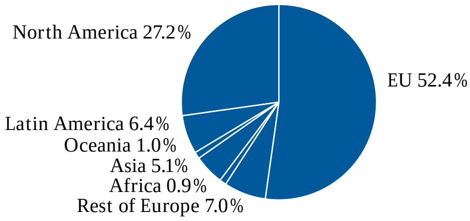
Sales by business area



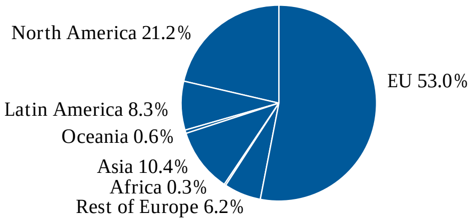
Operating income after depreciation, by business area



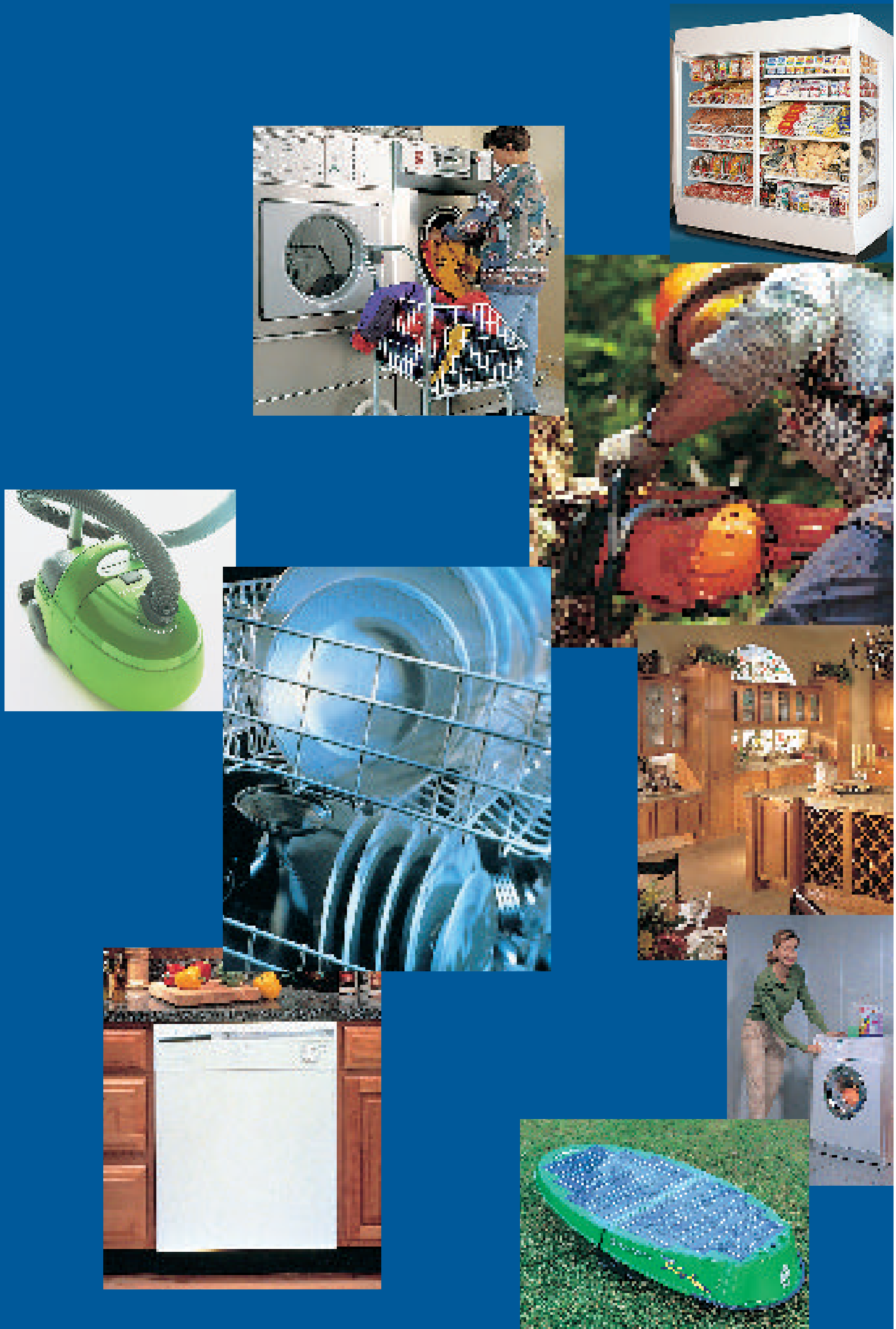
Sales world-wide[1]

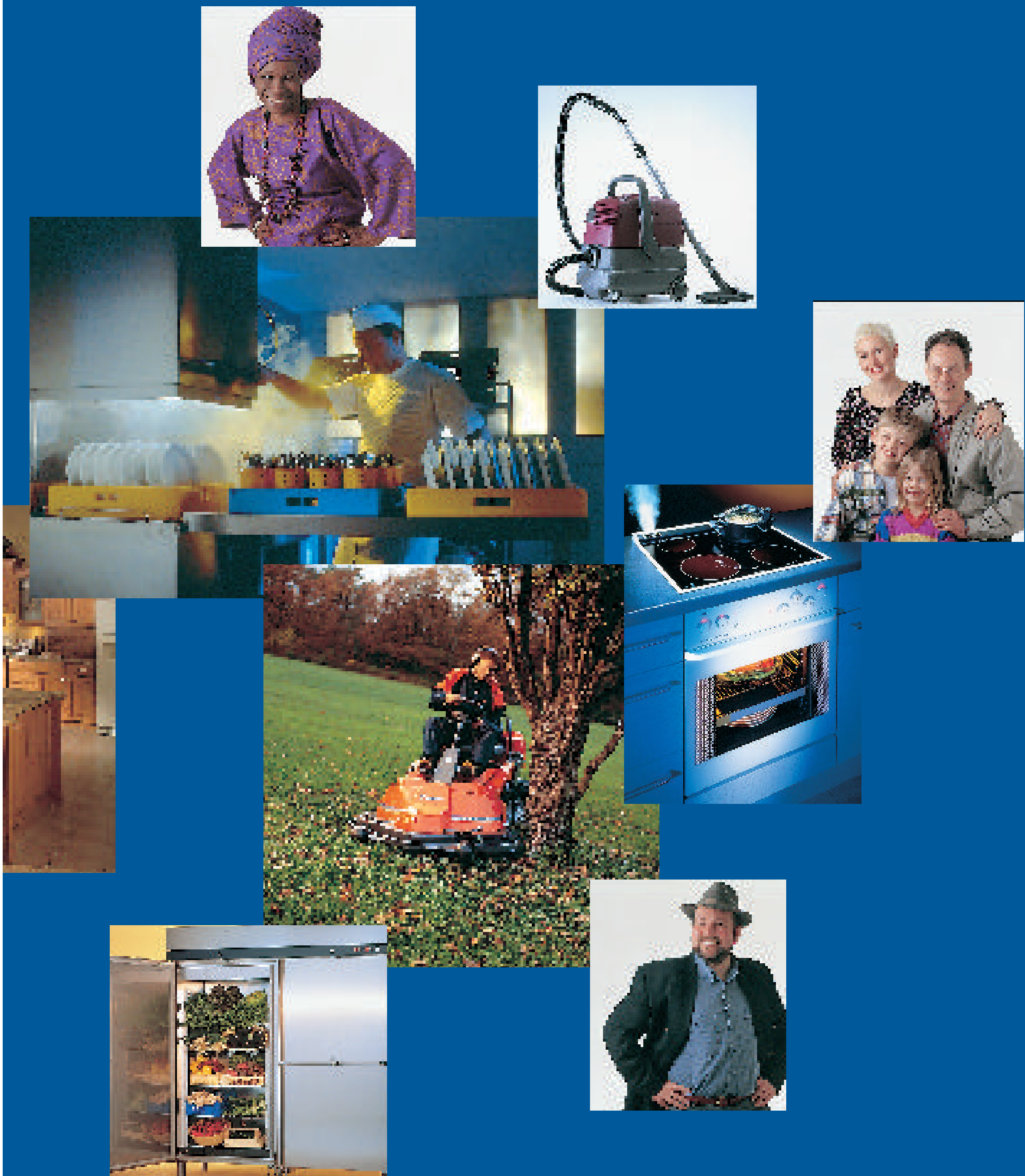


Employees world-wide[1]



1) For sales and employees by country, see page 50.





Electrolux – The Global Appliance Company

Report by the Chairman of the Board – The Group's strategic focus

The Electrolux Group operates in highly competitive sectors that are becoming increasingly globalized. This calls for high internal efficiency and continuous improvement in productivity. Creating growth opportunities in traditional markets such as Western Europe and North America requires increased investments in new products and marketing, among other things. Our efforts of recent years to broaden the Group's geographical base and expand in new growth markets have been successful, and must be maintained.

Achieving a strong competitive position and simultaneously providing shareholders with sustained growth in the value of their invested capital requires focusing the Group's resources. We therefore continue to concentrate operations to our core areas, i.e. Household Appliances, Commercial Appliances and Outdoor Products. Electrolux is thus becoming a more cohesive Group, which enables us to make better use of our global scope and obtain the synergy effects that exist between these core areas.

Distribution of Gränges to shareholders

The operation in Gränges has no links with our other product areas. There is thus no potential for synergy effects. In addition, the need to focus on core areas to achieve better profitability limits the opportunities for optimal development of Gränges. Having studied the options available, our conclusion is that distributing Gränges shares to the shareholders in Electrolux is the best solution for both Gränges and our shareholders.

The present situation differs in many respects from the start of 1995, when we decided not to implement the planned divestment and listing of the company. We had then already experienced an upturn in business conditions and metal prices. The timing of the divestment was unfortunate in that it coincided with the collapse of Barings Bank and general uncertainty in the financial markets with substantial falls in stockmarket prices. The Gränges that is now being distributed is a more competitive company, as operations have been additionally concentrated to areas with greater added value. Following the acquisition in 1996 of a profile company in the UK and a foil company in Belgium, Gränges is the second-largest European producer of extruded profiles and thin aluminium strip. The operation will always be cyclical to some extent, but the outlook for the future is good.

In addition, the Electrolux balance sheet has been strengthened in recent years. Distributing the shares in Gränges will reduce Group shareholders' equity by SEK 1,783m, and liabilities by SEK 3,811m. Total assets will decrease by SEK 5,594m. The net debt/equity ratio, i.e. net borrowings in relation to adjusted equity, will be unchanged.

A proposal for distribution of the shares in Gränges will thus be presented to the Electrolux Annual General Meeting on April 29. If the proposal is approved, the transaction will be completed and Gränges shares will be listed on the Stockholm Stock Exchange by the end of May.

In addition to distribution of the shares in Gränges, the Board has decided to propose an unchanged cash dividend of SEK 12.50 for 1996.

Unchanged financial goals

Distribution of the shares in Gränges does not involve any change in our financial goals. We continue to aim at an operating margin of 6.5–7% and a return of 15% on equity over a business cycle, on average. In addition, the dividend should normally correspond to 30–50% of net income.

The Group's currently weak profitability should be seen in the light of the difficult market conditions in Europe. As I mentioned previously, the Group's profitability must nevertheless be sustained at a high level, and we are gradually creating a framework that will enable us to do so.

New President and CEO

In connection with the Annual General Meeting, Leif Johansson will leave Electrolux for the post of President and CEO of Volvo. He will be succeeded by Michael Treschow, who is currently President and CEO of Atlas Copco.

On behalf of the Board, I would like to thank Leif Johansson for his very valuable contribution to the Group. We wish him the best of luck at Volvo.

We are also glad to welcome Michael Treschow to the Group. We are convinced that his comprehensive experience of industry and international business will greatly benefit Electrolux, and will ensure both continuity and renewal.

In conclusion, I would like to thank all our employees for their fine performance in 1996.

Anders Scharp
Chairman of the Board

Report by the President and CEO – Group performance in 1996

In many ways, 1996 was a significant year for Electrolux. We implemented a number of internal changes aimed at strengthening the Group's competitiveness and financial position. We continued to invest strongly in new growth markets. Although demand in Europe declined, we achieved the Group's goal of increasing productivity by 5%.

Since Europe still accounts for about 60% of sales, a downturn in this market has a substantial effect on the Group's sales volume and operating income. This applies particularly to white goods, the operations in Commercial Appliances, and Gränges. A decrease in deliveries and lower metal prices led to a considerable drop in income for Gränges from 1995. Gränges thus accounted for a large share of the decline in Group income.

On the other hand, the Group improved its performance in North America. Demand remained at a high level, and both white goods and other product areas reported improved operating income. Higher income was also achieved in the operations outside Europe and North America, despite costs referring to investments in Asia, particularly in China.

Comparisons of operating income with the previous year should take account of the adverse effects of changes in exchange rates. Higher rates for the Swedish krona and the Italian lira reduced competitiveness for our export-oriented operations in Sweden and Italy. Changes in exchange rates, including translation effects referring to consolidation of results in foreign subsidiaries, adversely affected income after financial items by an estimated SEK 350m.

The Global Appliance Company

Approximately 90% of Electrolux sales in 1996 referred to the Household Appliances, Commercial Appliances and Outdoor Products core business areas. These areas are essentially very similar and comprise what we call The Global Appliance Company. In both Household Appliances and Commercial Appliances we manufacture products with the same basic functions, i.e. storage and preparation of food, dishwashing, washing and cleaning. Technologies and product concepts developed in Commercial Appliances can be transferred to Household Appliances. Components that are developed and manufactured in large volumes within Household Appliances can also be used in commercial products. In many markets, outdoor products and household appliances are sold through the same dealers and bought by the same consumers. All three areas are very similar in terms of production and materials technologies. Synergy effects can be achieved by coordinating such activities as purchases of materials and components, product development, production technology, marketing and logistics.

Within the framework of The Global Appliance Company, opportunities exist for expanding the Group's customer base, providing better service to existing customers, and achieving cost reductions. Together, these opportunities comprise a potential for higher growth in sales and income.

A more cohesive Group

Our focus is thus on reducing fragmentation in our operations and making the Group more cohesive. We are therefore establishing new structures, based primarily on the flow within operations rather than on the functional organization.

For example, a pan-European logistics function was set up in 1996 for white goods and floor-care products. The white-goods operation in Europe involves transportation of 50,000 products per day from 30 plants to 100 different locations. More efficient logistics enable us to serve our customers better and to obtain higher inventory turnover, while we simultaneously reduce tied-up capital as well as the costs of sales and administration.

In order to achieve a similar increase in efficiency within the North American organization, at the close of the year we combined the white-goods operation in the Frigidaire Company with our two companies in Outdoor Products, Poulan/Weed Eater and American Yard Products. Approximately 40% of sales in North America refer to customers who buy both white goods and outdoor products, which means that we thus obtain a stronger concentration of resources.

To create a base for higher organic growth, we are aiming at more efficient, more consumer-driven product development. This also involves a process approach for greater integration of activities between the relevant functions, which will enable greater precision, shorter development times and lower costs.

In recent years we have steadily upgraded the Group's product range, which has generated increased sales and market shares at the high end of the market. This is typified by Frigidaire Gallery and Gallery Professional, the new American lines of white goods, which since their launch in 1995 have grown to account for approximately 20% of total sales under the Frigidaire brand. We are also starting to achieve global synergy effects in product development. For example, the new dishwasher we launched in North America in the autumn of 1996, was developed from a European product platform and has the lowest noise levels and water consumption on the market. Frigidaire also introduced a new washer based on European technology that features better washing performance, substantially greater water-efficiency and lower environmental impact than American models.

Another example of successful product development in 1996 is Husqvarna's new E-tech motor, which gives the Group a leading position in terms of environmental design for portable garden equipment. I would also like to mention our work on developing a prototype of a self-navigating vacuum cleaner for household use, in which we apply experience from development of a large robot for commercial users.

In addition to investment in new, more attractive products, we are also intensifying our focus on marketing and branding, in particular for the Electrolux brand. In both white goods and Commercial Appliances, organizational changes were implemented during the year and various units were also combined to obtain greater marketing impact. The Group has a large number of valuable brands, for which we are developing an integrated strategy.

With respect to production, we have consolidated our structure steadily during the 1990s. In 1996, additional production units were shut down in both Household Appliances and Commercial Appliances.

Investments in new growth markets

In 1994 we set the goal of doubling the Group's sales outside Western Europe and North America over the next 3–5 years. At the time, new markets accounted for only about 10% of Group sales, or about SEK 10,000m annually. The target areas are Eastern Europe, China, India, the ASEAN countries and parts of Latin America. We aim at obtaining a position of leadership in these markets and establishing Electrolux as a global brand.

In 1995 and 1996 we made a number of acquisitions and started joint ventures in several countries, including Brazil, China, India and Poland. Sales in new markets in 1996 amounted to about SEK 17,000m, an increase of 70% over 1994. In a short time we have created a base for production and sale of household appliances in all major free-trade areas. We are now aiming at further expansion in Commercial Appliances.

The largest acquisition in 1996 comprised a majority stake in Refripar, the second largest white-goods company in Brazil. The company is included in the Group as of February, 1996 and has made a significant income contribution to Household Appliances. The white-goods market in Brazil grew by about 20% in volume during 1996, and Refripar performed very well. The company has a strong market position and good profitability. The Group has good prospects for growth in the Brazilian market, and for expansion in other South American markets using Refripar as a base. In November we therefore decided to increase production capacity in Refripar, through an investment corresponding to USD 150 million over three years.

During the second half of 1996 production of refrigerators went on-stream in a Group joint venture in China. Electrolux will be one of the first producers in China to market a product range that is entirely free of CFC. We also decided that over the next three years capacity in our Chinese joint venture for compressors will be more than doubled, to 3 million units. In India as well, capacity will be increased in our two joint ventures, for refrigerators and washing machines. As of January 1997 we have regained the right to use the Kelvinator brand, the second largest refrigerator brand in India, which in 1996 had a market share of more than 25%. Our goal is to offer a complete range of white goods in both China and India.

A new generation of Electrolux products was launched in the ASEAN countries, i.e. The Philippines, Indonesia, Malaysia, Singapore and Thailand. A small producer of food-service equipment was acquired in Indonesia. In addition, production of commercial refrigerators was started in three joint ventures, in China, Mexico and Saudi Arabia. These three projects illustrate how we follow key customers in the beverage industry as they expand in new markets.

Electrolux sales in Eastern Europe showed good growth in 1996, which also favored our other European plants, in which a large share of the products sold in these markets are manufactured. In the autumn we began production of washing machines in a joint venture in Poland. We also decided to increase capacity in our Hungarian refrigerator plant to a total of 1.2 million units in 1997. We continued to develop our organization in Eastern Europe and established new sales companies in several countries.

Our investments in new markets outside Western Europe and North America are aimed at achieving a share of sales in these markets that better corresponds to the business potential they offer. Although establishing operations there involves increased risk, it offers compensation through long-term margins that will be higher than in the Group's traditional markets.

Outlook for 1997

Market conditions in Europe will probably remain weak in 1997, particularly during the first half of the year. However, in the somewhat longer term, low interest rates should create a potential for higher demand within the Group's product areas. In the European white-goods market, we expect unchanged volume from the previous year. We do not expect any significant growth in the American white-goods market either, but volume in this market is at a high level. Continued favorable growth in demand is expected in Brazil, and in most of the markets in Eastern Europe and Asia.

We are implementing programs to cut costs and increase productivity. We are also continuing our efforts to create growth by launching new generations of products and expanding in new markets. We are focusing on margins, which means that our goal is to increase the Group's market share in terms of value rather than volume. In addition, ongoing as well as previously implemented restructuring will have a favorable effect on income.

After seventeen years with Electrolux, six of them as President, I am leaving the Group at the Annual General Meeting. I have had the opportunity to lead operations in a period of major changes, during which the strategy for The Global Appliance Company was established. Concentration to the three core areas has involved divestment of operations with total annual sales of approximately SEK 25,000m. Our core areas have expanded simultaneously by the same amount through acquisitions and geographical expansion. After all our acquisitions, the task of creating a cohesive organization with shared visions and values has had high priority. A company is exposed to continuous change, and today Electrolux faces new and exciting challenges.

I would like to thank our shareholders, the Board of Directors and the employees of Electrolux for the confidence they have shown me over the years.

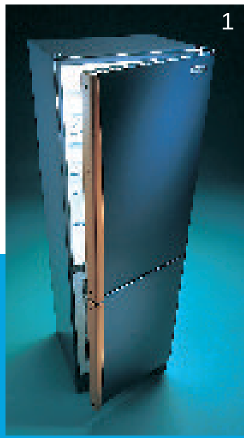
Leif Johansson
President and CEO

world market leader

Household Appliances

Electrolux makes daily household chores simpler and easier in millions of homes throughout the world.

The Electrolux range of household appliances includes refrigerators, freezers, washing machines, dishwashers, driers, cookers, ovens, hobs, microwave ovens, vacuum cleaners, absorption refrigerators, room air-conditioners, and kitchen and bathroom cabinets.



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expansion in new growth markets

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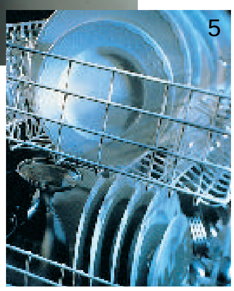

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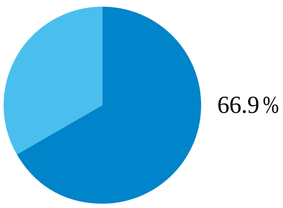
leadership in environmental performance

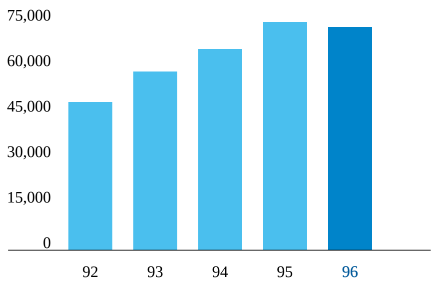
Household Appliances

- Continued investment in new markets and upgrading of product range
- Acquisition of majority stake in Brazil's second largest white-goods company
- Increased demand in US, but weaker European market
- Income for white goods improves somewhat on basis of good performance in Brazil and substantial improvement in North America

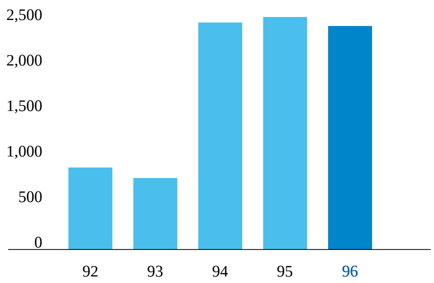
Share of total Group sales



Sales, SEKm



Operating income after depreciation, SEKm



Key data	1996	1995	1994	1993	1992
Sales, SEKm	73,539	75,209	66,272	58,888	48,902
Operating income after depreciation, SEKm	2,455	2,555	2,493	785	897
Operating margin, %[1)]	3.3	3.4	3.8	1.3	1.8
Net assets, SEKm[1)]	28,743	24,484	23,553	24,972	21,186
Return on net assets, %[1)]	8.6	9.8	9.9	3.1	4.0
Capital expenditure, SEKm	3,633	3,579	2,772	2,394	2,414
Average number of employees	85,576	83,492	77,806	76,970	81,300

1) For a definition of this item, see page 48

Sales by product line	1996 SEKm	%	1995 SEKm	%
White goods[1)]	54,725	74.4	56,251	74.8
Floor-care products	7,533	10.2	8,047	10.7
Components[2)]	3,987	5.4	3,742	5.0
Leisure appliances	3,052	4.2	2,983	4.0
Kitchen and bathroom cabinets	1,833	2.5	1,775	2.4
Sewing machines	858	1.2	856	1.1
Other	1,551	2.1	1,555	2.0
Total	73,539	100.0	75,209	100.0

1) Including room air-conditioners

2) The compressors product line is now called components, having been combined with the operation in small electric motors in FHP. Sales of SEK 339m for the motor operation are included in 1996.

Electrolux is one of the world's largest producers of white goods. The Group is the market leader in Europe and the third largest white-goods company in the US. White goods account for the greater part of sales in the Household Appliances business area, and for approximately half of total Group sales.

Electrolux is also the world's largest producer of floor-care products, absorption refrigerators for caravans and hotel rooms, and compressors for refrigerators and freezers.

1. The latest product range – "Bluprint", in blue-grey steel, with wooden handles.

2. AEG's Öko Vampyr "Rosso" vacuum cleaner.

3. The new "Creation" oven consumes substantially less energy than previous models.

4. The "Rondo" refrigerator features arched doors and was launched in 1996.

5. Frigidaire's new water-efficient dishwashers feature lower noise levels than comparable US-made products.

6. "Clario", a new light-weight vacuum cleaner with powerful suction.

White goods

Approximately 60% of sales in 1996 refer to Europe and approximately 25% to North America. The newly acquired Brazilian white-goods company Refripar is included in the accounts as of February, with sales of SEK 4,463m.

Operating income for white goods rose somewhat over 1995, on the basis of a profit contribution from Refripar and substantially improved income in the North American operation. Profitability was still not satisfactory, however.

The Group has developed a new series of fans that offer powerful ventilation and the lowest noise levels on the market.

Operations in Europe

The market for core appliances in Western Europe fell by about 2% in volume. The decline refers mainly to the last two quarters of the year. Virtually all countries showed a downturn, the largest being in Italy, France, Sweden and Denmark. The German market also declined in volume in the built-in appliances segment, which is important for the Group.

The total European market for core appliances in 1996 is estimated at 44.0 (44.9) million units.

Operating income for the Group's European operation declined as a result of lower sales volume and a less favorable product mix.

Continued organizational changes

The process of changing the European organization to achieve higher internal efficiency and improved customer service continued during the year. A number of pan-European functions were established in such areas as logistics, IT, product planning and brand positioning. Goals include creating a framework for more efficient, more market-driven product development, and strengthening the profiles of the pan-European brands in relation to local and regional brands.

Operations in the US

The American white-goods market grew by 3.5% in volume in 1996. All product areas except freezers and gas cookers showed growth, with the largest increases being in dishwashers and electric cookers.

The market for core appliances in the US, i.e. deliveries from domestic producers plus imports, amounted to 32.3 (31.2) million units in 1996.

The Frigidaire brand increased its market share somewhat from the previous year. The Group's total market share decreased slightly, however, mainly due to lower deliveries to private brands. Operating income for the American operation showed a marked improvement on the basis of increased sales of new high-end products with better margins, and lower production costs.

Frigidaire Home Products

As of 1997, the operation in the Frigidaire Company has been merged with the US outdoor-product subsidiaries American Yard Products and Poulan/Weed Eater in a single company, Frigidaire Home Products. Like the changes in the European operation, the merger will enable improved customer service and lower costs in such areas as administration, logistics, purchasing and IT.

Acquisition of Refripar in Brazil

In recent years the Group has devoted large investments to creation of a white-goods operation in new growth markets outside Western Europe and North America. A number of acquisitions and joint ventures have been implemented in Eastern Europe, China and India. Substantial market investments have also been made in the ASEAN countries, i.e. The Philippines, Indonesia, Malaysia, Singapore and Thailand.

The largest acquisition in 1996 comprised a majority stake in Refripar, the second largest white-goods company in Brazil, with sales of BRL 800 million (approximately SEK 5,300m) in 1996 and about

An AEG hob based on the induction-heating principle. Benefits include shorter heating-time and more precise temperature control than in conventional products.

The new Frigidaire Gallery Tumble Action Washer features extra large capacity and better washing performance. It consumes substantially less water and energy than conventional American models.

In 1996 Electrolux acquired a majority stake in Refripar, the second largest white-goods company in Brazil, with annual sales of approximately SEK 5,300m. The company has strong market positions for refrigerators and freezers.

5,000 employees. The company shows good profitability and has a strong market position, particularly in refrigerators and freezers. In recent years the product range has expanded to include washing machines and microwave ovens, and the company's market shares in these areas have grown steadily. Refripar operates two production units, one in Curitiba and one in São Carlos.

In 1996 the Brazilian white-goods market grew by more than 20%. Refripar reported good growth in sales and operating income, and made a substantial profit contribution to Group white goods.

At the close of the year it was decided that Refripar's production capacity for refrigerators and freezers will be expanded through an investment corresponding to USD 150 million over the next three years.

Other Household Appliances

The market for floor-care products in the US showed good growth. The Group's Eureka subsidiary, one of the leading American producers, achieved increased sales and consolidated its market position. A positive trend was also reported for the operation in Latin America. In Europe, the market for floor-care products was largely unchanged in volume and showed strong price competition. Total operating income for the Group's floor-care products declined as a result of costs referring to the shutdown of a plant in Italy, current restructuring of direct sales, and establishment of operations in new markets.

Demand for absorption refrigerators for caravans and hotel rooms was lower than in 1995, mainly due to a weaker market in Central Europe. This product line reported good sales in the Nordic area, North America and Southeast Asia. Operating income declined due to costs referring to restructuring of distribution in North America and to a transfer of production within the European operation.

In kitchen and bathroom cabinets, favorable market trends in both Europe and the US together with the effects of a previous restructuring in the US operation led to improved operating income. A continued positive trend in sales and income was also reported for the sewing-machine product line.

The market for refrigerator compressors declined in volume from 1995. The downturn referred mainly to Europe, while demand increased in Asia and South America. Group sales of compressors were lower than in 1995, which together with costs for starting new operations led to lower operating income for this product line.

As of September 1, 1996, Electrolux took over an operation in small electric motors with annual sales of approximately SEK 1,800m and about 2,300 employees, which was previously part of a joint venture with AEG AG of Germany. This operation has been transferred to the compressors product line, which is now called components.

Profitability for Household Appliances exclusive of white goods was lower than in the previous year, but was nevertheless satisfactory.

Eureka is one of the leading US producers of floor-care products, and in 1996 launched a new steam cleaner to meet growing demand for wet cleaning of floors and carpets.

Electrolux is the world's largest producer of absorption refrigerators, used mainly in caravans and hotel rooms. This refrigerator/freezer for the American caravan market is from the Group's Dometic subsidiary in the US.

One of the Group's joint ventures in China involves production and sale of water purifiers.

Commercial Appliances

Electrolux not only makes life easier for private households, but is also one of the world's largest producers of equipment for professional users.

The comprehensive product range enables tailoring solutions to meet the customer's total needs. It includes food-service equipment for restaurants and industrial kitchens, food and beverage vendors, equipment for coin bars, apartment-house laundry rooms and commercial laundries, refrigerators and freezers for food retailers, vacuum cleaners and wet/dry cleaners, and floor scrubbers and polishers.

business partner

1

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4

quality
and reliability

5

complete solutions

Commercial Appliances

- Weaker demand in Europe in most product areas
- Substantial fall in operating income for food-service equipment due to lower sales volume and non-recurring costs
- Continued restructuring to improve profitability
- Organizational changes aimed at greater coordination of product lines

1. The new Wascator FLE 400 FC washing machine.

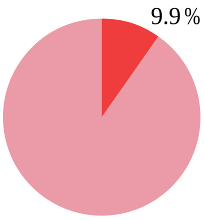
2. Sales Maker is a patented system for displaying chilled products.

3. Euroclean's new, silent IQ 215 wet/dry cleaner.

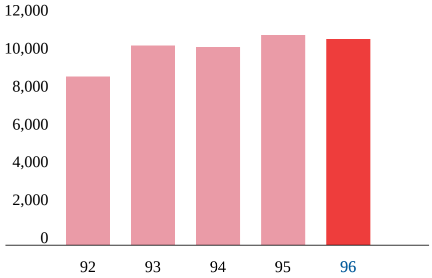
4. The new Electrolux combi-ovens.

5. The Schiphol open-wall cabinet features top performance and product display.

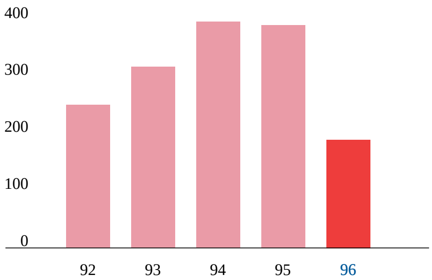
Share of total Group sales



Sales, SEKm



Operating income after depreciation, SEKm



Key data	1996	1995	1994	1993	1992
Sales, SEKm	10,869	11,081	10,467	10,531	8,898
Operating income after depreciation, SEKm	190	391	397	318	251
Operating margin, %[1)]	1.7	3.5	3.8	3.0	2.8
Net assets, SEKm[1)]	3,901	3,450	3,476	3,975	3,574
Return on net assets, %[1)]	4.9	10.5	10.7	7.9	6.7
Capital expenditure, SEKm	300	364	237	191	211
Average number of employees	9,062	9,379	8,958	9,370	10,150

1) For a definition of this item, see page 48

Sales by product line	1996 SEKm	%	1995 SEKm	%
Food-service equipment	5,107	47.0	5,669	51.2
Industrial laundry equipment	2,435	22.4	2,577	23.2
Commercial refrigeration equipment	2,393	22.0	1,886	17.0
Commercial cleaning equipment	934	8.6	949	8.6
Total	10,869	100.0	11,081	100.0

Electrolux is the European leader in food-service equipment and the second largest producer in the world. In 1996, food-service equipment accounted 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. The product range also includes heavy-duty units for industrial laundries as well as products for dyeing and textile processing. The Group is one of the world's largest producers of refrigeration and freezing equipment for food retailers, as well as vacuum cleaners and wet/dry cleaners for professional users.

Most of this business area's sales are currently in Western Europe, where demand has been declining for some years in virtually all countries as a result of weak economic activity including lower public investment. Operations are currently being restructured in order to improve profitability. The Group is also intensifying its efforts to expand in new growth markets within this business area.

Operations in 1996

The European market for food-service equipment continued to weaken during the year. Group sales declined particularly in France, Italy and Sweden. Operating income for this product line fell sharply as a result of lower sales volumes and costs referring to ongoing restructuring of both production and the marketing organization.

In industrial laundry equipment, demand for lighter units was largely unchanged from last year, but sales increased in such areas as the Nordic countries, the UK, Spain and Japan. However, intensified price competition together with lower demand for and sales of heavy-duty units led to a decline in operating income, although from a high level.

The market situation for both refrigeration and cleaning equipment remained weak. Operating income for commercial refrigeration equipment improved on the basis of reduced production costs and a profit contribution from Refripar's Brazilian operation in this product area. Commercial cleaning equipment reported lower income, however, as a result of relatively weak sales as well as costs referring to changes in the US operation and establishment of operations in new markets.

New coordinated organization

All operations in this business area were coordinated at the close of 1995 under a single management in order to obtain synergy effects as well as a more cohesive structure. In 1996, the focus was on creating a new organization for the entire business area, particularly in terms of marketing and specific support functions. In several countries, units within different product lines have been combined in a single company.

market leadership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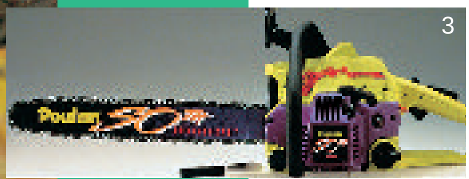
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comprehensive
product range

Outdoor Products

Electrolux equipment for gardening and forestry make work easier for both professionals and amateur gardeners.

Development in recent years has significantly improved product performance in terms of exhaust emissions, noise and vibrations.

The Group offers a broad product range that includes chainsaws for both professional and hobby use, brush cutters, lawn mowers, garden tractors, trimmers and leaf blowers.

setting new
environmental standards

Outdoor Products

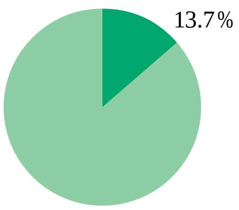
- Husqvarna shows continued good growth in chainsaws
- Improved operating income for garden equipment in North America, despite lower demand
- Marked drop in operating income for Flymo in the European operation

Key data	1996	1995	1994	1993	1992
Sales, SEKm	15,061	15,902	15,237	13,638	9,333
Operating income after depreciation, SEKm	1,295	1,436	1,540	1,317	678
Operating margin, %[1)]	8.6	9.0	10.1	9.7	7.3
Net assets, SEKm[1)]	7,367	7,474	7,460	6,945	5,376
Return on net assets, %[1)]	17.8	17.9	19.3	18.7	12.0
Capital expenditure, SEKm	405	504	467	351	321
Average number of employees	9,396	10,157	9,874	9,170	8,900

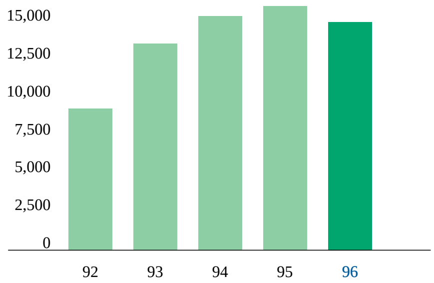
1) For a definition of this item, see page 48

Sales by product line	1996 SEKm	%	1995 SEKm	%
Forestry and garden equipment	14,817	98.4	15,678	98.6
Agricultural implements	244	1.6	224	1.4
Total	15,061	100.0	15,902	100.0

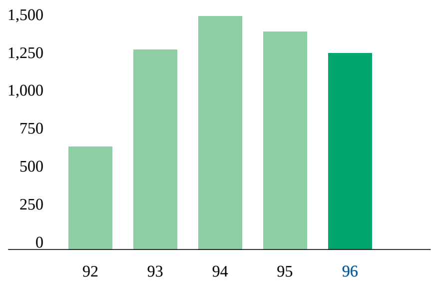
Share of total Group sales



Sales, SEKm



Operating income after depreciation, SEKm



Electrolux is the world's leading producer of chainsaws, with a global market share of almost 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 the Husqvarna and Flymo subsidiaries, with production units in Europe. The US operation in American Yard Products and Poulan/Weed Eater has been merged as of 1997 with the US white-goods operation in a new company, Frigidaire Home Products.

Husqvarna serves the global market with a complete range of outdoor products that focus on the high end of the market, e.g. chainsaws for professional users. Flymo concentrates on electric-powered garden equipment for the European market and is the market leader in the UK.

1. Flymo's new light-weight trimmer features a wrist support and can be operated with one-hand.

2. The Group is the world's largest producer of chainsaws, with a global market share of almost 40%.

3. Poulan/Weed Eater celebrated its 50th year of operations in 1996, and by year-end had produced more than 1 million chainsaws at its plant in Nashville, Tennessee.

4. The Group is the main supplier of forestry and garden equipment to Sears, the US department store chain.

5. In 1996 Flymo launched the Micro Compact 300 Plus, a lighter hover mower with a built-in grass-collecting system.

In the US, the Group is the market leader in garden tractors, lawn mowers, trimmers and other portable products, as well as in light-duty chainsaws for the hobby segment. In 1996, the American operation accounted for more than half of this business area's sales.

Operations in 1996

Demand for professional chainsaws was largely unchanged from the previous year. The markets in Eastern Europe and North America showed growth, while the Western European market declined. Husqvarna achieved higher sales and strengthened its market position. Operating income remained at a high level.

The market for garden equipment in the US showed lower volume in virtually all product areas. However, the Group achieved good sales growth as well as higher market share for such products as garden tractors, lawn mowers and hobby chainsaws. The US operation reported improved operating income.

Demand in the European market was also lower than in 1995. Flymo reported a marked drop in operating income as a result of a substantial market downturn in the UK and non-recurring costs, including those for organizational changes in several countries.

strong market position

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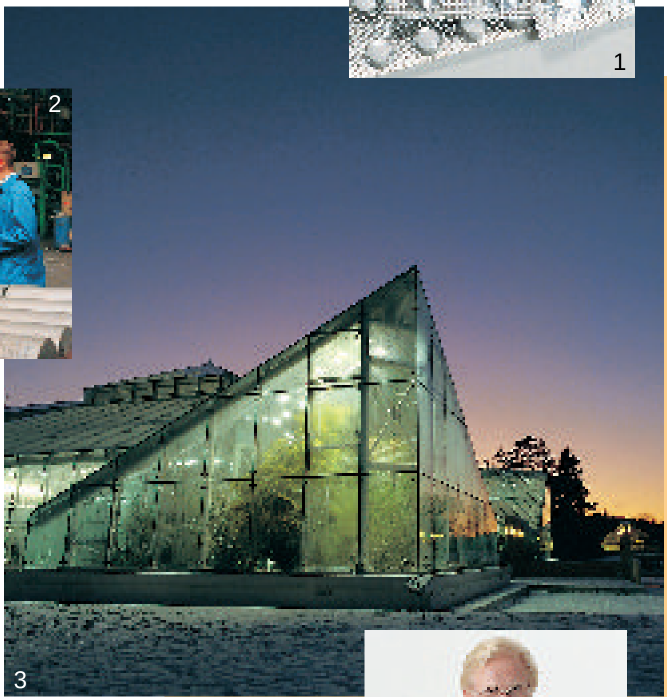

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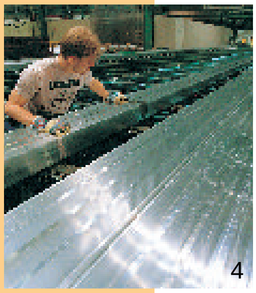

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high added value

5

Industrial Products

Light weight, high durability and resistance to corrosion make aluminium one of the most commonly used metals. It is easily processed and recycled, and is a good conductor of both heat and electricity.

Gränges is one of Europe's leading suppliers of high added-value products such as extruded profiles and thin-rolled strip and foil. Gränges products are used mainly in the transportation, engineering, construction and packaging sectors.

systems solutions

Industrial Products

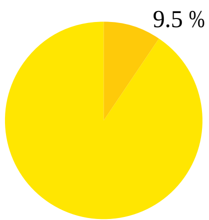
- Board of Directors proposes distributing shares in Gränges to Electrolux shareholders
- Substantial fall in operating income for Gränges due to lower demand and lower metal prices
- Divestment of Constructor group

Key data	1996	1995	1994	1993	1992
Sales, SEKm	10,531	13,608	16,028	17,064	13,303
Operating income after depreciation, SEKm	508	929	604	525	166
Operating margin, %[1)]	4.8	6.8	3.8	3.1	1.2
Net assets, SEKm[1)]	3,813	4,014	4,988	6,676	11,592
Return on net assets, %[1)]	13.5	21.5	11.3	7.7	1.4
Capital expenditure, SEKm	469	668	522	746	677
Average number of employees	8,106	9,272	12,832	19,190	20,850

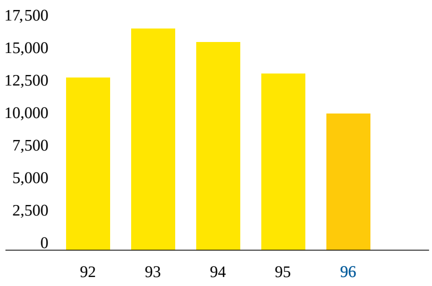
1) For a definition of this item, see page 48

Sales by product line	1996 SEKm	%	1995 SEKm	%
Gränges	9,860	93.6	11,373	83.6
Goods protection	250	2.4	253	1.9
Divested operations	421	4.0	1,982	14.5
Total	10,531	100.0	13,608	100.0

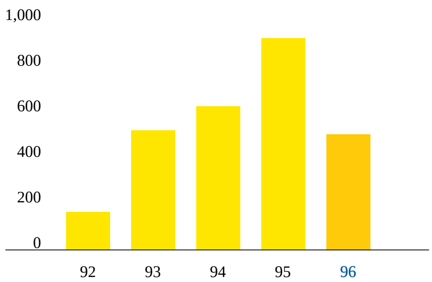
Share of total Group sales



Sales, SEKm



Operating income after depreciation, SEKm



Operations in Industrial Products have been gradually divested, in line with the goal of streamlining the Group to comprise the core areas Household Appliances, Commercial Appliances and Outdoor Products.

In 1996 the Group divested the Constructor group, one of the leading European producers of materials-handling equipment, with annual sales of approximately SEK 1,750m. In January, 1997, the Board of Electrolux decided to present a proposal to the Annual General Meeting for distribution of all shares in Gränges, exclusive of the Recycling business area, to the shareholders in Electrolux. The remaining operation in this business area comprises goods protection, with annual sales of SEK 250m.

1. Aluminium foil has unique barrier properties and is therefore often used in packaging.

2. Aluminium billets are the main production input for extruded profiles at the Sapa plant in Finspång, Sweden.

3. Edward Andersson's Mediterranean Greenhouse in the Bergianska Garden in Stockholm is designed with light-weight, corrosion-free aluminium profiles.

4. Gränges' Sapa subsidiary is Europe's second largest producer of extruded aluminium profiles, with annual capacity of approximately 150,000 tons.

5. The Autoplastics business area in Gränges is devoted to production of plastic components and systems for the automotive industry, including bumpers and radiator grilles.

Operations in 1996

Demand for aluminium products in Europe was lower than in 1995. Gränges reported lower sales and a substantial drop in operating income. The decline is traceable mainly to Gränges Metall, which reported a loss during the second half due to lower aluminium prices and higher energy costs, and to lower deliveries and margins in the Strip & Foil business area. Decreases in sales volumes and metal prices also led to a considerably lower result for Recycling.

On the other hand, Sapa achieved higher deliveries and operating income despite lower demand. Operating income for Autoplastics was on a level with the previous year.

Distribution of Gränges

On January 24, 1997, the Board of Directors of Electrolux decided to propose that the Annual General Meeting approve distribution of all shares in the wholly-owned subsidiary Gränges. The operation that will be distributed according to the proposal does not include the Recycling business area, which has been transferred to Electrolux as of 1997. It is intended that Gränges will be listed on the Stockholm Stock Exchange in connection with the distribution of shares.

For each share in Electrolux, whether A- or B-shares, the shareholder will receive 1/2 of a share in Gränges. Two shares in Electrolux thus entitle the holder to one share in Gränges. A fraction of a share in Gränges accruing to a shareholder will be sold automatically for cash, free of brokerage commission.

A prospectus with additional information will be sent to Electrolux shareholders prior to the Annual General Meeting on April 29. If the distribution is approved, May 20 will be proposed as record day for receiving shares in Gränges, which will then be listed on the O-list of the Stockholm Stock Exchange on May 21.

In response to a request from Electrolux, the Swedish Tax Board has indicated that the Swedish fiscal legislation known as "Lex Asea" should be applicable with regard to the distribution of shares in Gränges, which means that the distribution of shares should not involve any immediate fiscal consequences for Electrolux shareholders in Sweden, or for Electrolux.

It is intended that shareholders with a maximum of 99 shares in Electrolux, thus receiving a maximum of 49 shares in Gränges as of record day, will be offered an arrangement for selling their shares in Gränges free of brokerage commission, after Gränges has been listed.

Operations in Gränges

Gränges is one of the leading European producers of aluminium products with high added value. The product range includes extruded aluminium profiles as well as thin-rolled strip and foil. The company also manufactures plastic products and systems for the automotive industry. The input of primary aluminium to the value-added operations includes metal produced at the Gränges Metall smelting plant in Sundsvall, Sweden.

Gränges' main customers are in the transportation, engineering, construction and packaging industries.

Operations are divided into three business areas, i.e. Profiles, Strip & Foil, Autoplastics, and other operations.

Profiles

Aluminium profiles comprise the largest business area, accounting for 52% of Gränges' total sales in 1996. This area includes Sapa, one of the largest European producers of extruded aluminium profiles. Annual production capacity is approximately 150,000 tons. The product range also includes components and finished products based on profiles, for the construction industry and other sectors. Sapa has a strong market position, particularly in northern Europe. The company has market shares of more than 50% in Sweden and more than 20% in the UK, with production units in Sweden, the UK, The Netherlands, Germany, Denmark, Poland and France.

Strip & Foil

Strip & Foil is the second largest business area in Gränges, accounting for 24% of sales in 1996. It comprises two operations, Finspong Aluminium and Eurofoil.

Finspong Aluminium is one of the world's leading producers of thin aluminium strip for car heat-exchangers. Production is located in Finspång, Sweden. In 1996, a majority-owned joint venture was established in China in this business area and is expected to go on-stream in the autumn of 1998.

Eurofoil is the second largest European producer of aluminium foil, with a market share of approximately 15%. The foil is delivered primarily to users in the packaging industry. Production is located in Luxembourg, Sweden and Belgium.

Autoplastics

Autoplastics produces plastic components for the automotive industry in which surface coating or treatment is an important feature, such as bumper assemblies, radiator grilles, hubcaps and interior door panels. This business area accounted for 16% of sales in 1996. Production is located in Sweden, Italy and Finland.

Gränges Metall and other operations

Other operations consist mainly of the Gränges Metall smelting plant in Sundsvall. They also include an R&D company, a company devoted to technical service and support of Gränges' plants, and a small distribution company.

Gränges Metall in Sundsvall produces primary aluminium mainly for the operations in the Profiles and Strip & Foil business areas. The annual production of approximately 100,000 tons corresponds to about half of Gränges' internal requirement.

The management of Gränges decided in the spring of 1996 that investments in Gränges Metall in Sundsvall will be restricted to required replacements. As it is uncertain whether the price of electricity in Sweden will permit the operation to be continued in the future with a satisfactory return, preparations have been made for shutting down the plant. These preparations include an estimated structural reserve of SEK 146m, corresponding to the anticipated cost of a possible future shutdown. Prior to the distribution of the shares, Gränges will receive an owner contribution from AB Electrolux to cover this cost. In order to reduce Gränges Metall's exposure to changes in the price of aluminium and thus reduce fluctuations in

Timetable for the proposed distribution of shares in Gränges

Mid-April	Prospectus is sent to Electrolux shareholders
April 29	Electrolux Annual General Meeting
May 14	Last day for trading in Electrolux shares that confer right to shares in Gränges
May 15	Electrolux shares are traded exclusive of right to shares in Gränges
May 20	Record day at the Swedish Securities Register Center (VPC) for determining who has right to receive shares in Gränges
May 21	Anticipated first day for listing of Gränges shares. Sale of fractional shares and payment of cash proceeds as soon as possible

Gränges' operating income, the company signs forward contracts on a quarterly basis for periods of four quarters, which corresponds to the estimated time required for a cost-effective shutdown. When forward contracts no longer enable securing a positive cash flow for the operation, it is intended that the negotiations required by the Swedish MBL Act in order to implement a shutdown will be started.

Electrolux Group exclusive of Gränges, pro forma

The table shows the financial effects on Electrolux that would be generated by a distribution of the shares in Gränges. The income statement and balance sheet for Gränges pro forma are shown exclusive of the Recycling business area. The distribution of Gränges shares would reduce the Electrolux Group's shareholders' equity by SEK 1,783m and its total assets by SEK 5,594m.

A prospectus will be available at all offices of Skandinaviska Enskilda Banken in Sweden. It will also be available from Electrolux, tel. +46-8-738 60 00, and from Gränges, tel. +46-8-459 59 00.

Income statement (SEKm)	Electrolux Group 1996	Gränges pro forma	Electrolux Group excl. Gränges pro forma
Sales	110,000	8,444	101,556
Operating income after depreciation	4,448	415	4,033
Income after financial items	3,250	313 1)	2,937
Net income	1,850	206 1)	1,644

1) Anticipated equity in Gränges, corresponding to an equity/assets ratio of 30% as well as market interest rates and actual taxes.

Balance sheet (SEKm)	Electrolux Group 1996	Gränges pro forma	Electrolux Group excl. Gränges pro forma
Liquid funds	13,510	233	13,277
Accounts receivable	20,494	1,424	19,070
Inventories	17,334	1,380	15,954
Other current assets	5,294	295	4,999
Fixed assets	28,946	2,262	26,684
Total assets	85,578	5,594	79,984
Non-interest-bearing liabilities	28,244	2,129	26,220
Interest-bearing liabilities	32,954	1,784	31,170
Minority interests	1,952	3	1,949
Shareholders' equity	22,428	1,678	20,645
Total liabilities and shareholders' equity	85,578	5,594	79,984

Key ratios	Electrolux Group 1996	Gränges pro forma	Electrolux Group excl. Gränges pro forma
Operating margin, %	4.0	4.9	4.0
Equity/assets ratio, %	33.8	31.4	33.9
Net debt/equity ratio	0.8	0.9	0.8
Net borrowings, SEKm	19,444	1,551	17,893
Net income per share, SEK	25.30	5.60	22.40
Return on equity, %	8.7	13.1	8.3
Return on net assets, %	10.3	13.1	10.0

For definitions of the above ratios, see page 48.

Sales and operating income (SEKm)		Gränges pro forma 1996	Gränges pro forma 1995
Business area			
Profiles	Sales	4,418	4,652
	Operating income after depreciation	323	226
Strip & Foil	Sales	2,100	2,412
	Operating income after depreciation	–9	133
Autoplastics	Sales	1,311	1,199
	Operating income after depreciation	83	79
Other operations			
Gränges Metall	Sales	1,298	1,669
	Operating income after depreciation	22	297
	Elimination of inter-company profit	44	–22
Other companies	Sales	812	869
	Operating income after depreciation	–0	39
Central costs	Operating income after depreciation	–44	–56
Consolidation adjustments	Sales	–1,495	–1,945
	Operating income after depreciation	–3	–34
Group	Sales	8,444	8,856
	Operating income after depreciation	416	662

Group operations

US economy remains strong. Downturn in Europe

Economic activity in the OECD countries has weakened continuously following a peak in 1994, when the growth rate reached almost 3%. Improved basic economic conditions, including reduced public deficits, weak inflation trends and low interest rates have led to more limited cyclical variations. Despite a downturn in the business cycle, overall growth in the OECD countries has risen by more than 2% annually, although there have been marked differences between countries and regions. The increase in total OECD production in 1996 refers mainly to the US and Japan, while growth in Europe was weaker.

In the US, where growth has been smooth and stable since 1991, production increased by over 2.5% in 1996. A slackening in overall demand was noted during the year. However, a sizable increase in inventories contributed to stabilization of production. Investment remained at a high and stable level throughout 1996, but housing starts slackened in the autumn. The sustained growth in the US has led to high capacity utilization, low unemployment and only weak tendencies to wage-driven inflation.

Western Europe showed weak economic activity during most of the year, with growth of about 1.5%. Demand and production were dampened by the restrictive financial policies applied in most countries in order to meet the Maastricht budget criteria for 1997, as well as by the delayed effects of previously high interest rates and unfavorable exchange rates against the dollar for most European currencies. Construction activity remained at a low level. The downturn in business conditions led to additional deterioration of the labor market, and unemployment rose to about 11.5%. Growth was relatively strong in the UK, The Netherlands, Norway and Finland, but was comparatively weak in such countries as Germany, Switzerland, Austria, Italy and France.

Growth in the Swedish economy was only about 1%, as against 3.6% in 1995. Private consumption increased somewhat, although from a low level, and unemployment remained very high.

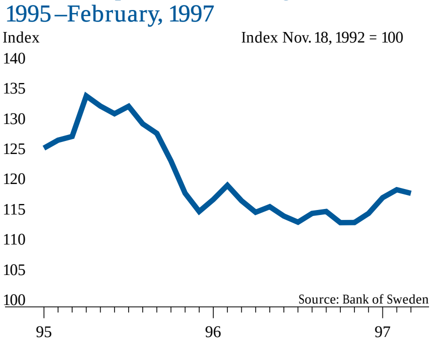
The economic situation in the Eastern European countries improved steadily. Inflation has declined, although from very high levels, and most countries showed growth during the year.

Economic growth in China and the developing markets in Southeast Asia remained at 7–8% in 1996. High capacity utilization and an increase in their aggregate current account deficits led to more stringent economic policies in most countries in order to bring growth rates down to more sustainable long-term levels.

In 1997, somewhat weaker growth is expected in the US. Demand will probably be restrained by a stronger dollar together with financial and monetary policies that may be more restrictive in order to maintain inflation at the present low level. In Western Europe, however, business conditions may be strengthened by a combination of continued low inflation, the delayed effects of falling interest rates, and depreciation of European currencies.

However, insufficient measures for continued reduction of budget deficits, particularly in Western Europe, may lead to higher interest rates and instability in the currency markets, which can in turn dampen the recovery.

Total Competitiveness Weighted Index 1995–February, 1997



The TCW index reflects the value of the krona in relation to Sweden's global competitiveness situation. The index showed a continued appreciation of the krona during the first three quarters of 1996, followed by a decline during the rest of the year. On December 31, 1996, the krona was at about the same level as at year-end 1995.

Changes in exchange rates affect financial statements

The Swedish krona appreciated against most other currencies during the first three quarters of 1996, which generated adverse effects on Group sales and income in connection with translation of financial statements in foreign subsidiaries. The krona weakened in the latter part of the year, however, and on December 31 was largely unchanged from year-end 1995, according to the TCW index. However, there were strong movements during the year in certain currencies which are important to the Group. By year-end the British pound had risen against the krona by 12.8%, the Italian lira by 7.3% and the US dollar by 3.2%. The German mark fell by 4.7% against the krona.

In the key ratios that express liquidity, net assets, inventories and accounts receivable as percentages of Group sales, exchange-rate effects have been eliminated by translating these items at year-end rates.

For information on the effects of changes in exchange rates and other factors, see the sections below on Sales and Income and profitability, as well as page 28 under Currency risk.

Sales

Sales for the Electrolux Group in 1996 amounted to SEK 110,000m as against SEK 115,800m in the previous year, of which 92% (92) or SEK 101,654m (106,704) was outside Sweden. Of the 5% decline in sales, changes in exchange rates accounted for –6%, acquisitions and divestments for +4% and volume and price/mix for –3%. The Brazilian white-goods company Refripar is included in the accounts as of February 1, and the Electrolux share in the motor operation in FHP Motors as of September 1. The divested operation in materials-handling equipment is included up to the end of the first quarter.

Exports from Sweden in 1996 amounted to SEK 9,661m (10,159), of which SEK 5,984m (6,092) was to Group subsidiaries. The Swedish plants accounted for 15% (16) of the total value of Group production.

Information on Group sales by land and region is given on page 50.

The Group's long-term financial goals

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

For definitions of the above concepts, see page 48.

Sales and income per quarter

	1st qtr	2nd qtr	3rd qtr	4th qtr	Full year
Sales, SEKm					
1996	27,582	29,430	25,911	27,077	110,000
1995	29,619	31,002	28,201	26,978	115,800
Operating income after depreciation, SEKm					
1996	1,156	1,246	913	1,133	4,448
1995	1,481	1,449	955	1,426	5,311
Income after financial items, SEKm					
1996	901	913	604	832	3,250
1995	1,045	1,061	677	1,233	4,016
Income before taxes, SEKm					
1996	797	871	520	844	3,032
1995	1,023	1,044	665	1,215	3,947
Net income, SEKm					
1996	502	527	313	508	1,850
1995	582	708	401	1,057	2,748
Net income per share, SEK					
1996	6.90	7.20	4.30	6.90	25.30
1995	7.90	9.70	5.50	14.40	37.50

Income and profitability

Group operating income after depreciation according to plan declined by 16.2% to SEK 4,448m (5,311) which corresponds to 4.0% (4.6) of sales. Income after financial items fell by 19.1% to SEK 3,250m (4,016), corresponding to 3.0% (3.5) of sales. Net income after minority interests and taxes amounted to SEK 1,850m (2,748), corresponding to SEK 25.30 (37.50) per share.

The Group's gross margin was adversely affected by changes in exchange rates during the year, particularly by the strengthening of the Swedish krona and the Italian lira. Together with the translation effects arising from consolidation of income statements in foreign subsidiaries, the total exchange-rate effect on income after financial items for 1996 was approximately SEK –350m.

Operating income for 1996 was charged with non-recurring costs and provisions totalling SEK 250m, of which SEK 150m during the fourth quarter. These costs refer mainly to shutdowns of production units and structural changes in the Household Appliances and Commercial Appliances business areas.

The return on equity after taxes was 8.7% (13.4), and the return on net Group assets was 10.3% (12.5). For definitions of key ratios, see page 48.

Net financial items

The net of Group financial income and expense amounted to SEK –1,198m (–1,295), which corresponds to –1.1% (–1.1) of sales.

Continued weak business conditions and falling inflation rates in Europe led to a continued decline in interest rates in most countries. The most marked declines were in Sweden, Italy and Spain. Interest rates in the US were unchanged during the year.

Group taxes

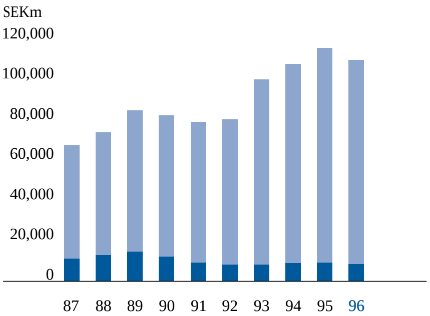
Taxes reported by the Group consist of income taxes, including deferred taxes. Real-estate taxes and similar charges are included in operating income as of 1994.

Reported taxes as a percentage of income before taxes amounted to 39% (30). During the fourth quarter an extra provision of SEK 60m referring to 1994–95 was booked as a result of a tax audit in Sweden. Electrolux has appealed the tax authorities' decision. After adjustment for this extra provision, the tax rate for 1996 was 37%.

Operations by business area

The market situation in Europe weakened during the year in all Group business areas. However, the American market showed good growth in such areas as white goods, floor-care products and garden equipment.

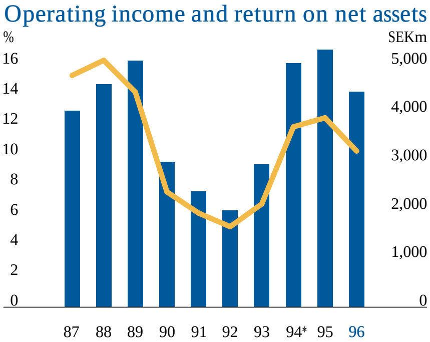
Sales



Outside Sweden
Sweden

For comparable units and after adjustment for exchange-rate effects, sales fell by 3% in 1996.

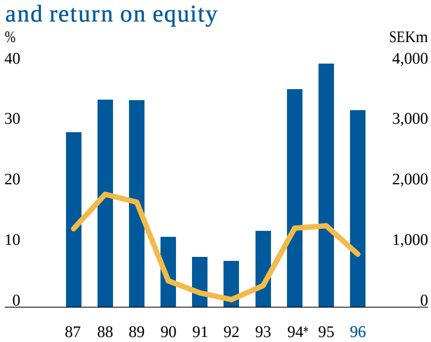
Operating income and return on net assets



Operating income after depreciation, SEKm
Return on net assets, %
* Excluding capital gain

Operating income declined in 1996 by 16%, to SEK 4,448m.

Income after financial items and return on equity



Income after financial items, SEKm
Return on equity, %
* Excluding capital gain

Income after financial items in 1996 fell by 19%, to SEK 3,250m.

Demand remained good in most of the markets where the Group operates in Eastern Europe, Asia and Latin America. The decline in operating income is traceable mainly to Industrial Products and Commercial Appliances, both of which have most of their sales in Europe. All business areas reported lower operating income than in 1995, however.

In *Household Appliances*, white goods reported somewhat higher operating income on the basis of a profit contribution by Refripar in Brazil and a substantial improvement in results for the Frigidaire Company in North America. The improvement reported by the US operation is traceable mainly to lower production costs and higher sales of new products with higher margins. White goods in Europe reported lower income, however, resulting from lower sales volume and a less favorable product mix.

Operating income for other products in Household Appliances was lower than in 1995, as a result of costs referring to restructuring and start-up of new operations in floor-care products and compressors.

Total operating income for Household Appliances was somewhat lower, although the margin was unchanged.

The decline in operating income for *Commercial Appliances* is traceable mainly to food-service equipment, which reported a marked drop in income due to lower sales volumes and the costs of current restructuring. Lower sales of heavy-duty units also involved a decline in operating income for industrial laundry equipment, although from a high level. Commercial cleaning equipment also reported lower income, while commercial refrigeration equipment showed an improvement on the basis of an income contribution from Refripar's operation in this product area in Brazil.

Commercial Appliances reported a sharp decline in operating income and margin from 1995.

In *Outdoor Products*, Husqvarna maintained good sales and operating income for chainsaws and strengthened its market position. Despite lower demand in almost all product areas, operating income for garden equipment improved in North America and the Group's market share increased. In Europe, however, Flymo reported a marked drop in income as a result of considerably lower demand in the UK and non-recurring costs.

Total operating income for Outdoor Products was lower, but margin was maintained at the high level of the previous year.

In *Industrial Products*, Gränges reported a sharp decline in operating income, traceable mainly to lower metal prices and decreased sales volumes in Gränges Metall and Strip & Foil.

Both operating income and margin for Industrial Products were markedly lower than in 1995.

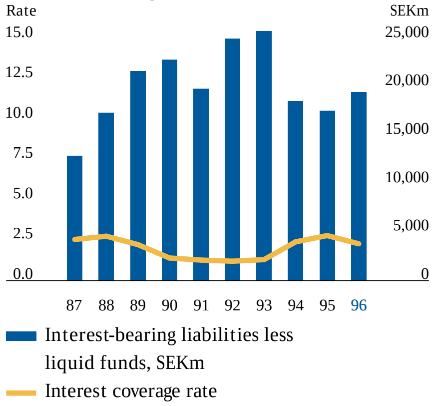
Sales by business area, per quarter, SEKm

	1st qtr	2nd qtr	3rd qtr	4th qtr	Full year
Household Appliances					
1996	17,974	18,958	18,232	18,375	73,539
1995	18,929	19,202	19,359	17,719	75,209
Commercial Appliances					
1996	2,491	2,813	2,511	3,054	10,869
1995	2,562	2,888	2,621	3,010	11,081
Outdoor Products					
1996	4,156	5,131	2,790	2,984	15,061
1995	4,568	5,207	3,119	3,008	15,902
Industrial Products					
1996	2,961	2,528	2,378	2,664	10,531
1995	3,560	3,705	3,102	3,241	13,608

Operating income after depreciation, by business area, per quarter, SEKm

	1st qtr	2nd qtr	3rd qtr	4th qtr	Full year
Household Appliances					
1996	680	517	531	727	2,455
1995	716	591	436	812	2,555
Commercial Appliances					
1996	13	116	36	25	190
1995	86	110	45	150	391
Outdoor Products					
1996	379	497	237	182	1,295
1995	460	507	273	196	1,436
Industrial Products					
1996	84	116	109	199	508
1995	219	241	201	268	929

Net borrowings



Net borrowings in 1996 increased to SEK 19,444m, from SEK 17,501m in the previous year.

Average annual growth, 1987–1996

Sales	7.6%
Shareholders' equity	6.8%
Equity per share	6.6%
Trading price, B-shares	2.4%
Effective yield, B-shares	6.8%

Capital expenditure by business area, SEKm

	1996	%	1995
Household Appliances	3,633	75.6	3,579
Commercial Appliances	300	6.2	364
Outdoor Products	405	8.4	504
Industrial Products	469	9.8	668
Total	4,807	100.0	5,115

Shareholders' equity

Group shareholders' equity increased as of December 31, 1996 to SEK 22,428m (21,304), which corresponds to SEK 306 (291) per share.

Equity/assets and net debt/equity ratios

The equity/assets ratio improved to 33.8% (31.8). 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 0.80 (0.80). The Group's goal is that the net debt/equity ratio should not exceed 1.0.

For definitions of these ratios, see page 48.

Net assets

Net assets, i.e. total assets less liquid funds and all non-interest-bearing liabilities including deferred tax on untaxed reserves, rose to SEK 43,824m (39,422). The increase is traceable mainly to the acquisition of Refripar in Brazil and the take-over of the electric-motor operation in FHP Motors.

Net assets adjusted for exchange-rate effects amounted to 39.1% (36.1) of sales. Net assets include assets referring to customer financing in the amount of SEK 2,810m (2,525).

Inventories and accounts receivable

Inventories in 1996 amounted to SEK 17,334m (18,359) and accounts receivable to SEK 20,494m (19,602), which after adjustment for exchange-rate effects corresponds to 15.5% (16.8) and 18.3% (18.0) of Group sales, respectively.

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

Capital expenditure and R&D costs

Capital expenditure in 1996 amounted to SEK 4,807m (5,115), of which SEK 527m (583) referred to Sweden. Total capital expenditure thus corresponded to 4.4% (4.4) of Group sales.

More than one-third of the major investments authorized in 1996 refer to new products, and approximately one-quarter to plants in new markets. Investment in IT accounts for an increasing share of capital expenditure as the Group develops a more efficient infrastructure.

The largest projects in 1996 involved the build-up of the production facility for refrigerators in the Group's joint venture in China, and the expansion of production capacity in the refrigerator plant in Hungary. A substantial investment is also being made in production of compressors in Italy.

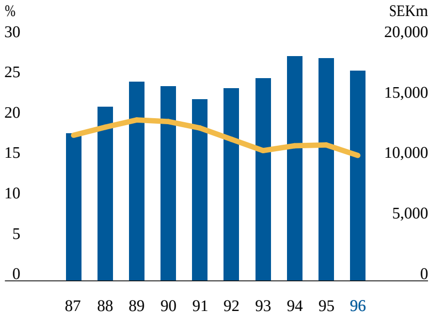
Costs for research and development in 1996 amounted to SEK 1,580m (1,636), which corresponds to 1.4% (1.4) of sales.

Divestment of operations

In February, a final agreement was reached on divestment of the operation in materials-handling equipment, which had sales of approximately SEK 1,750m and about 1,400 employees. The divestment was completed on March 29, and did not have any significant effect on the Group's income or financial position.

As of April 1, the Group divested the Swedish electronics operation in Electrolux

Inventories

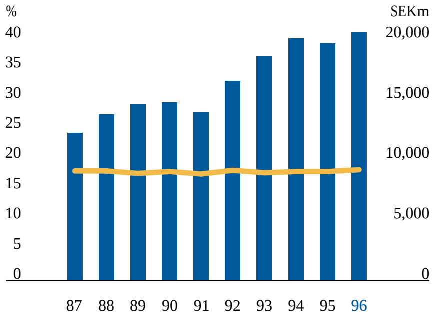


Inventories, SEKm

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

Inventories declined in 1996 to 15.5% of sales, as against 16.8% in 1995.

Accounts receivable

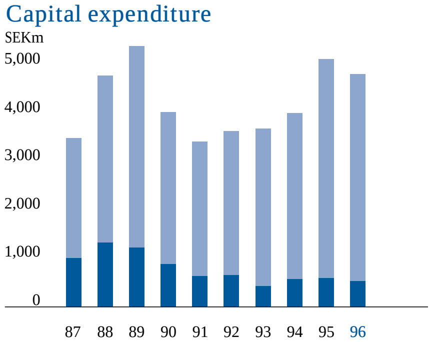


Accounts receivable, SEKm

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

Accounts receivable amounted to 18.3% of sales in 1996, as against 18.0% in 1995.

Capital expenditure



Outside Sweden

Sweden

Capital expenditure in 1996 amounted to SEK 4,807m, of which SEK 527m in Sweden.

Electronics, which had sales of approximately SEK 250m and about 190 employees.

In February, 1997, a preliminary agreement was reached on divestment of the operation in sewing machines, which has annual sales of approximately SEK 850m and about 700 employees. The divestment is scheduled for completion on March 31, and is expected to generate a capital gain of approximately SEK 600m for the Group.

Distribution of Gränges to shareholders

The Board of Directors has decided to present a proposal to the Annual General Meeting for distribution of all shares in the wholly-owned subsidiary Gränges to Electrolux shareholders. The operation in which shares will be distributed according to the proposal does not include the Recycling business area, which has been transferred to Electrolux as of 1997. The shares in Gränges will be transferred to AB Electrolux from the Contracting holding company prior to the Electrolux Annual General Meeting. It is intended that Gränges will be listed on the Stockholm Stock Exchange in connection with the distribution of shares.

For each share in Electrolux, either A- or B-shares, the shareholder will receive 1/2 of a share in Gränges. Two shares in Electrolux thus entitle the holder to one share in Gränges. An odd fractional share accruing to a shareholder will be sold automatically for cash, free of brokerage commission. It is intended that shareholders with a maximum of 99 shares in Electrolux, thus receiving up to 49 shares in Gränges as of record day, will be offered an arrangement for selling their shares in Gränges free of brokerage commission, after Gränges has been listed.

A prospectus with additional information will be sent to Electrolux shareholders prior to the Annual General Meeting on April 29. If the proposed distribution is approved, May 20 will be proposed as record day for receiving shares in Gränges, which will then be listed on the O-list as of May 21.

In response to a request from Electrolux, the Swedish Tax Board has indicated that the Swedish fiscal legislation known as “Lex Asea” should be applicable to the distribution of shares in Gränges, which means that there will be no immediate fiscal consequences for Electrolux shareholders in Sweden, or for Electrolux.

The distribution of Gränges shares would reduce the Electrolux Group's shareholders' equity by SEK 1,783m and the parent company's equity by SEK 1,602m. The Group's total assets would be reduced by SEK 5,594m. The net debt/equity ratio would amount to 0.81, as against 0.80 at year-end 1996.

For additional information, see page 20. The prospectus will be available at all offices of Skandinaviska Enskilda Banken in Sweden. It will also be available from Electrolux, tel. +46-8-738 60 00, and from Gränges, tel. +46-8-459 59 00.

Discontinuation of joint venture in FHP Motors

As of September 1, 1996, the Group and AEG AG dissolved the joint venture for small electric motors in FHP Motors GmbH, which was originally established in 1990. Electrolux has taken over the operation within this venture for manufacture and sale of motors intended primarily for household appliances. In 1996 this operation had sales of approximately DEM 400m (approximately SEK 1,800m) and about 2,300 employees, and has been integrated in the compressors product line, which is now called components.

TEMIC Telefunken Microelectronic GmbH, which has taken over AEG's share of the joint-venture company, took over the operation for manufacture and sale of electric motors for the automotive industry. This operation had sales of approximately DEM 150m in 1996 and about 430 employees.

Operations in new markets

In January, 1996, the Group acquired 41% of the ordinary shares in the Brazilian company Refrigeração Paraná S.A. (Refripar) for USD 50m. A public bid in April, 1996, enabled the Group to acquire another 46.6% of the ordinary shares for USD 84m. Together with the 10% of the ordinary shares and the 6% of the preferential shares acquired in 1994, on April 30 the Group thus owned 97.6% of the ordinary voting shares and 35% of the share capital. Electrolux acquired additional shares in the company by merging it with two wholly-owned subsidiaries, Electrolux Ltda and Oberdorfer S.A. As of November 1, 1996, the Group owned 99% of the voting shares and more than 50% of the share capital in Refripar. The company is included in the Group accounts as of February, 1996.

Refripar is the second largest white-goods company in Brazil, with sales of BRL 800 million (approximately SEK 5,300m) in 1996 and about 5,000 employees.

In January, 1996, a majority-owned joint venture was established in China for production of refrigerators and freezers for commercial users. In February, 1996, the Group acquired 20% of the shares in Atlas Eléctrica S.A. in Costa Rica, the leading producer of refrigerators and cookers in Central America. On April 1, the Group acquired a small producer of commercial appliances in Indonesia.

Employees

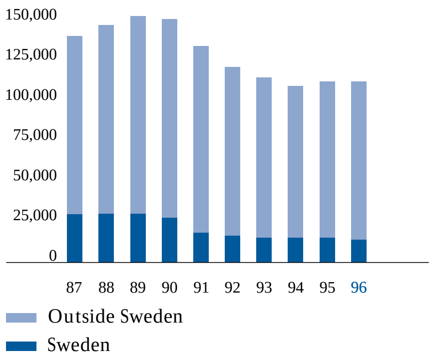
The average number of Group employees in 1996 was 112,140 (112,300), of whom 13,920 (14,949) in Sweden. At year-end, the Group had 110,200 (111,015) employees.

Acquisitions resulted in an increase of 8,245 employees, most of them in Refripar and the electric-motor operation in FHP Motors. Divestment of operations involved a decrease of about 1,400 in the number of employees, most of them in the Constructor group.

Of the total average number of employees in 1996, about 11,100 (12,000) were in the Group's direct-sales operation. Most of them work in Asia.

Information on the number of employees by country and region is given on page 50.

Average number of employees



The average number of employees in 1996 was 112,140, of whom 13,920 in Sweden.

Salaries and remuneration totalled SEK 20,249m (20,788), of which SEK 3,063m (3,028) in Sweden. See also Note 17 on page 41.

Earnings and financial position according to US GAAP

The table below summarizes the Group's net income and financial position according to US GAAP. For additional information and a description of the essential differences between US and Swedish accounting principles, see Note 18 on page 42.

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 sixteen companies that operate on commission from AB Electrolux.

Sales for the parent company in 1996 amounted to SEK 5,123m (5,369), of which SEK 2,351m (2,371) referred to sales to Group companies and SEK 2,772m (2,998) to sales to external customers. After allocations of SEK –80m (87) and taxes of SEK –135m (–2), the parent company reported a net income of SEK 1,263m (3,386).

Financial exchange-rate differences during the year amounted to SEK +221m (+804), of which SEK +4m (–93) comprised exchange gains on loans intended as hedges for equity in subsidiaries, while exchange gains on forward contracts for the same purpose totalled SEK 186m (887).

The Group's policy for hedging equity in subsidiaries (see page 29) led to unrealized exchange gains in the parent company in the amount of SEK 398m. If exchange rates remain the same, this would generate an effect on the parent company's income of SEK –53m in 1997, SEK 149m in 1998 and SEK 302m for the period 1999–2006. Unrealized exchange gains/losses are offset by the change in the value of net assets in foreign subsidiaries that arises from changes in exchange rates but is not carried in the parent company's accounts.

No effect on Group income is generated, 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.

Information on the number of employees, salaries and remuneration is given in Note 17 on page 41. The parent company's holdings in shares and participations are reported on page 45.

Proposed cash dividend

In addition to distribution of all shares in Gränges, the Board of Directors proposes an unchanged cash dividend of SEK 12.50 per share, for a total dividend payment of SEK 915m.

Approximate values according to US GAAP	1996	1995
Net income, SEKm	1,668	2,914
Net income per share, SEK	22.80	39.80
Shareholders' equity, SEKm	21,763	20,685
Total assets, SEKm	88,358	82,421
Debt/equity ratio, %[1]	57.1	55.0

1) Long-term liabilities in relation to long-term liabilities plus shareholders' equity.

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, options and swaps. 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, 1996 amounted to SEK 13,510m (14,249), which corresponds to 12.1% (13.1) of sales and 154% (195) of short-term borrowings. In addition, the Group had unutilized credit facilities amounting to SEK 21,365m (22,119) 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 fluctuations may occur with reference to large individual transactions or seasonal variations. Net liquidity is defined as liquid funds less short-term borrowings.

Loans raised during the year

The major share of borrowings during the year took the form of bilateral bank loans. A loan on the Euromarket amounting to FRF 1,000m with a maturity period of eight years was raised in October. The Group's two MTN programs, in London and Stockholm, were also utilized. Under the latter program, zero-coupon bonds are placed with private investors to a maximum of SEK 600m. Utilization of the London MTN program included a loan in IDR.

Long-term borrowings, by currency

Currency	Amount, SEKm
USD	10,647
ITL	2,874
FRF	2,156
SEK	1,968
ESP	1,563
DEM	954
Other	3,882
Total	24,044

The growing operation in Hungary involved an increased financing requirement, and the certificate program was therefore expanded to HUF 5,000m (approximately SEK 212m).

The Group's interest-bearing borrowings at year-end 1996 amounted to SEK 32,954m (31,750), of which SEK 24,044m (24,448) comprised long-term loans with an average duration of 3.4 years (3.0). Net borrowings, i.e. total interest-bearing liabilities less liquid funds, rose to SEK 19,444m (17,501).

The above tables show 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 7.3% (7.3) during 1996.

In accordance with the Group's financing policy, most long-term borrowings bear fixed interest rates. The policy also aims at maintaining a smooth maturity profile over a 5–7 year period.

Interest-rate risk

This risk refers to the adverse effects of changes in market interest rates on Group income. As of December 31, 1996, the Group's total short- and long-term interest-bearing liabilities amounted to SEK 32,954m (31,750), of which the Swedish pension liability in the Pension Registration Institute (PRI) accounted for SEK 1,612m (1,546). Interest-bearing liquid funds amounted to SEK 13,406m.

The fixed-interest term for long-term borrowings was 1.5 years as of December 31, 1996. 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.

Maturity dates for long-term borrowings

Year	Amount, SEKm
1997	4,813
1998	3,307
1999	4,099
2000	2,980
2001	4,033
2002	533
Thereafter, until 2007	4,279
Total	24,044

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 1996 in the most important currencies.

Sales and expense, by currency

Currency	Sales	Expense
SEK	9%	13%
USD block[1)]	39%	38%
DEM block[2)]	29%	23%
GBP	7%	5%
ITL	5%	15%
Other	11%	6%
Total	100%	100%

1) Includes the Canadian dollar as well as currencies in Latin America and Southeast Asia.
2) Includes currencies in Benelux as well as Denmark, Finland and Austria.

In 1996, the Group thus had sales primarily in currencies within the DEM block, and expense 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.

The Group's currency policy involves a relatively short period for forward hedging, normally 1–6 months for the greater part of the flow exposure. In addition, tactical decisions are made at appropriate times regarding hedging of commercial flows.

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 involved an adverse effect of SEK 156m on operating income for the year relative to 1995.

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. The Group's currency policy stipulates that the magnitude of the total coverage can vary between a maximum of 139% of the net investment before taxes – at which the effect of exchange-rate fluctuations on equity expressed in Swedish kronor is in principle zero – and the level at which the Group's net debt/equity ratio is maintained intact in the event of exchange-rate fluctuations. The average total coverage during 1996 was approximately 100% (102) before taxes.

At year-end, forward contracts as hedges for net foreign investment amounted to SEK 10,156m (10,718).

Net translation differences arising from consolidation of foreign subsidiaries in 1996 amounted to SEK +271m (–994). See Note 14 on page 40. 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 the description of 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 deposits 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 financial operation in Electrolux is a separate product line with three main fields of activity:

- Borrowing in order to finance Group operations
- Management of liquidity and liabilities
- Financing of sales.

This product line includes more than thirty units. Fifteen local financial centers are positioned in the Group's major markets in Western Europe and North America. The financial operation employed about 200 people in 1996, of whom about 40 were in Stockholm.

The short-term operations of these internal banks are managed from Stockholm, as are long-term financing and the Group's overall financial risk exposure. Financial operations include active cash management and comprehensive currency trading, primarily in Sweden and Italy. Support for the Group's operative units includes leasing and rental activities, factoring for customers and suppliers, and various types of dealer financing.

Both currency trading and interest arbitrage generated satisfactory income in 1996. Income for operations that support sales improved additionally.

The Risk Management function includes coordination of the Group's protection against various types of risk exposure and comprises several own insurance companies. Two of these, in Sweden and the US, have charters for direct insurance and reinsurance. A company in Luxembourg is devoted exclusively to reinsurance, and a company in Ireland focuses on direct insurance within the EU.

Consolidated income statement

(SEKm)		1996	1995
Operating income and expense			
Sales		110,000	115,800
Operating expense	(Note 1)	–101,071	–106,073
Share of income in associated companies		–43	–9
Operating income before depreciation		8,886	9,718
Depreciation according to plan	(Note 2)	–4,438	–4,407
Operating income after depreciation		4,448	5,311
Financial items	(Note 3)	–1,198	–1,295
Income after financial items		3,250	4,016
Minority interests in income before taxes		–218	–69
Income before taxes		3,032	3,947
Taxes	(Note 4)	–1,182	–1,199
Net income		1,850	2,748
Net income per share, SEK	(Note 5)	25.30	37.50

Consolidated balance sheet

ASSETS (SEKm)		December 31, 1996		December 31, 1995	
Current assets					
Cash and bank deposits		3,210		3,763	
Bonds and other securities		10,300	13,510	10,486	14,249
Notes receivable		4,426		1,758	
Accounts receivable		16,068		17,844	
Prepaid expense and accrued income		2,113		1,561	
Other receivables		2,968	25,575	2,674	23,837
Inventories	(Note 6)		17,334		18,359
Advances to suppliers			213		175
Total current assets			56,632		56,620
Blocked accounts for investment and other reserves			–		3
Fixed assets					
Shares and participations	(Note 7)	467		578	
Bonds and other securities		252	719	228	806
Notes receivable		23		16	
Long-term receivables		528	551	421	437
Goodwill, etc.	(Note 8)	3,558		3,175	
Advances to suppliers		242		205	
Construction in progress		1,106		1,223	
Machinery, equipment and tools	(Note 9)	14,325		13,110	
Buildings	(Note 9)	6,758		6,099	
Land and land improvements	(Note 9)	1,687	27,676	1,478	25,290
Total fixed assets			28,946		26,533
TOTAL ASSETS			85,578		83,156
Assets pledged	(Note 10)		2,801		1,813

LIABILITIES AND SHAREHOLDERS' EQUITY (SEKm)		December 31, 1996		December 31, 1995	
Current liabilities					
Notes payable		771		1,024	
Accounts payable		8,651		9,003	
Tax liability		541		580	
Accrued expense and prepaid income		8,628		8,879	
Other current liabilities		2,603		3,259	
Advances from customers		409	21,603	410	23,155
Bank loans, etc.	(Note 12)		13,723		12,303
Total current liabilities			35,326		35,458
Long-term liabilities					
Bond loans	(Note 12)	6,002		6,628	
Mortgage loans, promissory notes, etc.	(Note 12)	11,617	17,619	11,273	17,901
Deferred taxes		893		933	
Other long-term liabilities		2,421	3,314	2,170	3,103
Provisions for pensions					
PRI pensions (Pension Registration Institute)	(Note 12)	1,612		1,546	
Other pensions		3,327	4,939	3,227	4,773
Total long-term liabilities			25,872		25,777
Minority interests			1,952		617
Shareholders' equity	(Note 14)				
Restricted equity					
Share capital	(Note 15)	1,831		1,831	
Statutory reserves		8,538	10,369	8,936	10,767
Unrestricted equity					
Retained earnings		10,209		7,789	
Net income for the year		1,850	12,059	2,748	10,537
Total shareholders' equity			22,428		21,304
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY			85,578		83,156
Contingent liabilities	(Note 16)		2,298		681

Parent company income statement

(SEKm)		1996	1995
Operating income and expense			
Sales		5,123	5,369
Group contributions		1,441	1,951
Operating expense including head-office costs	(Note 1)	–5,347	–5,593
Operating income before depreciation		1,217	1,727
Depreciation according to plan	(Note 2)	–265	–240
Operating income after depreciation		952	1,487
Financial items	(Note 3)	526	1,814
Income after financial items		1,478	3,301
Allocations	(Note 13)	–80	87
Income before taxes		1,398	3,388
Taxes	(Note 4)	–135	–2
Net income		1,263	3,386

Parent company balance sheet

ASSETS (SEKm)		December 31, 1996		December 31, 1995	
Current assets					
Cash and bank deposits		357		813	
Bonds and other securities		6,217	6,574	7,314	8,127
Receivable from subsidiaries		1,146		1,510	
Accounts receivable		462		454	
Prepaid expense and accrued income		200		162	
Other receivables		59	1,867	27	2,153
Inventories	(Note 6)	467		565	
Tax refund claim		–	467	5	570
Total current assets			8,908		10,850
Fixed assets					
Shares and participations	(Note 7)		23,391		18,419
Long-term receivables					
From subsidiaries		2,714		2,357	
Other		65	2,779	48	2,405
Brand names, etc.	(Note 8)		138		203
Advances to suppliers		23		36	
Construction in progress		45		59	
Machinery, equipment and tools	(Note 9)	692		680	
Buildings	(Note 9)	68		72	
Land and land improvements	(Note 9)	14	842	14	861
Total fixed assets			27,150		21,888
TOTAL ASSETS			36,058		32,738
Assets pledged			–		–

LIABILITIES AND SHAREHOLDERS' EQUITY (SEKm)		December 31, 1996		December 31, 1995	
Current liabilities					
Payable to subsidiaries		1,390		916	
Accounts payable		398		472	
Taxes payable		103		–	
Accrued expense and prepaid income		780		906	
Other current liabilities		75		82	
Advances from customers		11	2,757	6	2,382
Bank loans, etc.			4,084		6,529
Total current liabilities			6,841		8,911
Long-term liabilities					
Payable to subsidiaries		1,270		676	
Bond loans		8,711		6,932	
Promissory notes, etc.		6,616	16,597	4,088	11,696
Provisions for pensions					
PRI pensions (Pension Registration Institute)		646		594	
Other pensions		113	759	103	697
Total long-term liabilities			17,356		12,393
Untaxed reserves	(Note 13)		676		596
Shareholders' equity	(Note 14)				
Restricted equity					
Share capital	(Note 15)	1,831		1,831	
Statutory reserves		2,731	4,562	2,731	4,562
Unrestricted equity					
Retained earnings		5,360		2,890	
Net income for the year		1,263	6,623	3,386	6,276
Total shareholders' equity			11,185		10,838
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY			36,058		32,738
Contingent liabilities	(Note 16)		7,439		6,372

Statements of changes in financial position

(SEKm)	Group 1996	Group 1995	Parent company 1996	Parent company 1995
Operations				
Net income	1,850	2,748	1,263	3,386
Depreciation according to plan charged against above income	4,438	4,407	265	240
Capital gain/loss included in operating income	–114	–45	152	183
Allocations	–	–	80	–87
Change in operating assets and liabilities				
Change in notes receivable and accounts receivable	–345	–879	–8	13
Change in current intra-Group balances	–	–	838	–1,534
Change in inventories	1,286	–1,282	98	–54
Change in other current assets	–519	–641	–65	208
Change in current liabilities	–2,620	–486	–99	–103
Liquid funds generated by operations	3,976	3,822	2,524	2,252
Investments				
Operations	–1,096	–177	–	–
Divestment of operations	537	–	–	–
Shares and participations	59	26	–5,099	231
Long-term notes receivable and accounts receivable	–114	150	–17	–9
Change in intra-Group balances	–	–	237	188
Goodwill	–	–19	–	–
Machinery, buildings, land, construction in progress, etc.	–4,807	–5,115	–207	–247
Other fixed assets	20	292	–2	–14
Income on sales of fixed assets	634	474	2	1
Liquid funds generated by operations, after investments	–791	–547	–2,562	2,402
Financing				
Change in long-term loans	–924	1,789	4,307	–3,738
Change in other long-term liabilities	204	81	62	70
Other				
Dividends paid	–915	–915	–915	–915
Change in minority interests	141	71	–	–
Exchange-rate differences referring to net liquidity	–62	–12	–	–
Change in net liquid funds*	–2,347	467	892	–2,181
Net liquid funds at beginning of year	6,947	6,480	1,598	3,779
Net liquid funds at year-end	4,600	6,947	2,490	1,598

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

Notes to the financial statements

ACCOUNTING AND VALUATION PRINCIPLES

General

At year-end 1996 the Group comprised 680 (687) operating units and 536 (563) companies.

In the interest of achieving comparable financial information within the Group, Electrolux companies apply uniform methods for reporting obsolescence on inventories, provisions for doubtful receivables, provisions for guarantee commitments, depreciation on fixed assets, etc., irrespective of national fiscal legislation. In some countries it is permissible to make additional allocations, which are reported under "Restricted equity" after deduction of deferred taxes.

The following should be noted:

- In the consolidated income statement, Group interests in associated companies are divided into a share of income before taxes and a share of taxes.
- The 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.
- In the income statement for AB Electrolux, Group contributions are included in income before depreciation, as are head-office costs. The latter are financed largely by these contributions, so that both items are reported under the same heading.
- Computation of net debt/equity, equity/assets and net assets includes minority interests in adjusted shareholders' equity. Definitions of these concepts are given on page 48.

Principles applied for consolidation

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.

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.

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 shareholders' equity after deductions for deferred taxes.

Minor investments in associated companies are reported as shares and participations at the lower of acquisition cost and market value. 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.

Accounting method

The consolidated financial statements have been prepared in accordance with Recommendation RR01:91 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.

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. 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 8 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.

Negative goodwill is dissolved according to a schedule that is determined on the basis of the costs of required restructuring and the anticipated return from acquired companies.

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 shareholders' 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 before depreciation, 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 before depreciation. 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 1996 amounted to SEK 1,580m (1,636).

Depreciation on tangible fixed assets
Depreciation according to plan is based on the 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.

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 13.

Extraordinary items
In accordance with Recommendation RR4 of the Swedish Financial Accounting Standards Council, Electrolux applies a strict interpretation of the concept of extraordinary income and expense.

Capital gains and losses on divestment of fixed assets and operations, like restructuring costs, are considered to be natural components of the Group's operations and are therefore reported under operating income. A specification of these items is given in Note 1.

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.

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. In cases where a receivable or a liability has not yet arisen, the valuations of forward contracts have not been recognized in the financial statements.

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.

US GAAP
Information in accordance with US GAAP (U.S. Generally Accepted Accounting Principles) is provided in Note 18 as well as in a Form 20-F report submitted annually to the SEC (Securities and Exchange Commission).

Notes to the financial statements

1. OPERATING EXPENSE (SEKm)	Group 1996	Group 1995	Parent company 1996	Parent company 1995
Operating expense includes the following items:				
Gain/Loss on sale of real estate	5	8	–	–
Gain/Loss on divestment of operations and shares	109	37	–127	–180
Total	114	45	–127	–180

Operating expense includes translation differences and adjustments for inflation in the amount of SEK 17m (–11). See "Accounting principles" on page 35 regarding translation of foreign subsidiaries.

2. DEPRECIATION ACCORDING TO PLAN (SEKm)	Group 1996	Group 1995	Parent company 1996	Parent company 1995
Brand names, etc.	–	–	67	66
Goodwill, etc.	272	282	–	–
Machinery, equipment and tools	3,739	3,699	193	169
Buildings, leasehold rights, etc.	412	410	5	5
Land improvements	15	16	0	0
Total	4,438	4,407	265	240

3. FINANCIAL ITEMS (SEKm)	Group 1996	Group 1995	Parent company 1996	Parent company 1995
Dividends				
From subsidiaries	–	–	995	2,020
Other	17	37	11	0
Interest income				
From subsidiaries	–	–	231	259
Other	1,436	1,221	514	424
Interest expense				
To subsidiaries	–	–	–180	–377
Other	–2,613	–2,371	–1,273	–1,075
Exchange differences				
On loans and forward contracts as hedges for equity in subsidiaries	–	–	190	794
On other loans and borrowings, net	1	22	31	10
Other financial items	–39	–204	7	–241
Total	–1,198	–1,295	526	1,814

Premiums on forward contracts intended as hedges for equity in subsidiaries have been amortized as interest in the amount of SEK 145m (293).

In connection with consolidation, the 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 32m (1,630).

Other Group financial income and expense includes interest income of SEK 217m (113) and interest expense of SEK 205m (105) referring to interest arbitrage transactions. Receivables and liabilities referring to interest arbitrage amounted to SEK 3,608m (85) at year-end and have been reported at net value.

4. TAXES (SEKm)	Group 1996	Group 1995	Parent company 1996	Parent company 1995
This item includes the following:				
Income taxes	–1,175	–1,015	–135	–2
Deferred taxes	–62	–195	–	–
Minority interests in taxes	69	22	–	–
Group share of taxes in associated companies	–14	–11	–	–
Total	–1,182	–1,199	–135	–2

As of December 31, 1996 the Group had a tax-loss carry-forward of SEK 4,559m (3,893), which has not been included in computation of deferred taxes.

Current tax litigation

Subsequent to a tax audit, the Swedish Tax Board made a number of decisions regarding income tax for the parent company in 1994–95. Although several appeals have been lodged against these decisions, a provision of approximately SEK 60m has been made, which would be sufficient if all the appeals were to be rejected.

In 1995 the Swedish Tax Board decided 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 Board, so that a provision to cover the amount in question is not considered necessary.

5. NET INCOME PER SHARE

	1996	1995
Net income, SEKm	1,850	2,748
Number of shares in 1996 and 1995: 73,233,916		
Net income per share, SEK	25.30	37.50

6. INVENTORIES (SEKm)

	Group		Parent company	
	1996	1995	1996	1995
Inventories comprise the following:				
Raw materials	3,138	3,215	112	138
Work in progress	2,319	2,563	23	37
Finished products	11,877	12,581	332	390
Total	17,334	18,359	467	565

7. SHARES AND PARTICIPATIONS (SEKm)

	Group		Parent company	
	1996	1995	1996	1995
Associated companies	244	190	–	–
Other companies	223	388	82	28
Subsidiaries	–	–	23,309	18,391
Total	467	578	23,391	18,419

The book value of the parent company's shares and participations in certain subsidiaries has been written down by SEK 65m (–).

A specification of shares and participations is given on page 44.

8. GOODWILL, ETC. (SEKm)

	Acquisition cost		Accumulated depreciation		Balance-sheet value	
	1996	1995	1996	1995	1996	1995
Group						
Leasehold rights, patents, etc.	182	113	89	87	93	26
Goodwill	5,746	5,197	2,281	2,048	3,465	3,149
Total	5,928	5,310	2,370	2,135	3,558	3,175
Parent company						
Brand names, etc.	661	659	523	456	138	203

Goodwill was reduced by a net of SEK 75m (15) referring to divestments.

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. 1 of the Swedish Financial Accounting Standards Council, income for the year would decline by SEK 78m (83), and the residual value of goodwill would be reduced by SEK 716m (624), while equity would decline in a corresponding amount.

9. MACHINERY, EQUIPMENT AND REAL ESTATE (SEKm)

	Acquisition cost		Accumulated depreciation		Balance-sheet value	
	1996	1995	1996	1995	1996	1995
Group						
Machinery, equipment and tools	38,295	33,954	23,970	20,844	14,325	13,110
Buildings	10,982	9,952	4,224	3,853	6,758	6,099
Land and land improvements	1,830	1,613	143	135	1,687	1,478
Total	51,107	45,519	28,337	24,832	22,770	20,687

Capital expenditure amounted to SEK 2,679m (3,159) for machinery and equipment, SEK 468m (454) for buildings and land, and SEK 1,660m (1,502) for construction in progress and advances to suppliers.

Tax assessment value, Swedish Group companies: Buildings SEK 1,686m (1,564), land SEK 256m (254). Undepreciated portion of write-ups on land: SEK 45m (45).

	Acquisition cost		Accumulated depreciation		Balance-sheet value	
	1996	1995	1996	1995	1996	1995
Parent company						
Machinery, equipment and tools	1,882	1,803	1,190	1,123	692	680
Buildings	196	194	128	122	68	72
Land and land improvements	18	18	4	4	14	14
Total	2,096	2,015	1,322	1,249	774	766

Capital expenditure amounted to SEK 181m (195) for machinery and equipment, SEK 2m (3) for buildings, and SEK 24m (45) for construction in progress, and advances to suppliers.

Tax assessment value: Buildings SEK 412m (411), land SEK 52m (51). Undepreciated portion of write-ups on land: SEK 9m (9).

10. ASSETS PLEDGED (SEKm)

	Group 1996	Group 1995
Real-estate mortgages	2,137	1,418
Corporate mortgages	404	302
Receivables	50	28
Inventories	22	27
Other	188	38
Total	2,801	1,813

11. 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.

In 1996, 15 (13) managers sold their options. At year-end there were 58 (73) owners remaining with total holdings of 238,300 (292,300) 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 15m (7), and income for the year has been charged with SEK 12m.

12. LONG-TERM BORROWINGS (SEKm)

	Group 1996	Group 1995
Group long-term borrowings consist of:		
Short-term loans	8,910	7,302
Long-term loans, including PRI pensions	24,044	24,448
Total	32,954	31,750

Group long-term borrowings by currency:	Group 1996	Group 1995
USD	10,647	12,337
ITL	2,874	1,753
FRF	2,156	1,937
SEK	1,968	2,957
ESP	1,563	1,856
DEM	954	865
Other currencies	3,882	2,743
Total	24,044	24,448

Long-term borrowings mature as follows:	Group 1996
1997	4,813
1998	3,307
1999	4,099
2000	2,980
2001	4,033
2002	533
Thereafter, through 2007	4,279
Total	24,044

13. UNTAXED RESERVES, PARENT COMPANY (SEKm)

	Closing balance 1995	Allocations 1996	Closing balance 1996
Tax equalization reserve (L-fund)	32	–7	25
Accumulated depreciation in excess of plan on:			
Brand names	200	–66	134
Machinery and equipment	321	9	330
Buildings	30	1	31
Exchange-rate reserve	1	–1	–
Other financial reserves	12	30	42
Tax allocation reserve	–	114	114
Total	596	80	676

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

14. SHAREHOLDERS' EQUITY (SEKm)

	Share capital	Restricted reserves	Unrestricted reserves	Net income	Total
Group					
Opening balance	1,831	8,936	7,789	2,748	21,304
Transfer of retained earnings, etc.	–	–	2,748	–2,748	–
Dividend payments	–	–	–915	–	–915
Transfers between restricted and unrestricted equity	–	–398	398	–	–
Translation differences, etc.	–	–	189	–	189
Net income	–	–	–	1,850	1,850
Closing balance	1,831	8,538	10,209	1,850	22,428

Disposable consolidated earnings amount to SEK 12,059m. No allocation to statutory reserves is required.

SEK 2,253m (2,401) referring to the share of equity in timing differences is reported under "Statutory reserves". This amount can be transferred to unrestricted reserves but will then be subject to taxation.

	Share capital	Restricted reserves	Unrestricted reserves	Net income	Total
Parent company					
Opening balance	1,831	2,731	2,890	3,386	10,838
Transfer of net income	–	–	3,385	–3,386	–1
Dividend payments			–915	–	–915
Net income			–	1,263	1,263
Closing balance	1,831	2,731	5,360	1,263	11,185

15. SHARE CAPITAL AND NUMBER OF SHARES (SEKm)

	Value at par
On December 31, 1996 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

16. CONTINGENT LIABILITIES (SEKm)

	Group		Parent company	
	1996	1995	1996	1995
Discounted bills	102	208	–	–
Accounts receivable, with recourse	1,791	39	–	–
Guarantees and other commitments				
On behalf of subsidiaries	–	–	7,388	6,326
Other	331	241	36	34
Capital value of pension commitments in excess of reported liability	74	193	15	12
Total	2,298	681	7,439	6,372

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.

17. AVERAGE NUMBER OF EMPLOYEES, SALARIES AND REMUNERATION

	Employees 1996	Employees 1995	Salaries and remuneration 1996 SEKm	Salaries and remuneration 1995 SEKm
Sweden				
Parent company	4,288	4,771	990	1,006
Other	9,632	10,178	2,073	2,022
Total Sweden	13,920	14,949	3,063	3,028
Outside Sweden				
Italy	13,340	13,463	2,631	2,513
Germany	11,405	11,856	3,389	3,640
UK	6,430	6,924	1,120	1,202
Spain	3,686	4,194	647	775
Hungary	3,548	3,366	100	94
France	3,198	3,329	638	719
Denmark	3,065	3,410	830	1,002
Switzerland	1,374	1,506	560	676
Austria	1,244	1,198	313	339
The Netherlands	1,049	1,250	275	350
Norway	928	970	209	228
Finland	895	947	175	206
Luxembourg	600	601	157	171
Belgium	387	335	92	95
Poland	323	229	15	10
Czech Republic	257	224	16	14
Russia	149	34	6	2
Portugal	98	108	15	14
Turkey	95	77	12	5
Ireland	80	71	18	18
Greece	81	75	17	12
USA	22,716	25,205	4,139	4,403
Canada	1,050	1,090	182	190
Brazil	4,965	475	662	51
Mexico	1,617	1,881	45	46
Colombia	673	640	18	20
Peru	618	735	14	17
Paraguay	446	361	28	26
Chile	317	275	7	7
Venezuela	240	475	5	9
Ecuador	240	265	4	5
Argentina	51	37	10	6
Australia	552	620	88	91
New Zealand	107	105	18	22
Indonesia	2,834	2,429	84	77
Thailand	2,778	2,585	149	144
China	1,919	1,269	29	18
Malaysia	1,226	1,370	70	74
Japan	889	974	225	281
India	689	318	6	2
The Philippines	491	508	21	20
Taiwan	326	491	36	59
Singapore	218	275	25	33
Hong Kong	137	122	15	16
South Korea	113	112	15	15
South Africa	346	320	31	32
Countries with less than 50 employees, total	430	247	25	11
Total outside Sweden	98,220	97,351	17,186	17,760
Group total	112,140	112,300	20,249	20,788

Of the total average number of employees, 78,438 (77,447) were men and 33,703 (34,853) women.

A detailed specification of the number of employees in the parent company is given in the annual report submitted to the Swedish Patent and Registration Institute.

Salaries and remuneration to Boards of Directors and Presidents amounted to SEK 359m (356).

17. (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.

Salary and other taxable remuneration in the amount of SEK 6,285,689 was paid to the President and CEO, of which SEK 500,000 comprised a bonus.

In addition, the President received the following fees for membership on the Boards of foreign subsidiaries: DEM 32,000, DKK 50,000 and USD 225,000.

The President has the right, or the obligation if the company so requests, to be pensioned at the age of 55. The pension comprises 70% of the fixed salary as of the date of retirement until the full pension age of 65, when the pension will comprise the normal ITP pension plus an extra 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.

Similar pension agreements apply for certain individuals in Group management, normally stipulating 60 years as the age for early retirement pension.

There are no agreements for special severance pay.

18. 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), future salary increases, inflation and other factors must be taken into account for computation of the projected benefit obligation and pension costs for the year. 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 will be 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. In 1994, a statement by the FASB's Emerging Issues Task Force led to a revision of US GAAP with reference to recognition of such costs as liabilities. 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.

18. (continued)

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

A. Consolidated net income (SEKm)

	1996	1995
Net income as reported in the consolidated income statement	1,850	2,748
Adjustments before taxes:		
Acquisitions	–71	105
Timing differences	–315	–41
Other	–3	41
Taxes	207	61
Approximate net income according to US GAAP	1,668	2,914
Approximate net income per share according to US GAAP, SEK (no. of shares in 1996 and 1995 = 73,233,916)	22.80	39.80

B. Shareholders' equity (SEKm)

	1996	1995
Shareholders' equity as reported in the consolidated balance sheet	22,428	21,304
Adjustments:		
Revaluation of fixed assets	–45	–45
Acquisitions	–1,074	–982
Pensions	–244	–319
Securities	187	106
Timing differences	330	607
Taxes	181	14
Approximate shareholders' equity according to US GAAP	21,763	20,685

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	
	1996	1995	1996	1995
Current assets	56,632	56,620	60,240	56,705
Real estate, machinery and equipment	24,118	22,115	24,037	22,030
Shares and participations	467	578	654	684
Long-term receivables	551	437	551	437
Goodwill	3,465	3,149	2,427	2,207
Other assets	345	257	449	358
Total assets	85,578	83,156	88,358	82,421
Current liabilities	35,326	35,458	34,996	34,936
Long-term liabilities	24,979	24,844	28,935	25,264
Deferred taxes	893	933	712	919
Minority interests	1,952	617	1,952	617
Shareholders' equity	22,428	21,304	21,763	20,685
Total liabilities and shareholders' equity	85,578	83,156	88,358	82,421

Group holdings in shares and participations

ASSOCIATED COMPANIES	Number	Holding, %		Value at par in local currency, million	Book value, equity method, SEKm
Atlas Eléctrica, S.A., Costa Rica	60,000,000	20	CRC	300	55
Automatic Minibar System Ltd, UK	249,999	50	GBP	–	–1
Cefemo S.A.R.L., France	–	50	FRF	18.8	16
Eureka Forbes Ltd, India	990,000	40	INR	9.9	21
Friulia Factors S.p.A., Italy	250	50	ITL	25.0	2
IVG Bulka-Lehel GmbH, Germany	–	50	DEM	–	3
A/O Khimki Husqvarna, Russia	–	50	SEK	–	5
MISR Compressor Manufacturing, Co., S.A.E., Egypt	455,000	27.7	EGP	45.5	76
Raufors Plastal Components AB, Sweden	4,500	50	SEK	4.9	7
Saudi Arabia Refrig Mfg, Saudi Arabia	13,228	49	SAR	13.3	25
Saudi Italian Industrial Co., Ltd, Saudi Arabia	400	25	SAR	2.0	1
Zanker N.V., Belgium	–	50	BEF	15.0	34
					244

OTHER COMPANIES	Number	Holding, %		Value at par in local currency, million	Book value, SEKm
Swedish companies					
AB Tryggve Jansson	2,460	49	SEK	0.2	4
Gotthard Vafab Miljö AB	20,000	50	SEK	2.0	2
Foreign companies					
Banca Popolare de Friulia, Italy	19,807	0.1	ITL	99	2
Winful J/V, China	–	5	USD	–	14
Email Ltd, Australia	13,089,629	5.1	AUD	6.5	104
Inox Taglio SRL, Italy	2,000	10	ITL	2.0	2
Ithifly, Italy	720,000	5.2	ITL	720.0	2
Kotimaiset Kotitalouskoneet Oy, Finland	2,050	50	FIM	2.1	5
Tapespur Ltd, UK	–	50	GBP	–	8
Mutual Fund Investment, Deferred compensation program, USA	–	–	USD	–	30
Consorcio Nacional Prosdócimo, Brazil	–	–	BRL	0	14
Electrobrás, Brazil	–	–	BRL	0	6
IDITO, Italy	1	49	ITL	327.3	2
Lords Agricultural Machinery Ltd, UK	496,466	49.8	GBP	0.5	3
Other					25
Total Group holdings in shares and participations					223

A detailed list of holdings has been attached to the annual report filed with the Swedish Patent and Registration Office.

Parent company holdings in shares and participations

ASSOCIATED COMPANIES		Number	Holding, %	Value at par in local currency, million		Book value, SEKm
Subsidiaries in Sweden						
Electrolux Contracting AB		2,106,000	100	SEK	2,106.0	1,608
Husqvarna AB		4,950,000	100	SEK	495.0	608
Electrolux Storkök AB		500,000	100	SEK	50.0	61
Husqvarna Sewing Machines AB		40,000	100	SEK	40.0	61
AB Överums Bruk		210,000	100	SEK	21.0	31
Electrolux-Wascator AB		25,000	100	SEK	25.0	30
AB Elefac Finans		225,000	100	SEK	22.5	27
Electrolux Commercial Refrigeration AB		100,000	100	SEK	10.0	26
Jonsereds Miljöskydd AB		60,000	100	SEK	6.0	18
Electrolux Credit AB		150,000	100	SEK	15.0	15
Kohlswa Jernverks AB		300,000	100	SEK	15.0	15
AEG Hem och Hushåll AB		150,000	100	SEK	15.0	15
Electrolux Förvaltnings AB		112,500	100	SEK	11.3	14
Försäljnings AB Dimas		3,000	100	SEK	0.3	14
Electrolux-Euroclean AB		100,000	100	SEK	10.0	11
Ballingslöv AB		90,000	100	SEK	9.0	11
Electrolux Försäkrings AB		100,000	100	SEK	10.0	10
Other subsidiaries in Sweden						71
Total subsidiaries in Sweden						2,646
Foreign subsidiaries						
Denmark	Electrolux Danmark A/S	911	100	DKK	250.0	227
	A/S Vestfrost	83,038,500	50	DKK	83.0	10
Finland	Oy Electrolux AB	215,000	100	FIM	215.0	253
France	Electrolux S.A.	10,354,993	100	FRF	1,035.5	4,165
The Netherlands	Electrolux Associated Co. B.V.	639,049	100	NLG	639.0	2,405
	Electrolux Holding B.V.	23,750	100	NLG	23.8	377
Norway	Electrolux Norge A/S	1,000	100	NOK	100.0	23
Poland	Electrolux Poland Spolka Z.O.O.	2,088	100	PLN	9.8	34
Portugal	Electrolux Ltda.	637,000,000	100	PTE	637.0	25
Russia	A/O Husqvarna Sales, Russia		100	RUR	1,350.0	15
	Electrolux Ltd (Russia)		100	RUR	4,750.0	7
Switzerland	Electrolux Holding AG	16,395	100	CHF	8.2	101
Slovenia	Husqvarna Forest & Garden D.O.O.		82.6	SIT	224.9	12
United Kingdom	Electrolux UK Ltd	572,777,999	100	GBP	262.0	1,366
Germany	Electrolux Deutschland GmbH		100	DEM	300.0	1,085
	FHP Motors GmbH		71.4	DEM	150.0	661
	FHP Motors Beteiligungsverwaltungs-GmbH		71.4	DEM	100.0	441
Hungary	Lehel Hütögepgyar Kft		42.8	HUF	1,523.0	74
Austria	Electrolux Austria G.m.b.H.		100	ATS	12.0	70
Canada	Euro White Investment Corp.	139,000	83.7	Shares have no par value		76
USA	White Consolidated Industries, Inc.	100	100	Shares have no par value		7,329
Brazil	Electrolux Ltda.	178,755,149	99.9	BRL	178.8	1,279
Mexico	Mexectro, S.A. de CV	939,220,249	100	MXN	93.9	110
Peru	Lux Andina S.A.	6,196,471	92.4	PEI	6.2	17
Hong Kong	Electrolux (Far East) Ltd	1,935,999	100	HKD	19.4	16
India	Maharaja International Ltd	17,425,000	51.0	INR	174.3	105
	Intron Ltd	7,780,102	51.0	INR	77.8	19
Japan	Electrolux (Japan) Ltd	1,000,000	100	JPY	1,000.0	37
	Lux Japan KK	9,900	100	JPY	495.0	10
China	Electrolux Cleaning Appliances (Tianjin) Co. Ltd		45.4	USD	4.2	22
	Electrolux Yadu Electrical Appliances (Beijing) Co. Ltd		90.0	USD	0.9	7
	Electrolux (China) Co., Ltd, China		100	USD	15.1	102
Malaysia	Electrolux (Malaysia) Holdings Sdn. Bhd.	6,111,111	100	MYR	6.1	20
New Zealand	Electrolux Ltd	2,299,954	100	NZD	4.6	12
Singapore	Electrolux S.E.A. Pte. Ltd	2,000,000	100	SGD	2.0	14
Thailand	Electrolux Thailand Co. Ltd	30,000	49	THB	3.0	65
Other foreign subsidiaries						72
Total foreign subsidiaries						20,663
Total shares and participations in subsidiaries						23,309
Shares and participations in other companies						82
Total parent company holdings in shares and participations						23,391

A detailed specification of holdings is given in the annual report submitted to the Swedish Patent and Registration Office.

Proposed distribution of earnings

According to the consolidated financial statements, the Group's unappropriated earnings amount to SEK 12,059m.
No allocation to restricted equity is required.

	Thousands of kronor
The Board of Directors and the President propose that net income for the year	1,263,017
and retained earnings	5,360,397
totalling	6,623,414
be distributed to shareholders as follows:	
a dividend of SEK 12.50 per share, totalling	915,424
half (1/2) a share in Gränges AB per share, totalling	1,602,365
To be carried forward	4,105,625
Total	6,623,414

Stockholm, March 6, 1997

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

LEIF JOHANSSON
President

Auditors' report

We have examined the annual report, the consolidated financial statements, the accounting records and the administration by the Board of Directors and the President for the accounting year 1996. Our examination was carried out in accordance with generally accepted auditing standards.

Parent company

The annual report has been prepared in accordance with the Swedish Companies Act.
We recommend that
– the income statement and the balance sheet be adopted,
– the earnings be distributed as proposed by the Board of Directors and the President, and
– the members of the Board of Directors and the President be discharged from liability for the financial year.

Group

The consolidated financial statements have been prepared in accordance with the Swedish Companies Act.
We recommend that the consolidated income statement and the consolidated balance sheet be adopted.

Stockholm, March 6, 1997

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 1996 totalled SEK 110,000m (115,800). After deduction of purchases of goods and services, the value added by the Group amounted to SEK 35,309m (36,766), a decrease of –4% (+6) from the previous year. During the past five years, added value has increased at an average annual rate of 5.8% (4.3).

In 1996, SEK 5,536m (6,298) 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% (2) of added value in 1996, or 3% (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	1996 SEKm	%	1996 per employee, SEK '000	1995 SEKm	%
Sales revenues	110,000	100	981	115,800	100
Cost of purchased goods and services	–74,691	–68	–665	–79,034	–68
Added value	35,309	32	316	36,766	32

DISTRIBUTION OF ADDED VALUE	1996 SEKm	%	1996 per employee, SEK '000	1995 SEKm	%
To employees					
Wages and salaries	20,249	58	181	20,788	57
Employer contributions	6,174	17	55	6,260	17
	26,423	75	236	27,048	74
To State and municipalities					
Taxes	1,237	3	11	1,210	3
To credit institutions					
Interest, etc.	1,198	3	11	1,295	4
To shareholders					
Dividend payments (1996: Proposed)	915	3	8	915	2
	3,350	9	30	3,420	9
Retained in the Group					
For wear on fixed assets (depreciation)	4,438	13	40	4,407	12
Other	1,098	3	10	1,891	5
	5,536	16	50	6,298	17
Added value	35,309	100	316	36,766	100

Eleven-year review

Amounts in SEKm unless otherwise indicated	1996	1995	1994	1993	1992	1991
Sales and income						
Sales	110,000	115,800	108,004	100,121	80,436	79,027
Operating income after depreciation [1]	4,448	5,311	5,034	2,945	1,992	2,382
Income after financial items [1]	3,250	4,016	3,595	1,250	758	825
Net income [1] [2]	1,850	2,748	2,195	584	183	377
Financial position						
Total assets	85,578	83,156	84,183	77,647	71,618	62,329
Net assets [2] [3] [10]	43,824	39,422	39,477	42,568	41,728	35,521
Accounts receivable	20,494	19,602	20,015	18,522	16,509	13,893
Inventories	17,334	18,359	18,514	16,698	15,883	14,955
Shareholders' equity [2] [3]	22,428	21,304	20,465	16,853	16,772	15,758
Data per share, SEK						
Net income [1] [2] [3]	25.30	37.50	30.00	8.00	2.50	5.20
Net income according to US GAAP [4]	22.80	39.80	77.20	5.10	2.60	5.50
Shareholders' equity [2] [3]	306	291	279	230	229	215
Dividend, adjusted for share issues [5]	12.50	12.50	12.50	6.25	6.25	12.50
Trading price of B-shares at year-end [7]	396	272.50	377	284	238	218
Key ratios						
Return on equity, % [1] [2] [3]	8.7	13.4	13.0	3.5	1.2	2.3
Return on net assets, % [1] [2] [3] [10]	10.3	12.5	11.9	6.8	5.3	6.2
Net assets as a percentage of sales [2] [3] [6] [8] [10]	39.1	36.1	35.6	40.9	46.1	45.0
Accounts receivable as a percentage of sales [6] [8]	18.3	18.0	18.0	17.8	18.2	17.6
Inventories as a percentage of sales [6] [8]	15.5	16.8	16.7	16.1	17.5	18.9
Net debt/equity [10]	0.80	0.80	0.88	1.49	1.49	1.25
Interest coverage rate	2.26	2.77	2.38	1.28	1.18	1.25
Equity/assets ratio, % [2] [3] [10]	33.8	31.8	29.5	24.9	26.4	28.0
Dividend as a percentage of equity [2] [3] [5]	4.1	4.3	4.5	2.7	2.7	5.8
Other data						
Gross capital expenditure on						
real estate, equipment and tools [9]	7,088	5,238	7,537	3,727	3,737	3,704
exclusive of opening value						
in acquisitions during year [9]	4,807	5,115	3,998	3,682	3,623	3,414
Capital expenditure as a percentage of sales	4.4	4.4	3.7	3.7	4.5	4.3
Average number of employees	112,140	112,300	109,470	114,700	121,200	134,200
Salaries, wages and remuneration	20,249	20,788	19,431	18,691	15,902	15,507
Number of shareholders	48,300	54,600	55,400	65,700	68,100	70,000

Definitions

CAPITAL INDICATORS

Net liquidity
Liquid funds less short-term borrowings.

Net assets
Total assets exclusive of liquid funds, less non-interest-bearing liabilities. The latter include deferred taxes.

Total adjusted assets
Total assets less liquid funds.

Total adjusted equity
Shareholders' equity less 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 18.

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.

KEY RATIOS

In computation of key ratios where capital is related to 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 after depreciation, expressed as a percentage of sales.

1990	1989	1988	1987	1986	Average growth rate, % 5 yrs	10 yrs
82,434	84,919	73,960	67,430	53,090	6.8	7.6
2,992	5,085	4,595	4,053	3,139	–	–
1,153	3,412	3,425	2,888	2,401	–	–
741	2,579	2,371	–	–	–	–
65,793	63,298	56,840	48,470	48,181	6.5	5.9
39,347	38,623	30,863	24,804	27,123	4.3	4.9
14,707	14,547	13,728	12,183	11,885	8.1	5.6
16,042	16,409	14,359	12,169	12,431	3.0	3.4
16,565	17,025	14,873	11,941	11,659	7.3	6.8
10.10	35.20	32.30	20.60	18.20	–	–
11.20	31.20	28.60	25.00	24.80	–	–
226	232	203	164	161	7.3	6.6
12.50	12.50	11.50	10.00	8.75	0.0	3.6
160	280	293	193	311	12.7	2.4
4.3	17.3	18.6	12.9	13.3		
7.6	14.2	16.3	15.3	14.4		
48.6	46.9	40.7	36.8	43.1		
18.0	17.7	18.1	18.1	18.9		
19.7	19.9	19.0	18.0	19.7		
1.38	1.25	1.22	1.06	1.33		
1.38	2.21	2.73	2.53	2.42		
27.2	28.7	28.1	26.1	26.1		
5.5	5.3	5.6	6.0	5.3		
4,444	6,237	5,292	3,788	8,736		
4,018	5,389	4,772	3,485	3,005	7.1	4.8
4.9	6.3	6.5	5.2	5.7		
150,900	152,900	147,200	140,500	129,900	–3.5	–1.5
17,213	17,458	15,257	14,427	11,164	5.5	6.1
74,000	68,000	70,000	70,000	59,000		

1) 1994: Exclusive of capital gain.
2) As of 1988, allocations and untaxed reserves are reported in accordance with Recommendation no. 1 of the Swedish Financial Accounting Standards Council, i.e. distributed as deferred taxes and equity.
3) For 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) 1996: Proposed by the Board.
6) Sales for 1986 onward 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 after depreciation, expressed as a percentage of average net assets.

Interest coverage rate
Operating income after depreciation 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.

Debt/equity ratio (US GAAP)
Long-term liabilities expressed as a percentage of long-term liabilities plus shareholders' equity.

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

Sales and average number of employees, by country

EU	1996 Sales, SEKm	1996 % of Group total	1995 Sales, SEKm	1995 % of Group total	1996 Number of employees	1995 Number of employees
Germany	16,090	14.6	18,591	16.1	11,405	11,856
Sweden	8,346	7.6	9,096	7.9	13,920	14,949
United Kingdom	7,491	6.8	8,446	7.3	6,430	6,924
France	6,301	5.7	7,128	6.1	3,198	3,329
Italy	5,574	5.1	5,822	5.0	13,340	13,463
Spain	2,904	2.6	3,310	2.9	3,686	4,194
Denmark	2,632	2.4	3,369	2.9	3,065	3,410
The Netherlands	2,576	2.3	2,931	2.5	1,049	1,250
Finland	1,612	1.5	1,864	1.6	895	947
Belgium	1,455	1.3	1,668	1.4	387	335
Austria	1,398	1.3	1,566	1.4	1,244	1,198
Ireland	412	0.4	391	0.3	80	71
Greece	390	0.4	376	0.3	81	75
Portugal	347	0.3	321	0.3	98	108
Luxembourg	122	0.1	127	0.1	600	601
Total	57,650	52.4	65,006	56.1	59,478	62,710

REST OF EUROPE	1996 Sales, SEKm	1996 % of Group total	1995 Sales, SEKm	1995 % of Group total	1996 Number of employees	1995 Number of employees
Switzerland	2,430	2.2	2,912	2.5	1,374	1,506
Norway	1,703	1.6	2,064	1.8	928	970
Poland	798	0.7	560	0.5	323	229
Hungary	577	0.5	690	0.6	3,548	3,366
Czech Republic	560	0.5	490	0.4	257	224
Russia	425	0.4	342	0.3	149	34
Turkey	306	0.3	260	0.2	95	77
Baltic nations	245	0.2	258	0.2	126	83
Romania	130	0.1	91	0.1	28	4
Slovakia	111	0.1	98	0.1	26	17
Slovenia	94	0.1	91	0.1	34	31
Bulgaria	63	0.1	64	0.1	20	7
Other	253	0.2	190	0.1	15	1
Total	7,695	7.0	8,110	7.0	6,923	6,549
Total EUROPE	65,345	59.4	73,116	63.1	66,401	69,259

NORTH AMERICA	1996 Sales, SEKm	1996 % of Group total	1995 Sales, SEKm	1995 % of Group total	1996 Number of employees	1995 Number of employees
USA	27,381	24.9	30,300	26.2	22,716	25,205
Canada	2,489	2.3	2,313	2.0	1,050	1,090
Total	29,870	27.2	32,613	28.2	23,766	26,295

LATIN AMERICA	1996 Sales, SEKm	1996 % of Group total	1995 Sales, SEKm	1995 % of Group total	1996 Number of employees	1995 Number of employees
Brazil	5,341	4.8	621	0.5	4,965	475
Argentina	296	0.3	186	0.2	51	37
Mexico	215	0.2	146	0.1	1,617	1,881
Paraguay	123	0.1	95	0.1	446	361
Colombia	96	0.1	148	0.1	673	640
Chile	89	0.1	117	0.1	317	275
Uruguay	65	0.1	56	0.0	–	–
Peru	60	0.1	111	0.1	618	735
Other	725	0.6	726	0.7	563	825
Total	7,010	6.4	2,206	1.9	9,250	5,229

	1996		1995		1996	1995
ASIA	Sales, SEKm	% of Group total	Sales, SEKm	% of Group total	Number of employees	Number of employees
Far East						
Japan	1,099	1.0	1,337	1.2	889	974
China	808	0.7	584	0.5	1,919	1,269
Thailand	800	0.7	835	0.7	2,778	2,585
Indonesia	438	0.4	336	0.3	2,834	2,429
Malaysia	423	0.4	423	0.4	1,226	1,370
Hong Kong	269	0.2	356	0.3	137	122
South Korea	225	0.2	238	0.2	113	112
Taiwan	182	0.1	242	0.2	326	491
Singapore	148	0.1	163	0.1	218	275
The Philippines	92	0.1	79	0.1	491	508
India	81	0.1	37	0.0	689	318
Vietnam	59	0.1	51	0.0	–	–
Other	46	0.1	39	0.1	72	–
Total	4,670	4.2	4,720	4.1	11,692	10,453
Middle East						
Saudi Arabia	304	0.3	276	0.2	–	–
United Arab Emirate	151	0.1	157	0.1	–	–
Lebanon	93	0.1	180	0.2	–	–
Kuwait	69	0.1	76	0.1	–	–
Iran	57	0.0	54	0.1	–	–
Other	306	0.3	378	0.3	–	–
Total	980	0.9	1,121	1.0	–	–
Total ASIA	5,650	5.1	5,841	5.1	11,692	10,453

	1996		1995		1996	1995
AFRICA	Sales, SEKm	% of Group total	Sales, SEKm	% of Group total	Number of employees	Number of employees
Egypt	376	0.3	377	0.3	–	–
South Africa	273	0.2	273	0.2	346	320
Algeria	59	0.1	40	0.0	–	–
Other	336	0.3	318	0.3	26	19
Total	1,044	0.9	1,008	0.8	372	339

	1996		1995		1996	1995
OCEANIA	Sales, SEKm	% of Group total	Sales, SEKm	% of Group total	Number of employees	Number of employees
Australia	833	0.8	771	0.7	552	620
New Zealand	219	0.2	207	0.2	107	105
Other	29	0.0	38	0.0	–	–
Total	1,081	1.0	1,016	0.9	659	725

	1996	1995	1996	1995
GROUP TOTAL	Sales, SEKm	Sales, SEKm	Number of employees	Number of employees
	110,000	115,800	112,140	112,300

Electrolux shares

Electrolux A- and B-shares have been listed on the Stockholm Stock Exchange since 1930. B-shares are also listed in London (since 1928), Geneva (1955), Paris (1983), Zurich (1987) and Basel (1987), as well as in the US through the NASDAQ[1] system (1987). As of August, 1996, the three stock exchanges in Switzerland started operating as a single electronic stock exchange, the Swiss Exchange in Zurich. Electrolux B-shares are also traded on the OTC markets in Frankfurt and Munich.

At year-end 1996 the market capitalization of Electrolux shares was SEK 29.0 billion.

In 1996, 46.9 million Electrolux shares were traded on the Stockholm Stock Exchange to a value of SEK 16.2 billion. This represented almost 2% of the total trading volume of SEK 918 billion for the year.

The number of Electrolux shares traded on the London Stock Exchange in 1996 was 49.5 million, and in NASDAQ 2.4 million ADRs[2]. Trading volume on other exchanges was considerably lower.

Dividend policy

In addition to distribution of the shares in Gränges, the Board proposes an unchanged cash dividend of SEK 12.50 per share.

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

1) NASDAQ (National Association of Securities Dealers Automated Quotation System).
2) American Depositary Receipts. One ADR corresponds to one B-share.

Share capital and number of shares

On December 31, 1996, 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.

A-shares carry one vote and B-shares 1/1000 of a vote. All shares entitle the holder to the same proportion of assets and earnings.

Electrolux Allemansfond

Savings plans based on Electrolux shares have been open to employees in the Group's Swedish companies since April, 1984, through the Electrolux Allemansfond. Fiscal legislation enabled tax benefits on savings in this type of fund until year-end 1996, when these benefits were cancelled by new legislation. It has therefore been decided that the Electrolux Allemansfond will be discontinued.

A phase-out of the fund was started in 1996, and by year-end it comprised about one hundred shareholders and about 15,000 shares. Loans to employees to acquire shares in the fund were redeemed during 1996.

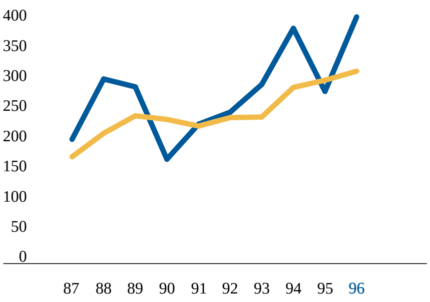
Trading volume of Electrolux shares in Stockholm, London and New York

(Thousands)	1996	1995
Stockholm	46,860	58,565
London	49,454	61,530
New York[1]	2,381	2,188

Change in share capital 1987–1996

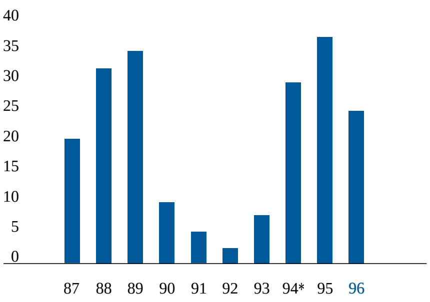
	Total share capital, SEKm	Of which through conversion
1987	1,803	28
1988	1,812	9
1989	1,818	6
1990	1,831	13
1991	1,831	–
1992	1,831	–
1993	1,831	–
1994	1,831	–
1995	1,831	–
1996	1,831	–

Trading price and equity per share



At year-end 1996, the price/equity ratio for Electrolux B-shares was 1.29.

Net income per share



Net income per share declined in 1996 to SEK 25.30.

Major shareholders in AB Electrolux

	Number of shares	Share capital, %	Voting rights, %
4th National Pension Insurance Fund	5,180,004	7.07	0.25
Incentive	3,769,076	5.15	48.41
Nordbanken investment funds	2,734,550	3.73	0.13
SPP	2,369,961	3.24	0.11
S-E-Banken investment funds	2,009,026	2.74	0.10
Skandia	1,998,064	2.73	1.12
Trygg-Hansa	1,109,709	1.52	0.05
Investor	936,478	1.28	45.22
Svenska Handelsbanken investment funds	671,497	0.92	0.03
Banco Fonder	461,051	0.63	0.02
Folksam	460,000	0.63	0.02

As of December 31, 1996, approximately 50% of the total share capital was owned by foreign investors, about 40% by Swedish companies and institutions, 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	46,647	96.6
1,001–10,000	1,307	2.7
10,001–100,000	264	0.5
100,001–	94	0.2
Total	48,312	100.0

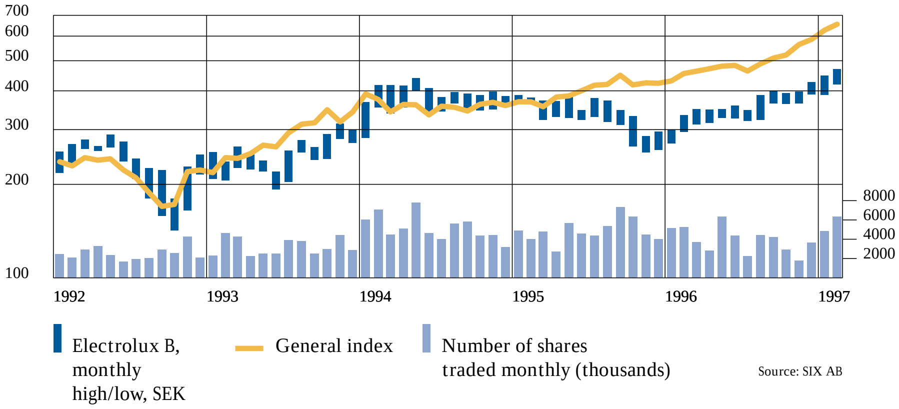
The above information is based on the register of shareholders in AB Electrolux at VPC (Swedish Securities Register Center) as of December, 1996.

Per-share data, 1987–1996

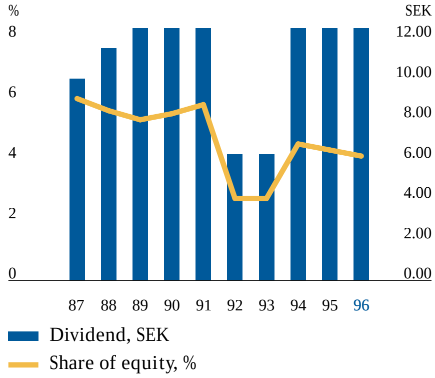
	1996	1995	1994	1993	1992	1991	1990	1989	1988	1987
Year-end trading price, SEK[1]	396	272.50	377	284	238	218	160	280	293	193
Change in price during the year, %	45	–28	33	19	9	36	–43	–4	52	–38
Equity per share, SEK	306	291	279	230	229	215	226	232	203	164
Trading price/equity, %	129	94	135	123	104	101	71	121	154	118
Dividend, SEK	12.50[2]	12.50	12.50	6.25	6.25	12.50	12.50	12.50	11.50	10.00
Direct yield, %	3.2	4.6	3.3	2.2	2.6	5.7	7.8	4.5	3.9	5.2
Net income per share, SEK	25.30	37.50	30.00[3]	8.00	2.50	5.20	10.10	35.20	32.30	20.60
P/E ratio[4]	15.7	7.3	12.6	35.5	95.2	41.9	15.8	8.0	9.1	6.7

1) Last price paid for B-shares.
2) Proposed by the Board.
3) Excluding capital gain.
4) Trading price relative to net income per share after full dilution. The figures for 1988–1996 are computed as net income per share after full tax, and for 1987 as net income per share after taxes paid, according to the partial method.

Price and trading volume of Electrolux B-shares on the Stockholm Stock Exchange, 1992–February, 1997



Dividend per share



In addition to distribution of shares in Gränges, the Board proposes an unchanged cash dividend for 1996 of SEK 12.50 per share.

Board of Directors

MEMBERS OF THE BOARD

1 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 Board Chairman: Investor AB. Board Member: Email Ltd (Australia), Federation of Swedish Industries. Elected 1980.

Shareholding in AB Electrolux: 54,666 shares.

2 Gösta Bystedt

Deputy Chairman

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

Shareholding in AB Electrolux: 69,759 shares.

3 Peggy Bruzelius

Born 1949, M. Econ. President, ABB Financial Services AB and Executive Vice-President, Asea Brown Boveri AB. Board Member: Swedish Trade Council, Trygg-Hansa Ömsesidig Livförsäkring. Elected 1996.

Shareholding in AB Electrolux: 500 shares.

4 Claes Dahlbäck

Born 1947, M. Econ. President, Investor AB. Board Chairman: Vin & Sprit AB. President and Board Member: ABB AB. Board Member: ABB Ltd, AB Astra, Incentive AB, STORA. Elected 1983.

Shareholding in AB Electrolux: 1,000 shares.


1


2

5 Thomas Halvorsen

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

Shareholding in AB Electrolux: 0 shares.

6 Louis R. Hughes

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

Shareholding in AB Electrolux: 0 shares.

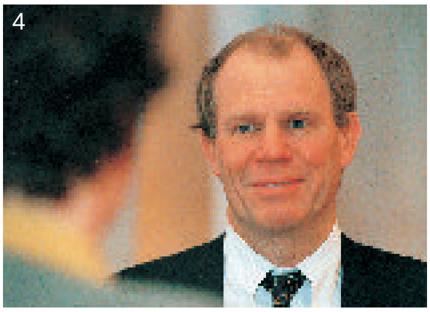
7 Leif Johansson

President and CEO

Born 1951, M. Eng. Board Member: Scania AB, Federation of Swedish Industries, Association of Swedish Engineering. Elected 1991.

Shareholding in AB Electrolux: 13,485 shares and 20,000 options.


3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5

8 Stefan Persson

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

Shareholding in AB Electrolux: 1,500 shares.

DEPUTY MEMBER

9 Lennart Ribohn

Born 1943, B.A. Senior Executive Vice-President, AB Electrolux. Board Member: General Export Association of Sweden, OM Gruppen AB, SEB Fonder AB. Elected 1991.

Shareholding in AB Electrolux: 45,944 shares and 20,000 options.


6


7


8


9

EMPLOYEE REPRESENTATIVES

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

Shareholding in AB Electrolux: 117 shares.

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

Shareholding in AB Electrolux: 0 shares.

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

Shareholding in AB Electrolux: 0 shares.

DEPUTY MEMBERS

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

Shareholding in AB Electrolux: 100 shares.

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

Shareholding in AB Electrolux: 0 shares.

15 Mari-Ann Krantz
Born 1948. Representative of the Federation of Salaried Employees in Industry and Services. Elected 1990.

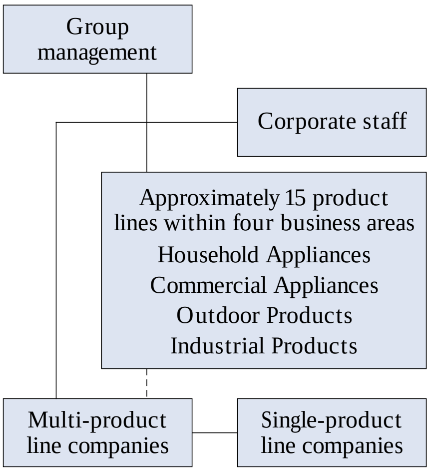
Shareholding in AB Electrolux: 34 shares.

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 structure

The operations of Electrolux are organized in four business areas with approximately 15 product lines. Each product line comprises several companies. The Group owns a total of approximately 530 companies in more than 60 countries.



Responsibility for the operations of a product line is shared by the product line manager and the executives of the appropriate companies. Units which operate with only one product line are known as single-product line companies and report to the manager of the product line involved. Multi-product line companies report primarily to Group management.

CORPORATE STAFF

Johan Bygge, *Controller, Administration and Information Technology*

Matts P. Ekman, *Treasurer*

Lars Eriksson, *Group Audit*

Per Grunewald, *Environmental Affairs*

Per G. Hedström, *Technical R&D*

Lars Göran Johansson, *Communication and Public Affairs*

Per Linder, *Human Resources and Organization*

Leif Lindgren, *Risk Management and Financial Administration*

Ulf Magnusson, *General Counsel and Secretary to the Board of Directors*

Åsa Mattsson Stenqvist, *Investor Relations and Financial Information*

Fredrik Rystedt, *Mergers & Acquisitions*

Sture Ögren, *Quality*

HOUSEHOLD APPLIANCES

White goods
Leif Johansson

Floor-care products
Lennart Sundén

Components
Leonello Verduzio

Leisure appliances
Sven Stork

Kitchen and bathroom cabinets
Nils-Erik Danielsson, Europe
Mervin W. Plank, USA

Sewing machines
Svante Runnquist

Direct sales
Göran Carlson

COMMERCIAL APPLIANCES

Aldo Sessegolo

Food-service equipment
Aldo Sessegolo

Industrial laundry equipment
Håkan Johansson

Commercial refrigeration equipment
Heikki Takanen

Commercial cleaning equipment
Tommy Löwbäck

OUTDOOR PRODUCTS

Forestry and garden equipment
Bengt Andersson, Husqvarna and Flymo
Robert E. Cook, North America

Agricultural implements
Lotta Stalin

INDUSTRIAL PRODUCTS

Gränges
Lars Westerberg

Goods protection
Mikael Öberg

Group management

1 Leif Johansson
President and CEO
Born 1951, M. Eng. President of Husqvarna Motorcyklar AB 1979, Divisional Manager of Facit AB 1981, President of Facit AB 1982, Product Line Manager for white goods 1983, room air-conditioners 1989 and floor-care products 1990, Executive Vice-President of AB Electrolux 1988. President 1991–1997. CEO 1994–1997.

Shareholding in AB Electrolux:
13,485 shares and 20,000 options.

2 Lennart Ribohn
Senior Executive Vice-President, Economy and Finance
Born 1943, B.A. Group Controller 1971, Executive Vice-President of AB Electrolux 1981, Senior Executive Vice-President since 1988. Responsible for division New Markets since 1994.

Shareholding in AB Electrolux:
45,944 shares and 20,000 options.

3 Hans G. Bäckman
Executive Vice-President, Industrial Integration
Born 1936, M. Eng. Divisional Manager of Husqvarna AB 1977, Product Line Manager for forestry and garden equipment 1983, Executive Vice-President of AB Electrolux since 1988. President of Frigidaire Company in USA, Product Line Manager for forestry and garden equipment in North America 1991–1996.

Shareholding in AB Electrolux:
21,700 shares and 20,000 options.

4 MatsOla Palm
Executive Vice-President, Marketing
Born 1941. Responsible for sales and marketing of white goods in Europe 1995. Chairman of executive management group for white goods in Europe, Executive Vice-President of AB Electrolux with responsibility for Group marketing, 1996.

Shareholding in AB Electrolux: 0 shares.

New President and CEO

Michael Treschow
In connection with the Annual General Meeting on April 29, 1997, Leif Johansson will leave his post as President and CEO of Electrolux and will become President and CEO of AB Volvo. Michael Treschow will simultaneously become the new President and CEO of Electrolux.

Michael Treschow, born in 1943, holds an M. Sci. from the Lund Institute of Technology. He has been with Atlas Copco AB since 1975, the last seven years as President and CEO. He is also Chairman of the Board of the Swedish Trade Council, Deputy Chairman of Saab Automobile AB, and Board Member of Parker Hannifin Corporation in the US, as well as AB SKF, Center for Business and Policy Studies (SNS) and the General Export Association of Sweden.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The Group's environmental activities

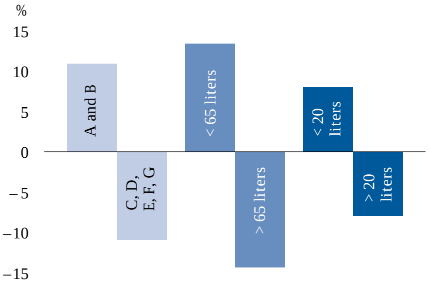
Strategy and motivation
Electrolux stated strategy is to lead the development of products and processes with low environmental impact, and to promote increased demand for such products. The main factors motivating this strategy are:

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

Environmental activities improve profitability
During 1996, key financial ratios were applied for the first time in connection with audits of environmental activities. The results indicate that a pro-active environmental strategy contributes to Group profitability and creates value for shareholders.

In most cases, products with superior environmental features show higher gross margins than the rest of the product range. While the most environmentally advanced products in the European range of white goods accounted for 5% of total unit sales in 1996, they also accounted for 8% of gross margin.

Growing demand for resource-efficient products



- Refrigerators, Germany, Energy class
- Washing machines, The Netherlands, Water consumption
- Dishwashers, The Netherlands, Water consumption

The graph shows how demand for refrigerators in Germany and washers and dishwashers in The Netherlands shifted in 1996 toward more energy- and water-efficient products. Refrigerators are classified according to the EU marking system that was introduced in 1995.

The measures implemented at Group production units to reduce consumption of materials, water and energy result in lower costs as well as reduced environmental impact. For example, at the refrigerator plant in Anderson, South Carolina, the costs for management of environmentally hazardous waste have been reduced by 97% over the past six years, although output has doubled over the same period. This involved a total reduction of SEK 1 million in the plant's annual operating costs.

Environmental investments and environmental liabilities
Environmental investments are now an integral part of the Group's total capital expenditure in new products and processes, and in most cases cannot be reported separately. Isolated environmental investments accounted for less than 1% of total authorized capital expenditure in 1996.

In connection with acquisitions of companies and plants, the environmental situation is analyzed to determine the risk of environmental liabilities referring to operations in previous years, and to estimate the investment required to achieve environmentally sound operations in the future.

Environmental liabilities are reported in appropriate cases as balance-sheet liabilities, or as contingent liabilities. The accounts for 1996 do not include any major items requiring a separate specification.

Changing patterns of demand
Customers are increasingly demanding products that feature low resource consumption and reduced environmental impact. The cost of energy consumption over the lifetime of a product often involves a cost for the customer that is comparable with the purchase price. Energy-efficiency is thus growing in importance as a sales argument.

Changes in the pattern of demand are increasing steadily in importance as a motivating factor for ongoing environmental activities. Product development proceeds in stages, however, and varies between products and markets. The graph at left shows how demand for refrigerators in Germany and washing machines and dishwashers in The Netherlands shifted in 1995 and 1996 toward more energy- and water-efficient products.

Information and communication are decisive for stimulating demand for products with low environmental impact. In 1995, the EU introduced a new system for marking refrigerators and freezers, which involves labelling every appliance to show energy-efficiency and other features on a seven-point scale, from A to G. In 1996, an EU directive was released stipulating similar energy markings for washing machines and driers.

In 1996, Electrolux became the first company in the industry to introduce a system of detailed environmental product declarations for all white goods in Europe. The system has been developed primarily in response to the needs of professional customers such as construction companies and municipalities.

Strategic environmental issues
The environmental demands of customers, legislators and public authorities will intensify over the next few years, primarily with regard to the environmental impact and resource consumption associated with the use of products.

Climate and energy
The environmental issue at the center of current discussion is the “greenhouse effect”, i.e. anticipated climatic changes resulting from emissions of greenhouse gases. Particular attention is being paid to emissions of carbon dioxide, which national and international legislators and authorities are trying to stabilize, and to reduce in the long term. The instruments used include emission fees, energy taxes and campaigns to promote energy conservation.

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 regulations or requiring voluntary agreements to reduce energy consumption in refrigerators, freezers and washing machines. Approximately 40% of the refrigerators and freezers now on the European market do not meet these standards, and will thus be banned from the market as of September, 1999.

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.

Phase-out of freons

At the start of 1996, a ban on CFC, i.e. hard freons, went into force in all developed countries. The ban is based on an international agreement to phase out the use of substances that deplete the ozone layer in the stratosphere. The next step in the international phase-out of ozone-depleting substances will cover HCFC, i.e. soft freons, which many of the developed countries in the West will ban as of 2002.

Electrolux has completed the greater part of the CFC and HCFC phase-out. The consumption increased during 1996, however, as a result of acquisitions of units in China, India and Brazil, where CFC is still used. A program for its discontinuation has been started in the newly acquired units, and in 1997 the Group will launch the first CFC-free products in these markets.

Water consumption

Pure water is a scarce resource in most parts of the world. Estimates indicate that about 40% of the earth's population does not have free access to pure water. In some regions, obtaining access will require major investments in infrastructure as well as conservation programs. It is therefore logical to assign high priority to development of such appliances as water-efficient washers and dishwashers. Sales data also show a definite increase in demand for such products.

Husqvarna has developed a new type of catalyzer for two-stroke engines that enables both higher output and lower fuel consumption, and also complies with the strictest criteria for emission of exhaust gas and particles.

In recent years Electrolux has been the European market leader for water-efficient washers and dishwashers. In 1996, the Group's Frigidaire subsidiary launched a new front-loaded washing machine and a new dishwasher, both of which feature the lowest water consumption on the US market. The new washer uses 43% less water and 72% less energy than conventional American appliances. For the dishwasher, water consumption is 24% lower and energy consumption 18% lower. The dishwasher also features the lowest noise level on the market.

Reduced emissions, lower noise levels

Stricter legislation regarding emissions from equipment with two-stroke engines is expected during the next few years in the US and the EU. Both customers and public authorities are also increasingly demanding products with lower noise levels. Noise standards now exist for such products as lawn mowers and chainsaws. The standards set by the EU are the most rigorous, and will gradually become more severe.

In the autumn of 1996, Husqvarna launched a new generation of two-stroke engines, designated E-tech, which combine new combustion technology with catalytic exhaust cleaning, and comply with the strictest emission requirements by a margin of 40%. E-tech is a cost-effective solution compared with conventional engines fitted with catalytic cleaners, which means that it can be applied in a large number of the Group's outdoor products.

Recycling and waste

Systems for recycling the material in discarded products are being established in many countries. The main goals are to increase resource-efficiency and to reduce the volume of waste. Legislation requiring producers to reclaim products is being planned in a number of countries, including Sweden, Germany, The Netherlands and Italy, and is under discussion in the US and Japan.

In 1996 the Group launched the world's first vacuum cleaner to be driven by cadmium-free batteries.

Electrolux has started to set up a system for voluntary reclaiming of used products in a number of countries, e.g. for white goods in Germany and Switzerland, and industrial laundry equipment in Sweden and Finland. The launch in 1996 of the market's first battery-driven vacuum cleaner without environmentally hazardous cadmium batteries is an example of how waste-management problems can be prevented. This vacuum cleaner is driven by nickel-metal-hydride batteries, in whose development Electrolux played an active role.

Production with low environmental impact

An environmental management system is an effective tool for goal-oriented environmental activities. In 1995, the Group started introduction of a certified environmental management system according to ISO 14001 in all production units. The system will be fully implemented by 2000. At year-end 1996, nine plants had been certified and another twenty were preparing for certification.

Experience has shown that cost reductions can be achieved with an environmental management system. At the Group's plant for food-service equipment in Valenoncello, Italy, costs for energy were reduced by 13%, for waste by 23% and for water by 33% in 1996.

Over the past ten years the Group's plants have continuously improved their environmental performance. Energy consumption has been reduced by more than 30%, and carbon dioxide emissions have thus decreased by almost 30%. Water consumption has been reduced by more than 50%.

All units produce annual reports showing resource consumption and other factors in relation to added value. Resource-efficiency is also measured as the relation between the weight of finished products and direct material inputs. This key ratio was 88% in 1996, the same as in 1995.

Additional information on the Group's environmental activities is given in a separate report for 1996, which is available on request from Corporate staff, Environmental Affairs, tel. +46-8-738 60 00. Environmental information is also accessible on the Internet at http://www.electrolux.com

Human resources

Measuring organizational efficiency

One of the goals set by Electrolux management is a Group culture which is personnel-oriented, and which utilizes and develops the competence and initiative of our personnel.

Achieving this goal involves applying the Electrolux Employee Measurement System (EEMS), a method for measuring work motivation and efficiency which was implemented throughout the Group in 1996. The method is based on comprehensive surveys in which personnel express their views of the organization and how it functions. In the course of the year, approximately 50,000 employees answered more than 200 survey questions. The aim of the survey is to increase personnel motivation and participation in the process of achieving the Group's operational goals. Another aim is to systematically utilize the experience and creativity of our personnel in order to make the organization more efficient and more productive.

Measurements to date indicate that there is a good deal of room for improvement in efficiency. In the future, EEMS surveys will be run at intervals of 12–24 months.

Development of competence is key concept

Development of competence is a key concept in the Group's strategic business planning. The need to improve the Group's competitiveness and profitability involves greater demands in terms of the ability of personnel to accept change. During 1996 a number of programs for enhancing competence were implemented in such areas as leadership, administration, project management and quality control.

Training includes courses within the framework of the Electrolux University, which was established in 1995. To date, the University has been based in Stockholm, but will now be decentralized. The intention is to distribute responsibility for development and position it closer to the Group's various operations, and to make better use of available resources through a network of regionally based development centers.

Long-term recruitment of managers

Recruitment of managers is one of the top-priority personnel issues. A review is performed annually in order to ensure access to qualified managers in both the short and the long term. The guideline for planning is the leadership profile that has been established for the Group.

Electrolux Human Resources

People
Make
The Difference

As of 1997, Electrolux will systematically select small groups of students directly from universities and institutes with a view to future management positions. These people and others in the organization who show development potential will participate in special programs that are now being prepared. The aim is to enable young people with extensive development potential to gain access to career planning and counselling at an early stage.

More accessible internal job market

Efforts to create a more open and easily accessible internal job market continued in 1996. Aims include better integration of the Group's personnel resources at the global level, and greater mobility for key personnel. Making interesting working tasks in different countries available to everyone in the Group provides personnel with better career opportunities and also stimulates internationalization of the Group's management corps.

Annual General Meeting

The Annual General Meeting will be held at 3 p.m. on Tuesday, April 29, 1997 in the Main Hall of the Concert Hall at Hötorget in Stockholm.

Registration and participation

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 18, 1997. 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.

In addition, notice of intent to participate must be given to Electrolux not later than 4 p.m. on Thursday, April 24, 1997 by mail to AB Electrolux, Dept. C-J, S-105 45 Stockholm, Sweden, or by telephone at +46-8-738 67 93 or 738 67 89. 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, 1997 as record day for cash dividends, after which it is expected that cash dividends will be paid by the VPC on May 13, 1997.

The Board has proposed May 20, 1997, as record day for the right to receive shares in Gränges.

Change of address

Shareholders who have changed their names, addresses or bank account numbers should inform their trustees or the institute with which they have an account.

The cover and inside pages of this report are printed on Silverblade 300g and 130g respectively, a chlorine-free paper, i.e. it is produced from pulp that is bleached without chlorine gas or chemicals containing chlorine.

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Financial reports in 1997

Preliminary year-end results	January 24
Consolidated results	March 6
Annual report	End of April
Quarterly report, 1st quarter	April 29
Form 20-F	June 30 (latest)
Half-yearly report	August 6
Quarterly report, 3rd quarter	October 29

The above reports are available on request from AB Electrolux, Corporate staff, Investor Relations and Financial Information, S-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 http://www.electrolux.com

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Electrolux
AKTIEBOLAGET ELECTROLUX

Lilla Essingen, S-105 45 Stockholm, Sweden
Telephone Int +46-8-738 60 00, Telex 11600 Elhead S
Telefax Int +46-8-656 44 78, 656 66 92