

# ELECTROLUX ANNUAL REPORT

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# HIGHLIGHTS OF THE YEAR

- The Group made more than twenty acquisitions in 1988, which if consolidated on a yearly basis would augment Group sales to approximately SEK 75,760m.
- Good volume trends, particularly in Europe, together with the effects of on-going restructuring led to an increase of 22% in income after financial items, to SEK 3,727m.
- The return on equity after 50% standard tax was once again at the Group's target level of 15%.
- The Group acquired the garden-product operation in Roper, one of the largest US manufacturers of garden tractors and lawn mowers. This operation was consolidated as of January 1, 1989.
- During the second half of the year the Group completed its acquisition of the Spanish white-goods companies Corberó and Domar, and thus became the largest white-goods manufacturer in Spain.

	1988	1987
Sales, SEKm	73,960	67,430
Operating income after depreciation, SEKm	4,897	4,225
Income after financial items, SEKm	3,727	3,060
Income before allocations, SEKm	3,727	3,060
Earnings per share, after 50% standard tax, SEK*	24.90	20.60
Total earnings per share after actual taxes, according to the partial method, SEK*	36.10	28.80
Dividend per share, SEK**	11.50	10.00
Return on equity, %*	15.3	12.9
Total return on equity, %*	18.9	15.7
Return on net assets, %*	17.3	15.7
Capital expenditure, SEKm	4,772	3,485
Total number of employees	147,200	140,500
<i>Approximate values according to US GAAP</i>		
Net income, SEKm	2,103	1,833
Net earnings per share, SEK	28.60	25.00
Total assets, SEKm	57,407	49,169
Shareholders' equity, SEKm	12,807	11,340
Debt/capital ratio, %***	54	57
<p>* For a definition of this concept, see p. 42</p> <p>** 1988: Proposed</p> <p>*** Long-term liabilities in relation to long-term liabilities plus shareholders' equity</p> <p>For a description of the main differences between US and Swedish accounting principles, see Note 20 to the financial statements</p>		

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The annual report for 1988 consists of two separate reports, i.e. the present "Electrolux Annual Report 1988" and the parent company's "Annual Report for AB Electrolux 1988".

The former comprises all data referring to the Group as well as a summary of essential information on the parent company. The "Annual Report for AB Electrolux 1988" contains all data referring to the parent company including a specification of shares and participations in subsidiaries 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 TODAY

Electrolux is one of the world's largest manufacturers of white goods. The Group has a leading market position in Europe and as owner of White Consolidated is the third largest white-goods producer in the US.

The Group is also the largest or second largest company in the world in floor-care products, absorption refrigerators for caravans and hotel rooms, food-service equipment, industrial laundry equipment, chainsaws and car safety belts. At year-end 1988 the Group acquired Roper's garden-product operation and thus became one of the leading US manufacturers in this area.

More than 80% of Group sales are outside Sweden. The US is the largest single market, accounting for slightly

over one-fourth of total sales, and is followed by Sweden, the UK and France. About 40% of sales are within the Common Market, where Electrolux has over 50,000 employees. The Group has a total of about 500 companies in 48 countries, with about 147,000 employees.

Electrolux has expanded vigorously since the start of the 1970's. A total of more than 200 companies have been acquired. Major acquisitions have included Husqvarna and Gränges in Sweden, National Union Electric, Tappan, White Consolidated and Poulan/Weed Eater in the US, Zanussi in Italy, the white-goods and food-service equipment divisions of Thorn EMI in the UK and Corberó and Domar in Spain.

## Six business areas

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. In 1988 they accounted for 56% of total sales, as against 59% in the previous year. White goods are the primary sector of operations. Other main operations include floor-care products, absorption refrigerators for caravans and hotel rooms, room air-conditioners and sewing machines.

### *Commercial appliances*

This business area includes equipment for food service, laundries and cleaning companies as well as refrigeration equipment for shops and supermarkets. Commercial appliances accounted for 9% of Group sales in 1988.

### *Commercial services*

Commercial services comprise primarily cleaning of offices and public premises as well as cleaning and rental of textiles and work clothes. This business area accounted for 4% of total sales in 1988.

### *Outdoor products*

This business area comprises primarily chainsaws and other equipment for forestry, as well as a wide range of garden products. It accounted for slightly less than 7% of total sales in 1988. Acquisition of the Roper operation, which is not included in the financial statements for 1988, will augment sales for this business area by approximately SEK 2,500m.

### *Industrial products*

Industrial products are the Group's second largest business area and accounted for 19% of total sales in 1988. Gränges Aluminium, whose name will be changed to Gränges in 1989, is the largest operation in this business area, followed by Electrolux Autoliv, devoted mainly to car safety belts, and the components operations in the Electrolux Components Group. Other operations in this area include materials handling equipment as well as highway construction equipment made by White.

### *Building components*

This business area includes operations in building materials as well as kitchen and bathroom cabinets. Building components accounted for 5% of total sales in 1988.

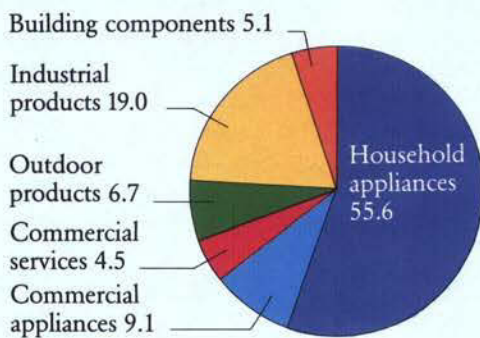


## Group sales world-wide

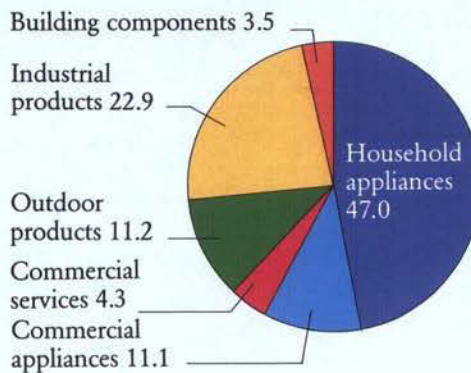


For information on sales and employees by country, see pp. 58-59.

## Sales by business area, %



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



	Sales, SEKm			Operating income after depreciation, SEKm		
	1988	1987	1986	1988	1987	1986
Household appliances*	41,088	39,487	31,378	2,303	2,187	1,931
Commercial appliances	6,695	5,619	4,250	543	484	349
Commercial services	3,336	2,893	2,504	208	169	172
Outdoor products*	4,960	4,475	2,909	548	460	239
Industrial products*	14,107	11,784	9,087	1,123	761	492
Building components	3,774	3,172	2,962	172	164	138
<b>Total</b>	<b>73,960</b>	<b>67,430</b>	<b>53,090</b>	<b>4,897</b>	<b>4,225</b>	<b>3,321</b>

\* As of 1988, results for internal Group deliveries of components are reported in the business area that received delivery. The comparative figures for 1986 and 1987 have been adjusted to reflect this change.



# REPORT BY THE GROUP PRESIDENT



*Anders Scharp*

Electrolux has expanded vigorously in recent years. Sales have more than doubled since 1984. Our strategy has involved continued acquisitions in order to obtain competitive scale in our leading product areas.

Today, we are one of the world's leading manufacturers of household appliances. We are also the largest or second largest in food-service equipment, industrial laundry equipment, chainsaws and car safety belts.

Major acquisitions have given us the volume benefits and the geographical coverage required for a global structure, but have also involved cost-intensive restructuring.

## **Effects of restructuring apparent**

In 1988 the results of our efforts began to be apparent. We achieved an increase of 22% in income after financial items. The return on equity after 50% standard tax was again at the Group's target level of 15%, corresponding to 30% before taxes.

In Europe, demand continued to be good in most of our product areas. The white-goods market in the US showed some decline and we also experienced a downturn in demand in other areas. Trends were good in South America, the Far East and Oceania.

Restructuring in white goods proceeded on schedule. We are in a phase of intensive investment in both new products and production facilities. In 1989, the refrigerator plant in Susegana will go on-stream and the first stage of the modernization of the Porcia washing-machine plant will be completed. Both facilities are in Italy. In the US, the first stage of a new refrigerator plant in Anderson, South Carolina, will be completed during the year, as will a new dishwasher plant in Kinston, North Carolina. In addition to these major investments, a number of projects for new products and facilities are under way in Scandinavia, the UK, Italy, Spain and the US.

These investments will give us new, more attractive products as well as some of the most advanced and cost-efficient production facilities in the white-goods

industry. In terms of earnings, however, the more significant benefits will first become apparent at the start of the 1990's.

During the second half of the year the acquisition of the Spanish white-goods companies Corberó and Domar was completed. In the course of a few years we have developed a substantial white-goods operation in Spain, where we are now the largest manufacturer.

## **Improved Group structure**

In the course of the year we also directed our efforts to enhancing growth and our long-term competitive position within other business areas than white goods. About twenty acquisitions were made in commercial appliances, commercial services, industrial products and building components. Although a number of these acquisitions were not consolidated for the entire year, the business areas outside household appliances increased their share of total Group sales to 44%. An additional increase is anticipated for 1989.

Acquisition of Roper's garden-equipment operation has made us one of the leading US companies in this area. We now have a good base for further expansion. The acquisition also has expanded our product range with garden tractors, which comprise a growing market segment outside the US as well.

Acquisition of the car safety-belt operations of the UK company Bristol Street Group and a majority shareholding in the Spanish compressor company Unidad Hermética has made the Group the world's second largest producer in these areas.

## **Continued globalization**

The trend toward a global market is continuing in many of our product areas. Consumer patterns in various countries are becoming increasingly more uniform, which creates opportunities for greater internationalization of our products. In addition to national or regional competitors, we will be facing companies with global structures and organizations in an increasing number of areas. Coordination within the EC and the trade agreement between the US and Canada will change market conditions in this direction. We



have therefore strengthened our positions considerably in these areas during the past few years.

Electrolux was the first to engage in white-goods operations in both Europe and the US. During the past year we have seen several of our competitors moving in the same direction.

The Group has substantial resources within the EC, which accounts for about 40% of our sales and over 50,000 employees. The increased integration of markets gives us an opportunity for additional improvement in our production and distribution structures.

The EC's effort to achieve a unified market by 1992 will accelerate the concentration to larger, more powerful units within several of our fields of operations. In order to avoid adverse effects on our competitive position, we must increase our commitment to our units in this market.

Cost increases and manpower shortages have reduced the competitive power of the Swedish units. Planning is also made more difficult by uncertainty regarding Swedish energy policy and the relationship of Sweden to the EC. It is therefore probable that the Swedish share of Group production will continue to decline.

Internationalization of the Group's operations will thus continue. We are aiming primarily at the OECD countries, but we are also increasing our commitment to several of the markets in the Far East. A global structure will be a prerequisite for our long-term competitive position.

### **Development in the near future**

The Group will continue to expand rapidly over the next few years. Additional acquisitions will be made primarily in areas outside household appliances in order to achieve a more balanced Group structure.

A greater share of the expansion within existing business areas must be obtained through increased organic growth. Among other things, this will involve intensifying our commitment to research and development as resources are released from restructuring and rationalization programs.

Acquisitions have given us access to a number of valuable trademarks. We are now working intensively to position these within various market areas in order to obtain better coverage of our different customer segments. We are also coordinating our marketing and sales organizations. We must become more market-driven as we move into the 1990's.

Current investments in new plants and production systems will lead to an improved production structure in both Europe and the US. The rate of investment will continue at a high level over the next few years.

Highly automated and flexible production facilities will make us more cost-efficient. At the same time, new administrative systems are being introduced to enable faster response to changes in the market.

Opportunities are thus still available for improving our cost position and achieving additional increases in the rate of capital turnover.

### **Our financial goals are unchanged**

The acquisitions made in 1988 will entail an increase of about 6% in sales during 1989. After financial costs and depreciation of goodwill, however, these acquisitions are not expected to provide a large contribution to earnings in 1989. The acquisitions are nevertheless strategically justified and will generate substantial contributions to earnings in the long run.

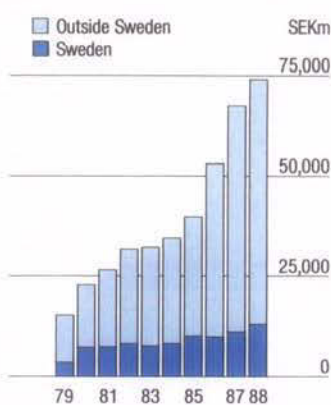
Our goal is still to maintain a return on equity over a business cycle of at least 15% after standard tax, which corresponds to 30% before taxes. Dividends should continue to grow in proportion with equity. In the light of our current business orientation and geographical coverage, an equity/assets ratio of about 25% is considered appropriate for the next few years as well.

*ANDERS SCHARP*  
*President and CEO*



# GROUP OPERATIONS

## Group sales



Sales have grown at 20% annually over the past ten years.

## Operating income and return on net assets



The return on net assets in 1988 was 17.3%.

## Sales

Group sales in 1988 increased to SEK 73,960m (67,430), of which SEK 61,069m (56,302) or 82.6% (83.4) was outside Sweden. If all the new acquisitions excepting the Roper operation were included on a full-year basis, Group sales would increase by another SEK 1,800m to a total of SEK 75,760m.

Exports from Sweden amounted to SEK 6,931m (6,553), of which SEK 3,697m (3,391) referred to sales to subsidiaries. The Swedish plants accounted for slightly over 20% of the total value of Group production.

## Earnings and profitability

Group operating income before depreciation increased in 1988 to SEK 7,474m (6,570). Operating income after depreciation according to plan increased by 16% to SEK 4,897m (4,225), which corresponds to 6.6% (6.3) of total sales.

Income after financial items increased by 22% to SEK 3,727m (3,060). On the basis of this figure, the return on equity less standard tax of 50% and minority interests was 15.3% (12.9). An improvement in the return on equity was thus

## Sales by country and region

	1988		1987	
	SEKm	%	SEKm	%
Sweden	12,891	17.4	11,128	16.6
United Kingdom	7,884	10.7	6,377	9.5
France	5,368	7.3	5,098	7.6
West Germany	4,491	6.1	4,045	6.0
Italy	4,396	5.9	3,684	5.5
Denmark	1,931	2.6	1,735	2.6
Spain	1,766	2.4	1,445	2.1
Finland	1,658	2.2	1,445	2.1
Switzerland	1,532	2.1	1,818	2.7
Norway	1,457	2.0	1,505	2.2
The Netherlands	1,283	1.7	1,238	1.8
Rest of Europe	2,300	3.1	2,005	3.0
<i>Total Europe</i>	<b>46,957</b>	<b>63.5</b>	<b>41,523</b>	<b>61.7</b>
USA	19,354	26.2	19,488	28.9
Canada	1,786	2.4	1,580	2.3
<i>Total North America</i>	<b>21,140</b>	<b>28.6</b>	<b>21,068</b>	<b>31.2</b>
Venezuela	327	0.5	208	0.3
Brazil	307	0.4	302	0.4
Rest of Latin America	821	1.1	852	1.3
<i>Total Latin America</i>	<b>1,455</b>	<b>2.0</b>	<b>1,362</b>	<b>2.0</b>
Japan	776	1.0	707	1.0
Rest of Asia	2,370	3.2	1,731	2.6
Oceania	872	1.2	625	0.9
Africa	390	0.5	414	0.6
<b>Group total</b>	<b>73,960</b>	<b>100.0</b>	<b>67,430</b>	<b>100.0</b>



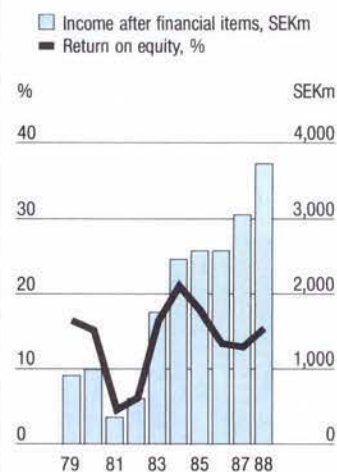
achieved in 1988 after a decline in the last two years resulting from large acquisitions. The Group's goal is to achieve an average return on equity in the course of a business cycle of at least 15% after 50% standard tax. Earnings per share after 50% standard tax and full dilution for outstanding convertible debentures amounted to SEK 24.90 (20.60).

As in the previous year, there were no extraordinary Group items. Income before allocations and taxes amounted to SEK 3,727m (3,060), an increase of 22%. In accordance with the partial method and after full dilution for outstanding convertible debentures, this corresponds to earnings of SEK 36.10 per share (28.80). The

total return, i.e. income before allocations less actual taxes paid, expressed as a percentage of equity plus untaxed reserves, increased to 18.9% (15.7%).

For Electrolux, the partial method involves deducting actual taxes paid while not charging deferred taxes against allocations. The figure for total return thus reflects the actual fiscal situation.

#### Income after financial items and return on equity



Return on equity in 1988 after 50% standard tax amounted to 15.3%.

Sales and income per quarter SEKm		Qtr 1	Qtr 2	Qtr 3	Qtr 4	Whole year	Annual change, %
Sales	1988	17,109	18,962	18,018	19,871	73,960	10
	1987	15,575	17,644	16,332	17,879	67,430	
Operating income after depreciation	1988	1,042	1,362	1,077	1,416	4,897	16
	1987	910	1,189	921	1,205	4,225	
Income after financial items	1988	753	1,057	765	1,152	3,727	22
	1987	624	880	604	952	3,060	

Key ratios	1988	1987
Earnings per share after 50% standard tax, SEK*	24.90	20.60
Total earnings per share after actual taxes paid, acc. to the partial method, SEK*	36.10	28.80
Return on equity after 50% standard tax	15.3%	12.9%
Total return on equity	18.9%	15.7%
Return on net assets	17.3%	15.7%

Average annual growth, 1979-1988	
Sales	19.9%
Income after financial items	18.6%
Adjusted equity	18.1%
Adjusted equity per share*	13.6%
Earnings per share after 50% standard tax*	14.9%
Dividend per share	16.5%
Trading price, B-shares	20.9%

\* After full dilution for outstanding convertible debentures, i.e. total shares = 73.4 million.  
For computation of earnings per share, see Note 6 on p. 44.

### **Operating income and profitability by business area**

The markets in most European countries showed good volume growth during the year. On the other hand, demand in the US declined in several of the Group's product areas.

The average exchange rate for the US dollar was lower in 1988 than in the previous year. This rate is used to translate the income statements of the US units to Swedish kronor and the decline thus had an adverse effect on Group sales and results.

However, changes in the dollar rate would have had a greater effect if most of the Group products sold in the US were not domestically manufactured. The adverse effect in 1988 is visible primarily for household appliances, where most of the product lines have substantial operations in the US.

#### ***Household appliances***

Earnings for white goods improved primarily as a result of good demand in Europe and the effects of internal restructuring. Improved earnings were also achieved for the Group's leisure appliances.

Problems referring to the restructuring of production led to a sharp decline in earnings for air-conditioners. Vacuum cleaners also showed lower earnings as a result of a prolonged strike at the plant in Bloomington, Illinois, and increased price competition in the US market. A negative trend for earnings was also reported for sewing machines.

Profitability for this business area was nevertheless on a level with the previous year.

#### ***Commercial appliances***

Good volume led to a sharp increase in earnings and profit margin for the food-service equipment product line. Consolidation of the Thorn operations on a full-year basis and the earnings generated by new acquisitions contributed to the favorable earnings trend.

A considerable improvement in earnings was also achieved for industrial

laundry equipment as well as for sterilization and disinfection equipment.

Weak demand in the US and an unfavorable earnings trend in the UK led to a considerable decline in earnings for the commercial refrigeration equipment product line.

Profitability for this business area was unchanged from the previous year.

#### ***Commercial services***

Both cleaning and laundry services reported good volume and earnings, which led to an improvement in profitability for this business area.

The sharp improvement for cleaning services in particular is traceable to the fact that earnings in 1987 were adversely affected by a price freeze in Sweden.

#### ***Outdoor products***

A sharp increase in earnings and profit margins was achieved for the Group's garden products, mainly as a result of good growth in volume in the European market. Together with continued strong earnings for chainsaws, this led to a substantial improvement in profitability for this business area.

#### ***Industrial products***

Higher prices for aluminium and maximum capacity utilization in the newly renovated smelting plant in Sundsvall, Sweden, along with good performance by the profile and recovery operations led to a sharp increase in earnings for Gränges Aluminium. Substantial increases in earnings were also achieved for Electrolux Autoliv, components and the industrial operations in White. On the other hand, earnings for the materials handling product line were largely unchanged from the previous year.

A substantial improvement in profitability was achieved in this business area.

#### ***Building components***

Good business conditions in the Swedish market contributed to favorable trends for the building materials product line as well



as for Ballingslöv kitchen cabinets. However, profitability for this business area increased only slightly over the previous

year, as weak growth in volume and earnings was reported for the US kitchen and bathroom cabinet operations.

#### Sales and operating income by business area, SEKm

	Sales			Operating income after depreciation		
	1988	1987	Change %	1988	1987	Change %
Household appliances*	41,088	39,487	4	2,303	2,187	5
Commercial appliances	6,695	5,619	19	543	484	12
Commercial services	3,336	2,893	15	208	169	23
Outdoor products*	4,960	4,475	11	548	460	19
Industrial products*	14,107	11,784	20	1,123	761	48
Building components	3,774	3,172	19	172	164	5
<b>Total</b>	<b>73,960</b>	<b>67,430</b>	<b>10</b>	<b>4,897</b>	<b>4,225</b>	<b>16</b>

\* As of 1988, results for internal Group deliveries of components are reported in the business area that received delivery. The comparative figures for 1987 have been adjusted to reflect this change

## Application of US GAAP

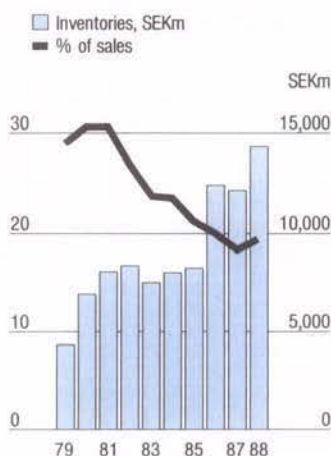
The table below summarizes the Group's approximate earnings and financial position according to US GAAP. For additional information and a description of the most important differences between US and Swedish accounting practices, see Note 20, p. 48.

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

	1988	1987
Net earnings, SEKm	2,103	1,833
Net earnings per share, fully diluted, SEK	28.60	25.00
Shareholders' equity, SEKm	12,807	11,340
Total assets, SEKm	57,407	49,169
Debt/capital ratio, %*	54	57

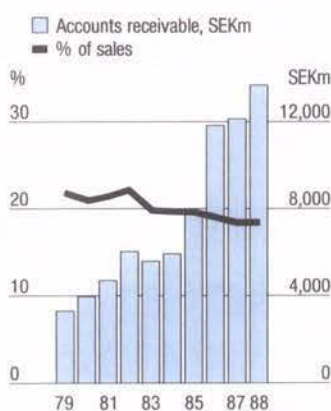
\* Long-term liabilities in relation to long-term liabilities plus shareholders' equity

### Group inventories



Inventories as % of sales amounted to 19.0% in 1988.

### Group accounts receivable



Figures for 1980-84 include accounts receivable previously transferred to partly owned financing companies.

## Goodwill

Following a vigorous expansion during the 1970's and 80's, the greater part of Electrolux' production and sales is now outside Sweden. The US has become the Group's largest single market.

Acquisitions play a major role in the Group's expansion. These occur in competition with foreign companies, some of them in the US, which may apply accounting principles that differ from those in Sweden, e.g. regarding 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 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 normal Swedish accounting practice.

American practice involves booking depreciation over useful life of 0-40 years, and the goodwill arising from the acquisition of White and Zanussi is being booked over the latter period, as the maximum depreciation period of 40 years is often applied in the US for acquisitions comparable with White and Zanussi. Estimated useful life is reviewed annually to determine whether an abridgement is necessary. See also the description of accounting principles on p. 41.

## Tied-up capital

Since the start of the 1980's, the Group has applied a comprehensive program in order to reduce capital tied up in operations. Expressed as a percentage of sales, inventories have been reduced from previous levels of around 30%. A substantial reduction in accounts payable has also been achieved, although new acquisitions in recent years in countries where credit terms are normally much longer than the Group average have had an unfavorable effect. The goal is to achieve an additional reduction to 15% for both inventories and accounts receivable.

After consolidation of the new acquisitions in Spain and other countries, accounts receivable remained at 18.1% (18.1) of sales. The corresponding figure

for inventories increased to 19.0% (18.0). This increase is traceable mainly to the difficulty of maintaining low inventory levels in connection with major restructuring and extensive capital expenditure.

Net Group assets, i.e. total assets less non-interest-bearing liabilities including deferred taxes on untaxed reserves, amounted to 47.1% (43.7) of total sales. Excluding Roper, which is reported as of December 31, 1988, as a long-term shareholding, net assets amounted to 44.7% of sales. The name of the Roper operation was changed to American Yard Products Inc. subsequent to the acquisition.

Assets referring to customer financing amounted to SEK 1,025m (969).

## Financial position

International interest rates for major currencies increased by 1% on average in 1988. The rise occurred during the second half of the year.

Net Group financial items amounted to SEK -1,170m (-1,165), which corresponds to 1.6% (1.7) of sales.

In 1987-88 Group investments were self-financed, with the exception of the acqui-

sition of the Roper operation at the close of 1988. This is apparent from the fact that the Group's net interest-bearing debt increased by only SEK 1,537m during this period, despite the price of approximately SEK 1,800m paid for Roper.



At year-end 1988 the Group's total interest-bearing liabilities amounted to SEK 21,009m (17,372), of which PRI-pension liabilities accounted for SEK 1,589m. The ratio of total interest-bearing liabilities to adjusted equity has thus increased from 1.45 to 1.51. Of these liabilities, 61% (71) consisted of long-term liabilities. Of the long-term loans, 65% (72) bear fixed interest rates.

Group liquid funds at year-end amounted to SEK 4,010m, which corresponds to 5.4% (6.9) of sales.

The Group was active on the international capital market during the year, and issued the following bond loans:

- FRF 500m (approx. SEK 500m), 7 years at 9 1/8% p.a.
- AUD 100m (approx. SEK 525m), 2 years at 14 3/8% p.a.
- CAD 75m (approx. SEK 385m), 3 years at 9 1/2% p.a.

Most of these loans were converted to USD by swaps.

Medium-term notes were issued on favorable terms within the framework of the Group's Medium-Term Notes and Multi-Tranche Tap Facility.

Short-term borrowing was arranged primarily through the Group's various types of certificates.

### Currency exposure

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

The Group's geographically widespread production involves reciprocal currency flows which counteract 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.

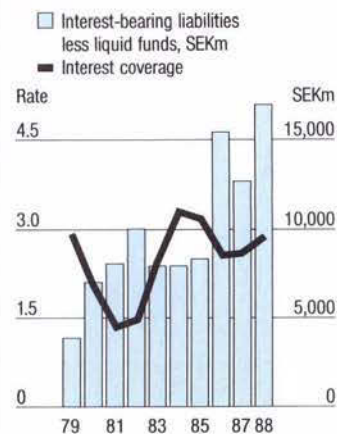
Net exchange differences on loans and borrowings amounted to SEK -52m (-11). As in previous years, exchange losses on long-term loans have not been amortized.

The net of assets and liabilities in foreign subsidiaries comprises a net investment in foreign currency and generates a translation exposure. As a hedge against fluctuations in exchange rates, the parent company's loans are distributed as far as possible in the same currencies as this net investment. This means that the reduced value of a net investment generated by a decline in an exchange rate is offset to some extent by exchange gains on parent company loans in the same currency. Some 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 216m (-728) 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 large translation difference in 1987 was generated partly by a difference of SEK -239m referring to goodwill.

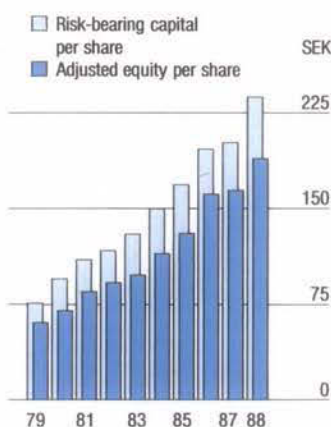
Translation losses referring to countries with highly inflationary economies are charged against operating income. See also the section on accounting principles, p. 41.

### Group loan situation



Despite an increase in interest expense during 1988, interest coverage improved to 2.88, as against 2.60 in 1987.

### Equity and risk-bearing capital per share



Adjusted equity and risk-bearing capital per share have grown at an annual rate of approximately 14% over the past ten years.

## Equity

At year-end 1988, adjusted Group equity amounted to SEK 13,893m (11,941) and total risk-bearing capital to SEK 17,408m (14,783).

Adjusted equity and risk-bearing capital per share, fully diluted for outstanding convertible debentures, had increased by year-end to SEK 190 (164) and SEK 238 (202), respectively.

The growth of adjusted equity per share over a number of years 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 the most commonly used key ratios, primarily as a result of substantial extraordinary income and actual taxes of less than 50%, the standard rate on which most Swedish key ratios are based.

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 13.6%.

**Adjusted equity per share, January 1, 1979** SEK 53

Earnings per share less 50% standard tax, 1979-88 140  
Dividend per share, 1979-88 -56

**Theoretical adjusted equity per share after 50% standard tax** SEK 137

Equity has also been affected by:

- Extraordinary items per share, 1979-88 SEK 20
- Tax savings per share, 1979-88, as actual tax paid was less than standard tax 56
- Deferred tax per share, which has not occasioned any tax payments, computed as 50% of allocations -35

**Theoretical adjusted equity per share after extraordinary items and full tax** SEK 178

Equity is affected by other factors which are not reported in the income statement:

- Translation differences per share SEK -11
- Write-up on fixed assets per share 6
- Effect of new share issue in 1986 on equity per share 12
- Other items per share (changes in accounting principles, etc.) 5

**Actual adjusted equity per share, December 31, 1988** SEK 190

### Convertible debenture loans

Convertible Loan III in AB Electrolux matured on December 15, 1988. The only remaining convertible loan in Electrolux is Loan IV, which had a nominal value of SEK 59m on December 31, 1988. Loan IV bears 10% interest and is converted at SEK 60. The loan has been eligible for conversion since January, 1982. The dividend received after conversion is greater than the interest on the corresponding debenture. Owners of convertible debentures should therefore consider conversion, which can be done through any Swedish bank.

Loan IV matures on December 15, 1990. From that date onward, debentures will be redeemed at par value, which means that the owner will lose the value increment generated during the life of the loan.

If all the debentures outstanding at year-end were converted, the number of shares would increase by 977,505 to 73,437,198.

### Equity/assets ratio

Extensive acquisitions have led to a decline in the equity/assets ratio to 24.4% (24.6). Exclusive of the operation acquired from Roper, which has been reported as a long-term shareholding as of December 31,



1988, the equity/assets ratio would be 25.3%. Given the framework of the Group's current orientation of operations,

## Capital expenditure

Group capital expenditure excluding the value of fixed assets in companies acquired during the year amounted to SEK 4,772m (3,485), of which SEK 1,321m (1,000) referred to Sweden. Capital expenditure corresponded to 6.5% (5.2) of total sales. A large part of capital expenditure during the year referred to on-going projects in the white-goods area, which include:

- A new refrigerator plant in Susegana, Italy, which is scheduled for completion in 1989 and represents a total investment of approximately SEK 600m.

## Major changes in the Group

### Household appliances

During the second half of the year a final agreement was reached for acquisition of the Spanish white-goods companies Corberó S.A. and Domar S.A., which together have annual sales of slightly more than SEK 1,000m. Production consists mainly of cookers and washing machines and thus complements the Group's existing operations in Spain in the Ibelsa subsidiary. Electrolux is now the largest producer of white goods in Spain. In the first phase of the acquisition Electrolux took over 64% of the shares, while the regional government of Catalonia remained as part-owner with a 36% shareholding. The agreement stipulates that Electrolux will acquire all shares by December 31, 1991 at the latest. The companies were consolidated as of December 1, 1988.

The Italian vacuum-cleaner company Alfatec S.p.A., with annual sales of about SEK 125m, was acquired as of July 11. The company's product range includes cleaning equipment for both household and commercial use, including wet cleaners and carpet-washing equipment.

In leisure appliances, the Group acquired A&E Systems Inc., the largest

market positions and geographical distribution, the goal is to maintain an equity/assets ratio of about 25%.

- Modernization of the washing-machine plant in Porcia, Italy, where the first stage is expected to go on-stream at the end of 1989. The entire project is scheduled for completion in 1991 and represents a total investment of approximately SEK 900m.

- A new refrigerator plant in Anderson, South Carolina, where the first stage is expected to go on-stream during the first half of 1989. The entire project represents an investment of approximately SEK 600m.

US manufacturer of window awnings for caravans and motor homes. The company has annual sales of about SEK 300m and was acquired as of September 1.

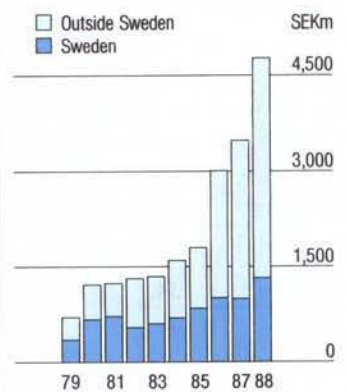
### Commercial appliances

Acquisitions in the food-service equipment product line included Alpeninox S.p.A., one of the leading Italian producers of refrigeration equipment for hotels and restaurants. The company has annual sales of about SEK 230m and was acquired as of January 1, 1988. A number of small French companies were also acquired in this product line.

An operation for industrial laundry equipment was acquired from Washex Machinery Corporation in the US at the start of November. This operation has annual sales of about SEK 165m.

In the commercial cleaning equipment product line, the Group acquired Beam Industries Inc., the US market leader for central vacuum systems. The company has annual sales of about SEK 50m and was consolidated as of January 1, 1989.

### Group capital expenditure



Capital expenditure in 1988 amounted to SEK 4,772m, of which SEK 1,321m referred to Sweden.

### **Commercial services**

A number of small cleaning service companies were acquired in Denmark, the UK, Luxembourg and Spain. The Group's Australian cleaning company was sold as of January 1, 1989.

### **Outdoor products**

The Group's US subsidiary White Consolidated acquired the garden-product operation of the Roper Corporation, with annual sales of about SEK 2,500m. The Group has thus become one of the largest US manufacturers of lawn mowers, garden tractors and tillers.

The purchase price for Roper was based on the company's balance sheet as of July 31, 1988 and amounted to USD 295m (approximately SEK 1,800m). Payment was made in cash on December 31, 1988. The price will be adjusted by an amount corresponding to the change in the net assets acquired which occurred between July 31 and December 31, 1988. This will require an additional payment in 1989.

In the light of uncertainty regarding the purchase price and the fact that it is not feasible to accurately allocate the acquisition value and thereby complete the purchase accounting, Roper has not been consolidated in the Electrolux financial statements for 1988. The acquisition has been reported as a long-term shareholding.

### **Industrial products**

On April 1, 1988 the Group acquired the car safety-belt operations of the British company Bristol Street Group, comprising Britax in the UK, Kolb in West Germany and Cooldrive in Australia, with annual sales of slightly more than SEK 600m. Two small companies were also acquired in this product line, one in Sweden and one in New Zealand.

### **Lamco**

The value of the Group's holding in LAMCO (Liberian American-Swedish Minerals Company) is reported at zero in the balance sheet. At year-end, the Group

The Dutch company Bruynzeel Monta Magazijn Systemen C.V., with subsidiaries in West Germany, the UK and Belgium, was acquired as of April 1. The company manufactures materials handling equipment and has annual sales of about SEK 190m.

A majority shareholding in the listed Spanish company Unidad Hermética was acquired through a public offering. The company manufactures compressors for the white-goods and other industries and has annual sales of about SEK 750m. The acquisition was consolidated as of October 1. Electrolux controls about 60% of the voting rights.

The machine-tool division of White Consolidated, which has been unprofitable for some years, was sold as of March 1. The divestment did not involve a loss for the Group.

### **Building components**

The building materials operation in the listed Norwegian contracting company G. Block Watne A/S was acquired as of year-end 1988. This operation comprises 31 sales outlets with annual sales of about SEK 200m. Two smaller building materials companies were also acquired in Sweden.

had guarantee commitments for LAMCO to a total value of SEK 152m (215), for which appropriate provisions have been made in the consolidated balance sheet.



## Personnel

The average number of Group employees (excluding Liberia) increased during 1988 to 147,192 (140,462).

	1988	1987
<b>Operations in Sweden</b>		
Total work sites	107	95
Total average number of employees	30,103	29,456
Wages, salaries and remuneration, SEKm		
Boards and Presidents	70	55
Other employees	3,580	3,271
<b>Total</b>	<b>3,650</b>	<b>3,326</b>
<b>Operations outside Sweden</b>		
Total countries	47	46
Total average number of employees	117,089	111,006
Wages, salaries and remuneration, SEKm		
Boards and Presidents	168	153
Other employees	11,439	10,948
<b>Total</b>	<b>11,607</b>	<b>11,101</b>
<b>Group total</b>		
Average number of employees	147,192	140,462
Salaries and remuneration, SEKm	15,257	14,427

*A specification of salaries and the number of employees is given in the separate report for the parent company.*

## Parent company

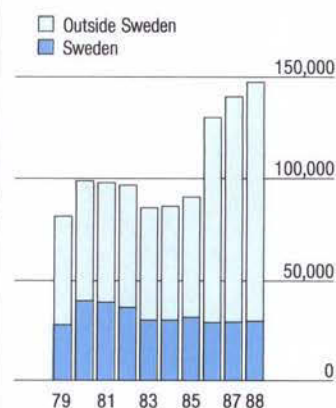
Sales for the parent company in 1988 amounted to SEK 4,323m (4,076), of which SEK 3,053m (2,941) referred to sales to Group companies and SEK 1,270m (1,135) to external customers.

After allocations of SEK -92m (-20) and taxes of SEK -92m (-42), the parent

company reported net income of SEK 870m (815). The Board proposes a dividend of SEK 11.50 (10.00) per share for 1988, for a total dividend payment of SEK 833.3m (721.2).

A summary of the annual report for the parent company is given on p. 49.

### Average number of employees



The number of employees increased in 1988 to 147,200, of whom 30,100 were in Sweden.

## Comprehensive financial operations

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Financial operations in Electrolux 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, the netting system and most long-term borrowings.

The capital management business area has the task of managing most of the Group's liquid funds, which involves application of the Group's various loan instruments in order to finance interest arbitrage operations. Other responsibilities include raising loans to foreign Group subsidiaries as well as extensive foreign exchange dealings.

The Group's short-term borrowings and cash management are coordinated through Electrolux Finance Corp. B.V. in The Netherlands, which has an affiliate in Zurich. The company is the center of an international cash-pool system aimed at making the most effective use of the Group's liquidity. The Group also has financial centers in Norway, Finland, Italy, France and the US.

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. In 1988 a new leasing company, Elfi-Bail S.A., was established in France. Veneta Factoring S.p.A. continued to report strong growth. This company is engaged in factoring operations aimed primarily at facilitating financing for the Group's Italian suppliers. An operation for customer financing for both retailers and end-users is being developed in Sweden and other countries.

The Group's two insurance companies reported continued good performance in 1988. Electrolux Försäkringsaktiebolag in Stockholm is responsible for direct insurance and reinsurance referring to risks related to the Group, excluding life insurance. Electrolux Reinsurance Luxembourg S.A. handles reinsurance for risks referring to Group operations. During 1988 the Equinox Insurance Co. was started in Vermont, focused on risks related to the Group's US operations.



# ELECTROLUX SHARES

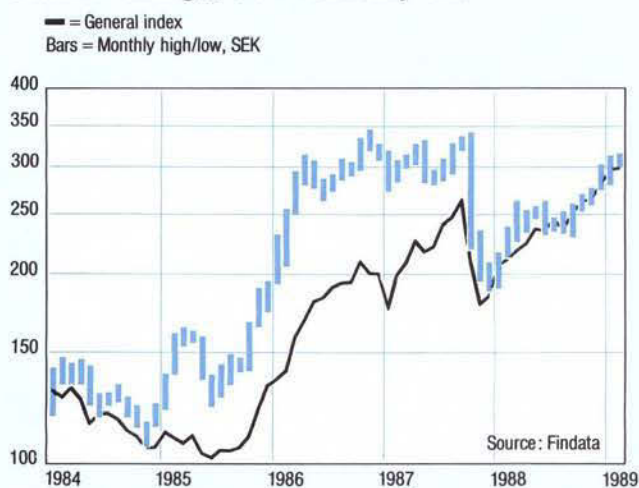
Electrolux A- and B-shares have been listed on the Stockholm Stock Exchange since 1930. B-shares have also been listed in London since 1928, Geneva (1955), Oslo (1981), Paris (1983), Zurich (1987) and Basel (1987). Since July 1, 1987, B-shares have also been listed in the US through the NASDAQ system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

At year-end 1988 the market capitalization of Electrolux was approximately SEK 21 billion.

Approximately 19.8 million Electrolux shares were traded on the Stockholm Stock Exchange in 1988 to a value of SEK 4.9 billion. This represented about 4% of the total volume of shares traded, which was about SEK 115.6 billion in 1988.

A total of 19.3 million Electrolux shares were traded on the London Stock Exchange in 1988. A total of 4.6 million ADR's were traded through NASDAQ. Trading volume on other exchanges was considerably lower.

## Price of Electrolux B-shares on the Stockholm Stock Exchange, 1984–February 1989



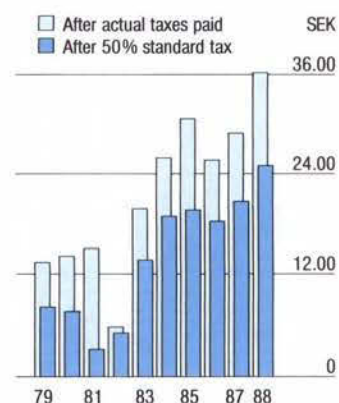
## Trading volume for Electrolux shares in Stockholm, London and New York

('000)	1988	1987
Stockholm	19,789	18,503
London	19,327	21,133
New York <sup>1)</sup>	4,598	4,727 <sup>2)</sup>

<sup>1)</sup> ADR's

<sup>2)</sup> As of July 1

## Earnings per share



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

## Trading price and adjusted equity per share



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.

## Per-share data

	1988	1987	1986	1985	1984	1983	1982	1981	1980	1979
Year-end price, SEK	293	193	311	194	121	119	60	41	44	45
Adjusted equity per share, SEK	190	164	161	131	115	98	92	85	70	61
Trading price/adjusted equity, %	154	118	193	148	105	121	65	48	63	74
Dividend, SEK	11.50	10.00	8.75	7.50	6.50	5.50	4.50	4.00	3.75	3.00
Direct yield, %	3.9	5.2	2.8	3.9	5.4	4.6	7.5	9.8	8.5	6.7
Change in price during the year, %	52	-38	60	60	2	98	46	-7	-2	2
P/E ratio*	8.1	6.7	12.1	6.4	4.7	6.0	10.2	2.7	3.1	3.4

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

### Dividend per share



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

### 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 13.6%. The dividend has increased by 16.5% annually over the same period.

### Share capital

On December 31, 1988 there were 2,000,000 Electrolux A-shares and 70,350,351 B-shares, each with a par value of SEK 25.

Total share capital at year-end including 109,342 converted but unregistered B-shares amounted to SEK 1,811.5m.

2,000,000 A-shares	SEK	50.0m
70,350,351 B-shares		1,758.8m
109,342 unregistered B-shares (converted debentures)		2.7m
<b>Total share capital</b>	<b>SEK</b>	<b>1,811.5m</b>

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 1988 by 338,910 through conversion of debentures. Conversion of all outstanding debentures would increase the number of shares to 73,437,198.

### Major shareholders as of February, 1989

	Number of shares	Share capital, %	Voting rights, %
ASEA	7,758,976	10.71	48.62
Trygg-Hansa	3,765,268	5.20	0.18
4th National Pension Insurance Fund	3,173,054	4.38	0.15
Sparbankernas Allemansfonder	2,954,762	4.08	0.14
Skandia	2,813,944	3.88	0.14
SPP	1,768,651	2.44	0.09
Custos	1,373,600	1.90	0.07
Investor	1,231,278	1.70	35.34
Folksam	1,205,000	1.66	0.06
Sparbankernas Aktiesparfond	1,155,300	1.59	0.06
Export-Invest	808,333	1.12	0.04
Kapitalinvest	690,000	0.95	0.03
Hans and Britta Werthén	590,427	0.81	0.03
AMF Insurance	557,795	0.77	0.03
WASA Insurance	461,812	0.64	0.02
∴	∴	∴	∴
Providentia	205,200	0.28	9.91

### Distribution of shareholdings in Electrolux as of August, 1988

Shareholding	No. of shareholders	As % of shareholders
1-1,000	66,928	95.2
1,001-10,000	2,980	4.2
10,001-100,000	352	0.5
100,001-	86	0.1
<b>Total</b>	<b>70,346</b>	<b>100.0</b>

The above information is based on the register of shareholders in AB Electrolux at the Swedish Securities Register Center.



### Change in share capital 1979–1988

Total share capital, SEKm	Of which through conversion	
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
1986	1,775	63
1987	1,803	28
1988	1,812	9

\* New issue of 8 million B-shares outside Sweden, total value at par SEK 200m

### Electrolux convertible loans outstanding as of December 31, 1988

	Year issued	Par value SEK	Interest rate	Total value at par Dec. 31 SEK'000	Original value at par, SEK'000	Conversion rate SEK	No. of shares after full conversion
Loan IV*	1980	100	10%	58,650	662,725	60	977,505

\* Issued in connection with the acquisition of Gränges

### Convertible debenture loans

AB Electrolux convertible Loan III matured on December 15, 1988. The sum of SEK 572,650 was not converted, corresponding to 13,317 shares.

Loan IV is the only outstanding Electrolux convertible loan. This loan amounted to SEK 59m at par on December 31, 1988. It has been eligible for conversion since 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 can be done through any Swedish bank.

Loan IV matures on December 15, 1990. 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.

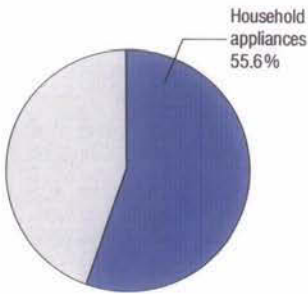
If all outstanding debentures in Loan IV were converted, the total number of shares would increase by 977,505 to 73,437,198.

### 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 1988 there were 1,986 shareholders in the Aktiesparfond and 3,999 in the Allemansfond, with total holdings of 195,024 shares. Loans raised by employees to acquire shares totalled SEK 19.7m.

# HOUSEHOLD APPLIANCES

## Share of total Group sales



## Household appliances

	SEKm	%
White goods	30,359	74
Leisure appliances	1,881	4
Floor-care products	5,466	13
Room air-conditioners	1,885	5
Sewing machines	775	2
Other	722	2
	41,088	100

Sales of household appliances in 1988 amounted to SEK 41,088m, as against SEK 39,487m in the previous year. Operating income after depreciation amounted to SEK 2,303m (2,187), which corresponds to 5.6% (5.5) of sales. Income was adversely affected by problems connected with restructuring of the room air-conditioner operation. The comparative figure for 1987 includes the radio/TV operation in Océanic in France, which was sold as of July 1, 1987.

## White goods

Electrolux is one of the world's largest manufacturers of white goods. The Group is the European market leader and as owner of White Consolidated is the third largest white-goods company in the US. The Group's market position in Spain was strengthened during the year by acquisition of two companies, Corberó and Domar.

Sales in 1988 amounted to SEK 30,359m (28,476). This product line thus accounted for 41% of total Group sales. Earnings improved and profitability was satisfactory.

The improvement in earnings is traceable primarily to good volume on the European market and the effects of the on-going restructuring programs in Europe and the US.

## Operations in Europe

Demand in Europe continued to be good and showed a volume growth of 4-5%, including microwave ovens. Group sales increased in Sweden, Finland, the UK, West Germany and Spain. Sales volume in Italy and France was the same as in the previous year. There was no increase in the Group's total market share.

Zanussi reported continued good earnings, mainly as a result of a greater volume of exports. An additional improvement in earnings was achieved in the French operation, but profitability was still unsatisfactory. The previously implemented program for restructuring and investment in the washing-machine product group has gradually generated benefits.

Restructuring of the European operations has been largely completed. Most of the planned major investments are now being implemented. Among other things, in 1989 the refrigerator plant in Susegana



White Consolidated is the third largest white-goods company in the US. Illustrated is the new Frigidaire "Elite" line of white-on-white Euro-styled appliances.





The new hobs are available in a wide range of combinations. Shown here: A gas hob, an electric grill and a glass/ceramic hob.

The new refrigerator/freezer has a 0° C compartment that keeps food fresh much longer. The freon content of insulation has been cut by 50% in the Group's European refrigeration products.



and the first stage of the washing-machine plant in Porcia will go on-stream. Both of these facilities are in Italy. Other major projects for products and facilities are in progress in Scandinavia, the UK, Italy, Spain and other countries. However, the benefits of these investments in terms of earnings will first become apparent in the early 1990's.

The European market in 1988 was estimated at about 42 million units, of which microwave ovens accounted for almost 15%. Demand refers mainly to replacement buying, with the exception of dishwashers and microwave ovens. However, growth occurs in several other product groups, although it is limited to specific segments. For example, demand for traditional free-standing cookers is declining, while demand for hobs and built-in ovens is increasing. The market shows overcapacity, but restructuring has continued.

#### Acquisition of Corberó and Domar

During the second half of the year the Group completed the acquisition of the Spanish companies Corberó and Domar, which together have annual sales of about SEK 1,000m. The two companies employ about 1,500 people. Production is focused on cookers and washing machines and thus complements the Group's existing operations in the Ibelsa subsidiary.

The first phase of the acquisition involved the takeover of 64% of the shares

by Electrolux, while the regional government of Catalonia remains as part-owner with a 36% shareholding. The agreement stipulates that Electrolux will take over all shares by December 31, 1991. This acquisition makes Electrolux the largest producer of white goods in Spain.

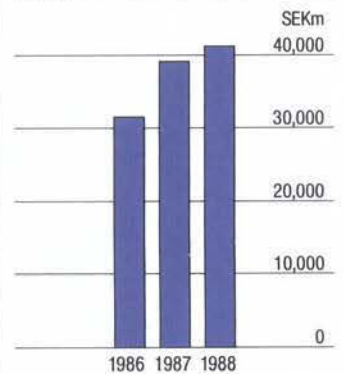
A decision has been made to implement a comprehensive restructuring program for operations in Spain. Aimed at obtaining a competitive production structure, this will include concentrating production of front-loaded washing machines to the Domar plant in Martorelles and production of refrigerators to the Ibelsa plant in Logroño.

#### Operations in the US

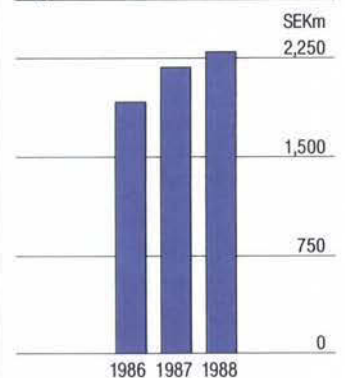
The market in the US declined in volume by about 3%. The downturn refers mainly to microwave ovens, but demand was also lower for cookers and dishwashers, for which White also reported lower sales. Nevertheless, the Group's total market share increased somewhat over the previous year. Despite severe price competition and higher costs for materials, an increase in earnings was achieved.

The program for restructuring and investment in the US operations proceeded according to plan. Production of dishwashers in Columbus, Ohio was shut down during the year and transferred to the D&M plant in Connersville, Indiana.

#### Sales



#### Operating income after depreciation



	1986	1987	1988
Sales, SEKm	31,378	39,487	41,088
Operating income after depreciation, SEKm	1,931	2,187	2,303
Operating income as % of sales	6.2	5.5	5.6



At the same time, construction of a new plant for dishwashers in Kinston, North Carolina was started, scheduled for completion in 1989. The first stage of a new refrigerator plant in Anderson, South Carolina is scheduled for completion during the first half of 1989.

Capital expenditure in the US is expected to exceed USD 100m annually over the next few years.

The US market during 1988 was estimated at about 44 million units, of which microwave ovens accounted for about 25%. This market is considerably more structured than the European market. The four largest producers together account for 80-90% of total output.

#### *Improved production structure and intensified commitment to marketing*

Restructuring together with extensive capital expenditure will generate an improved production structure in both Europe and the US. The Group will have some of the most advanced and cost-effective plants in the white-goods industry.

Intensive efforts are now under way to position trade marks in various markets and customer segments, while marketing and sales organizations are being coordinated.

Increased market-orientation and more emphasis on product development will create conditions for greater organic growth.

#### **Leisure appliances**

This product line is focused on absorption refrigerators for caravans and hotel rooms, for which the Group is the world market leader.

The product range has steadily expanded and now includes cookers, ovens and heating/ventilation equipment for "miniature households". In 1988 the product range for caravans was expanded to include both window awnings and power levelers.

Sales in 1988 amounted to SEK 1,881m (1,619). Profitability remained at the same level as in the previous year.

Demand for caravan refrigerators was largely unchanged in both Europe and the



*There are many uses for an absorption refrigerator outside the kitchen.*

US. Nor was there any significant change in the Group's market shares.

During the year the Group acquired A&E Systems Inc., the largest US producer of window awnings for caravans and motor homes. The company has annual sales of about SEK 300m and about 550 employees. This acquisition strengthens the Group's position on the important after-sale market. Coordination of the acquisition with this product line's other operations in Dometic Corporation is expected to generate cost benefits.

The most important markets for this product line are the US, Canada, West Germany, the UK, France and Australia.

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

#### **Floor-care products**

Electrolux is one of the world's largest producers of floor-care products, with a global market share of about 20%.

Sales in 1988 amounted to SEK 5,466m (5,571). Profitability was good.

Earnings and profitability declined as a result of a prolonged strike at the plant in the US and increased price competition on the American market. The Group's market shares remained largely unchanged in Europe but declined in the US. Increases were achieved in several markets in Southeast Asia.





*The D750 combines the lowest noise level on the market with the highest suction power.*



*In 1989, the market's first cordless rechargeable upright model will be launched, along with a new high-performance cylinder unit.*

During 1988 the Group acquired the Italian company Alfatec S.p.A., which manufactures cleaning equipment for both households and commercial users. Among other things, the company has developed several new products for carpet-washing and wet cleaning. Annual sales amount to about SEK 125m. This acquisition complements the Group's operations in terms of both markets and products.

The global market for floor-care products amounts to about 30 million units. Europe and the US account for about one-third each. Demand in the Western world has generally stagnated in recent years, which has led to greater price competition. Growth occurs mainly at the low end of the market and in the segments for compact machines and smaller machines for light cleaning duties.

The most important markets for this product line are the US, the UK, France, the Nordic countries, Australia, West Germany, Switzerland and Japan.

The major brand names are Eureka, Electrolux, Progress, Tornado and Volta. Sales are channelled mainly through dealers and Group-owned outlets. Direct sales account for about 15% of total volume.

Production is located primarily in the US, the UK, Sweden, France and West Germany. The Group also operates a number of small plants in South America and Southeast Asia.

### Room air-conditioners

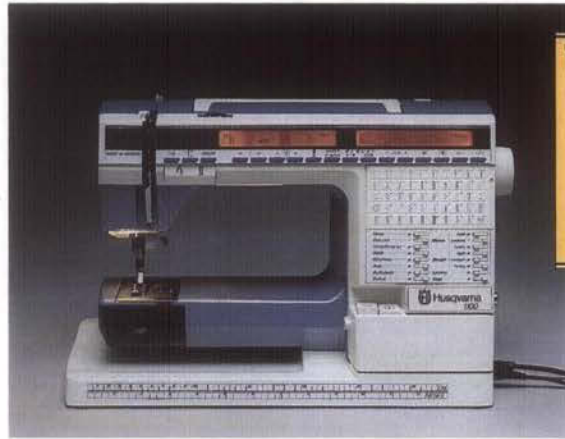
Group operations in air-conditioning are concentrated in White Consolidated in the US, which is one of the country's largest manufacturers and has a market share of about 20%.

Sales in 1988 amounted to SEK 1,885m (1,739). Earnings declined sharply and profitability was unsatisfactory.

The decline in earnings is traceable mainly to delivery problems and higher costs resulting from the restructuring of production. Sales volume was nevertheless on a level with that of the previous year. A strong increase in the total market volume in 1988 led to a drop in White's overall market share. A comprehensive program of action is expected to generate an improvement in profitability in 1989.

The US market for the types of products made by White is estimated at about 4.5 million units. In recent years this market has shown an increased share of imports from Southeast Asia, Brazil and other countries.

White's products are sold under the White-Westinghouse, Frigidaire, Gibson and Kelvinator brand names. The company's products are also sold under private brands.



*Husqvarna's 300th anniversary in 1989 will be celebrated by launching the market's most advanced computerized sewing machine.*

### **Sewing machines**

The product range comprises primarily technically advanced sewing machines for the high end of the market, of which the Group has a global share of about 20%.

Sales in 1988 amounted to SEK 775m (790). Profitability declined and was unsatisfactory.

Earnings were adversely affected by production problems in the plant at Huskvarna. During the year there was also a decline in European demand for advanced sewing machines, which led to reduced sales. On the other hand, volume trends were favorable in the US and Canada.

The world market for electric free-arm machines in all price segments is estimated at about 4 million units and is becoming increasingly more polarized in a high- and a low-price segment. The Group is one of the five largest manufacturers in terms of annual output and is the leader in technological development. The main competitors are from Japan, West Germany and Switzerland.

The major markets for this product line are the US, the Nordic countries and France. Most sales are channelled through retail outlets, but a small share is distributed through department stores and direct sales.

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



# COMMERCIAL APPLIANCES

Sales of commercial appliances in 1988 amounted to SEK 6,695m (5,619). Operating income after depreciation amounted to SEK 543m (484), which corresponds to 8.1% (8.6) of sales. The marginal decline is traceable mainly to a downturn in earnings for commercial refrigeration equipment.

## Food-service equipment

After the acquisitions of recent years, Electrolux is now the world's second largest manufacturer of food-service equipment. Sales in 1988 amounted to SEK 3,129m (2,356), of which food and beverage vending machines accounted for SEK 247m (211). Earnings improved sharply and profitability was good.

The favorable sales and earnings resulted mainly from increased volume, but consolidation of newly acquired units also played a part. The companies acquired from Thorn EMI were included in the accounts for 1987 only as of April 1.

Greater sales volume was achieved primarily in Sweden, the UK, Italy and Spain, where the Group improved its market share. A good performance was also recorded by Zanussi's operation for food and beverage vending machines.

At the start of the year the Group acquired the Italian company Alpeninox S.p.A., which is engaged mainly in manufacture of refrigeration equipment for hotels and restaurants. The company has annual sales of about SEK 230m and more than 200 employees. The main benefit of this acquisition is an improved production structure for refrigeration products in Italy.

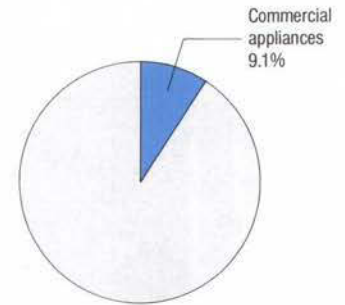
A small manufacturer of bakery equipment was also acquired in France.

The total European market for food-service equipment is stagnating, but demand is nevertheless increasing in specific segments. The markets in the US and Asia show some growth.

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

The greater part of production is now located in Sweden, the UK, France, Switzerland and Italy. Additional programs for rationalization and more efficient production will be implemented during the next few years.

## Share of total Group sales



## Commercial appliances

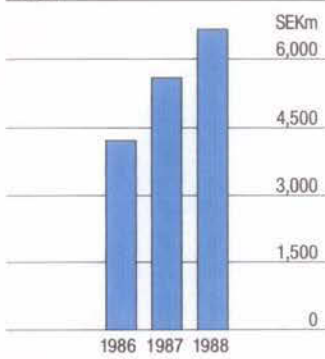
	SEKm	%
Food-service equipment	3,129	47
Industrial laundry equipment	1,384	20
Commercial cleaning equipment	670	10
Commercial refrigeration equipment	997	15
Sterilization and disinfection equipment	515	8
	6,695	100



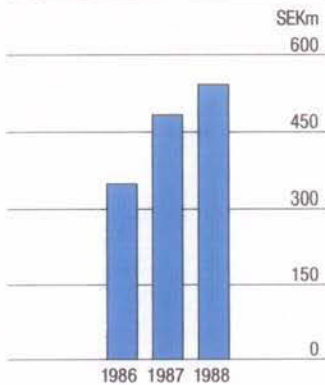
*The Group is now the world's second largest producer of food-service equipment.*



## Sales



## Operating income after depreciation



	1986	1987	1988
Sales, SEKm	4,250	5,619	6,695
Operating income after depreciation, SEKm	349	484	543
Operating income as % of sales	8.2	8.6	8.1



*Electrolux-Wascator produces laundry equipment for coin bars, apartment-house laundry rooms and institutions.*

## Industrial laundry equipment

Electrolux-Wascator has long been one of the world's leading manufacturers of laundry equipment for applications such as apartment-house laundry rooms, coin bars, hotels, institutions and commercial laundries. The product range now includes heavy-duty laundry machines for industrial use as well as equipment for dyeing and treatment of textiles.

Sales in 1988 amounted to SEK 1,384m (1,128). Earnings improved and profitability continued to be very good.

In the course of the year the Group strengthened its market positions, particularly in West Germany, the UK, France and Japan, while sales declined somewhat in the US.

Operations in Zanussi showed continued improvement in earnings. A very good performance was also reported for the French unit, Dubix-de-Souza.

At the end of the year the Group acquired an operation in Washex Machinery Corporation of the US with annual sales of approximately SEK 165m and 275 employees. This operation is focused on heavy-duty laundry equipment for industrial use as well as equipment for dyeing and treatment of textiles. The acquisition complements the existing product range. It also creates an opportunity for additional restructuring of production of laundry equipment.

The world market for industrial laundry equipment has been rather constant in recent years and is estimated at about SEK 5 billion, of which the US accounts for 50%.

The Group has strong positions in the Nordic countries, the US, the UK, France, Italy, Austria and Japan.

Production is located in Sweden, Denmark, Finland, France, Italy, Austria and the US. Manufacture of lighter washing machines will be initiated in the US during the second half of 1989.

## Commercial cleaning equipment

The product range includes various types of commercial and industrial vacuum cleaners, wet cleaners, scrubbing and polishing machines and carpet-washers, as well as cleaning agents.

Sales in 1988 amounted to SEK 670m (633). Profitability continued to be very good.

The market showed good demand for cleaning equipment including vacuum cleaners and wet cleaners, while demand for high-pressure cleaning equipment continued to decline. Group sales were largely unchanged in the Nordic countries and the US, while increases were reported in southern Europe and the Far East.

At the start of 1989 the Group acquired Beam Industries Inc., with annual sales of about SEK 50m. Beam is the US market leader for central vacuum systems and the acquisition should be seen in the light of strong growth in the market for these systems in both North America and the Nordic countries.

At the start of 1989 the Group also acquired the Danish company Domo Kemi A/S, engaged mainly in production and marketing of cleaning agents. The company has annual sales of about SEK 90m. The main benefit of this acquisition is a strengthening of distribution channels in the Danish market.

The world market for commercial cleaning equipment includes about ten large multinational companies with broad product ranges. There are also many small local companies which often specialize in



one or a limited number of products. There is no significant growth in total demand.

The Group has strong positions in the Nordic countries. Other major markets include the US, the UK and West Germany. The most important brand names are Electrolux, Euroclean, Kent and Columbus-Dixon. Production is located primarily in Sweden and the US.

### Commercial refrigeration equipment

The product range includes refrigeration and freezing equipment for food retailers and industrial kitchens. Electrolux is one of the largest European manufacturers, with strong positions in Scandinavia and the UK. This product line also includes an operation in White Consolidated of the US.

Sales in 1988 amounted to SEK 997m (1,040), of which the US operation accounted for almost 30%. Earnings declined and profitability was not satisfactory.

The downturn in earnings resulted mainly from reduced demand on the US market. Earnings also declined substantially in the UK, where operations are currently being reorganized. Good performance was reported primarily for operations in West Germany, France, Austria and The Netherlands.

The European market for commercial refrigeration equipment is dominated by a few large multinational companies. There are also many local suppliers who often specialize in specific product segments and markets. Demand is relatively constant and refers primarily to renovation of existing retail outlets instead of new establishments.

Operations in White are focused on equipment for small retail outlets. The brand names are Kelvinator and Universal Nolin. The program for rationalization and more efficient production in the US continued during the year and is expected to generate a better cost position in 1989. Other production units in this product line are located in Sweden and West Germany.



*The high-performance Crystal CGI 33 is particularly appropriate for displaying ice cream.*

### Sterilization and disinfection equipment

The product range comprises mainly autoclaves and ancillary equipment as well as products and systems for cleaning and disinfection. Major customers are in the health-care and pharmaceutical sectors.

Sales in 1988 amounted to SEK 515m (462). A substantial improvement in earnings has been achieved following the coordination of sterilization and disinfection operations in a single product line in 1987. Profitability is still not satisfactory, however.

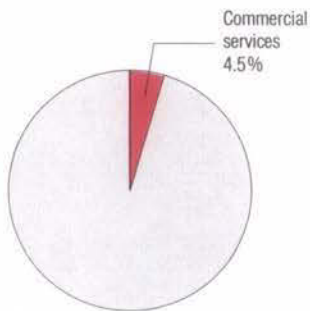
Demand has been soft in the health-care sector for a number of years. However, an upswing was recorded in 1988 in the US market, where the Group achieved good volume. On the other hand, the volume of orders was insufficient in France and West Germany.

The world market for the equipment manufactured by this product line is fragmented, with a large number of domestic manufacturers. The major competitors are located in the US and West Germany.

The Group has good market positions in the Nordic countries and France. North America and the Middle East are also major markets.

# COMMERCIAL SERVICES

## Share of total Group sales



## Commercial services

	SEKm	%
Cleaning services	2,043	61
Laundry services and goods protection	1,293	39
	3,336	100

Sales of commercial cleaning and laundry services increased in 1988 to SEK 3,336m, as against SEK 2,893m in the previous year. Operating income after depreciation increased to SEK 208m (169), which corresponds to 6.2% (5.8) of sales.

## Cleaning services

This product line is engaged mainly in conventional cleaning of offices and public premises as well as hazardous-waste disposal in heavy industry. The geographical focus is still in Sweden, where the ASAB subsidiary is market leader. International operations have expanded steadily and now account for over 45% of sales.

Sales in 1988 amounted to SEK 2,043m (1,761), of which ASAB accounted for SEK 1,085m. Earnings improved and profitability was very good.

In the Swedish market, sales volume and earnings remained good. Orders received included substantial contracts in the Middle East, where the Group's product range also includes services for property maintenance.

During the first half of the year the Group acquired Dansk Erhvervsrengøring A/S, the third largest cleaning company in Denmark, with annual sales of about SEK 60m. Smaller companies were acquired in Luxembourg, the UK and Spain. The Group's Australian cleaning company was sold as of January 1, 1989.

The Swedish cleaning market in 1988 was estimated at about SEK 12 billion, half of which was generated by the public sector. In addition to cleaning, the Group offers a wide range of ancillary services. The volume of assignments in the public sector has increased steadily.

Outside Europe, this product line runs operations in the US, the Middle East, the Far East and Brazil.



ASAB's contracts in Stockholm include cleaning of 90,000 m<sup>2</sup> of floors, stairs and glass roof in the new World Trade Center.





*Tvättman is market leader in Sweden for laundry and rental of textiles and work clothes.*

### Laundry services and goods protection

Operations in this product line refer mainly to cleaning and rental of textiles and work clothes. They also include rental and sale of tarpaulins and storage halls. The major markets are Sweden, The Netherlands and France.

Sales in 1988 amounted to SEK 1,293m (1,132), of which goods protection accounted for 22%. Profitability continued to be good.

In the course of the year the Swedish Tvättman subsidiary strengthened its position in the market for cleaning and rental of work clothes. Favorable trends were also reported for the French and Dutch operations.

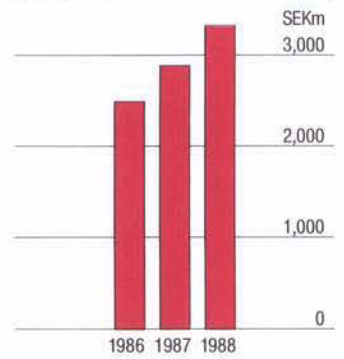
The Swedish market for industrial laundry services amounts to about SEK 2 billion. Laundries owned by municipalities and county councils account for about half of this market. Tvättman is the largest private laundry, with about 20% of the market. Demand has been more or less constant for some years. Substantial overcapacity in the public sector has led to more intense competition in recent years.



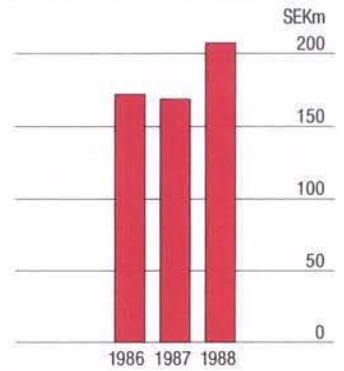
*Jonsereds Godsskydd delivers a wide range of tarpaulins and storage halls.*

Sales of goods protection amounted to SEK 280m (174), and earnings improved. The positive trend for sales and earnings is traceable mainly to greater volume on the Swedish market and to the acquisition of the Finnish company Lainapeite at the close of 1987. Operations in goods protection are run through Jonsereds Godsskydd and subsidiaries in Finland, Denmark, the UK, West Germany and France.

### Sales



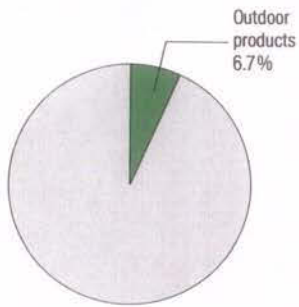
### Operating income after depreciation



	1986	1987	1988
Sales, SEKm	2,504	2,893	3,336
Operating income after depreciation, SEKm	172	169	208
Operating income as % of sales	6.9	5.8	6.2

# OUTDOOR PRODUCTS

## Share of total Group sales



## Outdoor products

	SEKm	%
Forestry products	2,541	51
Garden products	2,092	42
Agricultural implements	327	7
	4,960	100

Favorable volume trends for both forestry and garden products generated an increase in sales to SEK 4,960m (4,475). Operating income after depreciation increased by 19% to SEK 548m (460), which corresponds to 11.0% (10.3) of sales.

## Forestry products

Electrolux is the world's largest producer of chainsaws, with a global market share of more than 30%. The product range also includes equipment for clearing of forests as well as protective clothing and tools for forestry work. The brand names are Husqvarna, Jonsered, Partner and Poulan. This product line also includes cutting machines for concrete and similar materials, which are sold under the brand names Dimas and Partner.

Sales in 1988 amounted to SEK 2,541m (2,394). Earnings improved and profitability continued to be very good.

Demand for chainsaws was generally at the same level as in the previous year. The volume of Group sales was unchanged in Europe, but increased in North America, the Far East, Australia and Latin America. There was also a sharp increase in deliveries to the Eastern bloc countries. Cutting machines continued to show good volume and earnings trends.

The world market for chainsaws in 1988 was estimated at 3.1 million units, of which North America accounted for about 50%. The market has contracted in recent years as a result of increased mechanization of forestry and a declining interest in wood as a fuel, resulting from low oil prices. The Group's sales volume has increased steadily, however, primarily as a consequence of extensive investment in development of new products.

The world market is dominated by a few large multinational companies. Competition comes mainly from West German, US and Japanese manufacturers. The market is usually divided into three segments, i.e. professional, semi-professional and hobby saws. Electrolux focuses on the first two segments, although the Group's market share for hobby saws has increased substantially through the acquisition of Poulan/Weed Eater.

The major markets for this product line are the US, Canada, France and the Nordic countries, but products are sold in all markets where forests are felled.

Products for the professional market are manufactured mainly in Sweden, while hobby products are made in North America. The Group operates small production units in Norway, Canada and Brazil.



*Electrolux is the world's largest producer of chainsaws, with a global market share of over 30%.*





Acquisition of the operation in Roper adds garden tractors to the Group's product range.

## Garden products

Electrolux is one of Europe's largest manufacturers of garden products, which are sold under the brand names Husqvarna, Flymo, Norlett, Bernard and Staub.

As owner of Poulan/Weed Eater and the operation recently acquired from Roper, the Group is also one of the largest manufacturers in the US, where products are sold under the brand names Weed Eater, Rally and Yardpro.

Sales in 1988 amounted to SEK 2,092m (1,754). Earnings showed a sharp improvement and profitability was good. The Roper operation has been consolidated as of January 1, 1989, and is thus not included in the figures for 1988.

Demand for garden products was good in Europe, but declined in the US as a result of a drought. Group sales increased primarily in the UK, the Nordic countries and France. A positive trend was reported for the US, despite softer demand. Exports of US-made lawn trimmers increased during the year.

At the end of the year the Group acquired the garden-product operation of Roper Corporation, one of the largest US manufacturers of garden tractors, lawn mowers and tillers. This operation has annual sales of about SEK 2,500m and about 2,400 employees. Production is located at two plants in Georgia and one

in South Carolina. Subsequent to the acquisition, this operation has been re-named American Yard Products Inc. Most sales are channelled through the Sears retail chain under the name Craftsman. Products are also sold through other channels under the names Rally and Roper.

This acquisition involves a substantial expansion of this product line's US operations, which were previously limited to portable garden products such as lawn trimmers and blowers. The US accounts for about 60% of the global market. The garden-tractor market segment is also growing outside the US. In addition to coordinating the acquisition with this product line's other operations in terms of purchasing and product development, wider distribution is being planned through utilization of Electrolux' brand names and sales channels. The acquisition also creates opportunities for some restructuring of production in this product line.

Following the Roper acquisition, the US has become the largest market for this product line. Other major markets are the UK, France and the Nordic countries.

Production is located in the US, the UK, Norway, Sweden and France.

## Agricultural implements

Operations are run through Överums Bruk in Sweden and Group subsidiaries in Denmark, the UK, Finland and Canada. The product range includes plows, sowing machines and fertilizer spreaders.

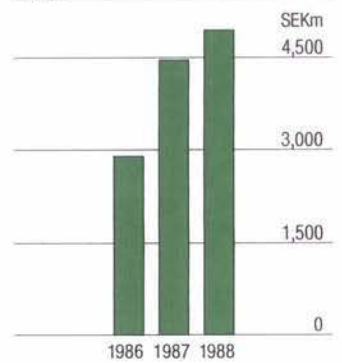
Sales in 1988 amounted to SEK 327m (236). A substantial improvement in earnings was reported and profitability was satisfactory.

The increases in sales and earnings are traceable primarily to a good volume trend, but acquisition of an operation in the UK at the end of 1987 has also contributed.

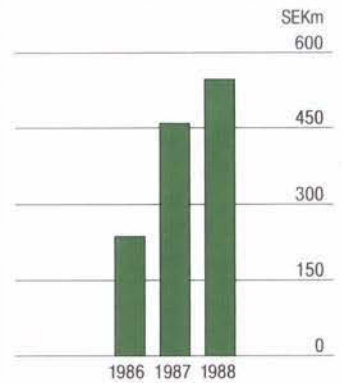
The market in the Western world shows soft demand as a result of the low level of investment in agriculture.

A competitive product range and establishment in new export markets in recent years are expected to generate continued favorable development for this product line, however.

## Sales



## Operating income after depreciation

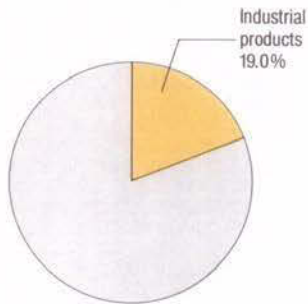


	1986	1987	1988
Sales, SEKm	2,909	4,475	4,960
Operating income after depreciation, SEKm	239	460	548
Operating income as % of sales	8.2	10.3	11.0



# INDUSTRIAL PRODUCTS

## Share of total Group sales



## Industrial products

	SEKm	%
Gränges Aluminium	6,895	49
Materials handling equipment	1,342	10
Electrolux Autoliv	2,467	18
Electrolux Components Group	2,166	15
Industrial products - White	911	6
Other	326	2
	14,107	100

Sales of industrial products increased during 1988 to SEK 14,107m (11,784). Operating income after depreciation increased to SEK 1,123m (761), which corresponds to 8.0% (6.5) of sales. The increase in sales and earnings is traceable primarily to a very good performance by Gränges Aluminium.

## Gränges Aluminium

Operations in Gränges Aluminium comprise four business segments, i.e. aluminium, recovery, components and distribution. Aluminium is the largest of these and now accounts for about 70% of total sales.

The company's name will be changed to Gränges in 1989.

Sales in 1988 amounted to SEK 6,895m (5,853), which represents an increase of 18%. Earnings improved sharply and profitability was very good.

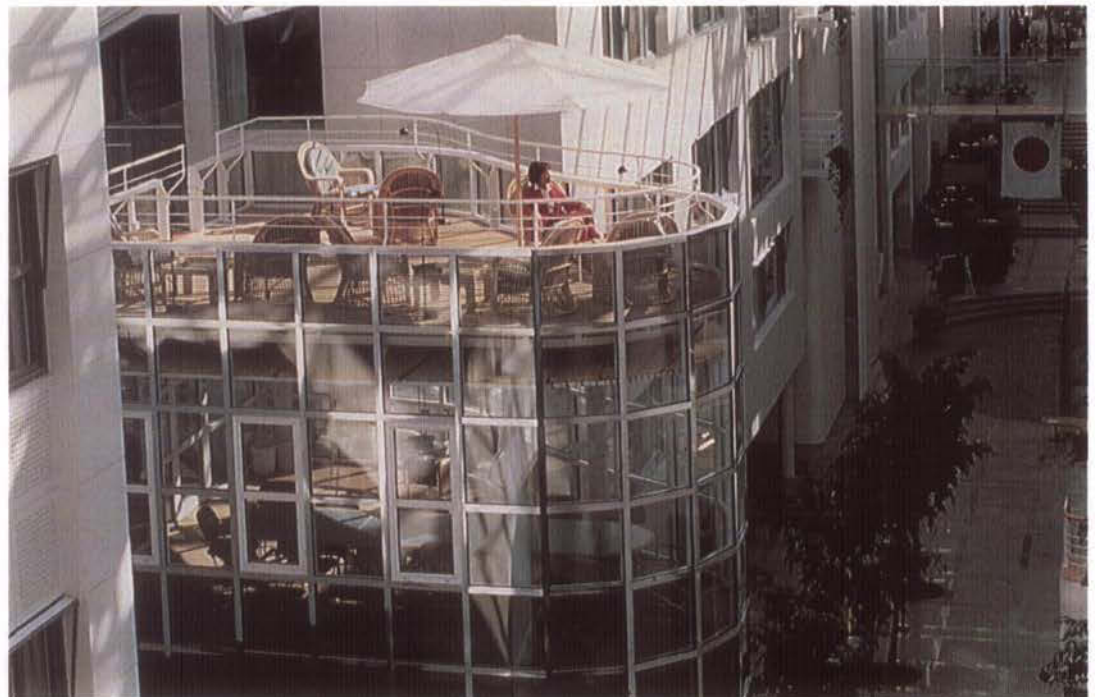
Sales volume was good in all business segments. However, the greater part of the improvement in earnings was generated by high capacity utilization at the smelting plant in Sundsvall, Sweden and very good performances by Gotthard Nilsson and SAPA.

## Aluminium

Operations comprise production of primary and secondary aluminium and half-finished items, e.g. profiles and rolled products. Production units include the primary smelting plant in Sundsvall, which is the only electrolytic smelting plant in Sweden and has an annual capacity of about 100,000 tons, and resmelting plants in Finspång, Avesta and Älmhult in Sweden.

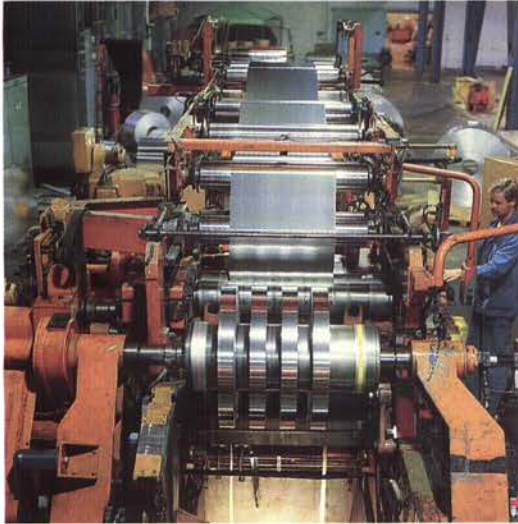
Demand for aluminium and aluminium products was exceptionally strong in 1988. Certain market segments were overheated and the price of aluminium rose sharply. Capacity utilization at the Sundsvall plant was almost 100%. The recovery rate for beverage cans was also high, which led to improved earnings in the resmelting plant in Finspång, where production input includes return cans. Volume was also good at the plants in Avesta and Älmhult.

The company's own smelting plants produce about 75% of the metal required as production input in the other business segments. As a net purchaser of metal, Gränges is thus less exposed to fluctuations in the business cycle than are many of its competitors, whose operations are based largely on raw materials.



SapaFront delivered aluminium profiles for the interior of the new SAS head office in Frösundavik, outside Stockholm.





*Finspong Aluminium's specialities include thin strip for car radiators and heat exchangers.*

A continued boom in the construction industry led to good demand for aluminium profiles in most European countries. SAPA, one of the leading European producers in this area, reported very good volume and earnings. Demand for rolled products such as sheet, strip and foil was also good. However, material shortages and high employee turnover prevented Korrugal, Finspong Aluminium and Nord-Foil from achieving the same good increase in earnings as the other aluminium operations.

At the start of 1989 the Group acquired a foil plant in Luxembourg, the National Luxembourg Aluminium Corporation (NLAC), which has annual sales of about SEK 425m and 240 employees. Annual production of aluminium foil and thin strip is about 25,000 tons. Gränges' annual production of rolled products amounted to about 55,000 tons prior to the acquisition, of which 17,000 referred to foil and thin strip.

It is expected that the overheated aluminium market of 1988 will be followed by a degree of price stabilization in 1989. However, it is anticipated that continued good demand will keep aluminium prices at a rather high level.

### Recycling

Gotthard Nilsson is Sweden's leading company for recovery of scrap iron and

metal. Higher prices and greater volume led to a sharp increase in earnings. A decision was made to invest in two plants in Sweden for fragmentation of scrap steel.

### Components

Operations consist mainly of manufacture of components for the automotive industry, including bumpers, fuel tanks and door panels. The Swedish units are Foral, Plastal and Safeman. This segment also includes operations in Finland, in Novoplastik and the newly acquired Suomen Plastal. In the course of the year a small operation was acquired from Holden Hydroman in the UK and is now run under the name Gränges Techform.

Favorable trends were reported in particular for Foral, Plastal and Novoplastik, despite the adverse effect of a comprehensive strike by white-collar employees at the start of the year.

### Distribution

A good performance was also reported by the distribution group, which sells small batches of half-finished metal and plastic products to tradesmen and small industrial companies. In the course of the year the Group acquired Matbrit in the UK, which was merged with Righton, a previously acquired UK wholesaling operation.

### Gränges Metalock

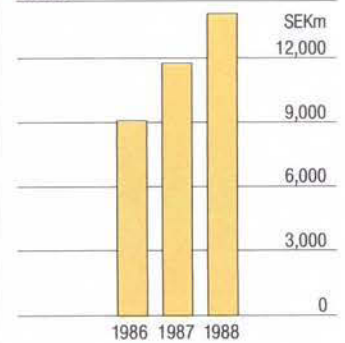
Operations in Gränges Metalock are focused on service for heavy industry in the form of repairs, maintenance, assembly and installation of machinery. The company also manufactures machine components and steel structures.

Metalock has developed mobile operations which involve on-site repairs and maintenance, so that dismantling of damaged parts and extended production downtime can be avoided.

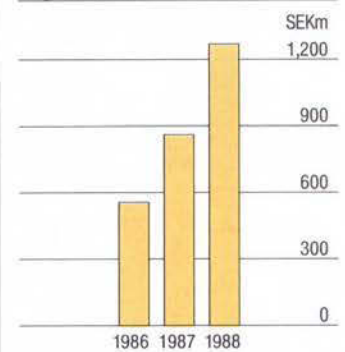
The company runs a number of workshops in Sweden and has subsidiaries in Denmark and West Germany. Metalock also runs a subsidiary in the UK as of January, 1989.

Sales in 1988 amounted to SEK 204m (180). Profitability was good.

### Sales



### Operating income after depreciation



	1986	1987	1988
Sales, SEKm	9,087	11,784	14,107
Operating income after depreciation, SEKm	492	761	1,123
Operating income as % of sales	5.4	6.5	8.0



## Gränges International Mining – GIM

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

GIM's sales in 1988 amounted to SEK 23m (27). Deliveries in 1988 comprised 4.9 (4.7) million tons of iron ore to a market value of about USD 61m (60). The ore is sold primarily to the European steel industry.

## Materials handling equipment

This product line comprises storage systems and workplace equipment for offices and engineering workshops, as well as conveyor systems. Electrolux Constructor is one of the largest European producers in this area. This product line also includes two companies in White Consolidated in the US, Richards-Wilcox and Gerard Metal Craftsmen.

Sales in 1988 amounted to SEK 1,342m (1,068), of which the US companies accounted for about 24%. The increase in sales is traceable mainly to acquisitions. Profitability declined somewhat but was still satisfactory.

The downturn in profitability resulted primarily from sluggish growth in volume and earnings in the US along with higher costs for materials.

During the first half of the year the Group acquired Bruynzeel Monta Magazijn Systemen C.V. in The Netherlands, with subsidiaries in West Germany, the UK and Belgium and annual sales of about SEK 190m. The main effect of this acquisition is to strengthen the Group's position in the market for compact filing systems. Several small acquisitions were made in Sweden, the UK and the US in order to expand the product range.

Product swaps between the European and the US operations increased additionally in the course of the year.



*The automatic Cubinoster system for compact storage of goods with virtually any dimensions.*

The major markets for this product line are Scandinavia, the US, West Germany, The Netherlands, the UK, Italy and Switzerland. Production is located mainly in Sweden, Denmark, West Germany, The Netherlands, Switzerland and the US.

## Industrial components

In the interest of taking better advantage of the growth opportunities offered by the Group's component operations, the Electrolux Autoliv and Components Group product lines have been coordinated under joint management in a new product area, Industrial components.

### Electrolux Autoliv

This product line is focused on equipment for personal safety in cars. Electrolux Autoliv is the largest manufacturer of car safety belts in Europe.

Sales in 1988 amounted to SEK 2,467m (1,711). Profitability was good.

In the course of the year this product line strengthened its market positions in the UK, West Germany and Australia through acquisition of the car safety-belt operation in the British company Bristol Street Group. This operation has annual



# BUILDING COMPONENTS

Sales of building components in 1988 amounted to SEK 3,774m (3,172). Operating income after depreciation amounted to SEK 172m (164), which corresponds to 4.6% (5.2) of sales.

**Building materials**  
Operations in Beijer Bygghandel AB are focused on sales of building materials to contractors and institutional users in Sweden. Sales are also channelled directly to consumers through shops and DIY outlets. Beijer established itself on the Norwegian market during the year.

Sales in 1988 amounted to SEK 2,340m (1,810). Profitability continued to be good. The increase in sales is traceable to new acquisitions and good volume growth as a result of greater construction activity due to a mild winter.

Restructuring of operations in order to achieve additional improvements in efficiency continued during the year. The major part of flooring-installation operations is now run through franchising. As the first step in expansion outside Sweden, the Group acquired the building-materials operation in the Norwegian contractor G. Block Watne A/S at the close of the year. This operation is now run under the name Beijer Byggevare A/S and comprises 31 shops with annual sales of about SEK 200m and 120 employees. Two small building-materials companies were also acquired in Sweden.

The available Swedish market for Beijer in terms of wood and heavy building materials comprises about 60% of the total market of about SEK 14 billion. This market is highly fragmented and comprises a large number of small local companies. Beijer has sales units in about 30 places and is the only nation-wide operation in the industry. The Group also manufactures customized windows in wood and metal in the Swedish companies Överums Fönsterfabrik and ModulFönster. Sales for this operation in 1988 amounted to SEK 100m (76).

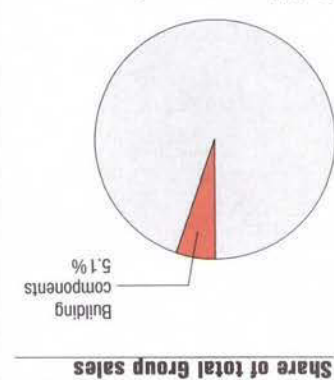
## Kitchen and bathroom cabinets

Group operations in kitchen and bathroom cabinets are run through White Consolidated in the US, which accounts for the major part of sales, and through the Swedish subsidiaries Ballingslöv and Zig Zag. Sales in 1988 amounted to SEK 1,334m (1,286), of which 80% was in the US. Profitability continued to be good. Lower volume and higher costs for materials led to a decline in earnings in the US operations. On the other hand, continued favorable business conditions in the Swedish construction market led to greater volume and earnings for Ballingslöv.

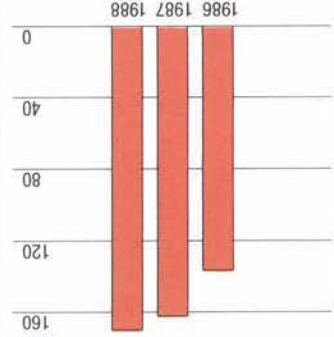
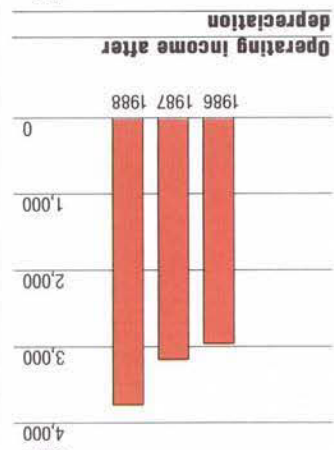
Operations in White comprise six production units, i.e. Quaker Maid, J-Wood, Kemper, Schrock, Richwood and Diamond. The US market is highly fragmented and is estimated at about SEK 23 billion. White is one of the major manufacturers.



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



Building components	SEKm	%
Building materials	2,440	65
Kitchen and bathroom cabinets	1,334	35
<b>Total</b>	<b>3,774</b>	<b>100</b>



Operating income after depreciation	SEKm	as % of sales
1986	138	4.7
1987	164	5.2
1988	172	4.6



sales of over SEK 600m and about 1,500 employees. The Group also acquired two small safety-belt manufacturers in New Zealand and Ottosson Kippam Team in Sweden, with a product range that includes equipment for child safety. The European market for personal safety in automobiles comprises one-third of the global market and is estimated at about SEK 5 billion. This market showed continued good growth as a result of growing demand from the automotive industry and the introduction of legislation for obligatory use of rear-seat belts in many countries.

Good growth is anticipated over the next few years as well, primarily as a result of new products such as air-bags that inflate automatically at the moment of collision, automatic belts and tensioners. Electrolux Autoliv is in the forefront of technology in this area.

The market shows increased concentration toward a few large companies that operate globally. This is primarily a result of the automotive industry's demand for subcontractors with complete product ranges and internationally widespread production. Increasingly greater costs for product development have also contributed to this situation.

Autoliv has manufacturing units in most of the car-producing countries in Europe. Autoliv and Kippam products are also produced under license in about 15 different countries.

**Electrolux Components Group**

The Electrolux Components Group comprises about 20 production units in Sweden, the UK, Spain, Italy, Austria and the US. The product range consists of compressors, motors, electronics and plastic components, which are used in the Group's household appliances as well as for other applications. Sales to external customers have increased steadily, particularly in the automotive and computer industries, and now account for about 50% of total sales for this product line. Sales to external customers in 1988 amounted to SEK 2,166m (1,717). Earnings

improved and profitability remained satisfactory.

At the close of the year the Group acquired the Spanish company Unid Hermética, which manufactures compressors for refrigerators. The company has annual sales of about SEK 750m and 1,700 employees. Annual production totals about 3.5 million compressors. The acquisition makes the Group one of the world's largest producers in this area.

### Industrial products - White

White Consolidated includes an industrial division whose operations comprise highway construction equipment and industrial valves.

Highway construction equipment is produced by Blaw-Knox at one plant in the US and one in the UK. Sales in 1988 amounted to SEK 590m (436) and profitability continued to be very good.

The operation for industrial valves is run through Copes-Vulcan. The customer base includes the power and defence sectors. Sales in 1988 amounted to SEK 321m (414). Profitability was unchanged from the previous year.

The machine-tool division was sold at the start of the year. This division had annual sales of about SEK 300m and had been unprofitable for some years. The divestment did not involve a loss for the Group.

*Autoliv's new tensioner tightens the safety belt at the moment of collision, protecting the wearer from injury due to impact against the steering-wheel or the instrument panel.*





# CONSOLIDATED INCOME STATEMENT

SEKm		1988		1987
<b>OPERATING INCOME AND EXPENSE</b>				
Sales	(Note 1)	73,960		67,430
Cost of production, sales and administration	(Note 2)	-66,486		-60,860
<b>Operating income before depreciation</b>		<b>7,474</b>		<b>6,570</b>
<b>DEPRECIATION ACCORDING TO PLAN</b>				
Goodwill	(Notes 3,4)	- 174		- 172
Machinery, equipment and tools	(Note 4)	-2,161		-1,938
Buildings	(Note 4)	- 235		- 228
Land and land improvements	(Note 4)	- 7	- 2,577	- 7 - 2,345
<b>Operating income after depreciation</b>		<b>4,897</b>		<b>4,225</b>
<b>FINANCIAL ITEMS</b>				
Dividends on shares and participations		38		19
Interest income		791		779
Interest expense		-1,990		-1,914
Foreign exchange differences on loans		- 52		- 11
Other financial items	(Note 5)	43	- 1,170	- 38 - 1,165
<b>Income before allocations</b>	(Note 6)	<b>3,727</b>		<b>3,060</b>
<b>ALLOCATIONS</b>				
Change in inventory reserves		- 343		- 82
Change in profit equalization reserves		- 304		2
Transfer from renewal reserves		23		28
Allocation to investment reserves		- 59		- 63
Transfer from investment reserves, etc.		-		2
Accelerated depreciation	(Note 4)	- 241		- 813
Utilization of investment and other reserves, for depreciation		36		197
Change in other financial reserves	(Note 7)	- 81	- 969	- 115 - 844
<b>Income before taxes</b>		<b>2,758</b>		<b>2,216</b>
<b>TAXES</b>				
Profit-sharing tax		- 117		- 39
Other taxes		- 913	- 1,030	- 875 - 914
<b>Income after taxes</b>		<b>1,728</b>		<b>1,302</b>
Minority interests		- 35		- 20
<b>Net income</b>		<b>1,693</b>		<b>1,282</b>

# CONSOLIDATED BALANCE SHEET

ASSETS SEK <sub>m</sub>	1988-12-31		1987-12-31	
<b>CURRENT ASSETS</b>				
Cash and bank deposits	1,528		1,565	
Shares and participations	2		2	
Bonds and other securities	2,480	4,010	3,101	4,668
Notes receivable	1,251		1,077	
Accounts receivable	12,477		11,106	
Prepaid expense and accrued income	758		570	
Other receivables	1,305	15,791	1,522	14,275
Inventories		14,359		12,169
Advances to suppliers		85		70
<b>TOTAL CURRENT ASSETS</b>		<b>34,245</b>		<b>31,182</b>
<b>BLOCKED ACCOUNTS FOR INVESTMENT AND OTHER RESERVES</b>				
		69		119
<b>FIXED ASSETS</b>				
Shares and participations (Note 8)	2,301		427	
Bonds and other securities	301	2,602	183	610
Notes receivable	7		22	
Long-term receivables	557	564	618	640
Leaseholds, patents, etc.	129		23	
Goodwill (Note 9)	3,287		2,715	
Accelerated depreciation on goodwill (Note 9)	-	3,416	-	2,463
Advances to suppliers	222		174	
Construction in progress (Note 10)	1,618		872	
Machinery, equipment and tools (Note 11)	9,077		7,873	
Buildings (Note 12)	4,282		3,850	
Land and land improvements (Note 13)	745	15,944	687	13,456
<b>TOTAL FIXED ASSETS</b>		<b>22,526</b>		<b>17,169</b>
<b>Total assets</b>		<b>56,840</b>		<b>48,470</b>



LIABILITIES AND SHAREHOLDERS' EQUITY SEKm	1988-12-31	1987-12-31
<b>CURRENT LIABILITIES</b>		
Notes payable	630	533
Accounts payable	7,187	5,896
Tax liability	602	337
Accrued expense and prepaid income	4,960	4,441
Other current liabilities	2,726	2,351
Advances from customers	299	263
	16,404	13,821
Bank loans, etc.	8,193	5,048
<b>TOTAL CURRENT LIABILITIES</b>	<b>24,597</b>	<b>18,869</b>
<b>LONG-TERM LIABILITIES</b>		
Debenture loans	64	57
Bond loans	3,671	2,560
Mortgage loans, promissory notes, etc.	7,433	8,172
	11,168	10,789
Deferred taxes	611	637
Other long-term liabilities	1,786	1,969
	2,397	2,606
Provisions for pensions		
PRI-pensions (Pension Registration Institute)	1,589	1,457
Other pensions	467	466
	2,056	1,923
<b>TOTAL LONG-TERM LIABILITIES</b>	<b>15,621</b>	<b>15,318</b>
<b>CONVERTIBLE DEBENTURE LOANS</b>		
(Note 14)	59	78
<b>UNTAXED RESERVES</b>		
(Note 15)		
Inventory reserves	1,590	1,283
Accumulated accelerated depreciation	1,973	1,784
(Note 16)	708	404
Profit equalization reserves	36	65
Renewal reserves	106	77
(Note 17)	492	441
Investment reserves		
(Note 17)		
Other financial reserves		
(Note 7)		
<b>TOTAL UNTAXED RESERVES</b>	<b>4,905</b>	<b>4,054</b>
<b>MINORITY INTERESTS</b>	<b>218</b>	<b>237</b>
<b>SHAREHOLDERS' EQUITY</b>		
(Note 18)		
Restricted equity		
Share capital		
2,000,000 A-shares, par value SEK 25		
70,350,351 B-shares, par value SEK 25	1,809	1,799
Converted shares, unregistered	3	4
Statutory reserves	4,019	3,460
	5,831	5,263
Unrestricted equity		
Unrestricted reserves	3,916	3,369
Net income for the year	1,693	1,282
	5,609	4,651
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>11,440</b>	<b>9,914</b>
<b>Total liabilities and shareholders' equity</b>	<b>56,840</b>	<b>48,470</b>
<b>ASSETS PLEDGED</b>		
(Note 19)	2,862	2,510
<b>CONTINGENT LIABILITIES</b>		
(Note 19)	1,194	1,208

# CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

SEKm	1988	1987
<b>FUNDS GENERATED BY OPERATIONS</b>		
Income before allocations	3,727	3,060
Taxes	-1,030	- 914
Minority interests	- 35	- 20
	<u>2,662</u>	<u>2,126</u>
Difference between income and liquidity flow		
Depreciation according to plan charged against income reported above	2,577	2,345
Capital gains included in operating income	- 56	- 139
Change in operating assets and liabilities		
Increase in bills receivable and accounts receivable	-1,545	- 298
Increase/Decrease in inventories and other current assets	-2,176	663
Increase in current liabilities	2,583	1,376
Increase in short-term loans	3,145	643
<b>Liquid funds generated by operations</b>	<b>7,190</b>	<b>6,716</b>
<b>INVESTMENTS</b>		
Shares and participations	-1,874	- 66
Long-term bills and accounts receivable	76	477
Goodwill	- 675	- 207
Machinery, buildings, land and construction in progress	-5,292	-3,788
Other fixed assets	- 222	- 71
Revenues on sales of fixed assets	426	646
<b>Liquid funds used for investment</b>	<b>-7,561</b>	<b>-3,009</b>
<b>FINANCING</b>		
Long-term liabilities	284	-2,298
New issues and conversion of debentures	19	64
Dividends paid	- 721	- 621
<b>Liquid funds generated by financial activities</b>	<b>- 418</b>	<b>-2,855</b>
<b>Other</b> (Changes in minority interests, Group structure and translation differences)	<b>131</b>	<b>- 22</b>
<b>Decrease/Increase in liquid funds</b>	<b>- 658</b>	<b>830</b>
<b>Liquid funds at start of year</b>	<b>4,668</b>	<b>3,838</b>
<b>Liquid funds at year-end</b>	<b>4,010</b>	<b>4,668</b>



# NOTES TO THE FINANCIAL STATEMENTS

## Accounting principles

### Changes in accounting principles

As of 1988, no accelerated depreciation on goodwill is booked. It was previously reported as an allocation in the income statement and as a deduction on the asset side of the balance sheet. Accelerated depreciation on goodwill booked in previous years has been transferred to consolidated restricted equity. The comparative figures have not been adjusted to reflect this change, as the effect of the change is not considered significant.

### 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. The share of equity in untaxed reserves has been dissolved as an allocation in the income statement.

The Group comprised 502 (485) operating companies at year-end. The total number of companies was 769 (747).

### 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 a subsidiary are valued 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 component of the Group's expansion. These acquisitions are often made in competition with other firms whose accounting practices differ from the Swedish, e.g. with respect to goodwill. For this reason, the depreciation of goodwill acquired in White and Zanussi has been adjusted in accordance with international practice. 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.

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 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 is reviewed annually to determine whether circumstances have occurred or can occur which may require abridgement of the depreciation schedule.

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

### Minority interests

The share of taxed equity referring to minority interests has been reported separately in the consolidated balance sheet under "Minority interests". The share of untaxed reserves referring to minority interests is reported in Note 15. 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 to 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 and differences referring to translation of net income at average and year-end rates have 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 other than their own currencies have been translated according to national legislation and practice, generally at year-end rates.

### **Inventories**

Inventories are 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" includes withdrawals from investment and other reserves.

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 1988 amounted to 27.6% (29.9) of income before allocations, while full tax computed as actual taxes paid plus standard 50% tax on allocations amounted to 40.6% (43.7) of income before allocations.

### **Compliance with international and other accounting practice**

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 20 as well as in a Form 20-F report submitted annually to the SEC (Securities and Exchange Commission).

### **Definitions**

#### **Capital ratios**

##### *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, splits, bonus issues and new issues. In connection with new issues, the average number of shares for the year is computed.

##### *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, Note 20, p. 48.

### Other key ratios

#### 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.

#### 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.

#### 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 income in relation to interest costs.

#### Share of risk-bearing capital

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

#### Equity/assets ratio

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

#### Debt/equity ratio

Interest-bearing liabilities expressed as a percentage of 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 0m (9). It also includes the following:

	1988 SEKm	1987 SEKm
Sales of fixed assets		
Capital gains, real estate	83	91
Capital losses, real estate	-10	-11
Capital gains, shares in subsidiaries	44	73
Capital losses, shares in subsidiaries	-61	-14
Total	56	139

With respect to subsidiaries in countries with highly inflationary economies, this item also includes SEK -168m (-88) 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 at least 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 "Accounting principles" on p. 41.

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

For depreciation according to plan, see "Accounting principles", p. 41. The difference between depreciation according to plan and fiscal depreciation is shown below.

	1988 SEKm	1987 SEKm
Goodwill		
Depreciation according to plan	174	172
Fiscal depreciation	- 174	- 354
Difference	-	- 182
Machinery, equipment and tools		
Depreciation according to plan	2,161	1,938
Fiscal depreciation	-2,373	-2,341
Difference	- 212	- 403
Buildings		
Depreciation according to plan	235	228
Fiscal depreciation	- 229	- 261
Difference	6	- 33
Land and land improvements		
Depreciation according to plan	7	7
Fiscal depreciation	- 6	- 6
Difference	1	1
Total difference	- 205	- 617

Depreciation has also been booked on investment reserves, etc. as follows:

	1988 SEKm	1987 SEKm
Renewal reserves		
Machinery, equipment and tools	- 6	- 10
Investment reserves		
Machinery, equipment and tools	- 11	- 2
Buildings	- 19	- 16
Land and land improvements	-	- 1
Special investment reserves		
Machinery, equipment and tools	-	-132
Buildings	-	- 31
Land and land improvements	-	- 4
Total	- 36	-196
Total accelerated depreciation	-241	-813

### Note 5 Other financial items

This item includes interest income of SEK 72m and interest expense of SEK 71m referring to interest arbitrage transactions. Receivables and liabilities referring to interest arbitrage amounted to SEK 1,565m at year-end and have been reported at net value.

### Note 6 Earnings per share

#### A. Income after financial items (50% standard tax)

	1988 SEKm	1987 SEKm
Income after financial items	3,727	3,060
Minority interests	- 77	- 42
Adjusted income before taxes	3,650	3,018
Standard tax, 50%	-1,825	-1,509
Interest on convertible loans after 50% tax*	3	4
Adjusted income after standard tax	1,828	1,513
Number of shares after full dilution 1988: 73,437,198 (1987: 73,451,383)		
Earnings per share, SEK	24.90	20.60

#### B. Income before allocations (Actual taxes)

	1988 SEKm	1987 SEKm
Income before allocations	3,727	3,060
Actual taxes as per income statement	-1,030	- 914
Minority interests	- 52	- 34
Interests on convertible loans after 50% tax*	3	4
Adjusted income after actual taxes	2,648	2,116
Number of shares after full dilution 1988: 73,437,198 (1987: 73,451,383)		
Total earnings per share according to the partial method, SEK	36.10	28.80

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

### Note 7 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".



## Note 8 Shares and participations, fixed assets

	Number	Holding, %	Value at par in local currency, million		Book value SEKm
Holdings owned by AB Electrolux					10
<b>Swedish companies</b>					
Bilfragmentering AB	1,250	50	SEK	1.2	12
SILA	190,500	1.0	SEK	1.9	2
Sit Down International AB	11,000	50	SEK	1.1	5
<b>Foreign companies</b>					
ABB Transformatoren GmbH, West Germany	1	2	DEM	0.6	3
American Yard Products Inc., USA	64,799	100*	USD	295.0	1,808
Banco Popolare PN Commital, Italy	18,874	-	ITL	9.4	2
B.T. Enter-Prises, USA		50	USD	1.0	3
Cia. Gral. DelAzafran, Spain	40,756	17.6	ESB	40.7	2
Email Ltd., Australia	34,708,397	19.9	AUD	41.0	252
Eureka Forbes Ltd., India	440,000	40	INR	4.4	3
Finanziaria Industriale S.p.A., Italy	448,375	44.8	ITL	4,483.8	21
Forbach GmbH, West Germany	1	50	DEM	3.3	10
Fuji Autoliv Company, Japan	2,000	50	JPY	50.0	2
Hearn Corporation, USA		100*	USD	3.1	19
HWH Corporation, USA	69,971	33	USD	5.0	30
ILPEA Gomma S.p.A. Orcenica di Zoppola, Italy	98,000	24.5	ITL	980.0	5
Kisarazu Country Club, Japan	3	-	JPY	31.9	2
Kotimaiset Kotitalouskoneet Oy, Finland	2,000	50	FIM	2.0	3
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	
Mundo Blanco S.A., Venezuela	14,500	20	VEB	12,000.0	4
Northern Compressor Ltd., United Kingdom	1,500,000	30	GBP	1.5	5
Plasticos Henares S.A., Spain	10,000	22	ESB	10.0	2
Primus Capital Fund II, USA		1.7	USD	0.5	3
S. Andrea Novara, Italy	3,400	0.34	ITL	340.0	2
Seleco S.p.A., Italy	2,381,680	45	ITL	14,290.0	48
Sensoror A/S, Norway	195,001	25	NOK	1.9	6
Simac Industriale, Italy	120,000	40	ITL	120.0	3
TPV Energy Systems, USA		49	USD	0.4	2
Zanker N.V., Belgium	250	50	BEC	30.0	2
Other (A detailed list of holdings has been attached to the annual report filed with the Swedish Patent and Registration Office)					30
					2,301

\* These companies were acquired as of December 31, 1988 and have been consolidated as of January 1, 1989.

## Note 9 Goodwill

	1988 SEKm	1987 SEKm
Acquisition value	3,854	3,108
Accumulated depreciation according to plan	- 567	- 393
Residual value	3,287	2,715
Accumulated accelerated depreciation (See Note 16 "Accounting principles" on p. 41)	-	- 275
Net book value	3,287	2,440

The acquisition value of goodwill in 1988 has been increased by SEK 71m (-239) as a result of translation differences. See p. 11. Acquisition value as reported above includes SEK 2,440m in goodwill referring to Zanussi and White which is being depreciated over 40 years.

## Note 10 Construction in progress

	1988 SEKm	1987 SEKm
Opening balance	872	692
Net change during the year, including opening assets in acquired companies	781	249
Adjustment for divestments, changes in exchange rates, etc.	- 35	- 69
Year-end balance	1,618	872

### Note 11 Machinery, equipment and tools

	1988 SEKm	1987 SEKm
Acquisition value	19,576	16,675
Accumulated depreciation	-10,499	-8,802
Residual value	9,077	7,873
Accumulated accelerated depreciation	- 1,776	-1,585
Net book value	7,301	6,288

### Note 12 Buildings

	1988 SEKm	1987 SEKm
Acquisition value	6,427	5,780
Accumulated depreciation according to plan	-2,145	-1,930
Residual value	4,282	3,850
Accumulated accelerated depreciation	- 390	- 405
Undepreciated portion of write-ups	193	206
Net book value	4,085	3,651
Tax assessment value of buildings in Sweden	1,478	1,384
Net book value of buildings in Sweden	611	651

### Note 13 Land and land improvements

	1988 SEKm	1987 SEKm
Acquisition value	754	699
Accumulated depreciation according to plan	- 80	- 73
Residual value	674	626
Accumulated accelerated depreciation	- 14	- 14
Undepreciated portion of write-ups	85	75
Net book value	745	687
Tax assessment value of land in Sweden	240	159
Net book value of land in Sweden	143	147

### Note 14 Convertible debenture loans

See the section on Electrolux shares, p. 19.

### Note 15 Untaxed reserves

In addition to the amount reported in the balance sheet, untaxed reserves totalling SEK 1,135m (1,221) exist in various subsidiaries and have been eliminated through application of the purchase method.

The untaxed reserves reported include SEK 47m (43) referring to minority interests.

### Note 16 Accumulated accelerated depreciation

#### Goodwill

(See also Note 9)

	1988 SEKm	1987 SEKm
Opening balance	275	114
Accelerated depreciation	-	182
Other	-	21
Transferred to restricted equity	- 275	-
Year-end balance	-	275

#### Machinery, equipment and tools

	1988 SEKm	1987 SEKm
Opening balance	1,585	1,043
Accelerated depreciation	212	403
Depreciation of investment reserves, etc.	17	145
Share of taxes on untaxed reserves in divested companies	0	-
Other	- 38	- 6
Year-end balance	1,776	1,585

#### Buildings

	1988 SEKm	1987 SEKm
Opening balance	199	134
Accelerated/Retarded depreciation	- 6	33
Depreciation of investment reserves	19	47
Share of taxes on untaxed reserves in divested companies	0	-
Other	- 15	- 15
Year-end balance	197	199
Total machinery, equipment, tools and buildings	1,973	1,784



## Note 17 Investment reserves and other reserves

### Renewal reserves

	1988 SEKm	1987 SEKm
Opening balance	65	103
Dissolution	- 23	- 28
Utilized for depreciation	- 6	- 10
Share of taxes on untaxed reserves in divested companies	0	-
Year-end balance	36	65

### Investment reserves

	1988 SEKm	1987 SEKm
Opening balance	77	35
Allocations	59	61
Utilized for depreciation	- 30	- 19
Share of taxes on untaxed reserves in divested companies	0	-
Year-end balance	106	77

### Special investment reserves

	1988 SEKm	1987 SEKm
Opening balance	-	168
Utilized for depreciation	-	- 168
Year-end balance	-	-

## Note 18 Shareholders' equity, SEKm

	Share capital	Converted shares, unregistered	Restricted reserves	Unrestricted reserves	Net con- solidated income	Total
Opening balance	1,799	4	3,460	3,369	1,282	9,914
Conversion of debentures	-	9	10	-	-	19
Registered increase in share capital	10	-10	-	-	-	-
Retained earnings	-	-	-	1,282	-1,282	-
Dividend payments	-	-	-	- 721	-	- 721
Write-up on fixed assets	-	-	44	-	-	44
Adjustment for translation differences	-	-	230	- 14	-	216
Transfer of accelerated depreciation on goodwill	-	-	275	-	-	275
Net consolidated income	-	-	-	-	1,693	1,693
Year-end balance	1,809	3	4,019	3,916	1,693	11,440

Disposable consolidated earnings amount to SEK 5,609m, of which SEK 8m has been allocated to restricted reserves.

## Note 19 Assets pledged and contingent liabilities

### Assets pledged

	1988 SEKm	1987 SEKm
Real-estate mortgages	1,984	1,782
Corporate mortgages	400	514
Other assets pledged		
Receivables	202	135
Inventories	29	4
Machinery and equipment	241	-
Other	6	75
Total	2,862	2,510

### Contingent liabilities

	1988 SEKm	1987 SEKm
Discounted bills	238	153
Accounts receivable, with recourse	70	-
Guarantees and other commitments	738	887
Capital value of pension commitments in excess of book value	148	168
Total	1,194	1,208

## Note 20 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:

### Write-ups on 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 has earlier booked negative goodwill as a deferred credit, which was 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 application 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.

### Deferred taxes

Accounts and income taxes are affected during different periods by certain items. Swedish accounting principles do not require reporting of 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. 44, earnings per share in accordance with Swedish practice are computed 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

	1988 SEKm	1987 SEKm
Net income as reported in the income statement	1,693	1,282
Depreciation on write-ups of fixed assets	16	10
Allocations	969	844
Adjustment for corporate acquisitions	- 196	71
Deferred taxes	- 377	- 378
Other	- 5	-
Interest on convertible loans after tax	3	4
Adjusted approximate consolidated net income according to US GAAP, fully diluted	2,103	1,833
Approximate net earnings per share, according to US GAAP, fully diluted (73,437,198 and 73,451,383 shares)	28.60	25.00

### B. Shareholders' equity

	1988 SEKm	1987 SEKm
Shareholders' equity as reported in the balance sheet	11,440	9,914
Items which augment equity		
Untaxed reserves	5,059	4,231
Accelerated depreciation on goodwill	-	275
	5,059	4,506
Items which diminish equity		
Write-ups on fixed assets	- 277	- 281
Adjustment for corporate acquisitions	- 928	- 562
Deferred taxes		
On untaxed reserves	- 2,529	- 2,115
On other items	42	- 122
	- 3,692	- 3,080
Net increase in equity	1,367	1,426
Approximate shareholders' equity according to US GAAP	12,807	11,340

### 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	
	1988 SEKm	1987 SEKm	1988 SEKm	1987 SEKm
Current assets	34,245	31,182	35,810	32,229
Real estate, machinery and equipment	15,722	13,282	15,161	12,659
Shares and participations	2,301	427	2,301	427
Long-term receivables	557	618	557	618
Goodwill	3,287	2,440	2,850	2,715
Other assets	728	521	728	521
Total assets	56,840	48,470	57,407	49,169
Current liabilities	24,597	18,869	26,162	19,916
Long-term liabilities	15,069	14,759	15,069	14,759
Deferred taxes	611	637	3,126	2,896
Untaxed reserves	4,905	4,054	-	-
Minority interests	218	237	243	258
Shareholders' equity	11,440	9,914	12,807	11,340
Total liabilities and shareholders' equity	56,840	48,470	57,407	49,169



# PARENT COMPANY

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

## AB Electrolux income statement

SEKm	1988	1987
Sales	4,323	4,076
Income before allocations	1,054	877
Allocations	— 92	— 20
Taxes	— 92	— 42
<b>Net income</b>	<b>870</b>	<b>815</b>

## AB Electrolux balance sheet

SEKm	1988-12-31	1987-12-31
<b>ASSETS</b>		
Current assets	1,860	2,973
Blocked accounts with the Bank of Sweden	11	12
Fixed assets		
Shares and participations	14,751	12,774
Other	7,829	3,566
<b>Total assets</b>	<b>24,451</b>	<b>19,325</b>
<b>LIABILITIES</b>		
Current liabilities	5,930	3,571
Long-term liabilities	10,706	8,180
Convertible debenture loans	59	78
UNTAXED RESERVES	743	651
<b>SHAREHOLDERS' EQUITY</b>		
Restricted equity		
Share capital		
2,000,000 A-shares, par SEK 25		
70,350,351 B-shares, par SEK 25		
	1,809	1,799
Converted shares, unregistered	3	4
Statutory reserves	2,703	2,693
Unrestricted equity		
Retained earnings	1,628	1,534
Net income for the year	870	815
<b>Total liabilities and shareholders' equity</b>	<b>24,451</b>	<b>19,325</b>

## Notes to the financial statements for AB Electrolux

### Dividends on shares and participations in subsidiaries

Dividends from Swedish subsidiaries amounted to SEK 306m (608). Dividends from subsidiaries outside Sweden amounted to SEK 321m (145).

### Shareholders' equity

SEKm	Share cap.	Unreg. share cap.	Statutory reserve	Unrestr. equity
Opening balance	1,799	4	2,693	2,349
Dividend approved by AGM	—	—	—	—721
Converted debentures	—	9	10	—
Registered increase in share capital	10	—10	—	—
Net income for the year	—	—	—	870
<b>Closing balance</b>	<b>1,809</b>	<b>3</b>	<b>2,703</b>	<b>2,498</b>

# PROPOSED DISTRIBUTION OF EARNINGS

According to the consolidated financial statements, the Group's disposable earnings amount to SEK 5,609m, of which SEK 8m has been allocated to restricted reserves.

The Board of Directors and the President propose that:

Net income for the year _____	SEK	869,860,000
and retained earnings _____	SEK	<u>1,628,176,000</u>
totalling _____	SEK	2,498,036,000

be distributed as follows:

A dividend of SEK 11.50 per share to shareholders, totalling _____	SEK	833,286,000
To be carried forward _____	SEK	<u>1,664,750,000</u>
Total _____	SEK	2,498,036,000

Stockholm, March 22, 1989

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 1988. 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 28, 1989

ARNE HOLMÉN  
Authorized Public  
Accountant  
Hagström & Olsson AB

JAN NORDENBÄCK  
Authorized Public  
Accountant  
Hagström & Olsson AB

# BOARD OF DIRECTORS AND AUDITORS



*Seated, from left: Anders Scharp, Hans Werthén, Birgit Malmenstam-Skytt and Peter Wallenberg.  
Standing, from left: Torsten Säll, Rolf Karlsson, Roland Mörk, Hans Söderqvist, Sven Olving, Gösta Bystedt,  
Jacob Palmstierna, Sten Wikander, Claes Dahlbäck and Nils Holgerson.*

## 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. President, International Chamber of Commerce (ICC), Paris. Elected 1974.

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

**Claes Dahlbäck**, born 1947. President, AB Investor. Board Chairman: Skandigen AB. Board Member: ASEA AB, AB Astra, Fastighets AB Beväringen, Stockholms Optionsmarknad OM Fondkommission AB, AB Papyrus, Swedish Match AB, Åkermans Verkstad AB. Elected 1983.



**Nils Holgerson**, born 1923. Board Member: Provendör AB, SILA, SPP, Svenska Handelsbanken, Svenska Tobaks AB, AB Tipstjänst, Volvo Flygmotor. Elected 1978.

**Birgit Malmenstam-Skytt**, born 1935. Secretary General, Swedish Shareholders' Association. Board Member: PKfonder, World Federation of Investment Clubs and Individual Investors. Trustee: RKA Mutual Insurance Company. Elected 1978.

**Sven Olving**, born 1928. President, Chalmers University of Technology. Board Chairman: AB Volvofinans. Board Member: Celsius Industrier AB, Telefon AB LM Ericsson, Gotabanken, Göta-verken Energy AB, Trelleborg 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 Limited (Australia), AB Investor, Piren AB, Swedish Association of Engineering Industries, Swedish Employers' Confederation, Swedish Engineering Employers' Association. Elected 1980.

**Sten Wikander**, born 1927. Former President, Fourth National Pension Insurance Fund. Board Chairman: AB Svensk Exportkredit, H & M Hennes & Mauritz AB. Board Member: Bank of Sweden's Jubilee Fund, Telefon AB LM Ericsson, Urban Mortgage Bank of Sweden. 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 & Olsson AB

**Jan Nordenbäck**  
Authorized Public Accountant  
Hagström & Olsson AB

### Deputy auditors

**Kjell Andersson**  
Authorized Public Accountant  
Hagström & Olsson AB

**Jan-Eric Löfgren**  
Authorized Public Accountant  
Hagström & Olsson AB

# GROUP STRUCTURE

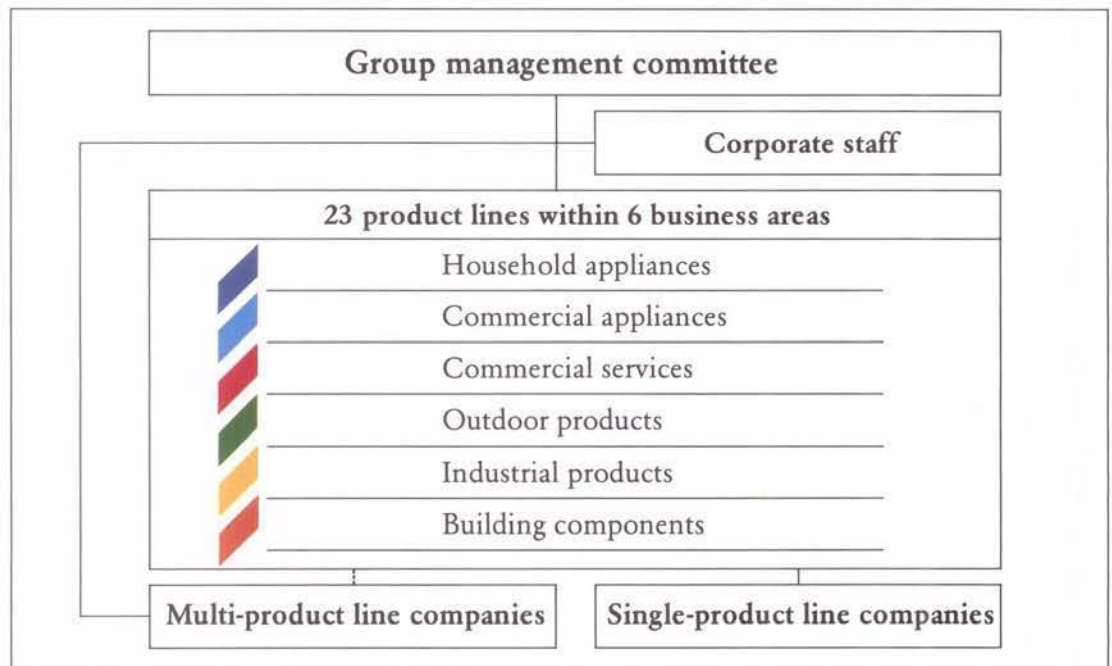
The operations of Electrolux are organized in six business areas with a total of 23 product lines. There are a number of companies in each product line. The Group has a total of 502 operating companies in 48 countries.

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.

Group management was enlarged in 1988, as two of the Deputy Members were appointed Executive Vice-Presidents. In addition to President and CEO Anders Scharp, Group management now comprises eight Executive Vice-Presidents and three Deputy Members.

Staff functions were further streamlined during the year.

In order to make better use of the opportunities for growth offered by component operations, the Electrolux Autoliv and Components Group product lines were combined under joint management in a new product area, Industrial components.



## Group management committee

Anders Scharp, President and CEO  
 Lennart Ribohn, Senior Executive Vice-President  
 Per-Olof Aronson, Exec. Vice-President  
 Gunnar Bark, 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  
 Donald C. Blasius, Deputy Member  
 Bo Sternbrink, Deputy Member  
 Sven Stork, Deputy Member

## Corporate staff

Mats Agurén, Administration  
 Johan Bygge, Controller  
 Andrejs Cakste, Mergers & Acquisitions  
 Matts P. Ekman, Treasurer  
 Lars Eriksson, Group Audit  
 Per G. Hedström, Technical R&D  
 Halvar Jonzon, Purchasing  
 Leif Lindgren, Risk Management and Financial Administration  
 Ulf Magnusson, Legal Counsel



### 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*

### 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*

Gränges International Mining  
*Arne Dahlström*

Materials handling equipment  
*Sven Stork*

Industrial components  
*Gunnar Bark*

Electrolux Autoliv  
*Gunnar Bark*

Electrolux Components Group  
*Fulvio Borsero*

### Building components

Building materials  
*Bo Sternbrink*

Kitchen and bathroom cabinets  
*Nils-Erik Danielsson, Europe*  
*Dean R. Baird, USA*

## GROUP MANAGEMENT



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

**Hans G. Bäckman**, born 1936. M. Eng. Divisional Manager of Husqvarna AB 1977, Product Line Manager for Forestry and Garden products 1983, Executive Vice-President of AB Electrolux 1988.

**Christer Forsström**, born 1943. Economist. President of Electrolux-Wascator AB 1981, Product Line Manager for Floor-care products and Commercial cleaning equipment 1984, Executive Vice-President of AB Electrolux 1988.

**Leif Johansson**, born 1951. M. Eng. President of Husqvarna Motorcyklar AB 1979, Divisional Manager of Facit AB 1981, President of Facit AB 1982, Product Line Manager for White goods 1983, Executive Vice-President of AB Electrolux 1988.

**Anders Scharp**, born 1934. M. Eng. Head of the refrigeration laboratory at Elektro Helios 1960, Vice-President, Production at Electrolux 1969, Vice-President, Production/R&D and Executive Vice-President 1974. President of Facit AB 1976. President of AB Electrolux 1981. CEO 1986.

**Per-Olof Aronson**, born 1930. M. Eng. Production Manager at Svenska Metallverken in the Gränges Group 1966, Vice-President, Production/R&D at Gränges Aluminium 1975, President of Gränges Aluminium and Product Line Manager 1983, Executive Vice-President of AB Electrolux 1989.

**Gunnar Bark**, born 1939. M. Eng. President of Gränges Weda AB and Product Line Manager for Car safety belts 1982, Manager of Industrial components and Executive Vice-President of AB Electrolux 1989.

**Bertil Ljungquist**, born 1932. Economist. Administrative Manager of Facit AB 1967, Vice-President, Personnel at Electrolux 1974, Vice-President, Administration 1978, Executive Vice-President 1981, Product Line Manager for Laundry services and goods protection 1983.

**Lennart Ribohn**, born 1943. B.A. Group Controller 1971, Executive Vice-President of AB Electrolux 1981, Senior Executive Vice-President 1988.

**Per-Olof Sjöberg**, born 1936. Economist. Divisional Manager of Husqvarna AB 1976, Product Line Manager for Commercial refrigeration equipment 1979, Sewing machines 1980 and Food-service equipment 1987. Executive Vice-President of AB Electrolux 1988.



# 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 1988 totalled SEK 73,960m (67,430). After deduction of purchases of goods and services, the value added by the Group amounted to SEK 27,489m (25,251), an increase of 9% (29) over the previous year. During the past five years, added value has increased at an annual rate of 18% (19).

In 1988, SEK 4,441m (3,784) 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 1988, 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	1988	%	1988 per employee, SEK'000	1987	%
Total sales	73,960	100	503	67,430	100
Cost of purchased goods and services	- 46,471	- 63	- 316	- 42,179	- 63
Added value	27,489	37	187	25,251	37

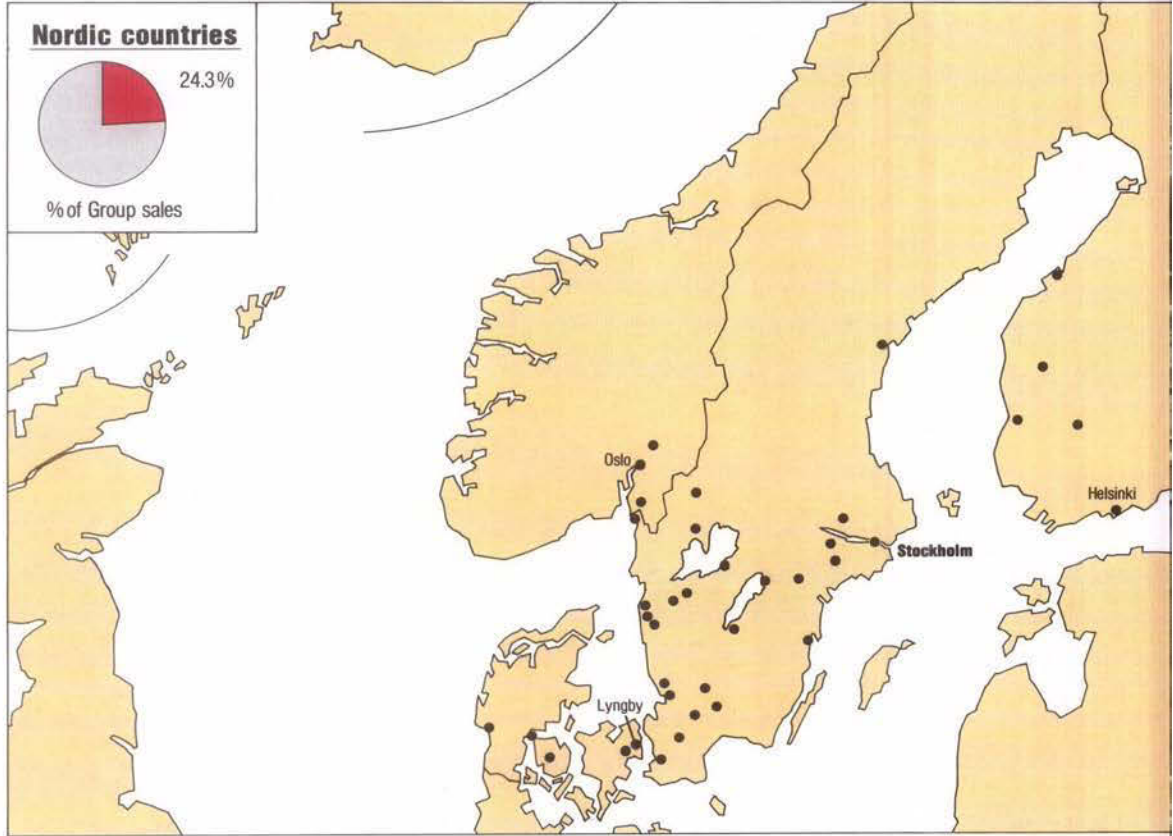
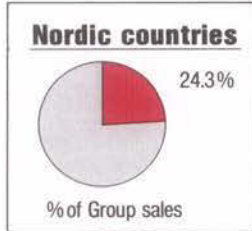
## Distribution of added value

SEKm	1988	%	1988 per employee, SEK'000	1987	%
To employees					
Wages and salaries	15,257			14,427	
Employer contributions	4,758			4,240	
	20,015	73	136	18,667	74
To central and local governments					
Taxes	1,030	4	7	914	3
To credit institutions					
Interest, etc.	1,170	4	8	1,165	5
To shareholders					
Dividend payments (1988: Proposed)	833	3	6	721	3
Retained in the Group					
For wear on fixed assets (depreciation)	2,577		17	2,345	
For continued expansion	1,864		13	1,439	
	4,441	16	30	3,784	15
Added value	27,489	100	187	25,251	100

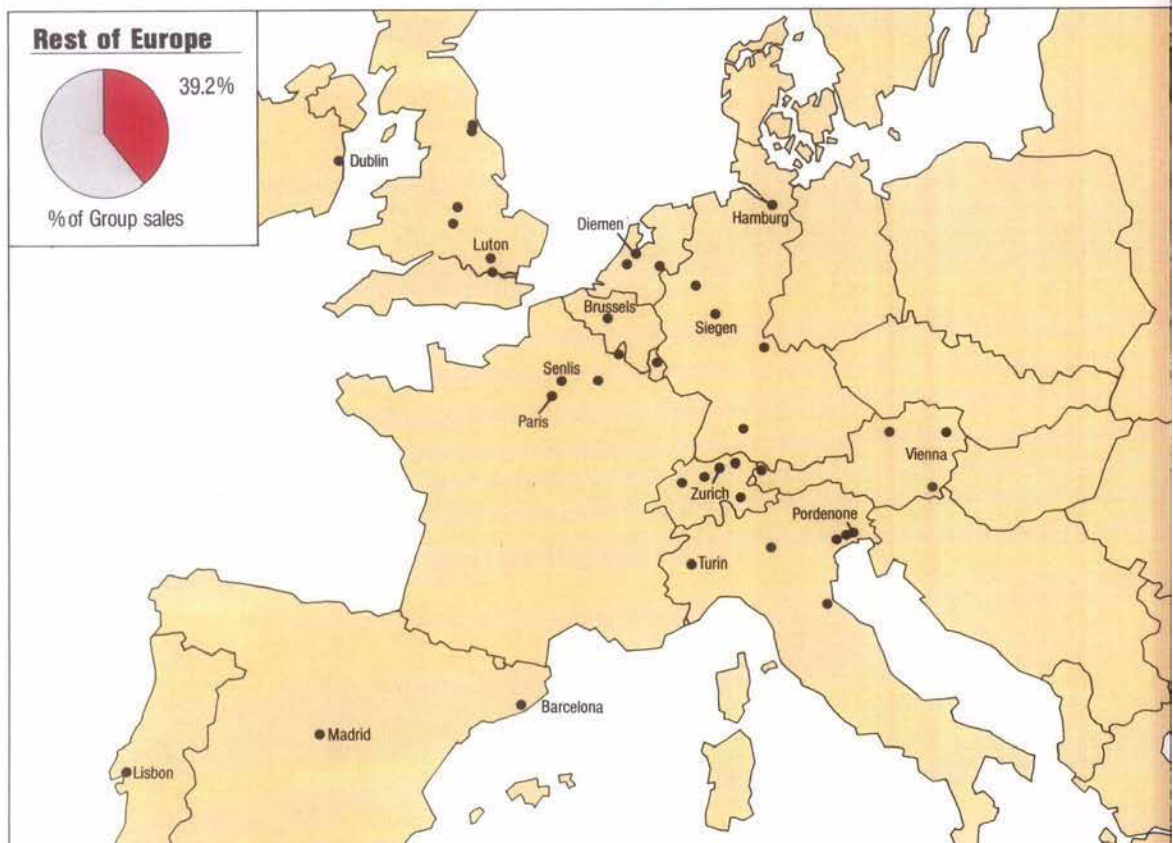
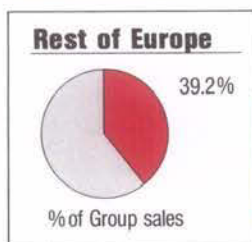
# GROUP SALES AND EMPLOYEES WORLD-WIDE

The dots indicate major Group companies/production units.

Nordic countries	Sales	No. employees
<b>Sweden</b>	12,891 SEKm	30,103
<b>Denmark</b>	1,931 SEKm	3,091
<b>Finland</b>	1,658 SEKm	1,306
<b>Norway</b>	1,457 SEKm	1,260
	17,937 SEKm	35,760

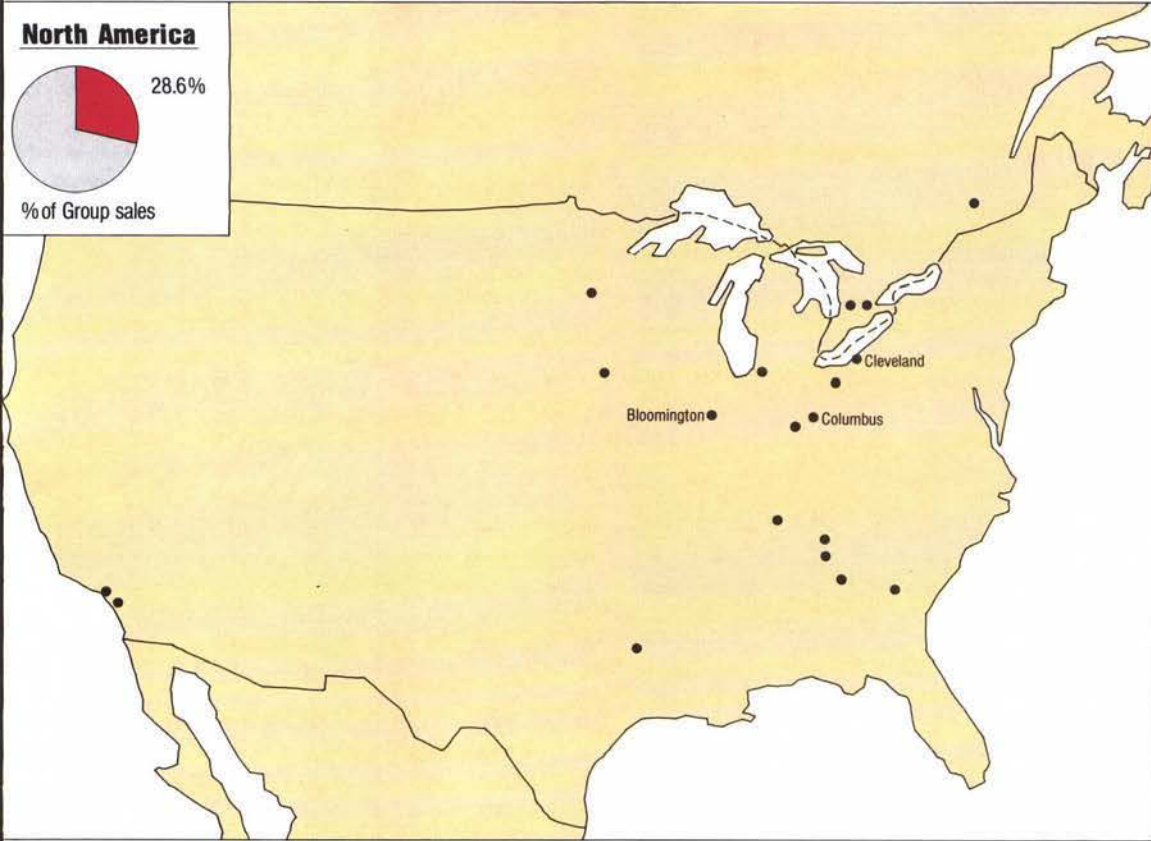


Rest of Europe	Sales	No. employees
<b>United Kingdom</b>	7,884 SEKm	11,569
<b>France</b>	5,368 SEKm	7,827
<b>West Germany</b>	4,491 SEKm	3,500
<b>Italy</b>	4,396 SEKm	15,468
<b>Spain</b>	1,766 SEKm	6,482
<b>Switzerland</b>	1,532 SEKm	1,798
<b>The Netherlands</b>	1,283 SEKm	1,099
<b>Belgium</b>	749 SEKm	245
<b>Austria</b>	531 SEKm	1,059
<b>Luxembourg</b>	107 SEKm	664
<b>Portugal</b>	101 SEKm	70
<b>Other</b>	812 SEKm	44
	29,020 SEKm	49,825





### North America

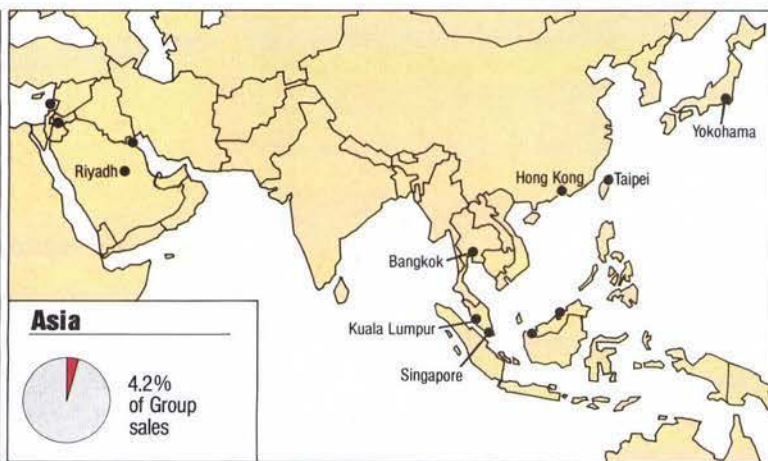


North America	Sales	No. employees
<b>USA</b>	19,354 SEKm	30,717
<b>Canada</b>	1,786 SEKm	2,181
	21,140 SEKm	32,898

Latin America	Sales	No. employees
<b>Venezuela</b>	327 SEKm	1,576
<b>Brazil</b>	307 SEKm	6,432
<b>Mexico</b>	180 SEKm	1,955
<b>Colombia</b>	95 SEKm	816
<b>Peru</b>	79 SEKm	679
<b>Ecuador</b>	54 SEKm	243
<b>Guatemala</b>	16 SEKm	29
<b>Other</b>	397 SEKm	254
	1,455 SEKm	11,984



### Latin America



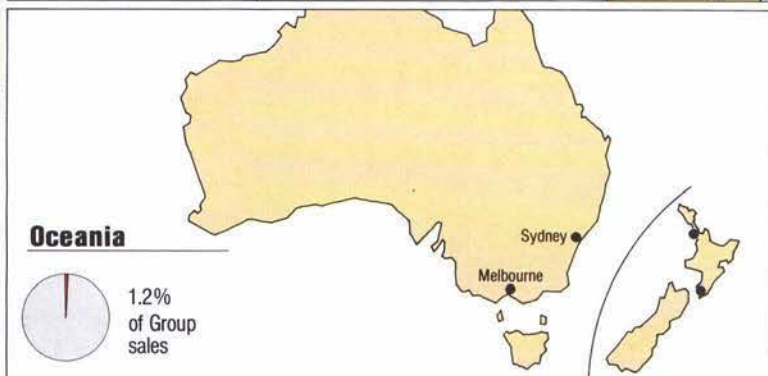
### Asia



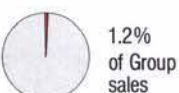
Asia	Sales	No. employees
<b>Japan</b>	776 SEKm	1,220
<b>Saudi Arabia</b>	302 SEKm	431
<b>Taiwan</b>	299 SEKm	590
<b>Hong Kong</b>	200 SEKm	1,427
<b>Thailand</b>	199 SEKm	2,730
<b>Malaysia</b>	158 SEKm	2,060
<b>Singapore</b>	74 SEKm	583
<b>Kuwait</b>	67 SEKm	185
<b>Lebanon</b>	34 SEKm	32
<b>Jordan</b>	23 SEKm	98
<b>Other</b>	1,014 SEKm	4,290
	3,146 SEKm	13,646



### Africa



### Oceania



Africa	Sales	No. employees
	390 SEKm	—

Oceania	Sales	No. employees
<b>Australia</b>	713 SEKm	2,522
<b>New Zealand</b>	136 SEKm	557
<b>Other</b>	23 SEKm	—
	872 SEKm	3,079

# TEN-YEAR REVIEW

Amounts are in SEKm,  
unless otherwise noted

Average  
growth rate, %  
5 10  
years years

	1988	1987	1986	1985	1984	1983	1982	1981	1980	1979	18.1	19.9
<b>SALES AND INCOME</b>												
Sales	73,960	67,430	53,090	39,688	34,547	32,146	31,661	26,595	22,874	15,137	18.1	19.9
Operating income after depreciation	4,897	4,225	3,321	3,137	3,117	2,691	1,937	1,730	1,728	1,308	12.7	17.9
Income after financial items	3,727	3,060	2,583	2,576	2,470	1,763	609	355	1,003	915	16.2	18.6
Income before allocations	3,727	3,060	2,715	2,752	2,576	1,863	567	1,127	1,054	934	14.9	16.2
<b>FINANCIAL POSITION</b>												
Total assets	56,840	48,470	48,181	29,524	26,281	23,527	24,478	21,767	17,832	11,270	19.3	20.1
Net assets	35,700	29,471	30,961	19,030	16,850	15,111	16,497	14,664	11,415	7,363	18.8	19.5
Accounts receivable	13,728	12,183	11,885	7,864	5,948	5,603	6,032	4,750	3,976	3,311	19.6	18.3
Inventories	14,359	12,169	12,431	8,238	8,032	7,518	8,355	8,048	6,942	4,340	13.8	15.6
Risk-bearing capital	17,408	14,783	14,312	10,785	9,210	7,765	6,886	6,407	5,336	3,861	17.5	18.6
Adjusted equity	13,893	11,941	11,659	8,306	6,903	5,651	5,204	4,761	3,697	3,077	19.7	18.1
<b>DATA PER SHARE, SEK</b>												
Earnings after standard tax***	24.90	20.60	18.20	19.60	18.90	13.70	5.10	3.20	7.70	8.20	12.7	14.9
Total earnings after actual tax***	36.10	28.80	25.60	30.50	25.90	19.80	5.90	15.10	14.20	13.40	12.8	13.5
Net earnings according to US GAAP***	28.60	25.00	24.80	22.20	22.20	11.80						
Risk-bearing capital***	238	202	197	169	150	130	117	110	95	76	12.9	14.2
Adjusted equity***	190	164	161	131	115	98	92	85	70	61	14.2	13.6
Dividend, adjusted for share issues*	11.50	10.00	8.75	7.50	6.50	5.50	4.50	4.00	3.75	3.00	15.9	16.5
Trading price of B-shares at year end	293	193	311	194	121	119	60	41	44	45	19.7	20.9
<b>KEY RATIOS</b>												
Return on equity, %	15.3	12.9	13.3	17.6	20.9	16.4	6.2	4.6	15.1	16.6		
Total return on equity, %	18.9	15.7	16.7	22.2	22.9	20.0	6.0	20.1	24.4	23.5		
Return on net assets, %	17.3	15.7	16.4	20.7	22.4	18.7	14.1	14.6	21.2	20.7		
Net assets as % of sales**	47.1	43.7	49.1	47.9	48.8	47.0	52.1	55.1	49.9	48.6		
Accounts receivable as % of sales**	18.1	18.1	18.9	19.8	17.2	17.4	19.1	17.9	17.4	21.9		
Inventories as % of sales**	19.0	18.0	19.7	20.8	23.2	23.4	26.4	30.3	30.3	28.7		
Interest coverage rate	2.88	2.60	2.56	3.17	3.29	2.45	1.46	1.35	2.01	2.94		
Share of risk-bearing capital, %	30.6	30.5	29.7	36.5	35.0	33.0	28.1	29.4	29.9	34.3		
Equity/assets ratio, %	24.4	24.6	24.2	28.1	26.3	24.0	21.3	21.9	20.7	27.3		
Dividend as % of adjusted equity	6.0	6.0	5.3	5.5	5.2	5.1	4.5	4.3	5.0	4.7		
<b>OTHER DATA</b>												
Gross capital expenditure on real estate, equipment and tools	5,292	3,788	8,736	2,401	1,694	1,374	1,406	1,514	2,515	863		
Excl. value of fixed assets in companies acquired during the year	4,772	3,485	3,005	1,808	1,615	1,354	1,320	1,248	1,230	715		
Capital expenditure as % of sales	6.5	5.2	5.7	4.6	4.7	4.2	4.2	4.7	5.4	4.7		
Number of employees	147,200	140,500	129,900	91,100	87,000	86,300	96,600	97,800	99,000	82,000		
Salaries, wages and remuneration	15,257	14,427	11,164	8,320	7,283	6,852	7,195	6,357	5,403	3,936		
Number of shareholders	70,000	70,000	59,000	52,000	52,000	51,000	52,000	51,000	43,000	41,000		

\* 1988: Proposed by the Board

\*\* Group sales adjusted on a 12-month basis for 1986 and 1988

\*\*\* Fully diluted

For definitions of the concepts in the above table, see p. 42



# ANNUAL GENERAL MEETING

The Annual General Meeting will be held at 3:30 PM on Wednesday, May 24, 1989 in the Main Hall of the Concert Hall at Hötorget in 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 12, 1989.

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 12, 1989.

## 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 Friday, May 19, 1989 by mail to AB Electrolux, Dept. C-J, S-10545 Stockholm, Sweden, or by telephone at Int +46-8-7386793 or 7386789.

## Payment of dividend

Subject to endorsement by the AGM of the Board's proposal of May 29, 1989 as reconciliation date, it is expected that dividends will be paid by the VPC on June 5, 1989.

## Change of address

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

## Electrolux will publish the following financial reports in 1989:

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)* _____	Mid 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-10545 Stockholm, Sweden.



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