

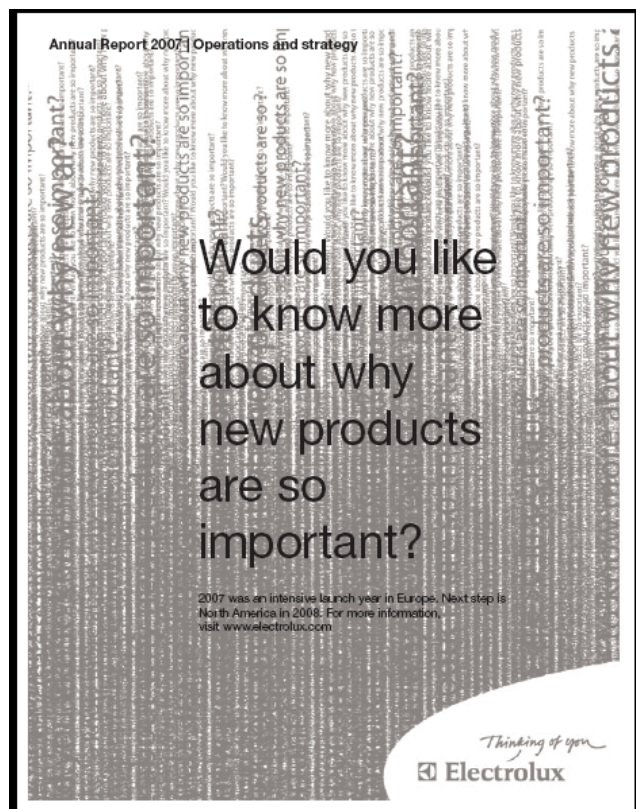
# Report of the Month

ReportWatch e.com

September 2008

## Electrolux

Stockholm, Sweden



## Report Facts

**Company name:** AB Electrolux  
**Fiscal year end:** December 31, 2007  
**Report title:** *Would you like to know more about...*  
**Chairman of the Board:** Marcus Wallenberg  
**President and CEO:** Hans Stråberg  
**Number of books:** Two  
**Report length:** 44 + 100 pages  
**Auditors:** PricewaterhouseCoopers AB  
**Design:** Electrolux and Solberg  
**E-mail:** [ir@electrolux.se](mailto:ir@electrolux.se)

Report Rating: ★★★★★

(Rating scale below)

**Profile-Products** (Excerpts, as from the report)

*Electrolux is a global leader in household appliances and appliances for professional use, selling more than 40 million products to customers on... 150 markets every year. The four product categories are: kitchen (cookers, refrigerators, dishwashers...); laundry (dryers, washing machines...); floor-care (vacuum cleaners); professional.*

(Annual Report cover) (Italics are own company's words)

## Key Figures

**Sales:** SEK 104,732 million

**Operating income:** SEK 4,837 million

**Net income:** SEK 2,925 million

**Earnings per share:** SEK 11.66

**Dividend per share:** SEK 4.25

**Return on equity:** 22.7%

**Operating margin:** 4.6%

**Debt to equity ratio:** 0.29

**Number of employees:** 56,898

(Source: 2007 figures sourced from the annual report)

## Competitors or Rivals

- Whirlpool
- Samsung
- LG Electronics
- General Electric
- Siemens
- Husqvarna (spun-off in 2006)

## Report Rating: ★★★★★

### Triple A

- > A *professional, durable and sustainable* branding exercise, handled with great *care*. It goes further than the boilerplate bragging statements and is here based on facts, figures, multiple product pictures, advertisements. The whole exercise deserves even more praise in these volatile times as it demonstrates that the primary performance -and profit- drivers for a company lie in products, markets and... customers in the long run.
- > Matter-of-fact yet informative review of operations, based on overviews as well as on stories and insights.
- > Comprehensive share information: most expected (and other) ratios are in. And the shareholder base and distribution is perfectly transparent.
- > Directors' report entirely built around financial statements, with comments near each of them (Selected Page).
- > Thorough *Eleven-year review* and *Quarterly information*, with an emphasis placed on margins.
- > Chart-intensive reports, both for business and operations and for financial performance and condition. Charts and graphs are consistently placed in a -visible- footer section and add value through a medium-term perspective (see e.g. *Net assets* on Selected Page).

### Double A

- > A message from the CEO in each book: operations oriented and investor driven, and straightforward about *solving the problems* posed.
- > Governance principles and their translation into processes and procedures are clearly explained.
- > Well-managed, consistent and compact (less than 150 pages in total) two-book policy. Titled *Operations and strategy* and *Financial review*, the two reports perfectly complement each other, with a business drive from the highlights on in the former to financial highlights and content in the latter. Consistency applies not only to the covers, but also, among others, to the effective use of the page footer for backing purpose, also in the financial section (see Selected Page).

### Simple A

- > A maximized (if not perhaps fully optimized –see below) use of all covers: from questions asked on the front to answers inside, from *Contacts* and *product offering* to product illustrations in the back.

### B sides ?

- > Some find the covers, created by Frank Bruzelius, a company's Art Director, a bit cryptic.
- > Outlook and targets are not developed enough.

#### Rating Scale

★★★★★: First-rate ★★★★★(★): Excellent ★★★★★: Very good ★★★(★): Sound ★★: Average  
★(★): Uneven ★★: Common ★(★): Substandard ★: Poor (★): Uncompetitive

The rating is based on ReportWatch internal desk research and does not take into account the independent Rating Panel's judgment. It may therefore differ from ratings (to be) published in the **Annual Report on Annual Reports**.

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*How does the company report in key areas? What are the main report pluses and minuses?  
The **Report Scan** gives an overview of strengths and weaknesses, and scores each item.*

Contact [e.com@reportwatch.net](mailto:e.com@reportwatch.net)

board of directors report

## Financial position

In order to adapt the Group's capital structure and thus to contribute to an increase in shareholder value, an Extraordinary General Meeting in December 2006 decided on a mandatory redemption procedure of shares totaling SEK 5,660m as a distribution of capital to Electrolux shareholders. The redemption procedure was implemented at the end of January 2007.

### Working capital and net assets

SEKm	Dec. 31, 2007	% of annualized net sales	Dec. 31, 2006	% of annualized net sales
Inventories	12,369	11.1	12,061	11.0
Trade receivables	20,379	18.3	20,901	19.1
Accounts payable	-14,769	-13.3	-15,320	-14.0
Provisions	-11,262	-10.2	-10,478	-9.6
Prepaid and accrued income and expenses	-8,445	-7.6	-8,020	-7.4
Taxes and other assets and liabilities	-2,324	-2.1	-1,761	-1.6
<b>Working capital</b>	<b>-2,129</b>	<b>-1.9</b>	<b>-2,619</b>	<b>-2.4</b>
Property, plant and equipment	15,305	13.9	14,209	13.1
Goodwill	2,024	1.8	1,991	1.8
Other non-current assets	4,037	3.6	3,551	3.2
Deferred tax assets and liabilities	1,208	1.1	1,012	0.9
<b>Net assets</b>	<b>20,743</b>	<b>18.8</b>	<b>19,140</b>	<b>17.6</b>
Average net assets	20,644	18.7	17,351	16.7
Return on net assets, %	21.7		21.2	
Return on net assets, excluding items affecting comparability, %	20.9		21.2	
Value creation	2,053	1.9	2,001	1.8

### Working capital

Working capital at year-end amounted to SEK -2,129 (-2.0%), corresponding to -1.6% (-2.4) of annualized net sales.

### Net assets and return on net assets

Net assets as of December 31, 2007, amounted to SEK 20,743m (18.8%). Average net assets for the year increased to SEK 20,644m (17.6%), mainly as a result of increased capital expenditure and higher inventories related to the large product launch in Europe.

- Equity/assets ratio was 26.0% (22.7)
- Return on equity was 20.3% (19.7)
- Average net assets increased to SEK 20,644m (17.6%)

Adjusted for items affecting comparability, net assets amounted to SEK 20,099m (21.527) and average net assets amounted to SEK 20,196m (21.521) corresponding to 22.1% (20.8) of net sales. Items affecting comparability refers to restructuring provisions and provision for post-employment benefits due to the IFRS transition.

The return on net assets was 21.7% (21.2), and 20.9% (21.2) excluding items affecting comparability.

### Net borrowings

Net borrowings at year-end increased to SEK 4,702m (-3.0%). Compared to the previous year, net borrowings have been affected by the capital distribution to shareholders at the beginning of 2007 and the positive cash flow from operations and investments.

### Net borrowings

SEKm	Dec. 31, 2007	Dec. 31, 2006
Borrowings	11,353	7,485
Liquid funds	-6,651	-7,199
<b>Net borrowings</b>	<b>4,702</b>	<b>-314</b>

### Change in net assets

SEKm	Net assets
January 1, 2007	19,140
Change in restructuring provisions	541
Write-down of assets	-39
Other items affecting comparability	425
Changes in exchange rates	28
Capital expenditure	2,430
Depreciation	-3,287
Changes in working capital, etc.	451
December 31, 2007	20,743

### Net assets

