

AKTIEBOLAGET ELEKTROLUX
STOCKHOLM

REPORTS
OF THE
DIRECTORS AND AUDITORS
FOR THE YEAR
1956

AKTIEBOLAGET ELEKTROLUX STOCKHOLM

REPORTS OF THE DIRECTORS AND AUDITORS FOR THE YEAR 1956

The Ordinary General Meeting will be held on Thursday, May 23rd, 1957, at 2.30 p.m.
at the new offices of the Company, Birger Jarlsgatan 6B, Stockholm.

To qualify for participation in the proceedings of the General Meeting, shareholders must register at the offices of the Company in Stockholm not later than three clear days before such General Meeting, between 10 a.m. and 2 p.m.

Such dividend for 1956 as may be declared at the General Meeting, will be paid out as from May 24th, 1957, against coupon No. 53, at the offices of the Company in Stockholm, or at the offices of Skandinaviska Banken in Sweden.

In Great Britain shareholders may collect the dividend from Messrs. Baring Brothers & Co., Ltd., 8, Bishopsgate, London, E.C.2, and in Switzerland from MM Pictet & Cie, 6, Rue Diday, Geneva.

When collecting dividends, shareholders must complete and sign the compulsory Affidavit and Statement of Dividends.

AKTIEBOLAGET ELEKTROLUX

ANNUAL REPORT OF THE BOARD AND OF THE MANAGING DIRECTOR FOR THE YEAR 1956.

The Company's operations during 1956 were characterized by continued expansion, although at a somewhat slower rate than during recent years. The total Turnover of the Concern increased from Kr. 494 million in 1955 to Kr. 512 million in 1956, an increase of 3.5 % as against 9.7 % for 1955 and 8.5 % for 1954. The main reason for the slowing down of the expansion is due to the severe regulations for limiting consumption, which were introduced in Great Britain in October 1955 and which curtailed considerably the sales potential of the British Company.

Of a total of 27 sales companies belonging to the Elektrolux Concern, Swedish as well as foreign, 22 showed an increase in turnover during 1956 of 10.2 % as compared with 1955, and 5 companies showed a decrease, the largest decrease being that of the British Company.

The total sales of the Concern amounting to Kr. 512 million comprise Kr. 89 million, i.e. 17 % to customers in Sweden, and Kr. 423 million, i.e. 83 %, to customers abroad.

AB Elektrolux' sales, comprising primarily deliveries of finished and partly manufactured goods to Subsidiary Companies in Sweden and abroad, but also sales direct to customers in Sweden of fractional H.P. electric motors, steel fittings and outboard motors as also exports of the Company's various products to agencies abroad, amounted in 1956 to a total of Kr. 148.4 million as against Kr. 147.4 million in 1955.

Import restrictions of various kinds persist in a number of countries and hinder the Company's sustained efforts to increase exports. It is true that rather more than half the production of the Swedish factories is already exported, but exports could be increased if, for example, the important markets in South America were opened for imports from here.

Work of creating new products as well as of developing and improving the current types goes on continuously at the Company's Central Laboratories in Stockholm. 175 employees, the majority technicians, work in these Laboratories. Among the new products introduced by the Company during 1956, the most interesting are a small absorption type deep-freeze box and a compressor type deep-freeze cabinet, both of which are made at the Motala Factory.

Rationalization and improvement in working methods designed to reduce manufacturing costs, proceeds continuously at all the Concern's factories. Similarly, efforts are constantly being made in relation to sales and administration, tending to intensify sales work and to simplify and economize the administrative side of the activities of all Companies in the Group.

The following comments are submitted on the Company's Profit and Loss Account for 1956 as also on the Balance Sheet as at 31st December, 1956:—

Despite an increase in manufacturing costs in Sweden during the past year, practically the same "Profit on operations" is shown as for 1955. This is mainly due to Stocks having decreased during 1956. As the same percentage for writing down Stocks has been applied as in 1955, the Stock Reserve has decreased and the surplus has been credited to Profit on operations. As hitherto, the Reserve has been deducted directly from the corresponding gross stock value, only the net value being shown in the Balance Sheet.

The Company has, as usual, reserved fully in its books for unrealized profit in the stocks of Swedish manufactured products held by *Subsidiary Companies* abroad. The taxed reserve of Kr. 12 million mentioned in last year's Report has been retained. Both these reserves were already combined in the 1955 Accounts and are shown in the Company's Balance Sheet under the heading of "Reserve for unrealized profit in, and writing down of, stocks at Subsidiaries."

An amount of Kr. 3 million was transferred during the year to AB Elektrolux' Pension Fund of 1952, bringing the balance at the end of year to Kr. 9,720,000 including accrued interest. On the other hand, the Company has appropriated from the special Pension Fund deposited with the Swedish Personnel Pensions Society ("SPP") mentioned in the Reports for 1953 and 1954, an amount of Kr. 2.2 million in payment of the Company's share of 1956 pension premiums. After this appropriation, the special Pension Fund with SPP shows a balance of Kr. 14,169,000 including interest.

"Royalties from abroad and Sale of Patents" shows a decrease during 1956 as compared with 1955. This is partly due to the fact that, in 1955, an amount of Kr. 1,349,000 was included, as a non-recurring item, representing the recovery of a provision, made during previous years for taxation of royalties from the French Company, a taxation assessment which was later withdrawn, after negotiations.

The major part of the amount shown under "Dividends from other foreign shareholdings" refers to the Company's Investment in Electrolux Corporation, U.S.A.

The average number of workmen employed during the year was 2,285, the average number of other employees being 1,040.

The total amount of remuneration paid during the year is made up as follows:—

Directors, Managing Director and other Executives	Kr. 1,478,541
Workmen	" 25,265,325
other Employees	" 17,596,807

The Swedish Selling Companies employed 199 workmen and 696 other employees, remuneration paid amounting to:—

Directors, Managing Directors and other Executives	Kr. 379,772
Workmen	" 1,975,899
other Employees	" 9,641,811

The Subsidiaries abroad employed 4,288 workmen and 7,377 other employees, remuneration paid (converted into Swedish Kronor) amounting to:—

Directors, Managing Directors and other Executives	Kr. 2,778,795
Workmen	" 35,260,951
other Employees	" 85,954,765

The Company owns directly the Factory & Office Buildings in Västervik and Säfte as also part of the buildings at the Motala Factory. The remaining part of the

Motala Factory is owned indirectly via the Subsidiary Company AB Arctic. The Factories in Stockholm and Sundbyberg are owned indirectly through the Subsidiaries AB Lux and AB Archimedes. AB Lux will be merged during 1957 with the Parent Company, and as soon as conditions allow, it is intended that AB Archimedes and AB Arctic will also be merged, after which time the Company will own directly all the Swedish factories.

The value, at cost, of Land & Buildings owned directly by the Company increased during the year by Kr. 2,503,000, as shown by the Balance Sheet. This amount applies mainly to the completion of the new machine workshop in Motala, the new office building in Säfte and the extension of machine workshops there, mentioned in last year's Report.

Factory & Office Buildings owned directly by the Company have an assessed value of Kr. 6,580,000 and are insured against fire for Kr. 15,019,300. The total assessed value of buildings in Sweden belonging to the Concern is Kr. 26,485,000, and they are insured against fire for Kr. 56,833,600.

In conjunction with three other co-proprietors the Company has, since 1953, participated in erecting a new office building at Birger Jarlsgatan 6B, Stockholm. This is estimated to be ready for occupation during the spring of 1957, and the Company's Head Office will be located there. The Company has to date invested Kr. 3,676,000 in this freehold building, the amount having hitherto been shown on the Balance Sheet under the heading of "Miscellaneous Receivables." The building at S:t Eriksgatan 63, where the Company's Head Office is at present situated, will be utilized wholly by the Elektrolux Swedish Selling Company.

Purchases of Plant and Equipment have amounted to Kr. 5,369,000, while items scrapped and sold amounted to Kr. 141,000 and Kr. 605,000 respectively, the net increase for the year thus being Kr. 4,623,000. Depreciation has been calculated on the basis of 20% on cost as during previous year.

The Company's Plant, Equipment, etc. in Sweden is insured against fire for Kr. 115,475,600.

Amounts due by Subsidiary Companies show an increase of Kr. 2,730,075 which, however, is wholly ascribable to the Elektrolux Swedish Selling Company. In total, the foreign Subsidiaries have decreased slightly their debts to the Parent Company during the year.

The Consolidated Balance Sheet has been prepared on the same basis as for previous years. The Balance Sheets of the foreign Subsidiaries have in all instances been converted into Swedish Kronor at lower rates than the officially quoted buying rates at the year-end. The same principle has been applied with respect to the Parent Company's claims in foreign currency, while liabilities have been converted at the officially quoted selling rates of exchange.

Acquisition of Factory & Office Buildings abroad refers primarily to the extension of the English Factory at Luton, mentioned in last year's Report. An entirely new factory has been erected there, at a cost of about Kr. 4.1 million, for manufacture of suction cleaners. The new factory in Wellington, New Zealand, approaches completion and has during 1956 cost Kr. 1.1 million. The Venezuelan Company in Caracas has, with a view to the necessary enlargement of office and workshop space, purchased a further building close to their present offices. The Subsidiary Company in South Africa has commenced erecting its own office building in Johannesburg, estimated to be ready for occupation during the current year.

Alterations during the year in Fixed Assets are shown by the following summary from the Consolidated Balance Sheet:—

	Land, Factory & Office Buildings	Plant, Machinery, etc.	Office Equip- ment, Motor Cars, etc.	Total
Net Book Value as at 31st December, 1955 (after Depreciation)...	Kr. 41,577,335	5,554,726	1,086,379	48,218,440
Additions during 1956, less items scrapped and sold	8,378,579	7,015,382	2,011,416	17,405,377
	Kr. 49,955,914	12,570,108	3,097,795	65,623,817
Deduct: Provision for Depreciation 1956 ...	1,948,085	5,225,377	1,992,316	9,165,778
Net Book Value as at 31st December, 1956...	Kr. 48,007,829	7,344,731	1,105,479	56,458,039
Net Increase in Book Value 1956	Kr. 6,430,494	1,790,005	19,100	8,239,599

Plant, etc. as well as Office Equipment, Cars, etc. of foreign Subsidiaries, as for previous years, have been wholly written off in the Consolidated Balance Sheet. The Net Book Value as at 31st December, 1956, thus refers solely to the Swedish Companies.

The increase in Stocks of Kr. 6,016,000 shown in the Consolidated Balance Sheet derives wholly from the British Company.

The Net Profit of the Company for the year as per the Profit & Loss Statement, amounts to	Kr. 18,280,229
Unappropriated Balance brought forward from 1955	„ 23,733,579
Total amount available for distribution	Kr. 42,013,808

The Directors and the Managing Director recommend that this amount be appropriated as follows:—

For payment of a dividend of Kr. 7.50 per share against coupon No. 53, equivalent to 5.1 % of the Working Capital of the Company according to the Balance Sheet	Kr. 9,000,000
Transferred to the Statutory Reserve	„ 2,000,000
Balance of Profit to be carried forward	„ 31,013,808
	Kr. 42,013,808

The Board of Directors and the Managing Director take this opportunity of thanking all Elektrolux' employees for the interest and enthusiasm with which they have carried out their work during the past year. They also convey their thanks to distributors, agents and customers in all parts of the world for the confidence they have shown in the Company and its products.

The result of the Company's operations during the year 1956 is shown by the following

PROFIT AND LOSS STATEMENT

<u>1955</u>		<u>Income:—</u>	
		<i>From Production in Sweden and Sales in Sweden and Exports:—</i>	
21,204,664		Profit on operations	21,308,905
		(after deducting:—	
(328,014)		Depreciation on Buildings	423,181
(1,550,538)		Depreciation on Machinery, Furniture, etc.	3,556,304
(6,809,409)		General Sales & Administration Expenses	6,990,471)
13,106,592		Royalties from abroad and Sale of Patents	10,373,099
		<i>From Capital:—</i>	
1,524,056		Dividends from Subsidiaries	2,824,043
2,038,072		Dividends from other foreign shareholdings	1,630,926
164,994		Interest from Subsidiaries abroad	131,180
1,221,262		Other interest receivable, etc.....	<u>809,763</u>
<u>4,948,384</u>			5,395,912
		<i>Amounts recovered from investments in foreign Subsidiaries, previously written off</i>	<u>554,521</u>
1,208,548			<u>37,632,437</u>
40,468,188			
		<u>Deduct: Expenses:—</u>	
22,360,471		Provision for Taxes	19,104,605
174,818		Interest payable	<u>247,603</u>
<u>22,535,289</u>			<u>19,352,208</u>
<u>17,932,899</u>		<i>Net Profit for the year 1956</i>	<u>Kr. 18,280,229</u>

The position of the Company as at December 31st, 1956, is shown by the following

BALANCE

ASSETS

Fixed Assets:—

Land, Factory & Office Buildings	14,598,894		
Less: Reserve for Depreciation	<u>2,025,933</u>		12,572,961
Machinery, Office Furniture, Motor Cars, etc.	45,426,852		
Less: Reserve for Depreciation	<u>37,493,033</u>		7,933,819
Prepayments on Fixed Assets under construction			233,396
Shareholdings in Subsidiary Companies	89,675,020		
Shareholdings in other Companies ...	<u>31,080,006</u>		
	120,755,026		
Less: Reserve for Depreciation	<u>16,000,000</u>		104,755,026
Guarantee Deposits			127,698
Patents			<u>0</u>
			125,622,900

Current Assets:—

Inventories of Merchandise	20,393,921		
Sundry Bonds	130,288		
Notes Receivable.....	<u>201,745</u>		332,033
Due by Subsidiary Companies			60,121,447
Customers' Outstandings and Bills Receivable			12,360,472
Miscellaneous Receivables			4,968,671
Deferred Charges			203,110
Cash at Banks, Post-Office, and on Hand			<u>28,558,576</u>
			126,938,230
			<u>Kr. 252,561,130</u>

SHEET

LIABILITIES

Long Term Liabilities:—

AB Elektrolux' Pension Fund:		
by previous allocations.....	7,000,000	
AB Elektrolux' Pension Fund of 1952.....	9,720,000	
Due to Subsidiary Companies	<u>11,965,054</u>	28,685,054

Current Liabilities:—

Due to Suppliers	5,916,279	
Miscellaneous Payables	3,041,945	
Accrued Charges	<u>6,274,299</u>	15,232,523

Provision for Taxes 5,183,410

Reserve for unrealized profit in, and writing down of,
stocks at Subsidiaries 25,446,335
74,547,322

Share Capital and Surplus:—

Share Capital: 120,000 "A" shares	12,000,000	
1,080,000 "B" shares	<u>108,000,000</u>	120,000,000
Statutory Reserve	<u>16,000,000</u>	136,000,000

Profit and Loss Account:—

Balance as at December 31st, 1955..... 34,733,579

Less: Allocation decided at General Meeting in May, 1956:—

Transferred to the Statutory Reserve	2,000,000	
Dividend for 1955	<u>9,000,000</u>	<u>11,000,000</u>
		<u>23,733,579</u>

Net Profit for the year 1956 18,280,229 42,013,808

Kr. 252,561,130

Contingent Liabilities Kr. 1,512,000 (Whereof Nil in respect of discounted Bills Receivable)

Liability for pension obligations to former employees, totalling per annum Kr. 385,294

SHAREHOLDINGS IN SUBSIDIARY COMPANIES

		Book Value Kr.
AB Lux, Stockholm.....	40,000 pref. shares } 80,000 common » }	12,000,000
AB Arctic, Stockholm.....	5,000 shares	500,000
Platen-Munters Refrigerating System AB, Stockholm.....	1,050 "A" shares } 450 "B" » }	1,500,000
Elektrolux Svenska Försälj- nings AB, Stockholm	60,000 shares	6,000,000
Försäljnings AB Volta, Stockholm	2,000 »	200,000
AB Penta Utombordsmotorer, Stockholm	250 »	25,000
Bohus Mek. Verkstads AB, Stockholm	445 »	445,000
AB Carex, Stockholm	50 »	5,000
		20,675,000
Shares in foreign Subsidiaries		69,000,020
		Kr. 89,675,020

SHAREHOLDINGS IN OTHER COMPANIES

AB Sukab, Stockholm	17 shares	1
AB Svensk Värmemätning C. B. System, Stockholm	738 »	1
Svensk Interkontinental Lufttrafiks AB (S.I.L.A.), Stockholm	2,000 »	1
La Maison de Suède à Paris, S. A., Paris	400 »	1
Säfte Restaurant AB, Säfte.....	50 »	1
Mercatoria S.A., Lima	1,682 »	1
Electrolux Corporation, New York.....	350,000 »	31,080,000
		Kr. 31,080,006

The Company furthermore owns, through the intermediary of its Subsidiaries, AB Arctic, Platen-Munters Refrigerating System AB and Försäljnings AB Volta the following shares:—

		Book Value Kr.
AB Sawe, Stockholm	200 shares	20,000
AB Arctic, Stockholm	1,000 »	100,000
Centralkassan AB, Stockholm	1,000 »	100,000
AB Archimedes, Stockholm...	15,000 »	750,000
Walter Widmann A. G., Zürich	50 »	59,325
		<u>Kr. 1,029,325</u>

Stockholm, March 27th, 1957.

Gustaf Sahlin

Manne Siegbahn

H. A. Wernher

Sven Salmonson

Axel Engberg

Sten Widell

Elon V. Ekman

Managing Director

While referring to our Audit Report of to-day's date, we confirm that the Profit & Loss Statement and Balance Sheet, included in the Annual Report, agree with the Accounts of the Company as examined by us.

Stockholm, April 9th, 1957.

Seth Svensson

Auditor, authorized by Stockholm's Chamber of Commerce

Arvid Erikson

Auditor, authorized by Stockholm's Chamber of Commerce

The position of the Elektrolux Concern as at 31st December, 1956, is shown by the following Consolidated Balance Sheet, which also sets out the result of the operations of the Concern as a whole during 1956.

THE ELEKTROLUX COMPARATIVE CONSOLIDATED BALANCE

ASSETS

	1956	1955
<i>Fixed Assets:—</i>		
Land, Factory & Office Buildings	67,386,560	59,007,981
Less: Reserve for Depreciation	19,378,731 48,007,829	17,430,646 41,577,335
Plant, Machinery, etc.	74,541,609	67,526,227
Less: Reserve for Depreciation	67,196,878 7,344,731	61,971,501 5,554,726
Office Equipment, Motor Cars, etc.	18,136,948	16,125,532
Less: Reserve for Depreciation	17,031,469 1,105,479	15,039,153 1,086,379
Prepayments on Fixed Assets under construction	233,396	340,592
Sundry Shareholdings.....	19,104,342	19,481,543
Guarantee Deposits	589,057	519,406
Patents, Trade Marks and Goodwill.....	0	0
	76,384,834	68,559,981
<i>Current Assets:—</i>		
Inventories of Merchandise	108,264,569	102,248,105
Securities	7,522,157	6,548,021
Customers' Outstandings and Bills Receivable (less Reserves for Hire Purchase Interest and Doubtful Accounts)	131,051,656	121,084,970
Miscellaneous Receivables.....	7,104,891	5,032,731
Deferred Charges	2,657,358	2,327,896
Cash at Banks, Post-Office and on Hand	45,407,377 302,008,008	54,531,711 291,773,434
	Kr. 378,392,842	Kr. 360,333,415

CONCERN

SHEET AS AT 31ST DECEMBER, 1956 AND 1955

LIABILITIES

	<u>1956</u>		<u>1955</u>	
<i>Long Term Liabilities:—</i>				
Mortgage Loans	2,465,599		2,550,521	
Staff Pension Funds	<u>21,283,096</u>	23,748,695	<u>18,252,752</u>	20,803,273
 <i>Current Liabilities:—</i>				
Bank Loans	12,866,827		4,855,624	
Suppliers' Balances and Bills Payable	24,863,188		23,304,657	
Miscellaneous Payables	14,583,716		12,892,329	
Accrued Charges	<u>21,547,668</u>	73,861,399	<u>21,892,530</u>	62,945,140
 <i>Provisions for Taxes</i>				
		<u>28,140,620</u>		<u>38,896,792</u>
		125,750,714		122,645,205
 <i>Share Capital and Surplus:—</i>				
Share Capital	120,000,000		120,000,000	
Statutory and Legal Reserves	39,736,005		34,914,014	
Free Reserves	6,711,461		3,734,367	
Balance of Profit carried forward from previous years	62,240,744		47,702,251	
Total Net Profit for the year	<u>23,953,918</u>	<u>252,642,128</u>	<u>31,337,578</u>	<u>237,688,210</u>
		<u>Kr. 378,392,842</u>		<u>Kr. 360,333,415</u>
 <i>Contingent Liabilities</i>		<u>Kr. 1,693,000</u>		<u>Kr. 1,595,000</u>

Stockholm, March 27th, 1957.

Elon V. Ekman

We, the undersigned auditors, appointed to examine the administration and accounts of Aktiebolaget Elektrolux for the year 1956, beg to submit the following

AUDITORS' REPORT.

We have examined the accounts, which have also been checked by internal auditors, and have found them to be in excellent order.

The Company's various cash balances have been checked on different occasions by the internal auditors, and everything found in good order.

The various bank accounts have been checked, and securities inspected.

We have examined the Minutes of Board Meetings held during the year and have also had produced to us the insurance policies, contracts and other documents relative to the Company's financial position and the Board's administration.

In our opinion, all assets shown in the Balance Sheet have been valued on a most conservative basis.

The Consolidated Balance Sheet, as included in the Board's Report, has been examined by us. We have found this Balance Sheet to be drawn up on sound principles and giving a true picture of the financial position at the close of the year. The regulations laid down in the new Companies' Act, § 101, sections 2 and 3, and § 104, relative to consolidated accounts, have been observed.

During the audit we have also examined the accounts of Aktiebolaget Elektrolux' Pension Funds.

There being no grounds for adverse criticism of the documents submitted to us, the Company's accounts, the verification of its assets or the administration of its affairs, we recommend:—

that the Balance Sheet presented by the Directors and the Managing Director and signed by us be approved,

that the available surplus be appropriated in accordance with the proposal of the Directors, such proposal comprising the required appropriation to the Statutory Reserve and not being at variance with good commercial practice considering the position of the Company and the result of its operations as a whole,

and that the Directors and the Managing Director be granted discharge for the past financial year's administration.

Stockholm, April 9th, 1957.

Seth Svensson

Auditor, authorized by
Stockholm's Chamber of Commerce

Arvid Erikson

Auditor, authorized by
Stockholm's Chamber of Commerce



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