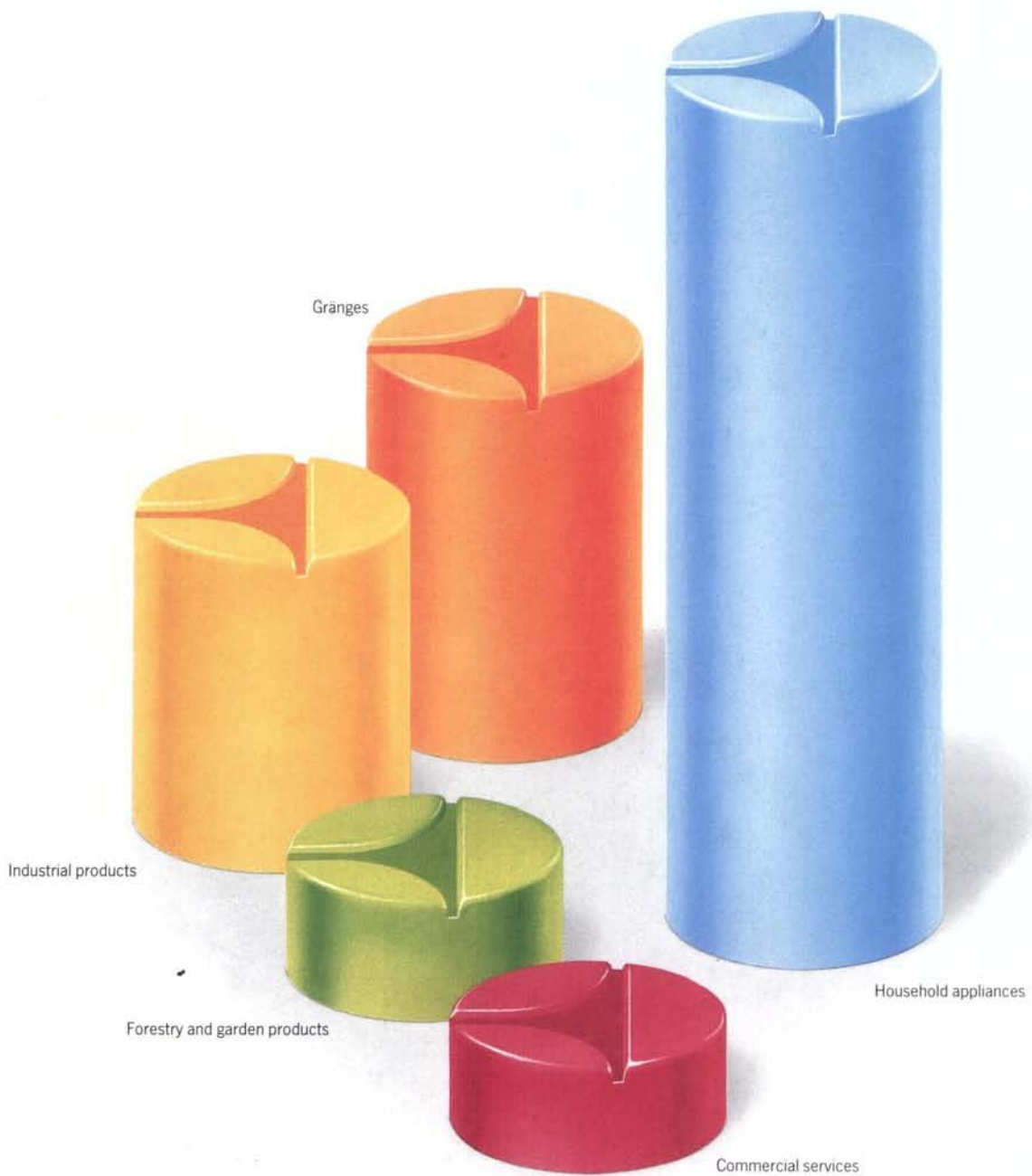


Electrolux Annual Report 1985



HIGHLIGHTS OF THE YEAR

The Group's sales amounted to SEK 39,688m (34,547m), of which newly acquired companies accounted for SEK 4,043m.

- The income after financial items increased from SEK 2,470m to SEK 2,576m.
- The return on equity after standard 50% tax was 17.6% compared with 20.9% in the previous year.
- Zanussi noted a substantial improvement in earnings. With effect from September a net income has been achieved every month. The company will be consolidated in 1986.
- At the beginning of March, 1986, Electrolux made a bid to acquire White Consolidated, the third largest white goods company in the USA. The company's board of directors has recommended its shareholders to accept the offer.
- As of January 1, 1986, Gränges Metallverken, Wirsbo Bruk and Gränges Mark were sold.

	1985	1984
Sales, SEK m	39,688	34,547
Operating income after depreciation, SEK m	3,137	3,117
Income after financial items incl. foreign exchange differences, SEK m	2,576	2,470
Income before transfers to untaxed reserves, SEK m	2,752	2,576
Adjusted earnings per share, SEK*	19:60	18:90
Total earnings per share, actual tax, SEK*	30:50	25:90
Dividend per share, SEK**	7:50	6:50
Return on net assets, %*	20.7	22.4
Return on equity, %*	17.6	20.9
Total return on equity, actual tax, %*	22.2	22.9
Capital expenditure, SEK m	1,808	1,615
Total number of employees	93,600	89,500
of whom in Sweden	31,700	30,200

*Definitions of terms used are provided on page 41
 **1985 proposal of the Board of Directors

CONTENTS

Business areas in Electrolux	2
Statement by Group Management	4
Operations in 1985	6
Electrolux shares	15

Household appliances	18
----------------------	----



Zanussi	23
---------	----

Forestry and garden products	24
------------------------------	----



Industrial products	26
---------------------	----



Commercial services	30
---------------------	----



Gränges	32
---------	----



GROUP	
Income statement	35
Balance sheet	36
Statement of source and use of funds	38
Notes to the financial statements	39

PARENT COMPANY	
Income statement	45
Balance sheet	46
Statement of source and use of funds	48
Notes to the financial statements	49
Report of the auditors	54
Statement of added value	55

Board of Directors and Auditors	56
The Group's organization	57
Group companies	58
Ten-year review	64
Annual General Meeting	65

BUSINESS AREAS IN THE ELECTROLUX GROUP

The total sales of the Electrolux Group in 1985 amounted to SEK 39,688m, of which 75% were abroad. The number of employees was 93,600.

The Group is one of the leading companies in the world in white goods, vacuum cleaners, chainsaws, commercial laundry equipment and car seat belts. Our largest

markets are the Scandinavian region, elsewhere in Western Europe, and North America.

The operations are divided into five business areas – household appliances, forestry and garden products, industrial products, commercial services and Gränges. The height of the columns shows the sales of each area during the year.

Household appliances

Household appliances account for roughly half the total sales and operating income of the Group. The largest product lines are white goods, vacuum cleaners, and special refrigerators. Sales are handled through the Group's own companies in forty countries and through agencies in another twenty.



Industrial products

On the basis of its expertise in household appliances the Group has developed the corresponding products for commercial use, viz. equipment for food service, laundries and cleaning companies, as well as refrigeration equipment for supermarkets and department stores. In 1985, industrial products accounted for 18% of total sales.

Forestry and garden products

The business area consists principally of chainsaws and other equipment for forestry as well as lawn mowers and cultivators. Forestry and garden products accounted for 6% of total sales in 1985.



BUSINESS AREAS IN THE ELECTROLUX GROUP

Sales	1985 SEK m	1984 SEK m	1983 SEK m	Change 1985/84 %	Change 1984/83 %
Household appliances	19,325	17,724	16,833	9.0	5.3
Forestry and garden products	2,552	2,276	2,079	12.1	9.5
Industrial products	7,032	4,981	4,879	41.2	2.1
Commercial services	2,266	1,979	1,714	14.5	15.5
Gränges	8,513	7,587	6,641	12.2	14.2
TOTAL	39,688	34,547	32,146	14.9	7.5

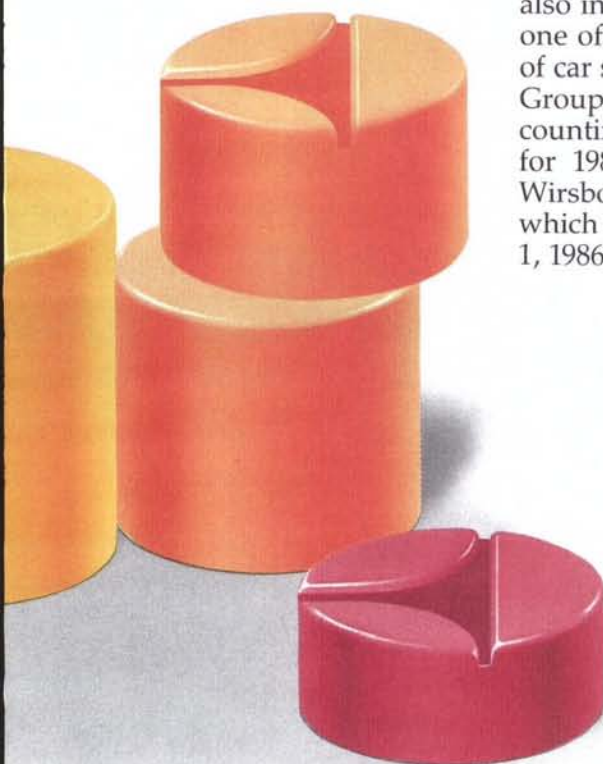
Operating income after depreciation	1985 SEK m	1984 SEK m	1983 SEK m	Change 1985/84 %	Change 1984/83 %
Household appliances	1,589	1,785	1,697	-11.0	5.2
Forestry and garden products	344	277	228	24.2	21.5
Industrial products	438	385	278	13.8	38.5
Commercial services	132	112	88	17.9	27.3
Gränges	634	558	400	13.6	39.5
TOTAL	3,137	3,117	2,691	0.6	15.8

Gränges

Gränges consists of a number of engineering companies focussing on semi-manufactures, components and special products made of aluminium, copper and steel. It also includes Electrolux Autoliv, which is one of the world's leading manufacturers of car seat belts. In 1985, Gränges was the Group's second largest business area, accounting for 21% of total sales. The figures for 1985 include Gränges Metallverken, Wirsbo Bruk and Gränges Mark, all of which were sold with effect from January 1, 1986.

Commercial services

The Group's operations in this area covers the traditional cleaning of offices and public areas, industrial clearance and disposal, as well as the laundering and rental of textiles. Electrolux is one of the few companies that are active internationally in this sector and the Group has companies in twenty countries. In 1985, the commercial services accounted for 6% of total sales.



STATEMENT BY GROUP MANAGEMENT

The foundation for the present structure of the Electrolux Group was laid in the 1970s. The strategy was primarily to broaden the base of the Group's operations by means of company acquisitions and as a result of economies of scale to create a competitive cost structure in both production and distribution.

The traditional operations were expanded to include several new business areas, such as forestry and garden products, commercial services, metal products and car seat belts.

Geographically, the Group's efforts were principally focussed on the Nordic countries, but large companies were also acquired in Europe and the USA. As a result of setting up subsidiary companies, the foundation was also laid down for today's successful operations in the Far East.

Profitability and the growth in equity were healthy throughout the 1970s. However, since the rapid expansion was largely financed by means of borrowing, the balance sheet weakened. The recession that started in 1980 led to lower demand for most of the Group's products and our dependence on the general state of the economy turned out to be greater than we had previously imagined. At the same time, high interest rates resulted in an unsatisfactory return in 1981 and 1982.

After the expansion of the 1970s, there was scope for improvements in several areas. A comprehensive action program was initiated in order to lower the Group's cost level, reduce the amount of capital tied-up and improve product quality. Moreover, several lines of business were sold as they were not considered capable of developing within Electrolux. The company was restored to satisfactory profitability and a strong financial position by 1983.

The efforts of recent years have been focussed on concentrating our resources in our principal lines of business. These core activities today include household appliances, in particular white goods and vacuum cleaners, the corresponding products and services for commercial use, and forestry and garden products. These sectors possess technical and commercial links which in future are expected to offer flexibility and potential for development.

The other product lines that focus on industrial markets all display satisfactory profitability and are well capable of development within the Group.

In recent years our principal lines of business have been strengthened by the acquisition of 70 or more companies. The most important of these acquisitions was that of 49% of Zanussi, an Italian white goods company. Electrolux and Zanussi complement each other in product and geographical terms. Where we are strong, Zanussi is weak and vice versa. In 1985 our efforts, together with those of the new management of the company, were directed towards building up a new organization, deciding on the future production structure and making a number of important investment decisions. We have also coordinated the organizations of our respective subsidiary companies, stepped up product and component exchanges and introduced a common financial and reporting system. As of September, 1985, Zanussi has reported a net profit every month. In 1986 we will increase our equity interest in Zanussi, which will consequently be incorporated in the consolidated financial statements.

One aspect of most of the Group's product areas is weak market growth. In the principal markets this will lead to structural changes with fewer but larger companies. Our competitive position will increasingly be influenced by the need for large scale, cost-effective but at the same time flexible production and distribution systems. Similarly, higher volumes will also be essential for the necessary capital investments in research and product development. As technical innovations will in future spread internationally and gain acceptance more quickly, the differences among markets will decrease. In the longer term, therefore, it is necessary to be based in the major markets.

Through the acquisition of Zanussi, the foundation has been laid for a strong position in the market for household products in Europe. In order to guarantee our long-term profitability, however, we also consider it necessary to have a strong business in the USA. At present, the Group has a strong position in this market in vacuum cleaners, caravan equipment and chainsaws for professional use. In the case of

STATEMENT BY GROUP MANAGEMENT

white goods, our market shares are noticeably lower. The Group's subsidiary company, Tappan, is well to the fore in cookers and microwave ovens, but it does not have a complete program, unlike the major US manufacturers.

In view of this situation, Electrolux made a US\$ 47 per share cash bid at the beginning of March 1986, for all the outstanding common stock of an American white goods company, White Consolidated Industries Inc., worth a total of US\$ 750m. The offer will remain open until March 28. The offer is conditional on owners of more than 50% of the total number of common shares accepting it. The board of White have recommended the company's stockholders to accept the offer. White Consolidated is the third largest white goods company in the USA, with 1985 sales of US\$ 1,946m (approx. SEK 14bn), and income before tax of US\$ 50.9m (SEK 367m). There are around 18,000 employees. The most important brand names are Frigidaire, Gibson, Kelvinator and White-Westinghouse.

In the immediate term, the acquisition of White Consolidated will weaken the balance sheet. It is therefore planned to strengthen the Group's equity base, which together with other measures can be expected to restore

the equity/assets ratio to some 25%.

Our overall goal for the remainder of the 1980s is to further strengthen our principal lines of business. Expansion of the household sector will largely be based on organic growth resulting from intensified product development and stepped up marketing effort. Complementary acquisitions will also be made in other business areas. The internal program of measures intended to improve profitability will continue. Our cost level can be further reduced and the quality of our products further improved. There are also opportunities to increase the capital turnover rate.

Our dividend policy depends on our long-term profitability, which, after allowing for the dividend, is expressed as the growth in the Group's equity capital. Over the past ten years, the Group's equity has been increasing at an average rate of some 16% a year, and the dividend has been raised at a corresponding pace.

Our goal is for the annual growth in equity over an economic cycle at least to match the return on long-term Swedish government securities as well as paying a modest risk premium of a few per cent. As a result of putting the Group's development strategy into effect, we expect to be able to maintain dividend growth in the coming years at a corresponding rate.



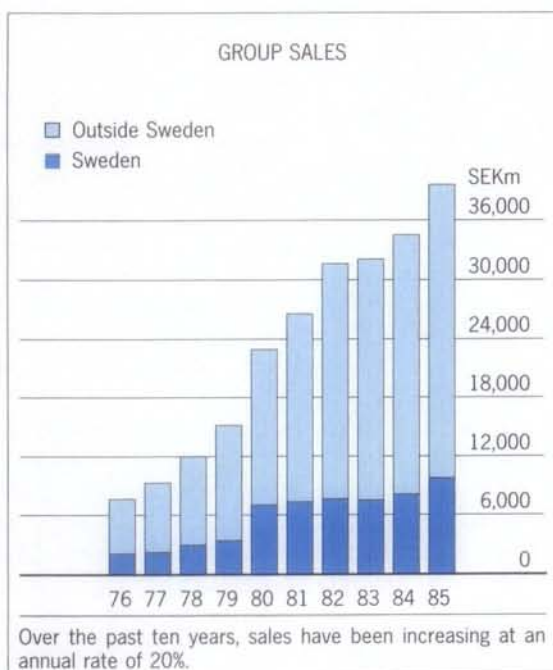
Anders Scharp

Hans Werthén

Gösta Bystedt

OPERATIONS IN 1985

The Group's sales in 1985 amounted to SEK 39,688m (34,547m), of which newly acquired companies accounted for SEK 4,043m.



Sales to customers abroad amounted to SEK 29,780m (26,508m), which represents 75.0% (76.7) of total sales.

Exports from Sweden totalled SEK 7,806m (6,830m), of which SEK 3,227m (3,004m) went to subsidiary companies within the Group.

The Swedish production units accounted for 44% (43) of the Group's total production value in 1985.

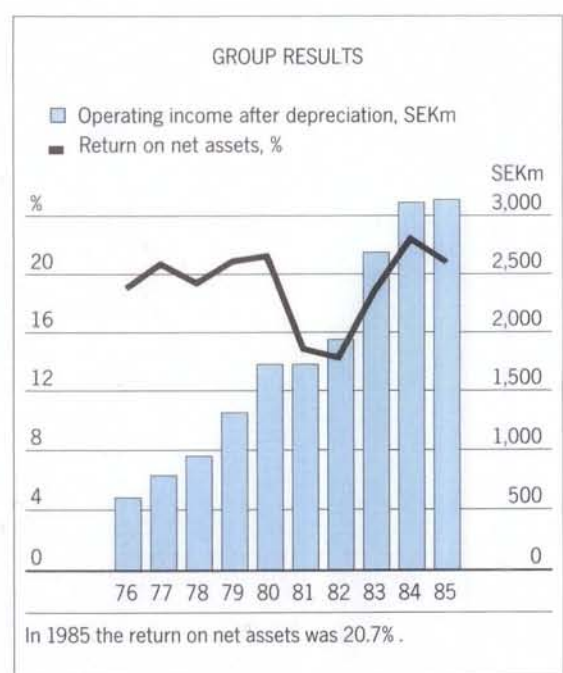
Results

The consolidated operating income before depreciation for 1985 amounted to SEK 4,351m (4,150m) and after depreciation according to plan to SEK 3,137m (3,117m), which corresponds to 7.9% (9.0) of total sales.

The income after financial items amounted to SEK 2,576m (2,470m). The return on equity, based on this earnings concept and after tax at the standard rate of 50% and minority interests, was 17.6% (20.9). Earnings per share, calculated in a corresponding manner, and after full conversion of outstanding convertible loan stock, were SEK 19:60 (18:90).

Extraordinary items consisted of an income of SEK 176m (106m), which repre-

	1985		1984	
	SEK m	%	SEK m	%
Sweden	9,908	25.0	8,039	23.3
France	3,870	9.7	3,158	9.1
Great Britain	3,072	7.7	2,459	7.1
West Germany	2,057	5.2	1,681	4.9
Norway	1,482	3.7	1,232	3.6
Denmark	1,470	3.7	1,205	3.5
Switzerland	1,300	3.3	1,217	3.5
Finland	1,112	2.8	1,161	3.4
Other	2,812	7.1	2,182	6.3
Europe	27,083	68.2	22,334	64.7
USA	8,677	21.9	8,484	24.6
Canada	459	1.2	452	1.3
Latin America	966	2.4	805	2.3
Asia	1,441	3.6	1,351	3.9
Oceania	713	1.8	769	2.2
Africa	349	0.9	352	1.0
Total	39,688	100.0	34,547	100.0



OPERATIONS IN 1985

sented the capital gain which was made on the sale of 1,050,000 shares (corresponding to 4,200,000 after a split) in Fermenta AB. This sale was made under an option agreement in which the price was divided into fixed and variable parts. The stated capital gain of SEK 176m has been calculated on the fixed part of the price. The variable part, if any, will arise when the buyer sells the shares, Electrolux being entitled to half

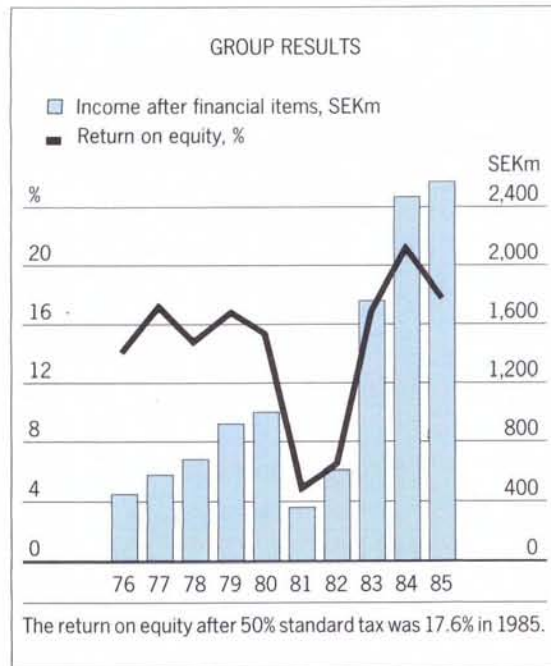
takes into account the actual tax position and thus provides a more correct picture of profitability.

The income before appropriations and allowing for full tax and minority interests as well as full conversion of outstanding convertible loan stock corresponds to SEK 26:00 (22:10) per share.

In order to harmonize more closely with Swedish and international accounting practice, the income statements of foreign subsidiary companies are, as of 1985, translated at average exchange rates, instead of at year-end rates. The decrease in equity incurred in countries with especially high inflation rates has been charged against consolidated operating income.

Moreover, the company has adopted a more conservative approach to the classification of extraordinary items. The income and expense which are a natural consequence of the Electrolux acquisition strategy, such as capital gains and losses on sales of fixed assets and lines of business and restructuring costs, are now included in the operating income. The effect on earnings of the items which were treated as extraordinary under the previous principles is not significant.

The comparative figures for 1984 have been adjusted into line with the change in accounting principles, which has reduced the Group's sales by SEK 434m, increased the income after financial items by SEK 10m, and reduced the income before appropriations by SEK 84m (see also Accounting Principles on page 39).



the difference between the selling price and SEK 42:25 per share.

The income before appropriations and taxes amounted to SEK 2,752m (2,576m), which corresponds under the partial method (viz. after allowing for minority interests and actual tax, see Note 6 on page 42) and after full conversion of outstanding convertible loan stock to SEK 30:50 (25:90) per share. The total return, viz. the above-mentioned earnings concept in relation to equity and untaxed reserves was 22.2% (22.9).

In the case of Electrolux, the partial method means that transfers to untaxed reserves are not charged with deferred tax as they are not likely to be reversed within the next few years and therefore will not lead to any tax payment. The total return

OPERATIONS IN 1985

Results by business area

In volume terms, the sales of *household appliances* remained broadly on the same level as last year, but owing to stiffer price competition in several of the most important markets, including the USA, France and West Germany, the profit deteriorated. Newly acquired units only made a marginal contribution to operating profits.

Forestry and garden products noted a sustained firm earnings trend. The improvement can principally be attributed to garden products, where the restructuring of recent years has begun to have an effect.

Overall, *industrial products* showed healthy growth in profits, despite the increase in sales being only moderate. The progress was especially encouraging for semi-industrial laundry equipment, but food service equipment, commercial cleaning machines and materials handling equipment also showed marked improvements. In the case of commercial refrigeration products both earnings and profitability deteriorated, mainly as a result of the restructuring following a company acquisition in West Germany. As a consequence of the purchase of Beijer Byggmaterial the sales of the business area increased by more than SEK 1.5bn without any contribution to earnings in 1985.

Commercial cleaning and laundry services achieved improved earnings and profitability.

Gränges made further good progress, which is principally due to an improvement in the results of Electrolux Autoliv and the receipt of a repayment in respect of some written off investments in the Liberian mining activities (LAMCO) which are administered by Gränges International Mining. The earnings of Gränges Aluminium declined as a result of falling metal prices and weak demand from the building industry. The other Gränges companies, which are mainly involved in semi-manufactured products, also saw their earnings drop in 1985.

Results by geographical market

More than one third of Electrolux' sales go to the Nordic countries, where demand during the year remained largely unchanged. Earnings also remained at broadly the same level as last year.

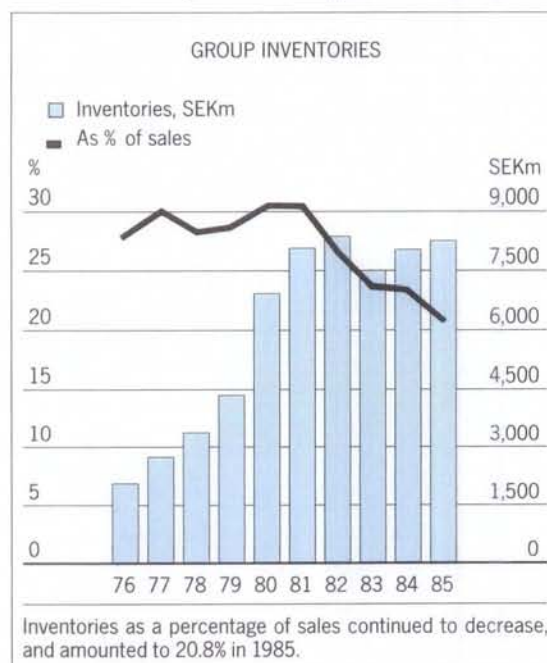
In the rest of Europe, an earnings improvement was noted in Great Britain, whereas progress in West Germany was unsatisfactory on account of weak demand and intense price competition.

In France profitability remained unsatisfactory. However, an improvement is expected in 1986, in part as a result of the agreement covering the restructuring of the white goods operations that was reached with the French government at the end of 1985.

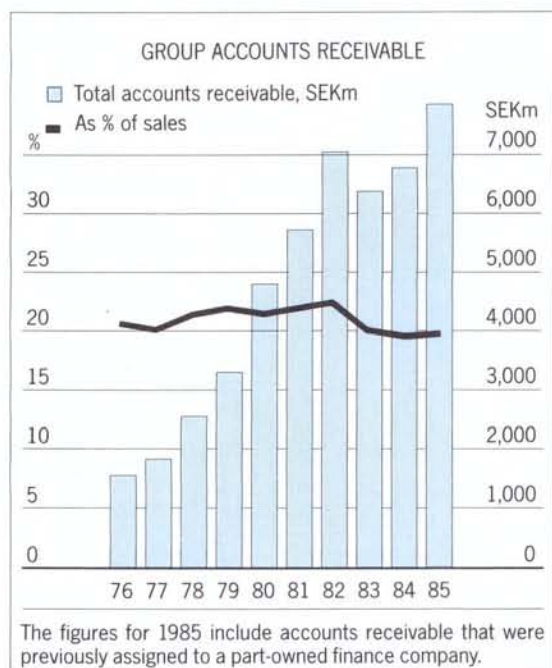
The results in the Group's second largest market – the USA – remained healthy. The previously very strong trend in the Far East reversed into stagnation in 1985, while our activities in Latin America saw some improvement.

Invested capital

Further measures intended to reduce the amount of capital tied up in the business



OPERATIONS IN 1985



yielded results in 1985. Inventories amounted to 20.8% (23.2) while accounts receivable increased to 19.8% (17.2) of sales. The accounts receivable that were previously assigned to an associated Swedish finance company (1984: SEK 816m) are with effect from 1985 included in the consolidated balance sheet. After adjusting for these, the accounts receivable in 1984 amounted to 19.6% of total sales.

The total capital turnover rate was 1.34 times (1.31).

The Group's net assets, viz. total assets less all non-interest bearing liabilities including deferred tax liability on untaxed reserves, corresponded to 47.9% (48.8) of sales.

Financial review

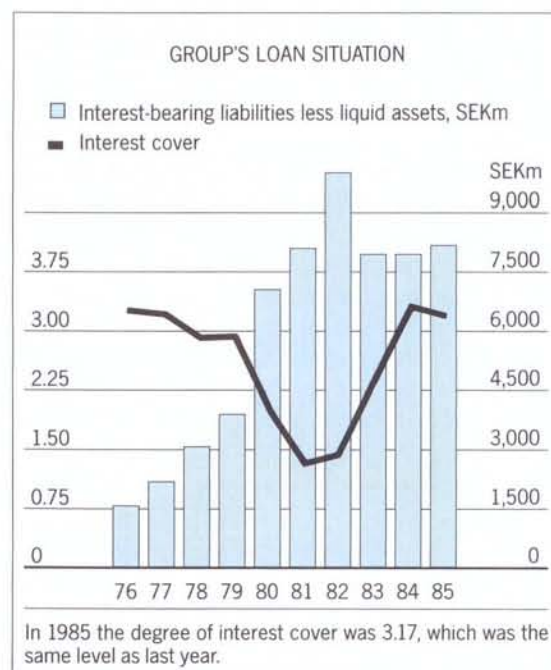
In 1985, international interest rates were slightly lower than in the previous year. The net effect of financial income and expense was an expense of SEK 561m (expense 647m), or 1.4% of sales compared with 1.9% in 1984. Interest costs include the cost of financing the Zanussi acquisition, amounting to some SEK 110m.

Towards the end of the year, FRF 250m (SEK 253m) were borrowed on the Euro-currency market for five years at 11 1/8% per annum in order to refinance other bor-

rowing in French francs. In addition, a Euro-Commercial Paper Program was arranged, which means that the Group can utilize facilities up to USD 150m (SEK 1,143m) by issuing short-term interest-bearing securities. At the same time, an existing facility was expanded for the same purpose up to USD 75m (SEK 572m). As a result of these programs, the Group will gain access to short-term financing on highly favourable terms.

During the year, several swap transactions were arranged, which primarily involved loans in European currencies being changed into USD and GBP loans. In some cases, the interest rates were also changed from floating to fixed.

At December 31, 1985, the Group had total interest-bearing liabilities of SEK 10,724m (9,947m), of which the PRI pension liability accounted for SEK 1,376m. In



relation to adjusted equity this represents a reduction from 1.44 to 1.29 times. Of the interest-bearing liabilities, 64% (74) were long-term. The proportion of long-term liabilities with fixed interest rates was 64%.

Net financial foreign exchange differences amounted to a gain of SEK 28m (loss 13m). As in previous years, the foreign exchange losses on long-term loans have not

OPERATIONS IN 1985

been periodized but have been charged in full against income. Foreign exchange differences on short-term commercial receivables and liabilities in foreign currencies are included in the operating income.

Net translation differences arising from the consolidation of foreign subsidiary companies amounted to a net loss of SEK 219m (gain 5m). They are taken direct to equity in the consolidated balance sheet and therefore do not affect the stated consolidated income. The change is principally due to the altered exchange rate relationship between Swedish kronor and US dollars. The translation loss which is due to countries with especially high inflation rates has been charged against the operating income (see page 39).

Foreign currency exposure

The Group's policy is to minimize its exposure both in the flow of foreign currencies and in translation. The Electrolux flow exposure arises principally from transactions between Group companies, where the total currency flows in 1985 amounted to approximately SEK 5,000m. The foreign currency exposure arising in this manner is reduced by means of a netting system. As a result, the flow of currencies can be kept under continuous review and prompt action be taken when positions change. The flow exposure above this is negligible.

The assets less the liabilities of foreign subsidiary companies represent a net foreign currency investment, and give rise to translation exposure. In order to hedge against currency fluctuations the parent company's loans in foreign currencies are arranged to the greatest possible extent in the same way as the net investment. The reduction in the value of the net investment when an exchange rate goes down is thus offset to some extent by foreign exchange gains on the parent company's loans in the same currency. However, as the net investment abroad is higher than the parent company's borrowing and because it is in practice impossible to borrow in some currencies, net exposure is to some degree unavoidable.

Profitability

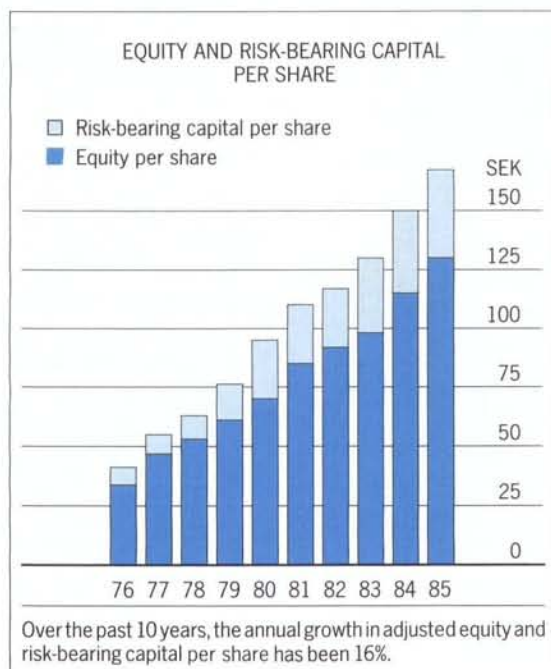
Electrolux states its earnings per share after full conversion of outstanding convertible loan stock and minority interests firstly on the basis of the income after financial items less tax at the standard 50% rate and secondly on the basis of the income before appropriations less full tax. (By full tax is meant actual tax plus tax at the standard 50% on transfers to untaxed reserves). The relationship between these earnings concepts and the increase in equity per share over the past ten-year period can be illustrated as follows:

	SEK
Adjusted equity per share Jan 1, 1976	31
Earnings per share less tax at standard 50% rate, 1976-1985	93
Dividend per share, 1976-1985	- 35
Theoretical adjusted equity per share after tax at standard 50% rate	89
In addition to this, equity has been affected by:	
● extraordinary items per share 1976-1985	20
● tax saving per share as actual tax 1976-1985 was less than standard rate tax	34
● deferred tax at 50% on transfers to untaxed reserves per share, which did not lead to any tax payment	- 26
Theoretical adjusted equity per share after extraordinary items and full tax	117
A part of the effect on equity is not stated through the income statement:	
● translation differences per share	2
● revaluation of fixed assets per share	7
● other (changes in accounting principles, etc)	5
Actual adjusted equity per share, Dec 31, 1985	SEK 131

OPERATIONS IN 1985

The growth in adjusted equity per share expresses the growth in net worth and is thus, after including the dividends paid, the yardstick which provides the most correct picture of profitability. Over the past ten-year period, equity per share has shown a higher growth rate than would otherwise be indicated by the traditional key financial ratios.

After allowing for dividends paid, adjusted equity per share has increased by 15.5% per year over the past ten years.



Equity

At the end of the year, adjusted equity and risk-bearing capital per share after full conversion of outstanding convertible loan stock amounted to SEK 131 (115) and SEK 169 (150) respectively.

AB Electrolux has four outstanding convertible loans having a nominal value in total of SEK 283m. The interest on loans I-III is 8% and the conversion rate SEK 43. On loan IV the interest rate is 10% and the conversion rate is SEK 60. The right to convert any of these loans was exercisable in 1985.

If all the outstanding convertible loan stock had been converted at the year-end the number of shares in issue would have increased by 4,994,242 to 65,487,578.

Equity/assets ratio

The growth in adjusted equity and risk-bearing capital means that the equity/assets ratio rose to 28.1% (26.3). The proportion of risk-bearing capital increased from 35.0% to 36.5%.

Equity/assets ratio, Dec 31, 1985, full tax method 28%

Upon full conversion of outstanding convertible loan stock, the equity/assets ratio would rise by 1%

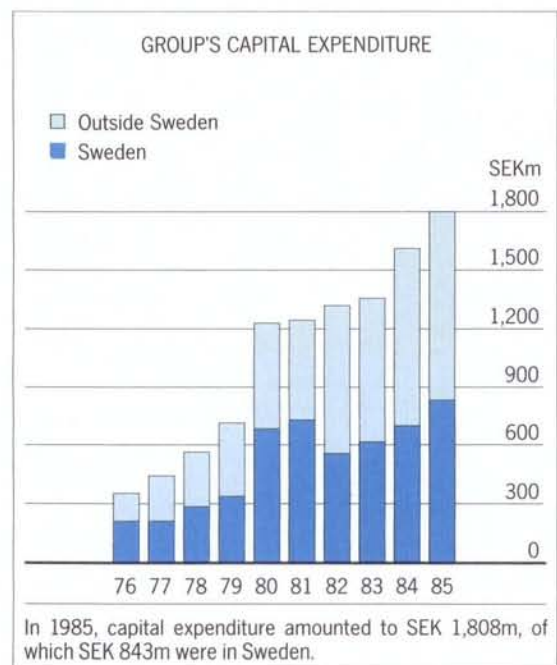
The sale in 1986 of 70% of the shares in Gränges Metallverken AB and Wirsbo Bruks AB increases the equity/assets ratio by approximately 2%

The consolidation of Zanussi in 1986 will reduce the ratio by approximately -7%

Theoretical equity/assets ratio, Dec 31, 1985 24%

Capital expenditure and self-financing

The Group's capital expenditure, excluding the value of fixed assets of companies



acquired during the year, amounted to SEK 1,808m (1,615m), which corresponds

to 4.6% of sales (4.7). Of this total, SEK 843m (698 m) were investments in Sweden.

The degree of self-financing expressed as funds provided from operations in relation to capital expenditure on property, equipment and tools, (excluding the opening value of acquired companies), amounted to 137% (135) in 1985.

Major changes in the Group

At the beginning of 1985, the *household appliances* sector acquired a West German company, Zanker GmbH, and its subsidiary companies, which are primarily engaged in manufacturing washing machines and dryers, as well as the business of an American company, Duo-Therm Corp., which is engaged in air conditioning and heating products for recreational vehicles. During the year, Electrolux also took over the sales companies for Zanussi products in Sweden, Great Britain and the Netherlands. At the beginning of 1986 the assets and business of The Diamond Cabinet Division, USA, which manufactures kitchen cabinets, were acquired.

As of January 1, 1985, the *forestry and garden products* sector acquired a majority of the shares in Staub S.A., France, which is one of Europe's major manufacturers of cultivators, together with the garden products division of Bernard Moteur. During the year, two forestry products distribution companies, Hyett Adams Ltd., Great Britain, and MATEM S.A., France, were also acquired.

In the *industrial products* sector, the Group acquired the semi-industrial laundry equipment operations of Wärtsilä, a Finnish company, and Lalesse Staalbouw B.V., a Dutch company which manufactures pallet racking systems. Furthermore, Beijer Byggmaterial AB, which is engaged in selling building materials to contractors and direct to consumers as well as providing floor-laying services, was also acquired. At the beginning of 1986, an agreement was reached to sell parts of the Group's motorcycle business to Cagiva Motor Italia S.p.A., Italy.

In *commercial cleaning and laundry services*, a number of minor acquisitions were made, principally in Sweden.

Within *Gränges*, a number of changes have been made. At the beginning of the year, Electrolux Autoliv AB acquired all the shares in Klippan Italia S.p.A., which is one of Europe's principal manufacturers of car seat belts. In connection with this purchase, Autoliv sold its 49% holding of shares in another Italian car seat belt company, Sabelt S.p.A. Furthermore Gränges Aluminium AB acquired Righton Ltd., a British metals and stockist distributor. At the end of the year, Gränges Hedlund's pipe plant in Jordbro was sold to a Finnish steel company, Rautaruukki Oy.

As of January 1, 1986, 70% of the shares in Gränges Metallverken AB and Wirsbo Bruks AB were sold to a Finnish metals company, Outokumpu Oy. Metallvaruhuset, with operations in Stockholm, Göteborg and Malmö, was not included in the sale. This company was instead acquired by Gränges Aluminium AB. As of January 1, 1986, Gränges Mark AB was sold to Fastighets AB Stockholm-Saltsjön.

Zanussi

In December 1984, Electrolux acquired 49% of the shares in Industrie Zanussi S.p.A., the Italian white goods company. At the same time, Electrolux made a ITL 100bn loan to Zanussi. In 1985, ITL 71bn of this loan were converted into equity capital without increasing Electrolux' relative interest in the voting rights.

The other owners are an Italian industrial and banking consortium which includes Fiat and the region Friuli-Venezia Giulia. Electrolux is entitled to acquire a majority position in Zanussi by converting its loans into share capital or by exercising a mutual option agreement which was concluded at the end of 1984 with the other shareholders. The option agreement entitles Electrolux within seven years of signature to acquire the consortium's shares. The consortium for its part is entitled to call upon Electrolux to acquire the shares after five years.

At the start of 1986 the formal procedure was initiated to make possible the acquisition of a majority interest in the company during the current year.

Zanussi's sales in 1985 amounted to ITL

OPERATIONS IN 1985

1,677.4bn (SEK 7,599m) compared with ITL 1,677.6bn (SEK 7,868m) last year. The consolidated net loss decreased from ITL 154.2 bn (SEK 723m) to ITL 32.6bn (SEK 148m). Since September, 1985, Zanussi has reported a net profit every month.

Lamco

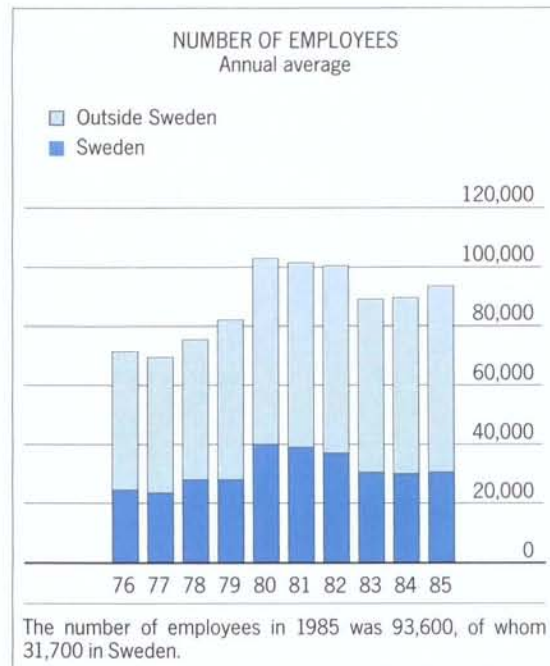
Gränges owns 100% of the Swedish Lamco Syndicate HB, which in its turn owns 75% of Liberian Iron Ore Ltd. (LIO). The remaining 25% are owned by shareholders in Canada, the USA and other countries. LIO's operations are limited to the holding of 50% of the shares of Lamco. The remaining 50% are owned by the Liberian government. The operations in Liberia are run by the consortium Lamco Joint Venture. Lamco's share in the Lamco Joint Venture is 75%, while the Liberian government owns the remaining 25% of the shares through a wholly-owned company.

The Group's shareholding in Lamco is booked at zero in the consolidated balance sheet and the commitment is limited to guarantees and the provision of collateral totalling SEK 435m (347m). The reserve set up in the consolidated balance sheet is considered to provide ample protection for the commitment.

In 1985, Lamco made a repayment to Gränges and LIO of preference shares that had been written down earlier and which amounted in total to US\$ 25.7m. This repayment meant that SEK 153m could be recognized as revenue in the consolidated income statement.

SSAB, Svenskt Stål AB

Through Gränges, Electrolux owns 25% of SSAB, Svenskt Stål AB. Under an agreement with the Swedish government, Gränges is entitled to have its shares in SSAB redeemed by the State in 1991 for SEK 875m. In 1985, Gränges received a dividend of SEK 9.3m (6.3m) for the 1984 financial year.



Personnel

In 1985, the average number of employees in the Group increased to 93,624 (89,541).

The list on page 58 shows the number of employees by country. Further information, which is appended to the annual report that has been submitted to the National Patent and Registration Office, can be obtained free of charge from the Company.

Parent company

The parent company's sales in 1985 amounted to SEK 3,217m (3,183m), of which SEK 2,400m (2,402m) were sales to Group companies and SEK 817m (781m) sales to external customers. Exports amounted to SEK 1,410m (1,374m), corresponding to 44% (43) of total sales.

After appropriations of SEK -92m and taxes of SEK -40m, a net income of SEK 1,578m (618m) was reported.

The Board of Directors proposes an increase in the dividend for 1985 to SEK 7:50 per share (6:50), which will absorb a total of SEK 453.7m (355.8m).

During the year a 2 for 1 split was made in the shares of the parent company.

OPERATIONS IN 1985

Average number of employees in the Group				
	1985	%	1984	%
Parent company	5,340	5.7	5,540	6.2
Other Swedish companies	26,383	28.2	24,621	27.5
In Sweden	31,723	33.9	30,161	33.7
Abroad	61,901	66.1	59,380	66.3
Total	93,624	100.0	89,541	100.0

Wages, salaries and other remunerations (SEK m)		
	1985	1984
Parent company	584	555
Other Swedish companies	2,563	2,238
In Sweden	3,147	2,793
Abroad (excl. Liberia)	5,173	4,490
	8,320	7,283
Social security charges in Sweden	1,399	1,274
abroad	1,137	962
Total personnel costs	10,856	9,519

ELECTROLUX SHARES

Capital stock

On December 31, 1985, the capital stock of AB Electrolux amounted to SEK 1,512m, which was divided into "A" shares and "B" shares, each having a nominal par value of SEK 25, as follows:

	SEKm
2,000,000 "A" shares	50.0
56,554,185 "B" shares	1,413.8
1,939,151 Not yet registered "B" shares (Conversion of convertible loan stock)	48.5
60,493,336	SEK 1,512.3m

At the Annual General Meeting in 1985 it was decided that the par value of the company's shares should be changed from SEK 50 to SEK 25. As a result of this share

split, the total number of shares doubled. The shares were listed on the Stockholm Stock Exchange at the new par value with effect from September 10, 1985.

As a result of conversions of convertible loan stock in 1985, the number of "B" shares increased by 5,754,174.

Owners of "A" shares are entitled to one vote and owners of "B" shares to 1/1000th of a vote per share. All shares entitle the owners to participate equally in the assets and earnings of the company.

The "A" and the "B" shares are listed on the Stockholm Stock Exchange. The "B" shares are also listed on the stock exchanges in London (since 1928), Geneva (1955), Oslo (1981) and Paris (1983). In 1983, an American Depositary Receipts program was set up in the USA.

Major stockholders in February 1986

	Number of shares	% of capital stock	% of votes
ASEA	7,068,976	11.68	48.87
4th National Pension Insurance Fund	3,175,788	5.25	0.15
Trygg-Hansa	3,031,604	5.01	0.15
Skandia	2,166,904	3.58	0.11
Investor	1,698,518	2.81	33.39
Custos	1,161,300	1.92	0.06
Export-Invest	808,333	1.34	0.04
Folksam	741,670	1.23	0.04
Hans Werthén	620,076	1.02	0.03
Providentia	367,700	0.61	7.55

Electrolux convertible loan stock at December 31, 1985

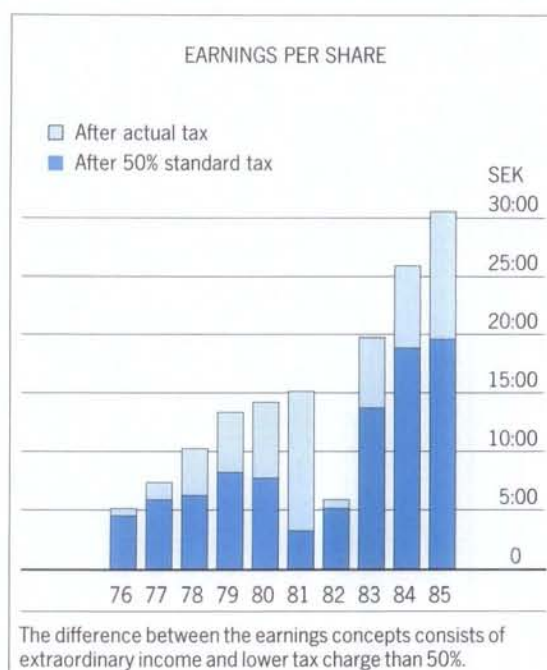
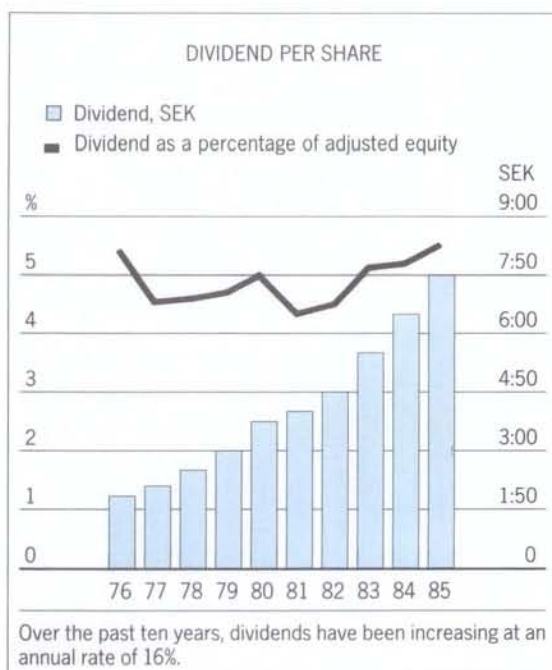
	Issued	Nominal value SEK	Interest rate	Total nominal value Dec. 31 1985 (SEK '000)	Original loan (SEK '000)	Conversion rate	Number of shares after total conversion
Loan I	1978	120	8%	23,368	95,994	43	543,438
Loan II	1978	120	8%	318	33,000	43	7,395
Loan III	1978	130	8%	19,013	139,273	43	442,163
Loan IV	1980	100	10%	240,075	662,725	60	4,001,246
				282,774	930,992		4,994,242
Loan I	was issued in connection with the purchase of Husqvarna						
Loan II	was issued in favour of ASEA						
Loan III	was issued in favour of Electrolux stockholders						
Loan IV	was issued in connection with the purchase of Gränges						

Loans I, II and III are eligible for conversion as of January 1980 and Loan IV as of January 1982. The dividend which would be obtained after conversion of all the four loans is higher than the interest on the corresponding convertible loan stock. Conversion should therefore be considered. The loan stock can be converted by handing in the convertible loan stock certificates at the nearest bank office.

ELECTROLUX SHARES

Breakdown of stockholdings in AB Electrolux					
Size of stock-holding	Number of stock-holders	% of stock-holders	Number of shares '000	% of capital stock	Average number per stockholder
1-1,000	48,720	93.8	14,771	24.4	303
1,001-10,000	2,957	5.7	7,155	11.8	2,420
10,001-	280	0.5	38,567	63.8	137,700
Total	51,957	100.0	60,493	100.0	1,164

The source of the above information is the official register of stockholders in AB Electrolux maintained by Värdepapperscentralen VPC AB. The information applies in February 1986, except for the stockholdings registered in the name of trustees which are instead included on the basis of data from August 1985.



Dividend policy

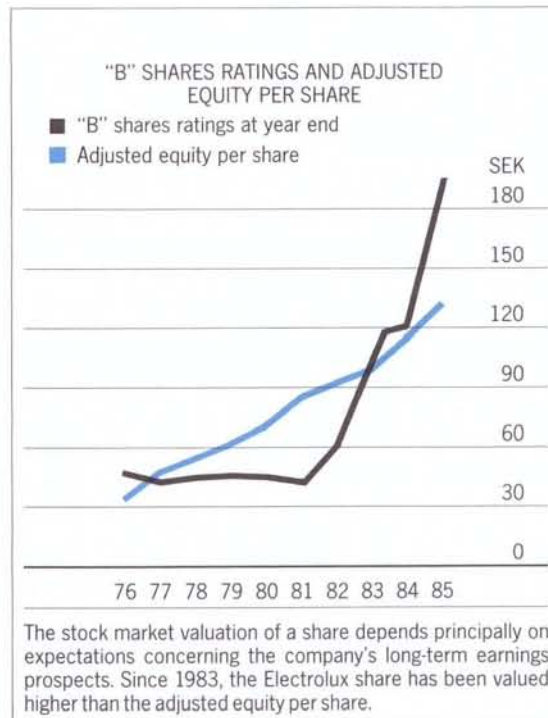
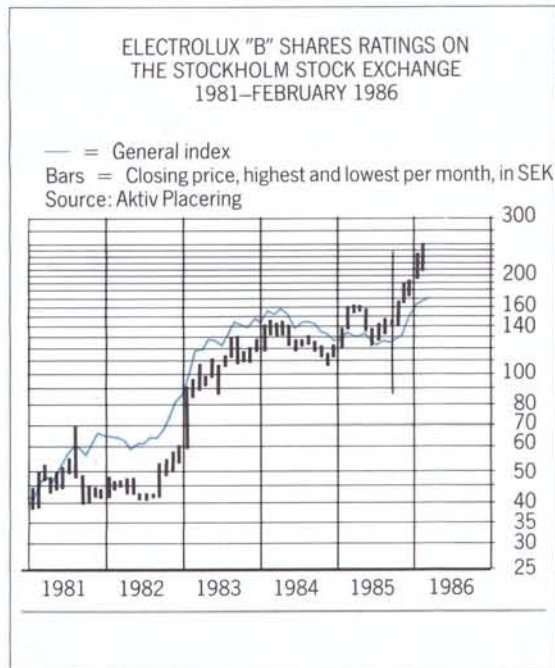
The Group's policy is for the dividend to increase broadly in pace with the increase in equity. Over the past ten years, the adjusted equity per share has increased at an average rate of 15.5%. During the same period the dividend has increased at an average annual rate of 16.2%.

Turnover* of Electrolux shares on the Stockholm Stock Exchange

SEK m	
1981	1,224
1982	1,703
1983	6,246
1984	4,372
1985	4,583

* including after-hours transactions

ELECTROLUX SHARES



Stock market valuation										
	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985
Stock market price, SEK	46	41	44	45	44	41	60	119	121	194
Market price/ adjusted equity, %	135	87	83	74	63	48	65	121	105	148
Direct yield, %	4.0	5.1	5.7	6.7	8.5	9.8	7.5	4.6	5.4	3.9
Change in price during year, %	12	-11	7	2	-2	-7	46	98	2	60
P/E ratio*	9.0	5.5	4.3	3.4	3.1	2.7	10.2	6.0	4.7	6.4

* Market price in relation to total earnings per share after actual tax

Electrolux Aktiesparfond and Allemansfond

Since July 1981, the employees of the Group's Swedish companies have been offered an opportunity to invest in Electrolux shares firstly through the Electrolux Aktiesparfond and later through the Electrolux Allemansfond. At the end of 1985, the Electrolux Aktiesparfond had 2,091 inves-

tors and represented 277,854 shares. This made the fund the 13th largest stockholder in the company. Electrolux Allemansfond, which was started in April 1984, had 1,800 investors at the end of the year and represented 40,000 shares. Loans made to employees to purchase shares amounted to SEK 13.6m.

HOUSEHOLD APPLIANCES

Household appliances is the largest of the five business areas in Electrolux with 1985 sales of SEK 19,325m (17,724m). The operating income after depreciation was SEK 1,589m (1,785m), which corresponds to 8.2% of sales (10.1).

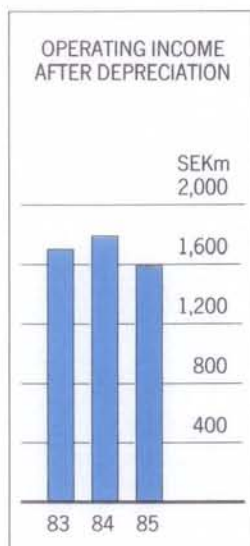
White goods

Electrolux is one of the world's largest manufacturers of white goods. The program includes refrigerator/freezer units, cookers, dishwashing and washing machines, dryers, microwave ovens, and kitchen appliances. The emphasis of the business is on refrigerator and freezer products and cookers, which together account for some two thirds of total unit sales.

White goods are the largest product line in the Group, accounting for roughly half the sales of the household business area and around one quarter of the Group's total sales. The geographical breakdown of sales is around one third each in Scandinavia, the rest of Europe and the USA.

In 1985, total sales amounted to SEK 9,738m (8,877m). The increase in sales was largely due to Zanker, which was acquired in 1985, and to the sales companies in Sweden, Great Britain and the Netherlands which were taken over from Zanussi during the course of the year. Profitability was satisfactory.

Apart from an upturn in the USA during the past few years, the market for white goods in Western countries has only shown very weak growth since the early 1970s, when the extensive housebuilding



	1983	1984	1985
Sales, SEKm	16,833	17,724	19,325
Operating income after depreciation, SEKm	1,697	1,785	1,589
Operating income as % of sales	10.1	10.1	8.2

HOUSEHOLD APPLIANCES



Electrolux provides a complete range of products for the modern kitchen – everything from refrigerators/freezers, cookers, microwave ovens and washing machines to kitchen cabinets.

programs came to an end, and private purchasing power was reduced in the wake of the first oil crisis. At the same time, most white goods reached high market saturation levels. With the exception of dishwashing machines and microwave ovens, demand is at present principally for replacement products.

As a consequence, the white goods industry has gone through a process of extensive restructuring. The number of

manufacturers has decreased substantially, especially in the USA, where the market is currently dominated by a few financially strong companies which together account for more than half of total output. In Europe, the restructuring process is taking place more slowly. Some ten major manufacturers account for around half the total supply, with a large number of small and often domestically oriented companies accounting for the remainder. On average, profitability is low.

Electrolux has long been the market leader in the Nordic countries and the Group has a strong position in France and Switzerland. Together with Zanussi, the Group will become one of the leading manufacturers in the European market. In the USA, the Group's subsidiary company, Tappan, occupies a prominent position in cookers and microwave ovens.

In 1985, the European market showed persistent weakness with unchanged sales volumes and intense price competition. In France, for example, the result was still unsatisfactory. However, an improvement is expected in 1986, principally as a result of



The Group's microwave ovens are manufactured by Tappan, a subsidiary company in the USA.

HOUSEHOLD APPLIANCES

an agreement reached with the French government on a reduction in the number of employees and on the restructuring of the production unit in Revin. This will concentrate exclusively on top-loaded washing machines, while the production of front-loaded machines will be transferred to Zanussi's plant in Pordenone.

In the USA, where sales of the Group's white goods have increased markedly over the past two years, there was a slight decline, most noticeably in microwave ovens.

During the year cooperation started with Zanussi in purchasing and in the administration of sales companies in several countries. Several joint development projects were started. In the autumn of 1985, Zanussi also started supplying Electrolux with Italian washing machines and dryers.

The bulk of the white goods are manufactured at specialized plants in Sweden, Norway, Switzerland, France and the USA.

Special refrigerators

Product line operations are largely concerned with absorption refrigerators for caravans and hotel rooms. More recently, the program for recreational vehicles has been broadened to include several new products, such as ventilation and heating equipment.

In 1985, sales amounted to SEK 1,527m, an increase of 14% compared with the previous year. The bulk of the increase is attributable to the American company, Duo-Therm Corporation, which was acquired at the start of the year. Earnings weakened on account of a drop in sales of refrigerators and other equipment for recreational vehicles.

The demand for caravan refrigerators declined markedly in 1985 in both North America and Europe. However, the Group was able to maintain its market shares, but noted stiffer price competition.

The product line's most important markets are the USA, Canada, West Germany, Great Britain and France, which together account for some 80% of total sales. The customers include caravan manufacturers, hotel chains, department stores, and mail



Absorption refrigerators have a wide range of applications. Here, for example, as a minibar in a hotel room.

order companies. Production takes place in Sweden, Luxembourg, West Germany, Great Britain and the USA.

Competition in products for caravans and mobile homes has intensified in recent years. The Group is therefore stepping up its investments in product development, in refrigerator products as well as the remainder of the recreational vehicle program.



Floor-care products

After white goods, floor-care products are the largest product line in the Group. In 1985, sales amounted to SEK 5,590m (5,296m). Profitability continued at a very healthy level.

The world market for vacuum cleaners is estimated at some 25 million units per year, of which the USA accounts for roughly one third. In recent years, demand has stagnated, which has led to stiffer price competition in most of the Group's markets. Demand tends to move in line with the general state of the economy and the resources available for private consumption. What growth there has been has largely taken place in the Far East and to some extent in the USA.



In 1985, no major changes occurred in the Group's market shares. In Europe, sales decreased slightly in Norway, Denmark and West Germany, while there was an increase in Great Britain. In Southeast Asia sales stagnated after several years of rapid growth.

Electrolux is one of the world's largest manufacturers of vacuum cleaners. Traditionally, the Group holds a strong position in the Nordic countries, as well as in the USA under the Eureka brand name. Other important markets include Great Britain, France, West Germany and Switzerland. In the Far East, Japan and Australia are the largest markets.

The most important brand names, apart from Electrolux and Eureka, are Progress, Tornado and Volta. Sales are largely made via specialist dealers and the company's own outlets. Direct sales now account for roughly 15% of total unit sales.

Most of the production takes place in Sweden, Great Britain, France and the USA. At the end of the year, Electrolux acquired the Philips vacuum cleaner business in Brazil.

Sewing machines

The Group's product program largely consists of technically advanced sewing machines in the middle and upper price brackets. Some 85% of sales go to customers abroad. The most important markets are the USA, France, Scandinavia, Australia and the Netherlands. The Group's brand names include Husqvarna, Electrolux, Tornado and Riccar.

In 1985, sales amounted to SEK 647m compared with SEK 592m in the previous year. Profitability was good.

The world market for the types of sewing machines the Group manufactures amounts to some 15 million units. After a sharp drop at the end of the seventies, the market has stabilized, but no significant growth is expected. The Group is one of the five largest manufacturers in terms of units produced, but occupies a leading position in technical development. The principal competition comes from Japanese, West German and Swiss manufacturers.

HOUSEHOLD APPLIANCES

In 1985, the Group well maintained its market shares. Sales were especially successful in France and Japan.

Sewing machines are largely sold through specialist dealers and the company's own outlets. Direct-selling is used in Sweden, France, Norway and Japan. As of January, 1985, the Group acquired the sales organizations in West Germany, Austria and the Netherlands of Riccar, a Japanese sewing machine company.



Prisma 990 is the most advanced of Husqvarna's electronic sewing machines. It not only sews letters, but is also capable of handling elegant embroidery.

Production is concentrated at the plant in Huskvarna in a highly effective manner with a favourable cost structure.

Kitchen and bathroom cabinets

Electrolux manufactures kitchen and bathroom cabinets at its Ballingslöv and Zig-Zag subsidiaries in Sweden and at Tappan in the USA.

Sales in 1985 amounted to SEK 1,004m (909m), of which Tappan accounted for 78%. Earnings improved markedly, both in Sweden and the USA. Profitability was very good.

In volume terms, the Group's sales in the Scandinavian countries equalled those of the previous year, despite demand in the Swedish market declining slightly. Excess capacity and severe price competition have long been features in Scandinavia.

In the USA, demand continued at a high level and sales advanced well. At the start of 1986, Diamond Cabinet Division, which has annual sales of some SEK 230m, was acquired from Medford Corporation. Dia-

mond manufactures kitchen cabinets at two facilities in Oregon. As a result of this acquisition, Tappan has consolidated its position as one of the country's largest manufacturers of kitchen and bathroom cabinets.

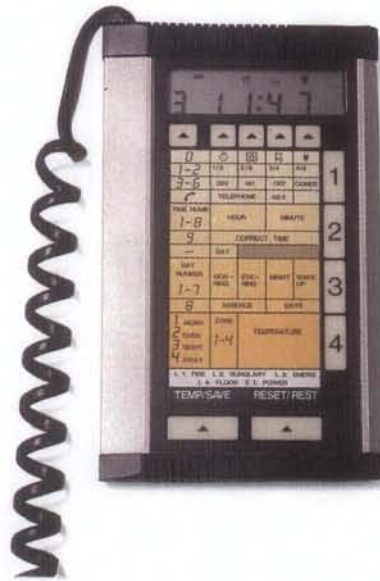
Home electronics

Operations largely consist of the manufacture and sale of radio/TV and video equipment through a French subsidiary company, Océanic. In addition, electronic alarm and security systems for private homes and electronic control systems for some of the Group's products are also manufactured.

In 1985, sales amounted to SEK 819m (709m). Earnings and profitability improved.

Sales of radio/TV and video equipment are limited to the French market, which continued weak throughout 1985.

However, Océanic's sales increased and earnings improved significantly.



In 1986 the Group launched an alarm and security system for private homes and business enterprises, which is easy to programme using a handheld terminal.

Alarms and security systems are sold in France, Sweden and the Far East. Plans are now being made to launch these products in several new markets. Production is based at Océanic in France and Electrolux Mecatronik in Malmö, Sweden.

ZANUSSI

In December, 1984, Electrolux acquired 49% of the shares in Zanussi, an Italian white goods company, which was then in an acute financial crisis. In 1986 the Group will increase its equity interest so as to move into a majority position.

Zanussi is one of Europe's largest manufacturers of white goods. The business also includes food service equipment, semi-industrial laundry equipment and extensive production of components.

White goods are the largest product line and in 1985 they accounted for some 80% of total sales. In volume terms, the largest product groups are refrigerators/freezers and washing machines. Sales are concentrated in continental and southern Europe where the most important markets, apart from Italy, are Spain, the Benelux countries and Western Germany, as well as Great Britain. The company also has small market shares in France and Austria. White goods production takes place in Italy and Spain.

In 1985, food service equipment and semi-industrial laundry equipment accounted for 10% of total sales. The largest markets for these products are Italy and Spain, where the products are also made. Other important markets include Great Britain and France.

Zanussi also has extensive production of components, including plastic components, diecastings and electric motors.

Some 50% of the output is used internally. External sales in 1985 amounted to SEK 856m.

Total sales in 1985 amounted to ITL 1,677.4bn (SEK 7,599m) compared with ITL 1,677.6bn (SEK 7,868m) in the previous year. The net consolidated loss decreased from ITL 154.2bn (SEK 723m) to ITL 32.6bn (SEK 148m). Since September, 1985 a net profit has been noted every month.

At the end of 1984, a new top management team was appointed, which thereafter made extensive organizational changes. In March, 1985, an agreement was reached with the union organizations to reduce the number of employees by some 4,800 over the next three years. In addition, a start was made to joint, coordinated purchasing and product development. In some countries, the sales organizations of the two companies were coordinated.

Within the framework of the planned investment program for Zanussi, a number of decisions were made, including the construction of a new refrigerator plant at Sussegana at an investment cost of some SEK 400m and the modernization of the cooker production at Forlì at a cost of some SEK 50m. At the end of the year, Zanussi started to supply of components and finished products to Electrolux, which raised capacity utilization at Zanussi's plants.



FORESTRY AND GARDEN PRODUCTS

In 1985, forestry and garden products had sales of SEK 2,552m (2,276m). The operating income after depreciation improved from SEK 277m to SEK 344m, while as a percentage of sales it increased from 12.2 to 13.5%.

Forestry products

Operations largely consist of chainsaws marketed under the Husqvarna, Jonsered and Partner brand names and under the Pioneer-Partner name in North America. The most important markets are the USA, Canada and the Nordic countries. The greater part of the production takes place in Sweden, and there are also facilities in Norway, Canada and Brazil.

Sales amounted to SEK 1,798m (1,762m). Profitability continued at a very good level.

The world market is dominated by a small number of large manufacturers. Electrolux is one of the largest in professional and semi-professional saws. On the other hand, the Group's share of the hobby saw market is low. More recently,

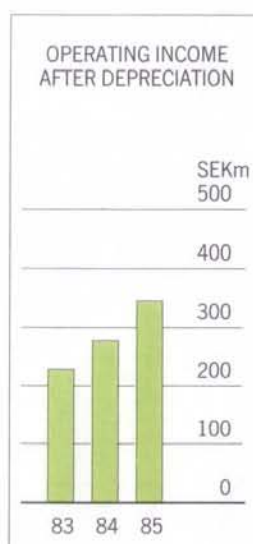
several new hobby-saw models have been introduced and the aim is to increase the market share in this segment.

The market decreased slightly compared with the previous year. Sales varied for the Group's various brand names. The progress of Pioneer-Partner in North America did not match up to expectations. The withdrawal of Pioneer products in other countries also had an adverse effect on sales. Overall, the Group maintained its market shares.

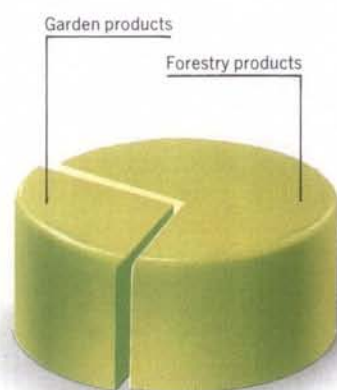
Sales of accessories for forest workers advanced well, and the product program was steadily broadened.

During the year, two forestry equipment distribution companies were acquired, one for Husqvarna in Great Britain and one for Partner in France.

The market is not expected to show any significant growth over the next few years. However, Electrolux has a strong chance of increasing its market share in view of the substantial investments that are now being made in product development and marketing.



	1983	1984	1985
Sales, SEKm	2,079	2,276	2,552
Operating income after depreciation, SEKm	228	277	344
Operating income as % of sales	11.0	12.2	13.5





Electrolux is one of the world's largest manufacturers of chainsaws for professional use.

Garden products

The product program includes lawn mowers and cultivators, which are sold under the Husqvarna, Flymo, Norlett, Bernard and Staub brand names.

Sales amounted to SEK 754m (514m), an increase of 47% compared with the previous year. The bulk of the increase is attri-



The Group's range of garden products includes lawn mowers and cultivators under such brand names as Husqvarna, Flymo and Norlett.

butable to Bernard and Staub, two French companies that were acquired at the end of 1984. Earnings improved significantly, principally as a result of the rationalization programs that have been put into effect and of the favourable progress of the Flymo unit in Great Britain. However, profitability is still unsatisfactory.

On the whole, the market for garden equipment in Western Europe is unstructured with a very large number of small manufacturers. The Group has a strong position in the Nordic countries, Great Britain and France. In 1985, demand increased in Great Britain and West Germany, while a decrease was noted in France and elsewhere. The market for cultivators showed a further marked decline in most countries.

The restructuring of the operations of the product line is continuing. The object is to build up a comprehensive product program as a result of internal product development and complementary company acquisitions.

As a result of the restructuring programs in progress, the product line's earnings are expected to improve in 1986.

INDUSTRIAL PRODUCTS

As a result of the purchase of Beijer Byggmaterial, the sales of the industrial products increased to SEK 7,032m in 1985 compared with SEK 4,981m in the previous year. The operating income after depreciation amounted to SEK 438m (385m), which corresponds to 6.2% (7.7%) of sales.

Food service equipment

Operations consist of the manufacture and sale of food service equipment. Around half the customers are public sector institutions, such as schools and hospitals, while the remainder are private restaurants, hotels and company canteens. The main emphasis is on project sales which include all stages from planning to installation and service.

In 1985, sales amounted to SEK 793m (746m). Earnings improved and profitability was satisfactory.

The West European food service equipment market was characterized by stagnating demand and excess capacity. The dull



Food service equipment is often supplied within project contracts, which include all stages from planning to installation and service.

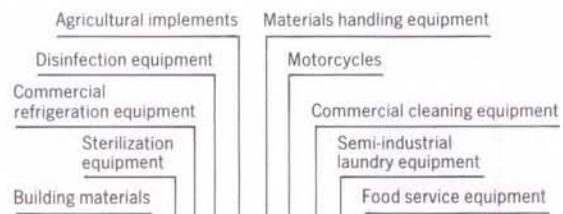
demand was largely due to cutbacks in public sector purchasing in many countries.

Electrolux is one of the principal manufacturers, and the Group has a strong position in Scandinavia, the Netherlands and Switzerland. It also has high market shares in the Middle East and in ship's galley equipment. Production largely takes place in Sweden and Switzerland.

During the year, sales increased in Swe-



	1983	1984	1985
Sales, SEKm	4,879	4,981	7,032
Operating income after depreciation, SEKm	278	385	438
Operating income as % of sales	5.7	7.7	6.2



INDUSTRIAL PRODUCTS

den and Switzerland and in some of the Middle Eastern countries.

As a result of the ongoing restructuring of the business and closer coordination with Zanussi in purchasing and product development, a further improvement in the earnings of the product line is expected in 1986.



Electrolux-Wascator is one of the world's leading manufacturers of laundry equipment for apartment block laundries, laundromats and small commercial laundries.

Semi-industrial laundry equipment

Electrolux-Wascator manufactures and markets laundry equipment for apartment block laundries, laundromats, hotels and institutions. The company is one of the largest manufacturers in the world with a strong market position, above all in the Nordic countries, the USA and Great Britain.

Sales in 1985 totalled SEK 908m (744m), an increase of 22% compared with the previous year. Earnings improved and profitability was very good.

The demand for commercial laundry equipment has remained relatively constant for several years. The global market is estimated to be worth some SEK 5bn, of which the USA accounts for more than half. The demand pattern is determined largely by the level of construction work and activities in renovation and rebuilding. One trend in recent years is for hotels, restaurants and institutions increasingly to start laundering on own account.

In 1985, sales increased in the three most important markets, namely Sweden, the USA and Great Britain. Progress was also

made in France, Italy, Austria and Finland.

During the year the restructuring of production in the Nordic countries was completed. The production of washing machines is now fully concentrated in Sweden, while dryers are manufactured in Denmark and centrifuges in Finland.

The market is not expected to show any significant growth in the next few years. However, there is a fair likelihood of a modest increase in volume. Stiffer competition from small washing machines will be matched by the development of new products. Coordination with Zanussi will, moreover, create an environment for further expansion on the continent of Europe, where market shares are still small.

Commercial cleaning equipment

The product program largely consists of cleaning machines and liquid cleansing agents and high pressure cleaning equipment. The Group has a strong position in the Nordic countries which on aggregate account for half the sales of this product line. Other important markets include the USA and Great Britain.

In 1985, sales amounted to SEK 690m (621m). Earnings improved, principally as a result of the extensive rationalization programs of recent years, which resulted in higher efficiency in both production and the sales organizations in Sweden and Great Britain. Profitability was satisfactory.

Demand has remained broadly unchanged for several years. In many countries there is considerable overcapacity, especially in high pressure cleaning equipment, which has resulted in intensifying price competition.

Production mostly takes place in Sweden, Great Britain and the USA.

The goal is to strengthen distribution channels in a number of countries where the chances of increasing sales are regarded as good and where market coverage has so far remained weak.

Commercial refrigeration equipment

Electrolux Commercial Refrigeration manufactures refrigeration and freezer equipment for food stores and catering in-

stitutions. The activities are principally focussed on the European market, where the Group is market leader in Scandinavia and Great Britain.

In 1985, sales amounted to SEK 506m (431m). Earnings deteriorated on account of the restructuring of newly acquired units in West Germany. Profitability was unsatisfactory.

For several years the market in Western Europe has remained relatively unchanged. Nor is any growth expected in view of the profitability problems of the retail food trade and the resultant clear trend towards renovating existing stores rather than building new ones.

Electrolux is one of Europe's five principal manufacturers. In addition there are a great many small local suppliers. Average profitability in the industry is low.

This year, sales increased in Scandinavia, whereas there was a decline in Great Britain.

The restructuring of production in Sweden, which has been going on for the past few years, was broadly completed in 1985. The factory in Ingelstad is now totally concentrated on large refrigerator and freezer cabinets for stores, while the plant in Arvika mainly produces small units, knock-down refrigerator and deep freeze chambers and refrigerator and freezer cabinets for the catering market. Production in West Germany, which previously took place at three plants, is now being concentrated at the Stuttgart plant.

The profitability of the product line is expected to improve in 1986.

Sterilization equipment

Operations are conducted through Getinge Mekaniska Verkstad and through Group companies in a number of countries. The focus is on autoclaves and ancillary equipment, which are largely sold on a project basis to hospitals and the pharmaceutical industry. In addition, fermentation equipment, which is used in the food and biotechnical industries, is also manufactured.

Approximately half the sales of the product line go to Western Europe, where the Nordic countries and France are the largest

individual markets. Other important markets include North America, Oceania and the Middle East.

Sales in 1985 amounted to SEK 321m (288m). Profitability continued at a healthy level.

The global market for sterilization equipment is estimated to be worth some SEK 2bn, with North America accounting for around one half. The market is dominated by four large manufacturers, of which Getinge is the second largest. In addition, there are a great many small manufacturers, both in Europe and in the USA.

Demand from the hospital sector continued to be weak, especially in the USA. On the other hand, product line sales to the pharmaceutical industry increased in several countries. The increase was especially marked in Southeast Asia, where market shares are so far quite small.

Disinfection equipment

The product line concentrates on systems and equipment for cleaning and disinfection in hospitals and geriatric care. The business is largely directed towards the Nordic countries, where its position in the market is strong.

Sales in 1985 amounted to SEK 130m (135m). Earnings deteriorated on account of a weak market for traditional products and delays, with higher costs in consequence, in the development of the new product program. Profitability was satisfactory.

The demand for hospital products in the Scandinavian countries has been decreasing noticeably for several years. The product line therefore focusses on increasing its international exposure and on developing the product program, principally concentrating on equipment for cleaning laboratory utensils in hospitals and industry. Profitability is expected to improve in 1986.

Materials handling equipment

Electrolux Constructor manufactures and markets storage systems and workstation equipment for engineering workshops and offices. Sales go mainly to Europe, where Scandinavia, West Germany, the Netherlands and Switzerland are the most

INDUSTRIAL PRODUCTS

important markets. Production takes place in Sweden, Denmark, West Germany and Switzerland.

Sales amounted to SEK 563m, an increase of 14% compared with the previous year. One third of the increase in sales is attributable to a Dutch company, Lalesse Staalbouw B.V., which was acquired at the start of 1985. Profitability was satisfactory.

In terms of volume, the European market has remained relatively constant in recent years. The demand for technically more advanced systems has, however, been increasing, which will benefit Electrolux.

During the year, sales increased, above all in Sweden, but also in Italy and West Germany.

In 1986, a further improvement in the profitability of the product line is expected.

Building materials

Beijer Byggmaterial AB, which was acquired in 1985, is principally engaged in selling building materials to building contractors and other institutional users and to the consumer market through a number of building and DIY centres. It also includes a contracting unit, which is mainly concerned with floor laying.

Sales amounted to SEK 1,577m. Profitability was unsatisfactory.

As a result of the acquisition, the Group will have its own distribution channels into the building sector and the growing "do-it-yourself (DIY) market" in Sweden. Apart from white goods and kitchen cabi-



The Group's production of agricultural implements is concentrated in Överums Bruk.

nets, Beijer Byggmaterial will also market the Group's forestry and garden products as well as Gränges building components.

Agricultural implements

Operations are conducted through Överums Bruk and its subsidiary companies and through Group companies in Denmark, Finland and Canada. The product program includes ploughs, sowing machines, and fertilizer spreaders. Most of the sales go to the Nordic market. Other important markets include Great Britain and Canada.

The sales in 1985 amounted to SEK 358m (411m). The drop in sales compared with the previous year is due to the sale of Strömsholmens Bruk and the transfer of Aktiv Fischer's harvester operations to a Finnish company, Oy W. Rosenlew. Profitability remained good.

In 1985, the product line broadly maintained its market shares. A marked improvement was noted for reversible ploughs. During the year, a new sales company was set up in Great Britain.

The move to broaden the range of products and to step up coverage of export markets is continuing.

Motorcycles

In March, 1986, an agreement was reached to sell the motorcycle business to Cagiva Motor Italia S.p.A. Cagiva, which is Europe's largest manufacturer of motorcycles, will take over marketing and product development with effect from April 1986. The plant in Ödeshög will continue to manufacture motorcycles for some three years. Thereafter, other products will be manufactured for the Group.

Sales in 1985 amounted to SEK 151m (135m)

Electric motors

The product line develops and manufactures electric motors, principally for the Group's own household appliances. A small proportion is sold to external customers, mainly in the car industry.

In 1985, sales to customers outside the Group amounted to SEK 156m (161m).

COMMERCIAL SERVICES

Commercial cleaning and laundry services had sales in 1985 of SEK 2,266m (1,979m). The operating income after depreciation increased from SEK 112m to SEK 132m. The operating income as a percentage of sales corresponds to 5.8% (5.7).

Cleaning services

Some 60% of the business consists of traditional cleaning of offices and public premises and disposal of dangerous waste and cleaning in heavy industry. Geographically, it is concentrated in Sweden, but the international activities have been expanding markedly in recent years. At the same time the service program has been steadily broadened.

Sales amounted to SEK 1,480m (1,305m), of which the Swedish operations conducted through ASAB and its subsidiary companies accounted for SEK 842m (722m). Earnings improved and profitability remained at a very good level.

Overall, the Swedish cleaning market is estimated to be worth SEK 10-11bn, of

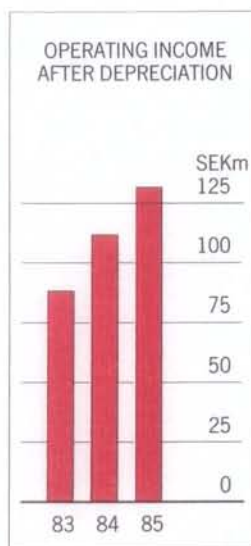
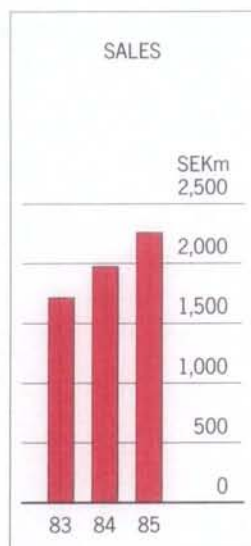
which the public sector accounts for broadly one half. In the private sector, there are a large number of small local cleaning companies. ASAB, the Group's subsidiary company in this field, occupies a leading position in the market.

The service program has been steadily broadened to include more advanced sectors with a higher level of added value in which total solutions can be offered.

The Group has long held a strong position in Sweden. Other important markets include the Middle East, Brazil, the Far East, Australia and the USA.

The customers are mainly large and medium-sized firms in the private sector. However, the number of contracts in the public sector has increased, a trend which looks like being accentuated in coming years. In Sweden the number of contract for asbestos removal, in which ASAB has long experience, is also rising.

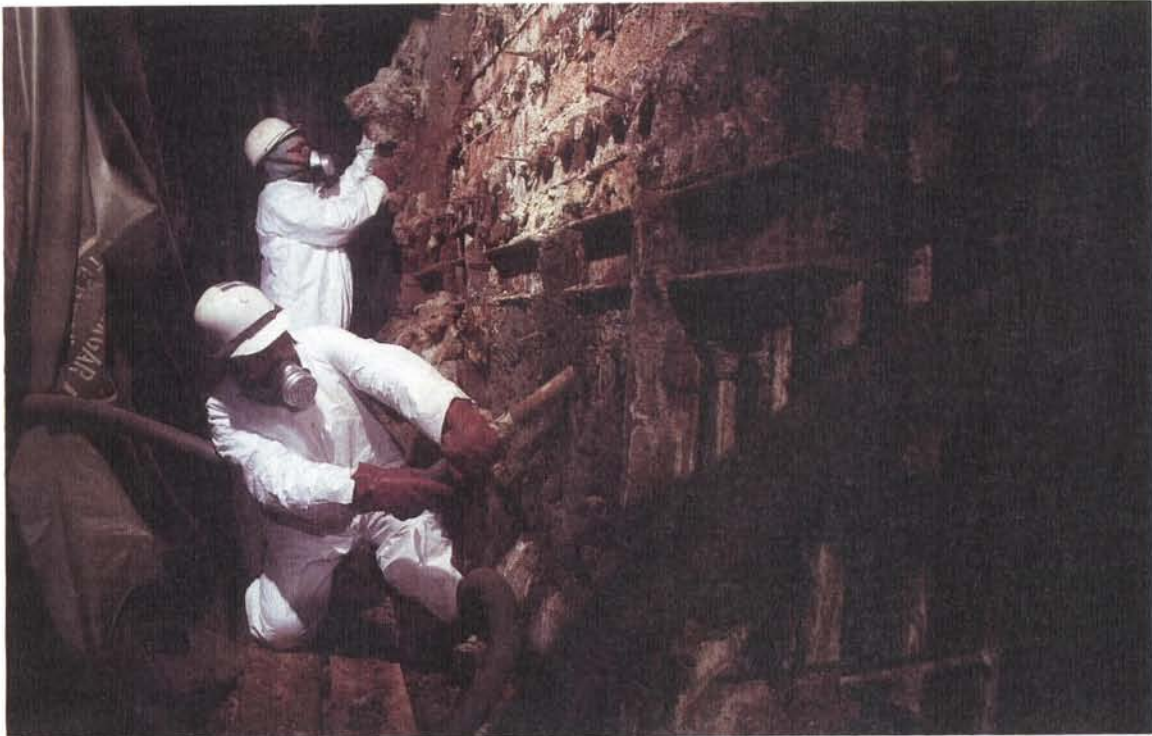
In 1985, property services increased in relative terms, both in Sweden and abroad. Major contracts were signed in such countries as Saudi Arabia and Kuwait under which the services provided include repair of heating, sanitary and electrical installations and maintenance of electrical lighting and air-conditioning systems. In these countries, hospital cleaning and some catering services are also provided.



	1983	1984	1985
Sales, SEKm	1,714	1,979	2,266
Operating income after depreciation, SEKm	88	112	132
Operating income as % of sales	5.1	5.7	5.8



COMMERCIAL SERVICES



Apart from office cleaning, ASAB is also involved in cleaning heavily polluted environments, such as removal of asbestos.

Laundry services and goods protection

The product line is principally oriented towards the laundering and rental of textiles and working apparel, which account for some 70% of total turnover. It also includes the rental and sale of tarpaulins and storage halls. The business is concentrated in Northern Europe, where Sweden and Holland are the most important markets.



Commercial laundry services include laundering and rental of textiles and working apparel for industries, hotels and restaurants.

Sales in 1985 amounted to SEK 786m (674m), an increase of 17% compared with the previous year. Earnings improved substantially, principally owing to higher capacity utilization and intensified efforts to reduce operating costs. Profitability was good.

The Swedish market for industrial laundry services amounts to almost SEK 2bn a year, of which local government and county council laundries account for roughly one half. In the private sector, there are about thirty small and medium-sized companies. The Group's subsidiary company, Tvättman, holds a leading position in the market. One feature of the market is the intensifying competition, especially since the spare capacity of the public sector laundries is increasingly being made available in the private market.

In 1985, demand increased in most of the fields of business within the product line, and the Group's market shares improved. One exception was the market for tarpaulin rental, which showed persistent weakness.

Sales of the Gränges companies in 1985 amounted to SEK 8,513m (7,587m). The increase in sales is principally attributable to the acquisition of a car seat belt company, Klippan Italia S.p.A., and a British metals stockist and distributor, Righton Ltd. The operating income after depreciation amounted to SEK 634m (558m), which corresponded to 7.4% (7.4%) of sales.

Gränges Aluminium

Gränges Aluminium is an integrated aluminium producer which embraces every stage from the production of primary aluminium and recovery of aluminium metal to various types of finished products. The company consists of the Metals Group, Korrugal, SAPA, NordFoil, the Components Group and a number of distribution companies. Most of the customers are in the building, engineering, vehicle and packaging industries. Around 60% of the output is sold abroad, largely in Europe.

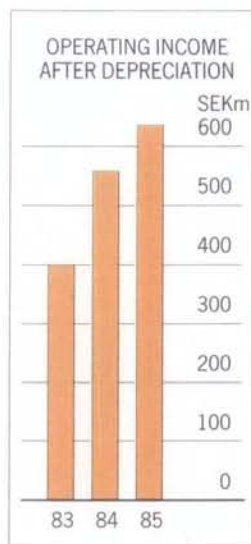
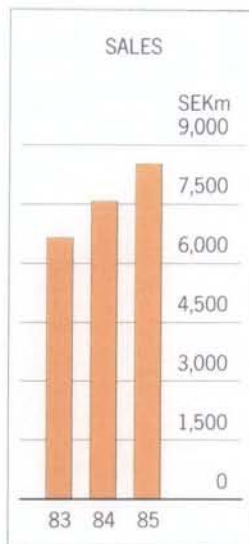
Sales in 1985 amounted to SEK 3,764m (3,420m). Income after depreciation

amounted to SEK 241m (343m). The decline in earnings was due to falling metal prices during the year and slack demand for semi-manufactures.

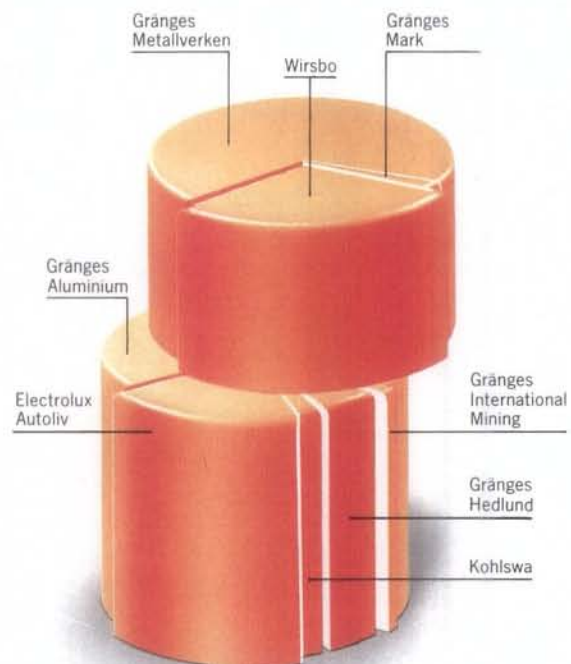
The Metals Group includes Sweden's only electrolytic aluminium plant, which is in Sundsvall, and resmelter units in Finspång and Avesta. In Sundsvall, 82,000 tonnes of primary aluminium are produced annually, and in Finspång and Avesta a total of some 60,000 tonnes of billets and ingots are produced from scrap metal, either collected in the company or purchased. A SEK 250m capital expenditure program at Sundsvall will be completed in 1987. New and improved technology will mean lower production costs, higher capacity and a marked improvement in the work environment.

The Metals Group produces some 80% of the metal which as one alloy or another is further processed by the other units. Gränges Aluminium is consequently less exposed to fluctuations in the state of the economy than many of its large raw material based competitors.

The prices of raw materials, aluminium oxide and scrap have been falling in recent years. The price of electricity, which repre-



	1983	1984	1985
Sales, SEKm	6,641	7,587	8,513
Operating income after depreciation, SEKm	400	558	634
Operating income as % of sales	6.0	7.4	7.4





The building industry is Gränges Aluminium's largest customer. Here SAPA's aluminium profiles are used to cover a newly-built shopping centre in Malmö.

sents a large proportion of the costs, partly moves in line with the inflation rate.

SAPA is one of Europe's leading manufacturers of machined and surface-treated aluminium extrusions, with plants in Sweden, Denmark, Great Britain, the Netherlands and West Germany.

Korrugal manufactures building sheet for roofing and cladding, and sheet and strip for a variety of special products, such as foil, car radiators and beverage cans. The weak demand from the building industry has resulted in a drop in volume and earnings, and led the company to concentrate on more advanced systems and products.

NordFoil manufactures foil and packaging materials in Sweden, Denmark and Finland.

The Components Group mainly manufactures components for the vehicle industry, including bumpers, fuel tanks and pressure vessels. A program intended to improve profitability has been initiated.

The Distribution Group was strengthened during the year through the acquisition of Righton Ltd., a British metals

stockist and distributor, and of Metallvaruhuset from Gränges Metallverken. The reason behind the acquisitions is the policy of moving closer towards the final consumer and complementing metal production with less capital intensive operations. By this means a broader product program and applications expertise can be offered.

Gränges Metallverken and Wirsbo

As of January 1, 1986, Gränges Metallverken and Wirsbo Bruk were sold to Outokumpu Oy, a state-owned Finnish metals company.

Metallverken's sales in 1985 amounted to SEK 2,514m (2,669m), and income after depreciation totalled SEK 149m (183m). Wirsbo's sales in 1985 amounted to SEK 991m (963m) and the income after depreciation was SEK 7m (33m).

Electrolux Autoliv

Electrolux Autoliv is now totally committed to car seat belts and ancillary components. Autoliv is at present the leading

car seat belt company in Europe and one of the largest in the world.

Sales in 1985 amounted to SEK 1,107m compared with SEK 486m in the previous year. The increase was principally attributable to Klippan Italia S.p.A., which was acquired at the start of 1985. Some 90% of sales go to customers abroad. As a result of the acquisition of Klippan and the restructuring benefits that followed, income after depreciation improved from SEK 18m to SEK 61m.

In connection with the acquisition of Klippan, Autoliv sold its holding of 49% of the shares in Sabelt S.p.A., an Italian car seat belt company.

The European market for car seat belts is worth some SEK 3bn. The market is growing as more and more countries are now passing new laws also making the use of seat belts in rear seats compulsory.

The product range largely consists of conventional roller belts. The production units are located in most car producing countries in Europe. Apart from production at their own plants, Autoliv and Klippan products are also manufactured under license in 15 countries, including Japan and South America. In Japan, Autoliv is also engaged in joint product development work together with one of the country's largest seat belt companies.

In 1985, the resources for product development were strengthened and capital investments in machinery and equipment were increased substantially. A large number of new components were launched, including a mechanical seat belt tensioner, and devices to prevent belts from rolling out in collisions, etc. The development work on automatic belts has continued and the first deliveries will be made in 1986.

Kohlswa

Kohlswa operates one of Sweden's largest steel foundries and has a subsidiary company, Kohlswa Essem, which is the country's only producer of powder metallurgical components.

The output is mostly sold in the Swedish market and 1985 sales amounted to SEK 193m (185m). Income after depreciation was a loss of SEK 8m (loss 2m).

As of January 1, 1986, Kohlswa will take over the wear parts activities of Överums Bruk, which means that the product program will be significantly broadened in this sector.

Gränges Hedlund

Sales in 1985 amounted to SEK 339m (314m). The income after depreciation was a loss of SEK 1m compared with a loss of SEK 8m in the previous year.

In 1985 the pipe plant in Jordbro was sold to Rautaruukki Oy, a Finnish steel company which will continue to produce heavy steel pipe for pipelines.

At the beginning of 1986, negotiations were initiated about selling Gränges Hedlund's steel division to Finnboda Varf, a subsidiary of Svenska Varv AB.

Gränges Metalock and the foreign division of Gränges Hedlund are not affected by the planned changes. Metalock concentrates on technically advanced repair and maintenance services for heavy industry, and has much of its business abroad.

Gränges International Mining – GIM

Gränges owns 37% of LAMCO (Liberian American Swedish Minerals Co), which operates one of Africa's largest iron ore mines in Liberia. GIM was responsible for the construction of the mine and installations at the end of the 1950s and has since been responsible for management and administration and for selling the iron ore.

In 1985, 6.4 million tonnes of iron ore were shipped, having a sales value of some SEK 1bn. The ore is mostly sold to the European steel industry.

The present ore body is expected to be fully exhausted by 1990. Negotiations are in progress with the Liberian and Guinean governments on the joint exploitation of adjacent ore bodies, parts of which are located in Guinea. If they are successful, Lamco's installations could be used long into the next century.

Gränges Mark

As of January 1, 1986, this company was sold to Fastighets AB Stockholm-Saltjön.

ELECTROLUX CONSOLIDATED INCOME STATEMENT

(Amounts in SEK m)	1985	1984
OPERATING INCOME AND EXPENSE		
Sales (Note 1)	39,688	34,547
Manufacturing, selling and administrative expenses (Note 2)	-35,337	-30,397
Operating income before depreciation	4,351	4,150
DEPRECIATION ACCORDING TO PLAN		
Goodwill (Note 3)	- 52	- 74
Machinery, equipment and tools (Note 4)	-1,049	- 851
Buildings (Note 4)	- 109	- 104
Land and land improvements (Note 4)	- 4	- 4
	- 1,214	- 1,033
Operating income after depreciation	3,137	3,117
FINANCIAL INCOME AND EXPENSE		
Dividends on shares and participations	17	26
Interest income	413	378
Interest expense	-1,175	-1,082
Foreign exchange differences	28	- 13
Other financial income and expense (Note 5)	156	44
	-561	- 647
Income after financial items (Note 6)	2,576	2,470
EXTRAORDINARY ITEMS (Note 7)		
	176	106
Income before transfers to untaxed reserves and taxes (Note 6)	2,752	2,576
TRANSFERS TO UNTAXED RESERVES		
Releases from inventory reserves	222	58
Transfer to development reserves	- 140	-
Change of profit equalization reserves	- 322	2
Transfer to investment and special investment reserves	- 44	- 190
Releases from investment reserves etc.	3	1
Accelerated depreciation (Note 4)	- 281	- 470
Utilized from investment reserves etc. for accelerated depreciation	41	144
Change in other financial reserves (Note 8)	- 72	- 58
	- 593	- 513
Income before taxes	2,159	2,063
TAXES		
Profit sharing tax	- 104	- 92
Other taxes	- 645	- 778
	- 749	- 870
Income after taxes	1,410	1,193
Minority interests	- 15	- 33
Net income	1,395	1,160

*The figures for 1984 have been adjusted according to changes in accounting principles, see page 39

ELECTROLUX CONSOLIDATED BALANCE SHEET

Assets (Amounts in SEK m)	1985-12-31		1984-12-31	
CURRENT ASSETS				
Cash and bank deposits	1,292		1,130	
Shares and participations	1		1	
Bonds and other securities	1,249	2,542	866	1,997
Notes receivable	639		438	
Accounts receivable	7,225		5,510	
Prepaid expenses and accrued income	360		311	
Other current receivables	848	9,072	1,460	7,719
Inventories		8,238		8,032
Advance payments to suppliers		31		38
TOTAL CURRENT ASSETS		19,883		17,786
BLOCKED ACCOUNTS FOR INVESTMENT AND OTHER RESERVES				
		55		42
FIXED ASSETS				
Shares and participations (Note 9)	1,207		927	
Bonds and other securities	195	1,402	99	1,026
Notes receivable	10		6	
Long-term receivables	1,098	1,108	1,388	1,394
Leases, patents etc.	16		14	
Goodwill (Note 10)	295	311	194	208
Advance payments to suppliers	50		24	
Fixed assets under construction (Note 11)	232		165	
Machinery, equipment and tools (Note 12)	4,184		3,603	
Buildings (Note 13)	1,950		1,696	
Land and land improvements (Note 14)	349	6,765	337	5,825
TOTAL FIXED ASSETS		9,586		8,453
Total assets		29,524		26,281
PLEGGED ASSETS				
Property mortgages		1,389		1,361
Chattel mortgages		876		766
Other pledged assets:				
Receivables		229		175
Inventories		241		199
Other		39		41
		2,774		2,542

ELECTROLUX CONSOLIDATED BALANCE SHEET

Liabilities and stockholders' equity (Amounts in SEK m)	1985-12-31		1984-12-31	
CURRENT LIABILITIES				
Notes payable	223			177
Suppliers	3,040			2,408
Tax payable	244			450
Accrued expenses and deferred income	2,106			1,992
Other current liabilities	1,484			1,454
Advance payments from customers	284	7,381		220 6,701
Bank loans etc.		3,865		2,631
TOTAL CURRENT LIABILITIES		11,246		9,332
LONG-TERM DEBT				
Debenture loans	105			197
Bond loans	1,192			1,043
Mortgage loans, promissory notes	3,903	5,200		4,228 5,468
Deferred taxes	382			307
Negative goodwill (Note 15)	38			-
Other long-term liabilities	277	697		253 560
Pension provisions				
Pensions Registration Institute (PRI)	1,376			1,234
Other	313	1,689		321 1,555
TOTAL LONG-TERM DEBT		7,586		7,583
CONVERTIBLE DEBENTURE LOANS (Note 16)		283		614
UNTAXED RESERVES (Note 17)				
Inventory reserves		1,331		1,615
Accelerated depreciation (Note 18)		1,415		1,171
Development reserves (Note 19)		140		-
Profit equalization reserves		335		13
Investment reserves (Note 19)		242		241
Other financial reserves (Note 8)		475		406
TOTAL UNTAXED RESERVES		3,938		3,446
MINORITY INTERESTS		134		126
STOCKHOLDERS' EQUITY (Note 20)				
Restricted equity				
Capital stock				
2,000,000 "A" shares à SEK 25				1,365
56,554,185 "B" shares à SEK 25	1,464			4
Converted not registered capital stock	48			
Restricted reserves	1,328	2,840		1,041 2,410
Non-restricted equity				
Non-restricted reserves	2,102			1,610
Net income	1,395	3,497		1,160 2,770
TOTAL STOCKHOLDERS' EQUITY		6,337		5,180
Total liabilities and stockholders' equity		29,524		26,281
CONTINGENT LIABILITIES				
Discounted notes		142		88
Guarantees and other contingent liabilities		791		854
Capitalized value of pension commitments in excess of amount shown as liability		88		49
		1,021		991

CONSOLIDATED STATEMENT OF SOURCE AND USE OF FUNDS

(Amounts in SEK m)	1985		1984	
FUNDS GENERATED FROM OPERATIONS				
Operating income before depreciation	4,351		4,150	
Financial income and expense	- 561		- 647	
Deposits to blocked accounts	- 13		- 25	
Taxes	- 749		- 870	
Release of negative goodwill	- 94		- 17	
Capital gains included in operating income	- 99	2,835	- 120	2,471
Dividend paid		- 356		- 288
CHANGE IN WORKING CAPITAL EXCL. LIQUID FUNDS				
Increase in current receivables	-1,346		- 546	
Increase in inventories	- 206		- 514	
Increase in current liabilities	680	- 872	821	- 239
Funds from business operations available for investments		1,607		1,944
INVESTMENTS				
Machinery, buildings etc.	-2,401		-1,694	
Long-term receivables	162		- 530	
Shares and participations	- 280		- 366	
Sales of fixed assets	402	- 2,117	494	-2,096
Financial deficit after investments		- 510		- 152
FINANCING				
Decrease/increase in long-term loans	- 599		825	
Increase in pension liabilities	134		157	
Increase/decrease in other long-term liabilities	99	- 366	- 103	879
Conversion of convertible debentures		331		137
Change in minority interests, group structure, exchange differences		- 144		53
Change in liquid funds and current liabilities		- 689		917
of which increase in liquid funds		545		472
increase/decrease current liabilities		-1,234		445

Accounting principles

Changes in accounting principles

With effect from 1985, the most important changes are:

- The income statements of foreign subsidiary companies are translated at average exchange rates during the year, instead of using year-end rates as was previously the practice.
- The reduction in the equity that arises in countries with especially high inflation rates is charged against the consolidated operating income (see below).
- A more conservative approach has been adopted to the classification of items as extraordinary.

Except for the 1984 figures, previous year figures are not adjusted to take the new accounting principles into consideration. When applied to the 1984 income statement the new principles give rise to the following effects:

1984 Income Statement (SEK m)

	Restated	Previous principles	Change
Sales	34,547	34,981	-434
Operating income before depreciation	4,150	4,139	+ 11
Depreciation according to plan	-1,033	-1,029	- 4
Operating income after depreciation	3,117	3,110	+ 7
Financial items	- 647	- 650	+ 3
Income after financial items	2,470	2,460	+ 10
Extraordinary items	106	200	- 94
Income before transfers to untaxed reserves	2,576	2,660	- 84
Transfers to untaxed reserves	- 513	- 517	+ 4
Income before taxes	2,063	2,143	- 80
Taxes	- 870	- 895	+ 25
Income after taxes	1,193	1,248	- 55
Minority interests	- 33	- 33	0
Net income	1,160	1,215	- 55

Consolidated financial statements

The consolidated financial statements include AB Electrolux and all the companies in which the parent company directly or indirectly owns at the year-end more than 50% of the voting rights attached to all the shares or participation certificates. The number of active companies in the Group at the end of the year was 395 (366). The total number of companies was 639 (605).

The income and expense of companies acquired during the year are only included in the consolidated income statement with effect from the date of acquisition. Companies sold during the year are not included in the consolidated income statement.

The consolidated financial statements are drawn up using the purchase method, which means that the acquisition cost of shares or participations have been eliminated against the adjusted equity, including half the untaxed reserves of the subsidiary companies at the time of acquisition. The assets and liabilities of subsidiary companies are then revalued using available documentation. Any residual difference is stated as goodwill or negative goodwill.

Goodwill is depreciated by 10% a year and stated under "Depreciation according to plan".

Negative goodwill has arisen through the acquisition of companies, which at the time of acquisition did not show satisfactory profitability and which are not expected to meet the Group's profitability requirements until several years have passed. The negative goodwill is released by amounts corresponding to the forecasted subnormal result for the subsidiary company at the time of acquisition and taken into account in the purchase price, calculated on the basis of the Group's profitability requirements. Reversing negative goodwill in relation to forecast and not the actual results is justified by the fact that the latter, on account of the restructuring of the acquired companies, may be difficult to quantify. The reversal of negative goodwill is included in the operating income before depreciation. In cases where acquired companies are expected to meet the Group's profitability requirements from the time of acquisition, the negative goodwill is used to write down the value of fixed assets.

Residual values relating to goodwill and negative goodwill are stated in the consolidated balance sheet as separate items.

The balance sheets of foreign subsidiary companies are translated into Swedish kronor at year-end rates. As of 1985, income statements are translated at average rates during the year.

In the case of most foreign subsidiary companies, translation differences are taken direct to equity. The parent company has raised loans in foreign currencies in order to hedge the equity of foreign subsidiary companies against fluctuations in exchange rates. The exchange differences on these loans are netted off against exchange differences arising from the translation of the assets and liabilities of foreign subsidiary companies into Swedish kronor.

In the case of foreign subsidiary companies in countries with especially high inflation rates, the translation difference and the difference between the

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

net income translated at average rates and year-end rates are charged against the operating income before depreciation. The adjustment in the value of fixed assets to cover inflation is credited to the operating income. Consequently, this method means that increases/decreases in equity in countries with especially high inflation rates are stated fully in the consolidated income statement.

Any minority interests in taxed equity are stated as 'Minority Interests' in the balance sheet.

In this annual report the Electrolux Group pays due regard in all essentials to the guidelines by OECD (Organization for Economic Cooperation and Development) for companies operating on an international basis.

Receivables and liabilities in foreign currencies

Parent Company

Current receivables and current and long-term liabilities respectively are translated at year-end rates. Unrealized foreign exchange losses and profits are netted off against each other. Any net loss thus arising is charged against operating income, while any net profit thus arising is deferred.

Long-term receivables in foreign currencies are stated at the lower of the value at the time of acquisition and the value on the balance-sheet date. In cases where there is a direct connection between a long-term receivable and a long-term liability, both the receivable and the liability are valued using the same exchange rate.

Group

Swedish subsidiary companies treat receivables and liabilities in foreign currencies using the same principles as the parent company. In the case of foreign subsidiary companies, receivables and liabilities in other currencies than their own are translated in accordance with local law and practice, generally at year-end rates.

Valuation of inventories

Inventories are valued at the lower of acquisition value and actual value. Acquisition values are calculated using the first-in first-out (FIFO) principle. Necessary provisions have been made for obsolescence. Internal profits have been eliminated.

In valuing their inventories some American subsidiary companies use the LIFO method (last-in first-out). In order to obtain uniform principles for the Group, the difference arising from the use of the LIFO method compared with the FIFO method used by the Electrolux Group generally, is stated in the consolidated accounts as a 'General Inventory Reserve'.

Depreciation of buildings, machinery etc

Depreciation according to plan is based on the acquisition value of the assets before any write-offs against investment or similar reserves. The depreciation period is based on the estimated economic life of the assets. The following percentage depreciation rates are generally used:

Buildings	2-4%
Machinery and equipment	7-20%
Vehicles	20-25%
Production tools	33.3%

In cases where the assets have been revalued to the estimated acquisition cost to the Group in the preparation of the consolidated balance sheet, depreciation according to plan is based on the adjusted value.

The difference between fiscal depreciation and depreciation according to plan is stated in the income statement as "Accelerated Depreciation" under transfers to untaxed reserves and in the balance sheet as an untaxed reserve. Accumulated depreciation in excess of plan on property is reduced by the residual value of any revaluation that has been made. Depreciation in excess of plan includes utilization of investment reserves, etc.

Depreciation of revalued fixed assets is stated in the income statement as depreciation in excess of plan.

Extraordinary items

As of 1985 only transactions which lack any clear connection with the ordinary operations, which cannot be expected to occur regularly, and which amount to a significant sum, are stated as extraordinary items. Profits or losses on the sale of fixed assets and lines of business as well as restructuring costs are in most cases a natural consequence of the acquisition strategy of the Group and are therefore included in the operating income before depreciation.

Taxes

The tax charge on the Electrolux Group is influenced, apart from by the normal result, by transfers to general inventory reserves, etc, and the use of losses that have already occurred or are carried forward in the accounts of acquired companies. This applies to both Swedish and foreign Group companies.

Actual tax for 1985 amounted to 27% and full tax, viz. actual tax plus tax at the standard 50% rate on transfers to untaxed reserves, amounted to 38% of income before transfers to untaxed reserves.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Definitions used in the Ten-year review on page 64

Return on net assets

Operating income after depreciation plus financial income expressed as a percentage of average total assets less non-interest bearing debt including deferred taxes on untaxed reserves.

Interest cover

Operating income after depreciation plus financial income in relation to interest costs.

Return on equity (standard tax)

Income after financial items less tax at the standard rate of 50% and minority interests expressed as a percentage of opening adjusted equity plus loan stock converted during the year. Adjusted equity is calculated as the sum of stated equity and 50% of untaxed reserves.

Total return on equity (actual tax)

Income before transfers to untaxed reserves less actual taxes and minority interests expressed as a percentage of the opening equity and untaxed reserves plus loan stock converted during the year.

Adjusted earnings/total adjusted earnings in kronor per share

The calculation is explained in Note 6 on page 42. Account has been taken of full conversion of outstanding convertible loan stock and splits and bonus issues during the period.

Dividend per share

For 1985 the proposal of the Board of Directors. Account has been taken of splits and bonus issues during the period.

Adjusted equity (full tax)

Stated equity plus 50% of untaxed reserves.

Risk-bearing capital

Equity, minority interests, untaxed reserves and deferred taxes relating to untaxed reserves of acquired companies.

Amounts in SEKm

Note 1 Sales

The reported amount excludes value added taxes and sales taxes.

Note 2 Manufacturing, selling and administrative expenses

This item includes a SEK 94m (17m) release of negative goodwill. See "Accounting principles".

The figure also includes the following items, which were stated as extraordinary income and expense using the previous accounting principles.

	1985	1984
Sales of fixed assets		
Capital gains, real estate	109	84
Capital losses, real estate	- 33	- 2
Capital gains, shares	19	56
Capital losses, shares	- 4	-17
Share issue expenses	- 9	-11
Other costs and income, net	-	-16
Total	82	94

In respect of subsidiary companies in countries where inflation rates are extremely high, translation differences, the difference between net income translated at average rates and year-end rates as well as corrections for inflation in the value of fixed assets, are included in this item - an expense of SEK 138m (24m).

Note 3 Depreciation, goodwill

Goodwill arising from the use of the purchase method of consolidation is depreciated at an annual rate of 10%.

Note 4 Depreciation and accelerated depreciation

For depreciation principles see "Accounting principles". The difference between depreciation according to plan and fiscal depreciation is shown below.

	1985	1984
Machinery, equipment and tools		
Depreciation according to plan	1,049	851
Fiscal depreciation	-1,225	-1,152
Difference	- 176	- 301
Buildings		
Depreciation according to plan	109	104
Fiscal depreciation	- 159	- 129
Difference	- 50	- 25
Land and land improvements		
Depreciation according to plan	4	4
Fiscal depreciation	- 18	- 4
Difference	- 14	0
Total difference	- 240	- 326

In addition, accelerated depreciation has been charged against investment and similar reserves as follows:

	1985	1984
Investment reserves		
Machinery, equipment and tools	- 0	- 1
Buildings	- 0	- 3
Special investment reserves		
Buildings under construction	- 0	- 5
Machinery, equipment and tools	- 13	- 99
Buildings	- 27	- 34
Land and land improvements	- 1	- 2
Total	- 41	-144
Total accelerated depreciation	-281	-470

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 5 Other financial income and expense

The amount of SEK 156 m includes accrued part of the difference between the redemption amount and the book value of the SSAB shares, SEK 49 m, (see also Note 8), exchange profit due to repayment of preference shares in Lamco, SEK 80 m, as well as interest income, SEK 138 m, and interest expense, SEK 135 m, regarding interest arbitrage. Receivables as well as liabilities regarding interest arbitrage had a closing balance of SEK 743 m, which amounts have been netted off against each other.

Note 6 Earnings per share

	1985	1984
A. Income after financial items (Standard tax rate 50%)		
Income after financial items	2,576	2,470
Minority interests	- 33	- 51
Adjusted pre-tax income	2,543	2,419
Tax at 50%	-1,271	-1,209
Interest on convertible debenture loans after 50% standard tax	13	30
Adjusted income after tax	1,285	1,240
Earnings per share, fully diluted (65,487,578 shares)	19:60	18:90
B. Income after extraordinary items (Actual tax)		
Income after extraordinary items	2,752	2,576
Actual tax charge according to the income statement	- 749	- 870
	2,003	1,706
Adjustment for minority interests	- 19	- 37
Interest on convertible debenture loans after 50% standard tax	13	30
Adjusted income after deduction of actual taxes	1,997	1,699
Earnings per share, fully diluted (65,487,578 shares) according to the partial method	30:50	25:90
C. Income after extraordinary items (Full tax)		
Income after extraordinary items	2,752	2,576
Actual tax charge according to the income statement	- 749	- 870
Deferred taxes at a rate of 50% on transfers to untaxed reserves	- 296	- 256
	1,707	1,450
Adjustment for minority interests	- 17	- 35
Interest on convertible debenture loans after 50% standard tax	13	30
Adjusted income after full tax	1,703	1,445
Earnings per share, fully diluted (65,487,578 shares) according to the full tax method	26:00	22:10

Note 7 Extraordinary items

Extraordinary items in 1985 consisted of the capital gain which was made on the sale of shares in Fermenta AB. The figure for 1984 include capital gains made on the sale of shares in not consolidated companies, among others Arno S.A., Brazil, SEK 43m and Boliden AB, SEK 38m.

Note 8 Change in other financial reserves

In principle all the companies in the Group apply uniform methods for calculating inventory obsolescence, doubtful debts, guarantees, etc, regardless of local tax rules. However, in some countries further provisions are permitted. These are shown in the consolidated income statement under the above heading.

According to the agreement with the State, Gränges will be entitled in 1991 to call for the redemption of its shares in SSAB by the State at a price of SEK 875 m, on condition that SSAB is still in existence. The difference between the written-down book value of the SSAB shares, SEK 375 m, and the redemption amount of SEK 875 m is being taken to income over the period ending at the redemption date, taking into account the interest factor. The amount for 1985, SEK 49 m, is reported as financial income. As however it will not be at the company's disposal until the redemption date an equivalent amount has been transferred to untaxed reserves and is included under the heading 'Other financial reserves' with an amount of SEK 171 m.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 9 Shares and participations, fixed assets (SEK m)

	Number	Percentage holding	Nominal value	Book value
Holdings of AB Electrolux as shown in the list on page 52				746
Swedish companies				
SSAB Svenskt Stål AB	6,250,000	25	625.0	375
Vestator AB	280,000	12	10.0	17
Gotthard Nilsson AB	120,168	30	12.0	12
Industrilackering i Vetlanda AB	225	45	0.0	1
Foreign companies				
Lamco, Liberia (The Liberian American-Swedish Minerals Company)				
Lamco, Common Stock (Class B)	1,000,000	50	7.6	0
Lamco, Capital Obligation		—	98.0	
Forbach GmbH, West Germany	1	50	10.2	9
BKI S.A., Spain	1,715	49	0.9	7
Air Machine Corporation, USA	1,500,000	39	0.0	6
Eureka Forbes Ltd., India	330,000	40	2.5	3
Kotimaiset Kotitalouskoneet Oy, Finland	2,000	50	2.8	3
Mundo Blanco S.A., Venezuela	1	10	3.2	3
C&G Banken A/S, Denmark	—	6	2.5	3
Zanker N.V., Belgium	250	50	4.5	2
Construction and Repair Services Co Ltd., Cyprus	1,000	50	2.1	2
Lepper-Dominit Transformatoren GmbH, West Germany	1	2	1.8	2
Transition Research Corp., USA	7,000	4	0.0	1
Innkaup HF, Island	25	20	0.1	1
Irvin Sud S.p.A., Italy	75,000	25	3.4	1
Other (A complete list of stockholdings has been attached to the Annual Report filed with the Swedish Patent and Registration Office)				13
				1,207

Note 10 Goodwill

	1985	1984
Opening balance	194	251
Addition for companies acquired	155	30
Depreciation	— 52	— 74
Less: sold companies	— 2	— 13
Closing balance	295	194

Note 11 Fixed assets under construction

	1985	1984
Opening balance	160	200
Net change during the year, including assets held by companies acquired during the year	74	— 37
Corrections arising from changes in translation rates, sales, etc	— 2	2
Residual value	232	165
Depreciation against special investment reserves	— 0	— 5
Closing balance	232	160

Note 12 Machinery, equipment and tools

	1985	1984
Cost	9,170	7,961
Accumulated depreciation according to plan	— 4,986	— 4,358
Residual value	4,184	3,603
Accumulated accelerated depreciation	— 1,347	— 1,166
Net book value	2,837	2,437

Note 13 Buildings

	1985	1984
Cost	3,227	2,929
Accumulated depreciation according to plan	— 1,277	— 1,258
Residual value	1,950	1,671
Accumulated accelerated depreciation	— 319	— 229
Non-depreciated part of revaluations	251	254
Net book value	1,882	1,696
Tax assessment value of buildings in Sweden	1,424	1,396
Net book value of buildings in Sweden	652	539

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 14 Land and land improvements

	1985	1984
Cost	332	316
Accumulated depreciation according to plan	- 54	- 47
Residual value	278	269
Accumulated accelerated depreciation	- 7	- 1
Non-depreciated part of revaluations	78	69
Net book value	349	337
Tax assessment value of land in Sweden	162	158
Net book value of land in Sweden	134	123

Note 15 Negative goodwill

	1985	1984
Opening balance	-	1
Addition for companies acquired during the year	132	16
Release as in Note 2	-94	-17
Closing balance	38	-

Note 16 Convertible debenture loans

See Note 13 on the balance sheet of the parent company.

Note 17 Untaxed reserves

Untaxed reserves shown in the consolidated balance sheet do not include SEK 743m (919m) of untaxed reserves in subsidiary companies. This amount has been eliminated using the purchase method.

Minority interests account for SEK 24m (18m) of the reported untaxed reserves.

Note 20 Stockholders' equity

	Capital stock	Conv. not reg. cap. stock	Restricted reserves	Non-restr. reserves	Net income	Total
Opening balance	1,365	4	1,041	1,610	1,160	5,180
Conversion of debentures	-	143	189	-	-	332
Registered increase in capital stock	99	-99	-	-	-	-
Transfer of 1984 profit	-	-	-	1,160	-1,160	-
Dividend	-	-	-	-356	-	-356
Revaluation of fixed assets	-	-	2	-	-	2
Unclaimed shares issued in connection with bonus issue	-	-	3	-	-	3
Transfer between reserves	-	-	170	-170	-	-
Adjustments for exchange rate fluctuations, etc	-	-	- 77	-142	-	-219
Net income	-	-	-	-	1,395	1,395
Closing balance	1,464	48	1,328	2,102	1,395	6,337

An amount of SEK 72 m, out of the total Group retained earnings (SEK 3,497 m), is required for transfers to restricted reserves.

Note 18 Accumulated accelerated depreciation

Machinery, equipment and tools

	1985	1984
Opening balance	1,171	794
Accelerated depreciation	176	301
Depreciation against investment reserves	13	105
Miscellaneous adjustments	- 13	- 29
Closing balance	1,347	1,171

The figure for 1984 includes SEK 5m regarding buildings under construction.

Buildings

	1985	1984
Opening balance	-	-
Accelerated depreciation	41	-
Depreciation against investment reserves	27	-
Closing balance	68	-

Note 19 Investment and compulsory investment reserves

Investment reserves

	1985	1984
Opening balance	9	8
Transfer	37	6
Utilized for depreciation	-0	-4
Other	1	-1
Closing balance	47	9

Special investment reserves

	1985	1984
Opening balance	232	189
Transfer	4	183
Utilized for depreciation	-41	-140
Closing balance	195	232

Development reserves

	1985	1984
Opening balance	-	-
Transfer	140	-
Closing balance	140	-

PARENT COMPANY INCOME STATEMENT

(Amounts in SEK m)	1985		1984	
OPERATING INCOME AND EXPENSE				
Sales	(Note 1)	3,217		3,183
Manufacturing, selling and administrative expenses	(Note 2)	-3,039		-2,934
Operating income before depreciation		178		249
DEPRECIATION ACCORDING TO PLAN				
Patents		- 0		- 0
Machinery, equipment and tools	(Note 3)	-117		-105
Buildings	(Note 3)	- 7		- 7
Land and land improvements	(Note 3)	- 0	- 124	- 112
Operating income after depreciation		54		137
FINANCIAL INCOME AND EXPENSE				
Dividends on shares and participations in subsidiary companies	(Note 4)	1,379		611
Dividends on other shares and participations		1		0
Group contributions received	(Note 5)	493		311
Interest income		240		239
Interest expense		-738		-675
Foreign exchange differences		113		- 92
Other financial income and expense	(Note 6)	- 8	1,480	- 7
Income after financial items		1,534		524
EXTRAORDINARY ITEMS	(Note 7)	176		-
Income before transfers to untaxed reserves and taxes		1,710		524
TRANSFERS TO UNTAXED RESERVES				
Releases from inventory reserve		87		120
Transfer to development reserve		- 48		-
Transfer to profit equalization reserve		-110		-
Transfer to investment reserve		- 15		-
Transfer to special investment reserve		-		- 35
Accelerated depreciation	(Note 3)	- 33		- 77
Utilized from special investment reserve for accelerated depreciation	(Note 16)	17		82
Change in reserve for unrealized profit in inven- tories of foreign subsidiary companies	(Note 8)	10	- 92	11
Income before taxes		1,618		625
TAXES				
Profit-sharing tax		- 31		-
Temporary dividend tax		-		0
Other taxes		- 9	- 40	- 7
Net income		1,578		618

PARENT COMPANY BALANCE SHEET

Assets (Amounts in SEK m)	1985-12-31		1984-12-31	
CURRENT ASSETS				
Cash and bank deposits	454		231	
Treasury bills and other securities	801	1,255	779	1,010
Notes receivable	1		-	
Receivables				
Subsidiary companies	1,363		1,048	
Customers	27	(Note 20)	40	
Prepaid expenses and accrued income	59		58	
Other current receivables	77	1,527	812	1,958
Inventories		498		526
Advance payments to suppliers		3		1
TOTAL CURRENT ASSETS		3,283		3,495
BLOCKED ACCOUNTS AT THE CENTRAL BANK OF SWEDEN				
Investment reserve	0		0	
Special investment reserve	2	2	0	0
TOTAL BLOCKED ACCOUNTS		2		0
FIXED ASSETS				
Shares and participations		(Note 9)		
Subsidiary companies	6,067		4,862	
Other shares and participations	746	6,813	459	5,321
Other securities		40		41
Long-term receivables				
Subsidiary companies	727		606	
Other	172	899	524	1,130
Patents		-		0
Advance payments to suppliers	20		7	
Fixed assets under construction	22		29	
Machinery, equipment and tools	490	(Note 10)	425	
Buildings	158	(Note 11)	152	
Land and land improvements	20	710	20	633
TOTAL FIXED ASSETS		8,462		7,125
Total assets		11,747		10,620
PLEGGED ASSETS				
Property mortgages		96		94
(of which on behalf of subsidiary companies)		(2)		(4)
Chattel mortgages		212		202
(of which on behalf of subsidiary companies)		(97)		(55)
Receivables		-		23
		308		319

PARENT COMPANY BALANCE SHEET

Liabilities and stockholders' equity (Amounts in SEK m)	1985-12-31		1984-12-31	
CURRENT LIABILITIES				
Accounts payable				
Subsidiary companies	1,309		1,536	
Suppliers	247		234	
Tax payable	43		30	
Accrued expenses and deferred income	366		363	
Other current liabilities	67		235	
Advances from customers	0	2,032	0	2,398
Bank loans		835		561
TOTAL CURRENT LIABILITIES		2,867		2,959
LONG-TERM DEBT				
Subsidiary companies	214		222	
Debenture loans	48		60	
Bond loans	997		786	
Mortgage loans, promissory notes	2,174		2,496	
Other long-term liabilities	88	3,521	65	3,629
Pension provisions				
Pensions Registration Institute (PRI)	323		300	
Other	15	338	15	315
TOTAL LONG-TERM DEBT		3,859		3,944
CONVERTIBLE DEBENTURE LOANS (Note 13)		283		614
UNTAXED RESERVES				
Inventory reserve		175		262
Accelerated depreciation (Note 14)		321		288
Development reserve (Note 17)		48		-
Profit equalization reserve		110		-
Investment reserve (Note 15)		15		0
Special investment reserve (Note 16)		5		35
Reserve for unrealized profit in stock of foreign subsidiary companies (Note 8)		33		43
TOTAL UNTAXED RESERVES		707		628
STOCKHOLDERS' EQUITY (Note 18)				
Restricted equity				
Capital stock				
2,000,000 "A-shares" à SEK 25				
56,554,185 "B-shares" à SEK 25	1,464		1,365	
Converted not registered capital stock (Note 19)	48		4	
Legal reserve	556	2,068	365	1,734
Non-restricted equity				
Retained earnings	385		123	
Net income	1,578	1,963	618	741
TOTAL STOCKHOLDERS' EQUITY		4,031		2,475
Total liabilities and stockholders' equity		11,747		10,620
GUARANTEES AND CONTINGENT LIABILITIES (Note 20)				
On behalf of subsidiary companies		420		291
Value of pension commitments in excess of amounts allocated in the balance sheet		28		15
Other		89		158
		537		464

PARENT COMPANY STATEMENT OF SOURCE AND USE OF FUNDS

(Amounts in SEK m)	1985		1984	
FUNDS GENERATED FROM OPERATIONS				
Operating income before depreciation	178		249	
Financial income and expense	1,480		387	
Capital gains included in operating income	- 4		- 6	
Write-down of fixed assets included in operating income	4		0	
Taxes	- 40		- 7	
Deposits to blocked accounts	- 15	1,603	- 3	620
Dividend paid		- 356		-288
CHANGE IN WORKING CAPITAL EXCL. LIQUID FUNDS				
Decrease in current receivables	202		922	
Decrease in inventories	28		111	
Decrease/Increase in current liabilities	- 139	91	253	1,286
Funds from business operations available for investments		1,338		1,618
INVESTMENTS				
Machinery, buildings, etc.	- 219		-160	
Decrease/Increase of long-term loans	- 454		973	
Shares and participations	-1,508		-1,300	
Sales of fixed assets	224	-1,957	54	-433
Financial deficit/surplus after investments		- 619		1,185
FINANCING				
Decrease/Increase in long-term receivables	210		-479	
Increase in pension liabilities	23		30	
Increase in other long-term liabilities	23	256	65	-384
Conversion of convertible debentures	331		138	
Unclaimed shares issued in connection with bonus issue	3	334	-	138
Change in liquid funds and current liabilities		- 29		939
of which increase in liquid funds		245		845
increase/decrease in current liabilities		- 274		94

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

(Amounts in SEK m)

Note 1 Sales and operating income before depreciation

The reported amount excludes value added taxes.

	1985	1984
Sales to non-Group customers	817	781
Sales to Group companies	2,400	2,402
Total	3,217	3,183

Purchases from Group companies accounted for 34.9% of AB Electrolux total purchases during the year.

Note 2 Manufacturing, selling and administrative expenses

This figure includes the following items, which were stated as extraordinary income and expense using the previous accounting principles.

	1985	1984
Sales of fixed assets		
Capital gain, real estate	2	1
Capital loss, real estate	-	- 0
Capital gain, shares	5	6
Capital loss, shares	- 3	- 1
Write-down of shares	- 4	- 0
Share issue expense	- 7	- 2
Stockholder contribution	- 1	- 1
Payment under guarantee commitment for subsidiaries	-62	-34
Total	-70	-31

Note 3 Depreciation and accelerated depreciation

For depreciation principles see "Accounting principles" on page 40. The difference between depreciation according to plan and fiscal depreciation is shown below.

	1985	1984
Machinery, equipment and tools		
Depreciation according to plan	117	105
Fiscal depreciation	-130	- 96
Difference	- 13	9
Buildings		
Depreciation according to plan	7	7
Fiscal depreciation	- 10	- 11
Difference	- 3	- 4
Land and land improvements		
Depreciation according to plan	0	0
Fiscal depreciation	- 0	- 0
Difference	- 0	- 0
Total difference	- 16	5

In addition accelerated depreciation has been charged against special investment reserve as follows:

	1985	1984
Machinery, equipment and tools	- 3	- 72
Buildings	- 14	- 10
Total	- 17	- 82
Total accelerated depreciation	- 33	- 77

Note 4 Dividends on shares and participations in subsidiary companies

Dividends from Swedish subsidiary companies amounted to SEK 1,189 m (548 m), of which SEK 666 m relate to as dividend received shares in Gränges Metallverken and Wirsbo Bruks AB. Dividends from foreign subsidiary companies were SEK 190 m (63 m).

Note 5 Group contributions

Of total Group contributions, SEK 833 m (311 m) have been received from and SEK 340 m (-) been submitted to subsidiary companies.

Note 6 Other financial income and expenses

Other financial income and expenses include interest income, SEK 138 m (72 m) and interest expense, SEK 135 m (70 m) regarding what is called interest arbitrage. Receivables as well as liabilities regarding interest arbitrage had a closing balance of SEK 743 m (727 m). In the balance sheet the amounts have been netted off against each other.

Note 7 Extraordinary items

Extraordinary items consists of the capital gain which was made on the sale of shares in Fermenta AB.

Note 8 Reserve for unrealized profit in the inventories of foreign subsidiary companies

This reserve consists of the difference between the prices charged by the parent company and the manufacturing costs of such products as remained in the inventories of the receiving foreign subsidiary companies at the year-end, less the inventory reserves of these companies in respect of products manufactured by the parent company.

Note 9 Shares and participations

In excess of the write-down of shares which are accounted for under "Manufacturing, selling and administrative expenses" (see Note 2) the book value of shares and participations in certain subsidiary companies has been written down with SEK 233 m. Other subsidiary companies have simultaneously been depreciated with the same amount.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

Company	Number	Percentage holding	Nominal value local currency ('000)	Book value SEK ('000)
Subsidiary companies in Sweden				
Gränges AB	7,250,000	100	SEK 725,000	717,483
Gränges Metallverken AB	500,000	100	SEK 50,000	625,600
Wirso Bruks AB	8,000,000	100	SEK 40,000	192,400
ASAB Serviceföretaget AB	17,000,000	100	SEK 85,000	147,404
Electrolux Motor AB	1,440,000	100	SEK 72,000	131,218
Husqvarna AB	825,000	100	SEK 82,500	121,400
Beijer Byggmaterial AB	921,660	100	SEK 46,083	88,440
Euroclean AB	40,000	100	SEK 40,000	60,578
Electrolux Storkök AB	500,000	100	SEK 50,000	53,126
AB Tvättman	115,000	100	SEK 11,500	49,820
Elefac Finans AB	225,000	100	SEK 22,500	27,000
Electrolux Constructor AB	500,000	100	SEK 25,000	26,250
Electrolux-Wascator AB	25,000	100	SEK 25,000	25,000
Electrolux Leasing AB	150,000	100	SEK 15,000	15,000
Electrolux Förvaltnings AB	112,500	100	SEK 11,250	14,264
AB Överums Bruk	210,000	100	SEK 21,000	13,641
Electrolux Cleaning Equipment AB	100,000	100	SEK 10,000	10,900
Electrolux Försäkrings AB	100,000	100	SEK 10,000	10,000
Ballingslöv AB	90,000	100	SEK 9,000	10,000
I.A.Z. International Sweden AB	1,800	100	SEK 1,800	8,040
Jonsereds AB	60,000	100	SEK 6,000	8,000
Husqvarna Motorcyklar AB	6,000	100	SEK 6,000	7,080
Jonsereds Godsskydd AB	1,000	100	SEK 100	6,927
Växjö Rostfritt AB	25,000	100	SEK 2,500	6,100
Electrolux Svenska Försäljnings AB	60,000	100	SEK 6,000	6,000
Bröderna Brodd AB	9,000	100	SEK 900	5,491
AB Elektroservice	50,000	100	SEK 5,000	5,069
AB Elektro Helios	50,000	100	SEK 5,000	5,000
Electrolux Mecatronik AB	35,000	100	SEK 3,500	4,199
B. Johanssons Pappersförädling AB	1,100	100	SEK 110	3,641
AB Partner	8,000	100	SEK 800	3,300
Fastighets AB Adam	3,000	100	SEK 3,000	3,004
Zig-Zag Fabriks AB	7,500	100	SEK 750	2,596
Lipori AB	20,000	100	SEK 2,000	2,400
AB Höörs Plåt	2,400	100	SEK 1,200	2,400
Aktiv Fischer AB	13,400	100	SEK 1,340	2,366
Getinge Mekaniska Verkstads AB	50,000	100	SEK 5,000	1,850
Fastighets AB Morgongåva	40,000	100	SEK 2,000	1,463
Electrolux International Sales AB	2,000	100	SEK 1,000	1,035
Björnkäder AB	10,000	100	SEK 1,000	1,000
Pysslingen Förskolor AB	1,000	100	SEK 1,000	850
Husqvarna Licensing AB	8,000	100	SEK 800	800
Husqvarna Sundsvalls Depot AB	500	100	SEK 500	500
Svenska Hemmaskiner AB	250	100	SEK 250	419
Electrolux Fond AB	2,500	100	SEK 250	250
TUVAB Miljö & Konsult AB	300	100	SEK 300	208
ASAB Saneringsteknik AB	2,000	100	SEK 200	200
AB Volta	2,000	100	SEK 200	200
AB ETH	1,000	100	SEK 100	200
Jonsered Motor AB	2,000	100	SEK 200	150
Electrolux Industrial Systems AB	1,000	100	SEK 100	100
Nordwaggon AB	1,000	50.0	SEK 100	100
Sturebadstvätt AB	500	100	SEK 50	60
Örebro Fönsterputsnings AB	500	100	SEK 50	60
Bruksartiklar i Sundsvall AB	500	100	SEK 50	50
Lasse Larsson Hushållsservice AB	500	100	SEK 50	50
M.J.-Maskiner AB	500	100	SEK 50	50
International Waste Services AB	250	50.0	SEK 50	50
Svensk Inkassoservice AB	500	100	SEK 50	50
Tammermatic Svenska AB	500	100	SEK 50	36
Finnagro AB	255	51.0	SEK 26	30
Apladalens Städservice AB	500	100	SEK 50	14
Nordfor Training & Consulting AB	500	100	SEK 50	7
Svenova Kök AB	500	100	SEK 50	5
Electrolux Gjuteriprodukter AB (EGAB)	40,000	100	SEK 4,000	0
Osby Tvättutrustningar AB	26,000	100	SEK 2,600	0
Mawajo Hushålls AB	1,000	100	SEK 1,000	0
Gjutal AB	6,000	100	SEK 600	0
TG Development AB	600	100	SEK 60	0
Total subsidiary companies in Sweden				2,430,924

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

Company		Number	Percentage holding		Nominal value local currency ('000)	Book value SEK ('000)
Subsidiary companies abroad						
Europe						
Austria	Electrolux GmbH		100	ATS	28,000	2,000
Belgium	Electrolux-Martin S.A.	299,995	100	BEC	400,000	53,000
Denmark	Electrolux Danmark A/S	909	100	DKK	250,000	227,456
	A/S Vestfrost	36,906	50.0	DKK	18,453	10,000
	Handels- og Fabrikationsselskabet DKL A/S	8	100	DKK	500	0
Finland	Oy Electrolux Ab	116,500	100	FIM	116,500	152,350
	Oy Liesimyynti-Spissförsäljnings Ab	1,204	50.2	FIM	12,040	16,012
France	S.A. Electrolux	1,999,822	100	FRF	199,982	160,000
	Usines et Fonderies Arthur Martin S.A.	3,810,803	97.9	FRF	228,648	140,000
	ELWA S.A.	899,936	100	FRF	89,994	88,490
	Levin France S.A.	29,940	99.8	FRF	2,994	4,650
	Electrolux CR S.A.	49,198	97.4	FRF	4,920	3,000
Great Britain	Electrolux Ltd.	29,999,500	100	GBP	30,000	373,987
	Electrolux Associated Companies Ltd.	4,433,256	100	GBP	4,433	37,800
Holland	Electrolux Holding B.V.	9,800	100	NLG	9,800	20,692
Italy	Flymo S.p.A.	49,999	100	ITL	499,990	2,327
	Italwascator S.r.l. in liquidation	38,250	100	ITL	38,250	0
Luxembourg	Electrolux Finance Holding S.A.	359,460	100	LUF	3,594,600	457,000
	Electrolux S.à.r.l.	98,888	98.9	LUF	98,888	15,000
	Electrolux Reinsurance (Luxemburg) S.A.	7,994	99.9	LUF	79,940	9,808
Norway	Electrolux Norge A/S	1,000	100	NOK	100,000	99,155
	Electrolux Rengjøringsmaskiner A/S	6,000	100	NOK	4,500	3,600
	Nordisk Metal A/S	5,000	100	NOK	500	0
Portugal	Electrolux Limitada		90.1	PTE	24,324	2,212
Spain	Electrolux S.A.	6,227	100	ESP	300,000	5,264
	Electrolux Canarias S.A.	8,400	87.5	ESP	42,000	2,090
Switzerland	Simag AG	12,296	100	CHF	6,148	16,720
	Electrolux AG	3,995	100	CHF	1,998	15,000
West Germany	Electrolux Beteiligungs GmbH		100	DEM	25,000	81,911
	Electrolux Finanz- und Service GmbH		100	DEM	25,000	75,230
	Flymo GmbH		100	DEM	17,527	10,600
	Euroclean GmbH in liquidation		100	DEM	2,500	0
North America						
Canada	Euroclean Holdings Ltd.	502,000	100		n p v	126,455
USA	Dometic Incorporated	150	100		n p v	1,291,362
Latin America						
Argentina	S.A. Electrolux	212,000	100	ARP	2	0
Brazil	Electrolux S.A.	44,141,093,662	100	BRC	44,141,093	50,165
	Electrolux Comércio e Serviços Ltda.	2,734,330	94.9	BRC	2,734,330	3,400
	Electrolux Motores Ltda.	220,955,000	26.2	BRC	220,955	1,000
	Electrolux Comercial e Serviços Maritimos Ltda.	645,000	29.1	BRC	645,000	300
Colombia	Equilux S.A.	1,400,000	93.3	COP	28,000	0
	Electrolux S.A.	18,194	91.0	COP	1,819	0
Dominican Republic	Electrolux Lagares C. por A.	354	51.0	DOP	35	0

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

	Company	Number	Percentage holding		Nominal value local currency ('000)	Book value SEK ('000)
Ecuador	Ecualex S.A.	5,880	49.0	ECS	5,880	650
	Electrolux C.A.	3,078	49.0	ECS	3,078	243
Mexico	Electrolux S.A. de C.V.	33,996	100	MXP	33,996	6,075
	Industrias Electrolux S.A.	296	0.3	MXP	296	0
	Distribuidora Electrolux S.A.	246	98.4	MXP	25	0
Uruguay	Electrolux S.A.	2,675	100	UYP	2,000	0
Venezuela	C.A. Electrolux	39,988	100	VEB	39,988	35,000
Other regions						
Australia	Nordtec Pty. Ltd.	399,998	100	AUD	400	2,896
Hongkong	Electrolux Services (HK) Ltd.	7,499	100	HKD	750	1,359
	Electrolux (Far East) Ltd.	74,999	100	HKD	750	767
Iran	Electrolux Iran Services Co. Ltd.	5,098	50.9	IRR	5,098	0
Japan	Electrolux Japan Ltd.	450,000	100	JPY	450,000	11,000
	Nesco Ltd.	100,000	50.0	JPY	50,000	100
	Nippon Electrolux F.S.E. Co., Ltd.	20,000	50.0	JPY	10,000	0
Jordan	Electrolux Jordan Trading Co. Ltd.	40,180	49.0	JOD	40	133
Kuwait	Kuwait Swedish Cleaning Services Co. S.A.K.	28,200	47.0	KWD	28	631
Lebanon	Electrolux Middle East S.à.r.l.	880	41.9	LBP	880	0
Malaysia	Electrolux Malaysia Sendirian Berhad	1,000,000	90.0	MYR	1,000	6,065
New Zealand	Electrolux Ltd.	699,986	100	NZD	1,400	12,000
Saudi Arabia	Electrolux Saudi Services Ltd.	5,000	50.0	SAR	500	648
Thailand	Electrolux Thailand Co. Ltd.	14,700	49.0	THB	1,470	370
	Electrolux-Ampac Services Co., Ltd.	2,299	23.0	THB	230	78
Total shares and participations in subsidiary companies						6,066,975
Other companies, etc.						
In Sweden						
	ESV Förvaltnings AB, in liquidation	225,000	45.0	SEK	22,500	0
	Fermenta AB	800,000	2.3	SEK	2,000	303
	Handelsbolaget Svenska Dagbladets AB & Co.	100		SEK	100	0
	AB Sukab Finans	2,000	3.9	SEK	200	0
	Innovations AB Projection	1,000	28.6	SEK	100	100
	Innovations AB Projection KB			SEK	20	10
	Other shares and participations					20
Abroad						
Iran	Savalux Manufacturing Co.	5,799	6.4	IRR	57,990	0
	Savalux Trading Co.	144	14.4	IRR	1,440	0
Italy	Industrie Zanussi S.p.A.	160,435,596	49.4	ITL	51,339,391	744,743
	FOEMM S.p.A.	4,000	4.0	ITL	40,000	0
Luxembourg	ADELA Investment Co. S.A.	2,584			n p v	0
	SIFIDA Investment Co. S.A.	45		USD	225	1,140
Nigeria	Electrolux Mandilas Ltd.	160,000	40.0	NGN	160	0
Peru	Electrolux S.A.	747,190	34.3	PES	747,190	0
	Valinka S.A.	14,375	18.0	PES	14,375	20
Spain	Wascomat Ibérica S.A.	625	25.0	ESP	625	0
Total shares and participations in other companies						746,336

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

Note 10 Machinery, equipment and tools

	1985	1984
Cost	986	888
State contribution	- 1	- 1
Accumulated depreciation according to plan	-495	-462
Residual value	490	425
Accumulated accelerated depreciation	-291	-274
Net book value	199	151
Capital expenditure during the year	209	139

Note 11 Buildings

	1985	1984
Cost	271	258
State contribution	- 15	- 15
Accumulated depreciation according to plan	- 98	- 91
Residual value	158	152
Accumulated accelerated depreciation	- 92	- 80
Non-depreciated part of revaluation	62	66
Net book value	128	138
Capital expenditure during the year	16	13
Tax assessment value of buildings	327	336

Note 12 Land and land improvements

	1985	1984
Cost	13	13
Accumulated depreciation according to plan	- 2	- 2
Residual value	11	11
Accumulated accelerated depreciation	- 1	- 1
Non-depreciated part of revaluation	10	10
Net book value	20	20
Capital expenditure during the year	1	0
Tax assessment value of land	33	32

Note 13 Convertible debenture loans

This item includes the following debentures:

Loan I	SEK 24 m	Conversion rate SEK 43
Loan II	SEK 0 m	Conversion rate SEK 43
Loan III	SEK 19 m	Conversion rate SEK 43
Loan IV	SEK 240 m	Conversion rate SEK 60
Total	SEK 283 m	

Interest at 8% is payable on Loans I, II and III, which corresponds after conversion to a dividend of SEK 3:45 per share currently in issue, while 10% is payable on Loan IV, which corresponds after conversion to a dividend of SEK 6:- per share currently in issue. Loans I and II fall due for redemption on December 15, 1987, Loan III on December 15, 1988, while Loan IV is due on December 15, 1990, insofar as the holders of debenture certificates have not had them converted into shares. Loans I, II and III can be converted from January 2, 1980, while certificates relating to Loan IV can be converted from January 2, 1982.

Note 14 Accelerated depreciation

Machinery, equipment and tools	291
Buildings	
Accumulated accelerated depreciation	92
Non-depreciated part of revaluation	- 62
Total	321

Note 15 Investment reserve

Opening balance	0
Transfer	15
Closing balance	15

Note 16 Special investment reserve

Opening balance	35
Transfer from Lipori AB	2
Transfer to Skurupverken AB	-15
Utilized for depreciation of machinery, equipment and tools	- 3
buildings	- 14
Closing balance	5

Note 17 Development reserve

Opening balance	-
Transfer	48
Closing balance	48

Note 18 Stockholders' equity

	Capital stock	Conv. not reg. capital stock	Statutory reserve	Non-restr. equity
Opening balance	1,365	4	365	741
Dividend declared by Annual General Meeting				-356
Conversion of debentures		143	188	
Unclaimed shares issued in connection with bonus issue			3	
Registered increase of capital stock	99	-99		
Net income				1,578
Closing balance	1,464	48	556	1,963

Note 19 Converted not registered capital stock

In addition to the registered capital stock 1,939,151 "B" shares à SEK 25 are entitled to dividend for 1985. These shares correspond to convertible debenture certificates that were presented before December 15, 1985, but had not been registered as capital stock by the Swedish Patent and Registration Office by the year-end.

Note 20 Guarantees and contingent liabilities

Contingent liabilities as per the balance sheet of the Parent Company do not include the obligation to repurchase the accounts receivable transferred to Elefac Finans AB. The total value of this recourse obligation is SEK 122 m. The Group reserve for bad debts covers potential losses in these transferred receivables. AB Electrolux has guaranteed the equity in the subsidiaries Electrolux International AB and Elefac Finans AB.

PROPOSAL FOR THE DISTRIBUTION OF EARNINGS AND AUDIT REPORT

The Board of Directors and the President propose that the unappropriated earnings at the disposal of the Annual General Meeting, net income for 1985

SEK 1,578,235,474

retained earnings

SEK 384,986,018

totalling

SEK 1,963,221,492

be dealt with as follows:

to be paid to stockholders by way of dividend of SEK 7:50 per outstanding share

SEK 453,700,020

to be carried forward

SEK 1,509,521,472

totalling

SEK 1,963,221,492

Stockholm, March 19, 1986

HANS WERTHÉN

Chairman of the Board

PETER WALLENBERG

Deputy Chairman

CLAES DAHLBÄCK

ROLF KARLSSON

SVEN OLVING

HANS SÖDERQVIST

GÖSTA BYSTEDT

Chief Executive Officer, Deputy Chairman

NILS HOLGERSON

BIRGIT MALMENSTAM-SKYTT

JACOB PALMSTIERNA

STEN WIKANDER

ANDERS SCHARP

President

We have examined the Annual Report, the Consolidated Financial Statements, the accounting records and the administration of the Company by the Board and the President. Our examination was carried out in accordance with generally accepted auditing standards.

The Parent Company

The Annual Report has been drawn up in accordance with the Companies Act.

We recommend that the Annual General Meeting

- adopts the Income Statement and the Balance Sheet,
- applies the earnings in the manner recommended by the Board and the President, whereby SEK 453,700,020 would be distributed as dividend to the stockholders, and SEK 1,509,521,472 would be carried forward, and
- grants the Board of Directors and the President discharge from their liability for the financial year 1985.

The Group

The Consolidated Financial Statements have been drawn up in accordance with the Companies Act.

We recommend that the Annual General Meeting adopts the Consolidated Income Statement and the Consolidated Balance Sheet.

Stockholm, March 21, 1986

ARNE HOLMÉN

Authorized Public
Accountant

JAN NORDENBÄCK

Authorized Public
Accountant

STATEMENT OF ADDED VALUE

The added value reflects the production contribution made by the company, viz. the increase in value which arises through the company's manufacturing, handling, etc, and is defined as sales revenues less the cost of purchased goods and services.

In 1985, the Electrolux Group had sales revenues totalling SEK 39,688m. After deducting the cost of purchased goods and services, the Group's added value amounted to SEK 15,383m, which represents an increase of 12 % compared with the previous year. Over the latest five-year period the annual average increase amounted to 10 % per year.

In 1985, SEK 2,763m of the added value remained in the company and was used there for capital investments in fixed assets as well as product and marketing development. In 1985, the dividend to stockholders accounted for 3 % of the added value or 4 % of the Group's total payroll and social security charges.

The breakdown of the added value among the various interests in the Group and their relative share over the past two years are shown in the table below.

Calculation of added value					
Amounts in SEK m	1985	%	1985 per employee SEK '000*	1984	%
Total sales	39,688	100	436	34,547	100
Cost of purchased goods and services	-24,305	-61	-267	-20,772	-60
Added value	15,383	39	169	13,775	40

Breakdown of added value					
Amounts in SEK m	1985	%	1985 per employee SEK '000*	1984	%
To employees					
Wages and salaries	8,320		91	7,283	
Social security charges	<u>2,536</u>		<u>28</u>	<u>2,236</u>	
	10,856	70	119	9,519	69
To central and local government					
Taxes	749	5	8	870	6
To financiers					
Interest etc.	561	4	6	647	5
To stockholders					
Dividends (for 1985 proposal)	454	3	5	356	3
Retained in the Group					
For wear and tear on fixed assets (depreciation)	1,214		14	1,033	
For further expansion	<u>1,549</u>		<u>17</u>	<u>1,350</u>	
	2,763	18	31	2,383	17
Added value	15,383	100	169	13,775	100

* In calculating the added value per employee, the employees in Liberia have been excluded as the activities in Liberia are not included in the Group's total sales. The number of annual employees therefore amounts to 91,085 (87,031).

BOARD OF DIRECTORS AND AUDITORS



Members of the Board

Hans Werthén, Chairman

Born 1919. Chairman of the Board: Telefon AB LM Ericsson, Argonaut AB. Member of the Board: Förvaltnings AB Providentia, AB Investor, Fastighets AB Stockholm-Saltsjön. Elected 1967.

Peter Wallenberg, Deputy Chairman

Born 1926. First Deputy Chairman of Skandinaviska Enskilda Banken. Chairman of the Board: Atlas Copco AB, AB Investor, Förvaltnings AB Providentia, AB Papyrus, Stora Kopparbergs Bergslags AB, Knut and Alice Wallenberg Foundation. Deputy Chairman of the Board: ASEA AB, Telefon AB LM Ericsson, AB SKF. Elected 1974.

Gösta Bystedt, Group Chief Executive, Deputy Chairman

Born 1929. Chairman of the Board: Fermenta AB, Instrument AB Scanditronix, Instrument AB Therados. Member of the Board: ESAB, AB Export-Invest, A. Johnson & Co. HAB, Skandinaviska Enskilda Banken, AB SKF, SSAB, Federation of Swedish Industries, Swedish Match. Elected 1969.

Claes Dahlbäck

Born 1947. President of AB Investor. Member of the Board: ASEA AB, Broströms Rederi AB, Forsinvest AB, Nordisk Fjer, Fastighets AB Stockholm-Saltsjön, Rederi AB Transatlantic, Skandinaviska AB, Swedish Match, Åkermans Verkstad AB. Elected 1983.

Nils Holgerson

Born 1923. Member of the Board: SILA, SPP, Swedish Employers' Confederation, Svenska Handelsbanken, Svenska Tobaks AB, Federation of Swedish Industries, AB Tipstjänst, AB Volvo. Elected 1978.

Birgit Malmenstam-Skytt

Born 1935. Secretary general of the Swedish National Shareholders' Association. Member of the Board: AB JBNessim, PKfonder. Elected 1978.

Sven Olving

Born 1928. Vice Chancellor, Chalmers Institute of Technology. Chairman of the Board: Volvofinans AB. Member of the Board: Boliden AB, Telefon AB

LM Ericsson, Götaverken Energy Systems AB, Svenska Varv AB. Elected 1967.

Jacob Palmstierna

Born 1934. President of Skandinaviska Enskilda Banken. Chairman of the Board: Piren AB, VBB. Member of the Board: Nymölla AB, Stora Kopparbergs Bergslags AB. Elected 1974.

Anders Scharp, President

Born 1934. Member of the Board: Swedish Association of Mechanical and Electrical Industry, Piren AB, Mercator AB. Elected 1980.

Sten Wikander

Born 1927. President of Fourth National Pension Insurance Fund. Chairman of the Board: H & M Hennes & Mauritz AB. Member of the Board: The Urban Mortgage Bank of Sweden, Teleinvest AB. Elected 1985.

Representatives of the employees

Members

Rolf Karlsson

Born 1942. Representative of LO. Elected 1978.

Hans Söderqvist

Born 1938. Representative of SIF. Elected 1983.

Deputy members

Per-Olof Edman

Born 1945. Representative of LO. Elected 1980.

Torsten Säll

Born 1931. Representative of SALF. Elected 1985.

Auditors

Regular auditors

Arne Holmén, Authorized Public Accountant

Jan Nordenbäck, Authorized Public Accountant

Deputy Auditors

Kjell Andersson, Authorized Public Accountant

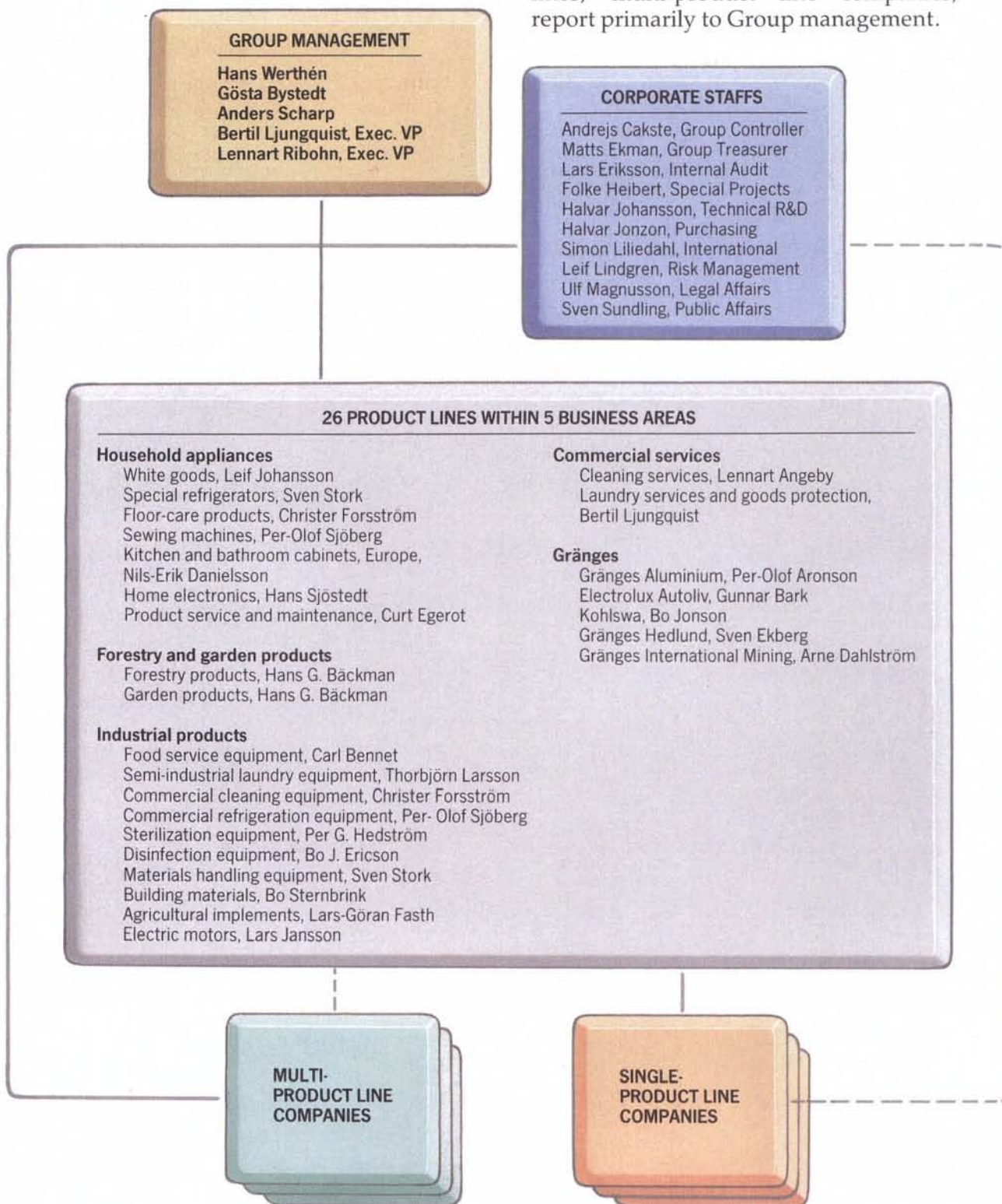
Jörgen Schumacher, Authorized Public Accountant

ORGANIZATION OF THE GROUP

Electrolux is one of Sweden's largest industrial enterprises with approximately 400 operating companies in around 40 countries. The operations are divided into a number of product lines within five business areas.

The responsibility for the operations of

a product line is shared by the product line manager and the company chief executives concerned. Companies which are only active in one product line, single-product line companies, report to the respective product line manager. Companies whose activities extend over several product lines, multi-product line companies, report primarily to Group management.



GROUP COMPANIES

<p>List of certain Group companies and names of Chief Executives.</p> <p>Companies in which outside stockholders own more than 10% of the capital stock are marked with*. Production companies are marked with (P). This list shows the situation at the beginning of 1986.</p>	<p>BELGIUM No. of employees: 364</p>	<p>Electrolux Husholdnings- apparater A/S Lyngby Kurt Jensen Electrolux-Wascator A/S Glostrup Palle Rosenkilde A/S Ernst Voss Fabrik (P) Fredericia Cai Toft Jacobsen Greenlux A/S Lyngby John A. Madsen Gränges Metalock (P) Copenhagen Vagn Vestergaard Husqvarna A/S Lyngby J.P. Höiden IWO A/S Ishøj Palle Rosenkilde NordFoil (P) Odense Flexible A.p.S. Odense Svend Poulsen Nyborg Vaskerimaskiner A/S (P) Tommerup Erik Nielsen Ren-Vask A/S (P) Birkerød Bo Tillberg SAPA Grenå A/S (P) Grenå Erik Schultz SKA Storkökken A/S (P) Ishøj J.P. Höiden * A/S Vestfrost (P) Esbjerg Erling Damkjaer</p>
<p>AUSTRALIA No. of employees: 2,171</p>	<p>BRAZIL No. of employees: 4,726</p>	<p>DOMINICAN REPUBLIC No. of employees: 59</p>
<p>Electrolux Pty. Ltd. (P) Glen Waverley Richard M. Scelly Electrolux Finch Pty. Ltd. Vermont Wolfgang Bach Geringe Australia Pty. Ltd. Glen Waverley Richard M. Scelly Husqvarna Pty. Ltd. Sydney Rolf Eklöf Nordtec Pty. Ltd. Sydney Rolf Eklöf</p>	<p>Electrolux S.A. (P) São Paulo Örjan Alneng Electrolux Comercial e Serviços Maritimos Ltda. São Paulo Edmund A. Bosschart Electrolux Comércio e Serviços Ltda. São Paulo Aldo de Avila Jr. Electrolux Motores Ltda. São Paulo Theodoro Scheffer</p>	<p>* Electrolux Lagares C por A Santo Domingo Victor Lagares</p>
<p>AUSTRIA No. of employees: 536</p>	<p>CANADA No. of employees: 230</p>	<p>ECUADOR No. of employees: 277</p>
<p>Electrolux Gesellschaft mbH Vienna Steffan Lundeberg (West Germany) A. Felber & Co. (P) Vienna Rune Carnbring HOGAT Grosskücheneinrich- tungen Planung und Vertrieb GmbH Vienna Friedrich Zweifel (Switzerland) Husqvarna Gesellschaft mbH Linz Georg Matl Korrugal Ges. mbH Vienna Norbert Jelinek Volta Bregenz GmbH (P) Bregenz Friedrich Zweifel (Switzerland) Volta Elektrowaren- Vertriebsgesellschaft mbH Vienna Steffan Lundeberg (West Ger- many)</p>	<p>Euroclean Canada Inc. Cambridge James D. Dixon Divisions: EMAB Canada Division (P) Huron Park Bengt Andersson (Sweden)</p>	<p>* Electrolux C.A. (P) Quito Stefan Hederström</p>
<p>BARBADOS No. of employees: 32</p>	<p>CHILE No. of employees: 89</p>	<p>FINLAND No. of employees: 1,718</p>
<p>Electrolux Ltd. St. Michael Lloyd Seale</p>	<p>Electrolux (Chile) Ltda. Santiago Björn Hörnfeldt</p>	<p>Aluma Metalli Helsinki Torsten Martelin Oy Electrolux Ab (P) Helsinki Bengt Ohls Oy Electrolux Ab - AGROLUX Helsinki Jörgen Fredriksson</p>
	<p>COLOMBIA No. of employees: 1,889</p>	
	<p>Electrolux S.A. (P) Bogotá Sven-Åke Andersson</p>	
	<p>DENMARK No. of employees: 3,067</p>	
	<p>Daekko IPS A/S Lyngby Bo Tillberg Electrolux Constructor A/S Hvidovre Olaf Bredahl Sørensen Electrolux Danmark A/S (P) Lyngby Ib Frölich Electrolux Elmotor A/S (P) Ålborg Øst Jens Ole Fabricius</p>	

GROUP COMPANIES

<p>Oy Electrolux Ab – ASAB Helsinki Lasse Naumanen Oy Electrolux Ab (P) Björneborg Veikko Wälmä Oy Electrolux Ab – ELECTRO- LUX-HUSHÄLLSMASKINER Helsinki Yngve Levander Oy Electrolux Ab –ELEKTRO HELIOS Helsinki Yngve Levander Oy Electrolux Ab – E-TOOLING Turku Pentti Jäntti Oy Electrolux Ab – HUOLTO- LUX Björneborg Rabbe Falenius Oy Electrolux Ab – HUSQVARNA Tampere Tor Falenius Oy Electrolux Ab – JONSERED Tampere Tor Falenius Oy Electrolux Ab – KAHETE Helsinki Oy Electrolux Ab – PEKO (P) Jakobstad Oy Electrolux Ab – STORKÖKS- OCH SJUKHUSAPPARATER Helsinki Aulis Eskola Oy Electrolux Ab – TÄMMERMATIC Tampere Oy Electrolux Ab – ÖVERUM Helsinki Jörgen Fredriksson *Oy Liesimyynti-Spissförsälj- ning AB Helsinki Stig Edelman NordFoil (P) Oy Aluma Ab Vanda Ralf Rasmus SAPA Alumiiniprofililit Oy Helsinki Martin Åström</p>	<p>Electrolux S.A. (P) Senlis Anders Andrén Electrolux CR S.A. Vincennes Bernard Teissèdre Electrolux Industrie & Cie SNC CONSTRUCTOR Groslay Dario Camméo Electrolux Motoculture SNC Cergy Olivier Stackler ELWA & Cie. SNC HUSQVARNA Groslay Michel Ruscon Gränges Aluminium S.A. Paris Bernard May Lequeux S.A. (P) Paris François Galtier * Matem Mathay Mandeur Buc Alain Mascart Metropole SNC Boulogne Billancourt Jean-Pierre Pochebonne * Océanic S.A. (P) Romainville Jean Morgan * Société pour le Nettoyage Indu- striel et la Location "S.O.N.I.L." Mouy (Bury) Jean-Pierre Pochebonne * Staub S.A. (P) Courbevoie Olivier Stackler * Tornado S.A. Senlis Claude Segulier Usines & Fonderies Arthur Mar- tin S.A., "UFAM" (P) Senlis Yves Peirotes</p>	<p>Electrolux Hotel Services (UK) Ltd. London N.C. Popoff Electrolux-Wascator Ltd. Luton, Beds. Derek Wright Flymo Ltd. (P) Darlington, Co. Durham L.D.H.P. Evans Gränges Automotive (UK) Ltd. Manchester Ron Smith Gränges Essem (UK) Ltd. Cumbernauld Bo Svanberg (Sweden) Gränges NordFoil (UK) Ltd. Gt. Missenden, Bucks. Husqvarna Ltd. Luton, Beds. G.P.H.James Hyett Adams Ltd. Stonehouse, Glos. Richard Dickinson Korrugal Ltd. Caterham Peter Ward Modern Structural Plastics (Scotland) Ltd. (P) Cumbernauld Ian Humphry Monarch Aluminium Ltd. (P) Cheltenham, Glos. Nyborg Engineering Ltd. Uxbridge, Middlesex Derek Wright Overum Tive Ltd. Stonehouse, Glos. A.A. Hirde Righton Ltd. Birmingham Ken Sutton SAPA Ltd. (P) Tibshelf, Derby Robert Greenslade SAPA Holdings Ltd. Cheltenham, Glos. Claes L. Simonson SecuriStyle Ltd. (P) Cheltenham, Glos. The Sterilizing Equipment Com- pany Ltd. (P) Mansfield, Notts. D.A. Canty Swedish Royal Refrigeration Ltd. Watford, Herts. Michael Nicholls Tarpaulins Coverco Ltd. Bedford Thomas Norander</p>
<p>FRANCE No. of employees: 7,775</p>	<p>GREAT BRITAIN No. of employees: 4,403</p>	<p>GUATEMALA No. of employees: 31</p>
<p>Autoliv & Cie (P) Caudebec Marc Lefèvre Autoliv Klippan S.A. Paris Paul Charlety Autoliv Klippan S.A. (P) Gournay Benoit Marsaud</p>	<p>* Autoliv Ltd. Isleworth, Middlesex Edward J. Phillips Chadwicks of Bury Ltd. (P) Bury, Lancs. Columbus Dixon Ltd. (P) Luton, Beds. J.J.M. Glasse Consort Ltd. (P) Tewkesbury, Glos. D & C Design & Construction Ltd. Warrington Claes-Göran Mattsson Electrolux Ltd. (P) Luton, Beds. G.P.H.James</p>	<p>Electrolux S.A. Guatemala City Carlos Calderón Velásquez</p>

GROUP COMPANIES

<p>HONG KONG No. of employees: 1,201</p> <p>Electrolux (Far East) Ltd. Hong Kong Göran Carlsson Electrolux Services (HK) Ltd. Kowloon Eric Wong</p>	<p>MALAYSIA No. of employees: 1,541</p> <p>Electrolux Malaysia Sdn. Bhd. Selangor Gunnar Broberg Electrolux (Sarawak) Sdn. Bhd. Sarawak Thomas Jang</p>	<p>Electrolux Rengjørings- maskiner A/S Oslo Magnus Jensen Electrolux-Wascator A/S Oslo Svein Jacobsen Elektra A/S Oslo Tormod Ekeberg Euroclean A/S Oslo Magnus Jensen Husqvarna A/S Oslo Oscar Støversten Husqvarna Elektro A/S Sarpsborg Viljen Eriksen Husqvarna-Partner A/S Skårer Øyvind B. Johansen Jobu A/S Drøbak Per J. Mordt Korrugal A/S Oslo Syver Brattested A/S SAPA Lillestrøm Osvald Hagesaether</p>
<p>ITALY No. of employees: 326</p> <p>Flymo S.p.A. Brescia Giovanni Cancarini Klippan Italia S.p.A. (P) Turin Tord Kyhilstedt Korrugal Italia S.r.l. Milano Massimo Febelli</p>	<p>MEXICO No. of employees: 1,341</p> <p>Electrolux S. A. de C.V. (P) Mexico City Jan Laséen</p>	<p>NETHERLANDS No. of employees: 1,216</p> <p>Electrolux Constructor B.V. Diemen A. Mouljn Electrolux Holding B.V. Diemen Lennart Ribohn (Sweden) Electrolux industrie B.V. (P) Diemen R. Gütlich Electrolux Nederland B.V. Diemen J.M. van Midden Lalesse Staalbouw B.V. (P) Zevenaar H.G. Lalesse Neproma B.V. (P) Arnhem Cornelius Pons Scandex Aluminium N.V. (P) Hoogezand Peter Keijzer</p>
<p>JAPAN No. of employees: 916</p> <p>Electrolux (Japan) Ltd. Tokyo Gunnar Kniberg * Nesco Ltd. Tokyo Katsuhide Aihara</p>	<p>NEW ZEALAND No. of employees: 535</p> <p>Electrolux Ltd. (P) Wellington Richard M. Scelly Husqvarna Chainsaws Ltd. Auckland D.I. Bradley</p>	<p>PERU No. of employees: 326</p> <p>Electrolux S.A. (P) Lima Per-Axel Ahlberg</p>
<p>JORDAN No. of employees: 126</p> <p>* Electrolux Jordan Trading Co.Ltd. Amman</p>	<p>NORWAY No. of employees: 1,267</p> <p>A/S Drømmekjøkkenet Oslo Arild Lindbæk Electrolux Constructor A/S Oslo Bjørn Molstad Electrolux Industrier A/S Oslo Peter Nicolaus Electrolux Motor A/S (P) Sarpsborg Jan Magnusson Electrolux Norge A/S (P) Oslo Jens H. Gundersen</p>	<p>PHILIPPINES No. of employees: 1,500</p> <p>Electrolux Philippines, Inc. (P) Metro Manila Bjørn Eidhagen</p>
<p>KUWAIT No. of employees: 441</p> <p>* Kuwait Swedish Cleaning Services Co. S.A.K. Safat Bo Severed</p>	<p>NORWAY No. of employees: 1,267</p> <p>A/S Drømmekjøkkenet Oslo Arild Lindbæk Electrolux Constructor A/S Oslo Bjørn Molstad Electrolux Industrier A/S Oslo Peter Nicolaus Electrolux Motor A/S (P) Sarpsborg Jan Magnusson Electrolux Norge A/S (P) Oslo Jens H. Gundersen</p>	<p>PORTUGAL No. of employees: 76</p> <p>Electrolux Ltda Lisbon Clas Herdin (Spain)</p>
<p>LEBANON No. of employees: 44</p> <p>Electrolux Middle East S.à.r.l. Beirut</p>	<p>NORWAY No. of employees: 1,267</p> <p>A/S Drømmekjøkkenet Oslo Arild Lindbæk Electrolux Constructor A/S Oslo Bjørn Molstad Electrolux Industrier A/S Oslo Peter Nicolaus Electrolux Motor A/S (P) Sarpsborg Jan Magnusson Electrolux Norge A/S (P) Oslo Jens H. Gundersen</p>	<p>SAUDI ARABIA No. of employees: 732</p> <p>* Electrolux Saudi Services Ltd. Riyadh Hans Ekbohm * Saudi Arabian Construction and Repair Services Ltd. (CONREP) Jeddah Harald Roihjert</p>
<p>LIBERIA No. of employees: 2,539</p> <p>* Lamco J.V. Operating Co. (P) Monrovia John L. Pervola</p>	<p>NORWAY No. of employees: 1,267</p> <p>A/S Drømmekjøkkenet Oslo Arild Lindbæk Electrolux Constructor A/S Oslo Bjørn Molstad Electrolux Industrier A/S Oslo Peter Nicolaus Electrolux Motor A/S (P) Sarpsborg Jan Magnusson Electrolux Norge A/S (P) Oslo Jens H. Gundersen</p>	<p>SINGAPORE No. of employees: 408</p> <p>Electrolux S.E.A. Private Ltd. (P) Singapore Bjørn Made</p>
<p>LUXEMBOURG No. of employees: 315</p> <p>Electrolux S.à.r.l. (P) Vianden Anders Wannborg Electrolux Reinsurance (Luxem- burg) S.A. Vianden Erny Lamborelle</p>	<p>NORWAY No. of employees: 1,267</p> <p>A/S Drømmekjøkkenet Oslo Arild Lindbæk Electrolux Constructor A/S Oslo Bjørn Molstad Electrolux Industrier A/S Oslo Peter Nicolaus Electrolux Motor A/S (P) Sarpsborg Jan Magnusson Electrolux Norge A/S (P) Oslo Jens H. Gundersen</p>	<p>SINGAPORE No. of employees: 408</p> <p>Electrolux S.E.A. Private Ltd. (P) Singapore Bjørn Made</p>

GROUP COMPANIES

<p>SPAIN No. of employees: 892</p>	<p>Electrolux Industrial Systems AB (P) Stockholm Kaj Samlin Electrolux International Sales AB Stockholm Halvar Jonzon Electrolux Mecatronik AB Malmö Hans Sjöstedt Electrolux Motor AB (P) Huskvarna Hans G. Bäckman Electrolux Storkök AB (P) Alingsås Carl Bennet Electrolux Svenska Försäljnings AB Stockholm Anders Scharp Electrolux-Wascator AB (P) Ljungby Thorbjörn Larsson AB Elektro Helios Stockholm Rainer Alfström AB Elektroservice Stockholm Curt Egerot Euroclean AB (P) Åtvidaberg Peder Westerlund Evert Larsson Industri AB Kungälv Stig Sjögren * Finnagro AB Överum Christer Rosenberg Getinge Mekaniska Verkstads AB (P) Getinge P.G. Hedström Gränges AB Stockholm Gösta Bystedt Gränges Aluminium AB (P) Stockholm Per-Olof Aronson Foral (P) Skultuna Gunnar Koch Gränges Aluminium Metall AB (P) Sundsvall Ulf Bohlin Gränges Heatex AB (P) Malmö Sven Persson Gränges Hedlund AB (P) Stockholm Sven Ekberg Gränges International Mining AB Stockholm Arne Dahlström Gränges Metalock AB Göteborg Sven Ekberg</p>	<p>Hillareds Konfektions AB (P) Svenljunga Gunnar Andréen Hogstad Aluminium AB Mjölby Bo Wrenninge Huskvarna AB (P) Huskvarna Per-Olof Sjöberg Huskvarna Motorcyklar AB (P) Ödeshög Bengt Andersson Huskvarna Svenska Försäljnings AB Huskvarna Kurt Ågerup AB Höörs Plåt (P) Höör Lars Börrén B. Johanssons Pappersförädling AB (P) Lödöse Cennert Steffen Jonsered Motor AB Partille Håkan Rugfelt Jonsereds Godsskydd AB (P) Partille Lars Norberg Kapellmästarna Försäljnings AB Jönköping Lars Norberg Klissan Automotive Products AB (P) Klissan Greger Svarén Kohlswa Essem AB (P) Kolsva Per Hällqvist Kohlswa Jernverk AB (P) Kolsva Bo Jonson Korrugal AB (P) Finspång Ulf Åhman Korrugal Infestor AB Vällingby Lars Oxfält Modul-Fönster AB (P) Trelleborg Nils-Erik Danielsson NordFoil AB Skultuna Dag Lagnerö Divisions: Skultuna Folie (P) Skultuna Lars-Rune Jansson Skultuna Flexible (P) Skultuna Per-Gunnar Wandfeldt * Nordwaggon AB Stockholm Manfred Matschke NTP (Nordisk Tidningsplåt) AB (P) Spånga Lars Pehrson</p>
<p>SWEDEN No. of employees: 31,723</p>	<p>ASAB Serviceföretaget AB Stockholm Lennart Angeby Autoliv Development AB Värgårda Yngve Håland Autoliv Kungälv AB (P) Kungälv Autoliv Stil AB (P) Värgårda Rolf Helmrich Avesta Aluminium AB (P) Avesta Erik Frid Ballingslövs AB (P) Ballingslöv Nils-Erik Danielsson Beijer Byggmaterial AB Bromma Bo Sternbrink Björnkälder AB Solna Kjell Lundin Bröderna Brodd AB (P) Skänninge Per-Olov Brodd D & Energibygnader AB Finspång Claes-Göran Mattsson Electrolux Autoliv AB Stockholm Gunnar Bark Electrolux Cleaning Equipment AB (P) Åmål Erik af Ugglas Electrolux Commercial Refrigeration AB (P) Arvika Börje Närman Electrolux Constructor AB (P) Säffle Karl Henrik Andersson Electrolux Försäkrings AB Stockholm Leif Lindgren Electrolux Gjuteriprodukter AB EGAB (P) Hälleforsnäs Anders Ålmqvist</p>	<p>Hillareds Konfektions AB (P) Svenljunga Gunnar Andréen Hogstad Aluminium AB Mjölby Bo Wrenninge Huskvarna AB (P) Huskvarna Per-Olof Sjöberg Huskvarna Motorcyklar AB (P) Ödeshög Bengt Andersson Huskvarna Svenska Försäljnings AB Huskvarna Kurt Ågerup AB Höörs Plåt (P) Höör Lars Börrén B. Johanssons Pappersförädling AB (P) Lödöse Cennert Steffen Jonsered Motor AB Partille Håkan Rugfelt Jonsereds Godsskydd AB (P) Partille Lars Norberg Kapellmästarna Försäljnings AB Jönköping Lars Norberg Klissan Automotive Products AB (P) Klissan Greger Svarén Kohlswa Essem AB (P) Kolsva Per Hällqvist Kohlswa Jernverk AB (P) Kolsva Bo Jonson Korrugal AB (P) Finspång Ulf Åhman Korrugal Infestor AB Vällingby Lars Oxfält Modul-Fönster AB (P) Trelleborg Nils-Erik Danielsson NordFoil AB Skultuna Dag Lagnerö Divisions: Skultuna Folie (P) Skultuna Lars-Rune Jansson Skultuna Flexible (P) Skultuna Per-Gunnar Wandfeldt * Nordwaggon AB Stockholm Manfred Matschke NTP (Nordisk Tidningsplåt) AB (P) Spånga Lars Pehrson</p>

GROUP COMPANIES

<p>Pressmetall AB (P) Köping Gunnar Koch AB Ratura Malmö Rolf Larsson SAPA (Skandinaviska Aluminium Profiler AB) (P) Vetlanda Nils H. Bouveng SIA Lustgården AB Landskrona Göran Norström Stådningskåren AB Stockholm Sten Ahlberg AB Tvättman (P) Malmö Gunnar Andréen AB Volta Stockholm Rainer Alfström Växjö Rostfritt AB (P) Växjö Bo J. Ericson Zig-Zag Fabriks AB (P) Malmköping Nils-Erik Danielsson AB Överums Bruk (P) Överum Lars-Göran Fasth AB Överums Fönsterfabrik (P) Överum Nils-Erik Danielsson</p>	<p>Therma Grossküchen AG (P) Sursee Friedrich Zweifel Unifridge AG Zürich Thorbjörn Laag Widag AG Zürich Arthur Grünig Zanker Haushaltgeräte AG Glattbrugg Werner Roth</p>	<p>Napco Plastics Company (P) Napoleon, Ohio James P. Hadsell Swan Services, Inc. Atlanta, Ga. Silas Manspeaker The Tappan Company Mansfield, Ohio Donald C. Blasius (Chairman of the Board of Directors) James M. Ringler <i>Divisions:</i> Anaheim Disposer Division (P) Anaheim, Calif. T.A. Dugan Appliance Division (P) Mansfield, Ohio James M. Ringler Cabinet Group (Headquarters and Kemper Division) (P) Richmond, Ind. E.L. "Buck" Coveney International Division Mansfield, Ohio T.R. Kay Tecfor, Inc. Itasca, Ill. Åke Hammerlid (Sweden)</p>
<p>SWITZERLAND No. of employees: 1,880</p>	<p>TAIWAN No. of employees: 166</p>	<p>VENEZUELA No. of employees: 1,246</p>
<p>Cleis AG Sissach Alois Heller Elcalor AG (P) Aarau Friedrich Zweifel Electrolux AG Zürich Kurt Schläpfer ELUX Walter & Bruynzeel AG (P) Balterswil Emil Geisselhardt Gränges Aluminium AG Zug Walter Brack Libo AG (P) Ittigen (Bern) Friedrich Zweifel Märklin AG Liestal Hans-Rudolf Märklin * Prometheus AG (P) Liestal Hans Hofbauer SAPA AG Zug Åke Eriksson Therma AG (P) Schwanden Peter E. Kollbrunner</p>	<p>Electrolux (Far East) Ltd. Taiwan Branch Taipei Leonard Duh</p>	<p>C.A. Electrolux (P) Caracas Ingvar Marklund</p>
<p>USA No. of employees: 9,039</p>	<p>THAILAND No. of employees: 1,343</p>	<p>WEST GERMANY No. of employees: 3,946</p>
<p>TRINIDAD No. of employees: 46</p>	<p>* Electrolux Thailand Company Ltd. Bangkok Ulf Persson</p>	<p>Autoliv GmbH (P) Elmshorn Leif Sköld BOCO Wäschendienst Horst Sieber GmbH (P) Hannover Michael Sperling Deutsche Husqvarna GmbH Schweinfurt Willem de Gier Electrolux GmbH (P) Berlin Gustaf Östergren Electrolux GmbH Hamburg Steffan Lundeberg Electrolux Beteiligungs GmbH Siegen Sven Stork, Ulrich Hoffman Electrolux Constructor GmbH (P) Siegen Rolf-Dieter Giesler Electrolux Constructor Export GmbH Siegen Sven Stork Electrolux CR GmbH (P) Leonberg Börje Närman (Sweden)</p>
<p>USA No. of employees: 9,039</p>	<p>Electrolux Ltd. Port-of-Spain Lloyd Seale (Barbados)</p>	<p>WEST GERMANY No. of employees: 3,946</p>
<p>USA No. of employees: 9,039</p>	<p>USA No. of employees: 9,039</p>	<p>WEST GERMANY No. of employees: 3,946</p>
<p>USA No. of employees: 9,039</p>	<p>Dometic Incorporated Bloomington, Ill. Gösta Bystedt (Sweden) Dometic Sales Corporation Elkhart, Ind. Gerald R. Wannamaker <i>Division:</i> Duo-Therm (P) La Grange, Ind. Gerald R. Wannamaker Getinge International Inc. Lakewood, New Jersey Donald C. Blasius Gränges American Corporation New York Birgitta Armstrong Husqvarna Sewing Machine Co., Inc. Minneapolis, Minn. Bengt Gerborg National Union Electric Corporation (P) Bloomington, Ill. Robert P. Dole <i>Divisions:</i> The Eureka Company (P) Bloomington, Ill. Robert P. Dole The Kent Company (P) Elkhart, Ind. George Galoozis</p>	<p>WEST GERMANY No. of employees: 3,946</p>

GROUP COMPANIES

Electrolux Finanz- und Service GmbH Siegen Ulrich Hoffman Electrolux Grossküchen GmbH & Co. Hamburg Friedrich Zweifel (Switzerland) Electrolux-Hausgeräte GmbH Tübingen Klaus Knepe Electrolux-Kern GmbH (P) Göttingen Adolf Kretzer, Otto Vonderschmidt Electrolux Küchentechnik GmbH Siegen Adolf Kretzer Electrolux Siegen GmbH (P) Siegen Rolf-Dieter Giesler, Adolf Kretzer Electrolux Wäscherei und Service GmbH (P) Wermelskirchen Günter Wiege ELPRO electro-service GmbH Siegen Jürgen Thielking Flymo GmbH Hamburg Hans Bäckman (Sweden) Gränges Metalock GmbH (P) Hamburg Dietmar von der Fecht Gränges Repair Services GmbH (P) Hamburg Dietmar von der Fecht Husqvarna Vertriebs GmbH Offenbach Rudolf Herkströter Korrugal GmbH Düsseldorf Siegfried Dingel Norlett-Partner GmbH Schweinfurt Willem de Gier Progress-Elektrogeräte Mauz & Pfeiffer GmbH & Co. (P) Nürtingen (Zizishausen) Gunnar Odenram SAPA Aluminium Profile GmbH Offenburg Kåre Wetterberg Sümak GmbH (P) Leonberg Gustaf Östergren Volta Elektrogeräte-Vertriebs GmbH Siegen Ulrich Hoffmann Zanker GmbH (P) Tübingen Gunnar Odenram ZK-Hospital Bedarfs GmbH (P) Oer-Erkenschwick Bo J. Ericson (Sweden)	OTHER COUNTRIES No. of employees: 567	
	TOTAL No. of employees: 93,624	

TEN - YEAR REVIEW

(Amounts in SEK m, except where otherwise stated)

	1985	1984	1983	1982	1981	1980	1979	1978	1977	1976
Sales and income										
Sales	39,688	34,547	32,146	31,661	26,595	22,874	15,137	12,023	9,239	7,646
Increase, %	14.9	7.5	1.5	19.0	16.3	51.1	25.9	30.1	20.8	19.0
Operating income after depreciation	3,137	3,117	2,691	1,937	1,730	1,728	1,308	945	782	603
Operating income as % of sales	7.9	9.0	8.4	6.1	6.5	7.6	8.6	7.9	8.5	7.9
Return on net assets, %	20.7	22.4	18.7	14.1	14.6	21.2	20.7	19.3	20.6	18.9
Income after financial items	2,576	2,470	1,763	609	355	1,003	915	677	578	454
Interest cover	3.17	3.29	2.45	1.46	1.35	2.01	2.94	2.92	3.23	3.27
Income before transfers to untaxed reserves and taxes	2,752	2,576	1,863	567	1,127	1,054	934	828	562	443
Profitability										
Return on equity, %	17.6	20.9	16.4	6.2	4.6	15.1	16.6	14.6	17.1	14.1
Earnings per share, fully diluted, SEK	19:60	18:90	13:70	5:10	3:20	7:70	8:20	6:20	5:80	4:50
Total return on equity, %	22.2	22.9	20.0	6.0	20.1	24.4	23.5	20.9	18.7	13.3
Total earnings per share, fully diluted										
after actual tax, SEK	30:50	25:90	19:80	5:90	15:10	14:20	13:40	10:20	7:40	5:10
after full tax, SEK	26:00	22:10	12:60	5:50	15:20	9:90	9:60	8:80	6:90	4:90
Dividend per share, SEK, adjusted for share issues*	7:50	6:50	5:50	4:50	4:00	3:75	3:00	2:50	2:10	1:83
Dividend payment expressed in % of adjusted equity	5.5	5.2	5.1	4.5	4.3	5.0	4.7	4.6	4.5	5.4
Financial position										
Balance sheet total	29,524	26,281	23,527	24,478	21,767	17,832	11,270	9,078	6,965	5,424
Accounts receivable	7,864	5,948	5,603	6,032	4,750	3,976	3,311	2,550	1,824	1,549
Accounts receivable as % of sales	19.8	17.2	17.4	19.1	17.9	17.4	21.9	21.2	19.7	20.3
Inventories	8,238	8,032	7,518	8,355	8,048	6,942	4,340	3,373	2,753	2,122
Inventories as % of sales	20.8	23.2	23.4	26.4	30.3	30.3	28.7	28.1	29.8	27.8
Risk-bearing capital	10,785	9,210	7,765	6,886	6,407	5,336	3,861	3,171	2,669	1,973
Risk-bearing capital per share, SEK	169	150	130	117	110	95	76	63	55	41
Risk-bearing capital ratio, %	36.5	35.0	33.0	28.1	29.4	29.9	34.3	34.9	38.3	36.4
Adjusted equity	8,306	6,903	5,651	5,204	4,761	3,697	3,077	2,638	2,243	1,645
Adjusted equity per share, SEK	131	115	98	92	85	70	61	53	47	34
Equity/assets ratio acc to full tax method, %	28.1	26.3	24.0	21.3	21.9	20.7	27.3	29.1	32.2	30.3
Other information										
Capital expenditure on real estate, machinery, equipment and tools excluding assets held by companies acquired during the year	2,401	1,694	1,374	1,406	1,514	2,515	863	863	448	452
Capital expenditure expressed in % of sales	4.6	4.7	4.2	4.2	4.7	5.4	4.7	4.6	4.8	4.6
Number of employees	93,600	89,500	88,800	100,400	101,700	102,900	82,000	75,600	69,500	71,600
Wages, salaries and other remuneration	8,320	7,283	6,852	7,195	6,357	5,403	3,936	3,391	2,975	2,345
Number of stockholders	52,000	52,000	51,000	52,000	51,000	43,000	41,000	41,000	39,000	35,000

* For 1985 as proposed by the Board of Directors
Definitions, see page 41.

ANNUAL GENERAL MEETING

The Annual General Meeting will be held at 3.00 pm on Thursday, May 22, 1986 at Skandinaviska Enskilda Banken, No 8 Kungsträdgårdsgatan, Stockholm.

Right to participate

In order to be entitled to participate in the Annual General Meeting, stockholders shall be registered in the register maintained by Värdepapperscentralen VPC AB not later than Monday, May 12, 1986.

Stockholders whose shares are registered in the name of trustees through the trust department of a bank or stockbroker should have their shares temporarily registered with VPC under their own name not later than Monday, May 12, 1986.

Notice of participation

Apart from the above registration, notice of intent to participate must be given to Electrolux not later than May 20, 1986 at 4.00 pm. This can be done by mail to AB Electrolux, Dept. C-J, S-105 45 STOCKHOLM, Sweden, or by telephone to +46 (8) 738 67 93.

Payment of dividend

The Board proposes May 27, 1986 as the reconciliation date. Subject to the Annual General Meeting agreeing to this proposal it is expected that dividends will be sent out by VPC on June 3, 1986.

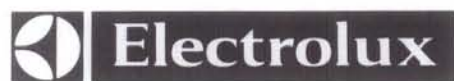
Change of address

Stockholders who have changed their name, address or bank account number should inform their trustee or Värdepapperscentralen VPC AB, S-171 18 SOLNA, Sweden, as soon as possible.

IN 1986 ELECTROLUX WILL PUBLISH THE FOLLOWING FINANCIAL REPORTS:

Preliminary year-end results	early February
Final year-end results	end of March
Annual report	early May
Quarterly report (first quarter)	end of May
Half-yearly report	end of August
Quarterly report (third quarter)	end of November

These reports can be ordered from AB Electrolux, Information Department, S-10545 STOCKHOLM, Sweden.



Lilla Essingen
S-10545 Stockholm
Tel. +46(8)-7386000
Telex 11600 Elhead S