

 **Electrolux**

Annual Report 1995

At home everywhere...



Highlights of the year

- **Income after financial items rose by 12% to SEK 4,016m (3,595), and net income per share rose by 25% to SEK 37.50 (30.00).**
- **AEG Hausgeräte, acquired in 1994, is being integrated according to plan and contributed to Group income.**
- **The Group achieved higher market shares in new as well as traditional markets.**
- **Investments in new markets outside Western Europe and North America increased considerably.**

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	1995	1994
Sales, SEKm	115,800	108,004
Operating income after depreciation, SEKm	5,311	5,034 ¹⁾
Income after financial items, SEKm	4,016	3,595 ¹⁾
Net income per share, SEK ²⁾	37.50	30.00 ¹⁾
Dividend per share, SEK ³⁾	12.50	12.50
Return on equity, % ²⁾	13.4	13.0 ¹⁾
Return on net assets, % ²⁾	12.5	11.9 ¹⁾
Equity/assets ratio, % ²⁾	31.8	29.5
Net debt/equity ratio ²⁾	0.80	0.88
Capital expenditure, SEKm	5,115	3,998
Average number of employees	112,300	109,470

1) Exclusive of a capital gain of SEK 2,776m before taxes on divestment of Autoliv and other operations.

2) For a definition of this item, see page 50.

3) 1995: Proposed by the Board.

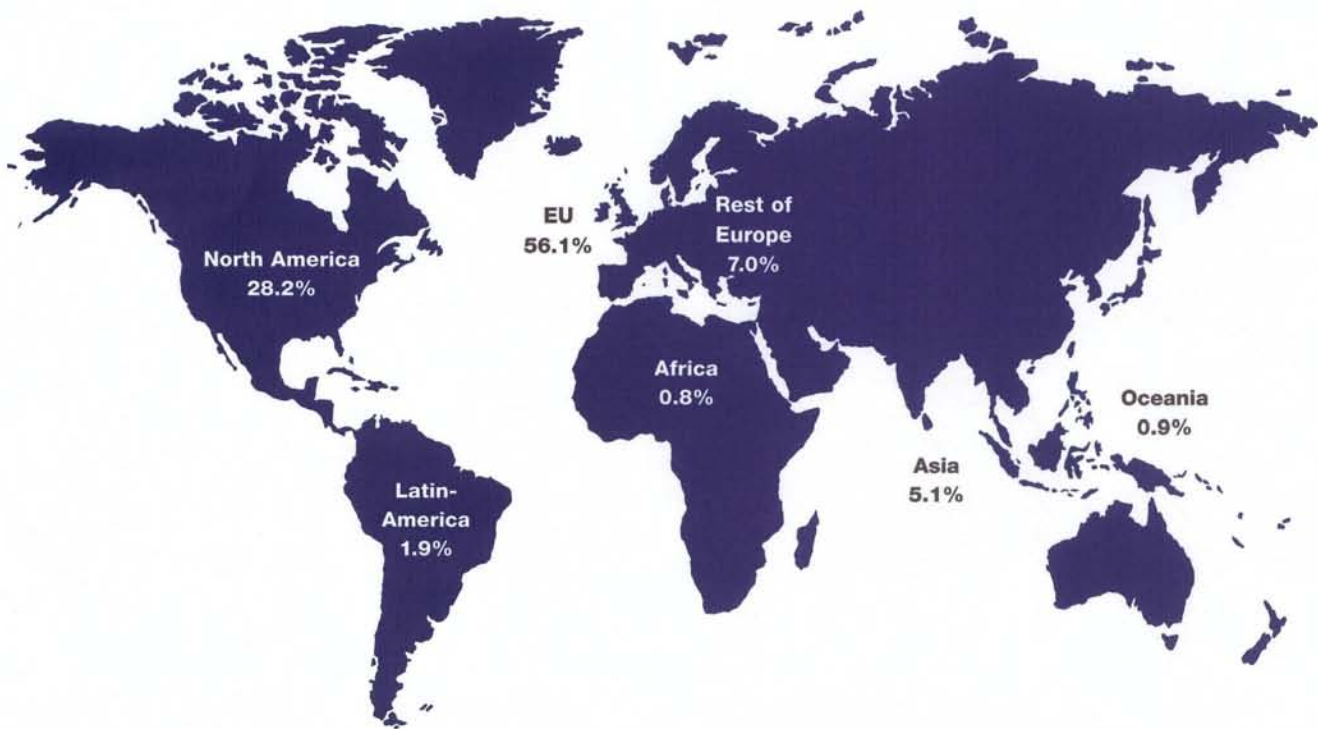
See Note 18 on page 44 for information on the Group's income and financial position according to US GAAP, as well as a description of the significant differences between US and Swedish accounting principles.

Electrolux is one of the world's leading manufacturers of household appliances. The Group is the European market leader in white goods, and through the Frigidaire Company is the third largest white-goods company in the US. Electrolux is also the world's largest company in floor-care products, compressors for refrigerators and freezers, and absorption refrigerators for caravans and hotel rooms.

In areas outside household appliances the Group is the largest or second largest in the global market for food-service equipment, industrial laundry equipment, and forestry and garden equipment.

Electrolux operates subsidiaries in sixty countries, and the Group's products are sold in more than ninety countries. Over 90% of Group sales are outside Sweden.

...in more than ninety countries...



The map shows Group sales by geographical region in 1995. Information on sales and the number of employees by country is given on page 52.

Electrolux today

Household Appliances

The main products are white goods, e.g. refrigerators, freezers, cookers, washing machines and dishwashers, which in 1995 accounted for 75% of sales in this business area and almost half of total Group sales.

Commercial Appliances

The main operations comprise food-service equipment for restaurants and institutions, and laundry equipment for commercial laundries and apartment-house laundry rooms. These products accounted for almost 75% of sales in this business area.

Outdoor Products

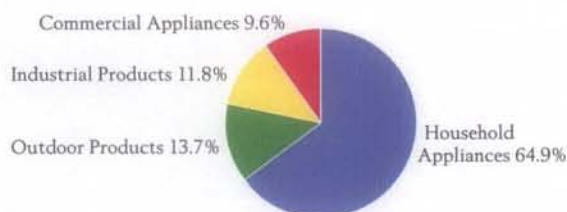
This business area includes garden equipment as well as chainsaws and other products for forestry work. Garden equipment includes lawn mowers and garden tractors as well as portable equipment such as lawn trimmers and leaf blowers.

Industrial Products

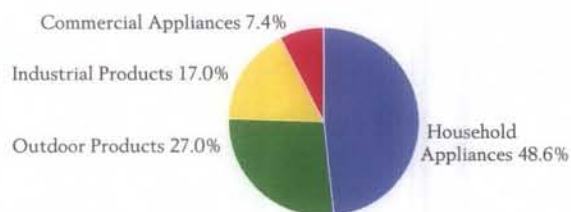
Following divestment of several operations, this business area consists mainly of Gränges, which manufactures aluminium profiles and other aluminium products, primarily for the construction, engineering, transportation and packaging sectors.

...within three core areas...

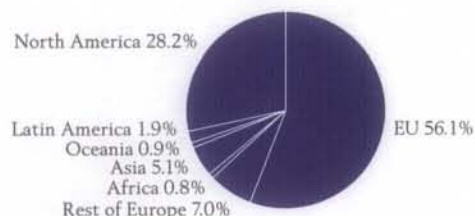
Sales by business area



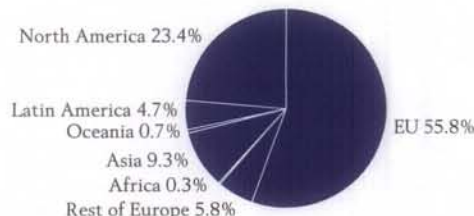
Operating income after depreciation, by business area



Sales world-wide¹⁾



Employees world-wide¹⁾



Sales by business area, SEKm

	1995 SEKm	%	1994 SEKm	1993 SEKm
Household Appliances	75,209	64.9	66,272	58,888
Commercial Appliances	11,081	9.6	10,467	10,531
Outdoor Products	15,902	13.7	15,237	13,638
Industrial Products	13,608	11.8	16,028	17,064
Total	115,800	100.0	108,004	100,121

Operating income after depreciation, by business area, SEKm

	1995 SEKm	%	1994 SEKm	1993 SEKm
Household Appliances	2,581	48.6	2,555	869
Commercial Appliances	391	7.4	397	318
Outdoor Products	1,436	27.0	1,540	1,317
Industrial Products	903	17.0	542	441
Total	5,311	100.0	5,034 ²⁾	2,945

¹⁾ For sales and employees by country, see page 52.

²⁾ Exclusive of a capital gain of SEK 2,776m before taxes on divestment of Autoliv and other operations.

Major brands, production locations and market position

Household Appliances

Product line	Brands	Production locations	Market position
White goods	Electrolux, Zanussi, AEG, Husqvarna, Elektro Helios, Rex, Tricity Bendix, Juno, Corberò, Frigidaire, White-Westinghouse, Tappan, Kelvinator, Gibson	Italy, North America, Germany, Nordic countries, Hungary, Spain, UK, Switzerland, France	Market leader in Europe. Third largest producer in US
Floor-care products	Electrolux, Eureka, AEG, Tornado, Progress, Volta, Alfatec, LUX	US, UK, Germany, Sweden, Italy, China, South Africa, Brazil, Australia	World leader, with global market share of about 20%
Compressors	Electrolux Compressors, ZEM, ZEL, VOE, Americold, UH, ZMC, Kelvinator	Italy, Austria, Spain, US, China, Mexico, Egypt	World's largest producer, market leader in Europe and US
Leisure appliances	Electrolux, Dometic	Sweden, Germany, Luxembourg, Hungary, US	World market leader
Kitchen and bathroom cabinets	Schrock, Kemper, Diamond, Quaker Maid, Ballingslöv, Paula Rosa	US, Sweden, UK	One of the largest producers in the Nordic countries and the US
Sewing machines	Husqvarna, Viking, White, LUX	Sweden	A world leader in high-tech sewing machines

Commercial Appliances

Product line	Brands	Production locations	Market position
Food-service equipment	Electrolux, Zanussi, Therma, Juno, Dito Sama	Italy, Sweden, Germany, France, Switzerland, Thailand	Market leader in Europe, global number two
Industrial laundry equipment	Electrolux-Wascator, Washex, Nyborg, Dubix-de Souza, Senking, Wascomat	Sweden, US, Denmark, France, Germany	World leader in equipment for apartment-house laundries, coin bars, hotels and institutions
Commercial refrigeration equipment	Electrolux, Kelvinator, Universal Nolin	Sweden, Finland, The Netherlands, Hungary, US	One of the largest producers in Europe
Commercial cleaning equipment	Electrolux Euroclean, Kent, LUX Professional, Pulimat	Sweden, US, Italy	A world leader in vacuum cleaners and wet/dry cleaners

Outdoor Products

Product line	Brands	Production locations	Market position
Forestry and garden equipment	Husqvarna, Jonsered, Flymo, Poulan, Weed Eater, Rally	Sweden, US, UK	World's largest producer of chainsaws, with global market share of about 30%. World's largest producer of lawn mowers, garden tractors and lawn trimmers
Agricultural implements	Överum, Agrolux	Sweden	One of the leading producers in northern Europe

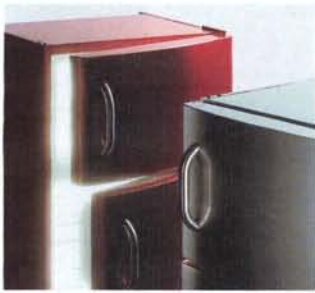
Industrial Products

Product line	Brands	Production locations	Market position
Gränges	-	Sweden, Denmark, Germany, Luxembourg, The Netherlands, UK, France, Finland, Italy, Poland	One of Europe's leading producers of extruded aluminium profiles, as well as thin strip and foil
Goods protection	Jonsereds, Lainapeite, ips	Sweden, Denmark	Market leader in Sweden and Finland. One of Denmark's largest



...with innovative products





Report by the Chairman of the Board



Anders Scharp
Chairman of the Board

Strategic focus

Uncertainty in the financial and currency markets in the wake of the Mexican crisis at the end of 1994 contributed to a weakening of business conditions. During 1995 we observed definite signs of slackening in both Western Europe and the US. Demand fell in several of the Group's product areas.

Although we naturally attempt to counteract the effects of a weaker market by improving the flexibility of our operation, it is nevertheless clear that a company like Electrolux is affected by the business cycle. However, the restructuring of recent years should enable us to maintain more stable profitability during a future downturn than we did in the last recession. During that period, income was charged not only with costs referring to capacity adjustments, but also with substantial restructuring costs related mainly to major acquisitions in white goods.

Continued streamlining of Group structure

The Group operates in product areas which feature strong competition even when market conditions are favorable. This calls for high internal efficiency and continuous improvement of productivity.

In order to create a long-term framework for achieving the above and to utilize the opportunities for expansion in our core areas, we must continue to streamline and consolidate the Group's structure. This gives us the concentration of resources that is required.

The decision to withdraw the offer regarding divestment and stock-market listing of Gränges does not reflect a change in this policy. Today, we consider Gränges as a non-strategic holding, but together with the company's executive management we of course aim to create a good framework for development of this operation.

Concentrating on Household Appliances, Commercial Appliances and Outdoor Products will give us a more unified structure in which global synergy effects can be achieved despite the differences between operations. Typical areas for synergy effects include development and purchasing of materials and components, product development, production technology and marketing.

Strong positions in core areas

The Group has strong market positions in all three core areas. Over the past few years we have made comprehensive efforts to improve our structure and strengthen our operations, particularly in the form of substantial investments in new products.

The process of consolidation within the European white-goods industry continued during 1995. It is clear that our acquisition of AEG Hausgeräte was strategically appropriate in order to maintain a strong long-term position in this market.

Our position is not as strong within white goods in North America, where profitability is unsatisfactory. Major

changes have been made in recent years in this operation's structure and product range. Our strategy primarily involves continuing our efforts to strengthen the Frigidaire brand and improve the product mix, while simultaneously cutting costs throughout the operation.

Although the white-goods product area is highly competitive, I believe that our size and our position as the European market leader provide a basis for achieving good overall profitability.

We also have good positions in Commercial Appliances and Outdoor Products. The Group achieved good profitability and strong expansion in both areas during the 1980s. There is still room for growth both organically, through good product ranges and strong international brands, as well as through acquisitions.

Geographical expansion

Political and economic developments in recent years in Eastern Europe, Asia and Latin America have created a potential for a truly global presence. Rapid economic growth and the emergence of a middle class in many of the countries within these regions offers a substantial market potential for the Group's products.

Our goal over the next few years is to achieve a considerable expansion in geographical terms and reach positions of leadership in these growth markets within our core areas. We assign priority mainly to China, India, the ASEAN countries and Eastern Europe, but we

Report by the President and CEO



Leif Johansson
President and CEO

Performance in 1995

are also increasing our commitment to Latin America.

Expansion in new markets will involve some pressure on Group profitability in the short term. However, I am convinced that in the long-term perspective both margins and profitability will be higher than in our traditional markets, and this also justifies a greater degree of risk.

Unchanged financial goals

We are maintaining our goal of achieving an operating margin of 6.5–7% in order to enable an average return of 15% on equity over a business cycle. I consider this goal to be realistic, but it naturally cannot be achieved in a period when market conditions are worsening.

In the light of the uncertain business climate, the Board has decided to propose an unchanged dividend of SEK 12.50 at the Annual General Meeting. This decision is in line with our goal that the dividend should normally correspond to 30–50% of net income.

In conclusion, on behalf of the Board I would like to thank Group management and our employees for their excellent performance during the year.

Anders Scharp
Chairman of the Board

Market conditions weakened continuously during the year, particularly for household appliances. For white goods, demand in the US declined somewhat in volume from the previous year, and the European market showed improvement only during the first quarter. The market trend during the year was not as good as we expected.

Group sales rose by 5% for comparable units. Operating income increased by 6%, to SEK 5,311 million. An improvement in net financial items led to an increase of 12% in income after these items, to SEK 4,016 million.

The decline in market conditions made it difficult to implement price increases. Very high costs for materials and purchased components generated pressure on operating margins in all product areas. In addition, non-recurring costs were taken for white goods in the US and Commercial Appliances in Europe. Unfavorable weather conditions for sales of garden equipment contributed to lower income within this product area. Nevertheless, increased internal efficiency enabled the Group to maintain its operating margin at roughly the same level as in 1994.

In geographical terms, income in North America declined during the year as a result of a weak performance by the white-goods operation, while we achieved higher income in Europe. It is particularly gratifying that the European white-goods operation reported improved operating income.

Higher internal efficiency

We continued our work on increasing internal efficiency and streamlining the Group's structure.

Within the framework of the current program for consolidation of production, a microwave oven plant in the US and a cooker plant in Switzerland were shut down. We also sold a cooker plant in Spain. Provisions for these measures had already been made in the previous year's accounts. Restructuring was also carried out within the production system for commercial refrigeration equipment in Europe.

Productivity in operations rose by about 5% in 1995. This does not include the effects of restructuring. An annual productivity increase on this level is required in the highly competitive sectors where Electrolux operates. Our TQM program is therefore aimed at continuously improving efficiency through e.g. increased teamwork in production, a better integration of production flows and revisions of product design. Within the new organization for process management, pilot projects were carried out for integrated product development and the entire order-to-payment process. Among other things, these studies show that we can cut development time for new products in half and reduce the capital tied up in inventories, while simultaneously enhancing customer service.

Developing employee competence and stimulating new ways of thinking are important for maintaining a high rate of

Report by the President and CEO

change within the organization. On the basis of benchmarking against leading companies throughout the world, we have developed new guidelines for management of human resources, and our investment in this area is being augmented considerably. In 1995 we established the Electrolux University for development of competence within the Group. We also introduced a new system for measuring motivation and efficiency within the organization.

At the end of December we reached an agreement for divestment of our operation in materials-handling equipment, which had sales of approximately SEK 1,750 million. Following a number of divestments in recent years, Gränges is now the only remaining major operation in the Industrial Products business area.

Gränges achieved a very strong improvement in sales volume and income for the year. The company's operations are focusing to a greater extent on core areas with higher added value, i.e. mainly manufacture of aluminium profiles in Sapa, and production of thin strip and foil. In November, we accordingly divested the company's Nordic wholesale metal operation, which has annual sales of approximately SEK 700 million.

Increased investment in marketing

In the course of the year we implemented additional changes in the marketing organization for white goods in Europe. The goal involves concentrating our forces behind our three pan-Euro-

pean brands, i.e. Electrolux, AEG and Zanussi, and reducing costs through centralized product planning, marketing and logistics. The changes also involve complete integration of AEG in the Group's European marketing organization.

About 60% of our white-goods sales in Europe are currently accounted for by these three brands, whose most important sales areas are in northern, central and southern Europe, respectively. With a total sales volume roughly twice as great as the nearest competitor and with several of Europe's strongest brands, we have a good strategic position within white goods in Europe.

The Group's investment in new markets is being enlarged considerably, and expansion is taking place primarily under the Electrolux brand. We are allocating substantial resources to establishing Electrolux as our leading global brand.

A new organization was introduced in the Commercial Appliances business area, where the four product lines have been coordinated under the same management. This is a response to changes in the market, where major customers with global operations, such as retail food chains and hotel chains, are increasingly coordinating their purchases in terms of both product areas and geographical markets. We can thus provide better service to these customers and simultaneously obtain the synergy effects that exist between the various operations in terms of marketing and support. I am very optimistic about the opportunities for

growth within this business area, both organically and through acquisitions, in new as well as traditional markets.

New products and a better product mix

Our market shares improved during the year, in white goods as well as most of the other product areas. I am pleased that our efforts to renew our product ranges in recent years have enabled us to capture shares of the high end of the market and thus improve our product mix. In addition, development of new product generations enables us to achieve a better environmental response and to meet our goal of being the leader in environmentally sound technology.

Product launches in 1995 included a new range of refrigerators from the plant in Mariestad, Sweden. These models are not only 90–95% recyclable, but also feature the lowest levels of energy consumption on the market. AEG launched a new dishwasher that is the quietest on the market and features automatic adjustment of water consumption relative to the load, thus economizing on water, detergent and energy. We also launched a new range of vacuum cleaners which not only feature the most powerful suction and the most effective air filters on the market, but are also extremely quiet.

A number of successful launches were also implemented in Outdoor Products, including a new generation of hobby chainsaws and lawn trimmers

from Poulan/Weed Eater, a new air-cushion mower from Flymo and a new line of garden tractors from American Yard Products. Commercial Appliances launched a new range of automatic vendors for food and beverages.

New lines of white goods in the US

We also made considerable investments in new products in America during the year, which included the launch of two completely new lines, Gallery and Gallery Professional. These new products have generated increased market share for the Frigidaire brand both overall and at the high end of the market, but have also involved considerable costs. However, investments of this nature are required in order to strengthen our long-term position and profitability in the US.

Integration of AEG Hausgeräte

The integration of AEG Hausgeräte in the Group has proceeded according to plan. The company achieved good sales growth in the German market and strengthened its market position. The trend for income is in line with our expectations, i.e. the acquisition inclusive of interest costs has not had an adverse effect on Group income. However, since AEG still reports a much lower margin than the rest of the Group's European white-goods operation, consolidation of the company has had an adverse impact on the Group's operating margin and key ratios.

Our expectations of achieving cost savings at an annual level of about DEM 150 million within the next three years remain unchanged.

Presence in new markets

In 1994 we set the goal of doubling the Group's sales in markets outside Western Europe and North America over the next 3-5 years. Sales in these markets at that time accounted for about 10% of total sales, or about SEK 10,000 million.

In recent years the Group has achieved good sales growth at the high end of the markets in Eastern Europe and Asia with products that have been produced mainly in Western Europe and North America. Acquisitions and joint ventures have now enabled us to establish production resources within Household Appliances in a number of countries, including India, China, Brazil and Costa Rica. We have thus in a short time created a platform within this business area for wider distribution and increased expansion in these growth markets.

With our current structure, we will reach our goal of doubling sales calculated on an annual basis as early as 1996. The next step will involve a similar expansion in Commercial Appliances.

Outlook for 1996

We anticipate a continued weakening of business conditions in Western Europe and North America, and are making preparations for lower demand in these markets.

We are concentrating on methods to increase productivity and reduce costs, such as the agreements we have reached in several countries regarding flexible working hours for employees. On the basis of our strong product range, we can also continue to improve our product mix. These measures are in line with our goal of focusing on margins.



Leif Johansson
President and CEO

Investments in new markets

Asia



Central and Latin America



▲ Sales and production ● Sales ◆ Minority interest □ Representation office

During 1995 Electrolux increased its commitment to new growth markets. The goal is to achieve long-term positions of leadership outside Western Europe and North America within the Group's three core areas, and to develop a truly global presence. This commitment includes establishing Electrolux as a global brand. Priority areas include Eastern Europe, China, India, the ASEAN countries and parts of Latin America.

Already operating in many countries

The Group has operated in the ASEAN countries and Latin America for many

years, mainly through direct sales. Electrolux is already a well-known brand in these markets.

Expansion in Eastern Europe began in 1991 with the acquisition of Lehel, the largest white-goods company in Hungary. A joint venture for chainsaws was started in the same year in Russia. In 1991-93, the Group established its own subsidiaries in all major Eastern European countries. Another joint venture for chainsaws was started in Slovenia in 1994. In Asia, a joint venture for compressors was started in China in 1992, and another for refrigerators in Vietnam in 1993.

In recent years the Group has launched a range of household appliances for distribution through dealers in the ASEAN countries as well as in Central and Eastern Europe. In the latter markets, the Group has also achieved higher sales of outdoor products. To date, sales in new markets have been based mainly on products manufactured in Western Europe and North America.

Development of local production

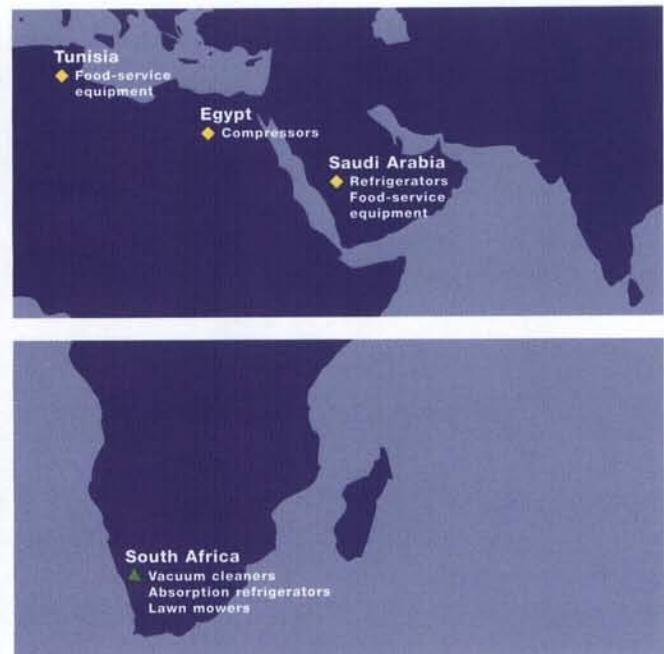
Access to products that are manufactured locally and adapted to local

Central and Eastern Europe



▲ Sales and production ● Sales ● Minority interest □ Representation office

Africa and Middle East



requirements is vital for operations in new markets. This applies particularly to household appliances, which have many specifically local features.

In 1995 the Group acquired several companies and formed a number of joint ventures with local producers in such countries as Brazil, Costa Rica, China, India and Poland. In most of these operations, Electrolux contributes technology and financial resources, while the local partner provides access to marketing channels along with knowledge of the area. The Group's investments have created a broad base for manufacture of

household appliances within all major free-trade areas.

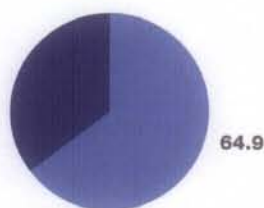
Global synergy effects

The total capital requirement for the acquisitions which have been made or authorized amounts to approximately SEK 1,200m, most of which will be paid out during 1996. After appropriate analyses of profitability, additional capital will be invested over the next few years in order to meet demand for new products and higher volumes.

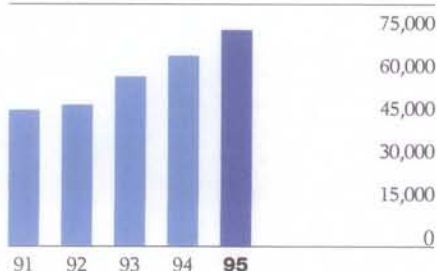
In the long term, investment in new production capacity together with

higher penetration of new markets will generate synergy effects on the global level within such areas as product development, purchasing, production technology and marketing.

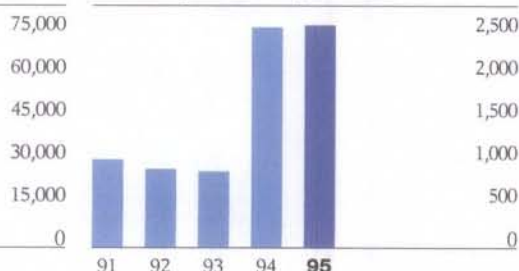
Share of total Group sales, %



Sales, SEKm



Operating income after depreciation, SEKm



Household Appliances

- **Weaker demand in most product areas**
- **Improved income for white goods in Europe, decline for Frigidaire Company in the US**
- **AEG Hausgeräte contributes to income, despite weaker German market**
- **New products strengthen Group's position in important market segments**
- **Profitability for Household Appliances largely unchanged from previous year**

Operations in white goods in 1995 inclusive of room air-conditioners accounted for 75% of sales in the Household Appliances business area, and almost half of total Group sales. Electrolux is one of the world's largest manufacturers in this product area and is the European market leader. The subsidiary Frigidaire Company is the third largest American white-goods company.

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

White goods

Sales of white goods rose considerably as AEG Hausgeräte was consolidated for the whole of 1995, but for only the fourth quarter in 1994. More than 65% of sales referred to Europe, while North America accounted for almost 30%. Sales include the Group's operation in room air-conditioners.

Operating income for this product line declined from the previous year as a result of a substantial downturn in income for Frigidaire Company in the US. Profitability was not satisfactory.

Operations in Europe

The market for core appliances in Europe showed some increase in volume. This referred exclusively to the first quarter. Volume declined somewhat during the second half in comparison with the same period in 1994. Major markets where demand fell included Germany, France and Spain, while the UK showed good growth. The total Western European market for core appliances in 1995 is estimated at 44.7 (44.4) million units.

Operating income for the Group's European operation improved somewhat as a result of good growth in volume and the effects of internal action in recent

years. The Group strengthened its market position during the year.

The integration of AEG Hausgeräte proceeded according to plan. AEG reported improved income and a higher market share in Germany.

Changes in European organization

The marketing organization in Europe reinforced its pan-European orientation, which included integration of AEG. The goal is to intensify the focus on the Group's three pan-European brands, Electrolux, AEG and Zanussi, and to reduce administrative costs. These three brands currently account for about 60% of sales in Europe. Another goal is to implement process management in order to provide better customer service on a pan-European level and achieve a higher degree of service in local markets as well.

The changes in the European marketing organization are in line with the Group's objective of creating resources and opportunities for higher organic growth.

Operations in the US

The American white-goods market showed somewhat lower volume as against 1994. The decline referred mainly to cookers, washing machines and driers. Competition was severe, and the manufacturer's price index¹⁾ for white goods declined from the previous year.

¹⁾ Source: US Bureau of Labor



Household Appliances

Left: In 1996, additions to the product range will include a cooker with a unique compartment for keeping food warm.

Right: In the US, 1995 saw the launch by Frigidaire of Gallery Professional, a new high-end range of products in stainless steel.



The market for core appliances in the US, i.e. deliveries from domestic producers plus imports, amounted to 31.2 (31.5) million units in 1995.

Operating income for Frigidaire Company declined as a result of higher costs for materials, which could not be offset through higher prices, as well as costs related to launches of new products. The income trend was particularly weak for refrigerators, for which new regulations for energy consumption and the phase-out of CFC have involved higher product costs in recent years. A number of programs have been started to generate cost reductions in terms of both product design and production.

The Frigidaire brand achieved higher market share through the launch of two

new high-end product ranges, which also generated an improved product mix. However, since deliveries of private brands were lower, the Group's overall market share was unchanged from 1994.

Frigidaire achieved higher sales and a stronger market position for room air-conditioners in 1995. Operating income for this product area improved as a result of higher volume and lower product costs.

Major product launches

In recent years, new regulations calling for lower energy consumption in both Europe and the US together with the phase-out of CFC have involved substantial changes in product design and production processes for refrigerators and

freezers. The Group's goal is to be the leader in development of more environment-friendly products and technologies. During 1995 a new range of refrigerators and freezers from the plant in Mariestad, Sweden was launched. These products have the lowest energy consumption on the market and are 90–95% recyclable.

A new dishwasher from AEG features the market's lowest noise level and also automatically adjusts water consumption to the load, thus economizing on water, detergent and energy. New products from Zanussi include a series of built-in ovens with improved performance and an all-glass door in a new Soft Tech design.

In the US, launches by Frigidaire included two new product lines for the high end of the market, i.e. Frigidaire Gallery, with a more traditional design, and Gallery Professional, in stainless steel.

All of the above products achieved good market acceptance and contributed to a stronger market position for the Group.

Other operations

The market for floor-care products showed a slight downturn in Europe, but increased somewhat in the US. The Group strengthened its market share, particularly in the US, where the Eureka subsidiary is one of the leading producers. Despite a good performance in the US, operating income for this product line declined, mainly as a result of costs

Sales and operating income, Household Appliances

	1995	1994	1993	1992	1991
Sales, SEKm	75,209	66,272	58,888	48,902	47,115
Operating income after depreciation, SEKm	2,581	2,555	869	897	1,008
Operating income as % of sales	3.4	3.9	1.5	1.8	2.1

Sales by product line	1995		1994	
	SEKm	%	SEKm	%
White goods ¹⁾	56,251	74.8	48,242	72.8
Floor-care products	8,047	10.7	7,379	11.1
Compressors ²⁾	3,742	5.0	3,418	5.2
Leisure appliances	2,983	4.0	3,000	4.5
Kitchen and bathroom cabinets	1,775	2.4	2,092	3.2
Sewing machines	856	1.1	808	1.2
Other	1,555	2.0	1,333	2.0
Total	75,209	100.0	66,272	100.0

¹⁾ Including room air-conditioners ²⁾ Excluding internal Group sales of SEK 2,828m (2,300)



Left: Zanussi's new built-in oven features Soft Tech design and has an all-glass door with an integrated handle.



Right: Excellio, an advanced new vacuum cleaner, was launched in 1995 and features superior suction and air filtration.

related to establishment in new markets and the restructuring of direct sales.

Lower demand for absorption refrigerators and other products for the US caravan market together with increased price competition led to lower income for the Group's leisure appliances. This product line achieved good growth in sales and income in Central Europe and Asia, however.

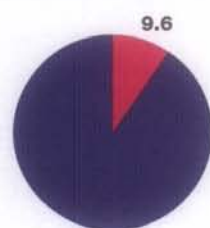
For kitchen and bathroom cabinets, lower levels of construction activity in both the US and Europe together with the current restructuring of the American operation led to continued weak income.

The market for refrigerator compressors showed continued strong growth in Europe during the first half of the year, but slackened considerably during the final two quarters. The Group achieved good growth in volume and stronger market positions. Operating income improved over the previous year.

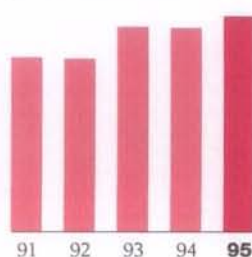
Sewing machines also reported good sales growth, which together with an improved product mix led to higher operating income.

Profitability for Household Appliances exclusive of white goods and room air-conditioners improved somewhat over 1994 and was satisfactory.

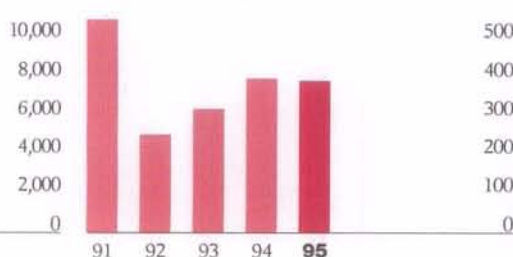
Share of total Group sales, %



Sales, SEKm



Operating income after depreciation, SEKm



Commercial Appliances

- **Weaker market conditions during second half**
- **Good income growth for food-service equipment, due mainly to internal action**
- **Higher operating income and continued high profitability for industrial laundry equipment**
- **Overall profitability unchanged from 1994**

The largest operation in Commercial Appliances is food-service equipment, for which Electrolux is the European market leader and the world's second largest producer. This product line accounted for more than half of sales in 1995 for the Commercial Appliances business area.

Electrolux-Wascator is the world leader in laundry equipment for apartment-house laundry rooms, coin bars, hotels and institutions. The product range also includes heavy-duty equipment for industrial laundries as well as products for dyeing and textile processing.

The Group is also 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.

Operations in 1995

The market for food-service equipment weakened somewhat from the previous year, particularly in Central Europe. The Group achieved good sales growth, which together with internal changes led to a substantial improvement in operating income. The trend for sales and

income was particularly good for automatic beverage vendors.

Demand for light-duty industrial laundry equipment increased, and the Group achieved good growth in volume in most European markets as well as the US. However, both demand and sales remained weak for heavy-duty equipment.

Demand for commercial refrigeration equipment was largely unchanged from the previous year, although market con-

ditions slackened somewhat during the second half. This product line reported higher sales but lower operating income as a result of costs referring to the shut-down of a plant in Germany and the transfer of production to other units.

Commercial cleaning equipment also reported weaker demand during the latter part of the year. Operating income declined from the previous year as a result of relatively weak sales growth as well as costs for developing a new generation of cleaning robots within the US operation.

Operating income for the Commercial Appliances business area was unchanged from the previous year, and profitability was not satisfactory.

Sales and operating income, Commercial Appliances

	1995	1994	1993	1992	1991
Sales, SEKm	11,081	10,467	10,531	8,898	8,971
Operating income after depreciation, SEKm	391	397	318	251	548
Operating income as % of sales	3.5	3.8	3.0	2.8	6.1

Sales by product line

	1995 SEKm	%	1994 SEKm	%
Food-service equipment	5,669	51.2	5,161	49.3
Industrial laundry equipment	2,577	23.2	2,567	24.5
Commercial refrigeration equipment	1,886	17.0	1,797	17.2
Commercial cleaning equipment	949	8.6	942	9.0
Total	11,081	100.0	10,467	100.0



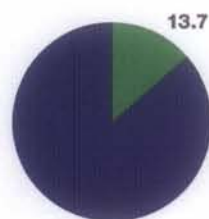
Left: The Wascator FLE 360 MP compact washing machine features a high-speed centrifuge as well as a 350-liter drum, and can be tilted forward when the load is to be removed.

Right: The fully automatic IM 4819 FFS mangle folds and stacks sheets, and can be operated by one person.

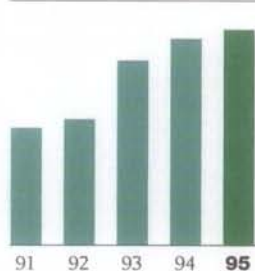
A newly made bed with freshly laundered sheets awaits the next guest. Electrolux makes hotel stays more comfortable, through a comprehensive range of washing machines, cleaning equipment and food-service equipment for commercial applications.



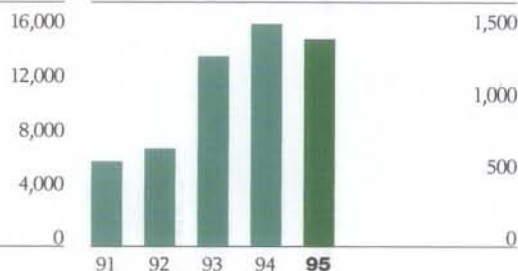
Share of total Group sales, %



Sales, SEKm



Operating income after depreciation, SEKm



Outdoor Products

- Lower market growth for chainsaws in Western Europe and US during second half
- Continued strong growth in sales and income for Husqvarna
- Higher market share but lower income for portable garden equipment in US
- Operating margin and profitability declined somewhat from high level of previous year

Products achieved higher sales of garden tractors, and operating income improved. Poulan/Weed Eater also reported good sales and achieved higher market share. Operating income declined, however, mainly as a result of increased price competition for specific portable products and start-up costs referring to new products.

In Europe, demand for garden equipment declined as a result of unfavorable weather conditions. Flymo reported a considerable drop in operating income as a result of a substantial market downturn in the UK and costs related to increased marketing activities in Europe. The company strengthened its market position.

Overall profitability for this business area declined somewhat from the previous year but remained good.

Electrolux is the world's leading producer of chainsaws, with a global market share of over 30%. The Group is also the world's largest producer of lawn mowers and garden tractors, as well as portable garden equipment such as lawn trimmers and leaf blowers.

Operations are run through the Husqvarna and Flymo subsidiaries, with production units in Europe, and through American Yard Products and Poulan/Weed Eater in the US. The American

operation accounted for more than half of this business area's total sales in 1995.

Operations in 1995

The market for chainsaws increased during the first half of 1995, but weakened subsequently in both Western Europe and the US. Husqvarna reported good growth in volume, and operating income improved somewhat over 1994.

Demand for garden equipment in the US remained good. American Yard

Sales and operating income, Outdoor Products

	1995	1994	1993	1992	1991
Sales, SEKm	15,902	15,237	13,638	9,333	8,680
Operating income after depreciation, SEKm	1,436	1,540	1,317	678	589
Operating income as % of sales	9.0	10.1	9.7	7.3	6.8

Sales by product line

	1995 SEKm	%	1994 SEKm	%
Forestry and garden equipment	15,678	98.6	15,077	99.0
Agricultural implements	224	1.4	160	1.0
Total	15,902	100.0	15,237	100.0



Left: This garden tractor from American Yard Products in the US is fitted with a grass collector.

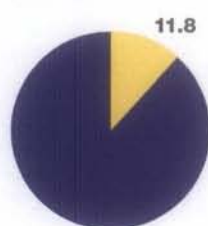


Right: The new brush cutter from Husqvarna can also be used for trimming and cutting grass.

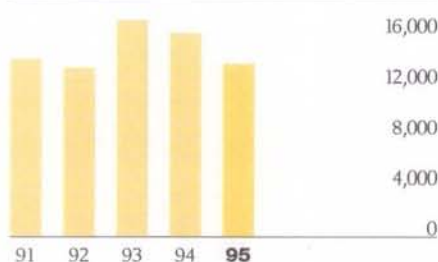
The Group produces chainsaws, lawn mowers, lawn trimmers, leaf blowers and other equipment that makes working in the garden much easier. The range of products with catalytic converters is steadily expanding, while fuel consumption is being reduced.



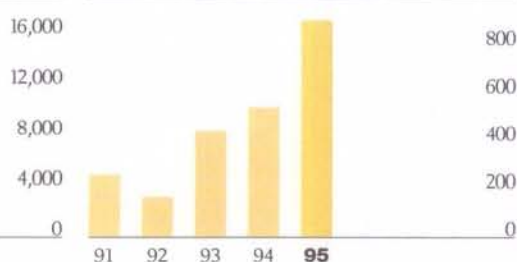
Share of total Group sales, %



Sales, SEKm



Operating income after depreciation, SEKm



Industrial Products

- Strong rise in volume and operating income for Gränges
- Lower market demand in Gränges' product areas during second half
- Divestment of operation in materials-handling equipment

Gränges

Gränges is one of the leading European producers of extruded aluminium profiles and specific grades of thin strip and foil. The company is also a Nordic leader in production of secondary aluminium and recycling of metals. The customer base comprises mainly the European packaging, engineering, transportation and construction sectors.

Operations currently comprise three main business areas, i.e., aluminium, recycling and autoplastics. Aluminium is the largest of these areas, accounting for more than 75% of total sales in 1995, and comprises manufacture of extruded profiles, thin strip for car radiators, heat exchangers and other applications, and primary aluminium.

The recycling business area comprises collection and sorting of scrap metal and waste paper, as well as production of secondary aluminium. The autoplastics operation involves production of plastic component systems for the automotive industry. Most of the wholesale metal operation was divested during the year, so that the business area known as distribution was discontinued.

Operations in 1995

Demand for aluminium products was very good at the start of the year. It slack-

ened gradually during the second half, and sales volumes in all product areas were lower during the final quarter than in the corresponding period in 1994.

Gränges nevertheless reported a very good increase in sales for the full year within virtually all product areas. Higher volume, a higher degree of added value and improved prices for metals led to a marked improvement in operating income. Sales and income trends were particularly good for foil products and autoplastics. Profitability was good.

For additional information on Gränges, see the company's annual and interim reports.

Divestment of the Constructor group

In line with the goal of continuing to streamline the Group's structure, an agreement was reached in February, 1996 regarding divestment of the Constructor group, a leading European producer of materials-handling equipment, with sales of SEK 1,750m in 1995. The buyer is Kasten-Hövik Group A/S, a member of the Norwegian American company Resource Group International.

The divestment is scheduled for completion during the first quarter of 1996, and will not have any significant effect on the Group's income or financial position.

Sales and operating income, Industrial Products

	1995	1994	1993	1992	1991
Sales, SEKm	13,608	16,028	17,064	13,303	14,000
Operating income after depreciation, SEKm	903	542	441	166	257
Operating income as % of sales	6.6	3.4	2.6	1.2	1.8

Sales by product line

	1995 SEKm	%	1994 SEKm	%
Gränges	11,373	83.6	9,477	59.1
Materials-handling equipment	1,758	12.9	1,572	9.8
Goods protection	253	1.9	239	1.5
Other	224	1.6	301	1.9
Divested operations	-	-	4,439 ^{*)}	27.7
Total	13,608	100.0	16,028	100.0

^{*)} Autoliv and other divested operations are included up to and including the respective dates of divestment.



Left: Aluminium foil is often used in packaging, thanks to its unique barrier properties.



Right: The cab framework is made of aluminium profiles, which reduce weight and also facilitate recycling.

Environmental compatibility, safety and efficiency are top priorities for the trucks of tomorrow. In cooperation with Volvo, Gränges' Sapa subsidiary has developed the framework of the cab in Volvo's Environmental Concept Truck (ETC), a platform for the highway hauler of the future.



Group operations

Downturn in business conditions in Western Europe and US

Economic growth slackened in most of the industrialized countries during 1995. Average growth within the OECD fell to less than 2.5%, as against about 3% in 1994.

Business conditions in Western Europe reversed quickly during the second half of the year. The decline was caused mainly by weak production growth on the Continent, particularly in Germany and France. This in turn was traceable to factors such as turbulence in the currency market as well as high real interest rates at the start of the year, which exerted downward pressure on both consumption and activity in the building industry. Growth in Western Europe was reduced to less than 2.5%, from almost 3% in the previous year. Unemployment continued at high levels, averaging 11%.

In Sweden, business conditions declined gradually and private consumption remained very weak.

The growth rate for the US economy, which has shown high and stable expansion since 1991, was also lower in 1995, at slightly more than 3% as compared to 4% in the previous year. The policy of monetary restraint in 1994, the Mexican peso crisis and a strong cutback in inventories led to a significant reduction in domestic demand.

Economic activity continued to be strong in Southeast Asia and China, where the growth rate was 7–8%.

The downturn in business conditions is expected to continue in most of the Group's important markets during a large part of 1996. Low inflation, stable currency rates and the delayed effects of the change to a more expansive monetary policy that was initiated in many countries in 1995 can lead to some de-

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%

gree of recovery later in the year. This applies in particular to the flexible US economy, which is sensitive to changes in interest rates, while the trend in Western Europe is expected to be weaker. In many European countries, the effects of a less restrictive monetary policy will probably not be great enough to offset the decline in demand resulting from the strict financial policies that are required in order to meet the Maastricht criteria.

Unemployment will remain high, which will restrain private consumption. Renewed turbulence in the currency markets and accompanying higher interest rates can obstruct a recovery in large parts of the Western world.

Stronger Swedish krona affects results

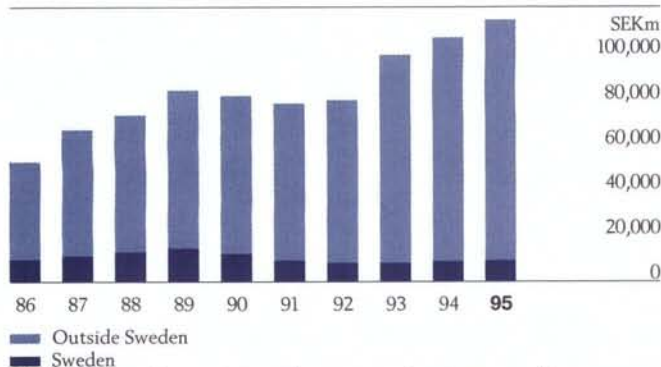
The strengthening of the Swedish krona during the last quarter of 1995 has primarily affected results in connection

Sales and income per quarter

		1st qtr	2nd qtr	3rd qtr	4th qtr	Full year
Sales, SEKm	1995	29,619	31,002	28,201	26,978	115,800
	1994	26,582	28,980	24,213	28,229	108,004
Operating income after depreciation, SEKm	1995	1,481	1,449	955	1,426	5,311
	1994	1,059	1,441	981	1,553	5,034
Income after financial items, SEKm	1995	1,045	1,061	677	1,233	4,016
	1994	668	991	650	1,286	3,595
Net income, SEKm	1995	582	708	401	1,057	2,748
	1994	363	705	380	747	2,195
Net income per share, SEK	1995	7.90	9.70	5.50	14.40	37.50
	1994	5.00	9.60	5.20	10.20	30.00

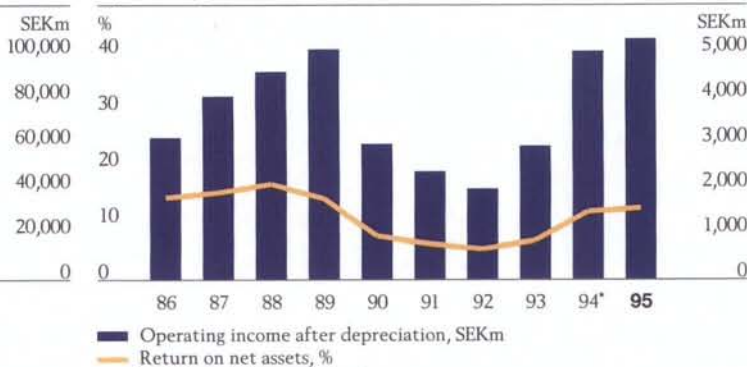
The figures for 1994 do not include a capital gain of SEK 2,776m before taxes on divestment of Autoliv and other operations.

Sales



After adjustment for acquisitions, divestments and exchange-rate effects, sales rose by 5% to SEK 115,800m in 1995.

Operating income and return on net assets



Operating income after depreciation, SEKm

Return on net assets, %

* 1994 excluding capital gain

Operating income in 1995 amounted to SEK 5,311m, representing an increase of 6% over the previous year.

with translation of financial statements in foreign subsidiaries. The krona rose by 6.7% on the year according to the Bank of Sweden's TCW-index¹⁾. The year-end krona rate for the US dollar was 11.0% lower than at year-end 1994, while the rates for the lira and the deutschmark were 8.9% and 3.7% lower, respectively.

The stronger krona has involved reductions in a number of balance-sheet items. In the key ratios given below for liquidity, net assets, inventories, and accounts receivable expressed as percentages of sales, exchange-rate effects have been eliminated by translating all items at year-end rates. For information on exchange-rate effects and other factors, see the section on "Currency risk" on page 28.

Higher sales

Sales for the Electrolux Group in 1995 rose to SEK 115,800m, as against SEK 108,004m in the previous year, of which 92% (92) or SEK 106,704m (99,269) was outside Sweden.

AEG Hausgeräte was consolidated as of the fourth quarter of 1994 and is included for the full year 1995. Autoliv and other divested units are included in the results for 1994 up to the date of divestment at the end of the first half.

After adjustment for acquisitions, divestments and exchange-rate effects, sales rose by 5%.

Exports from Sweden by Electrolux in 1995 amounted to SEK 10,159m (9,520), of which SEK 6,092m (6,468) was to subsidiaries. The Swedish plants accounted for 16% (15) of the total value of Group production.

For information on Group sales by country and region, see page 52.

Higher income, unchanged profitability

Group operating income after depreciation according to plan rose by 5.5% to SEK 5,311m (5,034) which corresponds to 4.6% (4.7) of sales. Income after financial items rose by 11.7% to SEK 4,016m, (3,595), which corresponds to 3.5% (3.3) of sales. Net income after minority interests and taxes improved by 25% to SEK 2,748m (2,195), which corresponds to SEK 37.50 (30.00) per share.

The return on equity after taxes was 13.4% (13.0), and the return on net Group assets was 12.5% (11.9). Definitions of key ratios are given on page 50.

The comparative figures for 1994 do not include a capital gain of SEK 2,776m before taxes during the second quarter, generated by divestment of Autoliv and other units. Inclusive of this capital gain, operating income after depreciation in 1994 amounted to SEK 7,810m, income after financial items to SEK 6,371m and net income to SEK 4,830m, which corresponds to SEK 66.00 per share.

Improvement in net financial items

The net of the Group's financial income and expense amounted to SEK -1,295m (-1,439), which corresponds to -1.1% (-1.3) of sales. The improvement is traceable mainly to lower interest costs.

Interest rates fell during the year in both Europe and the US as a result of weaker business conditions. Currency markets remained volatile, in particular for the Italian lira and the Swedish krona. Both these currencies weakened significantly at the start of the year and then became stronger. Declining interest rates in the US contributed to a weakening of the dollar against European currencies.

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 30% (37). The tax rate for 1994 has been calculated without the capital gain, which is taxed at a low rate. Inclusive of this capital gain, the tax rate for 1994 was 23%. See Note 4 on page 39.

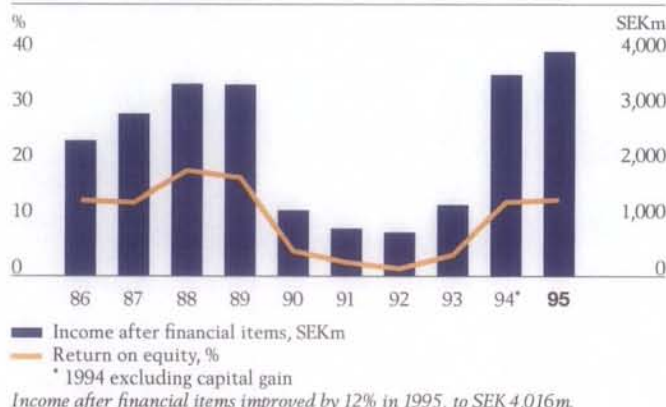
Operations by business area

Market conditions weakened throughout the year in both Western Europe and North America, particularly for Household Appliances. Unfavorable weather conditions also led to lower demand for garden equipment in several European countries.

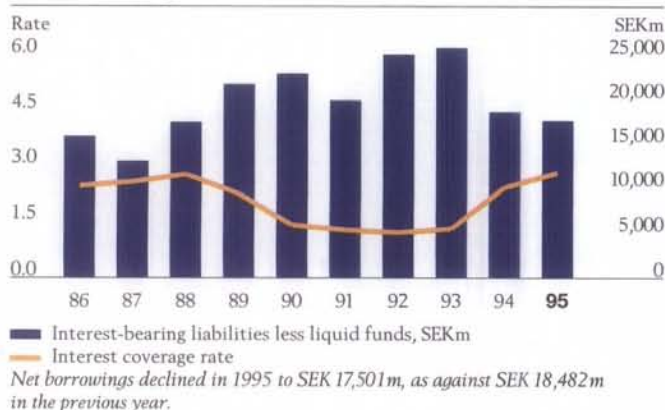
¹⁾ Total Competitiveness Weighted Index
Source: Bank of Sweden

Group operations

Income after financial items and return on equity



Net borrowings



Substantial increases in costs for materials had an adverse effect on operating margin during the year in all product areas.

The improvement in Group operating income is traceable primarily to the *Industrial Products* business area, where Gränges reported a marked improvement in income on the basis of a considerable increase in sales volume, a higher degree of added value and better prices for aluminium.

Household Appliances reported lower income for white goods in comparison with 1994. The decline is traceable entirely to Frigidaire Company

in North America, which reported a substantial drop in income as a result of higher costs for materials that could not be offset by price increases, as well as costs referring to launches of new product ranges. In contrast, operating income for the European white-goods operation was higher than in the previous year.

In other operations within this business area, operating income was higher for room air-conditioners, sewing machines and compressors, while a decline was reported for vacuum cleaners and leisure appliances.

Total operating income for the Household Appliances business area was unchanged from 1994, but operating margin declined somewhat as a result of the consolidation of AEG Hausgeräte.

Within *Commercial Appliances*, higher sales for light-duty units led to improved operating income for industrial laundry equipment. A significant improvement in income was also reported for food-service equipment, mainly as a result of internal action.

On the other hand, operating income for commercial refrigeration equipment was lower than in the previous year, due

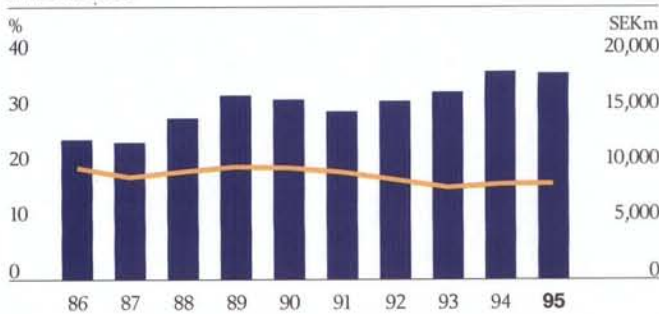
Sales by business area, per quarter, SEKm

		1st qtr	2nd qtr	3rd qtr	4th qtr	Full year
Household Appliances	1995	18,929	19,202	19,359	17,719	75,209
	1994	14,980	16,483	16,145	18,664	66,272
Commercial Appliances	1995	2,562	2,888	2,621	3,010	11,081
	1994	2,306	2,666	2,468	3,027	10,467
Outdoor Products	1995	4,568	5,207	3,119	3,008	15,902
	1994	4,248	5,228	2,772	2,989	15,237
Industrial Products	1995	3,560	3,705	3,102	3,241	13,608
	1994	5,048	4,603	2,828	3,549	16,028

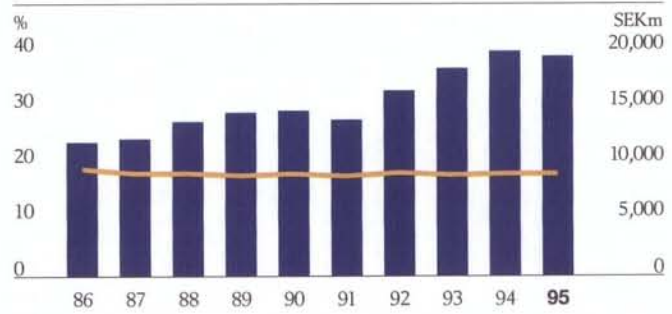
Operating income after depreciation, by business area, per quarter, SEKm

		1st qtr	2nd qtr	3rd qtr	4th qtr	Full year
Household Appliances	1995	716	591	436	838	2,581
	1994	506	629	498	922	2,555
Commercial Appliances	1995	86	110	45	150	391
	1994	26	97	102	172	397
Outdoor Products	1995	460	507	273	196	1,436
	1994	405	575	279	281	1,540
Industrial Products	1995	219	241	201	242	903
	1994	122	140	102	178	542

The figures for 1994 do not include a capital gain of SEK 2,776m before taxes on divestment of Autoliv and other operations.

Inventories

■ Inventories, SEKm
 — As % of sales, adjusted for exchange-rate effects as of 1992
Inventories in 1995 corresponded to 16.8% of total Group sales, which was on a level with 1994.

Accounts receivable

■ Accounts receivable, SEKm
 — As % of sales, adjusted for exchange-rate effects as of 1992
Accounts receivable remained at 18.0% of total Group sales in 1995.

to costs for restructuring within the European production system. Income also declined for commercial cleaning equipment.

Operating income for the Commercial Appliances business area was largely unchanged from the previous year.

In *Outdoor Products*, Husqvarna showed continued good growth in sales and income, despite a gradual slackening in the market for chainsaws.

In the US, higher sales of garden tractors led to improved operating income for American Yard Products. Despite good sales growth and higher market share for both hobby chainsaws and portable garden equipment, Poulan/Weed Eater reported lower operating income, mainly as a result of high start-up costs for new products.

Demand for garden equipment in Europe declined as a result of unfavorable weather. Flymo reported considerably lower operating income than in the previous year, as a result of a substantial market downturn in the UK and costs referring to increased marketing activities in Europe.

Total operating income for the *Outdoor Products* business area declined

Average annual growth, 1986-1995

Sales	11.3%
Shareholders' equity	9.9%
Equity per share	8.3%
Trading price, B-shares	3.5%
Effective yield on B-shares	7.8%

somewhat from the previous year's high level.

Shareholders' equity

Group shareholders' equity increased as of December 31, 1995 to SEK 21,304m (20,465), which corresponds to SEK 291 (279) per share.

Equity/assets and net debt/equity ratios

The equity/assets ratio improved to 31.8% (29.5). Computation of this ratio involves netting liquid funds against interest-bearing borrowings.

The net debt/equity ratio, i.e. net borrowings in relation to shareholders' equity, was 0.80 (0.88). For definitions of these ratios, see page 50.

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

Net assets

Net assets, i.e. total assets less liquid funds and all non-interest-bearing liabilities including deferred tax on untaxed reserves, declined to SEK 39,422m (39,477). Net assets adjusted for exchange-rate effects declined accordingly to 36.1% (35.6) of sales.

Net assets include assets referring to customer financing in the amount of SEK 2,525m (2,793).

Inventories and accounts receivable

Inventories in 1995 amounted to SEK 18,359m (18,514) and accounts receivable to SEK 19,602m (20,015), which after adjustment for exchange-rate

effects corresponds to 16.8% (16.7) and 18.0% (18.0) of Group sales, respectively.

The Group's goal is to reduce inventories plus accounts receivable to 30% of sales.

Capital expenditure and R&D costs

Capital expenditure in 1995 amounted to SEK 5,115m (3,998), of which SEK 583m (568) referred to Sweden. Total capital expenditure thus corresponded to 4.4% (3.7) of Group sales. A large share of the increase over 1994 refers to new products.

Costs for research and development in 1995 amounted to SEK 1,636m (1,361).

Divestment of operations

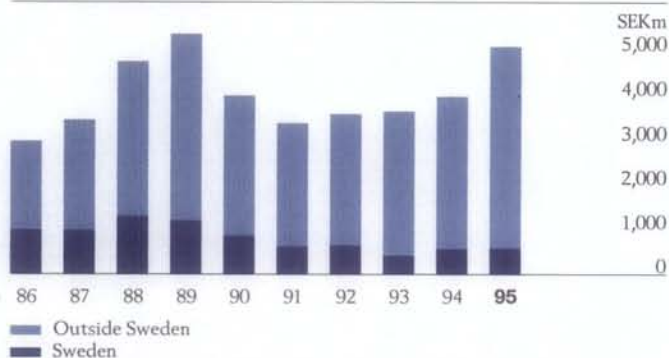
A cooker plant in Spain with 367 employees was sold as of December 31. This divestment has not had any effect on Group income for 1995, as a provision was made in the accounts for 1994.

In addition, during the third quarter the Group divested Gränges' Nordic distribution companies Metallvaruhuset AB in Sweden, Gränges Danmark A/S in Denmark and Oy Aluma Ab in Finland, which have total annual sales of approximately SEK 700m.

In February, 1996 a final agreement was reached regarding divestment of the Group's operation in materials-handling equipment, which has annual sales of SEK 1,750m. The agreement is subject to approval by the appropriate authorities. The divestment is effective as of March

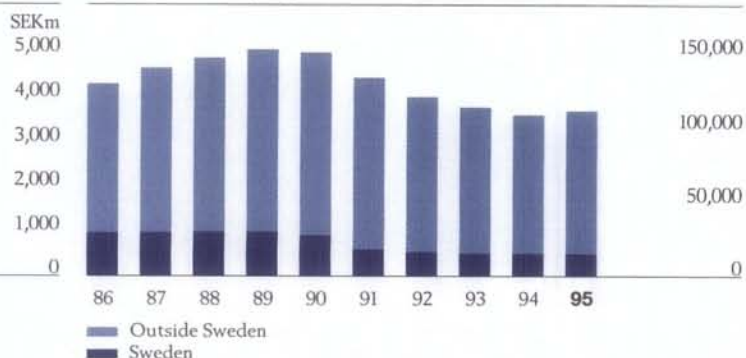
Group operations

Capital expenditure



Capital expenditure rose to SEK 5,115m in 1995, of which SEK 583m in Sweden.

Number of employees



The average number of employees in 1995 was 112,300, of whom 9,342 were employed by AEG Hausgeräte, which is included for the full year.

29, 1996 and will not have any significant effect on the Group's income or its financial position.

Operations in new markets

A joint venture in Poland for washing machines with the Group as majority owner was formed with Myszkow Enamelware Works, Swiatowit S.A. It was also decided that the leisure appliances product line would start production of camping coolers in the Czech Republic, as well as gas cookers and grills in Slovakia.

In India, the Group acquired 51% of the shares in Maharaja International Ltd, a listed company for production of refrigerators, as well as a 51% stake in Intron Ltd, a listed producer of washing machines.

In China, a joint venture with the Group as majority owner was started for refrigerators and freezers with Changsha Zhongyi Group Ltd, one of the country's ten largest producers in this product area. Another joint venture in which the Group also has a majority stake was started in China for production of commercial refrigerators and freezers. In addition, the Group received permission to form a wholly-owned holding company in China.

An agreement was reached regarding expanded cooperation and manufacture of refrigerators in an existing joint venture in Saudi Arabia, the Saudi Refrigerators Manufacturing Co. The Group simultaneously increased its stake in this

company from 25% to 49%. In Egypt, Electrolux acquired 25% of the shares in MISR Compressor Manufacturing Co., which manufactures compressors. The Group also acquired all the assets in the largest Mexican producer of compressors for commercial refrigeration equipment, and a new company named Kelvinator de Mexico was started.

In Brazil, an agreement was reached on acquisition of a 51% stake in Oberdorfer S.A., which produces vacuum cleaners and other floor-care products as well as high-pressure cleaning equipment. In 1995 the company reported sales of BRL 63 million (approximately SEK 500m) and had about 250 employees. The acquisition is subject to approval by Brazilian authorities.

In January, 1996 the Group acquired 41% of the ordinary shares in Refrigeraçao Paraná S.A. (Refripar) of Brazil for USD 50 million. Together with the 10% of the ordinary shares and 6% of the preferential shares which were acquired in 1994, the Group's total stake in Refripar amounts to 51% of the ordinary shares and 20% of the total share capital. Electrolux is thus the main owner of the company, which will be consolidated as of February 1, 1996. Following approval by Brazilian authorities, Electrolux will make a public bid to acquire the remaining ordinary shares in the company.

Refripar is the second largest white-goods company in Brazil, with sales of BRL 640 million (about SEK 4,900m) in 1995 and about 5,000 employees.

In February, 1996 Electrolux acquired 20% of the shares in Atlas Electrica S.A. in Costa Rica, the leading producer of refrigerators and cookers in Central America.

Employees

The average number of Group employees in 1995 was 112,300 (109,470), of whom 14,949 (15,001) in Sweden. At year-end, the Group had 111,015 (114,103) employees.

AEG Hausgeräte, which was consolidated as of the fourth quarter of 1994, is included for the full year 1995 and accounted for 9,342 employees. The figures for 1994 include Autoliv and other divested operations up to the date of divestment during the first half.

Of the total average number of employees in 1995, about 12,000 (14,000) 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 52.

Salaries and remuneration totalled SEK 20,788m (19,431), of which SEK 3,028m (2,900) in Sweden. See also Note 17 on page 43.

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 with the object of reducing this exposure. Implementation of the policy is continuously monitored and controlled through the Group's central functions.

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

Financing risk

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

Liquidity

Group liquid funds as of December 31, 1995 amounted to SEK 14,249m (13,067), which corresponds to 13.1% (11.8) of sales and 195% (193) of short-term borrowings. In addition, the Group had unutilized credit facilities amounting to SEK 22,119m (18,484) at year-end.

The goal is that Group 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. The Group's two MTN programs, in London and Stockholm, were utilized to some extent. Under the latter program, zero-coupon bonds are placed with private investors to a maximum of SEK 600m. Bonds corresponding to

almost USD 150 million were issued under the London program. The framework for this program was expanded during the year from USD 750 million to USD 1,000 million in order to achieve greater financing capacity. The growing operation in Hungary involves an increased financing requirement, and the commercial paper program was therefore expanded to HUF 2,500 million (about SEK 121m).

The Group's interest-bearing borrowings at year-end 1995 amounted to SEK 31,750m (31,383), of which SEK 24,448m (24,796) comprised long-term loans with an average lifetime of 3.0 years (3.3). Net borrowings, i.e. total interest-bearing liabilities less liquid funds, declined to SEK 17,501m (18,482).

The tables at left show borrowings inclusive of swap transactions 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% (8.0) during 1995.

In accordance with the Group's financing policy, most long-term borrowings carry 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 effects of changes in market interest rates on the Group's income. As of December 31, 1995, the Group's total short- and long-term interest-bearing liabilities amounted to

Maturity dates for long-term borrowings

Year	Amount, SEKm
1996	5,001
1997	4,747
1998	5,088
1999	3,001
2000	3,722
2001	485
Thereafter, until 2007	2,404
Total	24,448

Long-term borrowings, by currency

Currency	Amount, SEKm
USD	12,337
SEK	2,957
FRF	1,937
ESP	1,856
ITL	1,753
DEM	865
Other	2,743
Total	24,448

Group operations

SEK 31,750m (31,383), of which the Swedish pension liability in the Pension Registration Institute (PRI) accounted for SEK 1,546m (1,449). Interest-bearing liquid funds amounted to SEK 14,162m.

The duration of long-term borrowings was slightly more than 1.3 years as of December 31, 1995. The duration of liquid fund placements was slightly more than 90 days.

Derivatives are actively used to adjust interest-rate exposure, e.g. by extending or shortening the interest periods without adjusting the underlying loans or placements. All figures given above are inclusive of derivatives.

Currency risk

This risk refers to the 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 influence of the coverage on costs, liquidity and taxes.

Exposure arising from commercial flow

Commercial flows between Group companies, suppliers and customers generate a transaction exposure. About 75% (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. This system enables the remaining cur-

rency flow to be continuously monitored, so that action can be taken to compensate for changes in positions.

In 1995, the Group had net sales primarily in DEM, FRF and GBP, and net costs primarily in ITL and SEK. In terms of USD, the Group is relatively neutral.

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 normally involves 1–6 month's forward hedging 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 a negative effect of SEK 150m on operating income for 1995 relative to the previous year.

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 after consolidation. In order to limit degradation of Group equity, borrowings and forward contracts are based on the estimated exposure, 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 1995 was approximately 102% (102) before taxes.

At year-end, forward contracts as hedges for net foreign investment amounted to SEK 10,718m (12,571).

Net translation differences arising from consolidation of foreign subsidiaries in 1995 amounted to SEK –994m (–760). See Note 14 on page 42. 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 37.

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 counterparty risks related to derivatives. In order to limit financial credit risks, a counterparty guideline has been established that defines the maximum permissible exposure in relation to permissible counterparts.

Group 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 1995, of whom about 40 were in Stockholm.

The short-term operations of these internal banks are coordinated from Stockholm, where long-term financing and the Group's overall financial risk exposure are also managed. 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 1995. Income for operations related to leasing, factoring and dealer financing showed further improvement.

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.

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 44.

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

Approximate values according to US GAAP

	1995	1994
Net income, SEKm	2,914	5,655 ¹⁾
Net income per share, SEK	39.80	77.20 ¹⁾
Shareholders' equity, SEKm	20,685	19,486
Total assets, SEKm	82,421	86,658
Debt/equity ratio, % ²⁾	55.0	60.2

¹⁾ Including a capital gain of SEK 2,665m, corresponding to SEK 36.40 per share.

²⁾ Long-term liabilities expressed as a percentage of long-term liabilities plus shareholders' equity.

Group operations

Parent company

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

Sales for the parent company in 1995 amounted to SEK 5,369m (4,848), of which SEK 2,371m (1,961) referred to sales to Group companies and SEK 2,998m (2,887) to sales to external customers. After allocations of SEK 87m (207) and taxes of SEK -2m (-34), the parent company reported a profit of SEK 3,386m (1,779).

Financial exchange-rate differences during the year amounted to SEK +804m (-307), of which SEK -93m (-578) referred to exchange losses on loans intended as hedges for equity in subsidiaries, while exchange gains on forward contracts for the same purpose totalled SEK 887m (288).

The Group's policy for hedging equity in subsidiaries (see page 28) led to unrealized exchange losses in the parent company in the amount of SEK 543m. If exchange rates were to remain the same, this would generate an effect on the parent company's income of SEK 5m in 1996, SEK -99m in 1997 and SEK 637m in subsequent years. Unrealized exchange losses are offset by the increase 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 increase in equity that arises when net assets in foreign subsidiaries are translated at year-end rates.

Information on the number of employees, as well as salaries and remuneration is given in Note 17 on page 43. The parent company's holdings in shares and participations are reported on page 47.

Proposed dividend

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

Consolidated income statement

(SEKm)		1995	1994
Operating income and expense			
Sales		115,800	108,004
Operating expense	Note 1	-106,073	-95,986
Share of income in associated companies		-9	6
Operating income before depreciation			
Depreciation according to plan	Note 2	-4,407	-4,214
Operating income after depreciation			
Financial items	Note 3	-1,295	-1,439
Income after financial items			
Minority interests in income before taxes		-69	-116
Income before taxes			
Taxes	Note 4	-1,199	-1,425
Net income			
Net income per share, SEK			
	Note 5		
- Including capital gain		37.50	66.00
- Excluding capital gain		37.50	30.00

Consolidated balance sheet

ASSETS (SEKm)		December 31, 1995		December 31, 1994	
Current assets					
Cash and bank deposits		3,763		5,849	
Bonds and other securities		10,486	14,249	7,218	13,067
Notes receivable		1,758		1,620	
Accounts receivable		17,844		18,395	
Prepaid expense and accrued income		1,561		1,491	
Other receivables		2,674	23,837	2,474	23,980
Inventories	Note 6		18,359		18,514
Advances to suppliers			175		139
Total current assets			56,620		55,700
Blocked accounts for investment and other reserves			3		16
Fixed assets					
Shares and participations	Note 7	578		627	
Bonds and other securities		228	806	271	898
Notes receivable		16		8	
Long-term receivables		421	437	620	628
Goodwill, etc.	Note 8	3,175		3,684	
Advances to suppliers		205		177	
Construction in progress		1,223		960	
Machinery, equipment and tools	Note 9	13,110		13,944	
Buildings	Note 9	6,099		6,579	
Land and land improvements	Note 9	1,478	25,290	1,597	26,941
Total fixed assets			26,533		28,467
TOTAL ASSETS			83,156		84,183
Assets pledged	Note 10		1,813		2,199

LIABILITIES AND SHAREHOLDERS' EQUITY (SEK.m)		December 31, 1995		December 31, 1994	
Current liabilities					
Notes payable		1,024		874	
Accounts payable		9,003		10,192	
Tax liability		580		955	
Accrued expense and prepaid income		8,879		9,055	
Other current liabilities		3,259		3,634	
Advances from customers		410	23,155	395	25,105
Bank loans, etc.	Note 12		12,303		10,858
Total current liabilities			35,458		35,963
Long-term liabilities					
Bond loans	Note 12	6,628		9,162	
Mortgage loans, promissory notes, etc.	Note 12	11,273	17,901	9,914	19,076
Deferred taxes		933		144	
Other long-term liabilities		2,170	3,103	3,203	3,347
Provisions for pensions					
PRI pensions (Pension Registration Institute)	Note 12	1,546		1,449	
Other pensions		3,227	4,773	3,353	4,802
Total long-term liabilities			25,777		27,225
Minority interests			617		530
Shareholders' equity					
Restricted equity	Note 14				
Share capital	Note 15	1,831		1,831	
Statutory reserves		8,936	10,767	9,035	10,866
Unrestricted equity					
Retained earnings		7,789		4,769	
Net income for the year		2,748	10,537	4,830	9,599
Total shareholders' equity			21,304		20,465
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY			83,156		84,183
Contingent liabilities		Note 16	681		806

Parent company income statement

(SEKm)		1995	1994
Operating income and expense			
Sales		5,369	4,848
Group contributions		1,951	1,513
Operating expense including head-office costs	Note 1	-5,593	-4,401
Operating income before depreciation		1,727	1,960
Depreciation according to plan	Note 2	-240	-221
Operating income after depreciation		1,487	1,739
Financial items	Note 3	1,814	-133
Income after financial items		3,301	1,606
Allocations	Note 13	87	207
Income before taxes		3,388	1,813
Taxes	Note 4	-2	-34
Net income		3,386	1,779

Parent company balance sheet

ASSETS (SEKm)		December 31, 1995		December 31, 1994	
Current assets					
Cash and bank deposits		813		1,682	
Bonds and other securities		7,314	8,127	5,079	6,761
Receivables from subsidiaries		1,510		1,543	
Accounts receivable		454		467	
Prepaid expense and accrued income		162		284	
Other receivables		27	2,153	110	2,404
Inventories	Note 6	565		511	
Advances to suppliers		0		3	
Tax refund claim		5	570	4	518
Total current assets			10,850		9,683
Fixed assets					
Shares and participations	Note 7		18,419		18,830
Long-term receivables					
From subsidiaries		2,357		2,638	
Other		48	2,405	39	2,677
Brand names, etc.	Note 8		203		265
Advances to suppliers		36		22	
Construction in progress		59		20	
Machinery, equipment and tools	Note 9	680		653	
Buildings	Note 9	72		74	
Land and land improvements	Note 9	14	861	15	784
Total fixed assets			21,888		22,556
TOTAL ASSETS			32,738		32,239
Assets pledged			-		-

LIABILITIES AND SHAREHOLDERS' EQUITY (SEKm)	December 31, 1995		December 31, 1994	
Current liabilities				
Payable to subsidiaries	916		2,483	
Accounts payable	472		492	
Accrued expense and prepaid income	906		1,002	
Other current liabilities	82		64	
Advances from customers	6	2,382	11	4,052
Bank loans, etc.		6,529		2,982
Total current liabilities		8,911		7,034
Long-term liabilities				
Payable to subsidiaries	676		769	
Bond loans	6,932		10,472	
Mortgage loans, promissory notes, etc.	4,088	11,696	4,287	15,528
Provisions for pensions				
PRI pensions (Pension Registration Institute)	594		531	
Other pensions	103	697	96	627
Total long-term liabilities		12,393		16,155
Untaxed reserves				
		596		683
Shareholders' equity				
Restricted equity				
Share capital			1,831	
Statutory reserve		2,731	2,731	4,562
Unrestricted equity				
Retained earnings	2,890		2,026	
Net income for the year	3,386	6,276	1,779	3,805
Total shareholders' equity		10,838		8,367
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		32,738		32,239
Contingent liabilities				
		6,372		5,831

Statements of changes in financial position

(SEKm)	Group		Parent company	
	1995	1994	1995	1994
Operations				
Net income	2,748	4,830	3,386	1,779
Depreciation according to plan charged against above income	4,407	4,214	240	221
Capital gain/loss included in operating income	-45	-2,785	183	-326
Allocations	-	-	-87	-207
Change in operating assets and liabilities				
Change in notes receivable and accounts receivable	-879	-1,988	13	9
Change in current intra-Group balances	-	-	-1,534	3,793
Change in inventories	-1,282	-1,800	-54	-91
Change in other current assets	-641	-336	208	-97
Change in current liabilities	-486	3,365	-103	70
Liquid funds generated by operations	3,822	5,500	2,252	5,151
Investments				
Operations	-177	-3,470	-	-
Divestment of operations	-	5,235	-	-
Shares and participations	26	-108	231	-1,676
Long-term notes receivable and accounts receivable	150	57	-9	-6
Change in intra-Group balances	-	-	188	587
Goodwill	-19	-49	-	-
Machinery, buildings, land, construction in progress, etc.	-5,115	-3,998	-247	-244
Other fixed assets	292	110	-14	-13
Income on sales of fixed assets	474	379	1	1
Liquid funds generated by operations, after investments	-547	3,656	2,402	3,800
Financing				
Change in long-term loans	1,789	1,070	-3,738	4,273
Change in other long-term liabilities	81	2,198	70	103
Other				
Dividends paid	-915	-458	-915	-458
Change in minority interests	71	37	-	-
Exchange-rate differences referring to net liquidity	-12	252	-	-
Change in net liquid funds*	467	6,755	-2,181	7,718
Net liquid funds at beginning of year	6,480	-275	3,779	-3,939
Net liquid funds at year-end	6,947	6,480	1,598	3,779

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

Notes to the financial statements

ACCOUNTING AND VALUATION PRINCIPLES

General

At year-end 1995 the Group comprised 687 (639) operating units, and 563 (564) 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 changes in accounting principles were introduced in 1994/1995:

- As of the first quarter of 1994, real-estate taxes and other taxes unrelated to income are reported under "Operating expense". The figures for previous years have been adjusted accordingly.
- As of 1994, Group interests in associated companies are divided into a share of operating income and a share of taxes. The figures for previous years have not been adjusted, since the amounts involved are insignificant.
- 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.
- As of 1995, changes have been introduced in the income statement for the parent company. 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. Key ratios for 1994 have been adjusted accordingly. See the definitions of these ratios on page 50.

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.

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 net income 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 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

Notes to the financial statements

to a more accurate timing of Group income and expense.

Costs of research and development

These costs are reported on a current basis and in 1995 amounted to SEK 1,636m (1,361).

Depreciation on tangible fixed assets

Depreciation according to plan is based on the acquisition value of the asset prior to write-downs 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 generally accepted Swedish accounting standards, Electrolux applies a strict interpretation of the concept of extraordinary income and expense.

Capital gains and losses on divestment of fixed assets and operations, as well as 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 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		Parent company	
	1995	1994	1995	1994
Operating expense includes the following items:				
Gain/Loss on sales of real estate	8	-11	-	-
Gain/Loss on divestment of operations and shares	37	2,792	-180	330
Total	45	2,781	-180	330

Operating expense includes translation differences and adjustments for inflation in the amount of SEK -11m (-21). See "Accounting principles" on page 37 regarding translation of foreign subsidiaries.

2. DEPRECIATION ACCORDING TO PLAN (SEKm)	Group		Parent company	
	1995	1994	1995	1994
Brand names, etc.	-	-	66	66
Goodwill, etc.	282	305	-	-
Machinery, equipment and tools	3,699	3,490	169	149
Buildings, leasehold rights, etc.	410	412	5	6
Land improvements	16	7	0	0
Total	4,407	4,214	240	221

3. FINANCIAL ITEMS (SEKm)	Group		Parent company	
	1995	1994	1995	1994
Dividends				
From subsidiaries	-	-	2,020	1,164
Other	37	25	0	1
Interest income				
From subsidiaries	-	-	259	207
Other	1,221	1,205	424	388
Interest expense				
To subsidiaries	-	-	-377	-289
Other	-2,371	-2,627	-1,075	-1,283
Exchange differences				
On loans and forward contracts as hedges for equity in subsidiaries	-	-	794	-290
On other loans and borrowings, net	22	-7	10	-17
Other financial items	-204	-35	-241	-14
Total	-1,295	-1,439	1,814	-133

Premiums on forward contracts intended as hedges for equity in subsidiaries have been amortized as interest in the amount of SEK 293m (127).

In connection with consolidation, the exchange differences in the parent company on loans and forward contracts intended as hedges for equity in subsidiaries have been taken directly to equity after deduction of deferred taxes. The net effect on equity is SEK 1,630m (961).

Other Group financial income and expense includes interest income of SEK 113m (528) and interest expense of SEK 105m (510) referring to interest arbitrage transactions. Receivables and liabilities referring to interest arbitrage amounted to SEK 85m (3,459) at year-end and have been reported at net value.

4. TAXES (SEKm)	Group		Parent company	
	1995	1994	1995	1994
This item includes the following:				
Income taxes	-1,015	-1,223	-2	-34
Deferred taxes	-195	-221	-	-
Minority interests in taxes	22	22	-	-
Group share of taxes in associated companies	-11	-3	-	-
Total	-1,199	-1,425	-2	-34

As of December 31, 1995, the Group had a tax-loss carry-forward of SEK 3,893m (4,103), which has not been included in computation of deferred taxes.

Increase in taxable income

The parent company has been informed by the Swedish tax authorities that taxable income for 1993 is to be increased by approximately SEK 1.3 billion, which corresponds to an increase in tax of approximately SEK 350 million. The experts consulted by Electrolux agree that there is no legal basis for the action by the tax authorities. Electrolux will appeal the decision and has not made any provision for the above tax increase.

Notes to the financial statements

5. NET INCOME PER SHARE

	1995	1994
Consolidated net income, SEKm	2,748	4,830
Net income for 1994 includes a capital gain of SEK 2,635m.		
Number of shares in 1995 and 1994: 73,233,916		
Net income per share, SEK	37.50	66.00
Net income per share exclusive of capital gain, SEK	37.50	30.00

6. INVENTORIES (SEKm)	Group		Parent company	
	1995	1994	1995	1994
Inventories comprise the following:				
Raw materials	3,215	3,203	138	124
Work in progress	2,563	2,451	37	32
Finished products	12,581	12,860	390	355
Total	18,359	18,514	565	511

7. SHARES AND PARTICIPATIONS (SEKm)	Group		Parent company	
	1995	1994	1995	1994
Associated companies	190	299	-	-
Other companies	388	328	28	4
Subsidiaries	-	-	18,391	18,826
Total	578	627	18,419	18,830

The book value of the parent company's shares and participations in certain subsidiaries has been written down by SEK 10m (68).

A corresponding write-up of SEK 10m (68) has been booked for other subsidiaries.

A specification of shares and participations is given on pages 46-47.

8. INTANGIBLE ASSETS (SEKm)	Acquisition cost		Accumulated depreciation		Balance-sheet value	
	1995	1994	1995	1994	1995	1994
Group						
Leasehold rights, patents, etc.	113	118	87	85	26	33
Goodwill	5,197	5,597	2,048	1,946	3,149	3,651
Total	5,310	5,715	2,135	2,031	3,175	3,684
Parent company						
Brand names, etc.	659	655	456	390	203	265

Goodwill was reduced by a net of SEK 15m (886) 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 83m (101), and the residual value of goodwill would be reduced by SEK 624m (609), while equity would be reduced by a corresponding amount.

9. REAL ESTATE, MACHINERY AND EQUIPMENT (SEKm)	Acquisition cost		Accumulated depreciation		Balance-sheet value	
	1995	1994	1995	1994	1995	1994
Group						
Machinery, equipment and tools	33,954	34,462	20,844	20,518	13,110	13,944
Buildings	9,952	10,407	3,853	3,828	6,099	6,579
Land and land improvements	1,613	1,726	135	129	1,478	1,597
Total	45,519	46,595	24,832	24,475	20,687	22,120

Capital expenditure amounted to SEK 3,159m (2,598) for machinery and equipment, SEK 454m (306) for buildings and land, and SEK 1,502m (1,094) for construction in progress and advances to suppliers.

Tax assessment value, Swedish Group companies: Buildings SEK 1,564m (1,577), land SEK 254m (258). Undepreciated portion of write-ups on land: SEK 45m (164).

9. (continued)	Acquisition cost		Accumulated depreciation		Balance-sheet value	
	1995	1994	1995	1994	1995	1994
Parent company						
Machinery, equipment and tools	1,803	1,690	1,123	1,037	680	653
Buildings	194	191	122	117	72	74
Land and land improvements	18	18	4	3	14	15
Total	2,015	1,899	1,249	1,157	766	742

Capital expenditure amounted to SEK 195m (234) for machinery and equipment, SEK 3m (1) for buildings, and SEK 45m (9) for construction in progress.

Tax assessment value: Buildings SEK 411m (418), land SEK 51m (52). Undepreciated portion of write-ups on land: SEK 9m (9).

10. ASSETS PLEDGED (SEKm)	Group	
	1995	1994
Real-estate mortgages	1,418	1,402
Corporate mortgages	302	226
Receivables	28	21
Inventories	27	17
Bonds	0	523
Other	38	10
Total	1,813	2,199

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 1995, 13 (26) managers sold their options. At year-end there were 73 (86) owners remaining with total holdings of 292,300 (325,300) 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 by the company. The change in the value of these synthetic options is included in the Electrolux income statement on a current basis. At year-end the total liability was SEK 7m (37), and SEK 27m has been added to income for the year. In 1994, income was charged with SEK 42m.

12. LONG-TERM BORROWINGS (SEKm)	Group	
	1995	1994
Group long-term borrowings by currency:		
USD	12,337	14,212
SEK	2,957	2,305
FRF	1,937	2,058
ESP	1,856	1,822
ITL	1,753	1,023
DEM	865	995
Other	2,743	2,381
Total	24,448	24,796

Long-term borrowings mature as follows:	Group
	1995
1996	5,001
1997	4,747
1998	5,088
1999	3,001
2000	3,722
2001	485
Thereafter, through 2007	2,404
Total	24,448

Notes to the financial statements

	Closing balance	Allocations	Closing balance
	1994	1995	1995
13. UNTAXED RESERVES, PARENT COMPANY (SEKm)			
Tax equalization reserve (L-fund)	38	-6	32
Accumulated depreciation in excess of plan			
Brand names	265	-65	200
Machinery and equipment	332	-11	321
Buildings	29	1	30
Exchange-rate reserve	1	0	1
Other financial reserves	18	-6	12
Total	683	-87	596

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

	Share capital	Statutory reserves	Retained earnings	Net income	Total
14. SHAREHOLDERS' EQUITY (SEKm)					
Group					
Opening balance	1,831	9,035	4,769	4,830	20,465
Transfer of net income, etc.	-	-	4,830	-4,830	-
Dividend payments	-	-	-915	-	-915
Transfers between restricted and unrestricted equity	-	250	-250	-	-
Translation differences, etc.	-	-349	-645	-	-994
Net income	-	-	-	2,748	2,748
Closing balance	1,831	8,936	7,789	2,748	21,304

Disposable consolidated earnings amount to SEK 10,537m. No allocation to statutory reserves is required.

SEK 2,401m (2,581) referring to the share of equity in timing differences is reported under "Statutory reserves" in the balance sheet. This amount can be transferred to unrestricted reserves but will then be subject to taxation.

Parent company

Opening balance	1,831	2,731	2,026	1,779	8,367
Transfer of net income	-	-	1,779	-1,779	-
Dividend payments	-	-	-915	-	-915
Net income	-	-	-	3,386	3,386
Closing balance	1,831	2,731	2,890	3,386	10,838

15. SHARE CAPITAL AND NUMBER OF SHARES (SEKm)

Value at par

On December 31, 1995 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

	Group		Parent company	
	1995	1994	1995	1994
16. CONTINGENT LIABILITIES (SEKm)				
Discounted bills	208	152	-	-
Accounts receivable, with recourse	39	18	-	-
Guarantees and other commitments				
On behalf of subsidiaries	-	-	6,326	5,783
Other	241	355	34	29
Capital value of pension commitments in excess of reported liability	193	281	12	19
Total	681	806	6,372	5,831

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 for any contractual guarantees.

17. AVERAGE NUMBER OF EMPLOYEES, SALARIES AND REMUNERATION	Employees		Salaries and remuneration	
	1995	1994	1995 SEKm	1994 SEKm
Sweden				
Parent company	4,771	4,851	1,006	958
Other	10,178	10,150	2,022	1,942
Total Sweden	14,949	15,001	3,028	2,900
Outside Sweden				
Italy	13,463	12,638	2,513	2,462
Germany	11,856	6,428	3,640	1,860
UK	6,924	7,446	1,202	1,304
Spain	4,194	4,370	775	757
Denmark	3,410	3,488	1,002	953
Hungary	3,366	3,077	94	90
France	3,329	3,627	719	746
Switzerland	1,506	1,532	676	637
The Netherlands	1,250	1,163	350	298
Austria	1,198	1,100	339	267
Norway	970	924	228	205
Finland	947	879	206	162
Luxembourg	601	598	171	161
Belgium	335	270	95	74
Czech Republic	224	189	14	9
Poland	229	136	10	6
Portugal	108	84	14	16
Turkey	77	34	5	2
Ireland	71	54	18	14
Greece	75	10	12	2
USA	25,205	26,704	4,403	5,188
Canada	1,090	1,115	190	211
Mexico	1,881	1,986	46	71
Peru	735	1,221	17	27
Colombia	640	726	20	22
Venezuela	475	810	9	14
Brazil	475	391	51	36
Paraguay	361	335	26	22
Chile	275	292	7	11
Ecuador	265	271	5	6
Australia	620	763	91	121
New Zealand	105	143	22	22
Thailand	2,585	2,726	144	132
Indonesia	2,429	2,348	77	68
Malaysia	1,370	1,367	74	73
People's Republic of China	1,269	1,067	18	13
Japan	974	1,017	281	268
The Philippines	508	888	20	25
Taiwan	491	521	59	63
India	318	-	2	-
Singapore	275	286	33	32
South Korea	112	127	15	16
Hong Kong	122	81	16	18
South Africa	320	83	32	8
Countries with less than 50 employees, total	318	1,154	19	29
Total outside Sweden	97,351	94,469	17,760	16,531
Group total	112,300	109,470	20,788	19,431

Of the total average number of employees, 77,447 (74,060) were men and 34,853 (35,410) 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 356m (337).

Notes to the financial statements**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 also received the following fees for membership on the Boards of foreign subsidiaries, as authorized by the Annual General Meeting: DEM 220,000, DKK 52,000, FRF 250,000 and USD 250,000.

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 4,778,623 was paid to the President and CEO of which SEK 500,000 was a bonus. In addition, the President received the following fees for membership on the Boards of foreign subsidiaries, as authorized by the Annual General Meeting: DEM 220,000, DKK 52,000, FRF 250,000 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 standards, 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 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 standards, 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 FASB's Emerging Issues Task Force led to a revision of US GAAP with reference to recognition of such costs as liabilities. The new 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 standards 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)	1995	1994
Net income as reported in the consolidated income statement	2,748	4,830
Adjustments before taxes:		
Acquisitions	105	131
Timing differences	-41	430
Other	41	46
Taxes	61	218
Approximate net income according to US GAAP	2,914	5,655*
Approximate net income per share according to US GAAP, SEK (no. of shares in 1995 and 1994 = 73,233,916)	39.80	77.20*

* Net income for 1994 includes a capital gain of SEK 2,665m (SEK 36.40 per share).

B. Shareholders' equity (SEKm)	1995	1994
Shareholders' equity as reported in the consolidated balance sheet	21,304	20,465
Adjustments:		
Revaluation of fixed assets	-45	-164
Acquisitions	-982	-1,084
Pensions	-319	-327
Securities	106	165
Timing differences	607	430
Taxes	14	1
Approximate shareholders' equity according to US GAAP	20,685	19,486

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	
	1995	1994	1995	1994
Current assets	56,620	55,700	56,705	57,273
Real estate, machinery and equipment	22,115	23,257	22,030	23,023
Shares and participations	578	627	684	792
Long-term receivables	437	628	437	2,329
Goodwill	3,149	3,651	2,207	2,637
Other assets	257	320	358	604
Total assets	83,156	84,183	82,421	86,658
Current liabilities	35,458	35,963	34,936	37,058
Long-term liabilities	24,844	27,081	25,264	29,441
Deferred taxes	933	144	919	143
Minority interests	617	530	617	530
Shareholders' equity	21,304	20,465	20,685	19,486
Total liabilities and shareholders' equity	83,156	84,183	82,421	86,658

Group holdings in shares and participations

ASSOCIATED COMPANIES	Number	Holding, %	Value at par in		Book value, equity method, SEKm
			local currency, million		
Eureka Forbes Ltd, India	990,000	40	INR	9.9	15
FHP Motors GmbH, Germany	–	50	DEM	20.0	75
Friulia Factors S.p.A., Italy	4,250	50	ITL	425.0	4
IVG Bulka-Lehel GmbH, Germany	–	50	DEM	–	2
A/O Khimki Husqvarna, Russia	–	50	SEK	–	5
Raufors Plastal Components AB, Sweden	4,500	50	SEK	4.9	5
Saudi Arabia Refrig Mfg, Saudi Arabia	3,455	49	USD	–	24
Zanker N.V., Belgium	–	50	BEF	15.0	34
Cefemo S.A.R.L., France	–	50	FRF	18.8	26
					190
OTHER COMPANIES	Number	Holding, %	Value at par in		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					
ASEA GmbH, Germany	–	2	DEM	0.6	4
Banca Popolare de Friulia, Italy	19,807	0.1	ITL	99	2
Winful J/V, China	–	5	USD	–	13
Email Ltd, Australia	13,089,629	5.1	AUD	6.5	101
Euro Accessoires, France	15,631	26	FRF	1.6	9
Flash, USA	–	–	USD	–	2
Inox Taglio SRL, Italy	2,000	10	ITL	2.0	2
Ithifly, Italy	720,000	5.2	ITL	720.0	3
Kotimaiset Kotitalouskoneet Oy, Finland	2,050	50	FIM	2.0	5
MISR Compressor Manufacturing Co., S.A.E., Egypt	455,000	27.7	EGP	46	100
Refripar Refrigeração Paraná S.A., Brazil	–	6	USD	12.4	82
Saudi Italian Industrial Co., Ltd, Saudi Arabia	400	25	SAR	2	4
Tapespur Ltd, UK	–	50	GBP	–	7
Mutual Fund Investment, Deferred compensation program, USA	–	–	USD	–	23
Other					25
Total Group holdings in shares and participations					388

(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

	Number	Holding, %		Value at par in local currency, million	Book value, SEKm	
Subsidiaries in Sweden						
Gränges AB	32,000,000	100	SEK	800.0	1,602	
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	
Electrolux Constructor AB	500,000	100	SEK	25.0	28	
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					78	
Total subsidiaries in Sweden					2,675	
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.	5,354,822	100	FRF	535.5	1,467
Greece	AEG Household Appliances S.A.	184,099	100	GRD	1,841.0	60
China	Electrolux Cleaning Appliances (Tianjin) Co. Ltd		70	USD	4.2	24
	Electrolux Yadu Electrical Appliances (Beijing) Co. Ltd		90	USD	0.9	6
The Netherlands	Electrolux Associated Co. B.V.	639,049	100	NLG	639.0	2,405
	Electrolux Holding B.V.	23,750	100	NLG	73.1	373
Norway	Electrolux Norge A/S	1,000	100	NOK	100.0	99
Poland	Electrolux Poland Spolka Z.O.O.	2,088	100	PLN	9.8	34
Portugal	Electrolux Ltda.	637,000,000	100	PTE	637.0	30
Switzerland	Electrolux Holding AG	16,395	100	CHF	8.2	101
United Kingdom	Electrolux UK Ltd	572,777,999	100	GBP	262.0	1,288
Germany	Electrolux Deutschland GmbH		100	DEM	300	1,085
Hungary	Electrolux CR Ltd		85.1	HUF	552.8	28
Austria	Electrolux Austria G.m.b.H.		100	ATS	12.0	66
Canada	EuroWhite Investment Corp.	275,000	58.9	Shares have no par value		142
USA	White Consolidated Industries, Inc.	100	100	Shares have no par value		7,329
Brazil	Electrolux Ltda.	39,855,820	99.9	BRL	39.9	270
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	16
Japan	Electrolux (Japan) Ltd	1,000,000	100	JPY	1,000.0	37
	Lux Japan KK	9,900	100	JPY	495.0	10
Malaysia	Electrolux (Malaysia) Holdings Sdn. Bhd.	6,111,111	100	MYR	6.1	20
Mexico	Mexectro, S.A. de CV	939,220,249	100	MXN	93.9	19
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
Turkey	Electrolux Dayanikli Türketim Mamülleri	399,996	100	TRL	399,996.0	30
Other foreign subsidiaries						75
Total foreign subsidiaries					15,716	
Total shares and participations in subsidiaries					18,391	
Shares and participations in other companies					28	
Total parent company holdings in shares and participations					18,419	

(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 10,537m. No allocation to restricted equity is required.

The Board of Directors and the President propose that net income for the year and retained earnings	SEK 3,386,038 T
	SEK 2,889,783 T
totalling	SEK 6,275,821 T
be distributed as follows:	
A dividend of SEK 12.50 per share to shareholders, totalling	SEK 915,424 T
To be carried forward	SEK 5,360,397 T
Total	SEK 6,275,821 T

Stockholm, February 23, 1996

Anders Scharp

Chairman of the Board

Gösta Bystedt

Deputy Chairman

Sven Åke Andersson

Hans Elfving

Carl Löwenhielm

Sven Olving

Claes Dahlbäck

Lars V Kylberg

Roland Mörk

Stefan Persson

Leif Johansson

President and CEO

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 1995. 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 Annual General Meeting

- adopt the income statement and the balance sheet,
- distribute the earnings as proposed by the Board of Directors and the President, and
- discharge the members of the Board of Directors and the President 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 Annual General Meeting adopt the consolidated income statement and the consolidated balance sheet.

Stockholm, February 23, 1996

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 cost of purchased goods and services.

Sales revenues for the Electrolux Group in 1995 totalled SEK 115,800m (108,004). After

deduction of purchases of goods and services, the value added by the Group amounted to SEK 36,766m (34,618), an increase of 6% (8) over the previous year. During the past five years, added value has increased at an average annual rate of 4.3% (2.2).

In 1995, SEK 6,298m (5,450) 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 2% (3) of added value in 1995, or 3% (4) 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	1995 SEKm	%	1995 per employee, SEK '000	1994 SEKm, excl. cap. gain	%
Total sales	115,800	100	1,031	108,004	100
Cost of purchased goods and services	-79,034	-68	-703	-73,386	-68
Added value	36,766	32	328	34,618	32
Distribution of added value	1995 SEKm	%	1995 per employee, SEK '000	1994 SEKm, excl. cap. gain	%
To employees					
Wages and salaries	20,788	57	185	19,431	56
Employer contributions	6,260	17	56	5,939	17
	27,048	74	241	25,370	73
To central and local governments					
Taxes	1,210	3	11	1,444	4
To credit institutions					
Interest, etc.	1,295	4	12	1,439	4
To shareholders					
Dividend payments (1995: Proposed)	915	2	8	915	3
	3,420	9	31	3,798	11
Retained in the Group					
For wear on fixed assets (depreciation)	4,407	12	39	4,214	12
Other (excluding a capital gain of SEK 2,776m in 1994)	1,891	5	17	1,236	4
	6,298	17	56	5,450	16
Added value	36,766	100	328	34,618	100

Definitions

Capital indicators

Net liquidity

Liquid funds less short-term borrowings.

Net assets

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

Total adjusted assets

Total assets less liquid funds.

Adjusted equity

Shareholders' equity including minority interests.

Net income per share

Net income per share

Net income divided by the number of shares.

Net income per share according to US GAAP

See information on US GAAP in Note 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.

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.

Equity/assets ratio

Adjusted equity expressed as a percentage of total adjusted assets.

Net debt/equity ratio

Interest-bearing liabilities less liquid funds, expressed as a portion of adjusted equity.

Debt/equity ratio (US GAAP)

Long-term liabilities expressed as a percentage of long-term liabilities plus shareholders' equity.

Ten-year review

Amounts in SEKm unless otherwise indicated	1995	1994	1993	1992	1991	1990	1989	1988	1987	1986	Average growth rate, %	
											5 yrs	10 yrs
Sales and income												
Sales	115,800	108,004	100,121	80,436	79,027	82,434	84,919	73,960	67,430	53,090	7.0	11.3
Income after depreciation, excl. capital gain ¹⁾	5,311	5,034	2,945	1,992	2,382	2,992	5,085	4,595	4,053	3,139	-	-
Income after financial items, excl. capital gain ¹⁾	4,016	3,595	1,250	758	825	1,153	3,412	3,425	2,888	2,401	-	-
Net income, excl. capital gain ²⁾	2,748	2,195	584	183	377	741	2,579	2,371	-	-	-	-
Financial position												
Total assets	83,156	84,183	77,647	71,618	62,329	65,793	63,298	56,840	48,470	48,181	4.8	10.9
Net assets ^{2) 3) 10)}	39,422	39,477	42,568	41,728	35,521	39,347	38,623	30,863	24,804	27,123	0.0	9.1
Accounts receivable	19,602	20,015	18,522	16,509	13,893	14,707	14,547	13,728	12,183	11,885	5.9	9.6
Inventories	18,359	18,514	16,698	15,883	14,955	16,042	16,409	14,359	12,169	12,431	2.7	8.3
Shareholders' equity ^{2) 3)}	21,304	20,465	16,853	16,772	15,758	16,565	17,025	14,873	11,941	11,659	5.2	9.9
Data per share, SEK												
Net income, excl. capital gain ^{2) 3)}	37.50	30.00	8.00	2.50	5.20	10.10	35.20	32.30	20.60	18.20	-	-
Net income according to US GAAP ⁴⁾	39.80	77.20	5.10	2.60	5.50	11.20	31.20	28.60	25.00	24.80	-	-
Shareholders' equity ^{2) 3)}	291	279	230	229	215	226	232	203	164	161	5.2	8.3
Dividend, adjusted for share issues ⁵⁾	12.50	12.50	6.25	6.25	12.50	12.50	12.50	11.50	10.00	8.75	0.0	5.2
Trading price of B-shares at year-end ⁷⁾	272.50	377	284	238	218	160	280	293	193	311	11.2	3.5
Key ratios												
Return on equity, excl. capital gain, % ^{2) 3)}	13.4	13.0	3.5	1.2	2.3	4.3	17.3	18.6	12.9	13.3		
Return on net assets, excl. capital gain, % ^{2) 3) 10)}	12.5	11.9	6.8	5.3	6.2	7.6	14.2	16.3	15.3	14.4		
Net assets as a percentage of sales ^{2) 3) 6) 8) 10)}	36.1	35.6	40.9	46.1	45.0	48.6	46.9	40.7	36.8	43.1		
Accounts receivable as a percentage of sales ^{6) 8)}	18.0	18.0	17.8	18.2	17.6	18.0	17.7	18.1	18.1	18.9		
Inventories as a percentage of sales ^{6) 8)}	16.8	16.7	16.1	17.5	18.9	19.7	19.9	19.0	18.0	19.7		
Net debt/equity ratio ¹⁰⁾	0.80	0.88	1.53	1.49	1.25	1.38	1.25	1.22	1.06	1.33		
Interest coverage rate	2.77	2.38	1.28	1.18	1.25	1.38	2.21	2.73	2.53	2.42		
Equity/assets ratio, % ^{2) 3) 10)}	31.8	29.5	24.3	26.4	28.0	27.2	28.7	28.1	26.1	26.1		
Dividend as a percentage of equity ^{2) 3) 5)}	4.3	4.5	2.7	2.7	5.8	5.5	5.3	5.6	6.0	5.3		
Other data												
Gross capital expenditure on real estate, equipment and tools ⁹⁾ exclusive of opening value of fixed assets in acquisitions ⁹⁾	5,238	7,537	3,727	3,737	3,704	4,444	6,237	5,292	3,788	8,736		
Capital expenditure as a percentage of sales	4.7	3.7	3.7	4.5	4.3	4.9	6.3	6.5	5.2	5.7		
Average number of employees	112,300	109,470	114,700	121,200	134,200	150,900	152,900	147,200	140,500	129,900	-5.7	2.1
Salaries, wages and remuneration	20,788	19,431	18,691	15,902	15,507	17,213	17,458	15,257	14,427	11,164	3.8	9.6
Number of shareholders	54,564	55,400	65,700	68,100	70,000	74,000	68,000	70,000	70,000	59,000		

1) Real-estate taxes, etc. are included as of 1994 in operating income after depreciation.

Figures for previous years have been adjusted.

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 or equity.

3) For 1987 and previously, computed after 50% tax on allocations and untaxed reserves.

4) A one-time adjustment following introduction of FAS 106 and 109 in 1993.

5) 1995: Proposed.

6) Sales for 1986 onward are annualized.

7) Last price paid for B-shares.

8) As of 1992, figures are adjusted for exchange-rate effects.

9) As of 1992, figures are computed at annual average rates.

10) As of 1994, minority interests are included in adjusted equity.

Sales and average number of employees, by country

EU	1995		1994		1995	1994
	Sales, SEKm	% of Group total	Sales, SEKm	% of Group total	Number of employees	Number of employees
Germany	18,591	16.1	14,426	13.4	11,856	6,428
Sweden	9,096	7.9	8,735	8.1	14,949	15,001
United Kingdom	8,446	7.3	8,566	7.9	6,924	7,446
France	7,128	6.1	6,920	6.4	3,329	3,627
Italy	5,822	5.0	5,337	4.9	13,463	12,638
Denmark	3,369	2.9	2,915	2.7	3,410	3,488
Spain	3,310	2.9	3,170	2.9	4,194	4,370
The Netherlands	2,931	2.5	2,233	2.1	1,250	1,163
Finland	1,864	1.6	1,459	1.4	947	879
Belgium	1,668	1.4	1,553	1.4	335	270
Austria	1,566	1.4	1,278	1.2	1,198	1,100
Ireland	391	0.3	354	0.3	71	54
Greece	376	0.3	245	0.2	75	10
Portugal	321	0.3	286	0.3	108	84
Luxembourg	127	0.1	80	0.1	601	598
Total	65,006	56.1	57,557	53.3	62,710	57,156

REST OF EUROPE	1995		1994		1995	1994
	Sales, SEKm	% of Group total	Sales, SEKm	% of Group total	Number of employees	Number of employees
Switzerland	2,912	2.5	2,573	2.3	1,506	1,532
Norway	2,064	1.8	1,681	1.6	970	924
Hungary	690	0.6	683	0.6	3,366	3,077
Poland	560	0.5	389	0.4	229	136
Czech Republic	490	0.4	304	0.3	224	189
Russia	342	0.3	223	0.2	34	17
Turkey	260	0.2	156	0.1	77	34
Baltic countries	258	0.2	152	0.1	83	56
Slovakia	98	0.1	96	0.1	17	-
Slovenia	91	0.1	76	0.1	31	26
Romania	91	0.1	50	-	4	-
Other	254	0.2	164	0.2	8	-
Total	8,110	7.0	6,547	6.0	6,549	5,991

NORTH AMERICA	1995		1994		1995	1994
	Sales, SEKm	% of Group total	Sales, SEKm	% of Group total	Number of employees	Number of employees
USA	30,300	26.2	31,543	29.3	25,205	26,704
Canada	2,313	2.0	2,516	2.3	1,090	1,115
Total	32,613	28.2	34,059	31.6	26,295	27,819

LATIN AMERICA	1995		1994		1995	1994
	Sales, SEKm	% of Group total	Sales, SEKm	% of Group total	Number of employees	Number of employees
Brazil	621	0.5	372	0.3	475	391
Argentina	186	0.2	272	0.3	37	19
Colombia	148	0.1	176	0.2	640	726
Mexico	146	0.1	457	0.4	1,881	1,986
Chile	117	0.1	103	0.1	275	292
Peru	111	0.1	122	0.1	735	1,221
Paraguay	95	0.1	89	0.1	361	335
Ecuador	70	0.1	81	0.1	265	271
Other	712	0.6	710	0.7	560	950
Total	2,206	1.9	2,382	2.3	5,229	6,191

ASIA	1995		1994		1995	1994
	Sales, SEKm	% of Group total	Sales, SEKm	% of Group total	Number of employees	Number of employees
Far East						
Japan	1,337	1.2	1,140	1.1	974	1,017
Thailand	835	0.7	570	0.5	2,585	2,726
People's Republic of China	584	0.5	599	0.6	1,269	1,067
Malaysia	423	0.4	250	0.2	1,370	1,367
Hong Kong	356	0.3	312	0.3	122	81
Indonesia	336	0.3	267	0.2	2,429	2,348
Taiwan	242	0.2	240	0.2	491	521
South Korea	238	0.2	155	0.1	112	127
Singapore	163	0.1	230	0.2	275	286
The Philippines	79	0.1	83	0.1	508	888
Other	127	0.1	156	0.1	318	4
Total	4,720	4.1	4,002	3.6	10,453	10,432
Middle East						
Saudi Arabia	276	0.2	447	0.4	-	892
Lebanon	180	0.2	116	0.1	-	-
United Arab Emirate	157	0.1	159	0.1	-	-
Kuwait	76	0.1	97	0.1	-	-
Syria	62	0.1	43	-	-	-
Iran	54	0.0	394	0.4	-	-
Other	316	0.3	271	0.3	-	-
Total	1,121	1.0	1,527	1.4	-	892
ASIA total	5,841	5.1	5,529	5.0	10,453	11,324

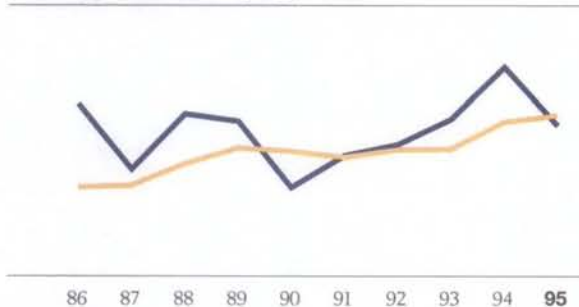
AFRICA	1995		1994		1995	1994
	Sales, SEKm	% of Group total	Sales, SEKm	% of Group total	Number of employees	Number of employees
Egypt	377	0.3	252	0.2	-	-
South Africa	273	0.2	156	0.1	320	83
Other	358	0.3	353	0.4	19	-
Total	1,008	0.8	761	0.7	339	83

OCEANIA	1995		1994		1995	1994
	Sales, SEKm	% of Group total	Sales, SEKm	% of Group total	Number of employees	Number of employees
Australia	771	0.7	900	0.8	620	763
New Zealand	207	0.2	237	0.2	105	143
Other	38	0.0	32	0.1	-	-
Total	1,016	0.9	1,169	1.1	725	906

GROUP TOTAL	1995	1994	1995	1994
	Sales, SEKm	Sales, SEKm	Number of employees	Number of employees
	115,800	108,004	112,300	109,470

Electrolux shares

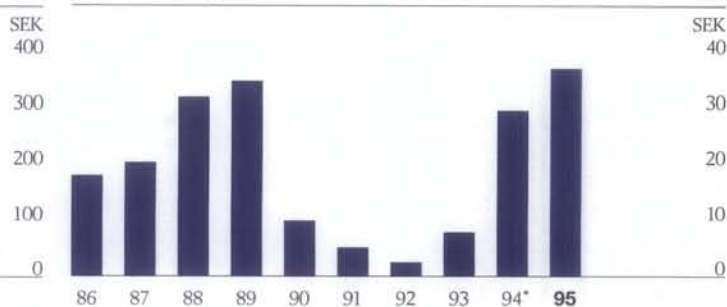
Trading price and equity per share



— Trading price of B-shares at year-end
- - - Equity per share

The trading price of Electrolux B-shares at year-end 1995 corresponded to 94% of equity per share.

Net income per share



■ 1986–1987 after 50% standard tax,
1988–1995 after full tax
* 1994 excluding capital gain

Net income per share rose by 25% to SEK 37.50 in 1995.

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 system (1987).

At year-end 1995 the market capitalization of Electrolux shares was approximately SEK 20.0 billion.

In 1995, 58.6 million Electrolux shares were traded on the Stockholm Stock Exchange to a value of SEK 19.5 billion. This represented almost 3% of the total trading volume of SEK 665 billion.

The number of Electrolux shares traded on the London Stock Exchange in 1995 rose to 61.5 million, and in NASDAQ to 2.2 million ADRs¹⁾. Trading volume on other exchanges was considerably lower.

Dividend policy

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

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

Share capital and number of shares

On December 31, 1995 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.

At year-end 1995 there were 1,435 shareholders in the Allemansfond, with total holdings of 96,000 shares. Loans raised by employees to acquire shares totalled SEK 0.6m.

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

(Thousands)	1995	1994
Stockholm	58,565	62,615
London	61,530	58,800
New York ²⁾	2,188	1,499

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

²⁾ NASDAQ (National Association of Securities Dealers Automated Quotation System).

Distribution of shareholdings in AB Electrolux

Share-holding	No. of shareholders	As % of shareholders
1–1,000	52,638	96.5
1,001–10,000	1,553	2.8
10,001–100,000	276	0.5
100,001–	97	0.2
Total	54,564	100.0

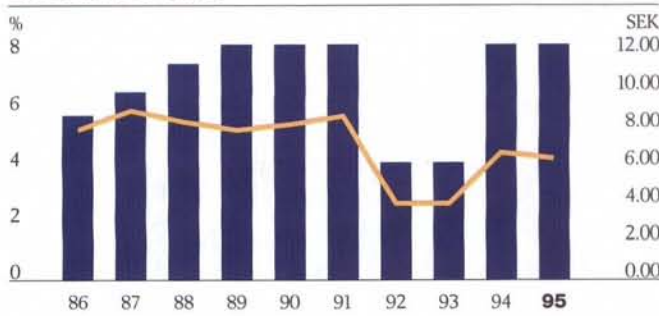
The above information is based on the register of shareholders in AB Electrolux at VPC (Swedish Securities Register Center) as of December, 1995.

Change in share capital 1986–1995

	Total share capital, SEKm	Of which through conversion
1986	1,775	63 New issue ¹⁾
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	–

¹⁾ New issue of 8 million B-shares outside Sweden, total value at par SEK 200m.

Dividend per share

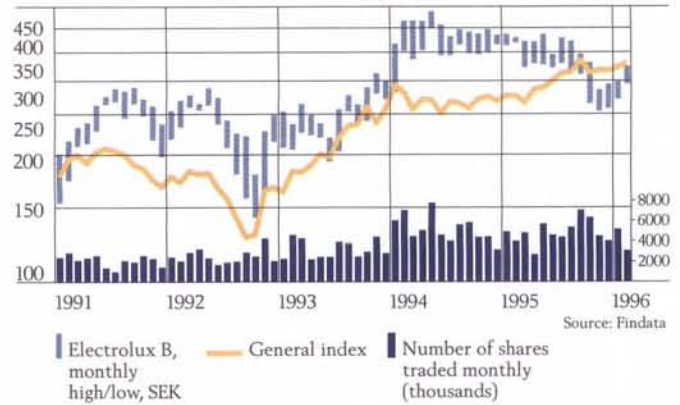


■ Dividend, SEK

— Share of equity, %

The Board of Directors has decided to propose an unchanged dividend of SEK 12.50 per share for 1995.

Price and trading volume of Electrolux B-shares on the Stockholm Stock Exchange, 1991 – February, 1996



■ Electrolux B, monthly high/low, SEK

— General index

■ Number of shares traded monthly (thousands)

Major shareholders

	Number of shares	Share capital, %	Voting rights, %
4th National Pension Insurance Fund	5,180,004	7.07	0.25
Nordbanken investment funds	3,985,100	5.44	0.19
Incentive	3,769,076	5.15	48.41
Skandia	3,297,055	4.50	0.92
S-E-Banken investment funds	2,244,156	3.06	0.11
SPP	2,152,861	2.94	0.10
Trygg-Hansa	1,440,000	1.97	0.07
Folksam, including AMF-S	1,185,900	1.62	0.06
Svenska Handelsbanken investment funds	1,002,770	1.36	0.05
Investor	939,178	1.28	45.22

As of December 31, 1995, more than 45% of the total share capital was owned by Swedish institutions and about 42% by foreign investors.

Per-share data, 1986–1995

	1995	1994	1993	1992	1991	1990	1989	1988	1987	1986
Year-end trading price, SEK ¹⁾	272.50	377	284	238	218	160	280	293	193	311
Change in price during the year, %	-28	33	19	9	36	-43	-4	52	-38	60
Equity per share, SEK	291	279	230	229	215	226	232	203	164	161
Trading price/equity, %	94	135	123	104	101	71	121	154	118	193
Dividend, SEK	12.50²⁾	12.50	6.25	6.25	12.50	12.50	12.50	11.50	10.00	8.75
Direct yield, %	4.6	3.3	2.2	2.6	5.7	7.8	4.5	3.9	5.2	2.8
Net income per share, SEK	37.50	30.00 ³⁾	8.00	2.50	5.20	10.10	35.20	32.30	20.60	18.20
P/E ratio ⁴⁾	7.3	12.6	35.5	95.2	41.9	15.8	8.0	9.1	6.7	12.1

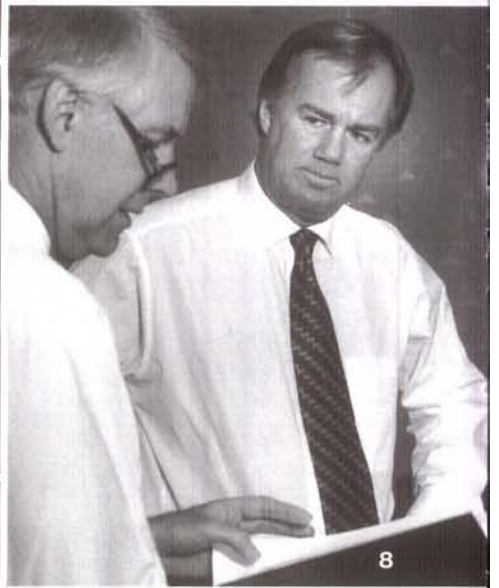
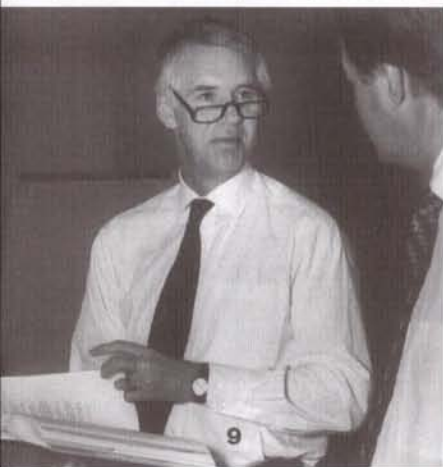
1) Last price paid for B-shares.

2) Proposed by the Board.

3) Excluding capital gain.

4) Trading price relative to net income per share after full dilution. The figures for 1988–1995 are computed as income per share after full tax, and for 1986–1987 as income per share after taxes paid, according to the partial method.

Board of Directors



1 Anders Scharp, Chairman of the Board

Born 1934, M. Eng. Board Chairman: Incentive AB, Saab AB, Scania AB, AB SKF. Deputy Board Chairman: Atlas Copco AB, Investor AB. Board Member: Email Limited (Australia), Swedish Employers' Confederation (SAF), 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: 89,759 shares.

3 Claes Dahlbäck

Born 1947, M. Econ. President, Investor AB. Board Chairman: Vin & Sprit AB. Deputy Chairman: ASEA AB. Board Member: ABB, AB Astra, Incentive AB, STORA, Telefon AB LM Ericsson. Elected 1983. Shareholding in AB Electrolux: 1,000 shares.

4 Leif Johansson, President and CEO

Born 1951, M. Eng. Board Member: Incentive AB, Federation of Swedish Industries, Association of Swedish Engineering. Elected 1991. Shareholding in AB Electrolux: 13,485 shares and 20,000 options.

5 Lars V Kylberg

Born 1940, M. Eng. Board Chairman: ASG AB, Frigoscandia AB, Securum AB, Orrefors Kosta Boda AB. Board Member: Scania AB, Saab Automobile, Swedish National Board for Industrial and Technical Development (NUTEK), Association of Swedish Engineering, Federation of Swedish Industries, Center for Business and Policy Studies (SNS). Elected 1992. Shareholding in AB Electrolux: 0 shares.

6 Carl Löwenhielm

Born 1942, M. Econ. Group Head Credit and Member of Group management, Skandinaviska Enskilda Banken. Elected 1991. Shareholding in AB Electrolux: 0 shares.

7 Sven Olving

Born 1928, Tech. D. Professor, Chalmers Institute of Technology. Board Chairman: Chalmers Industriteknik. Board Member: Celsius AB, Celsius Industrier AB, Telefon AB LM Ericsson, Trelleborg AB. Elected 1967. Shareholding in AB Electrolux: 50 shares.

8 Stefan Persson

Born 1947. President and CEO, H&M Hennes & Mauritz AB. Board Member: AB Custos, S-E-Banken Försäkring. Deputy Chairman: Stockholm Chamber of Commerce. 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: The General Export Association of Sweden, OM Gruppen AB, SEB Fonder AB. Elected 1991. Shareholding in AB Electrolux: 45,944 shares and 20,000 share options.

Employee representatives**10 Sven Åke Andersson**

Born 1950. Representative of the Swedish Confederation of Trade Unions. Elected 1990. Shareholding in AB Electrolux: 0 shares.

11 Hans Elfving

Born 1941. Representative of the Swedish Federation of Salaried Employees. Elected 1993. Shareholding in AB Electrolux: 117 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 Mari-Ann Krantz**

Born 1948. Representative of the Swedish Federation of Salaried Employees. Elected 1990. Shareholding in AB Electrolux: 34 shares.

14 Ingemar Larsson

Born 1939. Representative of the Swedish Confederation of Trade Unions. Elected 1990. Shareholding in AB Electrolux: 0 shares.

15 Torsten Säll

Born 1931. Representative of the Swedish Foremen and Supervisors' Union. Elected 1985. Shareholding in AB Electrolux: 0 shares.

Honorary Chairman of the Board**Hans Werthén**

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



Group structure

The operations of Electrolux are organized in four business areas with approximately 15 product lines. Each product line comprises a number of companies. The Group owns a total of approximately 680 operating units in more than 60 countries.

Group management

Leif Johansson, *President and CEO*
Lennart Ribohn, *Senior Executive Vice-President*

Hans G. Bäckman, *Executive Vice-President*

Corporate staff

Johan Bygge, *Controller*
Matts P. Ekman, *Treasurer*
Lars Eriksson, *Group Audit*
Per Grunewald, *Environmental Affairs*
Per G. Hedström, *Technical R&D*
Håkan Johansson, *Mergers and Acquisitions*
Lars Göran Johansson, *Communication and Public Affairs*
Per Linder, *Human Resources and Organization*
Leif Lindgren, *Risk Management and Financial Administration*
Ulf Magnusson, *Legal Counsel*
Åsa Mattsson, *Investor Relations and Financial Information*
Sture Ögren, *Quality*

Household Appliances

White goods
Leif Johansson

Floor-care products
Lennart Sundén

Compressors
Leonello Verduzio

Leisure appliances
Sven Stork

Kitchen and bathroom cabinets
Nils-Erik Danielsson, *Europe*
Merv Plank, *USA*

Sewing machines
Jörgen Johansson

Direct sales
Göran Carlsson

Commercial Appliances

Aldo Sessegolo

Food-service equipment
Aldo Sessegolo

Industrial laundry equipment
Thorbjörn Larsson

Commercial refrigeration equipment
Heikki Takanen

Commercial cleaning equipment
Tommy Löwbäck

Outdoor Products

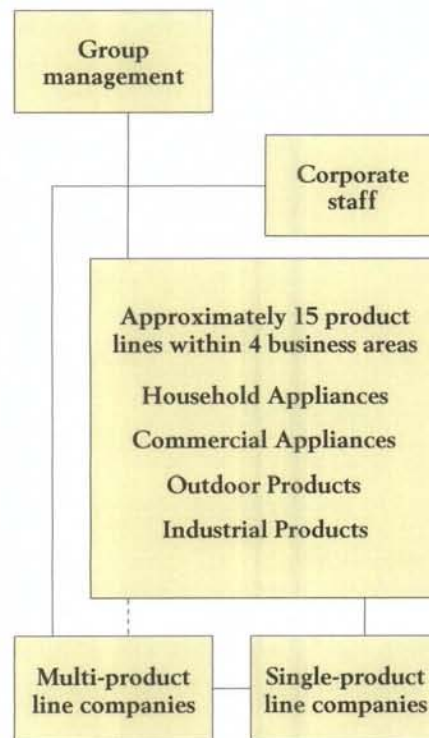
Forestry and garden equipment
Bengt Andersson, *Husqvarna, Flymo*
Hans G. Bäckman, *North America*

Agricultural implements
Lars-Göran Fasth

Industrial Products

Gränges
Lars Westerberg

Goods protection
Mikael Öberg



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.

Human resources



In an internal statement on policy and vision within Electrolux, Group management indicated the importance of a personnel-oriented culture that utilizes and develops our employees' competence, initiative and desire for change.

On the basis of this vision, new guidelines and a long-term program for personnel management within the Group were established in 1995. A number of activities were started during the year. These are now being implemented on a global basis, integrally with the business strategies of the various product lines.

Measuring the efficiency of the organization

The Electrolux Employment Measurement System (EEMS) introduced in 1995 is a new method for measuring motivation and efficiency within the organization on the basis of personnel surveys. Approximately 30,000 employees in the European white-goods operation, Husqvarna forestry and garden equipment and four American companies responded to questions about their work, leadership, customer relations, and processes. Surveys will be made annually and in 1996 will cover most of the companies within the Group.

Model for evaluating management

In connection with recruitment of managers, which is a high-priority area, a new leadership model has been developed as well as a system for evaluation of management performance called the Group Integrated Measurement System

(GIMS). This involves not only measuring efficiency with financial and other operational key ratios, but also evaluating customer satisfaction, employee satisfaction and environmental concern. A new payroll system linked to GIMS is under development.

More accessible internal job market

A pilot project for a more open internal job market was started, with the aim of making interesting working tasks accessible to everyone within the Group. The goal is to stimulate integration and internationalization of Group leadership.

Increased commitment to development of competence

The growing importance of human resources management for the development of the Group will involve an extensive commitment to development of competence. In 1995 a new process was introduced to identify the need for development of competence in relation to the resources required to achieve the stated business development goals for the Group and for specific product lines. This process is supported by the Electrolux University, which was established during the year. The University has the task of contributing to development of competence in leadership and other high-priority areas, particularly in terms of management of change.

The new strategies for personnel management also generate requirements for the Group's Human Resources staff.

A project called "HR Professionalism" was launched during the year with the aim of helping personnel managers to become active partners in the business processes within the product lines. The goals include a better integration of personnel management in business strategies and a higher level of business competence among personnel managers.

The Group's environmental activities

Left: The new AEG dishwasher has the lowest noise level and water consumption on the market.

Right: The latest Electrolux absorption refrigerator for hotel rooms features 40% lower energy consumption.



- **Strategy for environmental leadership is being implemented**
- **Stronger organization for environmental activities, new environmental management systems established**
- **Launch of new products that are environmental leaders**

Greater customer awareness

Demand for more environment-friendly products increased during the year in virtually all of the Group's markets. Professional customers such as real-estate and construction companies as well as municipalities and major dealers are systematically integrating environmental issues in the purchasing process. Sales of Group products with environmental benefits are growing steadily.

Developing environment-friendly products

Electrolux applies a holistic approach to environmental activities, in which the highest priority is given to products and their performance. Many of the Group's R&D projects are driven primarily by environmental factors. This has resulted in more efficient products, manufactured with more environment-friendly materials and production processes.

New, environmentally leading products

A number of products launched by Electrolux during the year are environmental market leaders:

- AEG's new dishwasher has the lowest noise level and water consumption on the market.

- The new Electrolux washing machine features water consumption that is 20% lower than the best competing products.
- Husqvarna expanded its range during the year with new products featuring 2-stroke engines fitted with catalytic converters. These include chainsaws as well as the market's first trimmers and brush cutters to be fitted with catalytic converters. Fuel consumption has been reduced by up to 30%.
- Both Husqvarna and Flymo launched new, quieter generations of electric lawn mowers and trimmers.
- A new absorption refrigerator for hotel rooms was launched, with energy consumption as much as 40% lower.

CFC phase-out

CFC was phased out of production at Group plants in Europe and the US in 1993-1995. The process of phasing out HCFC gases is now in progress. By year-end 1995, production of household refrigerators in Europe and all production of absorption refrigerators were totally free of HCFC.

Organizational development

A new corporate staff for environmental issues was established in 1995. Its main tasks are to develop the Group's environ-

mental strategy and policy, and to support and serve as a catalyst for integration of this strategy and policy with the business strategies of individual product lines. The environmental staff is also responsible for developing methods and key ratios for control and auditing of environmental activities.

The internal organization for environmental activities was also strengthened with reference to integration of these activities in product development and marketing.

Environmental management systems

Environmental management systems in accordance with British Standard BS7750 and EMAS, the EU's system for environmental control and auditing, were introduced in 1995 in five of the Group's European plants. Electrolux Storkök in Alingsås was the first company in Sweden to achieve environmental certification (BS7750). Units in Italy, Germany and Denmark have also been certified.

The Group's environmental system is based on ISO 14001, which in 1996 will be established as the global standard for environmental management. The goal is for all units to implement an environmental management system by the end of the century.

Additional information on the Group's environmental activities is given in a separate report, which is available on request from AB Electrolux, Corporate staff, Communication and Public Affairs, S-105 45 Stockholm, Sweden, Tel. Int +46-8-738 6000.

Annual General Meeting

The Annual General Meeting will be held at 3 p.m. on Tuesday, May 7, 1996 in the Main Hall of the Concert Hall at Hötorget in Stockholm.

Registration and participation

Shareholders who intend to participate in the AGM must be registered with the VPC AB (Swedish Securities Register Center) not later than Friday, April 26, 1996. 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.

Notice of intent to participate must be given to Electrolux not later than 4 p.m. on Friday, May 3, 1996 by mail to AB Electrolux, Dept. C-J, S-105 45 Stockholm, Sweden, or by telephone at Int +46-8-738 6793 or 738 6789. 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 10, 1996 as record date, after which it is expected that dividends will be paid by the VPC on May 20, 1996.

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.

Financial reports in 1996

Preliminary year-end results	January 30
Consolidated results	February 23
Annual report	End of April
Quarterly report (1st quarter)	May 7
Form 20-F	June 30 (latest)
Half-yearly report	August 5
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. Int +46-8-738 6003 or 738 6141.

Financial information from Electrolux is also available on Internet at <http://www.electrolux.se/>



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