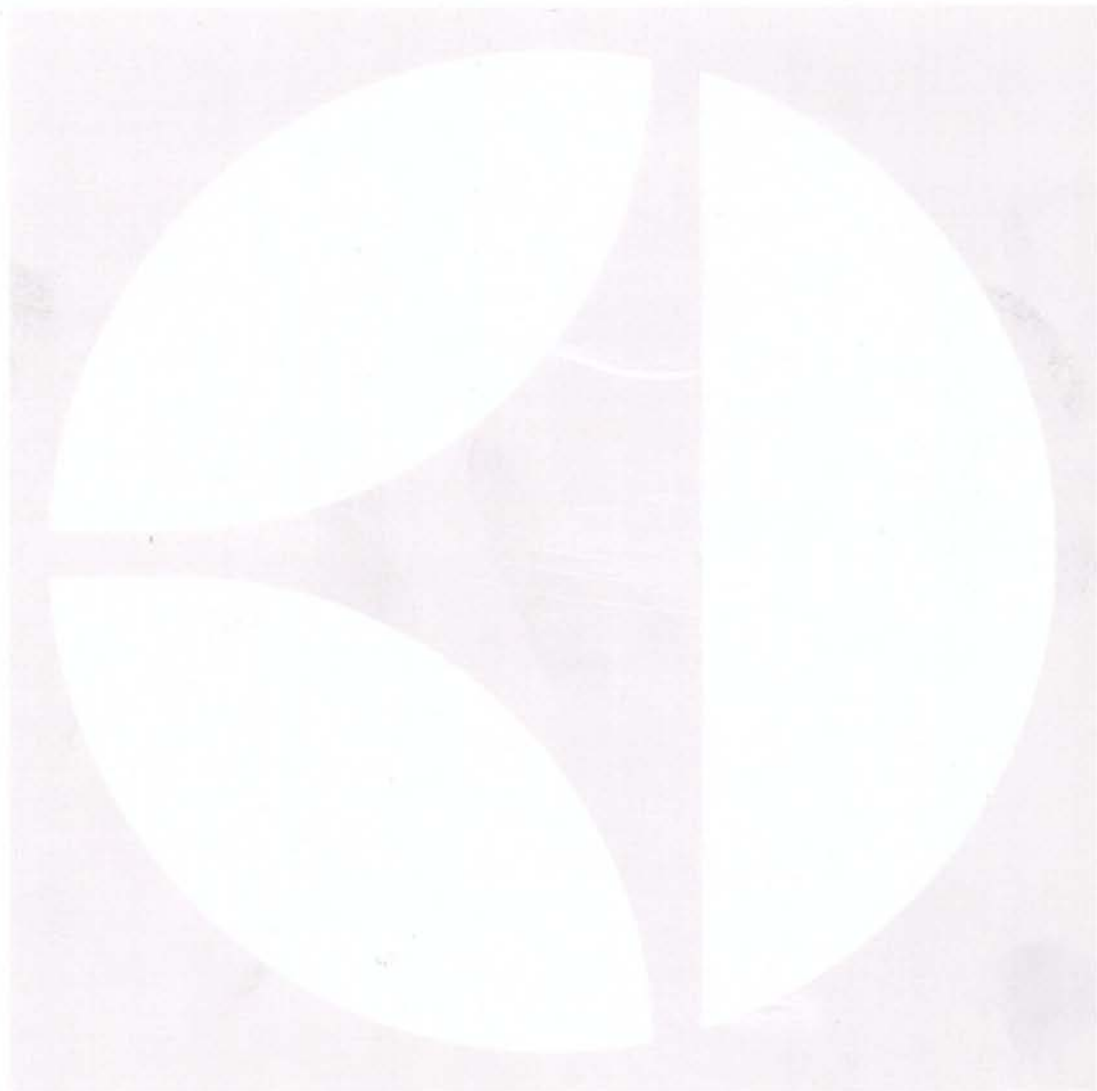


# ELECTROLUX

Annual Report 1986

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Electrolux

# HIGHLIGHTS OF THE YEAR

- Sales increased by 34% to SEK 53,090m, primarily as a result of the acquisition of White Consolidated and the consolidation of Zanussi. If these acquisitions were included for the whole of 1986, Group sales would increase to about SEK 63,000m.
- Despite extensive restructuring costs and an unfavorable trend for the US dollar, income after financial items was maintained at the level of the previous year.
- The return on equity was 13.3%, which exceeds the average yield on long-term Swedish Government bonds by about 3%.
- At the close of the year the Group acquired Poulan/Weed Eater, one of the largest manufacturers of chainsaws and garden products in the US, and Gotthard Nilsson, a Swedish company whose operations are devoted to recovery of iron and other scrap metal.
- In the interest of utilizing the opportunities created by the major acquisitions, total Group investment over the next three years is expected to reach about SEK 10,000m.

|   | 1986    | 1985   |
|---|---------|--------|
| Sales, SEKm _____                                       | 53,090  | 39,688 |
| Operating income after depreciation, SEKm _____         | 3,321   | 3,137  |
| Income after financial items, SEKm _____                | 2,583   | 2,576  |
| Income before allocations, SEKm _____                   | 2,715   | 2,752  |
| Adjusted earnings per share, SEK* _____                 | 18.20   | 19.60  |
| Total earnings per share after actual taxes, SEK* _____ | 25.60   | 30.50  |
| Dividend per share, SEK** _____                         | 8.75    | 7.50   |
| Return on net assets, %* _____                          | 16.4    | 20.7   |
| Return on equity, %* _____                              | 13.3    | 17.6   |
| Total return on equity, %* _____                        | 16.7    | 22.2   |
| Capital expenditure, SEKm _____                         | 3,005   | 1,808  |
| Number of employees _____                               | 129,900 | 91,100 |

\* See definitions on p. 38  
 \*\* 1986: Proposed

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# ELECTROLUX BUSINESS AREAS

Electrolux is one of the world's largest manufacturers of white goods and is the European market leader. The Group is also one of the world market leaders in several other areas, i.e. floor-care products, commercial food-service and cleaning equipment, chainsaws and car safety belts.

North America has become the Group's largest market, primarily as a result of the acquisition of the American white-goods company White Consolidated Industries Inc. in 1986. The Nordic countries and the rest of Europe comprise the other major market.

Group operations are organized in six business areas, i.e. household appliances, commercial appliances, commercial services, outdoor products, industrial products and Gränges.

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## Household appliances

Household appliances comprise the Group's largest business area and accounted for slightly over 60% of total sales in 1986. This area covers white goods, floor-care products, special refrigerators, room air-conditioners, sewing machines, kitchen and bathroom cabinets, and home electronics.

## Commercial appliances

The Group's expertise in the field of household appliances has been the basis for development of corresponding products for commercial users, i.e. equipment for food service, laundries, cleaning and refrigeration in retail outlets. This business area accounted for 8% of total sales in 1986.

## Commercial services

Commercial services comprise mainly cleaning of offices and public premises, industrial waste management and cleaning, and rental of textiles. Electrolux has commercial service companies in about 20 countries and is one of the few firms with international operations in this area. Commercial services accounted for 5% of total sales in 1986.

## Outdoor products

This area comprises mainly chainsaws and other forestry equipment as well as garden products. It accounted for 6% of total sales in 1986.

## Industrial products

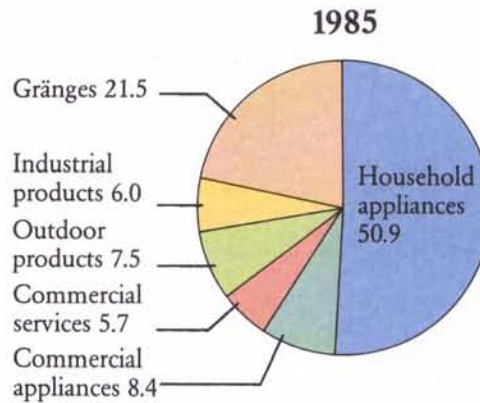
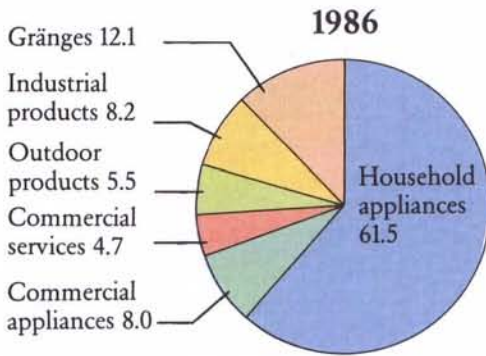
Industrial products comprise equipment for materials handling as well as components and building materials. This area also includes machine tools and highway construction equipment, which are part of the industrial division of White. Industrial products accounted for 8% of total sales in 1986.

## Gränges

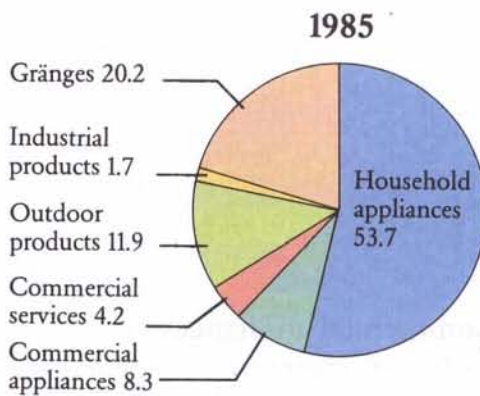
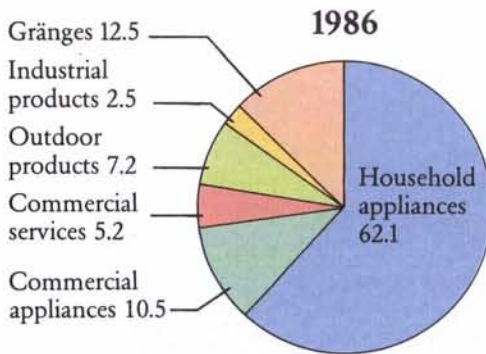
Following divestment of Gränges Metallverken, Wirsbo Bruk, Gränges Mark and the Hedlund steel division, Gränges comprises mainly Gränges Aluminium and Electrolux Autoliv. Gränges accounted for 12% of total sales in 1986.



### Sales by business area, %



### Operating income after depreciation, by business area, %



| Sales by business area | 1986 SEKm     | 1985 SEKm     | 1984 SEKm     | % of total sales, 1986 |
|------------------------|---------------|---------------|---------------|------------------------|
| Household appliances   | 32,641        | 20,204        | 18,560        | 61.5                   |
| Commercial appliances  | 4,250         | 3,348         | 2,964         | 8.0                    |
| Commercial services    | 2,504         | 2,266         | 1,962         | 4.7                    |
| Outdoor products       | 2,909         | 2,990         | 2,766         | 5.5                    |
| Industrial products    | 4,367         | 2,367         | 708           | 8.2                    |
| Gränges                | 6,419         | 8,513         | 7,587         | 12.1                   |
| <b>Total</b>           | <b>53,090</b> | <b>39,688</b> | <b>34,547</b> | <b>100.0</b>           |

| Operating income after depreciation, by business area | 1986 SEKm    | 1985 SEKm    | 1984 SEKm    | % of total operating income, 1986 |
|---|--------------|--------------|--------------|-----------------------------------|
| Household appliances                                  | 2,061        | 1,685        | 1,823        | 62.1                              |
| Commercial appliances                                 | 349          | 260          | 280          | 10.5                              |
| Commercial services                                   | 172          | 132          | 112          | 5.2                               |
| Outdoor products                                      | 241          | 373          | 316          | 7.2                               |
| Industrial products                                   | 83           | 53           | 28           | 2.5                               |
| Gränges   | 415          | 634          | 558          | 12.5                              |
| <b>Total</b>  | <b>3,321</b> | <b>3,137</b> | <b>3,117</b> | <b>100.0</b>                      |



# REPORT BY THE GROUP PRESIDENT



*Anders Scharp*

The company acquisitions, investments and restructuring of recent years have laid a foundation for favorable long-term development. The goals and strategies which guide our actions are aimed at maintaining sustained profitability and can be summarized as follows:

- We should be among the world leaders in most of the fields in which we operate. We aim to be in the forefront in each market or market segment.
- Over the next few years our resources will be concentrated in our major business areas, i.e. household appliances and corresponding products for commercial applications, outdoor products and commercial services.
- We will also develop other product lines that are oriented principally to industrial markets. The Group's extensive demand for components comprises a basis for a new business area.
- Marketing will be global, with emphasis on the OECD countries, which have an estimated 90% of the purchasing power for our products. Our basic premise is that North America, Europe and Japan will show increasing similarity in terms of consumer demands, and that it is vital for us to be established in these large markets.
- We aim at a 15% long-term growth rate for annual sales. Expansion leads to greater volume, which enables increased commitments to R&D and provides a basis for more advanced production techniques.
- Our future competitive power will be based on cost-effectiveness, product quality, carefully prepared market and product strategies and a decentralized organization designed for rapid decision-making.
- Our financial goal is to achieve an annual growth rate for equity over a business cycle that is at least as great as the yield on long-term Swedish Government securities plus a modest risk premium.

## **Restructuring - a comprehensive undertaking**

Several years ago we realized that it would be difficult to maintain good profitability and competitive positions unless we obtained substantial reinforcement in certain markets, primarily in the white-goods sectors in central and southern Europe and the US. The alternatives were to exit from the white-goods sectors in these areas or to focus operations on specific market segments. The acquisitions of Zanussi and White Consolidated Industries Inc. should be seen in this light.

Following the acquisition of White, slightly more than SEK 2,000m was generated by a new share issue in 1986. In addition, SEK 1,500m was released through sales of companies and assets, mainly Gränges Metallverken and Wirsbo and the shareholding in SSAB (Svenskt Stål AB). Opportunities were thus created for greater growth in other areas than white goods, as exemplified by the acquisitions of Poulan/Weed Eater and Gotthard Nilsson.

These acquisitions have naturally entailed short-term costs. Radical restructuring of production and coordination of marketing organizations have been implemented. Several of the companies acquired have had profitability levels below the Group average, so that there has been a temporary reduction in the Group's key ratios. The trend is now favorable, however, and the acquisitions are expected to gradually provide substantial contributions to earnings.

Earnings for 1986 should be seen in the light of the above and of the fact that restructuring costs were greater than anticipated. The decline in the US dollar rate has also had an adverse effect on earnings. However, the foundation for future growth of earnings has been laid.

## **The major acquisitions**

Zanussi had been reporting large losses for several years prior to our entry as part-owner. The company needed not only new capital but a strong industrial partner. After having initiated a radical program for restructuring and cost cutting, Zanussi was able to report a profit for 1986, although profitability is still unsatisfactory.



The acquisition of Zanussi has doubled the Group's market shares in Europe for white goods and food-service equipment.

White is the largest acquisition in the Group's history. White was not in a crisis, but it lacked an over-all strategy and its corporate units were not well-coordinated. We have merged Tappan with White and given the company an organization resembling those of Electrolux and Zanussi. A comprehensive program of changes is being implemented, aimed at an increase of USD 100m in White's earnings over the next two years.

In order to strengthen our position in the US for forestry and garden products we acquired Poulan/Weed Eater, which manufactures and markets items such as chainsaws and lawn mowers. This has expanded our line of chainsaws and has provided a valuable addition to our product range in the growing market for garden products. We also believe that there is a great potential for coordination of our operations in North America and Europe.

The acquisition of Gotthard Nilsson is in line with our intent to expand operations for recovery of aluminium scrap.

These four newly acquired companies have combined annual sales of approximately SEK 25,000m, which means that annual Group turnover has increased by more than 50%. Electrolux has become one of the world's leading manufacturers in a number of product areas. We have obtained a strong position with a complete range of white goods in Europe and the US, while we have acquired well-established international brand names such as Frigidaire, Kelvinator and Zanussi. These comprise a great asset, as continued segmentation of markets will require several brand names in order to serve various consumer needs through different distribution channels.

### **The new Electrolux**

The acquisitions and divestments of recent years have enabled us to redeploy the Group in the right direction. Operations have been focused increasingly on the primary business areas. We have also obtained a better fit between our geographical market

distribution and consumption in the world market. North America will become the Group's most important market, with almost 40% of sales, and the share of sales referring to markets outside Sweden will increase to 85%. Our production resources are also distributed more favorably in geographical terms. Of a total of 130,000 employees, more than 100,000 work in companies outside Sweden.

Although many new companies have been integrated in the Group, we have retained our corporate culture, which involves extensive independence for our managers along with non-bureaucratic forms of cooperation.

To date, acquisitions have offered the fastest and least expensive pathway for expansion. In the future, however, we must expect that internally generated growth will provide the greater share of expansion. We now have our own opportunity to create a new global structure of production, distribution and marketing. A number of large projects are currently in progress where development of new generations of products is being coordinated with new production techniques and equipment. Realization of our plans will involve total Group investments of about SEK 10,000m over the next three years. We expect these investments to be financed internally.

In our business areas, growth is a requirement for maintaining competitive international positions. However, financial balance must be retained during growth, and rapid expansion makes this difficult to achieve on an annual basis. Development must therefore be seen over a perspective of several years. From this point of view, Electrolux has had a balanced development over the past five- and ten-year periods, despite rapid expansion. I consider that the foundation which has been laid during 1986 provides the prerequisites for continued favorable development during the remainder of the 1980's.

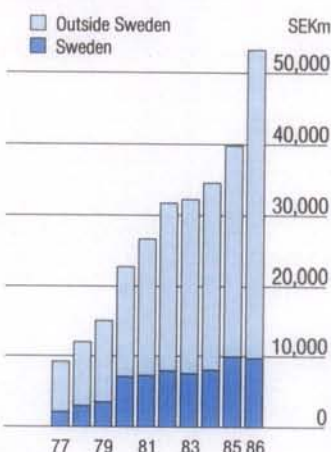


Anders Scharp  
President and CEO



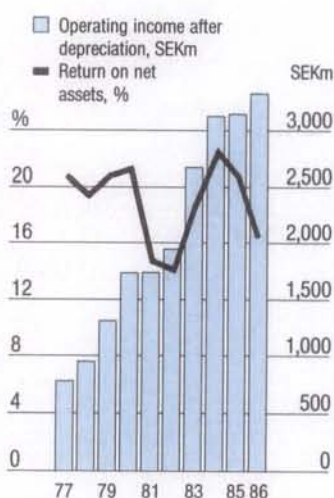
# GROUP OPERATIONS, INCLUDING ADMINISTRATION REPORT

## Group Sales



Over the past ten years, sales have been increasing at an annual rate of 21%.

## Group earnings



In 1986 the return on net assets was 16.4%.

## Sales

Group sales in 1986 amounted to SEK 53,090m (39,688), of which SEK 43,434m (29,780) or 82% (75) was outside Sweden. The sharp increase over the previous year resulted mainly from the acquisition of White Consolidated Industries Inc. as per April 1 and the consolidation of Zanussi as per September 1. If these acquisitions were included for the whole of 1986, Group

sales would increase by another SEK10,000m to a total of approximately SEK 63,000m. This would also show that the Swedish production units accounted for about 20% (44) of the Group's total manufacturing output.

Exports from Sweden amounted to SEK 5,974m (7,806), of which SEK 3,234m (3,227) referred to sales to subsidiaries.

## Sales by country and region

|                     | 1986          |              | 1985          |              |
|---------------------|---------------|--------------|---------------|--------------|
|                     | SEKm          | %            | SEKm          | %            |
| Sweden              | 9,656         | 18.2         | 9,908         | 25.0         |
| France              | 4,428         | 8.3          | 3,870         | 9.7          |
| Great Britain       | 4,139         | 7.8          | 3,072         | 7.7          |
| West Germany        | 2,701         | 5.1          | 2,057         | 5.2          |
| Denmark             | 1,628         | 3.1          | 1,470         | 3.7          |
| Switzerland         | 1,616         | 3.0          | 1,300         | 3.3          |
| Italy               | 1,503         | 2.8          | 385           | 1.0          |
| Norway              | 1,327         | 2.5          | 1,482         | 3.7          |
| Finland             | 1,190         | 2.2          | 1,112         | 2.8          |
| The Netherlands     | 1,036         | 2.0          | 759           | 1.9          |
| Other               | 2,246         | 4.2          | 1,668         | 4.2          |
| <b>Total Europe</b> | <b>31,470</b> | <b>59.2</b>  | <b>27,083</b> | <b>68.2</b>  |
| USA                 | 16,493        | 31.1         | 8,677         | 21.9         |
| Asia                | 2,087         | 3.9          | 1,441         | 3.6          |
| Latin America       | 1,145         | 2.2          | 966           | 2.4          |
| Canada              | 1,053         | 2.0          | 459           | 1.2          |
| Oceania             | 601           | 1.1          | 713           | 1.8          |
| Africa              | 241           | 0.5          | 349           | 0.9          |
| <b>Total</b>        | <b>53,090</b> | <b>100.0</b> | <b>39,688</b> | <b>100.0</b> |

## Earnings

Group operating income before depreciation in 1986 amounted to SEK 4,944m (4,351). Operating income after depreciation according to plan amounted to SEK 3,321m (3,137), which represents 6.3% (7.9) of total sales.

Income after financial items amounted to SEK 2,583m (2,576). On the basis of this figure, return on equity less standard tax of 50% and minority interests was 13.3% (17.6), while earnings per share after full conver-

sion of outstanding convertible debentures and adjustment for the new share issue in 1986 amounted to SEK 18.20 (19.60).

Extraordinary items consisted of capital gains of SEK 132m (176) referring to divestment of Gränges Metallverken AB and Wirsbo Bruks AB.

Income before allocations and taxes amounted to SEK 2,715m (2,752). In accordance with the partial method and after full conversion of outstanding debentures, this



corresponds to earnings per share of SEK 25.60 (30.50). See Note 6, p. 39. The total return, i.e. income before allocations and after actual taxes, in relation to equity plus untaxed reserves was 16.7% (22.2).

The partial method as applied by Electrolux involves deducting actual tax paid, while appropriations are not charged with deferred taxes. The justification for not deducting deferred taxes is that reversal of allocations during the next few years is not anticipated, so that no tax payment will be made. A more accurate picture of profitability is therefore obtained by considering the total return with reference to the actual tax situation.

Income before allocations, less full taxes and minority interests, after full conversion of outstanding convertible debentures, corresponded to earnings of SEK 27.40 (26.00) per share.

The Electrolux Group operates primarily in the international market, and this has been accentuated by the acquisitions of White, Zanussi and other companies. The expansion of Electrolux involves acquiring businesses in competition with other companies whose accounting practices differ from the Swedish, e.g. with respect to goodwill. As per 1986, accounting principles have therefore been modified in accordance with international practice, within the framework of applicable Swedish legislation. This means that goodwill is depreciated over estimated useful life. For White and Zanussi, useful life is estimated according to US practice, i.e. 40 years (see the description of accounting principles on p. 37).

### Earnings trend

Demand was good in the Group's most important markets during 1986. Sharp price competition persisted, however, which involved a deterioration of profit margins.

## Tied-up capital

Continued efforts to reduce the amount of capital tied up in operations have generated results. Inventories were reduced to 19.7% (20.8) and accounts receivable to 18.9% (19.8) of total sales.

To counteract this, efforts were intensified to utilize the opportunities for rationalization that have been created by the many company acquisitions of recent years. This has entailed substantial non-recurring costs, which have been charged against operating income.

The decline in the US dollar rate had an adverse effect on both sales and earnings. The effect was generated primarily by translation from dollars to Swedish kronor of sales and earnings in the Group's North American operations, which are based mainly on locally manufactured products.

Sales volumes for **household appliances** increased somewhat over the previous year for comparable units. However, profit margins declined as a result of severe price competition in several of the most important markets.

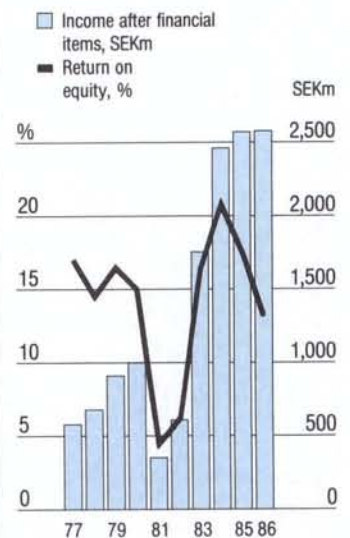
Sales of **commercial appliances and industrial products** increased sharply as a result of company acquisitions in 1986. Performance was particularly favorable for cleaning equipment and refrigeration units.

**Commercial services** reported increased earnings and improved profitability.

**Outdoor products** showed downturns in sales as well as earnings. The total market for chainsaws declined, which in combination with the fall in the dollar rate and increased costs for marketing and product development led to reduced earnings. As a result of continued restructuring, reduced earnings were also reported for garden products. The same was true of agricultural implements, where demand continued to fall.

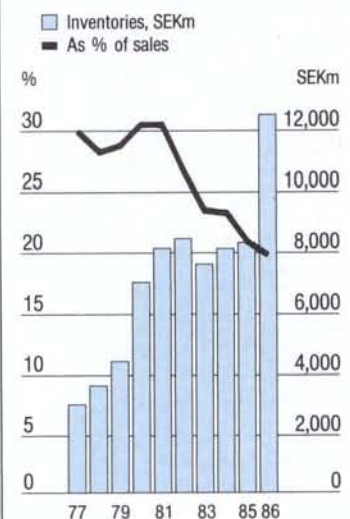
The decrease in sales and earnings for **Gränges** is traceable primarily to the divestment of Metallverken and Wirsbo as per January 1, 1986. Trends were favorable for the remaining operations, Gränges Aluminium and Electrolux Autoliv.

### Group earnings



The return on equity after 50% standard tax was 13.3% in 1986.

### Group inventories

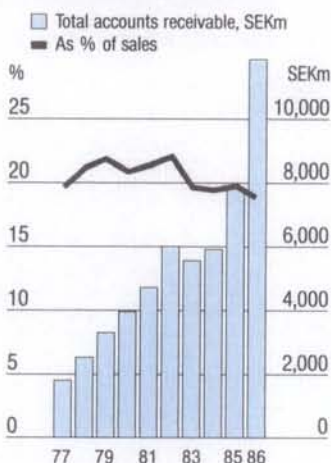


Inventories as a percentage of sales continued to decrease, and amounted to 19.7% in 1986.

The Group's net assets, i.e. total assets less all non-interest-bearing liabilities including deferred taxes on untaxed reserves, amounted to 49.2% (47.9) of total sales.

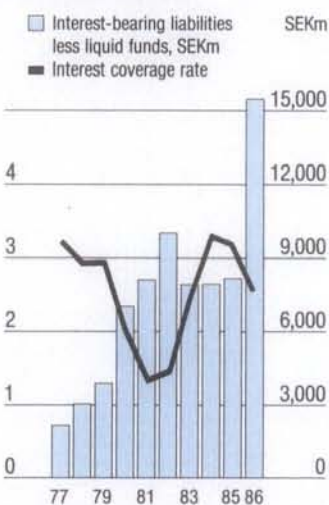


### Group accounts receivable



The figures for 1980-84 include accounts receivable previously assigned to a partly owned finance company.

### Group loan situation



The large acquisitions in 1986 reduced the interest coverage rate from 3.17 in 1985 to 2.56.

## Financial position

International interest rates continued to fall in 1986, primarily with reference to the US dollar. Net financial items amounted to SEK -738m (-561), or 1.4% (1.4) of total sales. The increase in financial expense refers to financing of the acquisition of White.

The Group was very active in the international capital market during the year. A new share issue of 8 million B-shares was placed in June in order to strengthen the balance sheet and enable continued expansion in areas other than white goods. This issue provided the Group with slightly more than SEK 2 billion, which was used primarily for repayment of foreign loans raised in connection with the acquisition of White Consolidated Industries Inc.

In addition, the following bond loans were raised:

- USD 150m (SEK 1,021m), 7 years at 7 5/8% annually
- LUF 1,000m (SEK 167m), 7 years at 7% annually
- FRF 500m (SEK 530m), 5 years at 7 3/4% annually
- AUD 50m (SEK 228m), 3.5 years at 14 1/2% annually

The major portion of loans in currencies other than USD has been converted to fixed-rate USD loans by swap transactions.

The parent company's Euro-Commercial Paper Program was also expanded to a total of USD 325m (SEK 2,200m), which gives the Group access to favorable short-term financing through issuance of its own securities.

At the close of the year, programs for medium-term financing were also launched in the form of Medium-Term Notes and a Multi-Tranche Tap Facility totalling USD 300m (SEK 2,040m). These programs enable the Group to issue medium-term notes on favorable terms.

AB Electrolux became the first foreign company to set up a program for corporate securities in the Netherlands. This program totals NLG 100m (SEK 300m). Similar programs were launched for the Group's subsidiaries in Norway and France.

At year-end the Group's interest-bearing liabilities totalled SEK 19,302m (10,724), of which PRI pension liabilities accounted for

SEK 1,349m. This represents an increase from a multiple of 1.29 to 1.65 times adjusted equity. Long-term liabilities accounted for 77% (64) of the total. The share of long-term liabilities at fixed interest rates amounted to 56% (64).

### Currency exposure

The Group's policy is to minimize its currency exposure in terms of both flow and translation. The currency-flow exposure is generated mainly by transactions with subsidiaries, which in 1986 amounted to about SEK 13,500m. This currency exposure is reduced by a netting system, which enables the currency flow to be reviewed continuously so that action can be taken in the event of changes in currency positions. In other respects, the Group's currency flow exposure is of less significance. The foreign exchange differences connected with short-term commercial receivables and liabilities in foreign currencies are included in operating income.

Net exchange differences amounted to SEK 68m (28). As in previous years, exchange losses on long-term loans have not been amortized.

The net of assets and liabilities in foreign subsidiaries comprises a net investment in foreign currency and thus generates a translation exposure. As a hedge against fluctuations in currency rates, parent company loans are raised as far as possible in foreign currencies in the same proportion as this net investment. The reduction in the value of a net investment resulting from a decline in an exchange rate is thus offset to some extent by currency gains in parent company loans in the same currency. A degree of exposure is unavoidable, however, inasmuch as the net investment outside Sweden is greater than the parent company's total borrowing and some currencies are in practice unavailable for loans.

Net translation differences arising through consolidation of foreign subsidiaries amounted to SEK -180m (-219). These differences have been taken directly to equity in the consolidated balance sheet and have thus had no effect on net income for



the year. The change is traceable mainly to the change in the USD/SEK rate. Translation losses referring to countries with par-

ticularly high inflation rates have been charged against operating income (see p. 37).

## Profitability

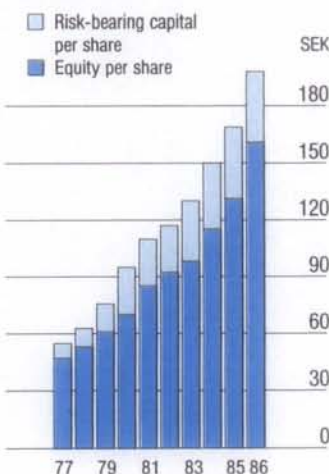
Electrolux reports earnings per share in different ways, e.g. on the basis of income after financial items less 50% standard tax, and of income before allocations less full tax. Earnings are computed after full conversion of outstanding convertible debentures and deduction of minority interests. Full tax consists of taxes paid plus a standard 50% tax on allocations. The relationship between these definitions of earnings and the rate of growth in adjusted equity per share over the past ten years is indicated in the table below:

The growth in adjusted equity per share expresses the growth in net worth and after addition of dividends paid is thus the most accurate measure of profitability. Over the past ten years, the growth rate for equity per share has thus been higher than that indicated by the standard key ratios. After deduction of dividends paid, adjusted equity per share has grown by 16.8% annually over the past ten years.

|   |                |
|---|----------------|
| <b>Adjusted equity per share, Jan. 1, 1977</b>  | <b>SEK 34</b>  |
| Earnings per share after 50% standard tax, 1977-86                                      | 107            |
| Dividend per share, 1977-86   | -41            |
| <b>Theoretical adjusted equity per share after 50% standard tax</b>                     | <b>100</b>     |
| Equity has also been affected by:   |                |
| ● Extraordinary items per share, 1977-86  | 22             |
| ● Tax savings per share, as actual taxes 1977-86 were less than standard taxes          | 39             |
| ● Deferred tax per share computed as 50% of untaxed reserves, which has never been paid | -24            |
| <b>Theoretical adjusted equity per share after extraordinary items and full tax</b>     | <b>137</b>     |
| Part of the effect on equity is not shown in the income statement, i.e.:                |                |
| ● Translation differences per share   | 0              |
| ● Write-up on fixed assets, per share   | 7              |
| ● Adjustment per share for new share issue, 1986  | 12             |
| ● Other (changes in accounting principles, etc.)  | 5              |
| <b>Actual adjusted equity per share, Dec. 31, 1986</b>                                  | <b>SEK 161</b> |

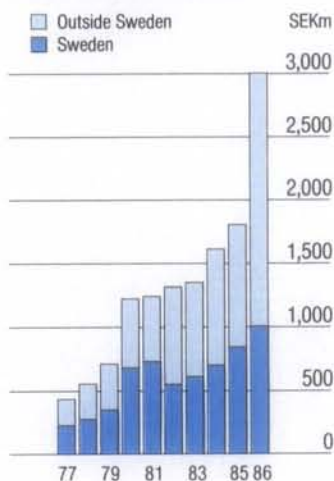


### Equity and risk-bearing capital per share



Over the past 10 years, the annual growth in adjusted equity and risk-bearing capital per share has been 17%.

### Group capital expenditure



In 1986, capital expenditure amounted to SEK 3,005m, of which SEK 1,009m were in Sweden.

### Equity

At year-end, adjusted equity and risk-bearing capital per share after full conversion of outstanding convertible debentures amounted to SEK 161 (131) and SEK 198 (169), respectively.

AB Electrolux has four outstanding convertible loans totalling SEK 142m at par. Loans I-III bear 8% interest and are converted at SEK 43. Loan IV bears 10% interest and is converted at SEK 60. All loans were eligible for conversion during 1986.

### Capital expenditure and self-financing

Group capital expenditure excluding the value of fixed assets in companies acquired during the year amounted to SEK 3,005m (1,808), of which SEK 1,009m (843) referred to Sweden. Capital expenditure represented 5.7% (4.6) of total sales.

If all the debentures outstanding at year-end are converted, the number of shares will increase by 2,486,627 to 73,485,606.

### Equity/assets ratio

As a result of the major acquisitions in 1986 and the consolidation of Zanussi, the equity/assets ratio declined to 24.3% (28.1). The share of risk-bearing capital (see p. 38) amounted to 29.9% (36.5).

### Major changes in the Group

As per April 1, 1986, the Group acquired White Consolidated Industries Inc., the third largest white-goods company in the US. As per September 1, a majority holding was also acquired in Zanussi, which was therefore consolidated. The Group now has a 94.8% shareholding in Zanussi. In the household appliance area, the operations of the Diamond Cabinet Division, which manufactures kitchen cabinets, were acquired from the Medford Corp. in the US.

As both White and Zanussi operate in sectors other than household appliances, these acquisitions have also affected the business areas of commercial equipment and industrial products.

In the outdoor products area, at the close of the year the Group acquired the operations of the Beaird-Poulan/Weed Eater Division of Emerson Electric Co. in the US. This Division manufactures chainsaws and motorized garden products. The operations of Husqvarna Motorcycles were sold to Cagiva Motor Italia S.p.A in Italy.

In the commercial cleaning and laundry area, acquisitions included Simon S.A. in

France, which is engaged in cleaning and rental of textiles for hotels and restaurants. Other acquisitions in this area included small companies in Sweden, the US and the Far East.

Major changes occurred in Gränges. In the course of the year Gränges Metallverken AB and Wirsbo Bruks AB were sold to the Finnish metallurgical group Outokumpu Oy. Metallvaruhuset in Stockholm, Malmö and Gothenburg was not included in the sale and was transferred to Gränges Aluminium AB. As per October 1, Gränges Aluminium acquired an additional 60% holding in Gotthard Nilsson AB, whose operations are devoted mainly to recovery of iron and other scrap metal as well as manufacture of components for the automotive industry. Together with the 30% holding which was acquired earlier in the year from Gränges Metallverken, this gives the Group a 90.1% shareholding in Gotthard Nilsson AB. This acquisition is subject to Government approval.

Electrolux Autoliv acquired the safety-belt operations of K.Y. Hartwall KB in Finland. In addition, the previous minority

interest in BKI S.A. in Spain was increased to a 51% holding. As per January 1, 1987, a 51% shareholding was acquired in AB AKTA Barnsäkerhet, which manufactures car-seats and other protective products for children.

As per April 1, Kohlswa's production of steel castings was integrated with Uddeholm Castings in the newly formed Kohlswa-Uddeholm Gjuteri AB. Kohlswa and Udde-

holm each have 50% holdings in this company. As per December 31, 1986 Kohlswa Essem was sold to Schunk Nordiska AB, a subsidiary of the West German industrial group Die Schunk Gruppe.

As per April 1, 1986 the steel engineering operations of Gränges Hedlund were sold to Finnboda Varf AB. The shares in Gränges Mark AB were sold to Fastighets AB Stockholm-Saltsjön as per January 1, 1986.

## Lamco

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Gränges owns 100% of the partnership Svenska Lamco Syndikatet, which in turn owns 75% of Liberian Iron Ore Ltd (LIO). The remaining 25% are owned by shareholders in Canada, the US and other countries. The operations of LIO are limited to the ownership of 50% of the shares in Lamco. The remaining 50% is owned by the State of Liberia. Operations in Liberia are run by the consortium Lamco Joint

Venture. Lamco has a 75% share in the consortium, while the State of Liberia owns the remaining 25% through a subsidiary.

The Group's shareholding in Lamco is booked at zero in the balance sheet. The commitment in Lamco is limited to guarantees and collateral totalling SEK 266m (435). The provision in the consolidated balance sheet is considered as adequate for this commitment.

## SSAB

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Electrolux owned 25% of the shares in SSAB (Svenskt Stål AB) through Gränges. As per December 31, Gränges sold this holding to the Swedish State for SEK 600m. This divestment is subject to approval by

the Government and the Swedish Parliament (Riksdag). Regarding the effect of this transaction on Group income, see Note 5, p. 39 and Note 8, p. 40.

## Fermenta

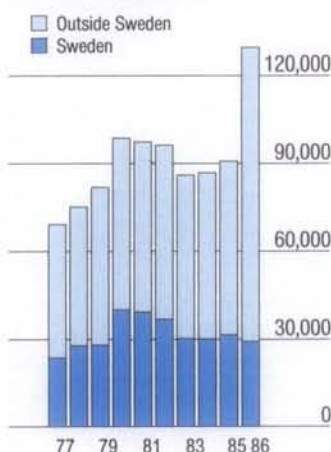
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In 1985 the parent company sold 4,200,000 B-shares in Fermenta AB. This divestment was in accordance with an option agreement that stipulated a fixed and a variable portion of the sale price. The capital gain of SEK 176m that was booked in 1985 was based

on the fixed portion. The variable portion amounts to SEK 117.4m and was due for payment in 1986. In the light of the buyer's inability to make payment, this sum has not been booked as revenue or as an asset.



Number of employees (Average)



In 1986, the number of employees increased to 129,900, of whom 29,400 in Sweden.

## Personnel

The average number of Group employees in 1986 exclusive of Liberia increased to 129,912 (91,085).

More detailed information has been filed with the annual report at the Swedish

Patent and Registration Office and is available on request from the Company.

| Average number of employees | 1986           | %            | 1985          | %            |
|-----------------------------|----------------|--------------|---------------|--------------|
| Parent company              | 5,500          | 4.3          | 5,340         | 5.7          |
| Other Swedish companies     | 23,935         | 18.4         | 26,383        | 28.2         |
| In Sweden                   | 29,435         | 22.7         | 31,723        | 33.9         |
| Outside Sweden              | 100,477        | 77.3         | 59,362        | 66.1         |
| <b>Total</b>                | <b>129,912</b> | <b>100.0</b> | <b>91,085</b> | <b>100.0</b> |

| Wages, salaries and remuneration (SEKm) | 1986          | 1985          |
|---|---------------|---------------|
| Parent company                          | 647           | 584           |
| Other Swedish companies                 | 2,490         | 2,563         |
| In Sweden                               | 3,137         | 3,147         |
| Outside Sweden (excl. Liberia)          | 8,026         | 5,173         |
| Employer contributions in Sweden        | 1,381         | 1,399         |
| Outside Sweden                          | 1,958         | 1,137         |
| <b>Total personnel costs</b>            | <b>14,502</b> | <b>10,856</b> |

## Parent company

The parent company's sales in 1986 amounted to SEK 3,575m (3,217), of which SEK 2,687m (2,400) referred to subsidiaries and SEK 888m (817) to external customers. Exports accounted for SEK 1,505m (1,410) and represented 42% (44) of total sales.

After allocations of SEK +61m and taxes of SEK -29m, the parent company reported a profit of SEK 646m (1,578). The Board proposes a dividend for 1986 of SEK 8.75 per share (7.50), for a total dividend payment of SEK 621.2m (453.7).

As per January 1, 1987 a number of operating units within the parent company were converted into agency companies. The new companies include Electrolux Major Appliances AB in the white-goods sector, and Electrolux Cleaning Appliances AB in the floor-care product sector.

# ELECTROLUX SHARES

Electrolux A- and B-shares have been listed on the Stockholm Stock Exchange since 1930. B-shares are also listed in London (since 1928), Geneva (1955), Oslo (1981) and Paris (1983). In 1983 an ADR (American Depositary Receipts) program was established in the US. At the end of January, 1987, B-shares received a listing on the exchanges in Zürich and Basel.

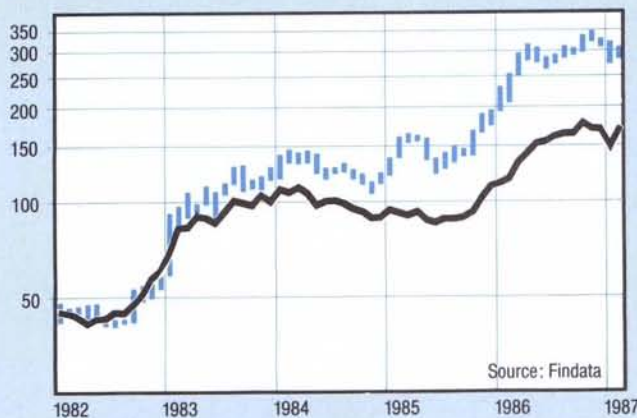
About 21 million Electrolux shares were traded on the Stockholm Stock Exchange in 1986 to a value of almost SEK 6 billion. Trading in Electrolux shares thus accounted for slightly more than 4% of total share volume on the Stockholm Stock Exchange, which in 1986 was SEK 142 billion.

## Trading volume for Electrolux shares on the Stockholm Stock Exchange

|      | SEKm  |
|------|-------|
| 1982 | 1,703 |
| 1983 | 6,246 |
| 1984 | 4,372 |
| 1985 | 4,583 |
| 1986 | 5,965 |

## Price of Electrolux B-shares on the Stockholm Stock Exchange, 1982 - February, 1987

-- General index Bars: Monthly high/low, SEK



## Stock market indicators

|                                    | 1986 | 1985 | 1984 | 1983 | 1982 | 1981 | 1980 | 1979 | 1978 | 1977 |
|------------------------------------|------|------|------|------|------|------|------|------|------|------|
| Year-end price, SEK                | 311  | 194  | 121  | 119  | 60   | 41   | 44   | 45   | 44   | 41   |
| Adjusted equity per share, SEK     | 161  | 131  | 115  | 98   | 92   | 85   | 70   | 61   | 53   | 47   |
| Market price/adjusted equity, %    | 193  | 148  | 105  | 121  | 65   | 48   | 63   | 74   | 83   | 87   |
| Direct yield, %                    | 2.8  | 3.9  | 5.4  | 4.6  | 7.5  | 9.8  | 8.5  | 6.7  | 5.7  | 5.1  |
| Change in price during the year, % | 60   | 60   | 2    | 98   | 46   | -7   | -2   | 2    | 7    | -11  |
| P/E ratio*                         | 12.1 | 6.4  | 4.7  | 6.0  | 10.2 | 2.7  | 3.1  | 3.4  | 4.3  | 5.5  |

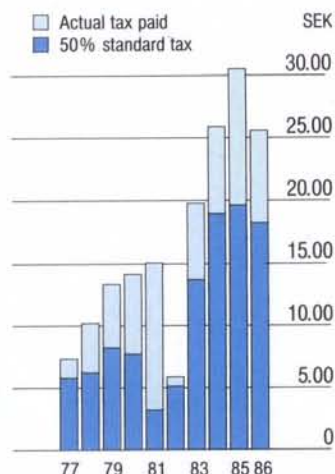
\* Market price relative to total earnings per share after actual taxes, according to the partial method and after full dilution

## Dividend policy

The Group's policy is to increase dividends to shareholders in general proportion with the growth of equity. Over the past ten

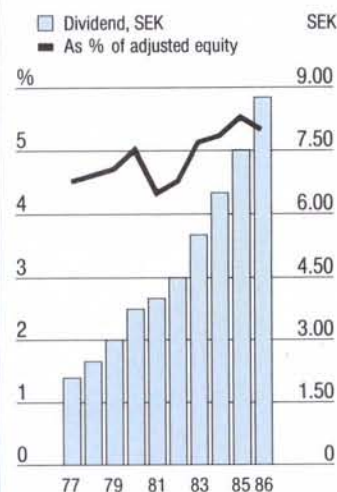
years, adjusted equity per share has grown at an average annual rate of 16.8%. The dividend has increased by 16.9% annually over the same period.

## Earnings per share



The difference between the earnings concepts consists of extraordinary income and lower tax charge than 50%.

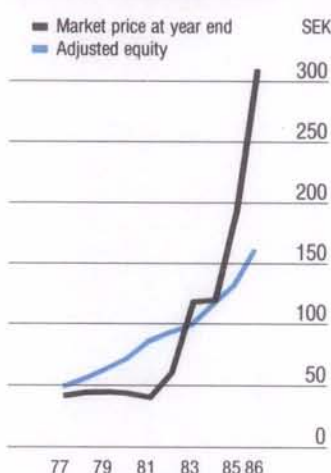
## Dividend per share



Over the past ten years, dividends have been increasing at an annual rate of 17%.



**Market price and adjusted equity per share, Electrolux B-shares**



The stock market valuation of a share depends principally on expectations concerning the company's long-term earnings prospects. Since 1983, the Electrolux share has been valued higher than the adjusted equity per share.

**Share capital**

On December 31, 1986 there were 2,000,000 A-shares and 67,927,759 B-shares in AB Electrolux, each with a par value of SEK 25.

Total share capital at year-end including 1,071,220 unregistered B-shares (converted debentures) amounted to SEK 1,775.0m.

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

|  | SEKm           |
|--|----------------|
| 2,000,000 A-shares                                     | 50.0           |
| 67,927,759 B-shares                                    | 1,698.2        |
| 1,071,220 Unregistered B-shares (converted debentures) | 26.8           |
| <b>70,998,979</b>                                      | <b>1,775.0</b> |

In June, a new issue of 8 million B-shares was implemented outside Sweden at a price of SEK 278 per share. These shares were placed in a large number of markets, mainly in Europe.

The number of B-shares also increased in 1986 by 2,505,643 through conversion of debentures. The average number of shares after adjustment for full conversion and the new issue in 1986 was 69,930,000. If all outstanding debentures are converted, the number of shares will increase to 73,485,606.

Following the new issue, it was estimated that about 23% of the shares are owned outside Sweden.

**Major shareholders as per February, 1987**

|                                     | Number of shares | Share capital % | Voting rights % |
|-------------------------------------|------------------|-----------------|-----------------|
| ASEA                                | 7,068,976        | 9.68            | 48.62           |
| Trygg-Hansa                         | 3,265,767        | 4.60            | 0.16            |
| 4th National Pension Insurance Fund | 3,053,121        | 4.30            | 0.15            |
| Skandia                             | 1,774,256        | 2.50            | 0.09            |
| Investor                            | 1,743,518        | 2.46            | 35.39           |
| Custos                              | 1,284,800        | 1.81            | 0.06            |
| Folksam                             | 741,670          | 1.05            | 0.04            |
| Export-Invest                       | 698,333          | 0.98            | 0.03            |
| General Motors Pension Trust        | 661,884          | 0.93            | 0.03            |
| Hans Werthén                        | 620,225          | 0.87            | 0.03            |
| Providentia                         | 417,700          | 0.59            | 9.93            |

**Distribution of shareholdings in AB Electrolux**

| Shareholding   | No. of shareholders | As % of shareholders |
|----------------|---------------------|----------------------|
| 1-1,000        | 55,332              | 93.9                 |
| 1,001-10,000   | 3,098               | 5.3                  |
| 10,001-100,000 | 369                 | 0.6                  |
| 100,001-       | 93                  | 0.2                  |
| <b>Total</b>   | <b>58,892</b>       | <b>100.0</b>         |

The above information is based on the register of shareholders in AB Electrolux at the Värdepapperscentralen VPC AB as per

February, 1987. These figures include shareholdings registered through trustees as per August, 1986.

### Electrolux convertible loans outstanding as per December 31, 1986

|          | Issued | Par value, SEK | Interest rate | Total value at par, Dec. 31, 1986, SEK '000 | Original value at par, SEK '000 | Conversion rate | No. of shares after full conversion |
|----------|--------|----------------|---------------|---|---------------------------------|-----------------|-------------------------------------|
| Loan I   | 1978   | 120            | 8%            | 10,885                                      | 95,994                          | 43              | 253,146                             |
| Loan II  | 1978   | 120            | 8%            | 78  | 33,000                          | 43              | 1,813                               |
| Loan III | 1978   | 130            | 8%            | 8,355                                       | 139,273                         | 43              | 194,313                             |
| Loan IV  | 1980   | 100            | 10%           | 122,241                                     | 662,725                         | 60              | 2,037,355                           |
|          |        |                |               | 141,599                                     | 930,992                         |                 | 2,486,627                           |

*Loan I was issued in connection with the acquisition of Husqvarna*

*Loan II was issued in favor of ASEA*

*Loan III was issued in favor of Electrolux shareholders*

*Loan IV was issued in connection with the acquisition of Gränges*

Loans I, II and III became eligible for conversion in January, 1980 and loan IV in January, 1982. The value of the dividend received after conversion is greater than the interest on the debentures. Owners of convertible debentures should therefore consider converting them.

Loans I and II mature on December 15, 1987 and will then be converted at par. Debentures can be converted through any Swedish bank, not later than December 14, 1987.

### Electrolux Aktiesparfond and Allemansfond

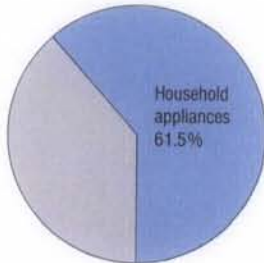
Since July 1981, the employees of the Group's Swedish companies have been able to invest in Electrolux shares, first through the Electrolux Aktiesparfond and subsequently through the Electrolux Allemans-

fond. At year-end 1986 a total of 3,026 employees were participating in these funds, which comprised a total of 361,354 shares. Loans raised by employees to acquire shares totalled SEK 15.9m.



# HOUSEHOLD APPLIANCES

% of Group sales



Household appliances

|                                | SEKm   | %   |
|--------------------------------|--------|-----|
| White goods                    | 20,768 | 64  |
| Special refrigerators          | 1,484  | 4   |
| Floor-care products            | 5,521  | 17  |
| Air-conditioners               | 1,192  | 4   |
| Sewing machines                | 810    | 2   |
| Kitchen and bath-room cabinets | 1,263  | 4   |
| Home electronics               | 1,034  | 3   |
| Others                         | 569    | 2   |
|                                | 32,641 | 100 |

Household appliances comprise the Group's largest business area. Sales in 1986 amounted to SEK 32,641m (20,204). The strong increase was generated by the acquisition of White Consolidated and the consolidation of Zanussi. Operating income after depreciation amounted to SEK 2,061m (1,685), which represents 6.3% (8.3) of sales.

## White goods

Following the acquisition of Zanussi and White Consolidated, Electrolux has become the largest white-goods company in Europe and one of the largest in the world.

Sales in 1986 amounted to SEK 20,768m (9,947). White was consolidated as per April 1 and Zanussi as per September 1. This product line thus accounts for 36% of total Group sales. Profitability was satisfactory.

Demand for washing and dishwashing machines in the European market increased during 1986, while a downturn was noted for refrigerators and freezers. Group sales increased in volume, but severe price competition led to lower profit margins.

The market as a whole is stagnating and features a degree of polarization to high-

and low-price products. The Group operates mainly in the higher price segments, and its commitment to a wider product range and improved product quality has been successful.

Zanussi reported good growth in volume for 1986 as a result of increased deliveries through the Group's sales channels, while earnings improved.

Improvement was also reported in France, but a comprehensive restructuring program which was largely completed during the year generated non-recurring costs.

Operations in Europe are being restructured in order to realize the opportunities created by acquisition of Zanussi. Most of the restructuring of the washing machine operation was completed in 1986 and involved a reorganization of production at the plant in Revin, France and the Zanussi production unit in Pordenone. A new structure has also been established for the refrigerator operation. A number of substantial investment projects have been initiated, including renovation of the plant in Susegana, Italy, which is scheduled for completion during the second half of 1987.



At the start of 1987, White launched "Euroflair", an exclusive new line of European products designed specifically for the American market.





Zanussi has developed a new "Jetsystem" washing machine, based on a new washing technique that reduces consumption of water, detergent and energy.

The American market has grown in recent years as a result of an increase in housing starts and a good level of replacement buying. The Group increased its sales of cookers through the Tappan subsidiary. White maintained its market shares in general.

Prior to the acquisition of White, the Group's white-goods operations in the US were devoted primarily to cookers and microwave ovens through the Tappan subsidiary. The acquisition of White has given the Group a complete product range and a strong position in the market for refrigerators/freezers and cookers.

Following the merger of Tappan and White in the newly formed White Home Products, a comprehensive program was initiated for restructuring and rationalization of operations in the US. White's previously approved investment program, totalling about USD 500m over a 5-year period, has been revised in accordance with the new organization and will be expanded. Coordination of production, marketing, distribution and purchasing along with exchange of products and components previously purchased from external suppliers is expected to generate substantial cost savings. A considerable improvement in profitability is anticipated over the next two years.

The acquisition of Zanussi and White



White has a strong market position for refrigerators and freezers such as this Frigidaire unit, complete with ice-maker.

has created a framework for global operations in the field of white goods. Greater volume enables efficient yet flexible production and distribution. It also creates a base for greater commitments to research and product development. These acquisitions have given the Group a number of well-known brand names which comprise an important asset in the light of increased market segmentation.

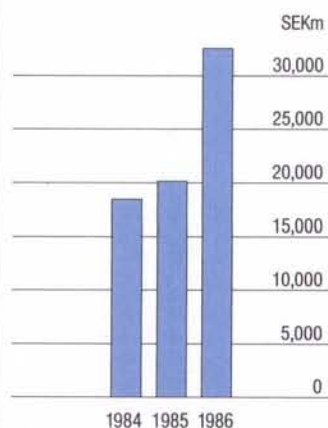
### White Consolidated

White Consolidated, the third largest white-goods company in the US, was acquired in March, 1986 at a cost of about USD 750m. In 1985, White's sales amounted to USD 1,946m (about SEK 14,000m). The company operates in two business areas, i.e. household appliances and industrial products.

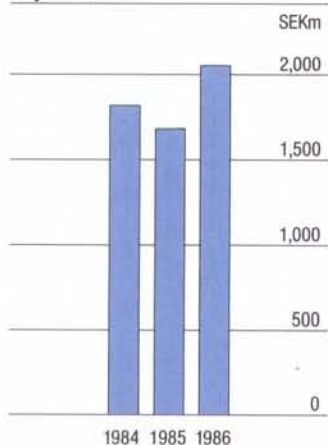
Household appliances accounted for about 85% of total sales and consisted of white goods, air-conditioners and sewing machines. In terms of white goods, White had particularly strong positions for refrigerators/freezers and electric cookers. The company has long been the largest producer of air-conditioners in the US. White's major brand names were Frigidaire, White-Westinghouse, Kelvinator and Gibson.

Industrial products comprised mainly commercial refrigeration equipment, materials handling equipment, industrial valves,

### Sales



### Operating income after depreciation



|   | 1984   | 1985   | 1986   |
|---|--------|--------|--------|
| Sales, SEKm                               | 18,560 | 20,204 | 32,641 |
| Operating income after depreciation, SEKm | 1,823  | 1,685  | 2,061  |
| Operating income as % of sales            | 9.8    | 8.3    | 6.3    |



machine tools and highway construction equipment. White's major brands in these product areas were Copes-Vulcan, White-Sundstrand and Blaw-Knox.

Apart from sales operations in Canada, where White also had three production units, operations were focused mainly on the US. The company had about 18,400 employees. White had expanded rapidly since the end of the 1960's, through company acquisitions. An extensive program of restructuring and investment was started in 1985 in order to improve profitability.

Following a merger with Tappan, the Group's other white-goods company in the US, operations have been organized in two units - WCI Home Products and WCI Industrial Products. WCI Home Products covers white goods, air-conditioners and kitchen cabinets as well as an international unit that includes operations in Canada. Sales of sewing machines have been transferred to the Viking White Sewing Machine Co., following coordination of the Group's other North American operations in this product area. All other operations have been integrated in WCI Industrial Products.

Both WCI Home Products and WCI Industrial Products are part of the new White Consolidated Industries Inc., which on January 1, 1987 became the parent company for all Group operations in the US.

### Special refrigerators

Operations comprise mainly absorption refrigerators for caravans and hotel rooms, an area where Electrolux is the international market leader. In recent years the product range has been expanded to include cookers and ovens as well as ventilation and heating equipment for camping vehicles and pleasure craft.

Sales in 1986 amounted to SEK 1,484m (1,527). Profitability was largely unchanged.

The volume of demand for caravan refrigerators in Europe remained at the same level as in the previous year, while a decline was reported in the US. Price competition remained sharp. On the whole, the Group maintained its market shares and was even able to enlarge them somewhat in Scandinavia and the US. The sales trend for hotel-room refrigerators continued to be favorable.



*Hotel refrigerators are now available with a built-in safe-deposit compartment for valuables.*

At the close of the year the Group acquired the Swedish company Origo-verken, which manufactures cookers and ovens for pleasure craft. The company's annual sales amount to approximately SEK 25m, most of which refers to the US.

The most important markets for this product line are the US, Canada, West Germany, Great Britain and France, which together account for about 80% of total sales.

Production is located mainly in Sweden, Luxembourg, West Germany, Great Britain and the US.

### Floor-care products

Electrolux is one of the world's largest manufacturers of floor-care products, with about 20% of the world market. This product line is the Group's second largest. Sales in 1986 amounted to SEK 5,521m (5,747). Profitability continued to be very good.

The volume of Group sales was the same as last year. Market shares were unchanged in the Nordic countries and Central Europe, while some decline was reported in the low-price sectors in Great Britain and the US.

The world market for vacuum cleaners is estimated at about 25 million units, of which the US accounts for about one-third. Demand in the Western world has stagnated in recent years, which has led to increased price competition in most markets. The





*The Z610 with integrated accessories is used mainly for cleaning fitted carpets.*



*The Electrolux D740 features a motorized carpet brush and is the most exclusive of the Group's vacuum cleaners.*

growth which has occurred has been primarily in the Far East.

Electrolux has a strong position in the Nordic countries and in the US, where the Group's vacuum cleaners are sold under the Eureka brand name. Other important markets include Great Britain, France, West Germany, Switzerland, Japan, Australia and New Zealand.

Apart from Electrolux and Eureka, the most important brand names are Progress, Tornado and Volta. Sales are channelled primarily through dealers and Group-owned outlets. Direct sales currently account for somewhat less than 15% of total unit sales.

Production is located mainly in Sweden, Great Britain, West Germany, France and the US. A number of small plants are also operated in South America and Southeast Asia.

The Group's strongpoints include a broad product range, global distribution based on a multiple-brand strategy, and efficient production. Together with an increasing commitment to product development, this creates the potential for a continued favorable market position.

### **Air-conditioners**

The Group has acquired substantial operations in the field of air-conditioning through White Consolidated.

Sales for the period during 1986 when these operations were owned by Electrolux totalled SEK 1,192m.

The world market for air-conditioners is estimated at about 9 million units, of which the US and Japan account for about two-thirds.

White is the largest manufacturer in the US, with a market share of about 25%. The brand names are White-Westinghouse, Frigidaire, Gibson and Kelvinator. Production is currently located in two plants, in Michigan and New Jersey.

The US market features a growing share of imported products from Japan, South Korea and Brazil, among other countries. In order to meet increasingly more severe competition, greater priority is being given to product development, and production is being rationalized. In line with this strategy, all production will be located in the New Jersey plant.

### **Sewing machines**

Sales in 1986 amounted to SEK 810m (647). The increase refers primarily to the sewing machine operations of White Consolidated,



which were integrated in this product line as per April 1, 1986. Profitability continued to be good.

The acquisition of White, with annual sales of about SEK 200m in the sewing-machine market, has given the Group access to additional distribution channels in the US and Canada. The product range has also been expanded with a number of low-price models.

Sales exclusive of White increased during the year in several areas, including West



*The Group is world market leader for advanced computerized sewing machines.*

Germany, Malaysia and Japan. On the whole, the Group successfully maintained its position as the leading producer of advanced computerized sewing machines.

The market for electric free-arm machines is estimated at about 4 million units. This market has been relatively stable in recent years, following a sharp downturn at the close of the 1970's, and is becoming increasingly more polarized in a high- and a low-price segment.

The largest markets for this product line are the US, the Nordic countries and France. Most sales are channelled through dealers, while direct sales and department stores account for a small share.

Husqvarna and Electrolux are the most important brand names outside the US, where Viking and White are predominant. Production and product development are located at the plant in Huskvarna.

## **Kitchen and bathroom cabinets**

Electrolux manufactures kitchen and bathroom cabinets through the Ballingslöv and Zig-Zag subsidiaries in Sweden and in the US as well.

Sales in 1986 amounted to SEK 1,263m (1,004), of which the US companies accounted for 82%. Earnings improved and profitability remained very good.

Sales volume showed favorable growth in the Swedish market, where Ballingslöv is one of the largest producers.



*Ballingslöv produces a wide range of kitchen and bathroom cabinets.*

Demand remained high in the US, where the Group's sales and earnings showed favorable growth. Following the merger of Tappan and White Consolidated, operations in the US have been integrated in the newly formed White Home Products. These operations comprise six manufacturing companies, i.e. Quaker Maid, J-Wood, Kemper, Schrock, Richwood and Diamond. The Group is thus one of the largest producers in the country.

## **Home electronics**

Sales in 1986 amounted to SEK 1,034m (819). Earnings improved, but profitability was still not satisfactory.

Operations comprise mainly production and sales of radio/TV and video equipment in France through the Océanic subsidiary. This product line also includes alarm and security systems, primarily for the French market, as well as electronic control systems for several Group products.



# COMMERCIAL APPLIANCES

Sales in this business area in 1986 amounted to SEK 4,250m (3,348). Income after depreciation amounted to SEK 349m (260), which represents 8.2% (7.8) of sales.

## Food service equipment

The integration of Zanussi's operations in the food service sector has generated a broader product range and a considerably stronger market position in Southern Europe. The Group is now one of the leading producers in the world market.

Sales in 1986 amounted to SEK 1,213m (794). Profitability was satisfactory. The Zanussi Group, which has annual sales of about SEK 650m, has been consolidated as per September 1, 1986.

The market for food service equipment shows stagnation in Europe, decline in the Middle East and weak growth in the US and the Far East.

The Group has strong market positions through Electrolux in Scandinavia, The Netherlands and Switzerland, and through Zanussi in Italy and Spain. Zanussi also has substantial market shares in France and

Great Britain. Sales operations also cover the Middle and Far East as well as Australia.

Production is located mainly in Sweden, Switzerland and Italy. Small assembly plants are also run in Spain, Austria and The Netherlands.

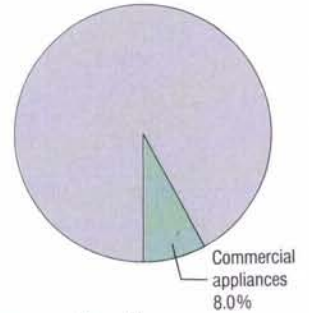
This product line also includes Zanussi's production and sales of automatic beverage vendors, with annual sales of about SEK 140m and good profitability. The product range includes automatic dispensers for hot and cold beverages, primarily in the form of espresso machines and packaged soft-drink vendors, as well as food vending machines.

Integration of Zanussi is expected to generate considerable long-term synergetic benefits as a result of product swaps and reorganization, among other things.

## Commercial laundry equipment

This product line comprises laundry equipment for apartment houses, laundromats, hotels, institutions and small laundries. Electrolux-Wascator has long been one of the world's leading producers, with strong positions in the Nordic countries, the US, Great Britain and the Far East. The integration of

% of Group sales



Commercial appliances

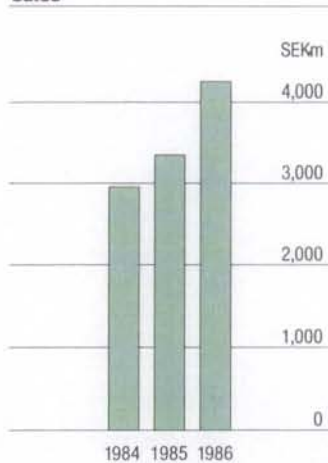
|                                    | SEKm  | %   |
|------------------------------------|-------|-----|
| Food service equipment             | 1,213 | 28  |
| Commercial laundry equipment       | 960   | 23  |
| Commercial cleaning equipment      | 632   | 15  |
| Commercial refrigeration equipment | 969   | 23  |
| Sterilization equipment            | 341   | 8   |
| Disinfection equipment             | 135   | 3   |
|                                    | 4,250 | 100 |



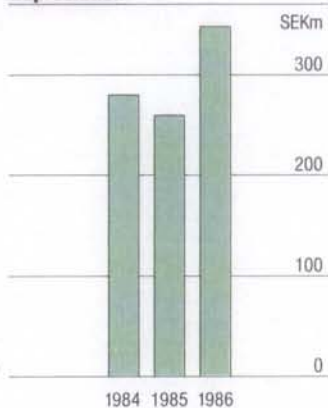
Integration of Zanussi's operations for food service equipment has given the Group a wider range and a much stronger position in southern Europe.



## Sales



## Operating income after depreciation

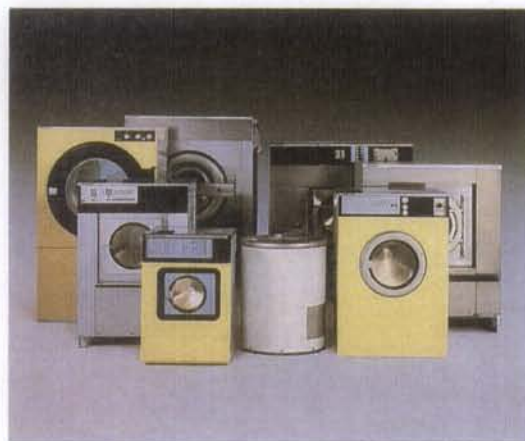


|   | 1984  | 1985  | 1986  |
|---|-------|-------|-------|
| Sales, SEKm                               | 2,964 | 3,348 | 4,250 |
| Operating income after depreciation, SEKm | 280   | 260   | 349   |
| Operating income as % of sales            | 9.5   | 7.8   | 8.2   |

Zanussi's operations in this sector has strengthened the sales organizations in Italy and France.

Sales in 1986 amounted to SEK 960m (908). Profitability continued to be very good. Zanussi's operations, with annual sales of about SEK 80m, have been consolidated as per September 1, 1986.

The Group's sales volume increased during the year in the main markets, i.e. the US and the Nordic countries. Sales trends were also favorable in Switzerland, Italy and



*Electrolux-Wascator is one of the world's leading producers of commercial laundry equipment.*

Japan as well as some markets in the Middle East.

The world market for commercial laundry equipment has been rather stable for a number of years. This market is estimated at about SEK 5 billion, half of which refers to the US.

The Group has a particularly strong position in the washing-machine sector, where the major competitors are located in Europe. The US has traditionally been the main market for tumble-driers in terms of both production volume and sales. Electrolux is the largest producer outside the US.

In the course of the year production of washing machines in Switzerland was discontinued and replaced by deliveries from the plant in Ljungby, Sweden, where a comprehensive investment program has been completed. The market is not expected to show growth over the next few years. In the light of the investments which have been made in product development, production and marketing, this product line is never-

theless considered to have good prospects for additional volume growth.

## Commercial cleaning equipment

This product line comprises mainly cleaning machines and liquid cleansing agents for offices and other facilities.

Sales in 1986 amounted to SEK 632m (690). The decline in sales is traceable to the divestment of the Bröderna Brodd and Tammermatic companies. Earnings improved and profitability was good.

Demand for the type of cleaning equipment produced by the Group has been generally stable for some years. Rationaliza-



*The new combined wet and dry cleaners have been developed to meet professional needs for cleaning, e.g. in industry and health care.*

tion and expansion of the product range during the past few years have given this product line greater competitive power, and market shares have increased steadily.

Electrolux is one of the largest producers in the world market, with a strong position in the Nordic countries. Other important markets include Great Britain and North America.

The Group now has a complete product range that includes various types of vacuum cleaners, wet and dry cleaners, scrubbing and polishing machines, and carpet-washing machines. These products are sold primarily under the brand names of Electrolux, Euroclean, Kent and Columbus-Dixon.

Production is located mainly in Sweden and the US.



## Commercial refrigeration equipment

The product range includes refrigeration and freezing equipment for food retailers, industrial kitchens and catering operations. Electrolux is one of the largest producers in Europe and is the market leader in Scandinavia and Great Britain. The acquisition of White Consolidated has given this product line operations in the US with annual sales of about SEK 500m and good profitability.



*Ergorama SA is a new line of gondolas for e.g. fish, meat, delicatessen and pastries.*

Sales in 1986 inclusive of White amounted to SEK 969m (505). Earnings improved despite continuing restructuring costs in West Germany. Profitability was satisfactory.

There was some growth in the European market in 1986. Food retailers showed an even greater inclination for renovating existing outlets instead of opening new ones. This product line achieved good growth in volume, and market shares increased in Scandinavia, Great Britain and West Germany.

Operations within White Consolidated in the US are oriented to small retail outlets known as convenience stores and the company has a strong market position. The brand names are Kelvinator and Universal Nolin.

The feasibility of marketing part of the European product range in the US is currently being studied.

Restructuring in West Germany is expected to be completed in 1987 and improved profitability is anticipated during the same year.

## Sterilization equipment

The product range consists mainly of autoclaves and ancillary equipment for hospitals and the pharmaceutical industry. Operations are run through Getinge AB as well as Group companies in various countries.

Sales in 1986 amounted to SEK 341m (321). Profitability was satisfactory.

Demand in the hospital sector remained weak in most European countries, although compensation was obtained through increased sales in other areas, including the US and the Far East.

Demand increased in the pharmaceutical industry and sales trends were favorable in most of the Group's markets.

Getinge has a strong position in the Nordic countries and France. Other important markets include North America, Oceania and the Middle East.

## Disinfection equipment

This product line is devoted primarily to systems and products for cleaning and disinfection in hospitals and geriatric clinics. Operations are devoted mainly to Scandinavia.

Sales in 1986 amounted to SEK 135m (130). Profitability was satisfactory.

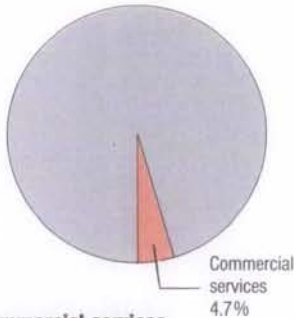
In the course of the year a new range of dishwashers for laboratory utensils in facilities such as hospitals and industrial plants was introduced.

In the light of the satisfactory order inflow and the savings in operating costs that have been achieved, improved profitability is anticipated in 1987.



# COMMERCIAL SERVICES

% of Group sales



## Commercial services

|                                       | SEKm         | %          |
|---------------------------------------|--------------|------------|
| Cleaning services                     | 1,617        | 65         |
| Laundry services and goods protection | 887          | 35         |
| <b>Commercial services</b>            | <b>2,504</b> | <b>100</b> |

Sales of commercial cleaning and laundry services in 1986 amounted to SEK 2,504m (2,266). Operating income after depreciation amounted to SEK 172m (132), which represents 6.9% (5.8) of sales.

## Cleaning services

Operations consist mainly of conventional cleaning of offices and public premises as well as cleaning and disposal of hazardous waste for heavy industry. Sweden is still the most important market, but international operations are expanding vigorously and the range of services is being enlarged.

Sales in 1986 amounted to SEK 1,617m (1,480), of which SEK 910m referred to

of contracts for asbestos disposal increased sharply, and ASAB's investment in machinery and training has generated extensive expertise in this area.

International operations expanded, particularly in the Far East. As a result of the business slump in the Middle East, growth was sluggish for most of the Group's companies in that area. However, the signs are that prospects for operations in the Middle East will gradually improve.

In the course of the year international operations were expanded through acquisition of cleaning companies in Taiwan and South Korea as well as three cleaning and property-service companies in the US. The



Contracts for asbestos disposal increased sharply in 1986.

Swedish operations through ASAB. Earnings improved and profitability continued to be very good.

The Swedish market for cleaning services is estimated at about SEK 10 billion, about half of which is accounted for by the public sector. In the private sector, the Group's ASAB subsidiary is market leader. The volume of contracts for the Group within the public sector has increased steadily and is expected to continue to do so over the next few years.

The sales trend in Sweden continued to be favorable during the year. The volume



ASAB's assignments include cleaning of the Royal Palace in Stockholm.

newly acquired companies have total annual sales of more than SEK 80m.

The range of services has been steadily enlarged to include more advanced areas with greater added value, where total packages can be offered. Operations in the field of medical service were started in 1986 and include management of a rehabilitation center for handicapped children in Riyadh, Saudi Arabia.



## Laundry services and goods protection

This product line is devoted mainly to laundering and rental of textiles and work clothes, which account for about 80% of total sales. Operations also include sale and rental of tarpaulins and storage halls. The geographical focal point is Sweden, where the Tvättman subsidiary is market leader. The Netherlands and France are the most important foreign markets.

Sales in 1986 amounted to SEK 887m (786). Earnings improved as a result of better capacity utilization and continued restructuring of foreign operations. Profitability was very good.

The Swedish market for industrial laundry services amounts to about SEK 2



*The Tvättman rental system for work clothes includes design, sewing, cleaning and mending.*



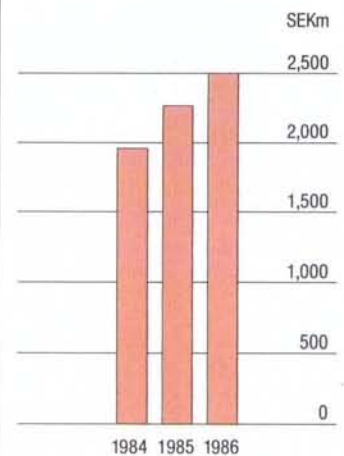
*Commercial laundry services include laundering and rentals of textiles and work clothes to industrial facilities, hotels and restaurants.*

billion, half of which is accounted for by municipalities and county councils. This market has been relatively stable for many years. Over-capacity within the public sector is expected to lead to even more severe competition.

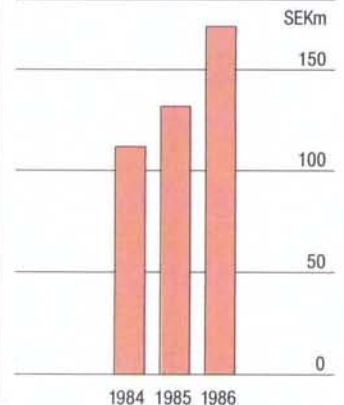
Simon S.A. in France was acquired in the course of the year. This company supplies laundry services and rentals to hotels and restaurants, and has annual sales of about SEK 70m. Several small laundries in Sweden were also acquired. Operations in West Germany were divested.

Operations in the field of goods services comprise sale and rental of tarpaulins and storage halls and are focused on Scandinavia, where the Group has a good market position. Both volume and earnings continued to be good in 1986, particularly for rentals of storage halls.

### Sales



### Operating income after depreciation

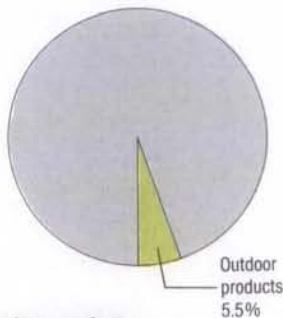


|   | 1984  | 1985  | 1986  |
|---|-------|-------|-------|
| Sales, SEKm                               | 1,962 | 2,266 | 2,504 |
| Operating income after depreciation, SEKm | 112   | 132   | 172   |
| Operating income as % of sales            | 5.7   | 5.8   | 6.9   |



# OUTDOOR PRODUCTS

% of Group sales



Outdoor products

|                         | SEKm  | %   |
|-------------------------|-------|-----|
| Forestry products       | 1,842 | 63  |
| Garden products         | 724   | 25  |
| Agricultural implements | 246   | 9   |
| Others                  | 97    | 3   |
|                         | 2,909 | 100 |

Sales of outdoor products in 1986 amounted to SEK 2,909m (2,990). Operating income after depreciation amounted to SEK 241m (373), which represents 8.3% (12.5) of sales.

## Forestry products

Operations refer mainly to chainsaws sold under the brand names of Husqvarna, Jonsered and Partner, as well as Pioneer-Partner in North America. The Group is one of the leading international producers, with a total world market share of about 20%.

Sales in 1986 amounted to SEK 1,842m (1,798). Earnings declined as a result of substantial increases in the costs of product development and marketing investments. Profitability continued to be very good, however.

The world market for chainsaws declined somewhat to an estimated 3.2 million units. The downturn was particularly evident in North America and Australia. The Group's total market shares increased in several countries, including the US and France, but trends differed between brand names.

The world market is dominated by a few large multinational companies. The Group is one of the largest in terms of chainsaws for professional applications, while its share

of the market for hobby saws is still low. The main competitors are based in West Germany, the US and Japan.

The Group's most important markets are the US, Canada and the Nordic countries. Most production is located in Sweden. The Group also operates plants in Norway, Canada and Brazil.

At the close of the year the Group acquired the US company Poulan/Weed Eater, which has annual sales of about SEK 1,200m. The company's operations are devoted mainly to portable garden products, but it is also one of the largest manufacturers of hobby saws in the US. Production is located in the US and Canada. This acquisition is in line with a strategy aimed at expanding the product range in order to offer dealers a complete line of forestry and garden products. With respect to chainsaws, coordination of operations is expected to generate substantial savings in terms of purchasing, component swaps and product development.

In the light of the substantial investments of recent years in product and market development, the Group is considered to have good prospects for strengthening its market positions, particularly in North America and Southeast Asia.



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



## Garden products

Electrolux is one of Europe's largest producers of garden products and has strong positions in the Nordic countries, Great Britain and France. Brand names are Husqvarna, Flymo, Norlett, Bernard and Staub.

Sales in 1986 amounted to SEK 724m (754). Earnings declined, mainly as a result of unfavorable performance in France, where operations were charged with considerable restructuring costs. Profitability was unsatisfactory.

Group sales increased during the year primarily in Great Britain, Sweden and Denmark, while the sales trend in France was weak.



Blowers are part of the product range of the newly acquired Poulan/Weed Eater in the US.

The Western European market is generally unstructured, with a large number of small local producers. No significant growth is expected in demand. The trend to more expensive, more advanced products is expected to continue, however.

In 1987 a number of new, higher-performance products will be introduced. The acquisition of Poulan/Weed Eater in the US entails expansion of the product range, e.g. with lawn trimmers and blowers.

In the light of the restructuring that has been achieved to date, earnings for this product line are expected to improve in 1987.

## Agricultural implements

Operations are run through Överums Bruk in Sweden as well as Group subsidiaries in Denmark, Finland and Canada. The product range comprises ploughs, sowing machines and fertilizer spreaders.



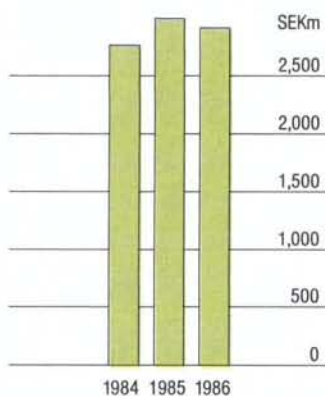
Group production of agricultural implements is centered on Överums Bruk.

Sales in 1986 amounted to SEK 246m (287). Earnings declined and profitability was unsatisfactory.

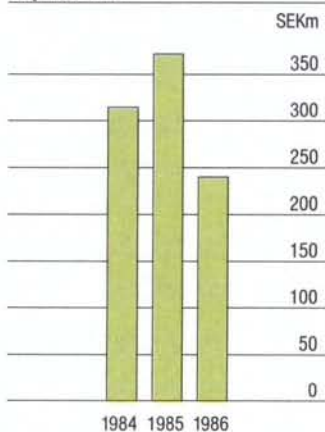
For a number of years, the market in the Western World has shown weak demand as a result of the low level of investment in agriculture. The downturn continued in 1986 and a restructuring of this sector is anticipated.

It is anticipated that the investment of recent years in product development and rationalization of production will have a favorable effect on the future development of this product line. Efforts to intensify marketing in various export sectors are continuing.

## Sales



## Operating income after depreciation

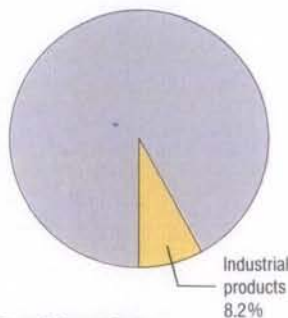


|   | 1984  | 1985  | 1986  |
|---|-------|-------|-------|
| Sales, SEKm                               | 2,766 | 2,990 | 2,909 |
| Operating income after depreciation, SEKm | 316   | 373   | 241   |
| Operating income as % of sales            | 11.4  | 12.5  | 8.3   |



# INDUSTRIAL PRODUCTS

% of Group sales



Industrial products

|                                  | SEKm         | %          |
|----------------------------------|--------------|------------|
| Materials handling equipment     | 932          | 21         |
| Strategic components             | 622          | 14         |
| Building materials               | 1,699        | 39         |
| Other industrial products, White | 1,114        | 26         |
| <b>Total</b>                     | <b>4,367</b> | <b>100</b> |

Sales of industrial products in 1986 amounted to SEK 4,367m, as against SEK 2,367m in the previous year. Operating income after depreciation amounted to SEK 83m (53), which represents 1.9% (2.2) of sales.

## Materials handling equipment

The product range includes storage systems and work-place equipment for offices and engineering workshops, as well as conveyor systems. Operations have been devoted mainly to Europe through Electrolux Constructor. This product line now includes two American companies, Gerard Metal Craftsmen and Richards-Wilcox, which run similar operations within White Consolidated.

Sales in 1986 amounted to SEK 932m (563). The US companies have total annual sales of about SEK 350m and have been consolidated as per April 1, 1986. Profitability continued to be satisfactory.

The European market for the primary products in this product line has been relatively stable in recent years. Demand for more advanced storage systems and for total systems has increased, however, and this was

accentuated in 1986. Price competition remained sharp in most markets.

The European market comprises a few large multinational companies, one of which is Electrolux Constructor. Considerable local competition is also found in most countries. There is substantial excess production capacity.

The most important markets for this product line are Scandinavia, West Germany, The Netherlands, Italy, Switzerland and the US.

Production is located in Sweden, Denmark, West Germany, The Netherlands, Switzerland and the US.

## Strategic components

The acquisition of Zanussi and White has given the Group considerable expertise and production capacity in the field of components, mainly regarding compressors, motors, electronics and plastic parts. These components are used primarily in the Group's household appliances but are also sold externally, e.g. to the automotive industry. This product area offers considerable potential for coordination of technical



*Electrolux Constructor's equipment for storage and materials handling enables design of total systems for stack inventories.*





The newly formed Components Group includes about 10 plants in Sweden, Italy and the US.

and commercial development. Many of the components involved are of great importance in terms of competitive power.

On January 1, 1987, a special organization known as the Electrolux Component Group was therefore established, based in Italy. The Group comprises about ten plants in Sweden, Italy and the US.

Total sales in 1986 to external customers amounted to SEK 622m.

### Building materials

Beijer Byggmaterial AB is engaged primarily in sale of building materials to contractors and other institutional users in Sweden. Products are also sold directly to consumers through a number of shops and DIY outlets. The company operates in 30 localities and is the only nation-wide firm in its sector.

Sales in 1986 amounted to SEK 1,624m (1,577). Profitability was still not satisfactory.

A comprehensive series of changes was initiated in 1986 to develop the company's business concept and to implement cost-cutting measures. Beijer is serving as a distribution channel for a growing number of the Group's household products.

The Group also manufactures custom-designed wooden and metal windows through two Swedish companies, Överums Fönsterfabrik and Modulfönster. Sales in this area in 1986 amounted to SEK 75m (71), of which 40% comprised exports to England, the US, the Middle East and other regions.



The products of White's Industrial Division include Blaw-Knox highway construction equipment.

### Other industrial products - White

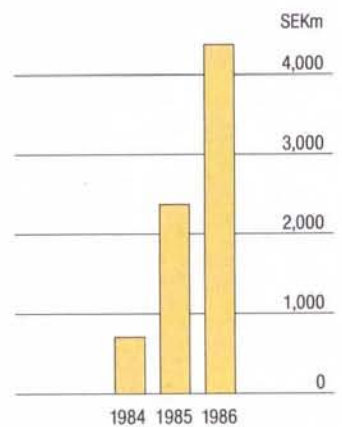
The Industrial Division of White Consolidated comprised six different product areas. Of these, commercial refrigeration equipment, components and materials-handling equipment have been coordinated with corresponding operations within the Group. The other three areas cover highway construction equipment, industrial valves and machine tools. Sales in these three areas totalled SEK 1,114m from April 1, 1986 to year-end.

Highway construction equipment is sold under the brand name of Blaw-Knox. Sales in 1986 amounted to SEK 343m. Production is located in two plants, in the US and Great Britain.

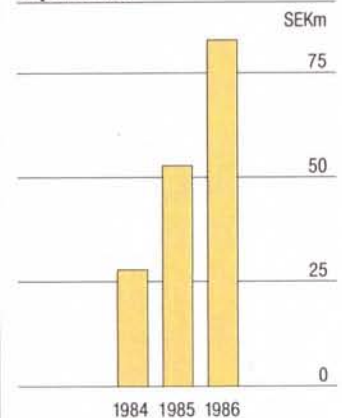
Industrial valves are sold under the name of Copes-Vulcan. Sales in 1986 amounted to SEK 342m. Production is located in two plants in the US and one in Great Britain.

Sales of machine tools in 1986 amounted to SEK 318m. Operations have been unprofitable for several years. The brand names are Bullard and White-Sundstrand. Production will be concentrated in one plant in the US.

### Sales



### Operating income after depreciation

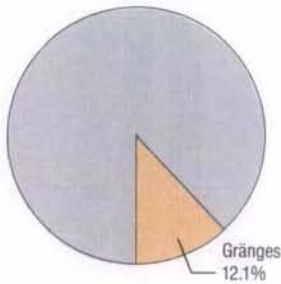


|   | 1984 | 1985  | 1986  |
|---|------|-------|-------|
| Sales, SEKm                               | 708  | 2,367 | 4,367 |
| Operating income after depreciation, SEKm | 28   | 53    | 83    |
| Operating income as % of sales            | 4.0  | 2.2   | 1.9   |



# GRÄNGES

% of Group sales



Gränges

|                     | SEKm  | %   |
|---------------------|-------|-----|
| Gränges Aluminium   | 4,593 | 72  |
| Electrolux Autooliv | 1,399 | 22  |
| Others              | 427   | 6   |
|                     | 6,419 | 100 |

Gränges' sales in 1986 amounted to SEK 6,419m (8,513). Operating income after depreciation amounted to SEK 415m (634), which represents 6.5% (7.4) of sales. The decline in sales and earnings is traceable to the divestment of Metallverken and Wirsbo Bruk as per January 1, 1986.

## Gränges Aluminium

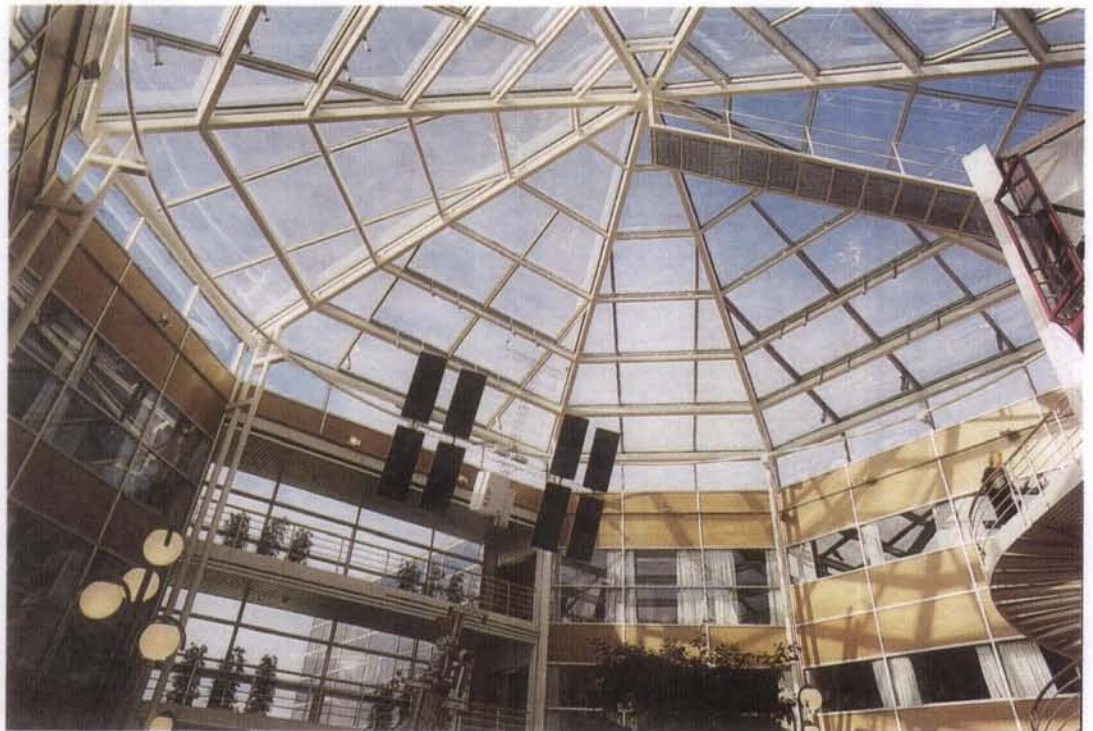
The operations of Gränges Aluminium span all phases from production of primary aluminium and recovery of metal to manufacture of various types of finished products. The company comprises the Metals Group, Korrugal, SAPA, NordFoil, the Components Group, Gotthard Nilsson and a group of distribution companies. The majority of the company's customers are in the building, engineering, automotive and packaging industries. About 60% of sales are outside Sweden, mainly in Europe.

Sales in 1986 amounted to SEK 4,593m (3,632). The increase in sales is traceable mainly to acquisition of Gotthard Nilsson and Metallvaruhuset. Income after depreciation amounted to SEK 280m (241).

Demand for aluminium in the West was largely unchanged from the previous year. The trend for metal prices was generally downward. Gränges Aluminium achieved good results, however, primarily because sales consist mainly of half-finished products with more stable prices. The fall in the US dollar rate also entailed lower prices for raw materials in the form of aluminium oxide and aluminium scrap.

The Metals Group includes Sweden's only electrolytic aluminium plant, in Sundsvall, and two remelting plants, in Finspång and Avesta. The Metals Group manufactures about 80% of the metal for various alloys used by other Gränges units for manufacture of finished products. Gränges is thus a net purchaser of metal and is therefore less vulnerable to fluctuations in business conditions than are many of its large competitors, whose operations are based on raw materials.

The plant in Sundsvall manufactured about 77,000 tons of primary aluminium in 1986. In the course of the year a retrofit of the oldest part of the plant was started and will require an investment of about SEK 250m. The new mill will go on-stream



SAPA aluminium profiles have been used for both the facade and the glass roof of the new Braathens head office in Oslo.



during the last quarter of 1987, after which total production is expected to rise to about 95,000 tons annually. Input at the resmelting plant in Finspång includes beverage cans, while Avesta Aluminium and the Gotthard Nilsson smelting plant in Älmhult manufacture secondary aluminium from scrap. These three plants have a combined annual output of about 45,000 tons.

SAPA is one of Europe's leading producers of extruded aluminium profiles that are both machined and surface-finished. Volume showed good growth during the year and earnings improved substantially. The greatest increases in productivity and profitability were reported by the British company.

Demand for aluminium strip for car radiators, a Korrugal product, continued to be good. Growth was also reported in the volume of deliveries of aluminium strip for



Thin aluminium strip for car radiators is one of Gränges Aluminium's fastest-growing products.

beverage can production. Profitability for building sheet was unsatisfactory as a result of weak demand in the building industry. Korrugal is currently being restructured.

Within the NordFoil Group, both of the companies which manufacture aluminium foil reported increased demand, while the two companies which produce laminates reported profitability problems, mainly as a result of the fall in Sterling rates.

The Components Group is engaged primarily in production of components for the automotive industry, including bumpers, fuel tanks and pressure vessels. A program aimed at increasing profitability is being

implemented and an improvement is anticipated in 1987.

The Distribution Group sells metal in small unit quantities to such buyers as craftsmen and small industrial companies. Earnings showed good growth during the year with the exception of Righton, which was adversely affected by falling metal prices. Rationalization is expected to generate an improvement in 1987.

In the course of the year Gränges Aluminium acquired Gotthard Nilsson AB, the leading Swedish company in the field of recovery of iron and other scrap metal. Operations also include manufacture of components, mainly for the automotive industry. The company has annual sales of approximately SEK 1,100m and employs about 1,200 people. This acquisition is in line with Gränges Aluminium's desire to strengthen its position in the market for recycled metal, which is expected to increase in importance over the next few years as a result of rising energy prices.

### Electrolux Autoliv

Electrolux Autoliv is currently the leading car safety-belt company in Europe and one of the largest in the world.

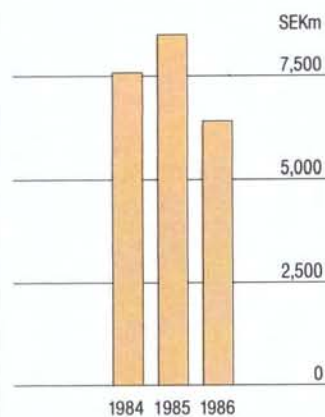
Sales in 1986 amounted to SEK 1,399m (1,103), of which about 90% were to customers outside Sweden. Income after depreciation amounted to SEK 83m (61).

In the course of the year Autoliv entered the market in Finland through acquisition of the safety-belt operations of K. Y. Hartwall KB, with annual sales of about SEK 40m. The previous minority holding in BKI S. A. in Spain was increased to 51%. The remainder of the shares in the Cosma S.p. A. subsidiary in Italy were acquired during the year.

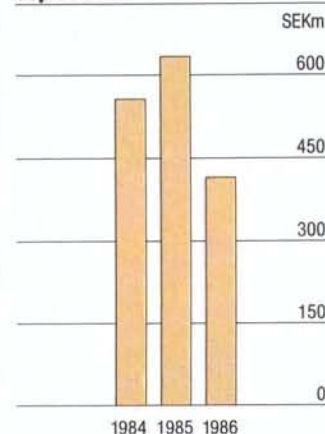
A 51% shareholding in AB AKTA Barnsäkerhet was acquired as per January 1, 1987. The company manufactures car seats and other safety products for children and has annual sales of about SEK 40m.

In 1986, the European market for car-passenger safety amounted to slightly more than SEK 3 billion. Good growth is expected in this market over the next five years as a result of increased demand for new products such as airbags which inflate auto-

### Sales



### Operating income after depreciation



|   | 1984  | 1985  | 1986  |
|---|-------|-------|-------|
| Sales, SEKm                               | 7,587 | 8,513 | 6,419 |
| Operating income after depreciation, SEKm | 558   | 634   | 415   |
| Operating income as % of sales            | 7.4   | 7.4   | 6.5   |





*Electrolux Autoliv is the largest producer of car safety belts in Europe.*

matically on impact, automatic belts and tensioners. Electrolux Autoliv is well in the forefront in this area.

Production in the automotive industry is also becoming increasingly more internationalized, as protectionism is forcing manufacturers to set up production facilities in a growing number of markets. Achieving acceptance as a long-term supplier to this industry thus requires global operations and a complete product range. In addition, development of new safety techniques demands intensified commitment to product development and advanced production equipment.

Autoliv operates production units in most European car-producing countries. Apart from own production, Autoliv and Klippan products are made under licence in fifteen countries. In Japan, Autoliv also cooperates in product development with one of the largest seat-belt companies.

### **Kohlsua**

As per April 1, 1986 the Kohlsua cast steel division was merged with Uddeholm Castings in a jointly owned company, Kohlsua Uddeholm Gjuteri AB. The steel forgings and serial steel divisions were divested in the course of the year. As per December 31, 1986 Kohlsua Essem was sold to Schunk

Nordiska AB, a subsidiary of Die Schunk Gruppe, a West German industrial concern.

The remaining units within Kohlsua comprise mainly operations involving wear parts and chains for conveyor installations, with annual sales of about SEK 30m. As per January 1, 1986, Kohlsua took over the wear parts operations of Överums Bruk, which broadens the company's product range in this area.

### **Gränges Hedlund**

During 1986 the steel division of Gränges Hedlund was sold to Finnboða Varf. The main unit in Hedlund is now Gränges Metalock which is engaged in advanced repairs and maintenance for heavy industry, both in Sweden and abroad.

### **Gränges International Mining (GIM)**

Sales in 1986 amounted to SEK 31m and income after depreciation to SEK 7m.

GIM's operations now consist mainly of assignments for LAMCO (Liberian American-Swedish Minerals Company), which operates a mine in Liberia that is one of the largest in Africa. Gränges has a 37% holding in LAMCO, and since the end of the 1950's GIM has been responsible for management, administration and sale of iron ore. The business slump in the steel industry during the 1980's has involved a decline in demand for iron ore. The supply of iron ore has increased, however, so that prices have dropped. This trend is expected to continue during 1987.

LAMCO reported satisfactory earnings for 1986 despite the unfavorable market situation, as a result of internal cost savings and capacity adjustments. Additional rationalization is planned.

In 1986 the company delivered 5.8 million tons of iron ore to a value of about SEK 600m. Most of the ore is sold to the European steel industry.



# CONSOLIDATED INCOME STATEMENT

| SEKm   |          | 1986         |         | 1985         |
|--|----------|--------------|---------|--------------|
| <b>OPERATING INCOME AND EXPENSE</b>                            |          |              |         |              |
| Sales  | (Note 1) | 53,090       |         | 39,688       |
| Cost of production, sales and administration                   | (Note 2) | -48,146      |         | -35,337      |
| <b>Operating income before depreciation</b>                    |          | <b>4,944</b> |         | <b>4,351</b> |
| <b>DEPRECIATION ACCORDING TO PLAN</b>                          |          |              |         |              |
| Goodwill   | (Note 3) | - 94         |         | - 52         |
| Machinery, equipment and tools                                 | (Note 4) | -1,346       |         | -1,049       |
| Buildings  | (Note 4) | - 177        |         | - 109        |
| Land and land improvements                                     | (Note 4) | - 6          | - 1,623 | - 4          |
| <b>Operating income after depreciation</b>                     |          | <b>3,321</b> |         | <b>3,137</b> |
| <b>FINANCIAL ITEMS</b>   |          |              |         |              |
| Dividends on shares and participations                         |          | 108          |         | 17           |
| Interest income  |          | 654          |         | 413          |
| Interest expense   |          | -1,612       |         | -1,175       |
| Foreign exchange differences                                   |          | 68           |         | 28           |
| Other financial items  | (Note 5) | 44           | - 738   | 156          |
| <b>Income after financial items</b>                            | (Note 6) | <b>2,583</b> |         | <b>2,576</b> |
| <b>EXTRAORDINARY ITEMS</b>                                     | (Note 7) | <b>132</b>   |         | <b>176</b>   |
| <b>Income before allocations</b>                               | (Note 6) | <b>2,715</b> |         | <b>2,752</b> |
| <b>ALLOCATIONS</b>   |          |              |         |              |
| Dissolution of inventory reserves                              |          | 79           |         | 222          |
| Allocation to profit equalization reserves                     |          | - 73         |         | - 322        |
| Change in renewal reserves                                     |          | 23           |         | - 140        |
| Allocation to investment reserves                              |          | - 32         |         | - 44         |
| Transfer from investment reserves                              |          | 13           |         | 3            |
| Accelerated depreciation                                       | (Note 4) | 31           |         | - 281        |
| Utilization of investment and other reserves, for depreciation |          | 58           |         | 41           |
| Change in other financial reserves                             | (Note 8) | 142          | 241     | - 72         |
| <b>Income before taxes</b>                                     |          | <b>2,956</b> |         | <b>2,159</b> |
| <b>TAXES</b>   |          |              |         |              |
| Profit-sharing tax   |          | -            |         | - 104        |
| Other taxes  |          | - 885        | - 885   | - 645        |
| <b>Income after taxes</b>                                      |          | <b>2,071</b> |         | <b>1,410</b> |
| Minority interests   |          | - 38         |         | - 15         |
| <b>Net income</b>  |          | <b>2,033</b> |         | <b>1,395</b> |



# CONSOLIDATED BALANCE SHEET

| ASSETS (SEK m)  | 1986-12-31 |               | 1985-12-31 |               |
|---|------------|---------------|------------|---------------|
| <b>CURRENT ASSETS</b>                                     |            |               |            |               |
| Cash and bank deposits                                    | 1,401      |               | 1,292      |               |
| Shares and participations                                 | 9          |               | 1          |               |
| Bonds and other securities                                | 2,428      | 3,838         | 1,249      | 2,542         |
| Notes receivable  | 1,070      |               | 639        |               |
| Accounts receivable                                       | 10,815     |               | 7,225      |               |
| Prepaid expense and accrued income                        | 574        |               | 360        |               |
| Other receivables   | 1,927      | 14,386        | 848        | 9,072         |
| Inventories   |            | 12,431        |            | 8,238         |
| Advances to suppliers                                     |            | 62            |            | 31            |
| <b>TOTAL CURRENT ASSETS</b>                               |            | <b>30,717</b> |            | <b>19,883</b> |
| <b>BLOCKED ACCOUNTS FOR INVESTMENT AND OTHER RESERVES</b> |            | <b>155</b>    |            | <b>55</b>     |
| <b>FIXED ASSETS</b>                                       |            |               |            |               |
| Shares and participations (Note 9)                        | 361        |               | 1,207      |               |
| Bonds and other securities                                | 149        | 510           | 195        | 1,402         |
| Notes receivable  | 24         |               | 10         |               |
| Long-term receivables                                     | 1,093      | 1,117         | 1,098      | 1,108         |
| Leaseholds, patents, etc.                                 | 20         |               | 16         |               |
| Goodwill (Note 10)  | 2,955      | 2,975         | 295        | 311           |
| Advances to suppliers                                     | 104        |               | 50         |               |
| Construction in progress (Note 11)                        | 692        |               | 232        |               |
| Machinery, equipment and tools (Note 12)                  | 7,340      |               | 4,184      |               |
| Buildings (Note 13)                                       | 3,968      |               | 1,950      |               |
| Land and land improvements (Note 14)                      | 717        | 12,821        | 349        | 6,765         |
| <b>TOTAL FIXED ASSETS</b>                                 |            | <b>17,423</b> |            | <b>9,586</b>  |
| <b>Total assets</b>                                       |            | <b>48,295</b> |            | <b>29,524</b> |
| <b>ASSETS PLEDGED</b>                                     |            |               |            |               |
| Real-estate mortgages                                     |            | 1,378         |            | 1,389         |
| Corporate mortgages                                       |            | 687           |            | 876           |
| Other assets pledged:                                     |            |               |            |               |
| Receivables   |            | 243           |            | 229           |
| Inventories   |            | 2             |            | 241           |
| Other   |            | 26            |            | 39            |
|   |            | <b>2,336</b>  |            | <b>2,774</b>  |

| LIABILITIES AND SHAREHOLDERS' EQUITY (SEK m)                         | 1986-12-31 |               | 1985-12-31 |               |
|--|------------|---------------|------------|---------------|
| <b>CURRENT LIABILITIES</b>   |            |               |            |               |
| Notes payable  | 1,310      |               | 223        |               |
| Accounts payable   | 4,407      |               | 3,040      |               |
| Tax liability  | 198        |               | 244        |               |
| Accrued expense and prepaid income                                   | 4,087      |               | 2,106      |               |
| Other current liabilities  | 2,173      |               | 1,484      |               |
| Advances from customers  | 270        | 12,445        | 284        | 7,381         |
| Bank loans, etc.   |            | 4,405         |            | 3,865         |
| <b>TOTAL CURRENT LIABILITIES</b>                                     |            | <b>16,850</b> |            | <b>11,246</b> |
| <b>LONG-TERM LIABILITIES</b>   |            |               |            |               |
| Debenture loans  | 82         |               | 105        |               |
| Bond loans   | 2,957      |               | 1,192      |               |
| Mortgage loans, promissory notes, etc.                               | 10,367     | 13,406        | 3,903      | 5,200         |
| Deferred taxes   | 274        |               | 382        |               |
| Negative goodwill (Note 15)  | 9          |               | 38         |               |
| Other long-term liabilities  | 2,202      | 2,485         | 277        | 697           |
| Provisions for pensions  |            |               |            |               |
| PRI pensions (Pension Registration Institute)                        | 1,349      |               | 1,376      |               |
| Other pensions   | 312        | 1,661         | 313        | 1,689         |
| <b>TOTAL LONG-TERM LIABILITIES</b>                                   |            | <b>17,552</b> |            | <b>7,586</b>  |
| CONVERTIBLE DEBENTURE LOANS (Note 16)                                |            | 142           |            | 283           |
| UNTAXED RESERVES (Note 17)   |            |               |            |               |
| Inventory reserves   |            | 1,301         |            | 1,331         |
| Accumulated accelerated depreciation (Note 18)                       |            | 1,291         |            | 1,415         |
| Profit equalization reserves   |            | 406           |            | 335           |
| Renewal reserves (Note 19)   |            | 103           |            | 140           |
| Investment reserves (Note 19)  |            | 203           |            | 242           |
| Other financial reserves (Note 8)                                    |            | 320           |            | 475           |
| <b>TOTAL UNTAXED RESERVES</b>  |            | <b>3,624</b>  |            | <b>3,938</b>  |
| MINORITY INTERESTS   |            | 223           |            | 134           |
| SHAREHOLDERS' EQUITY (Note 20)                                       |            |               |            |               |
| Restricted equity  |            |               |            |               |
| Share capital  |            |               |            |               |
| 2,000,000 A-shares, par value SEK 25                                 |            |               |            |               |
| 67,927,759 B-shares, par value SEK 25                                | 1,748      |               | 1,464      |               |
| Converted shares, unregistered                                       | 27         |               | 48         |               |
| Statutory reserves   | 3,411      | 5,186         | 1,328      | 2,840         |
| Unrestricted equity  |            |               |            |               |
| Unrestricted reserves  | 2,685      |               | 2,102      |               |
| Net income for the year  | 2,033      | 4,718         | 1,395      | 3,497         |
| <b>TOTAL SHAREHOLDERS' EQUITY</b>                                    |            | <b>9,904</b>  |            | <b>6,337</b>  |
| <b>Total liabilities and shareholders' equity</b>                    |            | <b>48,295</b> |            | <b>29,524</b> |
| <b>CONTINGENT LIABILITIES</b>  |            |               |            |               |
| Discounted notes   |            | 435           |            | 142           |
| Guarantees and other contingent liabilities                          |            | 1,065         |            | 791           |
| Capital value of pension commitments in excess of reported liability |            | 139           |            | 88            |
|  |            | <b>1,639</b>  |            | <b>1,021</b>  |



# CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

| SEK.m  | 1986   |                | 1985   |              |
|--|--------|----------------|--------|--------------|
| <b>FUNDS GENERATED BY OPERATIONS</b>                                   |        |                |        |              |
| Operating income before depreciation                                   | 4,944  |                | 4,351  |              |
| Financial items  | - 738  |                | - 561  |              |
| Deposited in blocked accounts  | - 100  |                | - 13   |              |
| Taxes  | - 885  |                | - 749  |              |
| Dissolution of negative goodwill                                       | - 32   |                | - 94   |              |
| Capital gains included in operating income                             | - 75   | 3,114          | - 99   | 2,835        |
| Dividends paid   |        | - 454          |        | - 356        |
| <b>CHANGE IN WORKING CAPITAL EXCLUDING LIQUID FUNDS</b>                |        |                |        |              |
| Increase in current receivables  | -5,345 |                | -1,346 |              |
| Increase in inventories  | -4,193 |                | - 206  |              |
| Increase in current liabilities  | 5,064  | - 4,474        | 680    | - 872        |
| <b>Funds generated by operations and available for investments</b>     |        | <b>- 1,814</b> |        | <b>1,607</b> |
| <b>INVESTMENTS</b>   |        |                |        |              |
| Machinery, real estate, etc.   | -8,736 |                | -2,401 |              |
| Long-term receivables  | - 21   |                | 162    |              |
| Shares and participations  | 846    |                | - 280  |              |
| Sales of fixed assets  | 808    |                | 402    |              |
| Goodwill   | -2,883 | - 9,986        | - 21   | -2,138       |
| <b>Financial deficit after investments</b>                             |        | <b>-11,800</b> |        | <b>- 531</b> |
| <b>FINANCING</b>   |        |                |        |              |
| Increase/Decrease in long-term loans                                   | 8,065  |                | - 599  |              |
| Decrease/Increase in pension liabilities                               | - 28   |                | 134    |              |
| Increase in other long-term liabilities                                | 1,817  | 9,854          | 99     | - 366        |
| New share issue  |        | 2,020          |        | -            |
| Conversion of debentures   |        | 141            |        | 331          |
| Change in minority interests, Group structure and exchange differences |        | 541            |        | - 123        |
| <b>Change in liquid funds and short-term loans</b>                     |        | <b>756</b>     |        | <b>- 689</b> |
| Of which: Increase in liquid funds                                     |        | 1,296          |        | 545          |
| Increase in short-term loans   |        | - 540          |        | -1,234       |



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## Accounting principles

### Changes in accounting principles

The Electrolux Group operates primarily in the international market. The international orientation has been accentuated by the acquisitions of White, Zanussi and other companies. The expansion of Electrolux involves acquiring businesses in competition with other companies whose accounting practices differ from the Swedish, e.g. with respect to goodwill.

For this reason, the depreciation of goodwill acquired in White and Zanussi has been modified in accordance with international practice, within the framework of applicable Swedish legislation. This means that goodwill is depreciated over estimated useful life.

The depreciation according to plan thus generated has been charged against operating income. Additional accelerated depreciation has been booked in order to obtain a full write-off over 10 years.

The portion of the acquisition price for White and Zanussi which exceeds the net worth of these companies is not a payment for acquired available profit potential. It is a payment for the opportunity to increase the companies' profit potential through the Group's own efforts, among other things. Payment for this opportunity should be amortized over the period during which a return is expected on the payment. A precise estimate of this period, i.e. the useful life of the acquisitions, is not always feasible, as in the case of White and Zanussi. Since both companies are expected to remain in the Group as long as it exists, the useful life has been defined in accordance with appropriate US practice, i.e. 40 years. This position will be reviewed annually if circumstances occur or can be expected to occur which may entail abridgement of the depreciation schedule.

For acquisitions that include goodwill and for which the economic life can be determined or forecasted with reasonable probability, amortization is based on these determinations or forecasts. In these cases as well, the situation is reviewed annually with respect to abridgement of depreciation schedules.

### Consolidated financial statements

The consolidated financial statements include AB Electrolux and all companies in which the parent company at year-end directly or indirectly owned more than 50% of the voting rights referring to all shares and participations. The Group comprised 434 (395) operating companies at year-end. The total number of companies was 669 (639).

Income and expense in companies acquired in the course of the year have been included in the consolidated income statement as per the date of acquisition. Companies divested during the year have not been included.

The consolidated financial statements have been prepared according to the purchase method, whereby the acquisition value of shares and participations in a subsidiary is offset against adjusted equity inclusive of 50% of untaxed reserves on the date of acquisition. Assets and liabilities in subsidiaries are revalued on the basis of available

documentation. Residual values arising from this valuation are reported as goodwill or as negative goodwill.

Depreciation on goodwill acquired prior to 1986 is continued according to plan at 10% annually and is reported under "Depreciation according to plan".

Residual values referring to goodwill or negative goodwill are reported as separate items in the consolidated balance sheet.

The balance sheets of foreign subsidiaries have been translated into Swedish kronor at year-end rates. Income statements have been translated at the average rates for the year.

Translation differences for the majority of foreign subsidiaries have been taken directly to shareholders' equity. The parent company has raised loans in foreign currencies in order to hedge equity in foreign subsidiaries against exchange rate fluctuations. The exchange differences on these loans have been offset against the exchange differences arising from translation of the net of assets and liabilities in foreign subsidiaries.

The above principles have not been applied for subsidiaries in countries with highly inflationary economies. Translation differences referring to these companies and differences referring to translation of net income at average and year-end rates have been charged against operating income before depreciation. Adjustment of the value of fixed assets for inflation has been included in operating income. This method thus enables increases and/or decreases in equity in countries with highly inflationary economies to be reported in their entirety in the consolidated income statement.

Minority shares in taxed equity are reported under "Minority interests" in the consolidated balance sheet.

The Electrolux Group's annual report complies in all essentials with the OECD (Organisation for Economic Cooperation and Development) guidelines for companies that operate internationally.

## Receivables and liabilities in foreign currencies

### Parent company

Current receivables as well as current and long-term liabilities are translated at year-end rates. Unrealized exchange gains and losses are offset. Net losses thus arising are charged against income, while net gains are deferred.

Long-term receivables in foreign currencies have been reported at the lower of the acquisition-date and year-end values. If there is a direct connection between a long-term receivable and a long-term liability, both are translated at the same rate.

### Group

Swedish subsidiaries apply the same principles as the parent company to receivables and liabilities in foreign currencies. Receivables and liabilities in foreign subsidiaries in other than their own currencies have been translated according to national regulations and practice, generally at year-end rates.



### **Valuation of inventories**

Inventories have been valued at the lower of acquisition value and actual value. Acquisition value has been computed according to the first-in, first-out method (FIFO). Appropriate provisions have been made for obsolescence and internal profits have been eliminated.

Some American subsidiaries apply the last-in, first-out (LIFO) method for valuation of inventories. In the interest of uniformity, differences arising from application of the LIFO instead of the FIFO method generally used within the Group have been reported as inventory reserve.

### **Depreciation of buildings, machinery, etc.**

Depreciation according to plan is based on the acquisition value of the asset prior to write-offs against investment reserves or their counterparts. The depreciation period is based on the estimated economic life of the asset.

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

The difference between fiscal depreciation and depreciation according to plan is reported in the income statement as "Accelerated depreciation" under "Allocations", and in the balance sheet as "Accumulated accelerated depreciation" under "Untaxed reserves". Accumulated accelerated depreciation on real estate has been reduced by the value of booked write-ups. "Accumulated accelerated depreciation" includes utilization of investment reserves, etc.

Depreciation on write-ups of fixed assets is reported in the income statement under "Accelerated depreciation".

### **Extraordinary items**

From 1985 onward, extraordinary items refer exclusively to events which do not have an evident connection with normal operations. Items thus reported must also represent significant sums and are not expected to recur regularly. Gains and losses referring to sale of fixed assets and operations and costs referring to restructuring are in most cases natural consequences of the Group's acquisition strategy and are therefore included in operating income before depreciation.

### **Taxes**

Taxes incurred by the Electrolux Group are affected by the normal result as well as by allocations, including those to inventory reserves. They are also affected by unutilized tax-loss carry-overs referring to previous years or to acquired companies. This applies to both Swedish and foreign Group companies.

Actual taxes paid for 1986 amounted to 33% of income before allocations, and full tax, computed as actual taxes plus standard 50% tax on allocations, amounted to 28% of this item.

## **Definitions referring to the 10-year review on p. 64**

### **Risk-bearing capital**

This consists of equity, minority interests, untaxed reserves and the deferred taxes on untaxed reserves in acquired companies.

### **Adjusted equity (full tax)**

Equity reported in the balance sheet plus 50% of untaxed reserves.

### **Adjusted earnings and total adjusted earnings per share**

Electrolux uses three different methods to compute earnings per share (see Note 6, p. 39-40). Adjustment is thus obtained for full conversion of debenture loans, for splits and bonus issues and for the new issues in 1986.

### **Dividend per share**

For 1986, as proposed by the Board. Dividends shown have been adjusted for splits, bonus issues and new issues.

### **Return on equity (standard tax)**

Income after financial items less standard 50% tax and minority interests, expressed as a percentage of opening adjusted equity plus debentures converted during the year plus the new issue. Adjusted equity is defined above.

### **Total return on equity (actual tax)**

Income before allocations less actual tax paid and minority interests, expressed as a percentage of opening equity plus untaxed reserves. Adjusted opening equity has been augmented with debentures converted during the year and the new issue.

### **Return on net assets**

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

### **Interest coverage rate**

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



## Notes to the consolidated financial statements (SEK m)

### Note 1 Sales

This item refers to sales exclusive of VAT (Value-Added Tax) and other sales taxes.

### Note 2 Cost of production, sales and administration

This item includes dissolution of negative goodwill in the amount of SEK 32m (94).

This item also includes the following:

|                             | 1986      | 1985      |
|-----------------------------|-----------|-----------|
| Sales of fixed assets       |           |           |
| Capital gains, real estate  | 43        | 109       |
| Capital losses, real estate | -11       | -33       |
| Capital gains, shares       | 60        | 19        |
| Capital losses, shares      | -17       | -4        |
| <b>Total</b>                | <b>75</b> | <b>91</b> |

In addition, this item includes SEK -35m (-138) referring to differences between net income calculations on the basis of year-end and average rates, translation differences and adjustments of the value of fixed assets in subsidiaries in countries with highly inflationary economies.

### Note 3 Depreciation according to plan on goodwill

Goodwill arising from application of the purchase method is depreciated by 10% annually with the exception of White and Zanussi, for which an annual rate of 2.5% is applied. See "Accounting principles" on p. 37.

### Note 4 Depreciation according to plan and accelerated depreciation

For depreciation according to plan, see "Accounting principles", p. 37-38. The difference between depreciation according to plan and fiscal depreciation is shown below.

|                                | 1986      | 1985         |
|--------------------------------|-----------|--------------|
| Goodwill                       |           |              |
| Depreciation according to plan | 94        | 52           |
| Fiscal depreciation            | - 212     | - 52         |
| Difference                     | - 118     | -            |
| Machinery, equipment and tools |           |              |
| Depreciation according to plan | 1,346     | 1,049        |
| Fiscal depreciation            | -1,143    | -1,225       |
| Difference                     | 203       | - 176        |
| Buildings                      |           |              |
| Depreciation according to plan | 177       | 109          |
| Fiscal depreciation            | - 173     | - 159        |
| Difference                     | 4         | - 50         |
| Land and land improvements     |           |              |
| Depreciation according to plan | 6         | 4            |
| Fiscal depreciation            | - 6       | - 18         |
| Difference                     | 0         | - 14         |
| <b>Total difference</b>        | <b>89</b> | <b>- 240</b> |

Depreciation has also been charged against investment reserves and other reserves as follows:

|                                       | 1986       | 1985        |
|---------------------------------------|------------|-------------|
| Renewal reserves                      |            |             |
| Machinery, equipment and tools        | - 6        | -           |
| Profit equalization reserves          |            |             |
| Machinery, equipment and tools        | - 4        | - 0         |
| Buildings                             | -21        | - 0         |
| Special investment reserves           |            |             |
| Machinery, equipment and tools        | - 5        | - 13        |
| Buildings                             | -22        | - 27        |
| Land and land improvements            | -          | - 1         |
| <b>Total</b>                          | <b>-58</b> | <b>- 41</b> |
| <b>Total accelerated depreciation</b> | <b>31</b>  | <b>-281</b> |

### Note 5 Other financial items

This item includes SEK 54m referring to the accrued portion of the redemption price of SSAB shares (see Note 8) as well as interest income of SEK 76m and interest expense of SEK 73m referring to interest arbitrage. Receivables and liabilities referring to interest arbitrage have been netted off against each other. The resulting balance totalled SEK 1,016m at year-end.

### Note 6 Adjusted earnings per share

|   | 1986   | 1985   |
|---|--------|--------|
| <b>A. Income after financial items</b><br>(50% standard tax)  |        |        |
| Income after financial items  | 2,583  | 2,576  |
| Minority interests  | - 57   | - 33   |
| Adjusted income before tax  | 2,526  | 2,543  |
| Standard tax, 50%   | -1,263 | -1,271 |
| Interest on convertible loans after 50% tax   | 7      | 13     |
| Adjusted income after standard tax  | 1,270  | 1,285  |
| Earnings per share (1986:69,930,000 and 1985:65,487,578), fully diluted and adjusted for new share issue                                  | 18.20  | 19.60  |
| <b>B. Income after extraordinary items</b><br>(Actual tax)  |        |        |
| Income after extraordinary items  | 2,715  | 2,752  |
| Actual taxes as reported in the income statement  | - 885  | - 749  |
|   | 1,830  | 2,003  |
| Adjustment for minority interests   | - 47   | - 19   |
| Interest on convertible loans after 50% tax   | 7      | 13     |
| Adjusted income after actual taxes  | 1,790  | 1,997  |
| Earnings per share (1986:69,930,000 and 1985:65,487,578), fully diluted and adjusted for new share issue, according to the partial method | 25.60  | 30.50  |



**C. Income after extraordinary items**  
(Full tax)

|  | 1986  | 1985  |
|--|-------|-------|
| Income after extraordinary items   | 2,715 | 2,752 |
| Actual taxes as reported in<br>the income statement  | - 885 | - 749 |
| Standard tax of 50% on allocations   | 121   | - 296 |
|  | 1,951 | 1,707 |
| Adjustment for minority interests  | - 42  | - 17  |
| Interest on convertible loans after 50% tax  | 7     | 13    |
| Adjusted income after full tax   | 1,916 | 1,703 |
| Earnings per share (1986:69,930,000<br>and 1985:65,487,578), fully diluted,<br>and adjusted for new share issue,<br>according to the full-tax method | 27.40 | 26.00 |

**Note 7 Extraordinary items**

This item refers to capital gains on sales of shares in Gränges Metallverken AB and Wirsbo Bruk AB. The corresponding item in the 1985 financial statements refers in its entirety to capital gains on sales of shares in Fermenta AB.

**Note 8 Change in other financial reserves**

In principle, all Group companies apply uniform methods for computing inventory obsolescence, doubtful receivables, guarantee commitments, etc. irrespective of local fiscal regulations. In certain countries, however, additional allocations or provisions are permissible. These are reported in the consolidated income statement as "Other financial reserves".

An agreement with the Swedish State gave Gränges the option of having its shares in SSAB redeemed by the State for SEK 875m in 1991, on condition that SSAB were still in existence. The current book value of these shares after write-downs is SEK 375m. The difference between this sum and the redemption price of SEK 875m has been amortized over the period prior to the redemption date, after adjustment for interest. A provision equivalent to the difference has been booked as an allocation to untaxed reserves and amounted to SEK 171m at year-end 1985. As the SSAB shares were redeemed in 1986, this provision has been dissolved and is reported under allocations as a change of SEK 171m in financial reserves.



## Note 9 Shares and participations reported as fixed assets

|  | Number     | Holding, % | Value at par in local currency, m |          | Book value SEKm |
|--|------------|------------|-----------------------------------|----------|-----------------|
| Holdings owned by AB Electrolux are listed on p. 53  |            |            |                                   |          | 2               |
| <b>Swedish companies</b>   |            |            |                                   |          |                 |
| Vestator AB (options)  | 140,000    | —          |                                   | —        | 18              |
| Bilfragmentering AB  | 685        | 27         | SEK                               | 0.7      | 7               |
| Kohlswa Uddeholm Gjuteri AB  | 50,000     | 50         | SEK                               | 5.0      | 6               |
| <b>Foreign companies</b>   |            |            |                                   |          |                 |
| Lamco, Liberia<br>(The Liberian American-Swedish Minerals Company)   |            |            |                                   |          |                 |
| Lamco, Common Stock (Class B)  | 1,000,000  | 50         | USD                               | 1.0      | } 0             |
| Lamco, Capital Obligation  |            | —          | USD                               | 12.9     |                 |
| Email Ltd, Australia   | 16,453,469 | 15         | USD                               | 21.0     | 143             |
| Seleco S.p.A., Italy   | 2,381,680  | 45         | ITL                               | 23,817.0 | 69              |
| Finanziaria Industriale S.p.A., Italy  | 348,000    | 34.8       | ITL                               | 3,480.0  | 17              |
| Forbach GmbH, West Germany   | 1          | 50         | DEM                               | 3.3      | 10              |
| Irvin Sud S.p.A., Italy  | 105,000    | 35         | ITL                               | 273.0    | 7               |
| Banca Friuli, Italy  | 111,769    | 0.4        | ITL                               | 112.0    | 6               |
| C&G Banken A/S, Denmark  | 153        | 6          | DKK                               | 4.8      | 5               |
| ILPEA Gomma S.p.A. Orcenica de Zoppola, Italy  | 98,000     | 24.5       | ITL                               | 980.0    | 5               |
| Oy Tammermatic, Finland  | 2,500      | 50         | FIM                               | 2.5      | 4               |
| Eureka Forbes Ltd., India  | 440,000    | 40         | INR                               | 4.4      | 3               |
| Kotimaiset Kotitalouskoneet Oy, Finland  | 2,000      | 50         | FIM                               | 2.0      | 3               |
| Laboratorios Radio GH, S.A., Spain   | 27,500     | 21         | ESB                               | 55.0     | 3               |
| Lepper-Dominit Transformatoren GmbH, West Germany  | 1          | 2          | DEM                               | 0.6      | 3               |
| Simac Industriale, Italy   | 120,000    | 40         | ITL                               | 120.0    | 3               |
| Commital S.p.A.-Firenze, Italy   | 140,000    | 20         | ITL                               | 140.0    | 2               |
| Mundo Blanco S.A., Venezuela   | 12,000     | 20         | VEB                               | 12,000.0 | 2               |
| Plasticos Henares S.A., Spain  | 10,000     | 22         | ESB                               | 10.0     | 2               |
| S. Andrea Novara, Italy  | 3,400      | 0.34       | ITL                               | 340.0    | 2               |
| Vopa A/S, Norway   | 1,500      | 37         | NOK                               | 1.5      | 2               |
| Zanker N.V., Belgium   | 250        | 50         | BEC                               | 30.0     | 2               |
| Other (A detailed list of holdings has been attached to the annual report filed with the Swedish Patent and Registration Office) |            |            |                                   |          | 35              |
|  |            |            |                                   |          | 361             |

## Note 10 Goodwill

|  | 1986  | 1985  |
|--|-------|-------|
| Acquisition value                          | 3,221 | 475   |
| Accumulated depreciation according to plan | — 266 | — 180 |
| Residual value                             | 2,955 | 295   |
| Accumulated accelerated depreciation       | — 114 | —     |
| Net book value                             | 2,841 | 295   |

## Note 11 Construction in progress

|  | 1986 | 1985 |
|--|------|------|
| Opening balance  | 232  | 160  |
| Net change during the year, including assets in newly acquired companies | 518  | 74   |
| Adjustment for changes in translation rates, divestments, etc.           | — 58 | — 2  |
| Year-end balance   | 692  | 232  |



**Note 12 Machinery, equipment and tools**

|  | 1986   | 1985   |
|--|--------|--------|
| Acquisition value                          | 14,652 | 9,170  |
| Accumulated depreciation according to plan | -7,312 | -4,986 |
| Residual value                             | 7,340  | 4,184  |
| Accumulated accelerated depreciation       | -1,043 | -1,347 |
| Net book value                             | 6,297  | 2,837  |

**Note 13 Buildings**

|   | 1986   | 1985   |
|---|--------|--------|
| Acquisition value                           | 5,833  | 3,227  |
| Accumulated depreciation according to plan  | -1,865 | -1,277 |
| Residual value                              | 3,968  | 1,950  |
| Accumulated accelerated depreciation        | - 336  | - 319  |
| Undepreciated write-ups                     | 202    | 251    |
| Net book value                              | 3,834  | 1,882  |
| Tax assessment value of buildings in Sweden | 1,317  | 1,424  |
| Net book value of buildings in Sweden       | 562    | 652    |

**Note 14 Land and land improvements**

|  | 1986 | 1985 |
|--|------|------|
| Acquisition value                          | 727  | 332  |
| Accumulated depreciation according to plan | - 70 | - 54 |
| Residual value                             | 657  | 278  |
| Accumulated accelerated depreciation       | - 11 | - 7  |
| Undepreciated write-ups                    | 71   | 78   |
| Net book value                             | 717  | 349  |
| Tax assessment value of land in Sweden     | 159  | 162  |
| Net book value of land in Sweden           | 132  | 134  |

**Note 15 Negative goodwill**

|                               | 1986 | 1985 |
|-------------------------------|------|------|
| Opening balance               | 38   | -    |
| Obtained through acquisitions | 3    | 132  |
| Dissolved (see Note 2)        | - 32 | - 94 |
| Year-end balance              | 9    | 38   |

**Note 16 Convertible debenture loans**

See Note 12 to the parent company balance sheet.

**Note 17 Untaxed reserves**

In addition to the amount reported in the balance sheet, untaxed reserves totalling SEK 1,410m (743) exist in various subsidiaries and have been eliminated through application of the purchase method.

The untaxed reserves reported include SEK 28m (24) referring to minority interests.

**Note 18 Accumulated accelerated depreciation**

|                          | 1986 | 1985 |
|--------------------------|------|------|
| Opening balance          | -    | -    |
| Accelerated depreciation | 118  | -    |
| Other                    | - 4  | -    |
| Year-end balance         | 114  | -    |

**Machinery, equipment and tools**

|  | 1986  | 1985  |
|--|-------|-------|
| Opening balance                                | 1,347 | 1,171 |
| Accelerated depreciation                       | - 203 | 176   |
| Depreciation against investment reserves, etc. | 15    | 13    |
| Divested companies                             | - 121 | -     |
| Other  | 5     | - 13  |
| Year-end balance                               | 1,043 | 1,347 |

**Buildings**

|  | 1986  | 1985  |
|--|-------|-------|
| Opening balance                                | 68    | -     |
| Accelerated depreciation                       | 4     | 41    |
| Depreciation against investment reserves, etc. | 43    | 27    |
| Divested companies                             | - 10  | -     |
| Other  | 29    | -     |
| Year-end balance                               | 134   | 68    |
| Total  | 1,291 | 1,415 |

**Note 19 Investment reserves and other reserves****Renewal reserves**

|                           | 1986 | 1985 |
|---------------------------|------|------|
| Opening balance           | 140  | -    |
| Dissolution/Allocation    | - 23 | 140  |
| Utilized for depreciation | - 6  | -    |
| Divested companies        | - 8  | -    |
| Year-end balance          | 103  | 140  |

**Investment reserves**

|                           | 1986 | 1985 |
|---------------------------|------|------|
| Opening balance           | 47   | 9    |
| Allocation                | 19   | 37   |
| Utilized for depreciation | - 25 | - 0  |
| Divested companies        | - 6  | 1    |
| Year-end balance          | 35   | 47   |

**Special investment reserves**

|                           | 1986 | 1985 |
|---------------------------|------|------|
| Opening balance           | 195  | 232  |
| Allocation                | -    | 4    |
| Utilized for depreciation | - 27 | - 41 |
| Year-end balance          | 168  | 195  |

## Note 20 Shareholders' equity

|  | Share capital | Converted shares, unregistered | Restricted reserves | Unrestricted reserves | Net consolidated income | Total |
|--|---------------|--------------------------------|---------------------|-----------------------|-------------------------|-------|
| Opening balance                        | 1,464         | 48                             | 1,328               | 2,102                 | 1,395                   | 6,337 |
| New share issue                        | 200           | —                              | 2,024               | —                     | —                       | 2,224 |
| Conversion of debentures               | —             | 63                             | 79                  | —                     | —                       | 142   |
| Registered increase in share capital   | 84            | -84                            | —                   | —                     | —                       | —     |
| Retained earnings                      | —             | —                              | —                   | 1,395                 | -1,395                  | —     |
| Dividend payments                      | —             | —                              | —                   | - 454                 | —                       | - 454 |
| Write-up of fixed assets               | —             | —                              | 6                   | —                     | —                       | 6     |
| Cost of share issues                   | —             | —                              | —                   | - 204                 | —                       | - 204 |
| Transfers between reserves             | —             | —                              | 44                  | - 44                  | —                       | —     |
| Adjustment for translation differences | —             | —                              | - 70                | - 110                 | —                       | - 180 |
| Net income                             | —             | —                              | —                   | —                     | 2,033                   | 2,033 |
| Closing balance                        | 1,748         | 27                             | 3,411               | 2,685                 | 2,033                   | 9,904 |

In accordance with internationally accepted accounting principles (International Accounting Standard), the cost of the new share issue in 1986 has been deducted from consolidated unrestricted reserves.

Disposable consolidated earnings amount to SEK 4,718m, of which SEK 13m has been allocated to restricted reserves.

## Note 21 American accounting principles (US GAAP)

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

### Revaluation of assets

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

### Untaxed reserves

Fiscal legislation in Sweden and some other countries permits allocations to untaxed reserves in order to defer tax payments. Changes in untaxed reserves are reported in the income statement under "Allocations" and thus affect net income. US GAAP do not permit deduction of such allocations from income.

### Minority holdings

US GAAP normally require shareholdings of more than 20% in other companies to be reported according to the equity method, which is not in accord with normal Swedish practice. Adjustments in accordance with US GAAP have been made for Zanussi and SSAB in 1985 and for Zanussi during 8 months of 1986. In addition, Zanussi was consolidated in the balance sheet for 1985 in accordance with US GAAP (see C, below).

### Adjustment for company acquisitions

In accordance with Swedish practice, the Group shows negative goodwill as a deferred credit which is taken into income over a

maximum of 10 years. According to US GAAP, negative goodwill should be deducted from the value of acquired fixed assets and reported as income over the economic lives of these assets.

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

In the light of the above differences, adjustments in accordance with US GAAP have been made with regard to the acquisition of Gränges AB.

### Deferred taxes

Accounts and income taxes are affected during different periods by certain items. Swedish accounting principles do not require provisions for the effect on taxes that is generated by differences in timing. US GAAP require that these effects be reported for all significant differences.

### Earnings per share

As stated in Note 6 on p. 39, earnings per share are computed on the basis of income after financial items, not net income for the year. US GAAP require that earnings per share be computed on the basis of net income for the year.



Application of US GAAP would have the following estimated effects on net income for the Group, shareholders' equity and the balance sheet (SEKm):

#### A. Net income for the Group

|  | 1986   | 1985  |
|--|--------|-------|
| Net income as reported in the income statement                               | 2,033  | 1,395 |
| Depreciation on write-ups of fixed assets                                    | 10     | 13    |
| Allocations  | - 241  | 593   |
| Application of equity method for minority shareholdings                      | 151    | - 105 |
| Adjustment for company acquisitions  | 59     | - 99  |
| Deferred taxes   | - 282  | - 353 |
| Interest on convertible loans after taxes                                    | 7      | 13    |
| Adjusted estimated Group earnings, fully diluted, in accordance with US GAAP | 1,737  | 1,457 |
| Adjusted net earnings per share, fully diluted, in accordance with US GAAP   | 24.80  | 22.25 |
| <b>B. Shareholders' equity</b>   |        |       |
| Shareholders' equity as reported in the balance sheet                        | 9,904  | 6,337 |
| Items which augment equity   |        |       |
| Untaxed reserves   | 3,837  | 4,196 |
| Deferred taxes   | -      | 387   |
|  | 3,837  | 4,583 |
| Items which diminish equity  |        |       |
| Write-ups on fixed assets  | 273    | 329   |
| Adjustment for company acquisitions  | 633    | 692   |
| Minority shareholdings   | -      | 172   |
| Deferred taxes   |        |       |
| Untaxed reserves   | 1,859  | 2,098 |
| Others   | 74     | -     |
|  | 2,839  | 3,291 |
| Net increase in equity   | 998    | 1,292 |
| Estimated shareholders' equity according to US GAAP                          | 10,902 | 7,629 |

#### C. Balance sheet

The table below shows the consolidated balance sheet prepared according to Swedish accounting practice and to US GAAP.

|   | According to Swedish practice |               | According to US GAAP |               |
|---|-------------------------------|---------------|----------------------|---------------|
|   | 1986                          | 1985          | 1986                 | 1985          |
| Current assets                                    | 30,717                        | 19,883        | 31,733               | 25,707        |
| Real estate, machinery and equipment              | 12,717                        | 6,715         | 12,015               | 8,517         |
| Shares and participations                         | 361                           | 1,207         | 361                  | 623           |
| Long-term receivables                             | 1,093                         | 1,098         | 1,093                | 927           |
| Goodwill  | 2,955                         | 295           | 2,955                | 1,176         |
| Other assets                                      | 452                           | 326           | 452                  | 477           |
| <b>Total assets</b>                               | <b>48,295</b>                 | <b>29,524</b> | <b>48,609</b>        | <b>37,427</b> |
| Current liabilities                               | 16,850                        | 11,246        | 17,866               | 15,486        |
| Long-term liabilities                             | 17,411                        | 7,449         | 17,411               | 12,030        |
| Deferred taxes                                    | 274                           | 382           | 2,207                | 2,081         |
| Negative goodwill                                 | 9                             | 38            | -                    | -             |
| Untaxed reserves                                  | 3,624                         | 3,938         | -                    | -             |
| Minority interests                                | 223                           | 134           | 223                  | 201           |
| Shareholders' equity                              | 9,904                         | 6,337         | 10,902               | 7,629         |
| <b>Total liabilities and shareholders' equity</b> | <b>48,295</b>                 | <b>29,524</b> | <b>48,609</b>        | <b>37,427</b> |

# PARENT COMPANY INCOME STATEMENT

| SEKm   |           | 1986         |       | 1985         |
|--|-----------|--------------|-------|--------------|
| <b>OPERATING INCOME AND EXPENSE</b>  |           |              |       |              |
| Sales  | (Note 1)  | 3,575        |       | 3,217        |
| Cost of production, sales and administration                                       |           | -3,312       |       | -3,039       |
| <b>Operating income before depreciation</b>  |           | <b>263</b>   |       | <b>178</b>   |
| <b>DEPRECIATION ACCORDING TO PLAN</b>  |           |              |       |              |
| Patents  |           | -            |       | 0            |
| Machinery, equipment and tools   | (Note 2)  | - 140        |       | - 117        |
| Buildings  | (Note 2)  | - 8          |       | - 7          |
| Land and land improvements   | (Note 2)  | - 0          | - 148 | - 0 - 124    |
| <b>Operating income after depreciation</b>   |           | <b>115</b>   |       | <b>54</b>    |
| <b>FINANCIAL ITEMS</b>   |           |              |       |              |
| Dividends on shares and participations in subsidiaries                             | (Note 3)  | 883          |       | 1,379        |
| Dividends on other shares and participations                                       |           | 1            |       | 1            |
| Group contributions  | (Note 4)  | 518          |       | 493          |
| Interest income  |           | 507          |       | 240          |
| Interest expense   |           | -1,000       |       | - 738        |
| Foreign exchange differences   |           | - 138        |       | 113          |
| Other financial items  | (Note 5)  | - 37         | 734   | - 8 1,480    |
| <b>Income after financial items</b>  |           | <b>849</b>   |       | <b>1,534</b> |
| <b>EXTRAORDINARY ITEMS</b>   | (Note 6)  | <b>- 235</b> |       | <b>176</b>   |
| <b>Income before allocations</b>   |           | <b>614</b>   |       | <b>1,710</b> |
| <b>ALLOCATIONS</b>   |           |              |       |              |
| Change in inventory reserve  |           | - 4          |       | 87           |
| Allocation to profit equalization reserve  |           | - 15         |       | - 110        |
| Allocation to renewal reserve  |           | -            |       | - 48         |
| Allocation to investment reserve   |           | -            |       | - 15         |
| Difference between fiscal depreciation and depreciation according to plan          | (Note 2)  | 53           |       | - 33         |
| Utilized from renewal reserve, for depreciation                                    | (Note 14) | 3            |       | -            |
| Utilized from investment reserve, for depreciation                                 | (Note 15) | 2            |       | -            |
| Utilized from special investment reserve, for depreciation                         | (Note 16) | 4            |       | 17           |
| Utilized from renewal reserve, for replacements                                    | (Note 14) | 4            |       | -            |
| Utilized from investment reserve, for replacements                                 | (Note 15) | 0            |       | -            |
| Dissolution of reserve for unrealized gains in inventories of foreign subsidiaries | (Note 7)  | 14           | 61    | 10 - 92      |
| <b>Income before taxes</b>   |           | <b>675</b>   |       | <b>1,618</b> |
| <b>TAXES</b>   |           |              |       |              |
| Profit-sharing tax   |           | -            |       | - 31         |
| Temporary dividend tax   |           | - 18         |       | -            |
| Other taxes  |           | - 11         | - 29  | - 9 - 40     |
| <b>Net income</b>  |           | <b>646</b>   |       | <b>1,578</b> |



# PARENT COMPANY BALANCE SHEET

| ASSETS SEKm                                     | 1986-12-31 |               | 1985-12-31 |               |
|---|------------|---------------|------------|---------------|
| <b>CURRENT ASSETS</b>                           |            |               |            |               |
| Cash and bank deposits                          | 351        |               | 454        |               |
| Treasury bills and other securities             | 102        | 453           | 801        | 1,255         |
| Notes receivable                                | —          |               | 1          |               |
| Accounts receivable                             |            |               |            |               |
| Subsidiaries                                    | 1,761      |               | 1,363      |               |
| Customers                                       | 26         | (Note 19)     | 27         |               |
| Prepaid expense and accrued income              | 35         |               | 59         |               |
| Other receivables                               | 87         | 1,909         | 77         | 1,527         |
| Inventories                                     |            | 514           |            | 498           |
| Advances to suppliers                           |            | 6             |            | 3             |
| <b>TOTAL CURRENT ASSETS</b>                     |            | <b>2,882</b>  |            | <b>3,283</b>  |
| <b>BLOCKED ACCOUNTS WITH THE BANK OF SWEDEN</b> |            |               |            |               |
| Investment reserves                             | 11         |               | 0          |               |
| Special investment reserves                     | —          |               | 2          |               |
| Renewal reserves                                | 31         | 42            | —          | 2             |
| <b>TOTAL BLOCKED ACCOUNTS</b>                   |            | <b>42</b>     |            | <b>2</b>      |
| <b>FIXED ASSETS</b>                             |            |               |            |               |
| Shares and participations                       |            | (Note 8)      |            |               |
| Subsidiaries                                    | 12,735     |               | 6,067      |               |
| Other shares and participations                 | 2          | 12,737        | 746        | 6,813         |
| Other securities                                |            | 40            |            | 40            |
| Long-term receivables                           |            |               |            |               |
| Subsidiaries                                    | 2,291      |               | 727        |               |
| Other   | 226        | 2,517         | 172        | 899           |
| Advances to suppliers                           | 14         |               | 20         |               |
| Construction in progress                        | 22         |               | 22         |               |
| Machinery, equipment and tools                  | 555        | (Note 9)      | 490        |               |
| Buildings                                       | 156        | (Note 10)     | 158        |               |
| Land and land improvements                      | 20         | (Note 11)     | 20         | 710           |
| <b>TOTAL FIXED ASSETS</b>                       |            | <b>16,061</b> |            | <b>8,462</b>  |
| <b>Total assets</b>                             |            | <b>18,985</b> |            | <b>11,747</b> |
| <b>ASSETS PLEDGED</b>                           |            |               |            |               |
| Real-estate mortgages                           |            | 81            |            | 96            |
| (of which on behalf of subsidiaries)            |            | (1)           |            | (2)           |
| Corporate mortgages                             |            | 157           |            | 212           |
| (of which on behalf of subsidiaries)            |            | (42)          |            | (97)          |
|   |            | <b>238</b>    |            | <b>308</b>    |

| LIABILITIES AND SHAREHOLDERS' EQUITY (SEKm)                          | 1986-12-31 |               | 1985-12-31 |               |
|--|------------|---------------|------------|---------------|
| <b>CURRENT LIABILITIES</b>   |            |               |            |               |
| Accounts payable   |            |               |            |               |
| Subsidiaries   | 590        |               | 1,309      |               |
| Suppliers  | 265        |               | 247        |               |
| Tax liability  | 2          |               | 43         |               |
| Accrued expense and prepaid income                                   | 496        |               | 366        |               |
| Other current liabilities  | 59         |               | 67         |               |
| Advances from customers  | 0          | 1,412         | 0          | 2,032         |
| Bank loans   |            | 1,028         |            | 835           |
| <b>TOTAL CURRENT LIABILITIES</b>                                     |            | <b>2,440</b>  |            | <b>2,867</b>  |
| <b>LONG-TERM LIABILITIES</b>   |            |               |            |               |
| Subsidiaries   | 213        |               | 214        |               |
| Debenture loans  | 36         |               | 48         |               |
| Bond loans   | 3,123      |               | 997        |               |
| Mortgage loans and promissory notes                                  | 5,427      |               | 2,174      |               |
| Other long-term liabilities  | 11         | 8,810         | 88         | 3,521         |
| Provisions for pensions  |            |               |            |               |
| PRI pensions (Pensions Registration Institute)                       | 348        |               | 323        |               |
| Other pensions   | 15         | 363           | 15         | 338           |
| <b>TOTAL LONG-TERM LIABILITIES</b>                                   |            | <b>9,173</b>  |            | <b>3,859</b>  |
| CONVERTIBLE DEBENTURE LOANS (Note 12)                                |            | 142           |            | 283           |
| <b>UNTAXED RESERVES</b>  |            |               |            |               |
| Inventory reserve  |            | 180           |            | 175           |
| Profit equalization reserve  |            | 125           |            | 110           |
| Accumulated accelerated depreciation                                 | (Note 13)  | 268           |            | 321           |
| Renewal reserve  | (Note 14)  | 39            |            | 48            |
| Investment reserve   | (Note 15)  | 9             |            | 15            |
| Special investment reserve   | (Note 16)  | —             |            | 5             |
| Reserve for unrealized gains in inventories of foreign subsidiaries  | (Note 7)   | 19            |            | 33            |
| <b>TOTAL UNTAXED RESERVES</b>  |            | <b>640</b>    |            | <b>707</b>    |
| <b>SHAREHOLDERS' EQUITY (Note 17)</b>                                |            |               |            |               |
| Restricted equity  |            |               |            |               |
| Share capital  |            |               |            |               |
| 2,000,000 A-shares, par value SEK 25                                 |            |               |            |               |
| 67,927,759 B-shares, par value SEK 25                                | 1,748      |               | 1,464      |               |
| Converted shares, unregistered                                       | 27         |               | 48         |               |
| Statutory reserves   | 2,659      | 4,434         | 556        | 2,068         |
| Unrestricted equity  |            |               |            |               |
| Retained earnings  | 1,510      |               | 385        |               |
| Net income for the year  | 646        | 2,156         | 1,578      | 1,963         |
| <b>TOTAL SHAREHOLDERS' EQUITY</b>                                    |            | <b>6,590</b>  |            | <b>4,031</b>  |
| <b>Total liabilities and shareholders' equity</b>                    |            | <b>18,985</b> |            | <b>11,747</b> |
| <b>GUARANTEES AND CONTINGENT LIABILITIES (Note 19)</b>               |            |               |            |               |
| On behalf of subsidiaries  |            | 375           |            | 420           |
| Capital value of pension commitments in excess of reported liability |            | 36            |            | 28            |
| Other  |            | 34            |            | 89            |
|  |            | <b>445</b>    |            | <b>537</b>    |



# PARENT COMPANY STATEMENT OF CHANGES IN FINANCIAL POSITION

| SEKm  | 1986   |               | 1985   |              |
|---|--------|---------------|--------|--------------|
| <b>FUNDS GENERATED BY OPERATIONS</b>                                  |        |               |        |              |
| Operating income before depreciation                                  | 263    |               | 178    |              |
| Financial items   | 734    |               | 1,480  |              |
| Capital gains on sale of fixed assets reported under operating income | - 9    |               | - 4    |              |
| Write-downs of fixed assets reported under operating income           | -      |               | 4      |              |
| Taxes   | - 29   |               | - 40   |              |
| Deposited in blocked accounts   | - 43   | 916           | - 15   | 1,603        |
| Dividends paid  |        | - 454         |        | - 356        |
| <b>CHANGE IN WORKING CAPITAL EXCLUDING LIQUID FUNDS</b>               |        |               |        |              |
| Increase/Decrease in current receivables                              | -1,104 |               | 202    |              |
| Increase/Decrease in inventories                                      | - 16   |               | 28     |              |
| Increase/Decrease in current liabilities                              | 99     | -1,021        | - 139  | 91           |
| <b>Funds generated by operations and available for investments</b>    |        | <b>- 559</b>  |        | <b>1,338</b> |
| <b>INVESTMENTS</b>  |        |               |        |              |
| Machinery, real estate, etc.  | - 218  |               | - 219  |              |
| Increase/Decrease in long-term loans                                  | -1,613 |               | 210    |              |
| Shares and participations   | -6,831 |               | -1,508 |              |
| Sales of fixed assets   | 890    | -7,772        | 224    | -1,293       |
| <b>Financial deficit after investments</b>                            |        | <b>-8,331</b> |        | <b>45</b>    |
| <b>FINANCING</b>  |        |               |        |              |
| Increase/Decrease in long-term receivables                            | 5,226  |               | - 454  |              |
| Increase in pension liabilities                                       | 25     |               | 23     |              |
| Decrease/Increase in other long-term liabilities                      | - 77   | 5,174         | 23     | - 408        |
| New share issue   |        | 2,020         |        | -            |
| Equity generated by conversion of debentures                          | 142    |               | 331    |              |
| Unclaimed bonus shares  | -      | 142           | 3      | 334          |
| <b>Change in liquid funds and short-term loans</b>                    |        | <b>- 995</b>  |        | <b>- 29</b>  |
| Of which: Decrease/Increase in liquid funds                           |        | - 802         |        | 245          |
| Increase in short-term loans  |        | - 193         |        | - 274        |

# NOTES TO THE PARENT COMPANY

## FINANCIAL STATEMENTS

(Amounts in SEKm)

### Note 1 Sales

This item refers to sales exclusive of VAT (Value-Added Tax).

|                             | 1986  | 1985  |
|-----------------------------|-------|-------|
| Sales to external companies | 888   | 817   |
| Sales to Group companies    | 2,687 | 2,400 |
| Total                       | 3,575 | 3,217 |

Purchases from Group companies accounted for 38% of total purchases during the year.

### Note 2 Depreciation according to plan and difference between fiscal depreciation and depreciation according to plan

For depreciation according to plan, see "Accounting principles", p. 38. The difference between depreciation according to plan and fiscal depreciation is shown below.

|                                | 1986 | 1985  |
|--------------------------------|------|-------|
| Machinery, equipment and tools |      |       |
| Depreciation according to plan | 140  | 117   |
| Fiscal depreciation            | - 76 | - 130 |
| Difference                     | 64   | - 13  |
| Buildings                      |      |       |
| Depreciation according to plan | 8    | 7     |
| Fiscal depreciation            | - 10 | - 10  |
| Difference                     | - 2  | - 3   |
| Land and land improvements     |      |       |
| Depreciation according to plan | 0    | 0     |
| Fiscal depreciation            | - 0  | - 0   |
| Difference                     | - 0  | - 0   |
| Total difference               | 62   | - 16  |

In addition, depreciation has been charged against reserves as follows:

|   | 1986 | 1985 |
|---|------|------|
| Investment reserve  |      |      |
| Buildings   | - 2  | -    |
| Special investment reserve  |      |      |
| Machinery, equipment and tools  | -    | - 3  |
| Buildings   | - 4  | - 14 |
| Renewal reserve   |      |      |
| Machinery, equipment and tools  | - 3  | -    |
| Total   | - 9  | - 17 |
| Total difference between fiscal depreciation and depreciation according to plan | 53   | - 33 |

### Note 3 Dividends on shares and participations in subsidiaries

Dividends from Swedish subsidiaries amounted to SEK 775m (1,189). Dividends from subsidiaries outside Sweden amounted to SEK 108m (190).

### Note 4 Group contributions

This item includes SEK 794m (833) received from and SEK 276m (340) submitted to subsidiaries.

### Note 5 Other financial items

This item includes interest income of SEK 76m (138) and interest expense of SEK 73m (135) referring to interest arbitrage. Receivables and liabilities referring to interest arbitrage totalled SEK 1,016m (743) at year-end. The amounts have been netted off against each other in the balance sheet.

### Note 6 Extraordinary items

|  | 1986  | 1985 |
|--|-------|------|
| Capital gains on sales of shares in external companies | -     | 176  |
| Capital losses on sales of shares in subsidiaries      | - 31  | -    |
| Cost of new share issue                                | - 204 | -    |
| Total  | - 235 | 176  |

### Note 7 Reserve for unrealized gains in inventories of foreign subsidiaries

This reserve consists of the difference between the prices charged by the parent company and the cost of production and sale of products contained in the inventories of foreign subsidiaries at year-end, less these companies' reserves for the products in question.

### Note 8 Shares and participations

The book value of shares and participations in certain subsidiaries has been written down by SEK 180m. A corresponding write-up has been booked for other subsidiaries.



| Subsidiaries in Sweden             | Number     | Holding,<br>% |     | Value at par,<br>local currency<br>('000) | Book<br>value,<br>SEK ('000) |
|------------------------------------|------------|---------------|-----|---|------------------------------|
| Gränges AB                         | 7,250,000  | 100           | SEK | 725,000                                   | 717,483                      |
| ASAB Serviceföretaget AB           | 17,000,000 | 100           | SEK | 85,000                                    | 149,368                      |
| Electrolux Motor AB                | 1,440,000  | 100           | SEK | 72,000                                    | 131,218                      |
| Husqvarna AB                       | 825,000    | 100           | SEK | 82,500                                    | 127,505                      |
| BBM Invest 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                       |
| 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-Euroclean 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                       |
| 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                        |
| AB Elektroservice                  | 50,000     | 100           | SEK | 5,000                                     | 5,069                        |
| AB Elektro Helios                  | 50,000     | 100           | SEK | 5,000                                     | 5,000                        |
| Vi i Villa AB                      | 500        | 100           | SEK | 50  | 4,227                        |
| Electrolux Mecatronik AB           | 35,000     | 100           | SEK | 3,500                                     | 4,199                        |
| Medlux AB                          | 6,000      | 60            | SEK | 600                                       | 4,075                        |
| Origoverken i Halmstad AB          | 3,000      | 100           | SEK | 300                                       | 4,051                        |
| B. Johanssons Pappersförädling AB  | 1,100      | 100           | SEK | 110                                       | 3,641                        |
| AB Handduksgubben                  | 6,500      | 100           | SEK | 650                                       | 3,351                        |
| 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                        |
| AB Höörs Plåt                      | 2,400      | 100           | SEK | 1,200                                     | 2,400                        |
| Aktiv Fischer AB                   | 13,400     | 100           | SEK | 1,340                                     | 2,366                        |
| I.A.Z. International Sweden AB     | 1,800      | 100           | SEK | 1,800                                     | 1,935                        |
| Getinge 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                        |
| Björnkläder AB                     | 10,000     | 100           | SEK | 1,000                                     | 1,000                        |
| Husqvarna Licensing AB             | 8,000      | 100           | SEK | 800                                       | 800                          |
| Husqvarna Sundsvalls Depot AB      | 500        | 100           | SEK | 500                                       | 500                          |
| AB Lundby-Gloria                   | 250        | 100           | SEK | 250                                       | 419                          |
| Svenska Hemmaskiner AB             | 3,696      | 100           | SEK | 370                                       | 370                          |
| Electrolux Cleaning Appliances AB  | 600        | 100           | SEK | 300                                       | 340                          |
| Electrolux Fond AB                 | 2,500      | 100           | SEK | 250                                       | 250                          |
| Electrolux Major Appliances AB     | 300        | 100           | SEK | 300                                       | 208                          |
| ASAB Saneringsteknik AB            | 2,000      | 100           | SEK | 200                                       | 200                          |
| Electrolux Elmotor AB              | 2,000      | 100           | SEK | 200                                       | 200                          |
| AB Volta                           | 2,000      | 100           | SEK | 200                                       | 200                          |
| ETH Nordverk AB                    | 1,000      | 100           | SEK | 100                                       | 200                          |
| Electrolux Plastcenter AB          | 360        | 100           | SEK | 180                                       | 180                          |
| Jonsered Motor AB                  | 2,000      | 100           | SEK | 200                                       | 150                          |
| Husqvarna Forest & Garden AB       | 120        | 100           | SEK | 120                                       | 120                          |
| Electrolux Industrial Systems AB   | 1,000      | 100           | SEK | 100                                       | 100                          |
| Norlett-Partner AB                 | 1,000      | 100           | SEK | 100                                       | 100                          |
| Nordwaggon AB                      | 1,000      | 50            | SEK | 100                                       | 100                          |
| Hemtips Postorder AB               | 500        | 100           | SEK | 50  | 73                           |
| E.K. Städ AB                       | 500        | 100           | SEK | 50  | 60                           |
| Örebro Fönsterputsnings AB         | 500        | 100           | SEK | 50  | 60                           |
| Bruksartiklar i Sundsvall AB       | 500        | 100           | SEK | 50  | 50                           |

|                                      | Number | Holding,<br>% |     | Value at par,<br>local currency<br>('000) | Book<br>value,<br>SEK ('000) |
|--------------------------------------|--------|---------------|-----|---|------------------------------|
| Electrolux Research & Innovation AB  | 500    | 100           | SEK | 50  | 50                           |
| Lasse Larsson Hushällsservice AB     | 500    | 100           | SEK | 50  | 50                           |
| Electrolux Data AB                   | 500    | 100           | SEK | 50  | 50                           |
| International Waste Services AB      | 250    | 50            | SEK | 50  | 50                           |
| Svensk Inkassoservice AB             | 500    | 100           | SEK | 50  | 50                           |
| Tammermatic Svenska AB               | 500    | 100           | SEK | 50  | 36                           |
| Finnagro AB                          | 255    | 51            | SEK | 26  | 30                           |
| Nordfor Training & Consulting AB     | 500    | 100           | SEK | 50  | 7                            |
| Swenova 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                            |
| Nordic Forestry Equipment AB         | 930    | 100           | SEK | 93  | 0                            |
| TG Development AB                    | 600    | 100           | SEK | 60  | 0                            |
| <b>Total subsidiaries in Sweden</b>  |        |               |     |   | <b>1,596,270</b>             |

| Subsidiary companies abroad |  | Number      | Holding,<br>% |     | Value at par,<br>local currency<br>('000) | Book<br>value,<br>SEK ('000) |
|-----------------------------|--|-------------|---------------|-----|---|------------------------------|
| <b>Europe</b>               |  |             |               |     |   |                              |
| Austria                     | Husqvarna Ges.m.b.H.                           |             | 100           | ATS | 22,000                                    | 8,624                        |
|                             | IAZ Elektrogeräte GmbH                         |             | 100           | ATS | 20,000                                    | 7,036                        |
| Belgium                     | Electrolux-Martin S.A.                         | 299,995     | 100           | BEC | 400,000                                   | 53,000                       |
|                             | I.A.Z. International Belgium S.A.              | 115,155     | 100           | BEC | 50,000                                    | 29,598                       |
| Denmark                     | Electrolux Danmark A/S                         | 911         | 100           | DKK | 250,000                                   | 227,456                      |
|                             | A/S Vestfrost                                  | 36,906      | 50            | DKK | 18,453                                    | 10,000                       |
|                             | Handels- og Fabrikations-<br>selskabet DKL A/S | 8           | 100           | DKK | 500                                       | 0                            |
| Finland                     | Oy Electrolux Ab                               | 116,500     | 100           | FIM | 116,500                                   | 152,350                      |
|                             | Oy Liesimyynti-Spifsäljnings Ab                | 2,400       | 100           | FIM | 24,000                                    | 17,161                       |
| France                      | S.A. Electrolux                                | 2,999,822   | 100           | FRF | 299,982                                   | 372,000                      |
|                             | Usines et Fonderies Arthur<br>Martin S.A.      | 11,310,803  | 99            | FRF | 678,648                                   | 550,000                      |
|                             | ELWA S.A.                                      | 999,936     | 100           | FRF | 99,994                                    | 45,000                       |
|                             | Levin France S.A.                              | 35,940      | 100           | FRF | 3,594                                     | 9,911                        |
|                             | Electrolux CR S.A.                             | 77,902      | 99.9          | FRF | 7,790                                     | 8,261                        |
| 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                       |
| The Netherlands             | Electrolux Holding B.V.                        | 9,800       | 100           | NLG | 9,800                                     | 41,038                       |
| Italy                       | Industrie Zanussi S.p.A.                       | 640,123,096 | 94.8          | ITL | 204,839,391                               | 1,549,841                    |
|                             | Elfin S.p.A.                                   | 999,000     | 99.9          | ITL | 9,990,000                                 | 48,934                       |
|                             | Electrolux Wascator 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.                | 378,250     | 100           | LUF | 3,782,500                                 | 457,000                      |
|                             | Electrolux S.a.r.l.                            | 98,888      | 98.9          | LUF | 98,888                                    | 15,000                       |
|                             | Electrolux Reinsurance<br>(Luxemburg) S.A.     | 7,994       | 99.9          | LUF | 79,940                                    | 9,808                        |
| Norway                      | Electrolux Norge A/S                           | 1,000       | 100           | NOK | 100,000                                   | 99,156                       |
|                             | Electrolux Rengjøringsmaskiner A/S             | 6,000       | 100           | NOK | 4,500                                     | 3,600                        |
|                             | Nordisk Metal A/S                              | 5,000       | 100           | NOK | 500                                       | 0                            |
| Portugal                    | Electrolux Ltda.                               |             | 90.1          | PTE | 33,332                                    | 2,212                        |



|                       |  | Number      | Holding,<br>% |     | Value at par,<br>local currency<br>( <sup>'000</sup> ) | Book<br>value,<br>SEK ( <sup>'000</sup> ) |
|-----------------------|--|-------------|---------------|-----|--|---|
| Spain                 | Electrolux S.A.                                    | 6,227       | 100           | ESB | 300,000  | 5,264                                     |
|                       | Electrolux Canarias S.A.                           | 8,400       | 87.5          | ESB | 42,000   | 2,090                                     |
| Switzerland           | Simag AG   | 12,295      | 100           | CHF | 6,148  | 16,720                                    |
|                       | Electrolux AG                                      | 3,995       | 100           | CHF | 2,000  | 15,000                                    |
| West Germany          | Electrolux Beteiligungs-GmbH                       |             | 100           | DEM | 25,000   | 81,911                                    |
|                       | Electrolux Finanz- und<br>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   |
| <b>North America</b>  |  |             |               |     |  |   |
| Canada                | Euroclean Holdings Ltd.                            | 87,000      | 100           |     | n p v  | 75,855                                    |
| USA                   | White Consolidated Industries Inc.                 | 150         | 100           |     | n p v  | 6,611,325                                 |
| <b>Latin America</b>  |  |             |               |     |  |   |
| Argentina             | S.A. Electrolux                                    | 105,999     | 100           | ARA | 1,060  | 0   |
| Brazil                | Electrolux S.A.                                    | 140,972,271 | 100           | BRC | 140,972  | 50,165                                    |
|                       | Electrolux Comércio e Serviços Ltda.               | 8,816,314   | 94.9          | BRC | 8,816  | 3,400                                     |
|                       | Electrolux Motores Ltda.                           | 2,282,180   | 26.2          | BRC | 2,282  | 1,000                                     |
|                       | Electrolux Comercial e<br>Serviços Marítimos Ltda. | 2,077,600   | 29            | BRC | 2,078  | 300                                       |
| Colombia              | Equilux S.A.                                       | 1,400,000   | 93.3          | COP | 28,000   | 0   |
|                       | Electrolux S.A.                                    | 18,194      | 91            | COP | 1,819  | 0   |
| Dominican<br>Republic | Electrolux Lagares C. por A.                       | 354         | 51            | DOP | 35   | 0   |
| Ecuador               | Ecualux S.A.                                       | 5,880       | 49            | ECS | 5,880  | 650                                       |
|                       | Electrolux C.A.                                    | 3,078       | 49            | 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   |
| Peru                  | Electrolux Selva S.A.                              | 165,919     | 48.8          | PEI | 166  | 92  |
| Uruguay               | Electrolux S.A.                                    | 2,675       | 100           | UYP | 2,000  | 0   |
| Venezuela             | C.A. Electrolux                                    | 39,988      | 100           | VEB | 39,988   | 18,000                                    |
| <b>Other regions</b>  |  |             |               |     |  |   |
| Australia             | Nordtec Pty. Ltd.                                  | 399,988     | 100           | AUD | 399,988  | 2,896                                     |
| Hong Kong             | 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 Company Ltd.              | 5,098       | 51            | IRR | 5,098  | 0   |
| Japan                 | Electrolux Japan Ltd.                              | 450,000     | 100           | JPY | 450,000  | 11,000                                    |
|                       | Nesco Ltd.   | 100,000     | 50            | JPY | 50,000   | 100                                       |
|                       | Nippon Electrolux F.S.E. Co.Ltd.                   | 30,000      | 75            | JPY | 15,000   | 0   |
| Jordan                | Electrolux Jordan Trading Co. Ltd.                 | 40,180      | 49            | JOD | 40   | 0   |
| Kuwait                | Kuwait Swedish Cleaning<br>Services Co. S.A.K.     | 28,200      | 47            | KWD | 28   | 631                                       |
| Lebanon               | Electrolux Middle East S.à.r.l.                    | 2,098       | 100           | LBP | 2,098  | 424                                       |
| Malaysia              | Electrolux Malaysia Sdn. Bhd.                      | 1,000,000   | 90            | MYR | 1,000  | 3,500                                     |

|  |                                      | Number  | Holding,<br>% |     | Value at par,<br>local currency<br>('000) | Book<br>value,<br>SEK ('000) |
|--|--------------------------------------|---------|---------------|-----|---|------------------------------|
| New Zealand  | Electrolux Ltd.                      | 699,986 | 100           | NZD | 1,400                                     | 12,000                       |
| Saudi Arabia   | Electrolux Saudi Services Ltd.       | 5,000   | 50            | SAR | 500                                       | 0                            |
| Sri Lanka  | Abans Electrolux Services (Pte) Ltd. | 4,900   | 49            | LKR | 490                                       | 135                          |
| Taiwan   | CITC-Electrolux Services Co. Ltd.    | 2,498   | 49.9          | TWD | 2,498                                     | 479                          |
| Thailand   | Electrolux Thailand Co. Ltd.         | 14,700  | 49            | THB | 1,470                                     | 370                          |
|  | Electrolux-Ampac Services Co. Ltd.   | 2,299   | 23            | THB | 230                                       | 78                           |
| <b>Total shares and participations in subsidiaries</b> |                                      |         |               |     |   | <b>12,735,029</b>            |

| <b>Other companies, etc.</b>                              |                             | Number    | Holding,<br>% |     | Value at par,<br>local currency<br>('000) | Book<br>value,<br>SEK ('000) |
|---|-----------------------------|-----------|---------------|-----|---|------------------------------|
| <b>In Sweden</b>  |                             |           |               |     |   |                              |
| Fermenta AB   |                             | 800,000   | 2.1           | SEK | 2,000                                     | 303                          |
| Handelsbolaget Svenska Dagbladets AB & Co.                |                             | 100       |               | SEK | 100                                       | 0                            |
| Innovations AB Projection                                 |                             | 1,000     | 29            | SEK | 100                                       | 100                          |
| Innovations AB Projection KB                              |                             |           | 29            | SEK | 20  | 10                           |
| MicroElectronic Design Service Center i Lund AB           |                             | 3,300     | 10            | SEK | 33  | 693                          |
| Scandinavian Link Svenska AB                              |                             | 25        | 5             | SEK | 3   | 3                            |
| AB Sukab Finans   |                             | 4,000     | 3.9           | SEK | 400                                       | 0                            |
| Other shares and participations                           |                             |           |               |     |   | 20                           |
| <b>Outside Sweden</b>                                     |                             |           |               |     |   |                              |
| Iran  | Savalux Manufacturing Co.   | 5,799     | 6.4           | IRR | 57,990                                    | 0                            |
|   | Savalux Trading Co.         | 144       | 14.4          | IRR | 1,440                                     | 0                            |
| Italy   | Foemm S.p.A. in liquidation | 4,000     | 4             | 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            | NGN | 160                                       | 0                            |
| Peru  | Electrolux S.A.             | 1,695,218 | 34.3          | PEI | 1,695,218                                 | 0                            |
|   | Valinka S.A.                | 177,164   | 18            | PEI | 177,164                                   | 20                           |
| Spain   | Wascomat Ibérica S.A.       | 625       | 25            | ESB | 625                                       | 0                            |
| <b>Total shares and participations in other companies</b> |                             |           |               |     |   | <b>2,289</b>                 |

#### Note 9 Machinery, equipment and tools

|  | 1986  | 1985  |
|--|-------|-------|
| Acquisition value                          | 1,149 | 986   |
| State contribution                         | — 1   | — 1   |
| Accumulated depreciation according to plan | — 593 | — 495 |
| Residual value                             | 555   | 490   |
| Accumulated accelerated depreciation       | — 230 | — 291 |
| Net book value                             | 325   | 199   |
| Capital expenditure during the year        | 210   | 209   |

#### Note 10 Buildings

|  | 1986  | 1985 |
|--|-------|------|
| Acquisition value                          | 278   | 273  |
| State contribution                         | — 17  | — 17 |
| Accumulated depreciation according to plan | — 105 | — 98 |
| Residual value                             | 156   | 158  |
| Accumulated accelerated depreciation       | — 96  | — 92 |
| Undepreciated write-ups                    | 58    | 62   |
| Net book value                             | 118   | 128  |
| Capital expenditure during the year        | 7     | 16   |
| Tax assessment value                       | 332   | 327  |



**Note 11 Land and land improvements**

|  | 1986 | 1985 |
|--|------|------|
| Acquisition value                          | 13   | 13   |
| Accumulated depreciation according to plan | - 2  | - 2  |
| Residual value                             | 11   | 11   |
| Accumulated accelerated depreciation       | - 1  | - 1  |
| Undepreciated write-ups                    | 10   | 10   |
| Net book value                             | 20   | 20   |
| Capital expenditure during the year        | 0    | 1    |
| Tax assessment value                       | 33   | 33   |

**Note 12 Convertible debenture loans**

This item includes the following loans:

|          |          |                  |        |
|----------|----------|------------------|--------|
| Loan I   | SEK 11m  | Conversion rate: | SEK 43 |
| Loan II  | SEK 0m   | Conversion rate: | SEK 43 |
| Loan III | SEK 9m   | Conversion rate: | SEK 43 |
| Loan IV  | SEK 122m | Conversion rate: | SEK 60 |
| Total    | SEK 142m |                  |        |

Loans I, II and III bear 8% interest, which after conversion represents a dividend of SEK 3.45 on existing shares, while loan IV bears 10% interest, which after conversion represents a dividend of SEK 6 on existing shares. Loans I and II mature on December 15, 1987, loan III on December 15, 1988, and loan IV on December 15, 1990, if any unconverted debentures exist on these dates. The earliest conversion dates for debentures were January 2, 1980 for loans I-III and January 2, 1982, for loan IV.

**Note 13 Accumulated accelerated depreciation**

|                                      |      |     |
|--------------------------------------|------|-----|
| Machinery, equipment and tools       |      | 230 |
| Buildings                            |      |     |
| Accumulated accelerated depreciation | 96   |     |
| Undepreciated write-ups              | - 58 | 38  |
| Total                                |      | 268 |

**Note 14 Renewal reserve**

|   |     |    |
|---|-----|----|
| Opening balance   |     | 48 |
| Transferred to Electrolux Industrial Systems AB             | - 1 |    |
| Transferred to ASAB Serviceföretaget AB                     | - 1 |    |
| Utilized for depreciation of machinery, equipment and tools | - 3 |    |
| Utilized for replacements                                   | - 4 |    |
| Year-end balance  |     | 39 |

**Note 15 Investment reserve**

|  |     |    |
|--|-----|----|
| Opening balance                        |     | 15 |
| Transferred to Modulfönster AB         | - 2 |    |
| Transferred to AB Överums Bruk         | - 1 |    |
| Transferred to Ballingslöv AB          | - 1 |    |
| Utilized for depreciation of buildings | - 2 |    |
| Utilized for replacements              | - 0 |    |
| Year-end balance                       |     | 9  |

**Note 16 Special investment reserve**

|  |     |   |
|--|-----|---|
| Opening balance                                    |     | 5 |
| Transferred to Skandinaviska Aluminium Profiler AB | - 1 |   |
| Utilized for depreciation of buildings             | - 4 |   |
| Year-end balance                                   |     | - |

**Note 17 Shareholders' equity**

|                                       | Share capital | Conv., unreg. shares | Statutory reserve | Un-restr. equity |
|---------------------------------------|---------------|----------------------|-------------------|------------------|
| Opening balance                       | 1,464         | 48                   | 556               | 1,964            |
| Dividend payments approved by the AGM |               |                      |                   | - 454            |
| New share issue                       | 200           |                      | 2,024             |                  |
| Conversion of debentures              |               | 63                   | 79                |                  |
| Increase in registered share capital  | 84            | - 84                 |                   |                  |
| Net income for the year               |               |                      |                   | 646              |
| Year-end balance                      | 1,748         | 27                   | 2,659             | 2,156            |

**Note 18 Converted shares, unregistered**

This item refers to the increase in share capital referring to debentures which were converted to shares before December 15, 1986, but which had not been registered by the Swedish Patent and Registration Office by year-end. The amount corresponds to 1,071,220 B-shares, which are entitled to dividends for 1986.

**Note 19 Guarantees and contingent liabilities**

In addition to the amount reported in the balance sheet, the company has a commitment to repurchase receivables totalling SEK 127m which were transferred to Elefac Finans AB. The company's reserve for doubtful debts covers the risk of loss in the above receivables. AB Electrolux has guaranteed the equity in the subsidiary Elefac Finans AB. In addition, through agreements with two US subsidiaries, National Union Electric Corp. (NUE) and Dometic Inc. (DIC), the company has guaranteed loans from NUE to DIC. No such loans were outstanding at year-end.

# PROPOSED DISTRIBUTION OF EARNINGS

The Board of Directors and the President propose that:

|                               |     |                      |
|-------------------------------|-----|----------------------|
| Net income for the year _____ | SEK | 645,948,593          |
| and retained earnings _____   | SEK | <u>1,509,521,472</u> |
| totalling _____               | SEK | 2,155,470,065        |

be distributed as follows:

|   |     |                      |
|---|-----|----------------------|
| A dividend of SEK 8.75 per share to shareholders, totalling _____ | SEK | 621,241,066          |
| To be carried forward _____                                       | SEK | <u>1,534,228,999</u> |
| Total _____   | SEK | 2,155,470,065        |

Stockholm, March 18, 1987

HANS WERTHÉN  
Chairman of the Board

PETER WALLEMBERG  
Deputy Chairman

GÖSTA BYSTEDT  
Deputy Chairman

CLAES DAHLBÄCK

NILS HOLGERSON

ROLF KARLSSON

BIRGIT MALMENSTAM-SKYTT

SVEN OLVING

JACOB PALMSTIERNA

HANS SÖDERQVIST

STEN WIKANDER

ANDERS SCHARP  
President and CEO



# AUDITORS' REPORT

We have examined the annual report, the consolidated financial statements, the accounting records and the administration by the Board of Directors and the President for the accounting year 1986. Our examination was carried out in accordance with generally accepted auditing standards.

## **Parent company**

The annual report has been prepared in accordance with the Swedish Companies Act.

We recommend that the Annual General Meeting

- adopt the income statement and the balance sheet,
- distribute earnings as proposed by the Board of Directors and the President, and
- discharge the members of the Board of Directors and the President from liability for the financial year.

## **Group**

The consolidated financial statements have been prepared in accordance with the Swedish Companies Act.

We recommend that the Annual General Meeting adopt the consolidated income statement and the consolidated balance sheet.

Stockholm, March 20, 1987

ARNE HOLMÉN  
Authorized Public  
Accountant

JAN NORDENBÄCK  
Authorized Public  
Accountant

# STATEMENT OF ADDED VALUE

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

Sales revenues for the Electrolux Group in 1986 totalled SEK 53,090m. After deduction of purchases of goods and services, the value added by the Group amounted to SEK 19,637m, an increase of 28% over the previous year. During the past five years, added value has increased at an annual rate of 13%.

In 1986, SEK 2,832m of the value added remained within the Group and was utilized

among other things for capital expenditure as well as product development and marketing. Dividend payments to shareholders accounted for 3% of added value in 1986, or 4% of the Group's total payroll costs.

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

## Calculation of added value

| Amounts in SEKm                      | 1986    | %   | 1986 per employee, SEK '000 | 1985    | %   |
|--------------------------------------|---------|-----|-----------------------------|---------|-----|
| Total sales                          | 53,090  | 100 | 409                         | 39,688  | 100 |
| Cost of purchased goods and services | -33,453 | 63  | 258                         | -24,305 | -61 |
| Added value                          | 19,637  | 37  | 151                         | 15,383  | 39  |

## Distribution of added value

| Amounts in SEKm                         | 1986   | %   | 1986 per employee, SEK '000 | 1985   | %   |
|---|--------|-----|-----------------------------|--------|-----|
| To employees                            |        |     |                             |        |     |
| Wages and salaries                      | 11,222 |     |                             | 8,320  |     |
| Employer contributions                  | 3,339  |     |                             | 2,536  |     |
|   | 14,561 | 74  | 112                         | 10,856 | 70  |
| To central and local governments        |        |     |                             |        |     |
| Taxes                                   | 885    | 5   | 7                           | 749    | 5   |
| To credit institutions                  |        |     |                             |        |     |
| Interest, etc.                          | 738    | 4   | 6                           | 561    | 4   |
| To shareholders                         |        |     |                             |        |     |
| Dividend payments*                      | 621    | 3   | 5                           | 454    | 3   |
| Retained in the Group                   |        |     |                             |        |     |
| For wear on fixed assets (depreciation) | 1,623  |     | 12                          | 1,214  |     |
| For continued expansion                 | 1,209  |     | 9                           | 1,549  |     |
|   | 2,832  | 14  | 21                          | 2,763  | 18  |
| Added value                             | 19,637 | 100 | 151                         | 15,383 | 100 |

\* 1986: proposed



# BOARD OF DIRECTORS AND AUDITORS



*Hans Werthén*



*Peter Wallenberg*



*Gösta Bystedt*



*Claes Dahlbäck*



*Nils Holgerson*



*Birgit Malmenstam-Skytt*



*Sven Olving*



*Jacob Palmstierna*



*Anders Scharp*



*Sten Wikander*



*Rolf Karlsson*



*Hans Söderqvist*



*Per-Olof Edman*



*Torsten Säll*

## Members of the Board

### **Hans Werthén**, Chairman

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

### **Peter Wallenberg**, Deputy Chairman

Born 1926. First Deputy Chairman: Skandinaviska Enskilda Banken. Chairman: Atlas Copco AB, AB Investor, Förvaltnings AB Providentia, AB Papyrus, Stora Kopparbergs Bergslags AB, Knut och Alice Wallenbergs Stiftelse. Deputy Chairman: ASEA AB, Federation of Swedish Industries, AB SKF, Telefon AB LM Ericsson. Elected 1974.

### **Gösta Bystedt**, Deputy Chairman

Born 1929. Board Chairman: AB Scanditronic. Deputy Chairman: AB Export-Invest, A Johnson & Co. HAB. Board Member: ESAB, Federation of Swedish Industries, AB SKF, Swedish Match AB. Deputy Member: Skandinaviska Enskilda Banken. Elected 1969.

**Claes Dahlbäck**, born 1947. President: AB Investor. Board Member: ASEA AB, AB Astra, Broströms Rederi AB, Neptun Röda Bolaget AB, Nordisk Fjer A/S, Fastighets AB Stockholm-Saltsjön, Rederi AB Transatlantic, Skandigen AB, Stockholms Optionsmarknad OM Fondkommission AB, Swedish Match AB, Åkermans Verkstad AB. Elected 1983.

**Nils Holgerson**, born 1923. Board Member: Federation of Swedish Industries, SILA, SPP, Svenska Handelsbanken, Svenska Tobaks AB, AB Tipstjänst, AB Volvo. Elected 1978.

**Birgit Malmenstam-Skytt**, born 1935. Secretary General of the Swedish Shareholders' Association. Board Member: PKfonder. Elected 1978.

**Sven Olving**, born 1928. Chancellor, Chalmers Institute of Technology. Board Chairman: Volvofinans AB. Board Member: Boliden AB, Telefon AB LM Ericsson, Götaverken Energy Systems AB, Svenska Varv AB. Elected 1967.

**Jacob Palmstierna**, born 1934. President, Skandinaviska Enskilda Banken. Board Chairman: Piren AB, VBB AB. Board Member: Nymölla AB, Stora Kopparbergs Bergslags AB. Elected 1974.

**Anders Scharp**, President and CEO  
Born 1934. Board Member: HAB Mercator, Piren AB, Swedish Association of Mechanical and Electrical Industry, Swedish Engineering Employers' Association. Elected 1980.

**Sten Wikander**, born 1927. President, Fourth National Pension Insurance Fund. Board Chairman: H&M Hennes & Mauritz AB. Board Member: Urban Mortgage Bank of Sweden, Teleinvest AB. Elected 1985.

## Employee representatives

### Members

**Rolf Karlsson**, born 1942. Representative of the Swedish Confederation of Trade Unions. Elected 1978.

**Hans Söderqvist**, born 1938. Representative of the Swedish Federation of Salaried Employees. Elected 1983.

### Deputy Members

**Per-Olof Edman**, born 1945. Representative of the Swedish Confederation of Trade Unions. Elected 1980.

**Torsten Säll**, born 1931. Representative of the Swedish Foremen and Supervisors' Union. Elected 1985.

## Auditors

### Regular auditors

**Arne Holmén**, Authorized Public Accountant, Hagström & Sillén AB.

**Jan Nordenbäck**, Authorized Public Accountant, Hagström & Sillén AB.

### Deputy Auditors

**Kjell Andersson**, Authorized Public Accountant, Hagström & Sillén AB.

**Jörgen Schumacher**, Authorized Public Accountant, Hagström & Sillén AB.

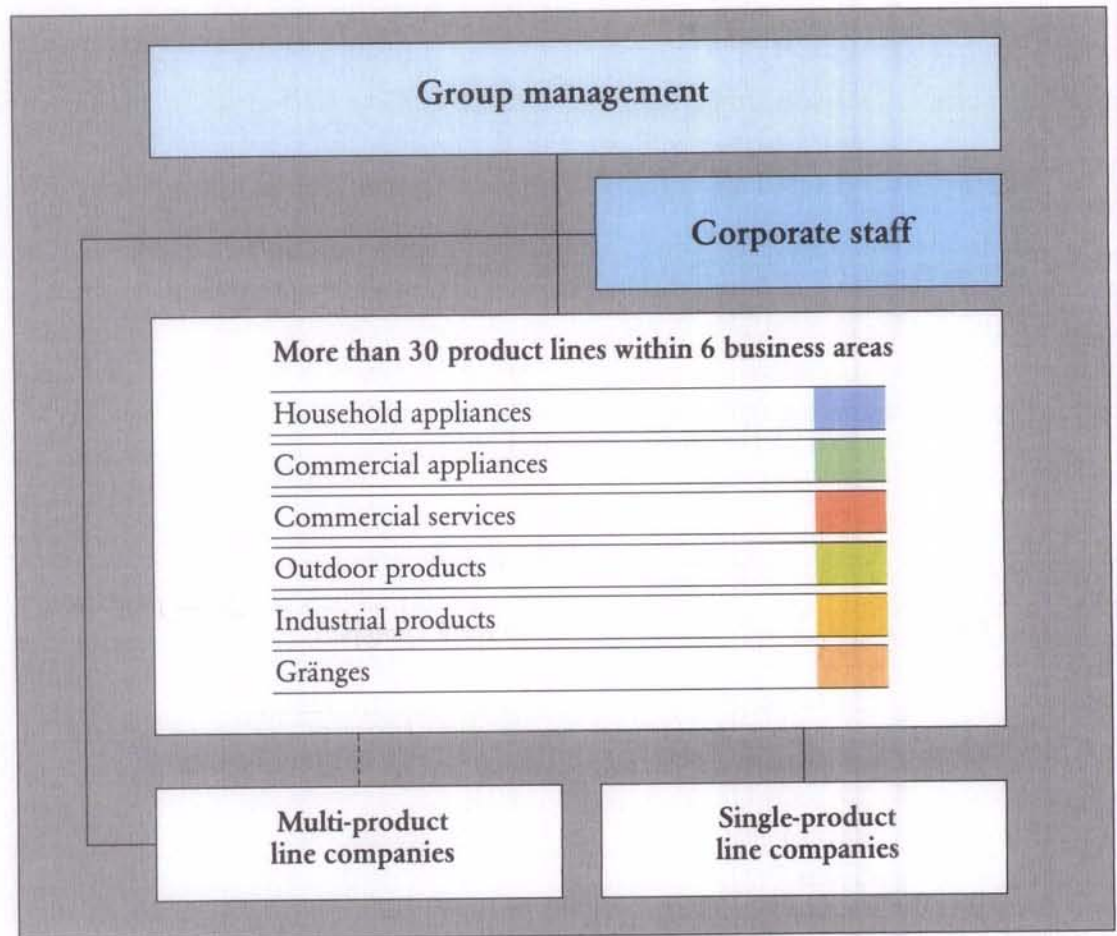


# ORGANIZATION OF THE GROUP

The operations of Electrolux are organized in a number of product lines within six business areas. The Group owns a total of approximately 430 operating companies in about 40 countries.

Responsibility for the operations of a product line are shared by the product line

manager and the executives of the appropriate companies. Units which operate in only one product line are known as single-product line companies and report to the manager of the product line involved. Multi-product line companies report primarily to Group management.



| Group management                    |
|-------------------------------------|
| Hans Werthén, Chairman of the Board |
| Gösta Bystedt, Deputy Chairman      |
| Anders Scharp, President and CEO    |
| Bertil Ljungquist, Vice-President   |
| Lennart Ribohn, Vice-President      |

| Central staff   |
|---|
| Johan Bygge, Group Controller                               |
| Matts Ekman, Group Treasurer                                |
| Lars Eriksson, Group Audit                                  |
| Folke Heibert, Special Projects                             |
| Halvar Johansson, Technical R&D                             |
| Halvar Jonzon, Purchasing                                   |
| Simon Liliedahl, International                              |
| Leif Lindgren, Risk Management and Financial Administration |
| Ulf Magnusson, Legal Counsel                                |
| Sven Sundling, Public Affairs                               |

## Household appliances

White goods

*Leif Johansson*

Special refrigerators

*Sven Stork*

Floor-care products

*Christer Forsström*

Air-conditioners

*Donald C. Blasius*

Sewing machines

*Per-Olof Sjöberg*

Kitchen and bathroom cabinets

*Nils-Erik Danielsson, Europe*

*E.L. Coveney, USA*

Home electronics

*Hans Sjöstedt*

Product service and maintenance

*Curt Egerot*

## Commercial appliances

Food service equipment

*Carl Bennet, Electrolux*

*Gianfranco Zoppas, Zanussi*

Commercial laundry equipment

*Thorbjörn Larsson*

Commercial cleaning equipment

*Christer Forsström*

Commercial refrigeration equipment

*Per-Olof Sjöberg*

Sterilization equipment

*Per G. Hedström*

Disinfection equipment

*Bo J. Ericson*

## Commercial services

Cleaning services

*Lennart Angeby*

Laundry services and goods protection

*Bertil Ljungquist*

## Outdoor products

Forestry products

*Hans G. Bäckman*

Garden products

*Hans G. Bäckman*

Agricultural implements

*Lars-Göran Fasth*

## Industrial products

Materials handling equipment

*Sven Stork*

Strategic components

*Carlo Verri*

Building materials

*Bo Sternbrink*

Other industrial products - White

*John B. Schulze*

## Gränges

Gränges Aluminium

*Per-Olof Aronson*

Electrolux Autoliv

*Gunnar Bark*

Gränges Hedlund

*Sven Ekberg*

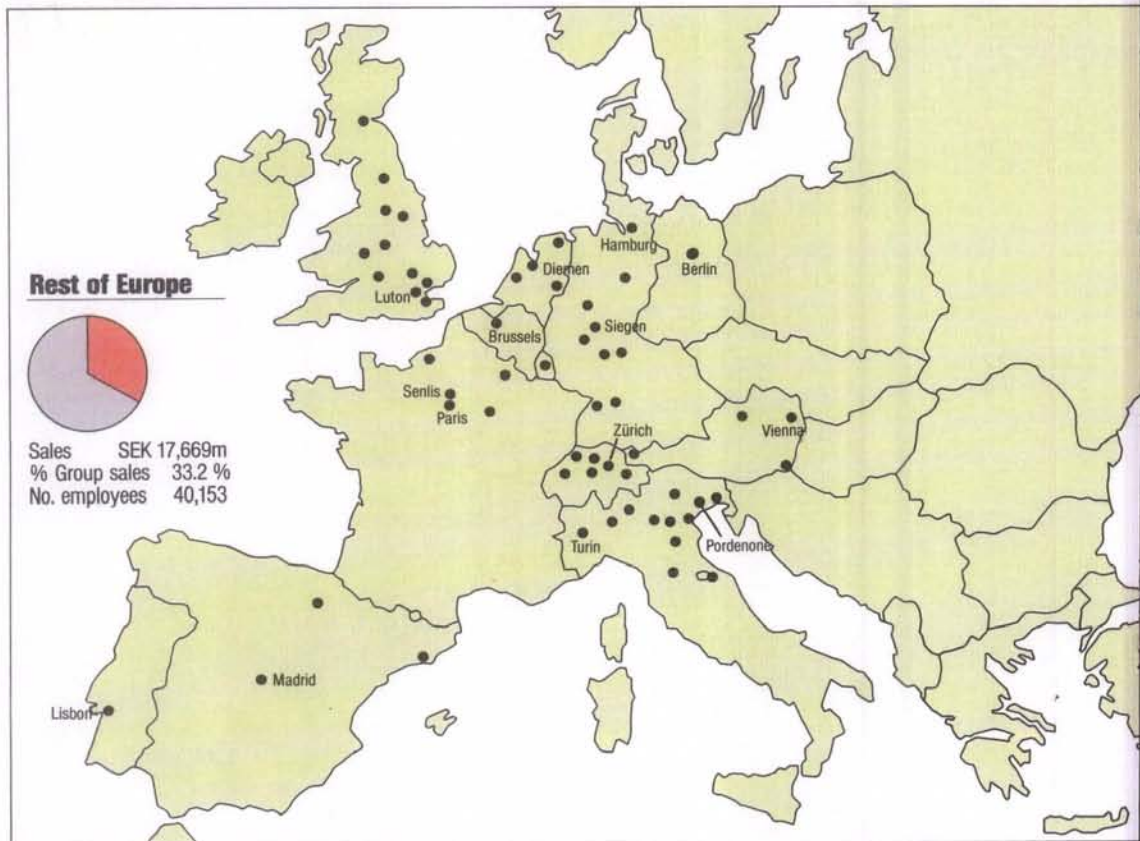
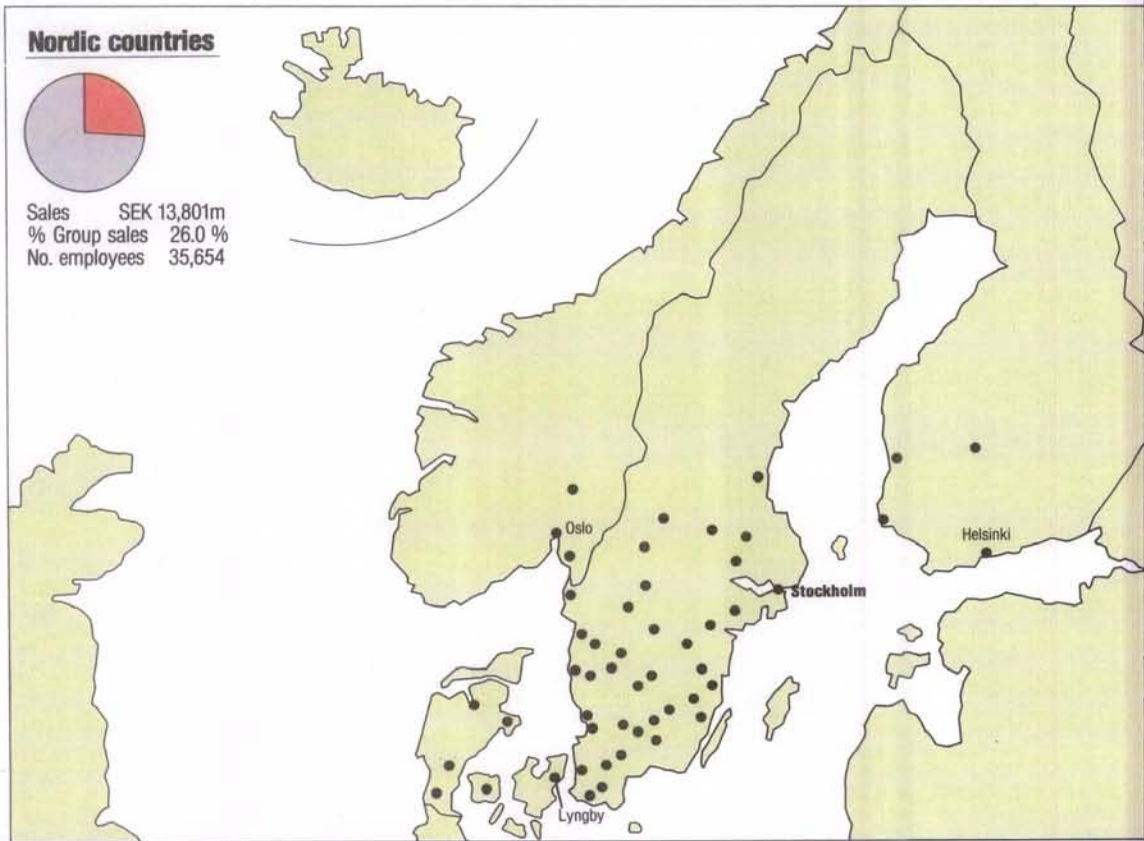
Gränges International Mining

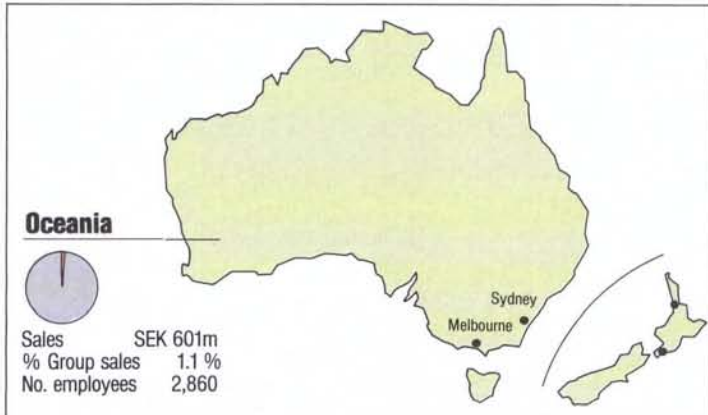
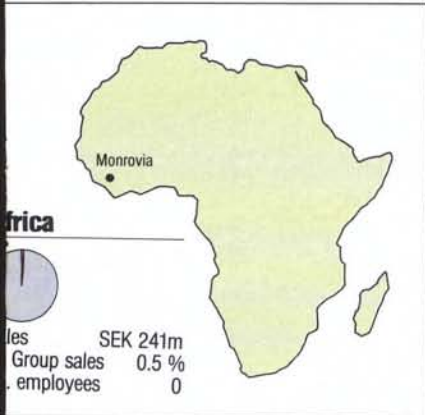
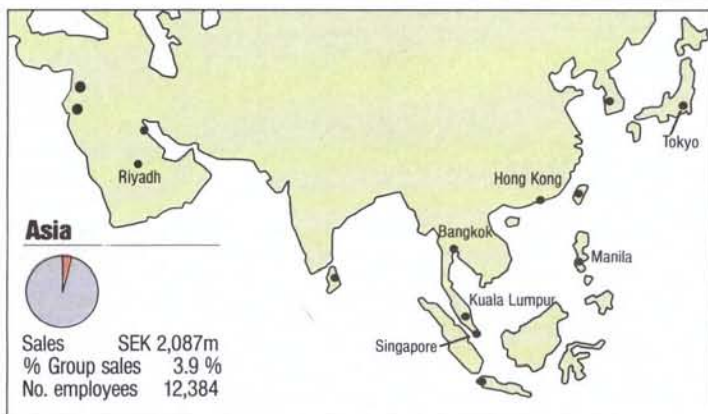
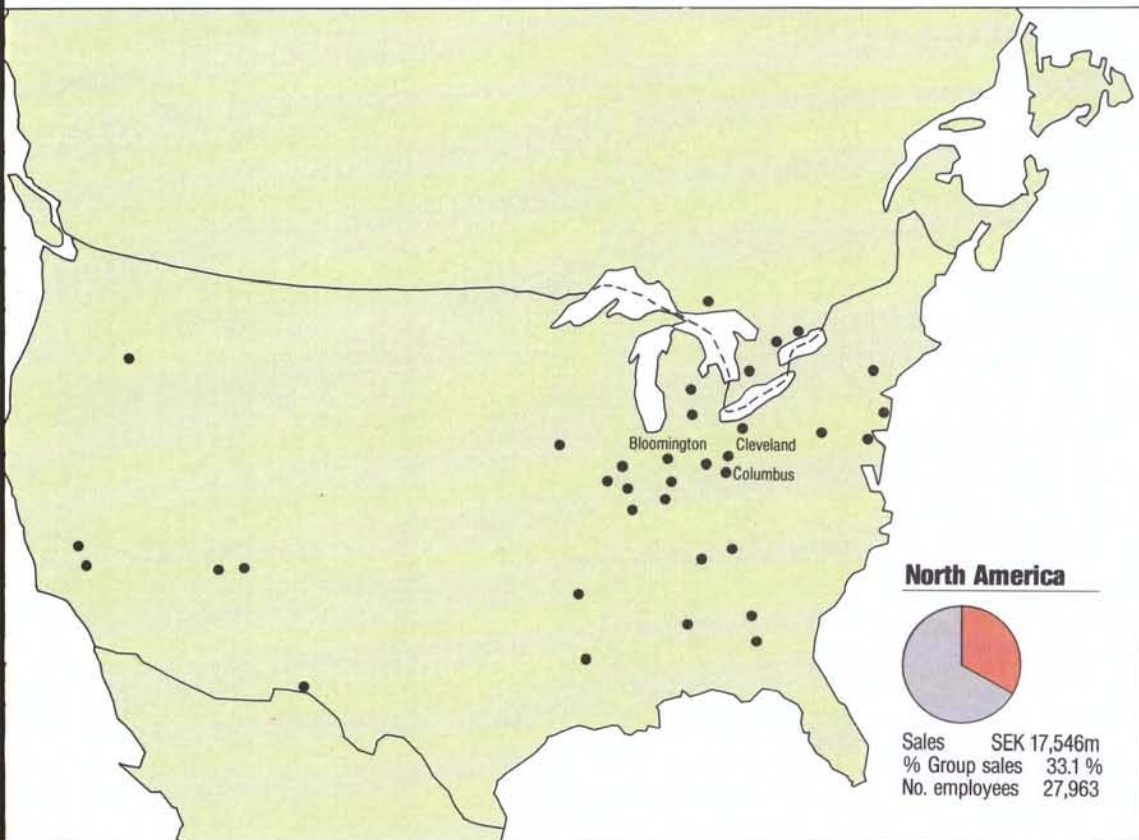
*Arne Dahlström*



# GROUP SALES AND EMPLOYEES, WORLD-WIDE

The dots indicate major Group companies and production units.







# TEN-YEAR REVIEW

| SEKm unless otherwise indicated   | 1986    | 1985   | 1984   | 1983   | 1982   | 1981   | 1980   | 1979   | 1978   | 1977   | Average growth rate, % |          |
|---|---------|--------|--------|--------|--------|--------|--------|--------|--------|--------|------------------------|----------|
|   |         |        |        |        |        |        |        |        |        |        | 5 years                | 10 years |
| <b>SALES AND INCOME</b>   |         |        |        |        |        |        |        |        |        |        |                        |          |
| Sales   | 53,090  | 39,688 | 34,547 | 32,146 | 31,661 | 26,595 | 22,874 | 15,137 | 12,023 | 9,239  | 14.8                   | 21.4     |
| Operating income after depreciation   | 3,321   | 3,137  | 3,117  | 2,691  | 1,937  | 1,730  | 1,728  | 1,308  | 945    | 782    | 13.9                   | 18.6     |
| Income after financial items  | 2,583   | 2,576  | 2,470  | 1,763  | 609    | 355    | 1,003  | 915    | 677    | 578    | 48.7                   | 19.0     |
| Income before allocations   | 2,715   | 2,752  | 2,576  | 1,863  | 567    | 1,127  | 1,054  | 934    | 828    | 562    | 19.2                   | 19.9     |
| <b>FINANCIAL POSITION</b>   |         |        |        |        |        |        |        |        |        |        |                        |          |
| Total assets  | 48,295  | 29,524 | 26,281 | 23,527 | 24,478 | 21,767 | 17,832 | 11,270 | 9,078  | 6,965  |                        |          |
| Net assets  | 31,018  | 19,030 | 16,850 | 15,111 | 16,497 | 14,664 | 11,415 | 7,363  | 6,015  | 4,661  |                        |          |
| Accounts receivable   | 11,885  | 7,864  | 5,948  | 5,603  | 6,032  | 4,750  | 3,976  | 3,311  | 2,550  | 1,824  |                        |          |
| Inventories   | 12,431  | 8,238  | 8,032  | 7,518  | 8,355  | 8,048  | 6,942  | 4,340  | 3,373  | 2,753  |                        |          |
| Risk-bearing capital  | 14,426  | 10,785 | 9,210  | 7,765  | 6,886  | 6,407  | 5,336  | 3,861  | 3,171  | 2,669  |                        |          |
| Adjusted equity   | 11,716  | 8,306  | 6,903  | 5,651  | 5,204  | 4,761  | 3,697  | 3,077  | 2,638  | 2,243  |                        |          |
| <b>DATA PER SHARE</b>   |         |        |        |        |        |        |        |        |        |        |                        |          |
| Adjusted earnings per share, fully diluted, SEK   | 18.20   | 19.60  | 18.90  | 13.70  | 5.10   | 3.20   | 7.70   | 8.20   | 6.20   | 5.80   | 41.6                   | 15.0     |
| Total earnings per share, fully diluted, After actual tax, SEK  | 25.60   | 30.50  | 25.90  | 19.80  | 5.90   | 15.10  | 14.20  | 13.40  | 10.20  | 7.40   | 11.1                   | 17.5     |
| After full tax, SEK   | 27.40   | 26.00  | 22.10  | 12.60  | 5.50   | 15.20  | 9.90   | 9.60   | 8.80   | 6.90   | 12.5                   | 18.8     |
| Adjusted equity per share, SEK  | 161     | 131    | 115    | 98     | 92     | 85     | 70     | 61     | 53     | 47     | 13.6                   | 16.8     |
| Risk-bearing capital per share, SEK   | 198     | 169    | 150    | 130    | 117    | 110    | 95     | 76     | 63     | 55     | 12.5                   | 17.1     |
| Dividend per share, SEK, adjusted for share issues*   | 8.75    | 7.50   | 6.50   | 5.50   | 4.50   | 4.00   | 3.75   | 3.00   | 2.50   | 2.10   | 16.9                   | 16.9     |
| Price of B-shares at year-end, SEK  | 311     | 194    | 121    | 119    | 60     | 41     | 44     | 45     | 44     | 41     | 50.0                   | 21.1     |
| <b>KEY RATIOS</b>   |         |        |        |        |        |        |        |        |        |        |                        |          |
| Return on equity, %   | 13.3    | 17.6   | 20.9   | 16.4   | 6.2    | 4.6    | 15.1   | 16.6   | 14.6   | 17.1   |                        |          |
| Total return on equity, %   | 16.7    | 22.2   | 22.9   | 20.0   | 6.0    | 20.1   | 24.4   | 23.5   | 20.9   | 18.7   |                        |          |
| Return on net assets, %   | 16.4    | 20.7   | 22.4   | 18.7   | 14.1   | 14.6   | 21.2   | 20.7   | 19.3   | 20.6   |                        |          |
| Net assets as % of sales**  | 49.2    | 47.9   | 48.8   | 47.0   | 52.1   | 55.1   | 49.9   | 48.6   | 50.0   | 50.4   |                        |          |
| Accounts receivable as % of sales**   | 18.9    | 19.8   | 17.2   | 17.4   | 19.1   | 17.9   | 17.4   | 21.9   | 21.2   | 19.7   |                        |          |
| Inventories as % of sales**   | 19.7    | 20.8   | 23.2   | 23.4   | 26.4   | 30.3   | 30.3   | 28.7   | 28.1   | 29.8   |                        |          |
| Interest coverage rate  | 2.56    | 3.17   | 3.29   | 2.45   | 1.46   | 1.35   | 2.01   | 2.94   | 2.92   | 3.23   |                        |          |
| Risk-bearing capital, %   | 29.9    | 36.5   | 35.0   | 33.0   | 28.1   | 29.4   | 29.9   | 34.3   | 34.9   | 38.3   |                        |          |
| Equity/assets acc. to full tax method, %  | 24.3    | 28.1   | 26.3   | 24.0   | 21.3   | 21.9   | 20.7   | 27.3   | 29.1   | 32.2   |                        |          |
| Dividend payments as % of adjusted equity   | 5.3     | 5.5    | 5.2    | 5.1    | 4.5    | 4.3    | 5.0    | 4.7    | 4.6    | 4.5    |                        |          |
| <b>OTHER DATA</b>   |         |        |        |        |        |        |        |        |        |        |                        |          |
| Capital expenditure on real estate, machinery, equipment and tools excl. assets in companies acquired during the year | 8,736   | 2,401  | 1,694  | 1,374  | 1,406  | 1,514  | 2,515  | 863    | 863    | 448    |                        |          |
| Capital expenditure as % of sales   | 5.7     | 4.6    | 4.7    | 4.2    | 4.2    | 4.7    | 5.4    | 4.7    | 4.6    | 4.8    |                        |          |
| Number of employees   | 129,900 | 91,100 | 87,000 | 86,300 | 96,600 | 97,800 | 99,000 | 82,000 | 75,600 | 69,500 |                        |          |
| Wages, salaries and other remuneration  | 11,164  | 8,320  | 7,283  | 6,852  | 7,195  | 6,357  | 5,403  | 3,936  | 3,391  | 2,975  |                        |          |
| Number of shareholders  | 59,000  | 52,000 | 52,000 | 51,000 | 52,000 | 51,000 | 43,000 | 41,000 | 41,000 | 39,000 |                        |          |

\* 1986: Proposed.

\*\* Adjusted on a 12-month basis for 1986.

For definitions, see page 38.

# ANNUAL GENERAL MEETING

The Annual General Meeting will be held at 4 PM on Thursday, May 21, 1987, at Skandinaviska Enskilda Banken, Kungsträdgårdsgatan 8, Stockholm, Sweden.

## Entitlement to participation

Shareholders who intend to participate in the AGM must be registered with the VPC AB (Swedish Securities Register Center) not later than May 11, 1987.

Shareholders whose shares are registered through banks or trustees must have their shares temporarily registered in their own names at the VPC not later than May 11, 1987.

## Notice of participation

In addition to the above registration, notice of intent to participate must be received by Electrolux not later than 4 PM on May 18, 1987. Notice may be given by mail to AB Electrolux, Dept. C-J, S-10545 Stockholm, Sweden, or by telephone at Int +46-8-7386793.

## Payment of dividend

Subject to endorsement by the AGM of the Board's proposal of May 26, 1987 as reconciliation date, it is expected that dividends will be paid by the VPC on June 3, 1987.

## Change of address

Shareholders who have changed their names, addresses or bank account numbers should inform their trustees or Värdepapperscentralen VPC AB, S-17118 Solna, Sweden, as soon as possible.

## Electrolux will publish the following financial reports in 1987:

|                                      |                 |
|--------------------------------------|-----------------|
| Preliminary year-end results _____   | Early February  |
| Final year-end results _____         | End of March    |
| Annual report _____                  | Early May       |
| Quarterly report (1st quarter) _____ | End of May      |
| Half-yearly report (1st half) _____  | End of August   |
| Quarterly report (3rd quarter) _____ | End of November |

These reports are available on request from AB Electrolux, Information Department, S-10545 Stockholm.





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