ELECTROLUX
Annual Report 1987

Electrolux

Highlights of the year

● Sales rose 27% to SEK 67,430m, primarily as a result of the large corporate acquisitions. Operating income after depreciation increased by 27% and earnings after financial items by 18%.

● The return on equity after standard 50% tax was 12.9% and was on a level with the previous year.

● The white-goods and food-service equipment divisions of Thorn EMI were acquired during the year, which substantially reinforced the Group's position in Great Britain. The Group also acquired the operations for dishwashing-machine production in the US company Design & Manufacturing.

● At the start of 1988 an agreement was reached with the Catalonian regional government in Spain regarding acquisition of a majority shareholding in the two crisis-ridden white-goods companies, Corberó and Domar. Electrolux thus becomes the leading producer of white goods in Spain as well.

	1987	1986
Sales, SEKm	**67,430**	53,090
Operating income after depreciation, SEKm	**4,225**	3,321
Income after financial items, SEKm	**3,060**	2,583
Income before allocations, SEKm	**3,060**	2,715
Adjusted earnings per share, SEK*	**20.60**	18.20
Total earnings per share after actual taxes, SEK*	**28.80**	25.60
Dividend per share, SEK**	**10.00**	8.75
Return on equity, %*	**12.9**	13.3
Total return on equity, %*	**15.7**	16.7
Return on net assets, %*	**15.7**	16.4
Capital expenditure, SEKm	**3,485**	3,005
Total number of employees	**140,500**	129,900

* *See definitions on p. 40*
** *1987: Proposed*

Contents

The annual report for 1987 consists of two separate documents, i.e. the present "Electrolux Annual Report 1987" and the parent company's "Annual Report for AB Electrolux 1987". The former comprises all data referring to the Group as well as a summary of essential information on the parent company, including a specification of shares and participations in subsidiaries. The "Annual Report for AB Electrolux 1987" contains all data referring to the parent company and is available on request from AB Electrolux, Investor Relations, S-105 45 Stockholm, Sweden.

The report has been divided into two documents in order to comply more closely with international standards for corporate reporting and to concentrate information to that which is essential for an evaluation of the Group.

Electrolux business areas

Electrolux is now the world's largest manufacturer of white goods. The Group has a strong market position in Europe and as owner of White Consolidated is the third largest producer in the US.

The Electrolux Group is also one of the world market leaders in other areas, i.e. floor-care products, absorption refrigerators for caravans and hotel rooms, commercial food-service and laundry equipment, chainsaws and car safety belts.

Operations are organized in six business areas, i.e. household appliances, commercial appliances, commercial services, outdoor products, industrial products and building components.

Household appliances

Household appliances comprise the Group's largest business area and accounted for almost 60% of total sales in 1987. White goods are the primary area of operations. Other main operations include floor-care products, refrigerators for caravans and hotel rooms, room air-conditioners and sewing machines.

Commercial appliances

The Group has applied its expertise in household appliances 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 1987.

Commercial services

Commercial services primarily comprise cleaning of offices and public premises, industrial waste management and cleaning, and rental of textiles. Electrolux is one of the few companies that operate on an international scale in this area, with subsidiaries in about 20 countries. Commercial services accounted for 4% of total sales in 1987.

Outdoor products

This business area primarily comprises chainsaws and other equipment for forestry, as well as garden products. It accounted for slightly more than 6% of total sales in 1987.

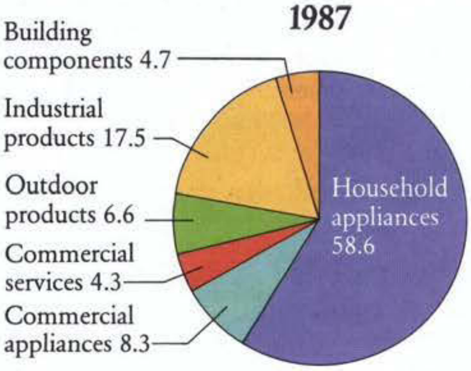
Industrial products

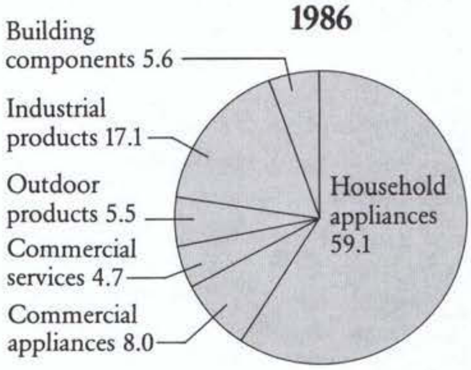
As of 1987, this business area includes operations previously in the Gränges business area, including Gränges Aluminium and Electrolux Autoliv. Other operations in this area include materials handling equipment, components and White's operations for industrial valves and highway construction equipment. Industrial products accounted for slightly more than 17% of total sales in 1987.

Building components

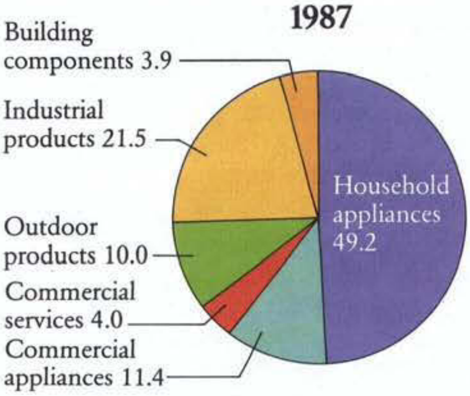
As of 1987, operations in building materials and kitchen and bathroom cabinets, which have overlapping distribution channels, were integrated in a single business area. Building components accounted for almost 5% of total sales in 1987.

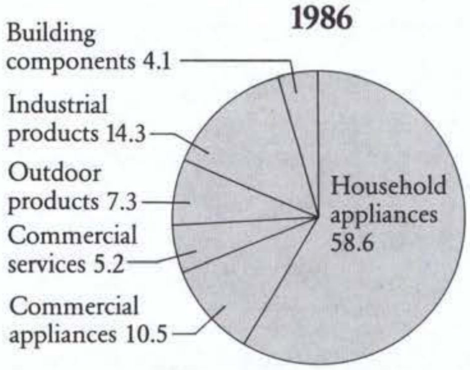
Sales by business area, %





Operating income after depreciation, by business area, %

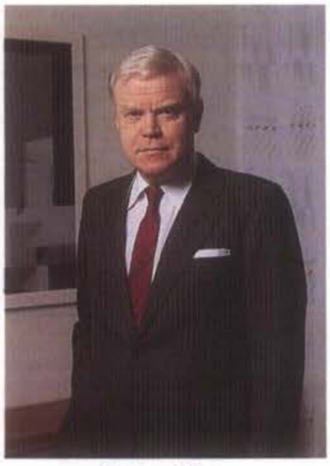




Sales by business area	**1987 SEKm**	1986 SEKm	1985 SEKm	% of total sales, 1987
Household appliances	**39,487**	31,378	19,200	58.6
Commercial appliances	**5,619**	4,250	3,348	8.3
Commercial services	**2,893**	2,504	2,266	4.3
Outdoor products	**4,475**	2,909	2,990	6.6
Industrial products	**11,784**	9,087	9,232	17.5
Building components	**3,172**	2,962	2,652	4.7
Total	**67,430**	53,090	39,688	100.0

Operating income after depreciation, by business area	**1987 SEKm**	1986 SEKm	1985 SEKm	% of total operating income, 1987
Household appliances	**2,077**	1,947	1,589	49.2
Commercial appliances	**484**	349	260	11.4
Commercial services	**169**	172	132	4.0
Outdoor products	**421**	241	373	10.0
Industrial products	**910**	474	657	21.5
Building components	**164**	138	126	3.9
Total	**4,225**	3,321	3,137	100.0

Report by the Group President



Anders Scharp

The globalization of Electrolux

We can today observe a globalization of the markets in our major business areas, which involves a growing similarity between patterns of consumption, internationalized products and competitors with operations that are geographically well-distributed.

Operating on a global scale provides additional opportunities for:

- Economies of scale for product development, manufacturing and distribution
- Standardization of products and components
- Efficient utilization of strategically located joint production resources
- Concentration on international brand names.

In the light of this situation, Electrolux has expanded vigorously in recent years in order to achieve sufficient size to be competitive in our main business areas. Group sales have almost doubled in four years as a result of major acquisitions, while our geographical distribution has changed markedly. Our operations were previously centered on Scandinavian and a number of northern European countries. Today, 36% of our sales are in the EC, 26% in EFTA and 31% in North America. A corresponding shift has been made in production, and we now have considerable resources in the EC and North America.

Expansion must continue

Group sales have increased by an average of 22% annually over the past ten years. Although we may not be able to obtain the same rate of increase in the future, a high growth rate is necessary in order to strengthen our competitive position and improve profitability.

Although we have attained good positions for many of our product lines in the world market, there are still opportunities for additional growth. Increased product development and capital expenditure along with intensified marketing in countries where we still have low market shares will lead to greater internally generated growth.

There are also extensive opportunities for expansion in other product lines where we have not yet attained a competitive market position. Growth in these areas will be achieved primarily through acquisitions.

Our equity/assets ratio is not a restraint on growth

The Group's equity/assets ratio is not a restraint on growth. While we do have a high debt/equity ratio, this must be seen in relation to the operational risks. An analysis of these reveals the following:

- Electrolux markets products in many different areas, under a number of well-known brand names
- Within 75% of our business areas we are either the largest in the world or among the three largest
- Our customer base is widely spread and most of our operations are within the stable OECD area
- Our production is well-distributed geographically and involves a reciprocal flow of goods, which minimizes the total effects of exchange rate fluctuations
- The Group's risk-bearing capital totals almost SEK 15 billion, which gives us stamina.

Operational risks for Electrolux are thus relatively low, given our present structure and orientation. In addition, the financial risk is limited by the fact that most of the Group's net borrowings are at fixed interest rates.

Most of our operations are within business areas where markets are well-structured and competition is sharp. Profit potential is therefore more limited than in operations that involve high risk. However, higher leverage enables a satisfactory return on equity.

The organization develops and changes

We need competent, highly motivated personnel in order to attain our operational and financial goals. We must have a flexible organization that allows for fast decision-making. The vigorous expansion of recent years has involved a need for changes in the organization. A greater degree of coordination and adaptability is required today for implementation of the Group's marketing and product strategies. The Group's executive management committee has therefore been modified and operational responsibility has been further decentralized.

The major acquisitions have provided us with competent personnel in a large number of operations outside Sweden. These resources must be utilized for the sake of future Group development. We will therefore continue to delegate corporate responsibility to units outside Sweden on the basis of expertise and relative international size.

Our financial goals are unchanged

As a result of the purposeful investments of recent years, the Group is well-prepared to meet the challenges involved in globalization of our major markets.

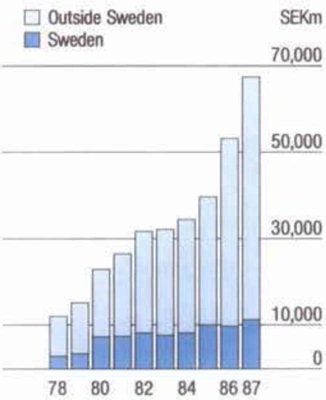
In the short term, top priority will be given to profitability through restructuring and rationalization in established units as well as new acquisitions. In the interest of achieving satisfactory long-term growth of earnings and dividends, we will continue to make acquisitions even though these may temporarily affect some of our key ratios.

Our financial goal of an average return of at least 15% on equity over a business cycle after 50% standard tax remains unchanged, as does the goal of dividend growth that is proportional to the growth of equity.

ANDERS SCHARP
President and CEO

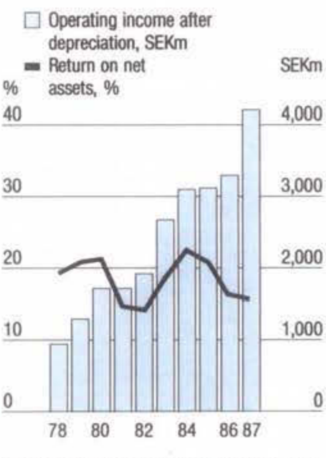
Group operations, including administration report

Group sales



Over the past ten years, sales have been increasing at an annual rate of 22%.

Group earnings



In 1987 the return on net assets was 15.7%.

Sales

Group sales in 1987 amounted to SEK 67,430m (53,090), of which SEK 56,302m (43,434) or 83% (82) was outside Sweden. The substantial increase in sales refers mainly to White Consolidated, Zanussi and Gotthard Nilsson, which were not included in the Group for the whole of 1986, as well as to Poulan/Weed Eater, acquired on January 1, 1987, and the two Thorn divisions, acquired on April 1, 1987.

Exports from Sweden in 1987 amounted to SEK 6,553m (5,974), of which SEK 3,391m (3,234) comprised sales to own subsidiaries. The Swedish plants accounted for about 21% (20) of the total value of Group production.

Earnings

Group operating income before depreciation increased in 1987 to SEK 6,570m (4,944). Operating income after depreciation according to plan increased by 27% to SEK 4,225m (3,321), which corresponds to 6.3% (6.3) of total sales. Income after finan-

Sales by country and region

	1987 SEKm	%	1986 SEKm	%
Sweden	**11,128**	**16.6**	9,656	18.2
Great Britain	**6,377**	**9.5**	4,139	7.8
France	**5,098**	**7.6**	4,428	8.3
West Germany	**4,045**	**6.0**	2,701	5.1
Italy	**3,684**	**5.5**	1,503	2.8
Switzerland	**1,818**	**2.7**	1,616	3.0
Denmark	**1,735**	**2.6**	1,628	3.1
Norway	**1,505**	**2.2**	1,327	2.5
Spain	**1,445**	**2.1**	711	1.3
Finland	**1,445**	**2.1**	1,190	2.2
The Netherlands	**1,238**	**1.8**	1,036	2.0
Rest of Europe	**2,005**	**3.0**	1,535	2.9
Total Europe	**41,523**	**61.7**	31,470	59.2
USA	**19,488**	**28.9**	16,493	31.1
Canada	**1,580**	**2.3**	1,053	2.0
Total North America	**21,068**	**31.2**	17,546	33.1
Brazil	**302**	**0.4**	306	0.6
Venezuela	**208**	**0.3**	208	0.4
Rest of Latin America	**852**	**1.3**	631	1.2
Total Latin America	**1,362**	**2.0**	1,145	2.2
Japan	**707**	**1.0**	581	1.1
Rest of Asia	**1,731**	**2.6**	1,506	2.8
Oceania	**625**	**0.9**	601	1.1
Africa	**414**	**0.6**	241	0.5
Group total	**67,430**	**100.0**	53,090	100.0

cial items increased by 18% to SEK 3,060m (2,583). On the basis of this figure, the return on equity less standard tax of 50% and minority interests was 12.9% (13.3), while earnings per share fully diluted for outstanding convertible debentures amounted to SEK 20.60 (18.20).

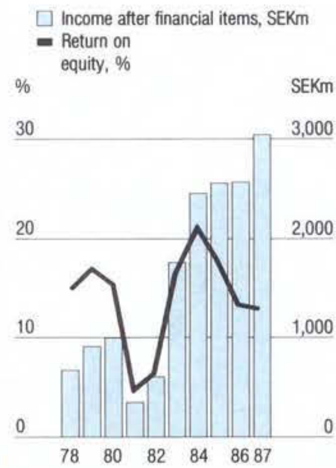
Income before allocations and taxes increased by 13% to SEK 3,060m (2,715). In accordance with the partial method and after full dilution for outstanding debentures, this corresponds to earnings of SEK 28.80 (25.60) per share. The total return, i.e. income before allocations and after actual taxes expressed as a percentage of equity plus untaxed reserves was 15.7% (16.7).

For Electrolux, the partial method involves deducting actual taxes paid while allocations are not charged with any deferred taxes. The justification for not deducting deferred taxes is that reversal of allocations during the next few years is not anticipated and tax payments will thus not be required. A more accurate picture of Group profitability is thus obtained by considering the return with reference to the actual tax situation.

Earnings trend

The markets for the Group's main operations showed good volume trends during the year.

Group earnings



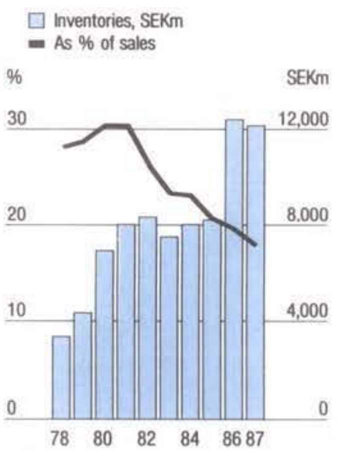
The return on equity after 50% standard tax was 12.9% in 1987.

Sales and income per quarter SEKm		Qtr 1	Qtr 2	Qtr 3	Qtr 4	Whole year	Annual change, %
Sales	**1987**	15,575	17,644	16,332	17,879	67,430	27
	1986	9,130	14,436	13,426	16,098	53,090	
Operating income after depreciation	**1987**	910	1,189	921	1,205	4,225	27
	1986	655	929	676	1,061	3,321	
Income after financial items	**1987**	624	880	604	952	3,060	18
	1986	593	748	478	764	2,583	
Income before allocations	**1987**	624	880	604	952	3,060	13
	1986	701	781	478	755	2,715	

Earnings per share	**1987**	1986
Income after financial items, SEKm	**3,060**	2,583
Minority interests, SEKm	**– 42**	– 57
Adjusted pretax income, SEKm	**3,018**	2,526
Standard tax, 50%, SEKm	**–1,509**	–1,263
Interest on convertible loans after 50% tax, SEKm*	**4**	7
Adjusted income after taxes paid, SEKm	**1,513**	1,270
Number of shares, fully diluted 1987:73,451,383 (1986:69,930,000)		
Adjusted earnings per share, SEK	**20.60**	18.20
Income before allocations, SEKm	**3,060**	2,715
Taxes as per income statement, SEKm	**– 914**	– 885
Minority interests, SEKm	**– 34**	– 47
Interest on convertible loans after 50% tax, SEKm*	**4**	7
Adjusted income after taxes paid, SEKm	**2,116**	1,790
Number of shares, fully diluted 1987:73,451,383 (1986:69,930,000)		
Total earnings per share (according to the partial method), SEK	**28.80**	25.60

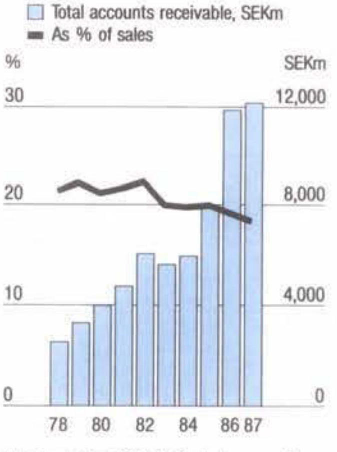
** Interest has been added, as income is computed after full dilution*

Group inventories



Inventories as a percentage of sales continued to decrease and amounted to 18.0% in 1987.

Group accounts receivable



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

The lower US dollar rate had an adverse effect on both sales and earnings. This effect arises primarily when sales and earnings for the Group's North American operations are translated to Swedish kronor. The adverse effect would have been considerably greater if sales in North America were not based primarily on locally manufactured products.

In the **household appliances** business area, earnings for white goods improved, primarily as a result of the operations of Zanussi and White, while a contrasting downturn in earnings was reported for both vacuum cleaners and sewing machines. The profit margin in this business area declined however, inasmuch as Zanussi and White were consolidated for the whole of 1987 and the white-goods divisions acquired from Thorn EMI did not contribute to earnings.

In the **commercial appliances** business area, Zanussi and White also accounted for most of the growth in sales and earnings.

In the **commercial services** business area, the price-freeze in Sweden was an obstacle to growth of earnings, as were the extraordinary costs that arose in some operations outside Sweden.

The strong improvement in earnings in the **outdoor products** business area is traceable to generally good sales volume for forestry and garden products as well as to the consolidation of Poulan/Weed Eater. This business area was charged with considerable restructuring costs in 1986.

Improvements in earnings and profitability were reported for all product lines in the **industrial products** business area, which from 1987 onward includes operations that were previously in the Gränges business area.

The newly formed **building components** business area consists of building materials along with kitchen and bathroom cabinets. An improvement in total earnings was reported despite lower profitability in US operations for kitchen and bathroom cabinets.

Goodwill

Following an extremely vigorous expansion in the 1970's and 80's, the major share of Electrolux' production and sales is now outside Sweden. The US has become the largest single market. Acquisitions are an important factor in the Group's expansion and occur in competition with international companies whose accounting practices may differ from the Swedish, e.g. with respect to goodwill.

The goodwill arising from the acquisition of White Consolidated and Zanussi is not a payment for acquired existing profit potential, but for an opportunity to increase these companies' profits in the future through the Group's own efforts. It is also a payment for the right to use a number of well-known and long-established brand names. The useful life of these names is expected to be substantially longer than 10 years, which is the depreciation period for goodwill according to Swedish accounting practice.

The Group accounts are prepared on the basis of Swedish accounting practice as well as US GAAP. The intention is to minimize the difference, within the framework of Swedish legislation. The goodwill arising from the acquisition of White and Zanussi is being treated in accordance with US practice, which in similar cares enables depreciation to be booked over 40 years. See also the description of accounting principles on p. 39.

Tied-up capital

The Group's programs for reducing tied-up capital e.g. in inventories and receivables have generated results. Inventories were reduced to 18.0% (19.7) and receivables to 18.1% (18.9) of total sales. The overall capital turnover rate was 1.4 (1.3).

The Group's net assets, i.e. total assets less all non-interest-bearing liabilities and deferred taxes on untaxed reserves, amounted to 43.7% (49.1) of total sales.

Financial position

International interest rates remained largely unchanged in comparison with 1986. The rates for loans in US dollars rose somewhat, while EMS rates declined. Net Group financial items amounted to SEK –1,165m (–738), or 1.7% (1.4) of total sales. The change is traceable mainly to the fact that the full effect of interest costs referring to the major acquisitions in 1986 is now evident.

Total Group interest-bearing liabilities at year-end 1987 amounted to SEK 17,372m (19,302), of which PRI pension liabilities accounted for SEK 1,457m. The ratio of these liabilities to adjusted equity has thus declined from 1.65 to 1.45. Of interest-bearing liabilities 71% (77) consisted of long-term loans. The share of long-term loans at fixed interest rates amounted to 72% (56).

Group liquid funds amounted to SEK 4,668m, which represents 9.6% (8.0) of total assets. Assets referring to customer financing amounted to SEK 969m (902).

The Group was considerably less active on the international capital market than in the previous year, when financing of the major acquisitions was arranged.

In terms of short-term financing, a Sterling Commercial Paper Program totalling GBP 100m was arranged. In addition, the Group's Euro-Commercial Paper Program was increased by USD 100m to a total of USD 425m (SEK 2,550m). This program gives the Group access to favorable short-term financing through issues of its own notes.

Medium-term notes on favorable terms were issued within the framework of the Group's Medium-Term Notes and Multi-Tranche Tap Facility. A number of swaps were also arranged in the course of the year and referred primarily to conversion of interest rates from floating to fixed.

Currency exposure

The Group's currency exposure is generated primarily by currency flow resulting from transactions between Group companies as well as by translations in connection with consolidation of foreign subsidiaries.

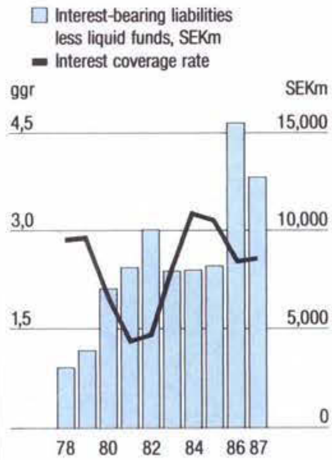
The total currency flow among Group companies in 1987 amounted to SEK 22,000m. The Group's geographically well-distributed production involves reciprocal currency flows and thus counteracts the effects of exchange fluctuations. The exposure generated by the internal currency flow is reduced by a netting system which enables continuous monitoring of the flow and appropriate action in the event of changes in positions. Exchange differences arising from short-term commercial receivables and liabilities in foreign currencies are included in operating income.

Net exchange differences on loans and borrowings amounted to SEK –11m (68). As in previous years, exchange losses on long-term loans have not been amortized. The net of assets and liabilities in foreign subsidiaries comprise a net investment in foreign currency and generates a translation exposure. As a hedge against fluctuations in exchange rates, the parent company's foreign loans are spread among currencies as far as possible in the same proportion as this net investment. This means that the reduced value of a net investment generated by a decline in an exchange rate is to some extent offset by exchange gains on parent company loans in the same currency. A degree of exposure is unavoidable, however, as the net investment outside Sweden is greater than the parent company's total borrowing and some currencies are in practice virtually unavailable for loans.

Net translation differences arising from consolidation of foreign subsidiaries amounted to SEK –728m (–180) after adjustment for unrealized exchange gains in the parent company less estimated taxes on these gains. 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 net difference has been generated in part by a translation difference of SEK –239m referring to goodwill.

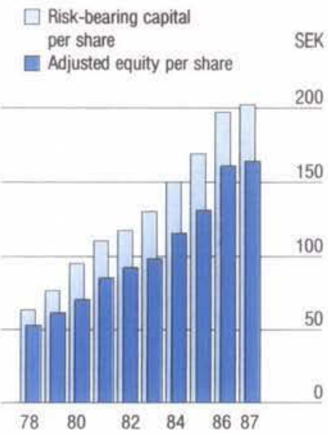
Translation losses referring to countries with highly inflationary economies have been charged against operating income (see p. 39).

Group loan situation



Despite increased interest expenses in 1987, the interest coverage rate was on a level with the previous year.

Equity and risk-bearing capital per share



Over the past ten years, the annual growth in adjusted equity and risk-bearing capital per share has been slightly above 13%.

Equity

At year-end, adjusted total equity amounted to SEK 11,941m (11,659) and total risk-bearing capital to SEK 14,783m (14,312).

Adjusted equity and risk-bearing capital per share, fully diluted for outstanding convertible debentures, increased by year-end to SEK 164 (161) and SEK 202 (197), respectively.

The growth of adjusted equity per share reflects the growth of net worth and after addition of dividends paid is thus the most accurate measure of Group profitability.

The actual growth of Electrolux' adjusted equity per share has been greater than is indicated by standard key ratios, primarily as a result of substantial extraordinary income and actual taxes of less than 50%.

The table below shows the trend over the past ten years, during which adjusted equity per share less dividends paid has grown at an annual rate of 13.3%.

Adjusted equity per share, January 1, 1978	**SEK 47**
Earnings per share less 50% standard tax, 1978-87	121
Dividend per share, 1978-87	-48
Theoretical adjusted equity per share after 50% standard tax	**SEK 120**
Equity has also been affected by:	
• Extraordinary items per share, 1978-87	23
• Tax savings per share, 1978-87, as actual tax paid was less than standard 50%	46
• Deferred tax per share which has not occasioned any tax payments, computed as 50% of allocations	-30
Theoretical adjusted equity per share after extraordinary items and full tax	**SEK 159**
Equity is affected by other factors which are not reflected in the income statement:	
• Translation differences per share	-18
• Write-up on fixed assets per share	6
• Effect of new share issue in 1986	12
• Other items per share (changes in accounting principles, etc.)	5
Actual adjusted equity per share, December 31, 1987	**SEK 164**

Convertible loans I and II in AB Electrolux matured in December, 1987. The remaining outstanding convertible loans (III and IV) have a total par value of SEK 78m. Loan III bears 8% interest and is converted at SEK 43. Loan IV bears 10% interest and is converted at SEK 60. Both loans were eligible for conversion during 1987.

If all the debentures outstanding at year-end were converted, the number of shares would increase by 1,330,600 to 73,451,383.

Equity/assets ratio

The growth of adjusted equity and risk-bearing capital has raised the equity/assets ratio to 24.6% (24.2). Given the framework of the Group's current orientation of operations, market positions and geographical distribution, the goal is to maintain an equity/assets ratio of about 25%.

Capital expenditure and self-financing

Group capital expenditure excluding the value of fixed assets in companies acquired during the year amounted to SEK 3,485m (3,005), of which SEK 1,000m (1,009) referred to Sweden. Capital expenditure corresponded to 5.2% (5.7) of total sales. The major share of investments during the year referred to the white-goods area, primarily in Italy, the US, Great Britain and Sweden.

The rate of self-financing expressed as internally generated funds as a percentage of investment in property, machinery, equipment and tools (excluding the opening value in acquired companies) amounted to 108% (88) during 1987.

Application of US GAAP

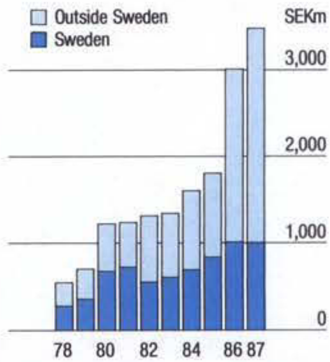
The table below summarizes the Group's approximate earnings and financial position according to US GAAP. For additional information and a description of the most important differences between US and Swedish accounting practices, see Note 21, p. 45.

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

	1987	1986
Net income, SEKm	**1,833**	1,737
Net earnings per share, fully diluted, SEK	**25.00**	24.80
Shareholders' equity, SEKm	**11,340**	10,902
Total assets, SEKm	**49,169**	48,609
Debt/equity ratio*	**1.45**	1.65

**Interest-bearing liabilities in relation to equity, including 50% of untaxed reserves*

Group capital expenditure



In 1987, capital expenditure amounted to SEK 3,485m, of which SEK 1,000m were in Sweden.

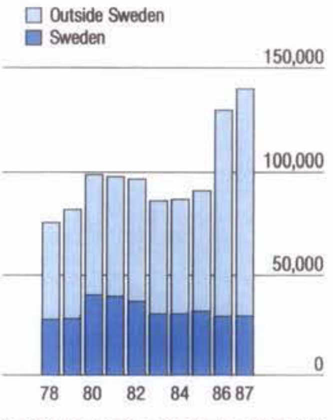
Major changes in the Group

The Group acquired the white-goods and food-service equipment divisions of Thorn EMI in Great Britain as of April 1, 1987. The food-service equipment division also includes the French company Dito Sama. In the household appliance area, the operations for production of dishwashing machines in the US company Design & Manufacturing and for absorption units and gas-driven air-conditioners in the US company Preway Industries were acquired as of November 30, 1987.

In February 1988, an agreement was signed with the regional government of Catalonia for acquisition of 56% of the shares in two Spanish white-goods companies, Corberó and Domar. The contract stipulates that Electrolux will acquire the remaining shares in these companies by December 31, 1991 at the latest.

In the commercial appliances area, the Group acquired the French company Dubix-de-Souza, which manufactures aseptic washing machines for the health-care sector as well as industrial mangles. Three small French manufacturers of food-service equipment were also acquired. At the start of 1988, the Group acquired the Italian company Alpeninox S.p.A., which manufactures refrigeration equipment for hotels and restaurants.

Number of employees(Average)



In 1987, the number of employees increased to 140,500, of whom 29,500 in Sweden.

In the areas of commercial services, outdoor products and car safety equipment, a number of small acquisitions were made in Sweden, Norway, Finland and Great Britain. In the building components area, Ahlsell Bygg was acquired from the Boliden Group.

The French subsidiary Océanic was sold to Nokia of Finland as of July 1, 1987. The sale also included the subsidiary Sonolor.

Through White Consolidated in the US the Group is part owner of Email Ltd., Australia's largest white-goods manufacturer, with annual sales of about AUD 880m (approximately SEK 3,500m). In the course of the year the holding in Email increased by about 5% to almost 20%.

Lamco

The value of the Group's holding in LAMCO (Liberian American-Swedish Minerals Company) is reported at zero in the balance sheet. This commitment is limited to loans, guarantees and collateral to a total value of SEK 215m (266). The provision in the consolidated balance sheet is considered adequate for these commitments.

Personnel

The average number of Group employees in 1987 (excluding Liberia) increased to 140,462 (129,912).

Average number of Group employees	1987	%	1986	%
Parent company	**5,867**	**4.2**	5,500	4.3
Other Swedish companies	**23,589**	**16.8**	23,935	18.4
In Sweden	**29,456**	**21.0**	29,435	22.7
Outside Sweden	**111,006**	**79.0**	100,477	77.3
Total	**140,462**	**100.0**	129,912	100.0

Wages, salaries and remuneration (SEKm)	1987	1986
Parent company	**719**	647
Other Swedish companies	**2,608**	2,490
In Sweden	**3,327**	3,137
Outside Sweden (excl. Liberia)	**11,101**	8,026
Employer contributions in Sweden	**1,503**	1,381
Employer contributions outside Sweden	**2,736**	1,958
Total payroll costs	**18,667**	14,502

A specification of salaries and the number of employees in accordance with the Swedish Companies Act is included in the separate annual report for the parent company.

Parent company

The parent company's sales in 1987 amounted to SEK 4,076m (3,575), of which SEK 2,941m (2,687) referred to sales to Group companies and SEK 1,135m (888) to external customers. Exports totalled SEK 1,679m (1,505), which corresponds to 41% (42) of total sales.

After allocations of SEK –20m and taxes of SEK –42m, the parent company reported a profit of SEK 815m (646). The Board proposes a dividend of SEK 10.00 (8.75) per share for 1987, for a total dividend payment of SEK 721.2m (621.2).

See pp. 47-51 for a summary of the annual report for the parent company as well as a listing of shareholdings and participations.

Group financial operations

Group financial operations are divided into a corporate treasury department and a business area for capital management and financial services.

The corporate treasury department is responsible for management of the Group's currency positions and the netting system, as well as most long-term borrowings.

The capital management business area has the task of managing most of the Group's liquid funds and is a major player in the Swedish capital market, where the Group's various instruments for borrowing are used for interest arbitrage operations. Other responsibilities include raising loans to finance loans to foreign Group subsidiaries as well as extensive foreign exchange dealings.

In the course of the year Electrolux Finance Corp. B.V. was established in The Netherlands with an affiliate in Zurich in order to coordinate the Group's short-term borrowings and cash management. The company is the center of an international cash-pool system aimed at making more effective use of the Group's liquidity. Intentions are for this operation to comprise a number of other financial services.

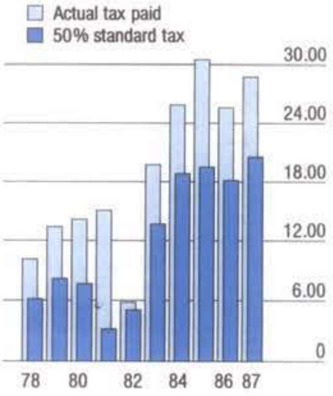
This business area also includes several companies whose primary task is to support industrial operations. These companies include Electrolux Leasing AB, engaged primarily in leasing and rental of the Group's industrial products, as well as Elefac Finans AB, the Group's Swedish factoring company. Veneta Factoring S.p.A. in Italy runs a factoring operation aimed primarily at facilitating financing for the Group's Italian suppliers. A separate operation is being developed in Sweden and abroad, and is devoted to customer financing for both retailers and end-users.

For many years the Group has also had two own insurance companies. Electrolux Insurance Ltd in Stockholm has a licence for direct insurance and reinsurance referring to risks related to the Group, excluding life insurance. Electrolux Reinsurance (Luxembourg) S.A. is active as a reinsurer for risks referring to Group operations.

The Group also owns two insurance brokerage companies, one in Luxembourg and one in Japan.

ELECTROLUX SHARES

Earnings per share



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

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.

Electrolux A- and B-shares have been listed on the Stockholm Stock Exchange since 1930. B-shares have also been listed in London since 1928, Geneva (1955), Oslo (1981), Paris (1983), Zurich (1987) and Basel (1987). As of July 1, 1987 B-shares have also been listed in the US through the NASDAQ system in the form of ADR's (American Depositary Receipts).

At year-end 1987 the Group's market capitalization was approximately SEK 14 billion.

Approximately 18.5 million Electrolux shares were traded on the Stockholm Exchange in 1987 to a value of slightly over SEK 5 billion. This represented about 4% of the total volume of shares traded, which was about SEK 125 billion.

A total of 21.1 million Electrolux shares were traded on the London Exchange in 1987. From July 1 until year-end, a total of 4.7 million ADR's were traded through NASDAQ. Trading volume on other exchanges was considerably lower.

Trading volume for Electrolux shares on the Stockholm Stock Exchange

	SEKm
1983	6,246
1984	4,372
1985	4,583
1986	5,965
1987	5,026

Price of Electrolux B-shares on the Stockholm Stock Exchange, 1983 – February, 1988

Per share data

	1987	1986	1985	1984	1983	1982	1981	1980	1979	1978
Year-end price, SEK	**193**	311	194	121	119	60	41	44	45	44
Adjusted equity, SEK	**164**	161	131	115	98	92	85	70	61	53
Market price/adjusted equity, %	**118**	193	148	105	121	65	48	63	74	83
Dividend, SEK	**10.00**	8.75	7.50	6.50	5.50	4.50	4.00	3.75	3.00	2.50
Direct yield, %	**5.2**	2.8	3.9	5.4	4.6	7.5	9.8	8.5	6.7	5.7
Change in price during the year, %	**−38**	60	60	2	98	46	−7	−2	2	7
P/E ratio*	**6.7**	12.1	6.4	4.7	6.0	10.2	2.7	3.1	3.4	4.3

** 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 that dividends to shareholders shall increase in general proportion to the growth of equity. Over the past ten years, adjusted equity per share has grown at an average annual rate of 13.3%. The dividend has increased by 16.9% annually over the same period.

Share capital

On December 31, 1987 there were 2,000,000 Electrolux A-shares and 69,968,863 B-shares, each with a par value of SEK 25.

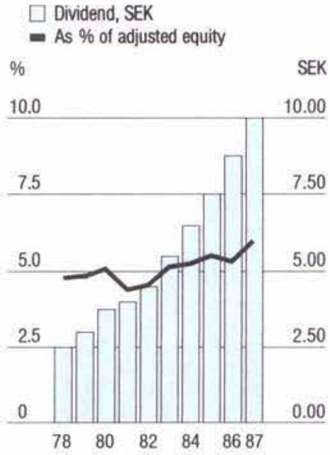
Total share capital at year-end including 151,920 converted but unregistered B-shares amounted to SEK 1,803m.

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.

The number of B-shares increased in 1987 by 1,121,804 through conversion of debentures. Conversion of all outstanding debentures would increase the number of shares to 73,451,383.

2,000,000	A-shares	50.0 SEKm
69,968,863	B-shares	1,749.2 SEKm
151,920	Unregistered B-shares (converted debentures)	3.8 SEKm
72,120,783		**1,803.0 SEKm**

Dividend per share



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

Major shareholders as per February, 1988

	Number of shares	Share capital, %	Voting rights, %
ASEA	7,758,976	10.76	48.63
Trygg-Hansa	3,752,068	5.20	0.18
4th National Pension Insurance Fund	3,155,554	4.38	0.15
Skandia	2,588,554	3.59	0.13
Investor	1,431,278	1.98	35.36
Custos	1,373,600	1.90	0.07
Sparbankernas Allemansfonder	1,161,815	1.61	0.06
Export-Invest	808,333	1.12	0.04
Hans Werthén	590,435	0.82	0.03
Folksam	512,500	0.71	0.02

Distribution of shareholders in AB Electrolux

Shareholding	No. of shareholders	As % of shareholders
1–1,000	66,176	94.8
1,001–10,000	3,157	4.5
10,001–100,000	377	0.6
100,001–	87	0.1
Total	**69,797**	**100.0**

The above information is based on the register of shareholders in AB Electrolux at the Swedish Securities Registration Center (VPC AB). The data on major shareholders refer to February, 1988 for those directly registered and August, 1987 for those registered through trustees. Data on the number of shareholders refer to August, 1987.

Change in share capital 1978–1987

	Total share capital, SEKm	Of which through conversion	
1978	964		Bonus issue 1:5
1979	964		
1980	1,239		Bonus issue 1:4
1981	1,272	33	
1982	1,286	14	
1983	1,308	22	
1984	1,369	61	
1985	1,512	143	Split 2:1
1986	1,775	63	New issue*
1987	1,803	28	

**New issue of 8 million B-shares outside Sweden*

Electrolux convertible loans outstanding as of December 31, 1987

Year issued	Par value, SEK	Interest rate	Total value at par, Dec. 31, 1987, SEK'000	Original value at par, SEK'000	Conversion rate	No. of shares after full conversion
Loan III 1978	130	8%	5,088	139,273	43	118,339
Loan IV 1980	100	10%	72,736	662,725	60	1,212,261
			77,824	**801,998**		**1,330,600**

Loan III was issued in favor of Electrolux shareholders
Loan IV was issued in connection with the acquisition of Gränges

Loans I and II matured on December 15, 1987. SEK 1,387,320 of Loan I and SEK 18,000 of Loan II were not converted, which corresponds to a total of 32,681 shares.

Loan 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, which may be done through any Swedish bank. Shares converted on or before December 14, 1988 will be eligible for dividends for 1988.

Loan III matures on December 15, 1988. From that date onward, debentures will be redeemed at par value, which means that the holders will lose the value increment that has been generated over the life of the loan.

Electrolux Aktiesparfond and Allemansfond

Savings plans based on Electrolux shares have been open to employees in the Group's Swedish companies since July 1, 1981, first through the Electrolux Aktiesparfond and subsequently through the Electrolux Allemansfond. At year-end 1987 there were 2,033 shareholders in the Aktiesparfond and 3,524 in the Allemansfond, with total holdings of 325,967 shares. Loans raised by employees to acquire shares totalled SEK 19.3m.

Household appliances

The household appliances business area has expanded vigorously in recent years, primarily through acquisition of large white-goods companies. Sales in 1987 amounted to SEK 39,487m, as against SEK 31,378m in the previous year. Operating income after depreciation amounted to SEK 2,077m (1,947), which corresponds to 5.3% (6.2) of total sales.

White goods

Electrolux is now the world's largest manufacturer of white goods. The Group has a strong market position in Europe and as owner of White Consolidated is the third largest white-goods company in the US.

Sales in 1987 amounted to SEK 28,476m (20,768). This product line thus accounted for 42% of total Group sales. Earnings improved and profitability was satisfactory.

The substantial increase in sales is traceable mainly to the fact that Zanussi and White Consolidated were not included in the Group for the whole of 1986. In addition, the white-goods division acquired from Thorn EMI was consolidated as per April 1, 1987.

Operations in Europe

Demand remained good in the European market, particularly in the washing and dishwashing machine product areas. On the other hand, demand was more restrained for refrigerators, freezers and cookers. In the latter area, the downturn refers to traditional stand-alone products, while demand for hobs and built-in ovens is increasing.

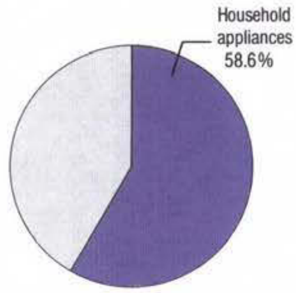
Group sales increased, particularly in Italy, Spain, Sweden and Finland.

Zanussi showed continued improvement in earnings, partly as a result of additional volume acquired through the Group's restructuring program. Profitability in France continued to be unsatisfactory. Some improvement was achieved, however, mainly as a result of a major investment in the washing machine plant at Revin in 1986.

The restructuring of the Group's European operations is now essentially completed and considerable investments will be made over the next few years, particularly in Italy and Great Britain. Investment projects scheduled for completion in 1988 include a major rebuilding of the refrigerator plant at Susegana in Italy.

Following the large acquisitions of recent years in both Europe and the US, Electrolux is now the world's largest manufacturer of white goods.

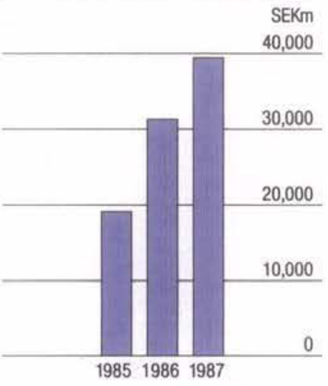
% of Group sales



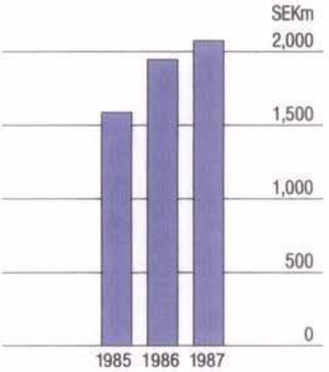
Household appliances

	SEKm	%
White goods	28,476	72
Leisure appliances	1,619	4
Floor-care products	5,571	14
Air-conditioners	1,739	5
Sewing machines	790	2
Others	1,292	3
	39,487	100

Sales



Operating income after depreciation



	1985	1986	1987
Sales, SEKm	19,200	31,378	39,487
Operating income after depreciation, SEKm	1,589	1,947	2,077
Operating income as % of sales	8.3	6.2	5.3

The Group has a wide range of combination refrigerator/freezers.

The JETSYSTEM Turbodry is the Group's new combined washing machine and tumble-drier.

The European market is estimated at about 40 million units, of which microwave ovens account for almost 10%. Demand consists mainly of replacements, with the exception of dishwashing machines and microwave ovens. Replacement buying has increased in recent years, as a result of the need to replace the large volume of products dating from the end of the 1960's and the start of the 1970's.

Acquisition of the white-goods division of Thorn EMI

Electrolux acquired the white-goods and food-service divisions of Thorn EMI in the UK as per April 1, 1987. The division's white-goods operations include production of gas and electric cookers, microwave ovens and refrigerators under the brand names Tricity, Parkinson Cowan and Moffat. Externally purchased washing machines and tumble-driers are also sold under the Bendix name. Sales in 1986 amounted to approximately GBP 185m (about SEK 1,900m) and the number of employees to 4,700. Operations have been unprofitable for a number of years.

The main significance of the acquisition is an expansion of production and the product range in Great Britain in the cooker product area.

Following a comprehensive restructuring of operations in Great Britain, including a consolidation of the number of production units for refrigerators and microwave ovens, a substantial improvement in earnings is expected in 1988.

The acquisition of the Thorn white-goods division means that Great Britain has become one of the Group's major production countries.

Corberó and Domar

At the start of 1988 an agreement was reached with the regional government of Catalonia regarding the acquisition of 56% of the shares in two Spanish white-goods companies, Corberó and Domar.

These two companies have total annual sales of somewhat more than SEK 1,000m and employ about 1,500 people. Production is devoted mainly to cookers and washing machines and thus complements operations in the Group's Ibelsa subsidiary. The acquisition gives the Group a complete product range in Spain, where it becomes the leading manufacturer of white goods.

The Catalonian region remains as part owner, with a 44% shareholding. The agreement stipulates that Electrolux will acquire the remaining shares by December 31, 1991 at the latest.

Operations in the US

Demand in the US continued at a high level in 1987. The Group increased its market shares, primarily in the refrigerator/freezer sector.

Restructuring of the operations in America continued according to plan and included concentrating production of cookers and washing machines. Both earnings and profitability improved. The goal is to increment 1985 earnings by USD 100m through 1988.

The investment program for operations in the US is expected to reach more than USD 100m annually over the next few years. Investment plans include a new refrigerator plant in Anderson, South Carolina and a new central spare parts facility in Asheville, North Carolina.

The US market in 1987 was estimated at about 45 million units, of which microwave ovens accounted for about 25%. This market is considerably more structured than the European. A few large producers together account for about 80-90% of total output.

Acquisition of Design & Manufacturing

At the close of the year the Group acquired the US company Design & Manufacturing's production of dishwashers in Connersville, Indiana. This operation has annual sales of about USD 140m (about SEK 850m) and focuses on private brands. Personnel total about 1,250. The acquisition is a necessary and significant reinforcement of the Group's operations in the dishwasher product area. Integration of the Design & Manufacturing operation with White's previous operations will generate long-term competitive advantages in this product area.

Greater volume and improved production structure

The corporate acquisitions of recent years have involved substantial growth in volume in most product areas. Following comprehensive rationalization, the Group has obtained a considerably improved production structure. Most of production is now located in specialized plants in Sweden, Italy, Great Britain, France and the US.

These acquisitions have also given the Group a large number of well-established brand names, which comprise a substantial asset in the light of the market's globalization and increased segmentation. Greater product and brand differentiation will be achieved by deploying brand names in response to market needs and orienting specific brands to international or local markets.

In 1987 the Electrolux Design Center presented a prototype of the kitchen of the 1990's. This kitchen is ergonomically designed to facilitate work, and combines technical advances with a functional approach.

Electrolux was founded by Axel Wenner-Gren, who launched the first vacuum cleaner, Lux I, in 1912.

Lux I had a suction power of 5W and weighed 14 kg. The D 750 has a suction power of 215 W and weighs about half as much. The latest innovation is the battery-driven Satellite vacuum cleaner, which weighs 4.5 kg.

Leisure appliances

Electrolux has long been the world's leading producer of absorption refrigerators for caravans and hotel rooms. This product line also includes cookers, ovens as well as heating and ventilation equipment for "miniature households".

Sales in 1987 amounted to SEK 1,619m (1,484). Profitability was unchanged from the previous year.

There was some increase in demand for caravan refrigerators both in Europe and the US. Price competition continued to be severe. The Group's market shares were largely unchanged, while a slight increase was recorded in the US. The favorable trend for hotel refrigerators continued.

In the course of the year the Group acquired the US company Preway Industries' production of absorption units and gas-driven air-conditioners in Evansville, Indiana, with annual sales of about USD 20m (about SEK 120m).

The major 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 a global market share of about 20%.

Sales in 1987 amounted to SEK 5,571m (5,521). Earnings declined as a result of costs referring to divestment of a direct-sales company in the US and the substantial drop in the dollar rate during the year. Profitability continued to be very good.

Sales volume was good for the Group as a whole and market shares increased, particularly in the US and South America. In Europe, sales increased in Scandinavia and Great Britain, while a decline was recorded in West Germany and France.

The world market for vacuum cleaners is estimated at about 29 million units, of which Europe and the US account for about one-third each. Total demand in the Western world has stagnated in recent years, which has led to greater price competition. Growth occurs mainly in the low end of the market.

Apart from the Nordic countries and the US, the Group's most important markets are Great Britain, France, West Germany, Switzerland, Japan and Australia. The major brand names are Eureka, Electrolux, Progress, Tornado and Volta. Sales are channelled primarily through dealers and Group-owned outlets. Direct sales account for somewhat less than 15% of total volume.

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

In the course of the year a substantial investment was completed in the form of a fully automated production line in the Swedish plant at Västervik. A long-term consolidation of production is in progress in order to create conditions for a similar high level of automation of both manufacture and final assembly in other large production units.

Room air-conditioners

Group operations in air-conditioning are concentrated in White Consolidated in the US, which is one of the country's largest manufacturers and has a market share of slightly more than 20%. The brand names are White-Westinghouse, Frigidaire, Gibson and Kelvinator. Products are also sold under private brands.

Sales in 1987 amounted to SEK 1,739m (1,192). The increase in sales is traceable primarily to the fact that White was consolidated as per April 1, 1986 and was thus part of the Group for only 9 months of the year. Profitability was not satisfactory.

There was strong growth in demand in the US market during 1987 and White obtained good volume for its own brands. However, White's total market share declined somewhat as a result of lower volume for private-brand production.

The world market for the type of products made by White is estimated at about 9 million units, of which the US accounts for about 40%. Japan is the second largest market. In recent years, the US market has shown an increased share of imports from Japan, South Korea, Brazil and other countries.

Sewing machines

The product range consists mainly of technically advanced sewing machines in the middle and upper price segments, where the Group is one of the world market leaders.

Sales in 1987 amounted to SEK 790m (810). The decline is traceable to the substantial drop in the dollar rate during 1987. Profitability was satisfactory.

Demand was on a level with the previous year and the Group was well able to maintain its market shares. Coordination of White's sewing-machine operations has gone well and has reinforced the Group's position in the US. The world market for electric free-arm machines is estimated at about 4 million units for all price segments. The 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 to a high and a low-price segment.

The Group is one of the five largest producers measured in unit output, but is the leader in terms of technological development. The main competitors are from Japan, West Germany and Switzerland.

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

The major brand names are Husqvarna and Electrolux along with Viking and White in the US. Production and product development are located at the plant in Huskvarna.

Home electronics

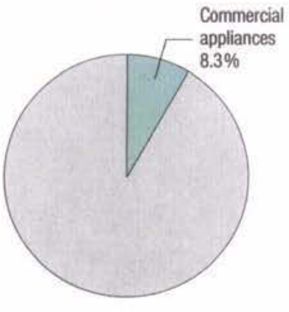
The Group's French subsidiary Océanic, whose operations are devoted mainly to radio/TV and video equipment for the French market, was sold as of July 1 to Nokia of Finland. The sale also included the Sonolor subsidiary.

Océanic had annual sales of about SEK 800m and thus accounted for the major share of sales in this product line.

Remaining operations consist primarily of alarm and safety equipment as well as electronic control systems for some of the Group's products.

Commercial appliances

% of Group sales



Commercial appliances

	SEKm	%
Food-service equipment	2,356	42
Industrial laundry equipment	1,128	20
Commercial cleaning equipment	633	11
Commercial refrigeration equipment	1,040	19
Sterilization and disinfection equipment	462	8
	5,619	100

Sales in this business area in 1987 amounted to SEK 5,619m (4,250). Operating income after depreciation amounted to SEK 484m (349), which represents 8.6% (8.2) of sales. The substantial increase in sales and income is traceable mainly to the fact that Zanussi and White Consolidated were not part of the Group for the whole of 1986.

Food-service equipment

The acquisition of Zanussi and the food-service division of Thorn EMI in the UK has generated a considerable expansion of operations in this product line. The Group is now one of the largest producers in the world market.

Sales in 1987 amounted to SEK 2,356m (1,213), of which food- and beverage vending machines accounted for SEK 211m (54). The considerable increase in sales is traceable mainly to the fact that operations in Zanussi were not consolidated until September 1, 1986 and the Thorn divisions were acquired as of April 1, 1987. Earnings improved in both Electrolux and Zanussi. Profitability was satisfactory.

The Group obtained good volume during the year and market shares increased in Great Britain, France and West Germany.

The total market for food-service equipment is stagnating in Europe, declining in the Middle East and growing slightly in the US and Asia.

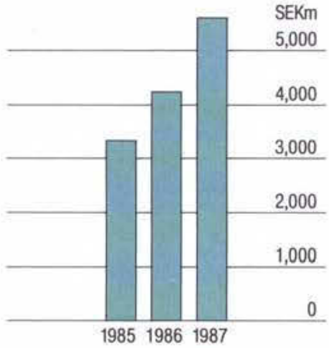
The Group has particularly strong positions in the Nordic countries, Italy, Switzerland, France and Great Britain as well as in the market for marine kitchen equipment. Products are marketed on a unit basis by dealers and in the form of projects which cover everything from planning to installation, service and training.

The operations acquired from Thorn EMI comprised production in two plants in Great Britain and one in France, under the names Stott Benham, Crypto Peerless and Dito Sama. Sales in 1986 amounted to about GBP 40m (approximately SEK 420m) and profitability was satisfactory. These operations employed about 1,000 people. The main results of the acquisition are a reinforcement of market positions in the UK and France and expansion of the product range with preparation equipment.

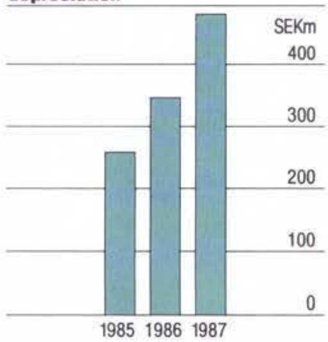
The acquisition of Zanussi and the food-service division of Thorn EMI has involved a substantial expansion of Group operations for food-service equipment.

Electrolux-Wascator is one of the world's largest manufacturers of industrial laundry equipment.

Sales



Operating income after depreciation



	1985	1986	1987
Sales, SEKm	3,348	4,250	5,619
Operating income after depreciation, SEKm	260	349	484
Operating income as % of sales	7.8	8.2	8.6

As a complement to the Thorn acquisition, two smaller producers in France and one in West Germany were acquired, with total annual sales of about SEK 225m.

At the start of 1988 the Group acquired the Italian company Alpeninox S.p.A., whose operations are focused on manufacture of refrigeration equipment for hotels and restaurants. The company has annual sales of about SEK 220m and about 230 employees. The main result of the acquisition is an improved production structure for refrigeration products in Italy.

Most production in this product line is now located in Sweden, Great Britain, France, Switzerland and Italy.

The Group now has a substantially greater product range and much stronger positions in the major European markets. Product swaps and additional rationalization of both direct and capital costs in production are expected to generate a gradual improvement in profitability over the next few years.

Industrial laundry equipment

Electrolux-Wascator has long been one of the world's leading producers of laundry equipment for such applications as apartment-house laundry rooms, coin bars, hotels, institutions and small laundries.

Sales in 1987 amounted to SEK 1,128m (960). Profitability continued to be very good.

The Group strengthened its positions during the year, particularly in Europe, where market shares increased in Italy, France, Spain, Portugal and other countries. Growth was also good in the US.

A substantial improvement in earnings was reported for operations in Zanussi, which previously showed low profitability. Profits have been obtained through coordination of operations, primarily in the form of product swaps between operations.

During the year the Group acquired the French company Dubix-de-Souza, which manufactures industrial mangles and aseptic washing machines for the health-care sector. The company has annual sales of about SEK 120m. The acquisition provides a complement to this product line's range of heavy laundry equipment as well as a substantially stronger market position in France.

The world market for commercial laundry equipment is estimated at about SEK 5 billion, of which the US accounts for 50%. The market shows some growth, primarily in the US, on the basis of a changeover from small household machines to industrial machines in coin bars. The Group has strong positions in the Nordic countries, the US, Great Britain, France, Italy and Japan, particularly in the washing machine sector.

Production is located in Sweden, Denmark, Finland, France, Italy, Austria and Switzerland.

Following the past few years' large investments in production and product development, particularly in Sweden, the year 1988 will be a period of consolidation. Development and rationalization programs will be implemented in the new acquisitions.

Commercial cleaning equipment

The product range is comprised mainly of various types of commercial and industrial vacuum cleaners, wet and dry cleaners, scrubbing and polishing machines and carpet-washing machines. The Group has a strong position in the Nordic countries. Other important markets include Great Britain and the US.

Sales in 1987 amounted to SEK 633m (632). Profitability improved and was very good. The improvement was generated mainly by the restructuring and capital rationalization of recent years.

Demand for the type of cleaning equipment manufactured by the Group has been generally stable for a number of years. No significant changes in Group market shares were reported in 1987.

The market is fragmented and comprises about ten major producers, including Electrolux. There are also many small local companies which often specialize in specific types of products.

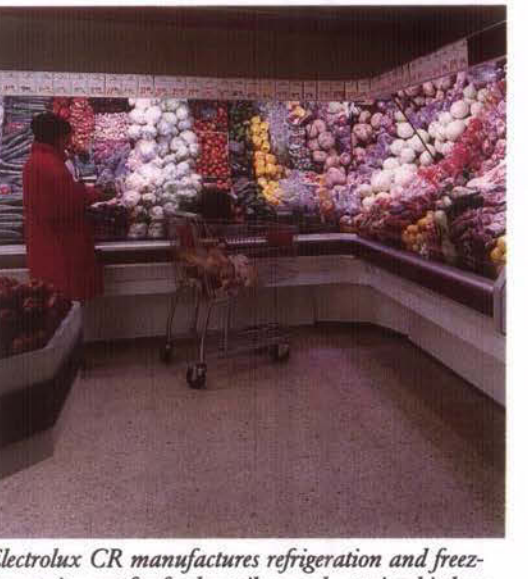
The Group's products are sold mainly under the brand names Electrolux, Euroclean, Kent and Columbus-Dixon. During the year the product range was enlarged to include air cleaners, which are produced at the plant in Åmål.

Commercial refrigeration equipment

The product line is focused on refrigeration and freezing equipment for food retailers and industrial kitchens. Electrolux is one of the largest producers in Europe, with strong market positions in Scandinavia and Great Britain. This product line also includes operations in White Consolidated in the US.

Sales in 1987 amounted to SEK 1,040m (969), of which US operations accounted for 30%. Earnings improved as a result of good performance by the European operations.

The UZ 960 is specifically designed for vacuum cleaning of large surfaces such as those in industrial plants.



Electrolux CR manufactures refrigeration and freezing equipment for food retailers and catering kitchens.

An improvement was also reported in profitability, which was good.

Demand in the European market was at the same level as in the previous year. The Group achieved good sales volume in Sweden, Denmark, Great Britain and France.

In recent years, demand has been based largely on renovation of existing retail outlets, rather than new establishments. The market shows a limited number of large international companies and a large number of local suppliers, who often specialize in specific products and markets.

The US operation is focused on equipment for small retail outlets, i.e. convenient stores, and has a good market position. Brand names are Kelvinator and Universal Nolin.

Sales volume in the US declined from the previous year as a result of structural changes in the customer segment. The market in the US is also very fragmented, with a few large and many small manufacturers.

A program to consolidate and improve the efficiency of production in the US was initiated during the year. The other manufacturing plants in this product line are located in Sweden and West Germany.

Sterilization and disinfection equipment

In the light of slumping demand within the health-care sector and consequent need for restructuring, operations for sterilization and disinfection equipment were integrated in a single product line in 1987.

The product range comprises mainly autoclaves and ancillary equipment, along with products and systems for cleaning and disinfection.

Sales amounted to SEK 462m (476). Earnings declined and profitability was unsatisfactory.

Demand in the health-care sector has been slumping for a number of years in Scandinavia and other European countries. The primary effect has been an unfavorable trend for operations in disinfection equipment, which are run mainly through Växjö Rostfritt.

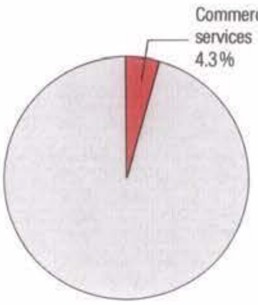
A line of dishwashers for laboratories and veterinary hospitals was recently introduced in order to compensate for the declining demand for health-care products.

Operations for sterilization equipment are run through Getinge AB and Group subsidiaries in a number of countries. The decline in European demand for these products has been offset to some extent by increased sales in other regions, including the US and the Far East. In addition, sales to the pharmaceutical industry have shown good volume.

Coordination of operations has to date been achieved primarily in terms of marketing and to some extent in production.

Commercial services

% of Group sales



Commercial services

	SEKm	%
Cleaning services	1,761	61
Laundry services and goods protection	1,132	39
	2,893	100

Sales of commercial cleaning and laundry services increased in 1987 to SEK 2,893m (2,504). Operating income after depreciation declined slightly to SEK 169m (172) and corresponded to 5.8% (6.9) of total sales.

Cleaning services

Operations consist mainly of conventional cleaning of offices and public premises as well as cleaning and hazardous waste-disposal in heavy industry. The geographical focus is still in Sweden, but international operations are expanding while the range of services is being enlarged.

Sales in 1987 amounted to SEK 1,761m (1,617), of which operations in Sweden through ASAB accounted for SEK 948m (910). Profitability was good.

The Swedish market for cleaning services was estimated at about SEK 11 billion in 1987, of which half was in the public sector. The Group's ASAB subsidiary is the market leader in the private sector and offers a broad spectrum of complementary services in addition to cleaning. The volume of contracts in the public sector has been growing in recent years for both ASAB and other Group companies.

Sales volume was good for Swedish cleaning operations. Earnings declined, however, as a result of the price-freeze that prevailed for a large part of the year. The volume of contracts for disposal of asbestos and other hazardous waste remained high.

A number of new services were introduced on the Swedish market during the year, including a new method for drying damage generated by water or dampness in buildings.

Operations outside Sweden accounted for slightly more than 40% of total sales in 1987. Good growth in sales and earnings was achieved, particularly in Hong Kong and Japan. The US and Australian companies were charged with extraordinary insurance costs during the year and thus reported less favorable earnings trends. Following the acquisition of American companies in the cleaning and real-estate service sector at the close of 1986, the US is now the largest single market outside Sweden for this product line.

In addition to conventional cleaning services for offices and public premises, ASAB's operations include heavy-duty cleaning of industrial environments, such as the Ringhals nuclear plant pictured here.

Tvättman is the market leader in Sweden for laundry and rentals of textiles and work clothes.

The product range at Jonsereds Godsskydd includes party tents as well as tarpaulins and storage halls.

Laundry services and goods protection

This product line is devoted mainly to laundering and rental of textiles and work clothes, which account for about 85% of total sales. Operations also include goods protection, i.e. rental and sale of tarpaulins and storage halls.

Sales in 1987 amounted to SEK 1,132m (887). Profitability was good.

The major market for this product line is Sweden, where the Tvättman subsidiary has a leading position. The most important markets outside Sweden are The Netherlands and France.

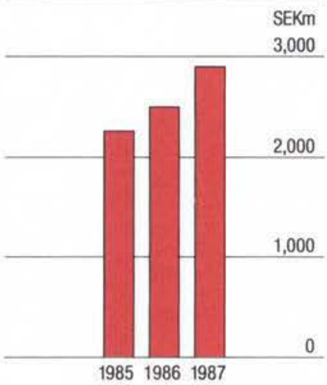
Tvättman reinforced its position during the year in the market for laundering and rental of work clothes. Operations expanded to cover the Norwegian market following the acquisition of Moss Kjemiske A/S, with annual sales of SEK 26m. Several small laundries were also acquired in Sweden.

The Swedish market for industrial laundry service amounts to about SEK 2 billion, half of which is accounted for by municipal- and county-owned facilities. Demand has been generally stable for a number of years. Over-capacity in the public sector has led to more acute competition.

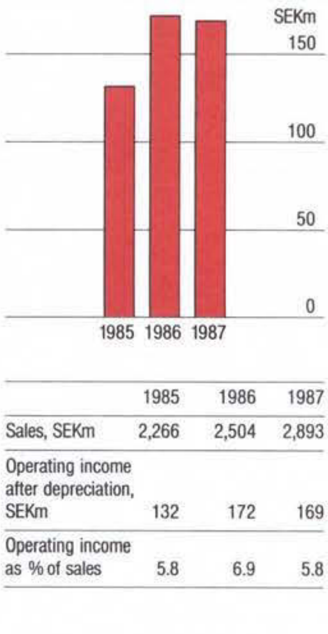
Operations in the goods-protection sector generated sales of SEK 174m in 1987. Good volume was reported for sales and rentals of storage halls, particularly in Sweden and Norway.

The Finnish company Lainapeite Oy, which is also engaged in rental and sale of tarpaulins and storage halls, was acquired at the close of the year. The company has annual sales of about SEK 70m and operates subsidiaries in Denmark, Great Britain, West Germany and Switzerland. This acquisition thus involves a substantial expansion of operations outside Scandinavia.

Sales



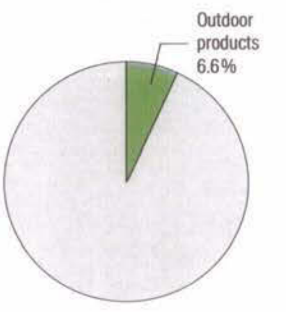
Operating income after depreciation



	1985	1986	1987
Sales, SEKm	2,266	2,504	2,893
Operating income after depreciation, SEKm	132	172	169
Operating income as % of sales	5.8	6.9	5.8

Outdoor products

% of Group sales



Outdoor products

	SEKm	%
Forestry products	2,394	54
Garden products	1,754	39
Agricultural implements	236	5
Others	91	2
	4,475	100

Sales of outdoor products in 1987 totalled SEK 4,475m (2,909). Operating income after depreciation amounted to SEK 421m (241), which corresponds to 9.4% (8.3) of sales. The increase in sales resulted mainly from acquisition of the US company Poulan/Weed Eater, which manufactures garden products and chainsaws. The increase in earnings is traceable to the consolidation of Poulan as well as to improvements in the other forestry and garden units.

Forestry products

Operations comprise mainly chainsaws under the brand names Husqvarna, Jonsered and Partner, as well as Pioneer-Partner and Poulan/Weed Eater in North America. The Group is one of the largest manufacturers in the world, with a total market share of slightly over 30%.

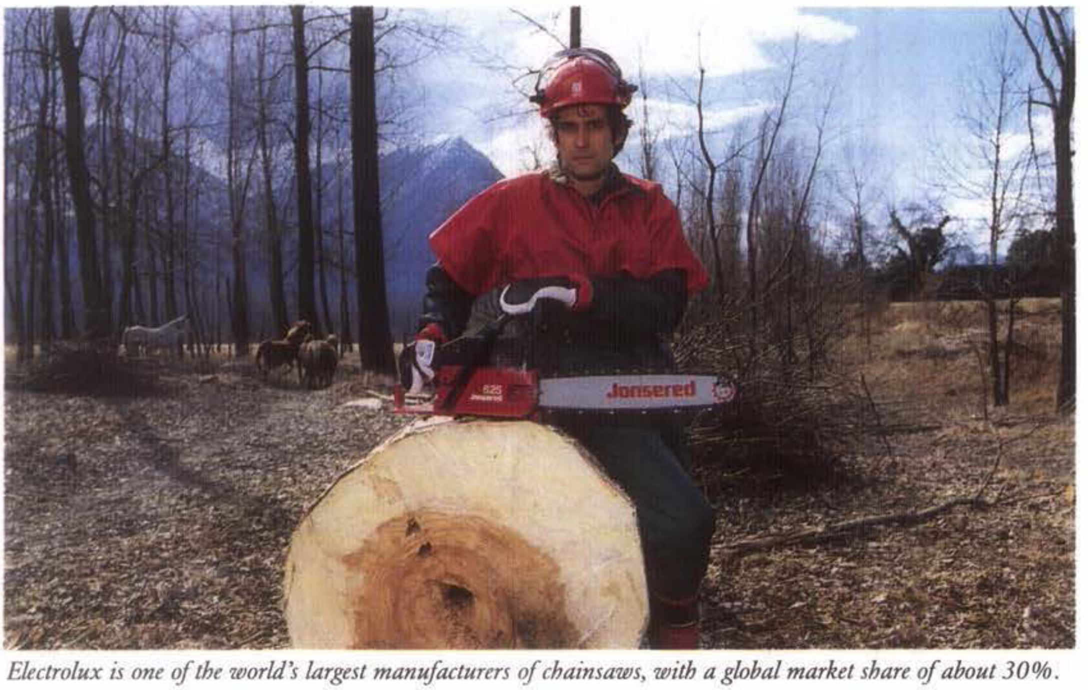
Sales in 1987 amounted to SEK 2,394m (1,842). The increase in sales is traceable mainly to acquisition of Poulan in the US at the close of 1986. Earnings improved and profitability continued to be very good.

The world market for chainsaws continued to decline and was estimated at about 3.1 million units in 1987. The decline in demand resulted primarily from increased mechanization of forestry operations and reduced demand for wood as a fuel in consequence of low oil prices.

The Group achieved good sales volume and greater market shares, e.g. in France and North America. Volume was particularly good for Husqvarna and Poulan.

In the course of the year the Group acquired Dimas Försäljnings AB, whose operations include manufacture of diamond cutting blades for the cutting machines, which are now part of the product range. This company has annual sales of about SEK 45m. At the start of 1988 the Group also acquired Dimatekniikka Oy in Finland, which sells Dimas products and has annual sales of about SEK 35m.

The world market is dominated by a few large international companies. Manufacturers in West Germany, the US and Japan are the main competitors. The market is usually divided into three segments, i.e. professional, semi-professional and hobby saws. Electrolux focuses on the first two segments. However, the acquisition of Poulan has substantially increased the Group's market share for hobby chainsaws in North America. There are plans to increase exports of Poulan's products to markets outside North America.



Electrolux is one of the world's largest manufacturers of chainsaws, with a global market share of about 30%.

In 1988 Husqvarna introduced a more powerful version of the Rider 850 lawn mower.

The Group's broad range of garden products includes lawn trimmers.

The major markets for this product line are the US, Canada, France and the Nordic countries, but the product range is sold in all markets where logging operations occur. Most of Group production is located in Sweden and the US. Small production units are also run in Norway, Canada and Brazil.

Garden products

Electrolux is one of the largest European manufacturers of garden products, which are sold under the brand names Husqvarna, Flymo, Norlett, Bernard and Staub. The acquisition of Poulan/Weed Eater has given the Group a substantial US operation focused on portable products such as lawn trimmers and blowers.

As a result of the acquisition of Poulan, sales in 1987 increased to SEK 1,754m (724). Earnings improved substantially, but profitability was still not satisfactory. The improvement in earnings refers to the consolidation of Poulan as well as to favorable volume for Flymo's operations in the UK. A contribution was also generated by the considerable improvements in the Norwegian and French operations, which were charged with substantial restructuring costs in 1986.

Total demand for garden products in Europe did not show any significant increase from the previous year. The Group obtained good volume in Scandinavia and Great Britain, particularly for the newly launched ride-on lawn mowers. Demand in the US rose sharply and Poulan reported good volume. Coordination with Poulan has thus far been centered on product development and component manufacture. Poulan products will also be marketed in Europe. The major European markets for this product line are the Nordic countries, Great Britain and France. Poulan is one of the largest American producers. Manufacture of garden products is located in Sweden, Norway, Great Britain, France and North America.

Agricultural implements

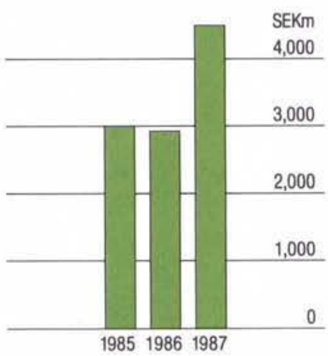
Operations are run through Överums Bruk in Sweden and Group subsidiaries in Denmark, Great Britain, Finland and Canada.

Sales in 1987 amounted to SEK 236m (246). Profitability was unsatisfactory.

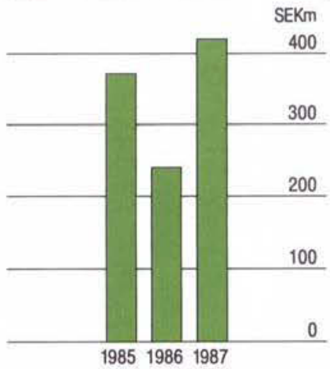
In recent years the market in the Western world has shown weak demand as a result of low investment in the agriculture sector.

With the aim of reinforcing its market position in Great Britain, the Group acquired the agricultural machinery business of Ransomes, Sims & Jefferies Ltd., which makes ploughs and implements for soil preparation. A new company named Agrolux Ltd. was formed for marketing of these products. Two new sales companies were also started during the year, one in France and one in West Germany. In the light of intensified marketing efforts together with a well-developed product range and rational production, there are good prospects for favorable growth of operations.

Sales



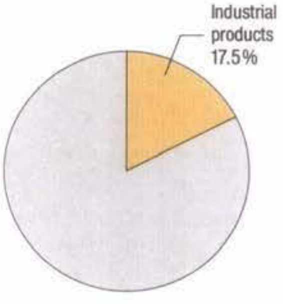
Operating income after depreciation



	1985	1986	1987
Sales, SEKm	2,990	2,909	4,475
Operating income after depreciation, SEKm	373	241	421
Operating income as % of sales	12.5	8.3	9.4

Industrial products

% of Group sales



Industrial products

	SEKm	%
Gränges Aluminium	5,853	50
Electrolux Autoliv	1,711	14
Materials handling equipment	1,068	9
Components	1,717	15
Industrial products - White	1,180	10
Others	255	2
	11,784	100

Sales in the industrial products business area in 1987 amounted to SEK 11,784m (9,087). Operating income after depreciation amounted to SEK 910m (474), which corresponds to 7.7% (5.2) of total sales.

As of 1987, this business area includes the operations previously in the Gränges business area. Another change involved the transfer of the building materials product line to the new building components business area.

Gränges Aluminium

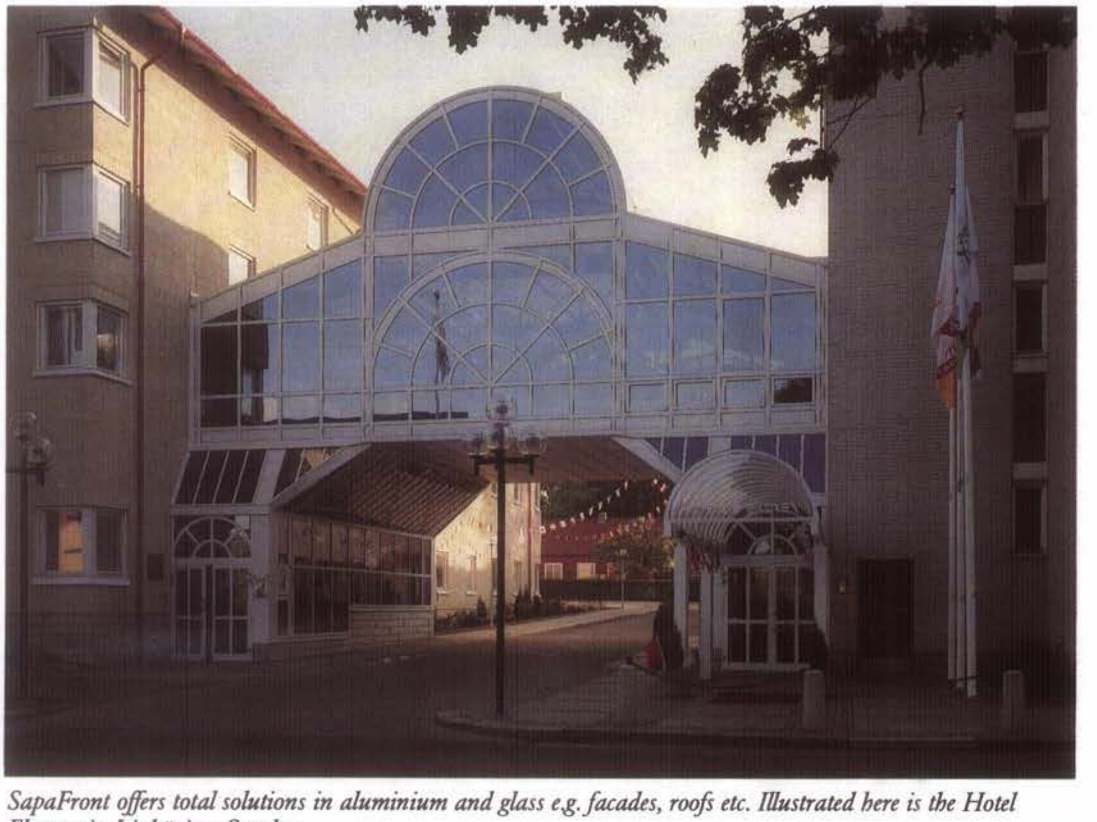
Operations in Gränges Aluminium comprise all phases from production of primary aluminium and recycling of metal to production of various types of finished and semi-finished products. The company includes the Metals Group, Korrugal, Finspong Aluminium, SAPA, Nordfoil, the Components Group, Gotthard Nilsson and a group of distribution companies. Customers are mainly in the construction, engineering, automotive and packaging sectors. Almost 60% of sales are outside Sweden, primarily in Europe.

Sales in 1987 amounted to SEK 5,853m (4,593). The increase refers mainly to Gotthard Nilsson, which was acquired at the close of 1986. Earnings improved as a result of good volume in SAPA and the additional profits in Gotthard Nilsson. Profitability was good.

Demand was generally good for most of the Gränges Aluminium product lines. The price of aluminium and other metals increased considerably during the latter part of the year.

The decline in the US dollar rate led to lower purchasing costs for raw materials such as aluminium oxide and scrap aluminium, which also contributed to the favorable growth of earnings.

The Metals Group operates an electrolytic plant in Sundsvall, the only one in Sweden, and resmelting plants in Finspång, Avesta and Älmhult. These produce about 80% of the metal which is then converted within the other units. As a net purchaser of metal, Gränges Aluminium is thus less exposed to fluctuations in the business cycle than are many of its major competitors,



SapaFront offers total solutions in aluminium and glass e.g. facades, roofs etc. Illustrated here is the Hotel Ekoxen in Linköping, Sweden.

whose operations are based largely on raw materials.

In November, the renovated Mill 1 was opened in Sundsvall following investment of about SEK 260m. Total capacity in Sundsvall is now almost 100,000 tons annually. The resmelting plant in Avesta was coordinated during the year with the Gotthard Nilsson resmelting plant in Älmhult, thus forming a larger and more competitive unit for secondary aluminium. The Metals Group also includes the resmelting plant in Finspång, where input includes used beverage cans.

Gotthard Nilsson is the leading company in Sweden for recycling of iron and scrap metal. The company also manufactures components for the automotive industry through the Plastal and Safeman subsidiaries. Earnings in Gotthard Nilsson improved, primarily as a result of rising prices for raw materials.

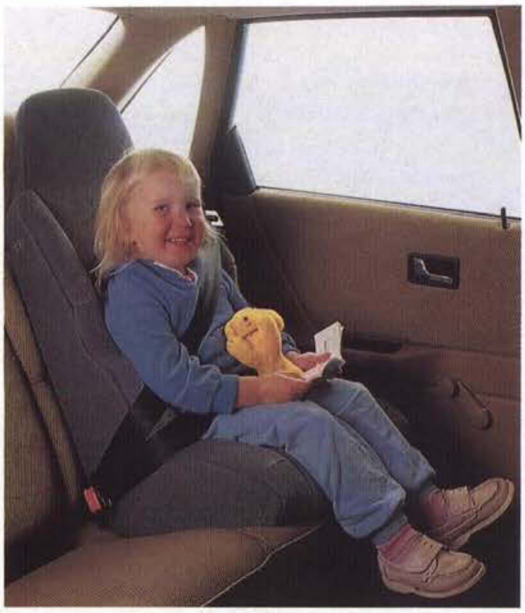
SAPA is one of the leading European producers of extruded aluminium profiles, both machined and surface-finished. SAPA also reported very good volume and a substantial improvement in earnings.

Korrugal was restructured in the course of the year and is now devoted entirely to building sheet, while operations with sheet and strip products were transferred to Finspong Aluminium. A new business segment was started, focused on pre-coating of steel sheet for the white-goods industry and other sectors.

Despite relatively good demand for foil products, the NordFoil Group reported weak earnings, mainly as a result of production difficulties.

The main products of the Components Group are parts for the automotive industry, such as bumpers, fuel tanks and pressure vessels. Pressmetall, whose operations focus on high-strength forgings for the defence industry and other sectors, was divested during the year.

A program to achieve satisfactory profitability in Foral generated results. Coordination of Foral and Plastal, a subsidiary of Gotthard Nilsson, will provide substantial synergy effects. Cooperation between these two companies and Zanussi's operations with automotive components will reinforce the Components Group's position as a supplier to e.g. the Swedish automotive industry.



Electrolux Autoliv is one of the world's leading manufacturers of car safety belts and other products for passenger safety in vehicles.

The Distribution Group, which sells small batches of metal and plastic to tradesmen and small industrial companies, reported satisfactory performance. The product range was expanded during the year to include semi-finished plastic articles in both the Swedish and the Danish companies.

Electrolux Autoliv

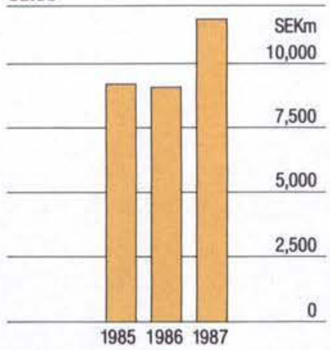
Electrolux Autoliv is the leading producer of car safety belts in Europe and one of the largest in the world.

Sales in 1987 amounted to SEK 1,711m (1,399). Profitability improved during the year.

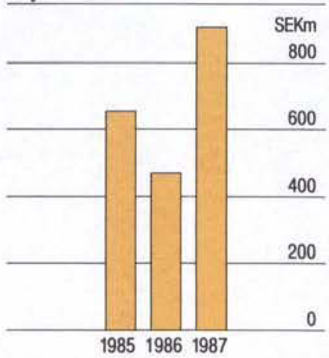
Autoliv established a presence in Japan during the year in cooperation with Fuji Kiko Co. Ltd. The Cipro operation for automotive electronics, with annual sales of about SEK 40m, was acquired from FFV Telub. The company also acquired 51% of the shares in AB AKTA Barnsäkerhet, which produces car seats and other safety equipment for children, and has annual sales of about SEK 50m.

The European market for car-passenger safety comprises one-third of the world market and was estimated at over SEK 4 billion

Sales



Operating income after depreciation



	1985	1986	1987
Sales, SEKm	9,232	9,087	11,784
Operating income after depreciation, SEKm	657	474	910
Operating income as % of sales	7.1	5.2	7.7

in 1987. This market showed substantial growth as a result of greater demand from the automotive industry and the introduction of compulsory back-seat safety belts in a number of countries.

Continued good growth is expected over the next few years, mainly through new products such as airbags which inflate automatically at the moment of collision, automatic safety belts and tensioners. Electrolux Autoliv is well in the forefront in this area.

The market shows increasing concentration towards a few large companies that operate on a global scale. This is primarily a result of the automotive industry's demand for suppliers with complete product ranges and international production. The rising costs of product development comprise another contributing factor.

Autoliv maintains production units in most of the car-producing countries in Europe. Autoliv and Klippan products are also made under licence in about 15 different countries.

Gränges Metalock

Operations in Gränges Metalock consist primarily of service for heavy industry, including repairs, maintenance, assembly and installation of machines. The company also manufactures machine components and steel structures. Operations are run in several workshops in Sweden and through subsidiaries in Denmark and West Germany. The company has developed mobile operations for on-site repairs and maintenance, which means that dismantling of damaged components and extended down-time can be avoided.

Sales in 1987 amounted to SEK 180m (158). Profitability was satisfactory.

Gränges International Mining – GIM

GIM's operations now consist primarily of assignments for LAMCO (Liberian American-Swedish Minerals Company), which operates an iron 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.

Electrolux Constructor manufactures equipment for inventories and materials handling.

Sales for GIM in 1987 amounted to SEK 27m (31).

Deliveries in 1987 comprised 4.7 (5.8) million tons of iron ore to a market value of about USD 60m (81). The ore is sold primarily to the European steel industry.

The slump in the steel industry during the 1980's has led to reduced demand for iron ore. A simultaneous increase in supplies of iron ore has led to lower prices. This trend is expected to continue in 1988.

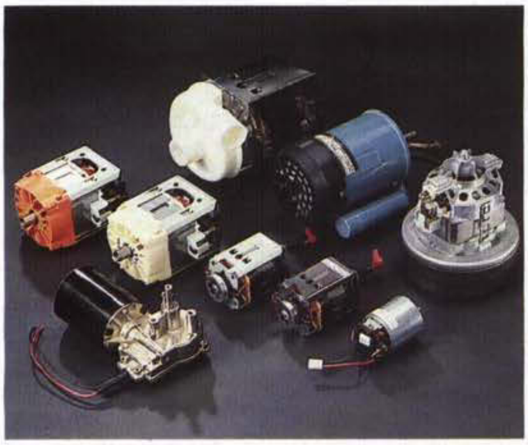
In order to adjust operations to the unfavorable market trend, substantial cost-savings and capacity cutbacks were made in 1987. The number of employees was reduced substantially. Additional rationalization is planned for 1988.

Materials handling equipment

This product line comprises storage systems and workplace equipment for offices and engineering workshops, as well as conveyor systems. Operations are run through Electrolux Constructor in Europe and the two White Consolidated subsidiaries Gerard Metal Craftsmen and Richards-Wilcox in the US.

Sales in 1987 amounted to SEK 1,068m (932), of which the US companies accounted for about 30%. Earnings improved as a result of good performance in the European operation. Profitability was good.

The European market for this product line's main products has been generally stable for a number of years. Demand for more advanced storage systems and total



Operations in the Component Group include production of motors at the plant in Västervik, Sweden.

White's Blaw-Knox subsidiary manufactures equipment for highway construction.

solutions has been growing gradually, however.

Sales for this product line increased during 1987, particularly in Sweden, Norway and The Netherlands.

The market in Europe comprises a few large international companies, including Constructor. There is also considerable local competition in most countries. Price competition is severe.

The major 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.

Components

Electrolux now has extensive expertise and considerable production volume in the components sector, primarily in terms of compressors, motors, electronics and plastic parts.

These components are used mainly in the Group's household appliances, but almost 50% of output is sold externally, e.g. to the automotive and computer industries. Operations are run in Zanussi in Italy and White Consolidated in the US and comprise about 15 production facilities.

Sales to external customers in 1987 amounted to SEK 1,717m (622). The increase is traceable mainly to the fact that Zanussi and White were not consolidated for the whole of 1986. Profitability was satisfactory.

In the interest of coordinating and developing operations, the Electrolux Component Group was established in Italy as of January 1, 1987.

This product line has considerable technological and commercial development potential.

Industrial products – White

White Consolidated includes an industrial division with operations comprising highway construction equipment, industrial valves and machine tools.

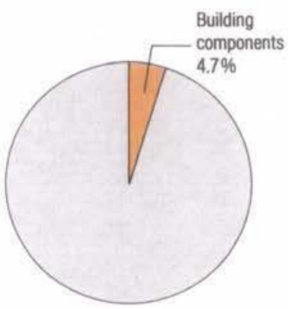
Highway construction equipment is produced by Blaw-Knox at one plant in the US and one in Great Britain. Sales in 1987 amounted to to SEK 436m (343), which represents an increase of 27%. Operations continued to show good profitability.

Copes-Vulcan produces valves for applications that include nuclear power plants and the defense sector. Sales amounted to SEK 414m (342). Profitability was satisfactory.

Sales of machine tools in 1987 amounted to SEK 330m (318) under the brand names Bullard and White-Sundstrand. Production was concentrated to a single plant in the US in the course of the year. Operations have been unprofitable for a number of years.

Building components

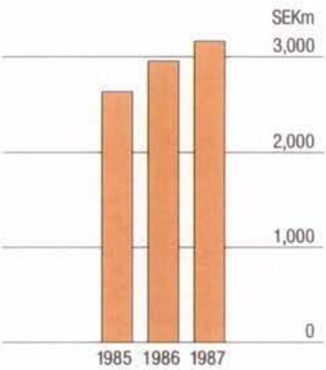
% of Group sales



Building components

	SEKm	%
Building materials	1,886	59
Kitchen and bathroom cabinets	1,286	41
	3,172	100

Sales



Operating income after depreciation

	1985	1986	1987
Sales, SEKm	2,652	2,962	3,172
Operating income after depreciation, SEKm	126	138	164
Operating income as % of sales	4.8	4.7	5.2

Operations for building materials and kitchen and bathroom cabinets have overlapping distribution channels and comprise a single business area as of 1987. Sales amounted to SEK 3,172m (2,962). Operating income after depreciation amounted to SEK 164m (138), which corresponds to 5.2% (4.7) of sales.

Building materials

Operations in Beijer Byggmaterial AB are focused on sales of building materials to contractors and other institutional users in the Swedish market. Products are also sold directly to consumers through shops and DIY outlets. The company is active in 30 different localities and runs the only nationwide operation in this sector.

Sales in 1987 amounted to SEK 1,810m (1,624). A change in the business concept and a considerable restructuring generated a substantial improvement in earnings. Profitability also improved and was good.

A high level of activity in the construction industry and an accompanying increase in demand for building materials contributed to a favorable outcome for this product line.

The business concept for the DIY shops was revised during the year towards a greater commitment to administration and distribution of materials to building sites. At the same time, a new retailing concept has been introduced, aimed at both consumers and professional users.

Ahlsell Bygg, with 200 employees and sales of about SEK 500m, was acquired at the close of the year. Ahlsell's operations are similar to those of Beijer, and the acquisition primarily involves a geographical expansion. Five small sales companies were also acquired.

The Group also produces customized windows in wood and metal through the Swedish companies Överums Fönsterfabrik and Modulfönster. Sales in this sector in 1987 amounted to SEK 76m (75). Exports are sold mainly in Great Britain and the US.

White Consolidated is one of the largest producers of kitchen and bathroom cabinets in the US.

Kitchen and bathroom cabinets

This product line comprises substantial operations in White Consolidated in the US and two Swedish subsidiaries, Ballingslöv and Zig-Zag.

Sales in 1987 amounted to SEK 1,286m (1,263), of which 80% were in the US. Earnings in the US operations declined. Profitability was good, however.

Demand increased in the Swedish market, particularly with reference to new construction. The Group companies reported good volume and earnings.

There was also a striking increase in demand in the US. Earnings declined despite good volume, however, mainly as a result of rising costs for materials.

Operations in White comprise six production units, i.e. Quaker Maid, J-Wood, Kemper, Schrock, Richwood and Diamond. The market is highly fragmented and is estimated at about SEK 23 billion. White is one of the major producers in this sector.

ELECTROLUX CONSOLIDATED INCOME STATEMENT

(SEKm)			1987		1986
OPERATING INCOME AND EXPENSE					
Sales	(Note 1)		67,430		53,090
Cost of production, sales and administration	(Note 2)		−60,860		−48,146
Operating income before depreciation			**6,570**		4,944
DEPRECIATION ACCORDING TO PLAN					
Goodwill	(Notes 3,4)	− 172		− 94	
Machinery, equipment and tools	(Note 4)	−1,938		−1,346	
Buildings	(Note 4)	− 228		− 177	
Land and land improvements	(Note 4)	− 7	− 2,345	− 6	− 1,623
Operating income after depreciation			**4,225**		3,321
FINANCIAL ITEMS					
Dividends on shares and participations		19		108	
Interest income		779		654	
Interest expense		−1,914		−1,612	
Foreign exchange differences		− 11		68	
Other financial items	(Note 5)	− 38	− 1,165	44	− 738
Income after financial items	(Note 6)		**3,060**		2,583
EXTRAORDINARY ITEMS	(Note 7)		–		132
Income before allocations	(Note 6)		**3,060**		2,715
ALLOCATIONS					
Change in inventory reserves		− 82		79	
Change in profit equalization reserves		2		− 73	
Transfer from renewal reserves		28		23	
Allocation to investment reserves		− 63		− 32	
Transfer from investment reserves etc.		2		13	
Accelerated depreciation	(Note 4)	− 813		31	
Utilization of investment and other reserves, for depreciation		197		58	
Change in other financial reserves	(Note 8)	− 115	− 844	142	241
Income before taxes			**2,216**		2,956
TAXES					
Profit-sharing tax		− 39		–	
Other taxes		− 875	− 914	− 885	− 885
Income after taxes			**1,302**		2,071
Minority interests			− 20		− 38
Net income			**1,282**		2,033

ELECTROLUX CONSOLIDATED BALANCE SHEET

ASSETS (SEKm)		1987–12–31		1986–12–31	
CURRENT ASSETS					
Cash and bank deposits		**1,565**		1,401	
Shares and participations		**2**		9	
Bonds and other securities		**3,101**	**4,668**	2,428	3,838
Notes receivable		**1,077**		1,070	
Accounts receivable		**11,106**		10,815	
Prepaid expense and accrued income		**570**		574	
Other receivables		**1,522**	**14,275**	1,927	14,386
Inventories			**12,169**		12,431
Advances to suppliers			**70**		62
TOTAL CURRENT ASSETS			**31,182**		30,717
BLOCKED ACCOUNTS FOR INVESTMENT AND OTHER RESERVES			**119**		155
FIXED ASSETS					
Shares and participations	(Note 9)	**427**		361	
Bonds and other securities		**183**	**610**	149	510
Notes receivable		**22**		24	
Long-term receivables		**618**	**640**	1,093	1,117
Leaseholds, patents, etc.		**23**		20	
Goodwill	(Note 10)	**2,715**		2,955	
Accelerated depreciation on goodwill	(Note 10)	**– 275**	**2,463**	– 114	2,861
Advances to suppliers		**174**		104	
Construction in progress	(Note 11)	**872**		692	
Machinery, equipment and tools	(Note 12)	**7,873**		7,340	
Buildings	(Note 13)	**3,850**		3,968	
Land and land improvements	(Note 14)	**687**	**13,456**	717	12,821
TOTAL FIXED ASSETS			**17,169**		17,309
Total assets			**48,470**		48,181
ASSETS PLEDGED					
Real-estate mortgages		**1,782**		1,378	
Corporate mortgages		**514**		687	
Other assets pledged:					
Receivables		**135**		243	
Inventories		**4**		2	
Other		**75**	**2,510**	26	2,336

LIABILITIES AND SHAREHOLDERS' EQUITY (SEKm)		1987–12–31		1986–12–31	
CURRENT LIABILITIES					
Notes payable		533		1,310	
Accounts payable		5,896		4,407	
Tax liability		337		198	
Accrued expense and prepaid income		4,441		4,087	
Other current liabilities		2,351		2,173	
Advances from customers		263	13,821	270	12,445
Bank loans, etc.			5,048		4,405
TOTAL CURRENT LIABILITIES			18,869		16,850
LONG-TERM LIABILITIES					
Debenture loans		57		82	
Bond loans		2,560		2,957	
Mortgage loans, promissory notes, etc.		8,172	10,789	10,367	13,406
Deferred taxes		637		274	
Negative goodwill	(Note 15)	–		9	
Other long-term liabilities		1,969	2,606	2,202	2,485
Provisions for pensions					
PRI-pensions (Pension Registration Institute)		1,457		1,349	
Other pensions		466	1,923	312	1,661
TOTAL LONG-TERM LIABILITIES			15,318		17,552
CONVERTIBLE DEBENTURE LOANS	(Note 16)		78		142
UNTAXED RESERVES	(Note 17)				
Inventory reserves			1,283		1,301
Accumulated accelerated depreciation	(Note 18)		1,784		1,177
Profit equalization reserves			404		406
Renewal reserves	(Note 19)		65		103
Investment reserves	(Note 19)		77		203
Other financial reserves	(Note 8)		441		320
TOTAL UNTAXED RESERVES			4,054		3,510
MINORITY INTERESTS			237		223
SHAREHOLDERS' EQUITY	(Note 20)				
Restricted equity					
Share capital					
2,000,000 A-shares, par value SEK 25					
69,968,863 B-shares, par value SEK 25		1,799		1,748	
Converted shares, unregistered		4		27	
Statutory reserves		3,460	5,263	3,411	5,186
Unrestricted equity					
Unrestricted reserves		3,369		2,685	
Net income for the year		1,282	4,651	2,033	4,718
TOTAL SHAREHOLDERS' EQUITY			9,914		9,904
Total liabilities and shareholders' equity			48,470		48,181
CONTINGENT LIABILITIES					
Discounted notes		153		435	
Guarantees and other contingent liabilities		887		1,065	
Capital value of pension commitments in excess of reported liability		168	1,208	139	1,639

ELECTROLUX CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

(SEKm)	1987		1986	
FUNDS GENERATED BY OPERATIONS				
Operating income before depreciation	**6,570**		4,944	
Financial items, net	**−1,165**		− 738	
Withdrawals from/deposits in blocked accounts		**36**		− 100
Taxes	**− 914**		− 885	
Dissolution of negative goodwill	**− 9**		− 32	
Capital gains included in operating income	**− 139**	**4,379**	− 75	3,114
Dividends paid		**− 621**		− 454
CHANGE IN WORKING CAPITAL EXCLUDING LIQUID FUNDS				
Decrease/Increase in current receivables	**103**		−5,345	
Decrease/Increase in inventories	**262**		−4,193	
Increase in current liabilities	**1,376**	**1,741**	5,064	− 4,474
Funds generated by operations and available for investments		**5,499**		− 1,814
INVESTMENTS				
Machinery, real estate, etc.	**−3,788**		−8,736	
Increase/Decrease in long-term receivables	**370**		− 21	
Shares and participations	**− 66**		846	
Sales of fixed assets	**646**		808	
Goodwill	**− 207**	**−3,045**	−2,883	− 9,986
Financial surplus/deficit after investments		**2,454**		−11,800
FINANCING				
Decrease/Increase in long-term loans	**−2,681**		8,065	
Increase/Decrease in pension liabilities	**262**		− 28	
Increase in long-term liabilities	**130**	**−2,289**	1,817	9,854
New share issue		**−**		2,020
Conversion of debentures		**64**		141
Change in minority interests, Group structure and exchange differences		**− 42**		541
Change in liquid funds and short term loans		**187**		756
Of which: Increase in liquid funds		**830**		1,296
Increase in short-term loans		**− 643**		− 540

Notes to the consolidated financial statements

Accounting principles

Change in accounting principles

As of 1987, accelerated depreciation on goodwill is reported as a deduction on the asset side of the balance sheet. It was previously reported among other financial reserves under untaxed reserves. The comparative figures have been adjusted to reflect this change.

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 following applies to corporate acquisitions and divestments during the year:

- Companies acquired during the year have been included in the consolidated income statement as of the date of acquisition
- Companies divested during the year have been included in the consolidated income statement up to and including the date of divestment. For these companies the share of equity in untaxed reserves has been dissolved under allocations in the income statement.

The Group comprised 485 (434) operating companies at year-end. The total number of companies was 747 (669).

Accounting method

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 including 50% of untaxed reserves on the date of acquisition. Assets and liabilities in subsidiaries are revalued as of the acquisition date on the basis of available documentation. Residual values arising from this valuation are reported as goodwill or as negative goodwill.

Goodwill

Corporate acquisitions are an important factor in the Group's expansion. These acquisitions are often made in competition with other firms whose accounting practices differ from the Swedish, e.g. with respect to goodwill. For this reason, the depreciation of goodwill acquired in White and Zanussi has been adjusted in accordance with international practice, within the framework of applicable Swedish legislation. For these two companies, goodwill is depreciated over estimated useful life. The depreciation according to plan thus generated has been charged against operating income in accordance with normal practice. In addition, accelerated depreciation has been booked in order to obtain a full write-off over ten years. This accelerated depreciation has been reported under "Allocations" in the income statement and as a deduction from goodwill on the asset side of the consolidated balance sheet.

The portion of the acquisition price for White and Zanussi which exceeds the net worth of these companies is partly a payment for the opportunity to increase the companies' profit potential in the future through the Group's own efforts and partly a payment for the right to use a number of well-known and long-established brand names. These brand names are expected to have a useful life far greater than the ten-year period over which goodwill is depreciated according to normal Swedish practice. Payment for the right to use these brand names and for the opportunity to increase the profit potential in these companies is therefore being amortized over the period during which a return is expected on the payment. White and Zanussi are expected to remain in the Group as long as it exists. Useful life as defined by US practice is 40 years in comparable cases. This position will be reviewed annually to determine whether circumstances have occurred or can be expected to occur which may require abridgement of the depreciation schedule.

Goodwill arising from acquisitions other than Zanussi and White is depreciated at 10% annually and reported under "Depreciation according to plan". These are also reviewed annually to determine whether the depreciation schedule should be abridged.

Minority interests

Minority shares in taxed equity has been reported separately in the consolidated financial statements under "Minority interests". The share of untaxed reserves referring to minority interests is reported in Note 17. The share of income after taxes referring to minority interests has been reported separately in the consolidated income statement. The share of income after financial items referring to minority interests is given in Note 6.

Foreign currencies

Translations

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. Exchange differences generated by translations have been taken directly to shareholders' equity.

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

AB Electrolux has raised loans in foreign currencies in order to hedge equity in foreign subsidiaries against exchange rate fluctuations. The exchange differences, inclusive of the effect on taxes, arising on these loans have been offset against the exchange differences arising from translation of the net of assets and liabilities in foreign subsidiaries.

Receivables and liabilities in foreign currencies

For the parent company, current receivables and current as well as 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 not included in income, but are reported under the corresponding liability.

The parent company's 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.

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

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.

Some American subsidiaries apply the last-in, first-out (LIFO) method for valuation of inventories. In the interest of maintaining uniform accounting principles within the Electrolux Group, differences arising from application of different valuation methods have been reported as inventory reserves under untaxed reserves. Internal profits have been eliminated in connection with preparation of the consolidated accounts.

Depreciation

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 useful 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 residual value of booked write-ups. Depreciation according to plan on goodwill is computed on the basis of estimated useful life. Accelerated depreciation on goodwill is applied to obtain full depreciation over a ten-year period and is reported under "Allocations" in the income statement. Accumulated accelerated depreciation on goodwill is reported as a deduction on the asset side of the balance sheet.

"Accelerated depreciation" includes withdrawals from investment reserves etc.

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

Taxes

Taxes incurred by the Electrolux Group are affected by allocations. They are also affected by utilization of 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 1987 amounted to 29.9% of income before allocations, while full tax computed as actual taxes paid plus standard 50% tax on allocations amounted to 43.7% of income before allocations.

Compliance with international and other accounting practices

The Electrolux Group's annual report complies in all essentials with the OECD's guidelines for companies that operate internationally.

Information in accordance with US GAAP is provided in Note 21 as well as in a Form 20-F report submitted annually to the SEC (Securities and Exchange Commission).

Definitions

Net assets

These are defined as total assets less non-interest-bearing liabilities. The latter include deferred taxes on untaxed reserves.

Risk-bearing capital

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

Adjusted equity

Equity plus 50% of untaxed reserves.

Earnings per share

Electrolux uses three different methods to compute earnings per share, each of which involves adjustment for full conversion of convertible loans as well as for splits, bonus issues and new issues. In connection with new issues, the average number of shares for the year is computed.

Adjusted earnings per share after standard tax

Earnings after financial items, adjusted for minority interests and 50% standard tax, divided by the number of shares after full dilution.

Total earnings per share after actual taxes

Earnings before allocations, adjusted for minority interests and actual taxes as reported in the income statement, divided by the number of shares after full dilution.

Earnings per share according to US GAAP

See information on US GAAP in note 21, p. 45.

Return on equity

Income after financial items less minority interests and 50% standard tax, expressed as a percentage of opening adjusted equity. The latter is adjusted for debentures converted during the year and for new issues when appropriate.

Total return on equity

Income before allocations less minority interests and actual tax paid, expressed as a percentage of opening equity plus untaxed reserves plus debentures converted during the year plus new share issues when appropriate.

Return on net assets

Operating income after depreciation plus financial income, expressed as a percentage of average net assets.

Interest coverage rate

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

Share of risk-bearing capital

Risk-bearing capital expressed as a percentage of total assets.

Equity/assets ratio according to the full tax method

Equity plus 50% of untaxed reserves, expressed as a percentage of total assets.

Debt/equity ratio

Interest-bearing liabilities in relation to adjusted equity.

Notes to the consolidated financial statements

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 9m (32). This item also includes the following:

	1987 SEKm	1986 SEKm
Sales of fixed assets		
Capital gains, real estate	91	43
Capital losses, real estate	–11	–11
Capital gains, shares in subsidiaries	73	60
Capital losses, shares in subsidiaries	–14	–17
Total	139	75

With respect to subsidiaries in countries with highly inflationary economies, this item also includes SEK -88m (-35) referring to differences between net income calculations on the basis of year-end and average rates, translation differences and adjustment of the value of fixed assets for inflation.

Note 3 Depreciation according to plan on goodwill

Goodwill arising from application of the purchase method is depreciated according to plan by 10% annually with the exception of White and Zanussi, for which depreciation according to plan is booked at an annual rate of 2.5%. See the description of accounting principles on p. 39.

Note 4 Depreciation according to plan and accelerated depreciation

For depreciation according to plan, see "Accounting principles", pp. 39-40. The difference between depreciation according to plan and fiscal depreciation is shown below.

	1987 SEKm	1986 SEKm
Goodwill		
Depreciation according to plan	172	94
Fiscal depreciation	– 354	– 212
Difference	– 182	– 118
Machinery, equipment and tools		
Depreciation according to plan	1,938	1,346
Fiscal depreciation	–2,341	–1,143
Difference	– 403	203
Buildings		
Depreciation according to plan	228	177
Fiscal depreciation	– 261	– 173
Difference	– 33	4
Land and land improvements		
Depreciation according to plan	7	6
Fiscal depreciation	– 6	– 6
Difference	1	0
Total difference	– 617	89

Depreciation has also been booked on investment and other reserves as follows:

	1987 SEKm	1986 SEKm
Renewal reserves		
Machinery, equipment and tools	– 10	– 6
Investment reserves		
Machinery, equipment and tools	– 2	– 4
Buildings	– 16	– 21
Land and land improvements	– 1	–
Special investment reserves		
Machinery, equipment and tools	–132	– 5
Buildings	– 31	– 22
Land and land improvements	– 4	–
Total	–196	– 58
Total accelerated depreciation	–813	31

Note 5 Other financial items

This item includes interest income of SEK 99m and interest expense of SEK 97m referring to interest arbitrage transactions. Receivables and liabilities referring to interest arbitrage amounted to SEK 1,047m at year-end and have been reported at net value.

Note 6 Earnings per share

	1987 SEKm	1986 SEKm
A. Income after financial items (50% standard tax)		
Income after financial items	3,060	2,583
Minority interests	– 42	– 57
Adjusted income before tax	3,018	2,526
Standard tax, 50%	–1,509	–1,263
Interest on convertible loans after 50% tax*	4	7
Adjusted income after standard tax	1,513	1,270
Number of shares after full dilution 1987: 73,451,383 (1986: 69,930,000)		
Adjusted earnings per share, SEK	20.60	18.20
B. Income before allocations (Actual tax)		
Income before allocations	3,060	2,715
Actual taxes as per income statement	– 914	– 885
Minority interests	– 34	– 47
Interest on convertible loans after 50% tax*	4	7
Adjusted income after actual taxes	2,116	1,790
Number of shares after full dilution 1987: 73,451,383 (1986: 69,930,000)		
Total earnings per share according to the partial method, SEK	28.80	25.60

** Interest has been added, as earnings are computed after full dilution*

Note 7 Extraordinary items

This item in 1986 referred to capital gains on sales of shares in Gränges Metallverken AB and Wirsbo Bruk 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. Additional allocations are permissible in certain countries, however. These are reported in the consolidated income statement under "Change in 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 is then in existence. The difference between SEK 375m, which was the book value of the shares after depreciation, 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 was booked as an allocation to untaxed reserves. As the SSAB shares were redeemed in 1986, this provision has been reversed and is included in allocations under "Change in other financial reserves" in the amount of SEK 171m in the figures for 1986.

Note 9 Shares and participations

	Number	Holding, %	Value at par in local currency, m		Book value SEKm
Holdings owned by AB Electrolux are listed on p. 48					10
Swedish companies					
Bilfragmentering AB	685	27	SEK	0.7	7
Sit Down International AB	11,000	50	SEK	1.1	5
Foreign companies					
Lamco, Liberia					
(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	
B.T. Enter-Prises, USA		50	USD	1.0	3
Eureka Forbes Ltd., India	440,000	40	INR	4.4	2
Email Ltd., Australia	18,510,100	19.9	AUD	41.0	240
Finanziaria Industriale S.p.A., Italy	348,000	34.8	ITL	3,480.0	17
Forbach GmbH, West Germany	1	50	DEM	3.3	11
Fuji Autoliv Ltd., Japan	1,000	50	JPY	50.0	2
Northern Compressor Ltd., Great Britain	1,500,000	30	GBP	0.5	5
ILPEA Gomma S.p.A. Orcenica di Zoppola, Italy	98,000	24.5	ITL	980.0	5
Kotimaiset Kotitalouskoneet Oy, Finland	2,000	50	FIM	2.0	3
Lepper-Dominit Transformatoren GmbH, West Germany	1	2	DEM	0.6	3
Mundo Blanco S.A., Venezuela	14,500	20	USD	0.7	4
Primus Capital Fund II, USA		1.7	USD	0.5	3
TPV Energy Systems, USA	49	49	USD	0.4	2
Plasticos Henares S.A., Spain	10,000	22	ESB	10.0	2
Seleco S.p.A., Italy	2,381,680	45	ITL	23,817.0	68
S. Andrea Novara, Italy	3,400	0.34	ITL	340.0	2
Simac Industriale, Italy	120,000	40	ITL	120.0	3
Zanker N.V., Belgium	250	50	BEC	30.0	2
Other (A detailed list of holdings is included in the annual report for the parent company, AB Electrolux)					28
					427

Note 10 Goodwill

	1987 SEKm	1986 SEKm
Acquisition value	**3,108**	3,221
Accumulated depreciation according to plan	**– 393**	– 266
Residual value	**2,715**	2,955
Accumulated accelerated depreciation	**– 275**	– 114
Net book value	**2,440**	2,841

The acquisition value of goodwill in 1987 has been reduced by SEK 239m as a result of translation differences. See p. 9.

Note 11 Construction in progress

	1987 SEKm	1986 SEKm
Opening balance	**692**	232
Net change during the year, including opening values of assets in acquired companies	**249**	518
Adjustment for divestments, changes in exchange rates, etc.	**– 69**	– 58
Year-end balance	**872**	692

Note 12 Machinery, equipment and tools

	1987 SEKm	1986 SEKm
Acquisition value	**16,675**	14,652
Accumulated depreciation according to plan	**–8,802**	–7,312
Residual value	**7,873**	7,340
Accumulated accelerated depreciation	**–1,585**	–1,043
Net book value	**6,288**	6,297

Note 13 Buildings

	1987 SEKm	1986 SEKm
Acquisition value	**5,780**	5,833
Accumulated depreciation according to plan	**–1,930**	–1,865
Residual value	**3,850**	3,968
Accumulated accelerated depreciation	**– 405**	– 336
Undepreciated portion of write-ups	**206**	202
Net book value	**3,651**	3,834
Tax assessment value of buildings in Sweden	**1,384**	1,317
Net book value of buildings in Sweden	**651**	562

Note 14 Land and land improvements

	1987 SEKm	1986 SEKm
Acquisition value	**699**	727
Accumulated depreciation according to plan	**– 73**	– 70
Residual value	**626**	657
Accumulated accelerated depreciation	**– 14**	– 11
Undepreciated portion of write-ups	**75**	71
Net book value	**687**	717
Tax assessment value of land in Sweden	**159**	159
Net book value of land in Sweden	**147**	132

Note 15 Negative goodwill

	1987 SEKm	1986 SEKm
Opening balance	**9**	38
Obtained through acquisitions	**–**	3
Dissolved (see Note 2)	**– 9**	– 32
Year-end balance	**0**	9

Note 16 Convertible debenture loans

See the section on Electrolux shares, p. 16.

Note 17 Untaxed reserves

In addition to the amount reported in the balance sheet, untaxed reserves totalling SEK 1,221m (1,410) exist in various subsidiaries and have been eliminated through application of the purchase method.

The untaxed reserves reported include SEK 43m (28) referring to minority interests.

Note 18 Accumulated accelerated depreciation

Goodwill

	1987 SEKm	1986 SEKm
Opening balance	**114**	–
Accelerated depreciation	**182**	118
Other	**– 21**	– 4
Year-end balance	**275**	114

Accelerated depreciation on goodwill is reported as a deduction on the asset side of the balance sheet (see Note 10).

Machinery, equipment and tools

	1987 SEKm	1986 SEKm
Opening balance	**1,043**	1,347
Accelerated depreciation	**403**	– 203
Depreciation against investment reserves, etc.	**145**	15
Share of taxes on untaxed reserves in divested companies	**–**	– 121
Other	**– 6**	5
Year-end balance	**1,585**	1,043

Buildings

	1987 SEKm	1986 SEKm
Opening balance	**134**	68
Accelerated depreciation	**33**	4
Depreciation against investment reserves	**47**	43
Share of taxes on untaxed reserves in divested companies	**–**	– 10
Other	**– 15**	29
Year-end balance	**199**	134
Total machinery, equipment, tools and buildings	**1,784**	1,177

Note 19 Investment reserves and other reserves

Renewal reserves

	1987 SEKm	1986 SEKm
Opening balance	**103**	140
Dissolution	**– 28**	– 23
Utilized for depreciation	**– 10**	– 6
Share of taxes on untaxed reserves in divested companies	**–**	– 8
Year-end balance	**65**	103

Investment reserves

	1987 SEKm	1986 SEKm
Opening balance	**35**	47
Allocations	**61**	19
Utilized for depreciation	**– 19**	– 25
Share of taxes on untaxed reserves in divested companies	**–**	– 6
Year-end balance	**77**	35

Special investment reserves

	1987 SEKm	1986 SEKm
Opening balance	**168**	195
Utilized for depreciation	**– 168**	– 27
Year-end balance	**–**	168

Note 20 Shareholders' equity, SEKm

	Share capital	Converted shares unregistered	Restricted reserves	Unrestricted reserves	Net consolidated income	Total
Opening balance	1,748	27	3,411	2,685	2,033	9,904
Conversion of debentures	–	28	34	–	–	62
Registered increase in share capital	51	–51	–	–	–	–
Retained earnings	–	–	–	2,033	–2,033	–
Dividend payments	–	–	–	– 621	–	– 621
Write-up on fixed assets	–	–	15	–	–	15
Adjustment for translation differences	–	–	–	– 728	–	– 728
Net income for the year	–	–	–	–	1,282	1,282
Closing balance	1,799	4	3,460	3,369	1,282	9,914

Disposable consolidated earnings amount to SEK 4,651m, of which SEK 24m 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.

Adjustment for corporate acquisitions

In accordance with Swedish practice, the Group books negative goodwill as a deferred credit, which is taken into income over a maximum of ten years. According to US GAAP, negative goodwill should be deducted from the value of acquired fixed assets and reported as income over the useful 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 this difference, an adjustment has been made regarding 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. 42, earnings per share are computed in accordance with Swedish practice on the basis of income after financial items. US GAAP require that earnings per share be computed on the basis of consolidated net income for the year.

Application of US GAAP would have the following approximate effects on consolidated net income, shareholders' equity and the balance sheet:

A. Consolidated net income

	1987 SEKm	1986 SEKm
Consolidated net income as reported in the income statement	**1,282**	2,033
Depreciation on write-ups of fixed assets	**10**	10
Allocations	**844**	– 241
Application of equity method for minority interests	**0**	151
Adjustment for corporate acquisitions	**71**	59
Deferred taxes	**– 378**	– 282
Interest on convertible loans after taxes	**4**	7
Adjusted approximate consolidated net income, fully diluted, in accordance with US GAAP	**1,833**	1,737
Approximate net earnings per share, fully diluted, in accordance with US GAAP (73,451,383 and 69,930,000 shares)	**25.00**	24.80

B. Shareholders' equity

	1987	1986
Shareholders' equity as reported in the balance sheet	**9,914**	9,904
Items which augment equity		
Untaxed reserves	**4,231**	3,723
Accelerated depreciation on goodwill	**275**	114
	4,506	3,837
Items which diminish equity		
Write-ups on fixed assets	**281**	273
Adjustment for corporate acquisitions	**562**	633
Deferred taxes		
On untaxed reserves	**2,115**	1,859
On other items	**122**	74
	3,080	2,839
Net increase in equity	**1,426**	998
Approximate shareholders' equity according to US GAAP	**11,340**	10,902

C. Balance sheet

The table below summarizes the consolidated balance sheets prepared in accordance with Swedish accounting principles and US GAAP.

	According to Swedish principles		According to US GAAP	
	1987 SEKm	1986 SEKm	**1987 SEKm**	1986 SEKm
Current assets	**31,182**	30,717	**32,229**	31,733
Real estate, machinery and equipment	**13,282**	12,717	**12,659**	12,015
Shares and participations	**427**	361	**427**	361
Long-term receivables	**618**	1,093	**618**	1,093
Goodwill	**2,440**	2,841	**2,715**	2,955
Other assets	**521**	452	**521**	452
Total assets	**48,470**	48,181	**49,169**	48,609
Current liabilities	**18,869**	16,850	**19,916**	17,866
Long-term liabilities	**14,759**	17,411	**14,759**	17,411
Deferred taxes	**637**	274	**2,896**	2,207
Negative goodwill	**–**	9	**–**	–
Untaxed reserves	**4,054**	3,510	**–**	–
Minority interests	**237**	223	**258**	223
Shareholders' equity	**9,914**	9,904	**11,340**	10,902
Total liabilities and shareholders' equity	**48,470**	48,181	**49,169**	48,609

Parent company (AB Electrolux)

A summary of the annual report for the parent company, AB Electrolux, is given below.

AB Electrolux income statement, SEKm

	1987	1986
Sales	**4,076**	3,575
Income before allocations	**877**	614
Allocations	**– 20**	61
Taxes	**– 42**	– 29
Net income	**815**	646

AB Electrolux balance sheet, SEKm

	1987		1986	
ASSETS				
Current assets		**2,973**		2,882
Blocked accounts with the Bank of Sweden		**12**		42
Fixed assets				
Shares and participations	**12,774**		12,737	
Other	**3,566**	**16,340**	3,324	16,061
Total assets		**19,325**		18,985
LIABILITIES				
Current liabilities	**3,571**		2,440	
Long-term liabilities	**8,180**		9,173	
Convertible debenture loans	**78**	**11,829**	142	11,755
Untaxed reserves		**651**		640
SHAREHOLDERS' EQUITY				
Restricted equity				
Share capital 2,000,000 A-shares, par SEK 25 69,968,863 B-shares, par SEK 25	**1,799**		1,748	
Converted shares, unregistered	**4**		27	
Statutory reserves	**2,693**	**4,496**	2,659	4,434
Unrestricted equity				
Retained earnings	**1,534**		1,510	
Net income for the year	**815**	**2,349**	646	2,156
Total liabilities and shareholders' equity		**19,325**		18,985

Notes to the financial statements for AB Electrolux

Dividends on shares and participations in subsidiaries
Dividends from Swedish subsidiaries amounted to SEK 608m (775). Dividends from subsidiaries outside Sweden amounted to SEK 145m (108).

Group contributions
Group contributions include SEK 640m (794) received from and SEK 0 (276m) paid to subsidiaries.

Shareholders' equity, SEKm

	Share cap.	Conv. unreg. share cap.	Statutory reserve	Unrestr. equity
Opening balance	1,748	27	2,659	2,155
Dividend approved by AGM	–	–	–	–621
Converted debentures	–	28	34	–
Registered increase in share capital	51	–51	–	–
Net income for the year	–	–	–	815
Year-end balance	1,799	4	2,693	2,349

AB Electrolux shareholdings and participations

Subsidiaries in Sweden	Number	Holding, %	Value at par in local currency ('000)		Book value SEK ('000)
Gränges AB	7 250 000	100	SEK	725 000	717 483
ASAB Serviceföretaget AB	17 000 000	100	SEK	85 000	164 305
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	60 626
AB Tvättman	115 000	100	SEK	11 500	55 366
Electrolux-Wascator AB	25 000	100	SEK	25 000	29 910
Electrolux Constructor AB	500 000	100	SEK	25 000	26 250
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
Försäljnings AB Dimas	3 000	100	SEK	300	12 120
Electrolux-Euroclean AB	100 000	100	SEK	10 000	10 900
Jonsereds Godsskydd AB	60 000	100	SEK	6 000	10 727
Electrolux Försäkrings AB	100 000	100	SEK	10 000	10 000
Ballingslöv AB	90 000	100	SEK	9 000	10 000
Husqvarna Motorcyklar AB	6 000	100	SEK	6 000	7 080
Växjö Rostfritt AB	25 000	100	SEK	2 500	6 100
Electrolux Svenska Försäljnings AB	60 000	100	SEK	6 000	6 000
Vi i Villa AB	500	100	SEK	50	5 515
AB Elektroservice	50 000	100	SEK	5 000	5 069
AB Elektro Helios	50 000	100	SEK	5 000	5 000
Origoverken i Halmstad AB	3 000	100	SEK	300	4 721
Jonsereds AB	1 000	100	SEK	100	4 200
Electrolux Mecatronik AB	35 000	100	SEK	3 500	4 199
Medlux AB	6 000	60	SEK	600	4 075
B. Johanssons Pappersförädling AB	1 100	100	SEK	110	3 641
AB Partner	8 000	100	SEK	800	3 300
Fastighets AB Adam	3 000	100	SEK	3 000	3 005
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
ABOS Städ AB	6 250	100	SEK	625	750
Osby Tvättutrustningar AB	26 000	100	SEK	2 600	514
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
Lagan Pressprodukter AB	2 500	100	SEK	250	303
AB Handduksgubben	6 500	100	SEK	650	280
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
Electrolux Storkök Svenska Försäljnings AB	1 500	100	SEK	150	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

	Number	Holding, %	Value at par in local currency ('000)		Book value SEK ('000)
Nordwaggon AB	1 000	50	SEK	100	100
AB Lidan-Invest	4 500	100	SEK	54	76
Hemtips Postorder AB	500	100	SEK	50	73
Faab Fastighetsstädaren AB	500	100	SEK	50	70
Mälardalens Städ AB	500	100	SEK	50	62
E.K. Städ AB	500	100	SEK	50	60
Din Fastighet AB	500	100	SEK	50	50
Electrolux Data AB	500	100	SEK	50	50
Electrolux International Services AB	500	100	SEK	50	50
Electrolux Research & Innovation AB	50	100	SEK	50	50
International Waste Services AB	250	50	SEK	50	50
Lasse Larsson Hushållsservice AB	500	100	SEK	50	50
AB Skellefteå Miljövård	500	100	SEK	50	50
Svensk Inkassoservice AB	500	100	SEK	50	50
AB Söderhamns Ångtvätt	500	100	SEK	50	50
Distriparts Sweden AB	500	100	SEK	50	36
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
Mawajo Hushåll AB	1 000	100	SEK	1 000	0
Nordic Forestry Equipment AB	930	100	SEK	93	0
Partner Industrial Products AB	600	100	SEK	60	0
Total subsidiaries in Sweden					**1 642 186**

Subsidiaries outside Sweden		Number	Holding, %	Value at par in local currency ('000)		Book value SEK ('000)
Europe						
Austria	Husqvarna Ges.m.b.H.		100	ATS	22 000	8 624
	IAZ Elektrogeräte GmbH		100	ATS	20 000	7 232
Belgium	Electrolux-I.A.Z. N.V.	299 995	100	BEC	400 000	33 000
	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
Finland	Oy Electrolux Ab	140 500	100	FIM	140 500	169 511
France	Usines et Fonderies Arthur Martin S.A.	11 310 803	99	FRF	678 648	300 000
	S.A. Electrolux	2 999 822	100	FRF	299 982	250 000
Great Britain	Electrolux Ltd.	29 999 500	100	GBP	30 000	373 987
	Electrolux Associated Companies Ltd.	7 999 956	100	GBP	8 000	73 431
Italy	Industrie Zanussi S.p.A.	640 123 096	94.8	ITL	204 839 391	1 550 186
		219 933 454 (non-voting shares)				
	Elfin S.p.A.	999 000	99.9	ITL	9 990 000	48 935
	Electrolux Wascator S.p.A.	49 999	100	ITL	499 990	2 327
Luxembourg	Electrolux Finance Holding S.A.	219 998	100	LUF	2 199 980	397 858
	Electrolux Luxembourg S.a.r.l.	10 499	100	LUF	104 990	17 520
	Electrolux Reinsurance (Luxemburg) S.A.	7 994	99.9	LUF	79 940	9 808
	Toledo Finance S.A.	1 249	100	LUF	1 249	5 901
The Netherlands	Electrolux Finance Corporation B.V.	25 000	100	NLG	25 000	90 134
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, %		Value at par in local currency ('000)	Book value SEK ('000)
Spain	Ibelsa S.A.	14 900	74.5	ESB	1 490 000	74 200
	Electrolux S.A.	6 427	100	ESB	500 000	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	1 998	15 000
West Germany	Electrolux Beteiligungs-GmbH		100	DEM	25 000	83 311
	Electrolux Finanz- und Service GmbH		100	DEM	25 000	75 230
	Electrolux GmbH		97.4	DEM	13 625	54 901
	Flymo GmbH		100	DEM	17 527	9 200
	Algerien-Erz GmbH		100	DEM	50	25
North America						
Canada	Euroclean Holdings Ltd.	87 000	100		n p v	75 855
USA	White Consolidated Industries, Inc.	100	100		n p v	6 861 325
Latin America						
Argentina	S.A. Electrolux	105 999	100	ARA	1 060	0
Brazil	Electrolux Ltda.	238 569 780	100	BRC	238 570	50 165
	Electrolux Comércio e Serviços Ltda.	8 816 314	94.9	BRC	8 816	3 400
	Electrolux Motores Ltda.	3 284 925	5.5	BRC	3 285	1 000
	Electrolux Comercial e 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 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 Peruana S.A.	18 201 914	48.9	PEI	18 202	92
Uruguay	Electrolux S.A.	2 675	100	UYP	2 000	0
Venezuela	C.A. Electrolux	39 988	100	VEB	39 988	18 000
Other regions						
Australia	Nordtec Pty Ltd.	399 988	100	AUD	399 988	2 896
Hong Kong	Electrolux (Far East) Ltd.	999 999	100	HKD	10 000	8 438
	Electrolux Services (HK) Ltd.	7 499	100	HKD	750	1 359
Iran	Electrolux Iran Services Company Ltd.	5 098	51	IRR	5 098	0
Japan	Electrolux Japan Ltd.	495 000	100	JPY	495 000	13 169
	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 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) Holdings Sdn. Bhd.	5 500 000	98	MYR	5 500	16 030

		Number	Holding, %	Value at par in local currency ('000)		Book value 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	Electrolux Taiwan Ltd.	999 994	100	TWD	10 000	1 865
	CITC-Electrolux Services Co. Ltd.	4 998	49.9	TWD	4 998	950
Thailand	Electrolux Thailand Co. Ltd.	14 700	49	THB	1 470	370
	Electrolux-Ampac Services Co. Ltd.	2 299	23	THB	230	78
Total shares and participations in subsidiaries						**12 764 153**

Other companies, etc.		Number	Holding, %	Value at par in local currency ('000)		Book value SEK ('000)
In Sweden						
Fermenta AB		2 800 000	1.5	SEK	7 000	8 303
Handelsbolaget Svenska Dagbladets AB & Co.		100		SEK	100	0
Innovations AB Projection		1 000	29	SEK	100	100
Innovations AB Projection KB in liquidation			29	SEK	528	111
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
Outside Sweden						
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.	4 768			n p v	0
	SIFIDA Investment Co. S.A.	495		USD	247	1 140
Nigeria	Electrolux Mandilas Ltd.	160 000	40	NGN	160	0
Peru	Electrolux S.A.	2 439 163	34.3	PEI	2 439 163	0
	Valinka S.A.	210 799	18	PEI	210 799	20
Spain	Wascomat Ibérica S.A.	625	25	ESB	625	0
Total shares and participations in other companies						**10 390**

Proposed distribution of earnings

According to the consolidated financial statements, the Group's disposable earnings amounts to SEK 4,651m, of which SEK 24m has been allocated to restricted reserves.

The Board of Directors and the President propose that:

Net income for the year	SEK	815,155,000
and retained earnings	SEK	1,534,229,000
totalling	SEK	2,349,384,000
be distributed as follows:		
A dividend of SEK 10.00 per share to shareholders, totalling	SEK	721,208,000
To be carried forward	SEK	1,628,176,000
Total	SEK	2,349,384,000

Stockholm, March 18, 1988

HANS WERTHÉN
Chairman of the Board

PETER WALLENBERG
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 1987. 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 18, 1988

ARNE HOLMÉN
Authorized Public Accountant
Hagström & Sillén AB

JAN NORDENBÄCK
Authorized Public Accountant
Hagström & Sillén AB

Statement of added value

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

Sales revenues for the Electrolux Group in 1987 totalled SEK 67,430m (53,090). After deduction of purchases of goods and services, the value added by the Group amounted to SEK 25,251m (19,637), an increase of 29% (25) over the previous year. During the past five years, added value has increased at an annual rate of 19% (13).

In 1987, SEK 3,784m (2,832) 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% (3) of added value in 1987, or 4% (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

SEKm	1987	%	1987 per employee, SEK'000	1986	%
Total sales	**67,430**	**100**	**480**	53,090	100
Costs of purchased goods and services	**- 42,179**	**- 63**	**- 300**	- 33,453	- 63
Added value	**25,251**	**37**	**180**	19,637	37

Distribution of added value

SEKm	1987	%	1987 per employee, SEK'000	1986	%
To employees					
Wages and salaries	**14,428**			11,222	
Employer contributions	**4,239**			3,339	
	18,667	**74**	**133**	14,561	74
To central and local governments					
Taxes	**914**	**3**	**7**	885	5
To credit institutions					
Interest, etc.	**1,165**	**5**	**8**	738	4
To shareholders					
Dividend payments (1987: Proposed)	**721**	**3**	**5**	621	3
Retained in the Group					
For wear on fixed assets (depreciation)	**2,345**		**17**	1,623	
For continued expansion	**1,439**		**10**	1,209	
	3,784	**15**	**27**	2,832	14
Added value	**25,251**	**100**	**180**	19,637	100

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

Roland Mörk

Torsten Säll

Members of the Board

Hans Werthén, Chairman
Born 1919. Board Chairman: Telefon AB LM Ericsson, Stockholms Optionsmarknad OM Fondkommission AB. Board Member: Förvaltnings AB Providentia, AB Investor, Skandigen AB. Elected 1967.

Peter Wallenberg, Deputy Chairman
Born 1926. First Deputy Chairman: Skandinaviska Enskilda Banken. Board Chairman: Atlas Copco AB, AB Investor, Förvaltnings AB Providentia, Stora Kopparbergs Bergslags AB, Federation of Swedish Industries, Knut och Alice Wallenbergs Stiftelse. Deputy Chairman: ASEA AB, Telefon AB LM Ericsson, AB SKF. Vice-President, International Chamber of Commerce (ICC), Paris. Elected 1974.

Gösta Bystedt, Deputy Chairman
Born 1929. Board Chairman: AB Scanditronix. Deputy Chairman: AB Export-Invest, Axel Johnson AB. Board Member: ESAB, AB SKF, Federation of Swedish Industries, Swedish Match AB. Deputy Member: Atlas Copco AB, Skandinaviska Enskilda Banken. Elected 1969.

Claes Dahlbäck, born 1947. President, AB Investor. Board Chairman: Finans Vendor AB, Skandigen AB. Board Member: ASEA AB, AB Astra, Broströms Rederi AB, Fastighets AB Beväringen, Neptun Röda Bolaget AB, Rederi AB Transatlantic, Stockholms Optionsmarknad OM Fondkommission AB, AB Papyrus, Swedish Match AB, Åkermans Verkstad AB. Elected 1983.

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

Birgit Malmenstam-Skytt, born 1935. Secretary General, Swedish Shareholders' Association. Board Member: PKfonder, World Federation of Investor Clubs. Elected 1978.

Sven Olving, born 1928. President, Chalmers University of Technology. Board Chairman: Volvofinans AB. Board Member: Boliden AB, Celsius Industrier AB, Telefon AB LM Ericsson, Götaverken Energy AB. Elected 1967.

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

Anders Scharp, President and CEO
Born 1934. Board Member: Email Ltd. (Australia), Piren AB, Swedish Employers' Confederation (SAF), 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: Celsius Industrier AB, H&M Hennes & Mauritz AB. Board Member: Urban Mortgage Bank of Sweden, Telefon AB LM Ericsson. 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

Roland Mörk, born 1938. Representative of the Swedish Confederation of Trade Unions. Elected 1988.

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

Jan-Eric Löfgren, Authorized Public Accountant, Hagström & Sillén AB

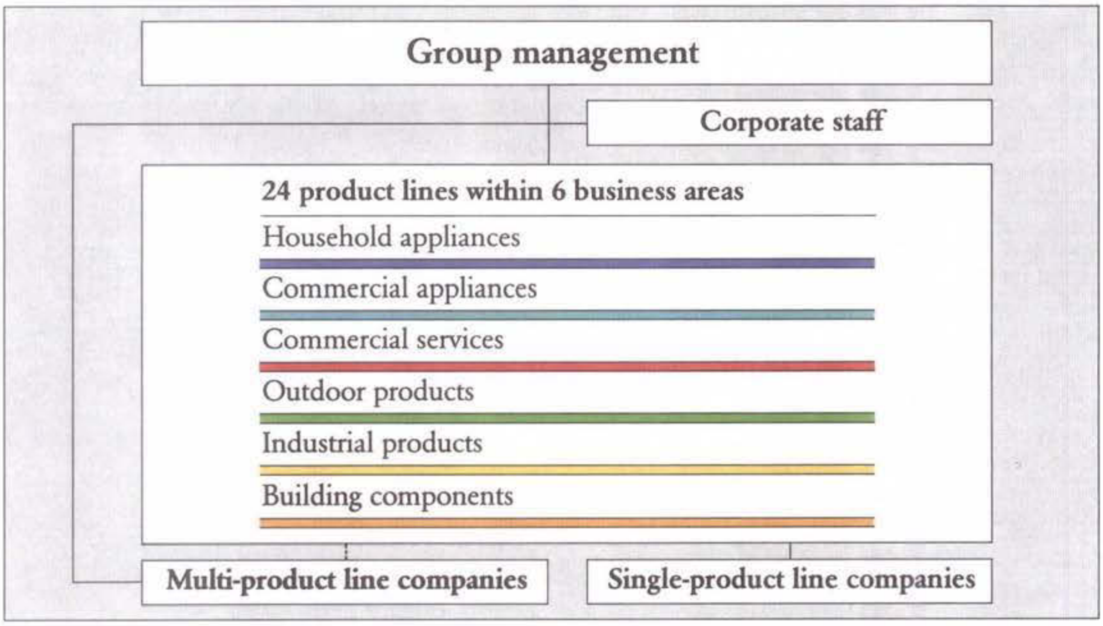
Organization of the Group

Seated, from left: Per-Olof Sjöberg, Anders Scharp and Hans G. Bäckman. Standing, from left: Lennart Ribohn, Leif Johansson, Bertil Ljungquist and Christer Forsström.

The operations of Electrolux are organized in a number of product lines within six business areas. The Group owns a total of approximately 485 operating companies in 46 countries.

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

Corporate management has been enlarged in order to adjust the Group's organization to the vigorous growth and numerous acquisitions of recent years. In addition to President and CEO Anders Scharp, the Group executive management committee now comprises six executive Vice-Presidents and five Deputy Members.



Group executive management committee

Anders Scharp, President and CEO
Lennart Ribohn, Senior Exec. Vice-President
Hans G. Bäckman, Exec. Vice-President
Christer Forsström, Exec. Vice-President
Leif Johansson, Exec. Vice-President
Bertil Ljungquist, Exec. Vice-President
Per-Olof Sjöberg, Exec. Vice-President

Per-Olof Aronson, Deputy Member
Gunnar Bark, Deputy Member
Donald C. Blasius, Deputy Member
Sven Stork, Deputy Member
Carlo Verri, Deputy Member

Corporate staff

Mats Agurén, Personnel
Johan Bygge, Controller
Matts P. Ekman, Treasurer
Lars Eriksson, Group Audit
Kurt Gladh, Information Systems
Halvar Johansson, Technical R&D
Halvar Jonzon, Purchasing
Leif Lindgren, Risk Management and Financial Administration
Ulf Magnusson, Legal Counsel
Sven Sundling, Public Affairs

Household appliances

White goods
Leif Johansson

Leisure appliances
Sven Stork

Floor-care products
Christer Forsström

Room air-conditioners
Donald C. Blasius

Sewing machines
Per-Olof Sjöberg

Home electronics
Hans Sjöstedt

Commercial appliances

Food-service equipment
Per-Olof Sjöberg

Food and beverage vendors
Gianfranco Zoppas, Zanussi

Industrial laundry equipment
Thorbjörn Larsson

Commercial cleaning equipment
Christer Forsström

Commercial refrigeration equipment
Per-Olof Sjöberg

Sterilization and disinfection equipment
Per G. Hedström

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

Gränges Aluminium
Per-Olof Aronson

Electrolux Autoliv
Gunnar Bark

Gränges International Mining
Arne Dahlström

Materials handling equipment
Sven Stork

Components
Carlo Verri

Building components

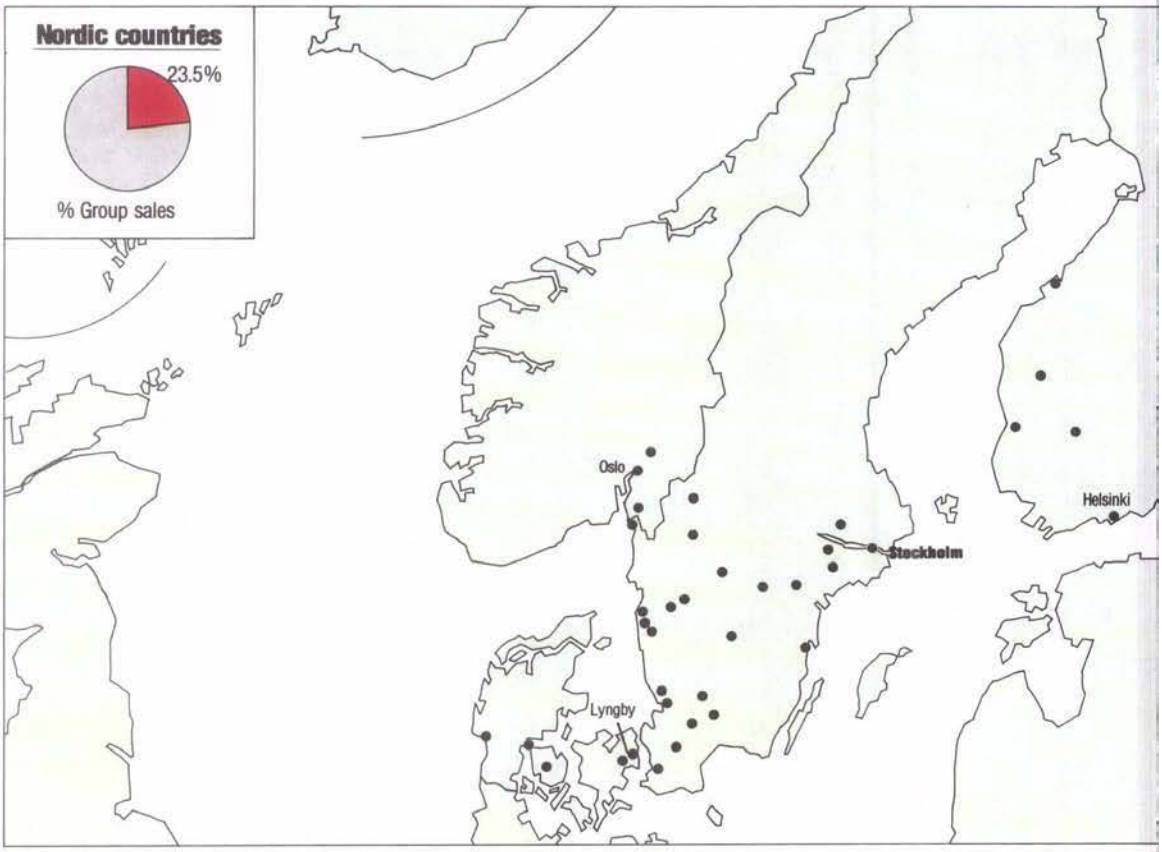
Building materials
Bo Sternbrink

Kitchen and bathroom cabinets
Nils-Erik Danielsson, Europe
E.L. Coveney, USA

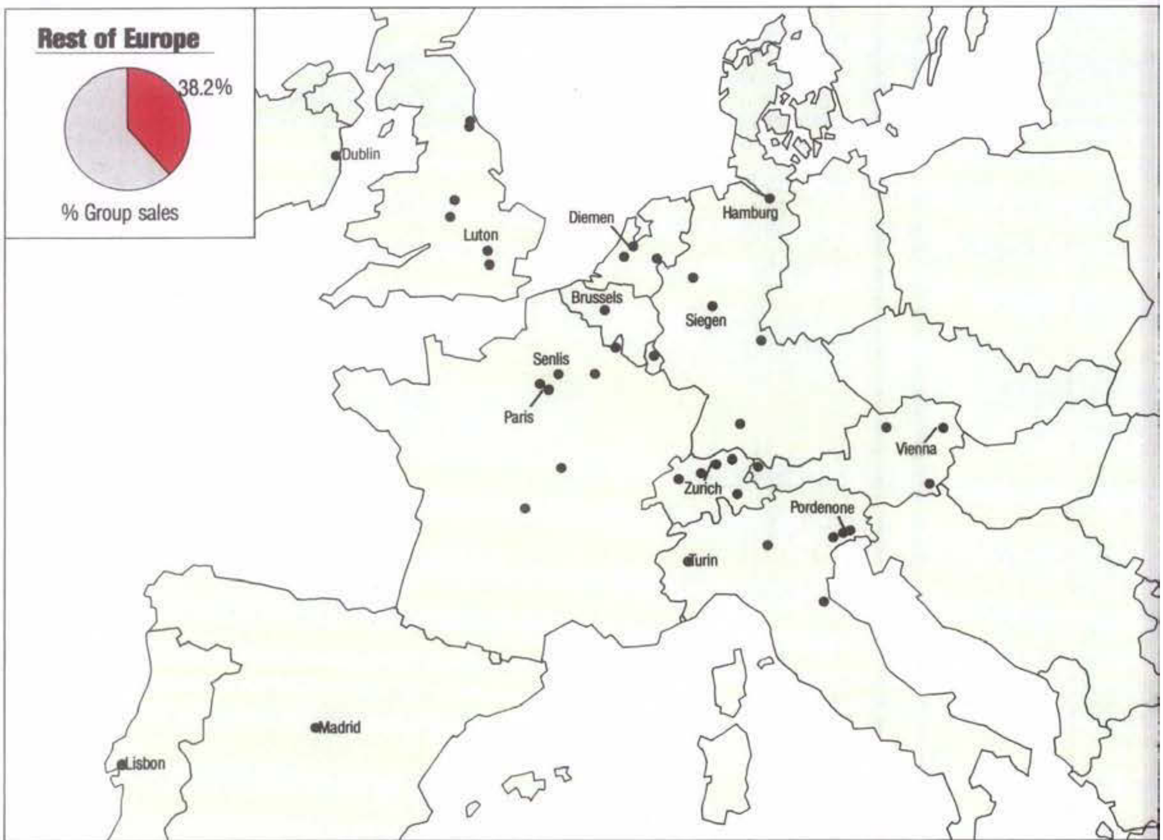
Group sales and employees world-wide

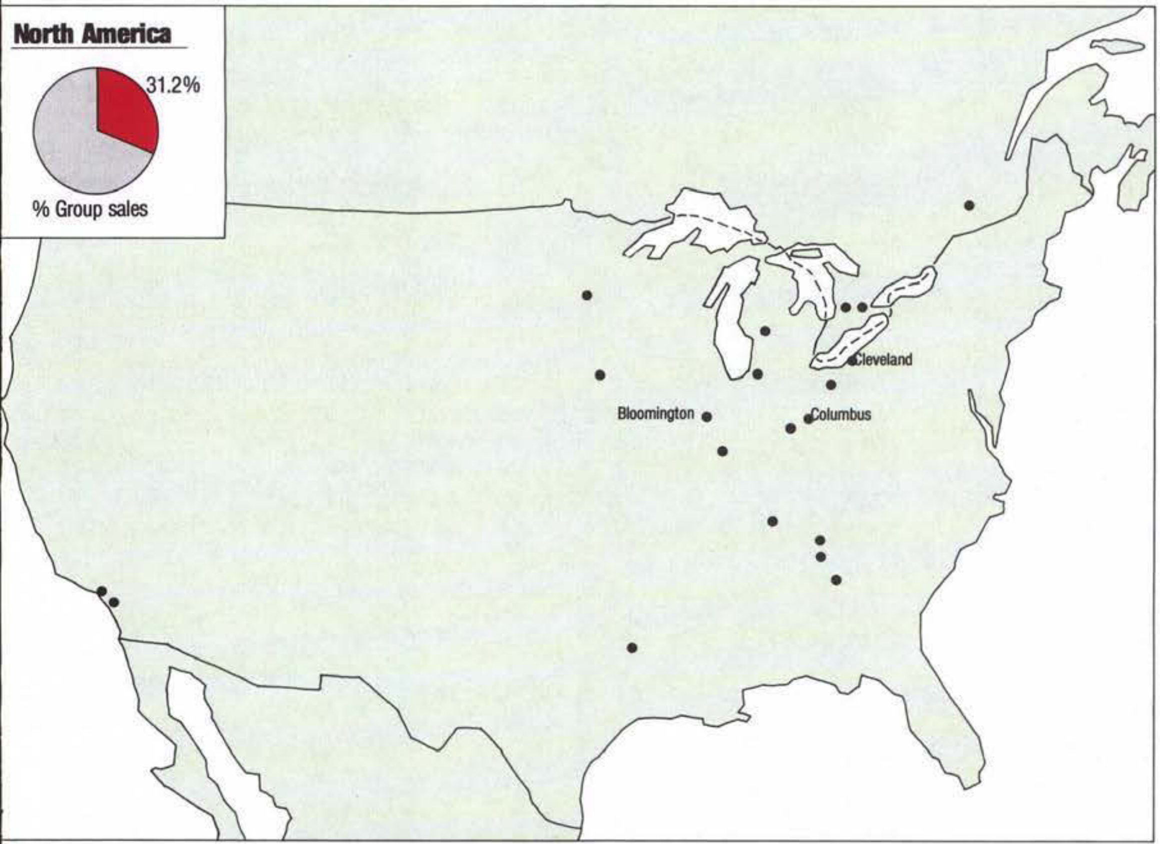
The dots indicate major Group companies/production units.

Nordic countries	Sales	No. employees
Sweden	11,128 SEKm	29,456
Denmark	1,735 SEKm	3,078
Norway	1,505 SEKm	1,299
Finland	1,445 SEKm	1,563
	15,813 SEKm	35,396



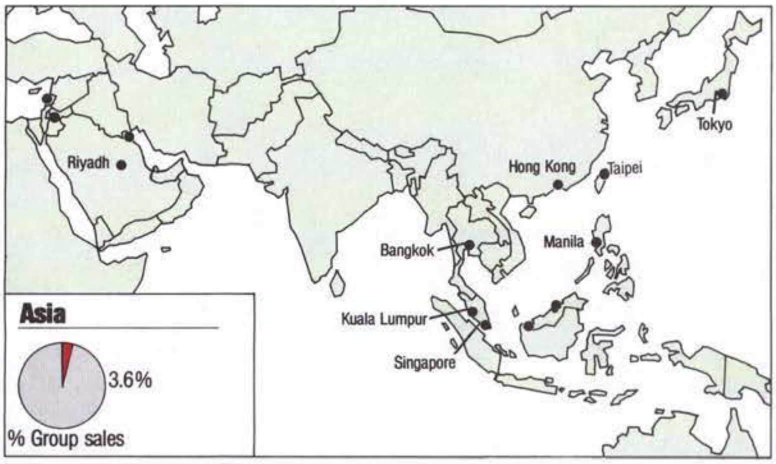
Rest of Europe	Sales	No. employees
Great Britain	6,377 SEKm	10,589
France	5,098 SEKm	8,753
West Germany	4,045 SEKm	3,317
Italy	3,684 SEKm	15,282
Switzerland	1,818 SEKm	1,814
Spain	1,445 SEKm	2,851
The Netherlands	1,238 SEKm	1,016
Belgium and Luxembourg	913 SEKm	1,040
Austria	392 SEKm	958
Portugal	96 SEKm	193
Others	604 SEKm	41
	25,710 SEKm	45,854



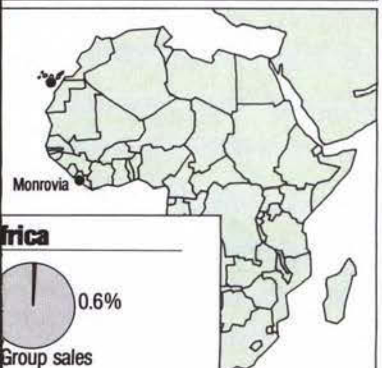


North America	Sales	No. employees
USA	19,488 SEKm	29,750
Canada	1,580 SEKm	2,150
	21,068 SEKm	31,900

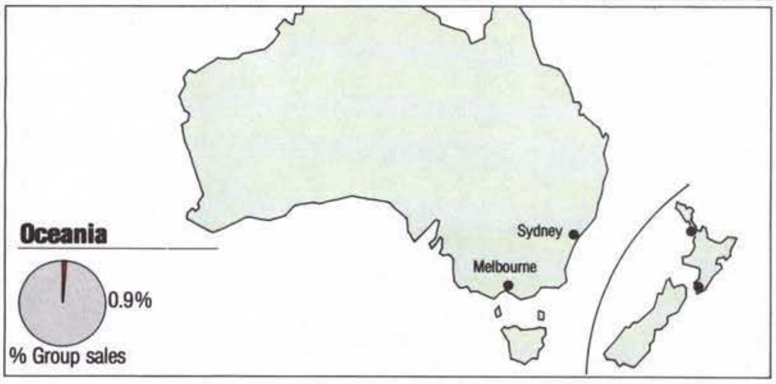
Latin America	Sales	No. employees
Brazil	302 SEKm	6,215
Venezuela	208 SEKm	1,032
Peru	181 SEKm	750
Colombia	104 SEKm	1,865
México	66 SEKm	1,735
Ecuador	34 SEKm	232
Guatemala	24 SEKm	31
Others	443 SEKm	198
	1,362 SEKm	12,058



Asia	Sales	No. employees
Japan	707 SEKm	1,175
Saudi Arabia	215 SEKm	738
Hong Kong	152 SEKm	1,340
Taiwan	150 SEKm	525
Malaysia	147 SEKm	2,220
Thailand	119 SEKm	2,178
The Philippines	72 SEKm	1,833
Kuwait	56 SEKm	15
Singapore	50 SEKm	556
Jordan	28 SEKm	137
Lebanon	22 SEKm	35
Others	720 SEKm	1,729
	2,438 SEKm	12,481



Africa	414 SEKm	-



Oceania	Sales	No. employees
Australia	497 SEKm	2,216
New Zeeland	114 SEKm	557
Others	14 SEKm	-
	625 SEKm	2,773

Ten-year review

Amounts are in SEKm unless otherwise indicated	1987	1986	1985	1984	1983	1982	1981	1980	1979	1978	Average growth rate, % 5 years	10 years
SALES AND INCOME												
Sales	**67,430**	53,090	39,688	34,547	32,146	31,661	26,595	22,874	15,137	12,023	16.3	22.0
Operating income after depreciation	**4,225**	3,321	3,137	3,117	2,691	1,937	1,730	1,728	1,308	945	16.9	18.4
Income after financial items	**3,060**	2,583	2,576	2,470	1,763	609	355	1,003	915	677	38.1	18.1
Income before allocations	**3,060**	2,715	2,752	2,576	1,863	567	1,127	1,054	934	828	40.1	18.5
FINANCIAL POSITION												
Total assets	**48,470**	48,181	29,524	26,281	23,527	24,478	21,767	17,832	11,270	9,078	14.6	21.4
Net assets	**29,471**	30,961	19,030	16,850	15,111	16,497	14,664	11,415	7,363	6,015	12.3	20.3
Accounts receivable	**12,183**	11,885	7,864	5,948	5,603	6,032	4,750	3,976	3,311	2,550	15.1	20.9
Inventories	**12,169**	12,431	8,238	8,032	7,518	8,355	8,048	6,942	4,340	3,373	7.8	16.0
Risk-bearing capital	**14,783**	14,312	10,785	9,210	7,765	6,886	6,407	5,336	3,861	3,171	16.5	18.7
Adjusted equity	**11,941**	11,659	8,306	6,903	5,651	5,204	4,761	3,697	3,077	2,638	18.1	18.2
SHARE DATA												
Adjusted earnings after standard 50% tax, fully diluted, SEK/share	**20.60**	18.20	19.60	18.90	13.70	5.10	3.20	7.70	8.20	6.20	32.2	13.5
Total earnings after actual tax, fully diluted, SEK/share	**28.80**	25.60	30.50	25.90	19.80	5.90	15.10	14.20	13.40	10.20	37.3	14.6
Net earnings according to US GAAP, fully diluted, SEK/share	**25.00**	24.80	22.20	22.20	11.80							
Risk-bearing capital, SEK/share	**202**	197	169	150	130	117	110	95	76	63	11.5	13.9
Adjusted equity, SEK/share	**164**	161	131	115	98	92	85	70	61	53	12.3	13.3
Dividend, adjusted for share issues, SEK/share*	**10.00**	8.75	7.50	6.50	5.50	4.50	4.00	3.75	3.00	2.50	17.3	16.9
Market price of B-shares at year-end, SEK/share	**193**	311	194	121	119	60	41	44	45	44	26.3	16.8
KEY RATIOS												
Return on equity, %	**12.9**	13.3	17.6	20.9	16.4	6.2	4.6	15.1	16.6	14.6		
Total return on equity, %	**15.7**	16.7	22.2	22.9	20.0	6.0	20.1	24.4	23.5	20.9		
Return on net assets, %	**15.7**	16.4	20.7	22.4	18.7	14.1	14.6	21.2	20.7	19.3		
Net assets as % of sales**	**43.7**	49.1	47.9	48.8	47.0	52.1	55.1	49.9	48.6	50.0		
Accounts receivable as % of sales**	**18.1**	18.9	19.8	17.2	17.4	19.1	17.9	17.4	21.9	21.2		
Inventories as % of sales**	**18.0**	19.7	20.8	23.2	23.4	26.4	30.3	30.3	28.7	28.1		
Interest coverage rate	**2.60**	2.56	3.17	3.29	2.45	1.46	1.35	2.01	2.94	2.92		
Risk-bearing capital, %	**30.5**	29.7	36.5	35.0	33.0	28.1	29.4	29.9	34.3	34.9		
Equity/assets ratio, full tax method, %	**24.6**	24.2	28.1	26.3	24.0	21.3	21.9	20.7	27.3	29.1		
Dividend as % of adjusted equity	**6.0**	5.3	5.5	5.2	5.1	4.5	4.3	5.0	4.7	4.6		
OTHER DATA												
Capital expenditure on real estate, equipment and tools, gross	**3,788**	8,736	2,401	1,694	1,374	1,406	1,514	2,515	863	863		
Excl. value of fixed assets in companies acquired during the year	**3,485**	3,005	1,808	1,615	1,354	1,320	1,248	1,230	715	559		
Capital expenditure as % of sales	**5.2**	5.7	4.6	4.7	4.2	4.2	4.7	5.4	4.7	4.6		
Number of employees	**140,500**	129,900	91,100	87,000	86,300	96,600	97,800	99,000	82,000	75,600		
Salaries, wages and remuneration	**14,428**	11,164	8,320	7,283	6,852	7,195	6,357	5,403	3,936	3,391		
Number of shareholders	**70,000**	59,000	52,000	52,000	51,000	52,000	51,000	43,000	41,000	41,000		

** 1987: Proposed by the Board*

*** Adjusted on a 12-month basis for 1986 with regard to the acquisition of Zanussi and White*

For definitions of the concepts in the above table, see pp. 40–41

Annual general meeting

The Annual General Meeting will be held at 4 PM on Friday, May 20, 1988 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 10, 1988.

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 10, 1988.

Notice of participation

In addition to the above registration, notice of intent to participate must be given to Electrolux not later than 4 PM on May 17, 1988 by mail to AB Electrolux, Dept. C-J, S-105 45 Stockholm, Sweden, or by telephone at Int +46-8-738 6793 or 738 6789.

Payment of dividend

Subject to endorsement by the AGM of the Board's proposal of May 26, 1988 as reconciliation date, it is expected that dividends will be paid by the VPC on June 2, 1988.

Change of address

Shareholders who have changed their names, addresses or bank account numbers should inform their trustees or Värdepapperscentralen VPC AB, S-171 18 Solna, Sweden, as soon as possible.

Electrolux will publish the following financial reports in 1988:

Preliminary year-end results	Early February
Consolidated results*	End of March
Annual report*	Early May
Quarterly report (1st quarter)	End of May
Form 20-F	June (to SEC)
Half-yearly report (1st half)*	End of August
Quarterly report (3rd quarter)	End of November

** Distributed by the VPC to shareholders on request*

The above reports are available on request from AB Electrolux, Investor Relations, S-105 45 Stockholm, Sweden.

Electrolux

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Telefax +46(8)-56 44 78

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