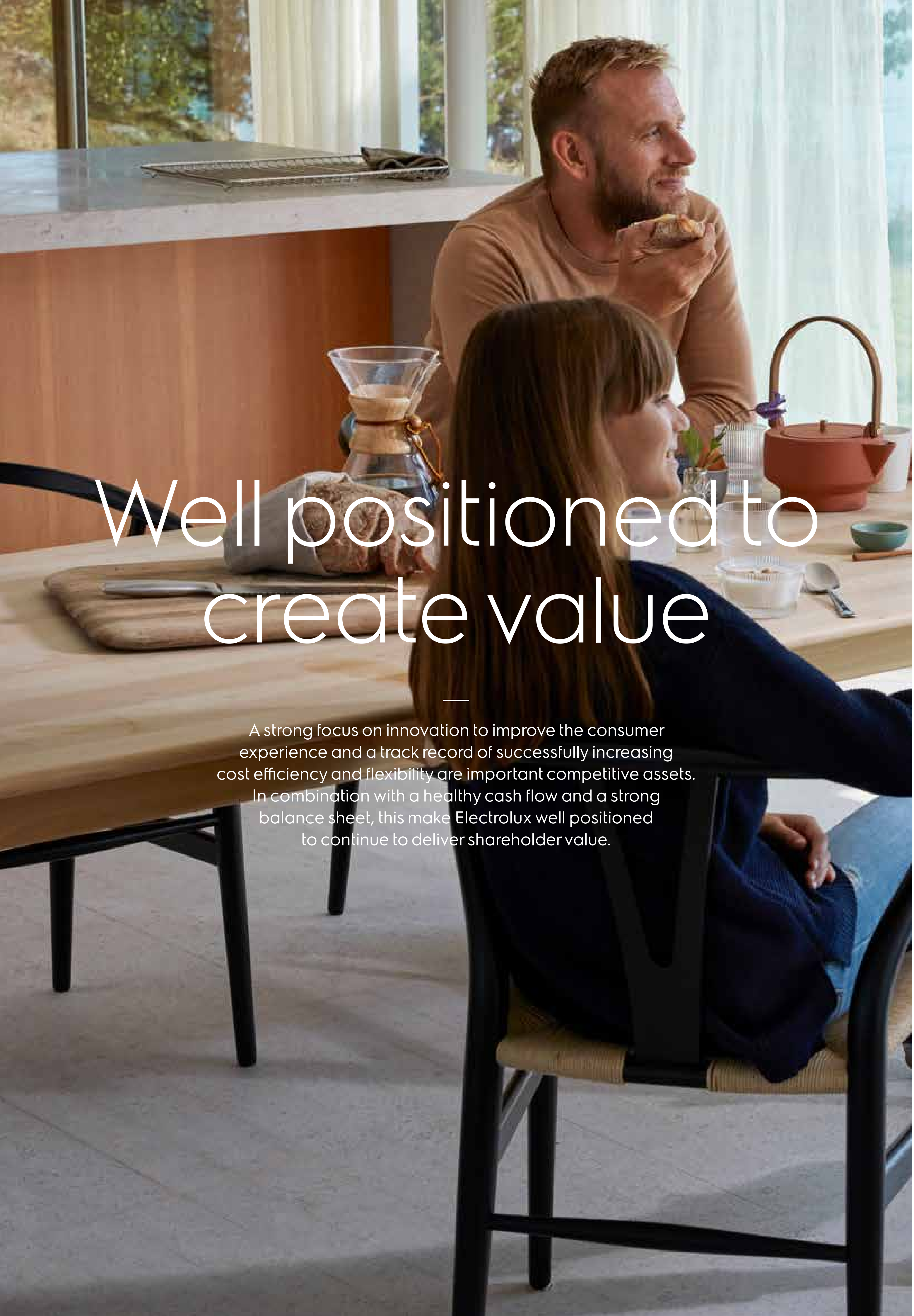
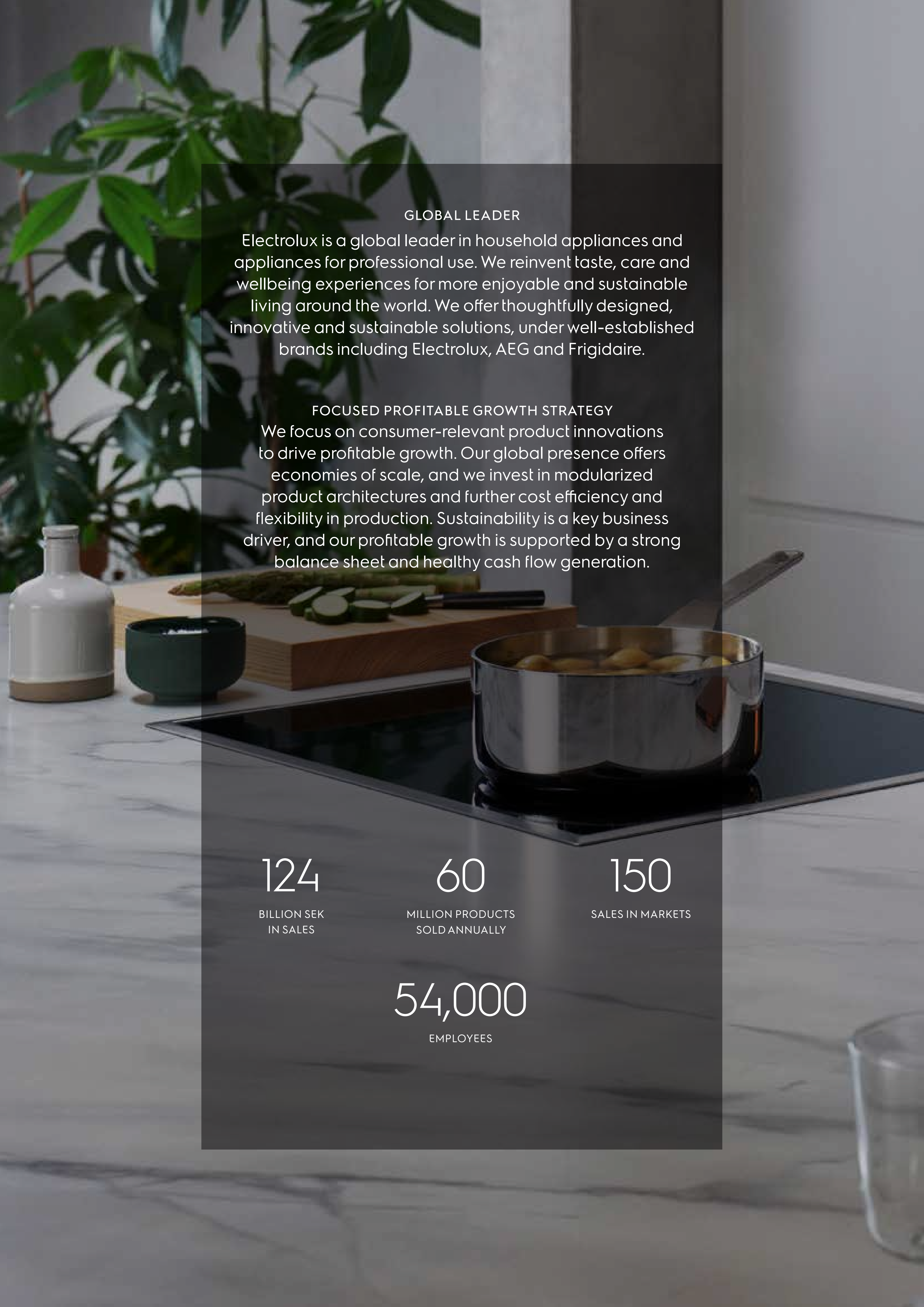
Electrolux
Annual Report 2018



Well positioned to create value

A strong focus on innovation to improve the consumer experience and a track record of successfully increasing cost efficiency and flexibility are important competitive assets. In combination with a healthy cash flow and a strong balance sheet, this make Electrolux well positioned to continue to deliver shareholder value.



GLOBAL LEADER

Electrolux is a global leader in household appliances and appliances for professional use. We reinvent taste, care and wellbeing experiences for more enjoyable and sustainable living around the world. We offer thoughtfully designed, innovative and sustainable solutions, under well-established brands including Electrolux, AEG and Frigidaire.

FOCUSED PROFITABLE GROWTH STRATEGY

We focus on consumer-relevant product innovations to drive profitable growth. Our global presence offers economies of scale, and we invest in modularized product architectures and further cost efficiency and flexibility in production. Sustainability is a key business driver, and our profitable growth is supported by a strong balance sheet and healthy cash flow generation.

124

BILLION SEK IN SALES

60

MILLION PRODUCTS SOLD ANNUALLY

150

SALES IN MARKETS

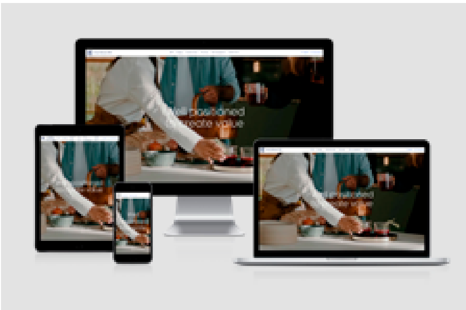
54,000

EMPLOYEES

Table of contents

The Annual Report for AB Electrolux (publ), 556009-4178, consists of the Report by the Board of Directors and Notes to the financial statements, pages 17–81. The Annual Report is published in Swedish and English.

ANNUAL REVIEW ON THE WEB



Please find more information about business development, strategy and business areas in the Electrolux Annual Review 2018, accessible on all your digital platforms. These sections were previously included in the Annual Report.

Please visit the Electrolux Annual Review 2018 at:
www.electroluxgroup.com/annualreports/2018

SUSTAINABILITY

The Electrolux sustainability framework and execution are described in the Sustainability reporting section on pages 90–99. The full Electrolux Sustainability Report is published online in March 2019 at:
www.electroluxgroup.com/sustainabilityreport2018

ECOLABELLED 341 298 Printed matter Larsson Offsettryck

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Concept, text and production by Electrolux Investor Relations and Hallvarsson & Halvarsson.

CEO STATEMENT

Good progress in a challenging environment

SALES GROWTH

1.7

PERCENT

OPERATING MARGIN[1]

5.4

PERCENT

OPERATING CASH FLOW[2]

3,649

SEKm

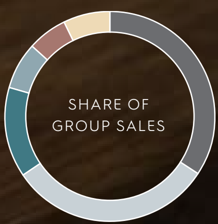
DIVIDEND[3]

8.50

SEK per share

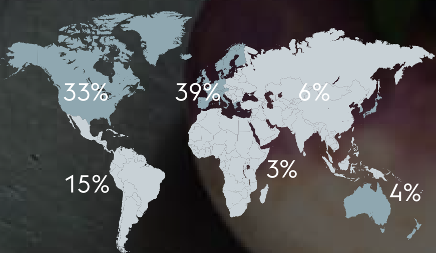
1) Excluding non-recurring items.
2) After investments.
3) Proposed by the Board.

BUSINESS AREAS



- Major Appliances Europe, Middle East and Africa (EMEA), 34%
- Major Appliances North America, 31%
- Major Appliances Latin America, 14%
- Major Appliances Asia/Pacific, 7%
- Home Care & SDA, 6%
- Professional Products, 7%

SALES BY REGION



Jonas Samuelson, Electrolux President and CEO.

I am pleased with our performance in 2018 in the face of challenging conditions. Our focus on innovation to improve the consumer experience and our high cost efficiency are key competitive assets. Combined with price increases, these factors had a positive impact on our earnings, but could not fully compensate for the strong headwinds we faced primarily from raw material and currency.

Our performance in 2018 was very encouraging in several key areas. We launched a large number of new innovative products designed to deliver outstanding consumer experiences. We continued to improve our cost efficiency throughout the Group, and we carried out large parts of our re-engineering program that aims to drive profitable growth in the years ahead. We also reinforced our position as a sustainability leader in the industry, which is an ever-more crucial competitive advantage as sustainability is playing an increasingly important role for consumers and is a key driver of demand.

Good progress despite strong headwinds in 2018

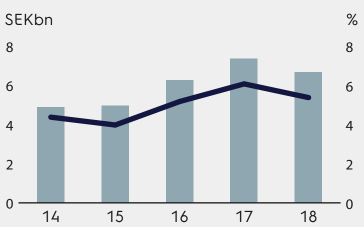
Underlying operating income and margin contracted due to the negative impact of raw material and currency. In fact, it is very unusual for us to experience such strong headwinds from both these factors in the same year. In addition, the U.S. trade tariffs that were imposed during the year had an adverse effect. Therefore it was important that we managed to implement price increases and improve the mix by providing more relevant, innovative product offerings. We continued to perform favorably in terms of cost efficiencies, mainly as a result of continuous improvements. Sales growth was 1.7%, driven mainly by price increases and mix improvements across most business areas although acquisitions also contributed.

"We reported strong organic sales growth in EMEA and continued to gain market shares."

We reported strong organic sales growth in **EMEA**, mainly due to our consistent focus on innovative products under premium brands, and we continued to gain market shares in the focus areas of laundry and built-in kitchen. Operating income excluding non-recurring items improved as higher volumes, mix improvements and increased cost efficiency offset higher costs for raw materials and currency headwinds. Strong growth in Eastern Europe continued to drive overall market demand in Europe, while demand in Western Europe declined somewhat.

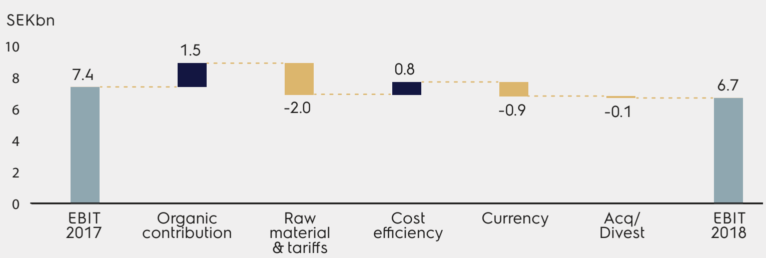
Our **North American** operation was significantly impacted by increased raw material costs and U.S. trade tariffs as well as from lower volumes, partly related to private label. To mitigate the cost inflation, several cost-based price increases were announced and implemented. We also announced a major re-engineering of our Anderson freezer/fridge factory to increase our competitiveness by providing a sharper product offering and achieving higher efficiency. To simplify operations, lower costs and increase focus

EARNINGS DEVELOPMENT[1]



Operating income excl. non-recurring items in 2018 was SEK 6,653m (7,407), corresponding to a margin of 5.4% (6.1).

OPERATING INCOME BRIDGE[1]



Our focus on innovation to improve the consumer experience and our high cost efficiency are key competitive assets. Combined with price increases these had positive impact on operating income (EBIT), but could not fully compensate for the strong headwind we faced, primarily from raw material and currency.

[1] Operating income excluding non-recurring items.


AEG SenseProbe

Taste

By making it possible to make great-tasting food.

We sell cookers, hobs, ovens, hoods, microwave ovens, refrigerators, freezers and dishwashers for households and professional kitchens throughout the world. Electrolux is a leader in kitchen appliances and new functionalities are continuously being developed.

In 2018, Taste innovations included the new SenseProbe induction hob with sous-vide and a world-first wireless and battery-less probe, that provides precise and automated assistance when cooking, and the AEG UltraFresh+ fridge-freezer, with smart cooling technology that automatically regulates the perfect environment for food.

Three clear areas for innovation

Care

By making it possible to care for your clothes so they stay new for longer.

Washing machines and tumble dryers are the core of our product offering for washing and garment care. Demand is driven by innovations that promote user-friendliness and resource efficiency.

Care innovations in 2018 included the development of a new sensor system that enables tumble dryers to sense when clothes are perfectly dry.


Electrolux PerfectCare 900


Pure F9 cordless vacuum cleaner

Wellbeing

By making it possible to achieve healthy wellbeing in your home.

Electrolux vacuum cleaners, air-conditioning equipment, water heaters, heat pumps, small domestic appliances, and accessories are sold to consumers worldwide. We have a strong, global distribution network and an attractive product offering, including service.

In the Wellbeing segment in 2018, we launched the groundbreaking cordless vacuum cleaner Electrolux Pure F9 that uses powerful battery technology and innovative design to combine the performance of a traditional vacuum cleaner with the freedom of a stick vacuum.


Frigidaire Gallery Black Stainless Suite

on the most profitable products, we reduced the number of products by about 50%.

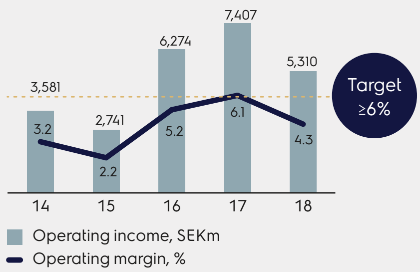
The ongoing cost-efficiency initiatives in **Latin America** continued to be effective and an important phase of the re-engineering of the freezer/fridge plant in Curitiba was concluded. Investments in manufacturing re-engineering play a key role in driving profitable growth. Macroeconomic turbulence impacting currencies had a negative impact, along with raw material cost. This was offset by price increases, mix improvements and higher cost efficiency.

In **Asia/Pacific,** organic sales growth was driven largely by two-digit profitable growth in laundry and food preparation in Southeast Asia, offering products tailored to specific consumer needs in these regions. For example, cold water technology in washing machines enables consumers in Indonesia to get perfectly cleaned clothes despite electricity limitations. However, operating income declined as currency headwinds and increased cost for raw material were not fully offset by higher sales volumes and mix improvements.

In line with its strategy, **Home Care & SDA** was in a product transition phase with lower volumes as a consequence. The shift in market demand toward cordless vacuums

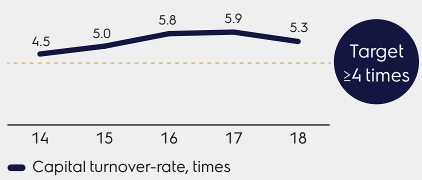
Targets[1)]

OPERATING MARGIN



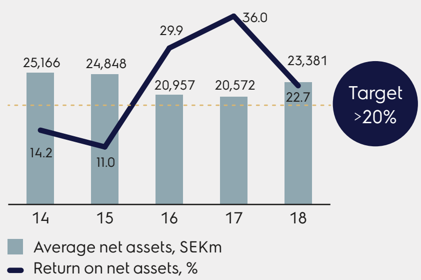
In 2018, operating income included non-recurring items of SEK -1,343m.

CAPITAL TURNOVER-RATE



Reducing the amount of capital tied up in operations creates opportunities for profitable growth.

RETURN ON NET ASSETS



Sustained profitability and a small, efficient capital base enable us to achieve a high long-term return on capital.

1) Financial targets are over a business cycle.

accelerated, and I am therefore very pleased to see that we strengthened our offering with the launch of the ground-breaking premium cordless vacuum cleaner Pure F9. The business area completed its product portfolio review after divesting the North American commercial and central vacuum cleaner businesses. An improved product mix contributed positively to earnings.

Professional Products continued its profitable growth journey based on product innovation and increased market coverage. The new laundry line launched in 2018 uses cutting-edge innovations and connectivity solutions to maximize uptime and best-in-class energy savings. Acquisitions strengthened the beverage offering and added functional sales expertise through laundry rental services. Earnings remained solid.

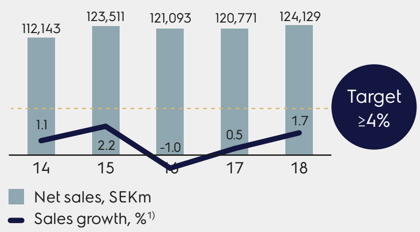
CASE STUDIES – PROFITABLE GROWTH

Increase competitiveness in the U.S. through factory re-engineering

Electrolux is investing approximately USD 250m in the Anderson facility to drive profitable growth in North America with new lines of innovative Frigidaire refrigerator and freezer products. The investment will increase efficiency through automation and modularized products. The automation level will be significantly higher; from below 10% to around 35%.

Learn more on Electrolux Annual Review 2018 at: www.electroluxgroup.com/annualreports/2018

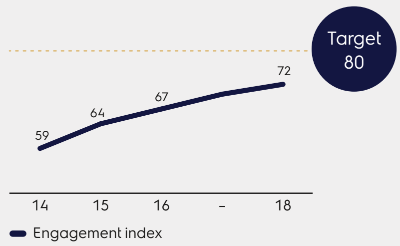
SALES GROWTH



1) Total sales growth excluding currency translation effects.

To reach the growth target, we are continuing to strengthen our positions in core markets, new markets and segments.

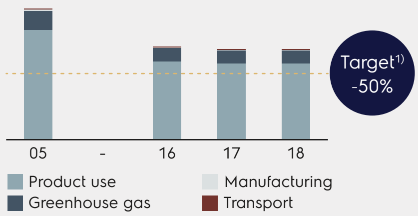
EMPLOYEE ENGAGEMENT



In 2017, a mini survey was carried out to monitor the teams with low scores in previous surveys. The survey showed progress.

The employee engagement survey (EES) is an important tool to assess engagement, leadership and commitment to strategy.

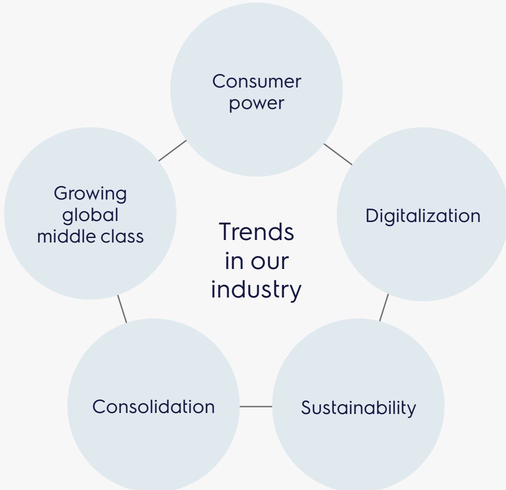
SUSTAINABILITY



1) Reduce CO_2 impact by 50% in 2020 focusing on product efficiency in the main product categories. Sales volumes and emission factors are normalized to 2005.

Sustainability leadership is a key business driver and important to realizing the Electrolux strategy for profitable growth.

Trends in our industry



TRENDS
The increasing pace of change in the global market stems from a number of trends that influence volumes and the types of products that are in demand, but also how these products are produced, marketed and sold.

Well positioned to benefit from global trends

Electrolux is operating in a global market that is being transformed by a number of important trends. A key trend is the rise of consumer power. I am therefore convinced that our consumer-focused business model gives us a competitive advantage in today's market where the consumers are very well informed about their options. Our experience innovation and brand/product focus are therefore specifically tailored to appeal to targeted consumer segments and needs. As a global business with local presence in regions like Africa, Middle East, Eastern Europe, Latin America and Southeast Asia, we have opportunities to leverage the continued rapid growth of the global middle class. Along with digitalization and sustainability, these trends necessitate significant investments and drive industry consolidation. With our leadership in sustainability and our re-engineering investments, Electrolux is well positioned to drive growth.

How to achieve profitable growth

Electrolux has a clear strategy to deliver profitable growth and create shareholder value. We define profitable growth as sales growth of at least 4% and an operating margin of at least 6% over a business cycle. At the heart of our strategy is a strong consumer focus. I firmly believe that to achieve our targets, we first need to offer outstanding consumer experiences and, with our deep understanding of consumer needs, we are well positioned to do so. We will continue to use our global strength to support investments in consumer-driven product innovation, and over the past number of years we have successfully sharpened our brands AEG and Frigidaire to target specific consumer segments and trends. The Electrolux brand is now being sharpened in a similar way.

A clear consumer focus

Innovation is crucial to our continued success, especially in an industry where the consumers have the power. I am very proud that we launched a large number of new innovative products in 2018. Successful launches of new products under premium brands contributed to an improved product mix, and we continue to invest in R&D to develop new generations of products under well-established brands with a clear proposition. Product development focuses on three main areas to offer outstanding consumer experiences: great-tasting food, care for clothes and healthy wellbeing in the home, see page 7.

Focused strategy for profitable growth

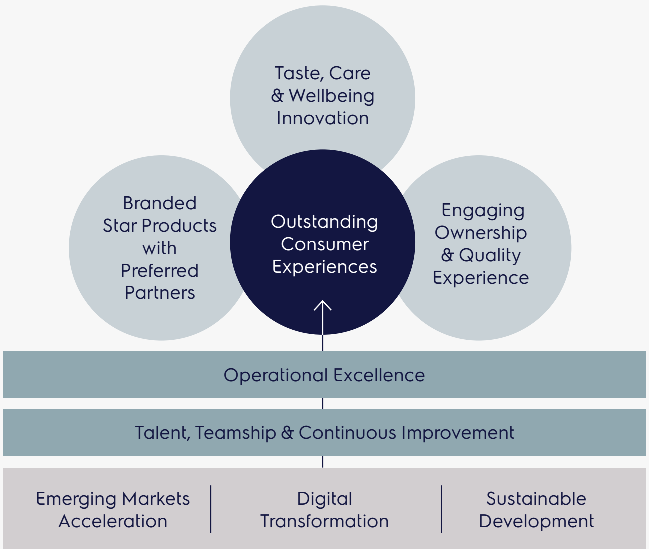
PATH TO PROFITABLE GROWTH

Electrolux applies a three-step model for all business areas. It starts with ensuring stability and predictability in all key processes in combination with clear focus. In the second step, the business model has resilience to external factors and clear competitive advantages that enable profitability over time. The third step is to accelerate growth in a targeted way.

A clear consumer focus sets us apart

Execution to increase competitiveness

With drivers that prepare us for the future



ELECTROLUX BUSINESS MODELL

To achieve the Group's purpose – Shape living for the better – and drive profitable growth, Electrolux uses a business model that focuses on creating Outstanding Consumer Experiences.

Increased competitiveness
It is in our DNA to continuously strive to further improve efficiency and quality across the organization, from production to administration. Our global product architecture and automation program strengthens competitiveness and increases flexibility and product speed to market. In 2018, we implemented some elements of our re-engineering programs, in which we expect to invest a total of SEK 8bn over a 4–5 year period, starting in 2018. These investments will drive growth through the manufacture of innovative products as well as strong cost improvements. Teamship is essential to successfully launch new, innovative products, meet operational excellence targets and move toward profitable growth. A clear company purpose and culture that promote engagement and attract talents is also key.

> "Sustainability is increasingly important to consumers, and therefore a key driver of demand."

Future drivers
Emerging markets acceleration, digitization and sustainability are key drivers that we focus on to strengthen our competitiveness going forward. We see an opportunity to target the global emerging markets with a clear market positioning, targeted product platforms and innovation road map. During the year, we announced the merger of the two organizations within APAC and MEA, which are regions with similar market dynamics and this will position Electrolux well to drive future growth.

Digital manufacturing helps us minimize product cost while maximizing quality and flexibility. Through connected appliances, digitalization is a key tool to create new consumer experiences and innovations at different stages - from exploring alternatives to using the product. Importantly, it also enables us to be in closer contact with the consumer throughout the lifespan of the product.

I am very proud that Electrolux remains a sustainability leader in the appliance industry. This is crucial as sustainability is increasingly important to consumers, and therefore a key driver of demand. Efficient sustainable operations also help reduce cost. For the past 17 years, Electrolux has been a signatory of the UN Global Compact, and we are recognized as industry leader in the prestigious Dow Jones Sustainability Index.

CASE STUDIES – PROFITABLE GROWTH

Induction focus accelerates profitable growth in EMEA

For several years, the business area Major Appliances EMEA consistently focused on induction hob innovation as an important profitable growth area. Based on consumer insights and in-house developed technology, Electrolux has been able to outpace the high market growth in this built-in kitchen segment and has increased its European market share by more than 5 percentage points over the past ten years. Induction is a true star product with high margins and strong growth prospects.

Learn more on Electrolux Annual Review 2018 at: www.electroluxgroup.com/annualreports/2018

CASE STUDIES – PROFITABLE GROWTH

How premium laundry added >30% EBIT improvement

Electrolux identified a potential to grow profitably in the premium laundry category in Europe under the AEG brand, with the help of a sharpened brand and product offering. Investment in focused innovation based on consumers' Care habits led to the launch of a new generation of AEG laundry products. A clear understanding of consumer relevance inherent in the development process resulted in increased market shares and outstanding consumer experience ratings across Europe. One year after the launch for the AEG brand in Europe, operating income (EBIT) in premium laundry increased by >30% and the price index for laundry increased by 7.5 percentage points. This is a clear example of how we execute our profitable growth strategy.

Learn more on Electrolux Annual Review 2018 at: www.electroluxgroup.com/annualreports/2018

Key areas to drive profitable growth

Strong focus on consumer experience innovation through focused brands that drive mix

- Focused and innovative product portfolio with proven consumer benefits
- Well-established brands with strong innovation heritage
- Leading position in targeted areas
- Leading position in sustainability is growing sales and lowering cost
- Clear strategy to increase aftermarket sales

Modularized products in automated production with digitally integrated global supply chain

- Strong track record of delivering cost reductions
- Global product architecture and automation program is instrumental to continue drive cost efficiency
- Global presence offers economies of scale

Healthy cash flow generation and a strong balance sheet supporting further growth

- Strong balance sheet and firepower offer growth opportunities
- Healthy cash flow generation
- Increasing earnings stability through product mix and cost efficiency

Acquisitions drive growth
Acquisitions are integral to the efforts to strengthen and expand our product offering and drive profitable growth. In 2018, we acquired Schneidereit, a German supplier of laundry rental solutions for professional customers. This enables us to develop our functional sales offering and drive aftermarket sales. We also acquired SPM Drink Systems, an Italian leading manufacturer of primarily professional dispensers of frozen beverages. The acquisition is part of the strategy to strengthen our full-service offering for the professional market.

Well positioned to create value

The expertise and commitment of our employees remain crucial to our success, and I would like to thank all our employees for their important contributions throughout the year.

In 2019, Electrolux will turn 100. This means that we have been reinventing what great taste, care and wellbeing experiences mean for our consumers for a century. In doing so, we have enhanced the quality of life for hundreds of millions of people around the world. Our journey toward profitable growth continues in 2019 and beyond. A strong focus on consumer experience innovation and sharpened brands will remain a vital driver in order to improve the mix. Modularized products produced in automated production with a digital global supply chain are important to increase cost efficiency and flexibility. Growth is further supported by a healthy cash flow generation and our strong balance sheet. I am confident that we are well positioned with the right business focus in this challenging cost environment to continue to deliver shareholder value. ■

Stockholm, February 2019

Jonas Samuelson
President and CEO

Taking the next steps to accelerate profitable growth

During the past years, Electrolux have made many improvements in terms of focusing its brands and product offering on consumer experience innovation as well as invested in modularization and automation. This has resulted in a substantial improvement of Electrolux performance in 2017 and 2018. In 2019, Electrolux turns 100 and is now taking the next step to accelerate profitable growth with the announcements in the beginning of 2019 that work has been initiated to prepare a separation of the Professional Products business area and the creation of a sharper and more focused consumer business.

Separating Electrolux Professional aiming to create substantial shareholder value

The Electrolux Board of Directors announced on January 31, 2019, they had initiated work intending to propose that a shareholders meeting decides to split the Group into two listed companies, "Electrolux" for household appliances and "Electrolux Professional" for professional appliances. The Board of Directors believes that such a split has the potential to create substantial shareholder value over time, given that the two businesses have different end markets, customers and success drivers. A split will enable both companies to focus on their respective opportunities to drive profitable growth, with distinct strategies for innovation and customer focus, as well as a high level of capital efficiency. The separation costs are expected to be relatively low.

If the shareholders decide in favor of such a proposal, AB Electrolux shareholders will receive shares in Electrolux Professional in proportion to their shareholding in AB Electrolux. The intention is to list Electrolux Professional on Nasdaq Stockholm during the first half of 2020. The Board expects to provide an update on the preparations and a more detailed time plan around mid-year 2019.

Electrolux Professional: creating shareholder value as a stand-alone company

- The only supplier with a full and integrated hospitality industry offer under one brand
  - Pursuing further market leadership through innovation and organic and M&A driven expansion into new segments
- Global footprint in a resilient, steadily growing underlying end market
- Attractive financial profile with good growth and margin potential
  - Increased agility to leverage market and M&A opportunities as a stand-alone company
- Unlocking shareholder value through fair stock market valuation

Sharpened and more focused consumer business to accelerate profitable growth

As Electrolux now becomes even more focused on the consumer business, there are tremendous opportunities to drive profitable growth. This will be done by accelerating innovation in the key experience areas, developing the aftermarket presence through a world-class ownership solutions offering and leveraging the continued digital evolution of the marketplace. An organization with four consumer-focused business areas and strong global capabilities both in the front and back end of the operations will enable Electrolux to deliver in these areas. Electrolux financial targets will remain unchanged following a separation of Professional Products.

Four regional consumer business areas

Electrolux is revising its business area structure to create four consumer-focused regional business areas, ensuring a unified approach to each market with common branded platforms and interactions with consumers. This means the Home Care & SDA business area, currently responsible for Electrolux offering of vacuum cleaners and other products for wellbeing in the home, is being combined with the four current major appliances business areas.

- Unified approach with common branded platforms and interactions with consumers
- Leverage new business models, digital transformation and evolving routes to market
- Accelerate emerging markets consumer value proposition to drive growth

Creating a global function for Consumer Experiences

To accelerate product and ownership experience innovation, Electrolux is also pulling together central functions focused on consumer experiences into a new organizational structure, headed by a Group Chief Experience Officer. This organization is globally responsible for areas such as marketing, design, product lines, digital consumer solutions and ownership experience.

- Accelerate product and ownership innovation
- Translating experience innovation into brand storytelling and product design
- Drive connected ownership solutions for aftermarket growth

VISIT OUR ONLINE REPORT

Electrolux Annual Review 2018

Some of the information previously included in the Annual Report can now be found in the Electrolux Annual Review 2018, accessible on all your digital platforms. The Annual Review includes comprehensive information about business development, strategy for profitable growth, business areas as well as profitable growth case studies.

Please visit: www.electroluxgroup.com/annualreports/2018

Report by the Board of Directors

Report by the Board of Directors

- Net sales increased to SEK 124,129m (120,771).
- Organic sales grew by 1.3%, contribution from acquisitions/divestments was 0.4% and currency translation had a positive impact of 1.1%.
- Organic sales growth for Major Appliances EMEA, Major Appliances Latin America, Major Appliances Asia/Pacific and Professional Products.
- Operating income amounted to SEK 5,310m (7,407), corresponding to a margin of 4.3% (6.1).
- Excluding non-recurring items of SEK –1,343m, operating income amounted to SEK 6,653m, corresponding to a margin of 5.4% (6.1).
- Operating cash flow after investments amounted to SEK 3,649m (6,877).
- Income for the period amounted to SEK 3,805m (5,745), corresponding to SEK 13.24 (19.99) per share.
- The Board proposes a dividend for 2018 of SEK 8.50 (8.30) per share, to be paid in two installments.

Key data

SEKM	2018	2017	Change, %
Net sales	124,129	120,771	3
Sales growth, %[1]	1.7	0.5	
Organic growth, %	1.3	–0.4	
Acquisitions, %	0.7	1.4	
Divestments, %	–0.3	–0.4	
Changes in exchange rates, %	1.1	0.2	
Operating income[2]	5,310	7,407	–28
Operating margin, %	4.3	6.1	
Income after financial items	4,887	6,966	–30
Income for the period	3,805	5,745	–34
Earnings per share, SEK[3]	13.24	19.99	
Dividend per share, SEK	8.50[4]	8.30	
Operating cash flow after investments[5]	3,649	6,877	
Return on net assets, %	22.7	36.0	
Capital turnover-rate, times	5.3	5.9	
Net debt/equity ratio	0.08	0.01	
Return on equity, %	18.2	31.9	
Average number of employees	54,419	55,692	

[1] Change in net sales adjusted for currency translation effects.
[2] Operating income for 2018 includes non-recurring items of SEK –1,343m. Excluding these items, operating income amounted to SEK 6,653m corresponding to a margin of 5.4% (6.1), see Note 7.
[3] Basic, based on an average of 287.4 (287.4) million shares for the full year, excluding shares held by Electrolux.
[4] Proposed by the Board of Directors.
[5] See page 30.

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2018 in summary

- Sales growth was 1.7%, mainly driven by price increases and mix improvements.
- Four business areas reported organic sales growth.
- Operating income declined to SEK 5,310m (7,407) and includes non-recurring items of SEK –1,343m (0).
- Increased prices, mix and cost efficiency partly offset higher input costs, lower volumes and currency headwinds.
- A large number of new innovative products were launched. Schneidereit and SPM Drink Systems were acquired.

Market overview

Market demand for core appliances in Europe increased by 1% in 2018. This was driven by strong growth of 7% in Eastern Europe, while demand in Western Europe declined by 1%. In the U.S., market demand for core appliances declined by 1% in 2018, partly related to higher industry prices. Uncertainties in the political and economic environment in Brazil and Argentina impacted market demand negatively why, consumer demand for core appliances is estimated to have decreased in 2018. Consumer demand in Chile is, however, estimated to have increased. Overall market demand for appliances in Australia declined slightly in 2018 due to a weaker economy and slowing property market. The market in Southeast Asia remained favorable and is estimated to have increased.

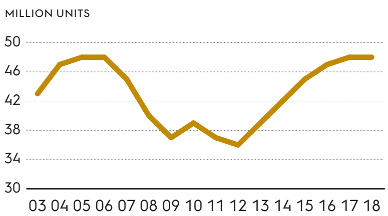
Net sales and operating income

Net sales for the Electrolux Group increased by 2.8% in 2018. Organic sales increased by 1.3%, the net contribution of acquisitions and divestments was 0.4% and currency translation had a positive impact of 1.1%. Organic growth was driven by price increases and mix improvements. Major Appliances EMEA reported strong organic sales growth as a result of increased sales volumes and product mix improvements. Cost-based price increases and improved mix explain Major Appliances Latin America's high organic sales growth. Major Appliances Asia/Pacific's higher sales was a result of strong growth in Southeast Asia while Professional Products grew organically across all three areas food, laundry and beverage.

Lower volumes, primarily under private labels, impacted Major Appliances North America's sales negatively. Home Care & SDA was in a product transition phase with lower sales volumes as a consequence.

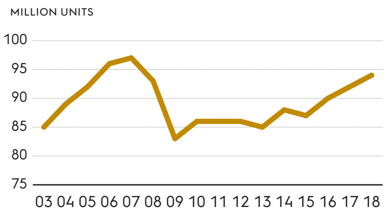
Operating income amounted to SEK 5,310m (7,407), corresponding to a margin of 4.3% (6.1). Operating income include costs of SEK 1,343m, whereof SEK 596m relates to restructuring costs for the consolidation of freezer production in North America, SEK 493m relates to an investigation by the French Competition Authority and SEK 254m to an unfavorable court ruling in France, see Note 7. Excluding these non-recurring items, operating income amounted to SEK 6,653m, corresponding to a margin of 5.4% (6.1).

INDUSTRY SHIPMENTS FOR CORE APPLIANCES IN THE U.S.



A total of approximately 48 million core appliances were sold in the U.S. in 2018, which is on par with the top levels in 2005 and 2006.

INDUSTRY SHIPMENTS FOR CORE APPLIANCES IN EUROPE



A total of approximately 94 million core appliances were sold in Europe in 2018, which is about 4% lower than the record year of 2007.

Sources: Europe: Electrolux estimates, U.S.: AHAM. For other markets there are no comprehensive market statistics.

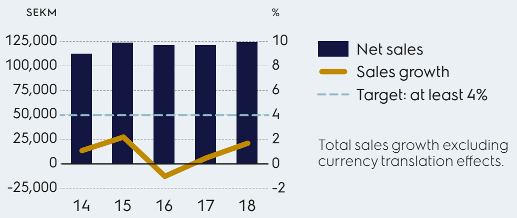
Financial overview by business area

SEKM	2018	2017	Change, %
Net sales	124,129	120,771	3
Operating income			
Major Appliances Europe, Middle East and Africa	2,220	2,764	–20
Major Appliances North America	972	2,757	–65
Major Appliances Latin America	464	425	9
Major Appliances Asia/Pacific	648	750	–14
Home Care & Small Domestic Appliances	398	431	–8
Professional Products	1,134	1,054	8
Other, Common Group costs, etc.	–527	–775	32
Total Group	**5,310**	**7,407**	**–28**
Operating margin, %	4.3	6.1	
Operating margin excl. non-recurring items, %[1]	5.4	6.1	

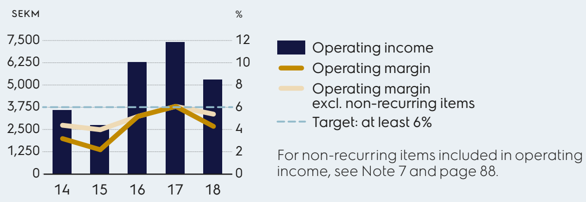
[1] For more information on non-recurring items, see Note 7.

Financial targets over a business cycle

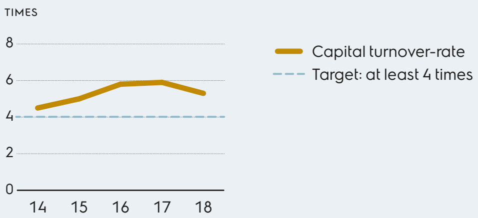
SALES GROWTH



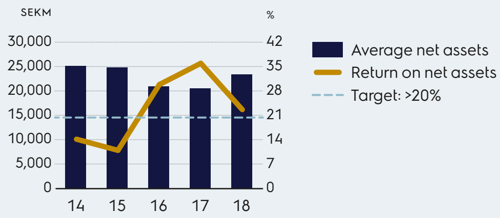
OPERATING MARGIN



CAPITAL TURNOVER-RATE



RETURN ON NET ASSETS



Increased prices, mix and cost efficiency partly offset higher input costs, lower volumes and currency headwinds. The solid earnings trend for Major Appliances EMEA continued and operating income excluding non-recurring items improved as a result of higher volumes, mix improvements and increased cost efficiency. Operating income for Major Appliances Latin America continued to recover and improved mainly due to cost-based price increases. Professional Products reported solid operating income. Home Care & SDA's operating income was fairly in line with previous year.

Major Appliances North America's earnings declined due to high cost inflation and lower volumes, which were partly mitigated by price increases and mix improvements. Operating income in Major Appliances Asia/Pacific declined, primarily due to currency headwind.

Strategic initiatives to improve profitability

Electrolux has a clear strategy to deliver profitable growth and create shareholder value. At the heart of the strategy is a strong consumer focus.

In 2018, Electrolux continued executing on the path to profitable growth. Mix improved through continued active product portfolio management and a large number of new innovative products designed to deliver outstanding consumer experiences were launched. The investments in modularized products in automated production continued. These are important to further increase the competitiveness in order to drive growth through more innovative products as well as lowering costs. Through improved ways of working, a higher resource efficiency and simplification, the cost structure improved. Electrolux also reinforced its position as a sustainability leader in the industry.

Launches of new products

Electrolux aims to drive profitable growth by creating outstanding consumer experiences. Product development focuses on three main areas: great tasting food, care for clothes and healthy wellbeing in the home.

In 2018, Taste innovations included the new SenseProbe induction hob with sous-vide and a world first wireless and battery-less probe, that provides precise and automated assistance when cooking, and the AEG UltraFresh+ fridge-freezer, with smart cooling technology that automatically regulates the perfect environment for food.

Care innovations in 2018 included the development of a new sensor system that enables tumble dryers to sense when clothes are just enough dry.

In the Wellbeing segment the groundbreaking cordless vacuum cleaner Electrolux Pure F9 was launched in 2018. Pure F9 uses powerful battery technology and innovative design to combine the performance of a traditional vacuum cleaner with the freedom of a stick vacuum.

Acquisitions

To broaden the product offering and create a strong platform for growth in new segments and markets, acquisitions are an integrated part of Electrolux strategy. In 2018 Schneidereit, a supplier of laundry rental solutions for professional customers, as well as SPM Drink Systems, which expands Professional Products' current beverage offering and its role as a fullservice solution provider, were acquired, see page 32 and Note 26.

Changes in Group Management during 2018

As of 1 October 2018, the following changes in Group Management were effective:

Dan Arler, previously Head of Major Appliances Europe, Middle East and Africa (EMEA) and Executive Vice President of AB Electrolux, was appointed Head of Major Appliances APAC & MEA and Executive Vice President of AB Electrolux. Dan Arler succeeded Kenneth L. Ng who decided to retire from the company.

Anna Ohlsson-Leijon, previously Chief Financial Officer (CFO) of AB Electrolux, was appointed Head of Major Appliances Europe and Executive Vice President of AB Electrolux.

Therese Friberg, previously CFO of Major Appliances EMEA, was appointed new CFO of AB Electrolux.

As of 1 January 2019, the major appliances organization in Middle East and Africa (MEA), which has previously been part of Major Appliances Europe, Middle East and Africa (EMEA), is included in Major Appliances Asia/Pacific (APAC).

For more information, visit www.electroluxgroup.com

Net sales and income

- Sales growth was 1.7%, mainly driven by price increases and mix improvements.
- Operating income amounted to SEK 5,310m (7,407), corresponding to a margin of 4.3% (6.1).
- Excluding non-recurring items of SEK –1,343m, operating income amounted to SEK 6,653m (7,407), corresponding to a margin of 5.4% (6.1).
- Increased prices, mix and cost efficiency partly offset higher input costs, lower volumes and currency headwinds.
- Income for the period amounted to SEK 3,805m (5,745), corresponding to SEK 13.24 (19.99) per share.

Net sales

Net sales for the Electrolux Group in 2018 amounted to SEK 124,129m (120,771) an increase of 2.8%. Organic sales increased by 1.3%, the net contribution of acquisitions and divestments was 0.4% and currency translation had a positive impact of 1.1%.

Organic growth was driven by price increases and mix improvements. Major Appliances EMEA, Major Appliances Latin America, Major Appliances Asia/Pacific and Professional Products reported organic sales growth, while lower volumes resulted in lower sales for Major Appliances North America and Home Care & SDA.

Operating income

Operating income for 2018 amounted to SEK 5,310m (7,407), corresponding to a margin of 4.3% (6.1). Operating income include costs of SEK1,343m, whereof SEK 596m relates to restructuring costs for the consolidation of freezer production in North America, SEK 493m relates to an investigation by the French Competition Authority and SEK 254m to an unfavorable court ruling in France. Excluding these non-recurring items, operating income amounted to SEK 6,653m, corresponding to a margin of 5.4% (6.1).

Increased prices, mix and cost efficiency partly offset higher input costs, lower volumes and currency headwinds. Operating income excluding non-recurring items increased for Major Appliances EMEA, Major Appliances Latin America and Professional Products, while Major Appliances North America and Major Appliances Asia/Pacific reported a decline. Home Care & SDA's operating income was fairly in line with previous year. For more information on the performance by business area, see page 22–25.

Effects of changes in exchange rates

Changes in exchange rates had a negative impact of SEK 896m on operating income year-over-year. The impact of transaction effects was SEK –1,024m. Translation effects amounted to SEK 128m.

Financial net

Net financial items amounted to SEK –423m (–441).

Income after financial items

Income after financial items amounted to SEK 4,887m (6,966), corresponding to 3.9% (5.7) of net sales.

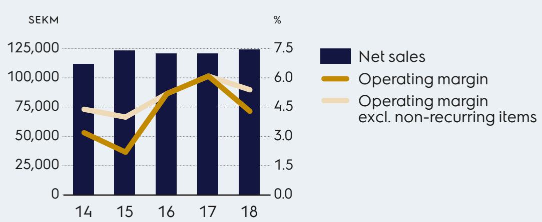
Taxes

Total taxes for 2018 amounted to SEK –1,081m (–1,221), corresponding to a tax rate of 22.1% (17.5).

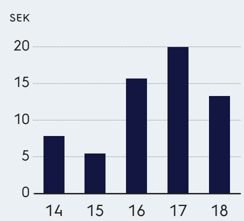
Income for the period and earnings per share

Income for the period amounted to SEK 3,805m (5,745), corresponding to SEK 13.24 (19.99) in earnings per share before dilution.

NET SALES AND OPERATING MARGIN



EARNINGS PER SHARE



Consolidated statement of comprehensive income

SEKM	NOTE	2018	2017
Net sales	3, 4	**124,129**	**120,771**
Cost of goods sold	5, 7	–100,908	–95,222
Gross operating income		**23,221**	**25,549**
Selling expenses	5, 7	–12,986	–12,897
Administrative expenses	5, 7	–5,101	–5,550
Other operating income and expenses	6, 7, 29	177	305
Operating income	3, 8	**5,310**	**7,407**
Financial items, net	9	–423	**–441**
Income after financial items		**4,887**	**6,966**
Taxes	10	–1,081	–1,221
Income for the period		**3,805**	**5,745**
Items that will not be reclassified to income for the period:			
Remeasurement of provisions for post-employment benefits	22	–448	1,229
Income tax relating to items that will not be reclassified		128	–440
		–319	**789**
Items that may be reclassified subsequently to income for the period:			
Available-for-sale instruments	11, 18	–	1
Cash flow hedges	11, 18	–2	95
Exchange-rate differences on translation of foreign operations	11	203	–1,224
Income tax relating to items that may be reclassified	11	23	–17
		224	**–1,145**
Other comprehensive income, net of tax		**–95**	**–356**
Total comprehensive income for the period		**3,710**	**5,389**
Income for the period attributable to:			
Equity holders of the Parent Company		3,805	5,745
Non-controlling interests		0	0
Total comprehensive income for the period attributable to:			
Equity holders of the Parent Company		3,710	5,390
Non-controlling interests		0	–1
Earnings per share	20		
For income attributable to the equity holders of the Parent Company:			
Basic, SEK		13.24	19.99
Diluted, SEK		13.14	19.88
Average number of shares	20		
Basic, million		287.4	287.4
Diluted, million		289.5	289.0

Operations by business area

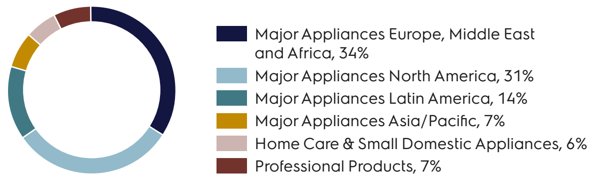
- Strong organic sales growth and solid underlying earnings in Major Appliances EMEA.
- Major Appliances North America negatively impacted by high cost inflation and lower volumes.
- High organic sales growth and improved earnings in Major Appliances Latin America.
- Major Appliances Asia/Pacific showed strong growth in Southeast Asia but lower operating income.
- Product transition phase for Home Care & SDA with operating income fairly in line with 2017.
- Profitable organic growth for Professional Products with solid earnings.

Electrolux operations are organized into six business areas. Within Major Appliances, the business areas are geographically defined, while the business areas Home Care & Small Domestic Appliances and Professional Products are global. The Group's operations include products for consumers as well as professional users.

Products for consumers comprise major appliances, i.e. refrigerators, freezers, cookers, dryers, washing machines, dishwashers, room air-conditioners and microwave ovens. Floor-care products, water heaters, heat pumps, small domestic appliances as well as consumables, accessories and service are other important areas for Electrolux.

Professional products comprise food-service equipment for hotels, restaurants and institutions, as well as laundry equipment for apartment-house laundry rooms, launderettes, hotels and other professional users and also beverage products.

SHARE OF SALES BY BUSINESS AREA



Major Appliances Europe, Middle East and Africa

Market demand in Europe increased by 1% in 2018. This was driven by strong growth of 7% in Eastern Europe, while demand in Western Europe declined by 1%.

Electrolux operations in EMEA reported an organic sales growth of 5.3% in 2018. Product mix improvements and higher sales volumes in the focus areas laundry and built-in kitchen products contributed positively and resulted in market share gains under premium brands. Acquisitions had a positive impact of 1.0% on sales and referred to the 2017 acquisitions Kwikot and Best.

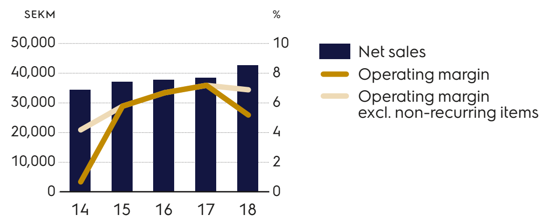
Operating income included non-recurring costs of SEK 747m, whereof SEK 493m related to an investigation by the French Competition Authority and SEK 254m to an unfavorable court ruling in France, see Note 7. Excluding these costs, operating income improved. Higher volumes, mix improvements and increased cost efficiency offset the negative impact of raw material cost increases and currency headwinds.

KEY FIGURES

SEKM	2018	2017
Net sales	42,732	38,524
Organic growth, %	5.3	0.6
Acquisitions, %	1.0	2.1
Operating income	2,220	2,764
Operating margin, %	5.2	7.2
Operating margin excl. non-recurring items, %[1]	6.9	7.2
Net assets	3,392	3,538
Return on net assets, %	55.4	78.9
Capital expenditure	1,621	1,420
Average number of employees	20,725	20,573

[1] For information on non-recurring items, see Note 7 and page 88.

NET SALES AND OPERATING MARGIN



Major Appliances North America

Market demand for core appliances in the U.S. declined by 1% in 2018, partly related to higher industry prices. Market demand for all major appliances, including microwave ovens and home-comfort products, was flat.

Electrolux operations in North America reported an organic sales decline of 6.2%. Lower sales volumes under private labels as well as of air conditioners had a negative impact on sales. Sears, a major private label customer, filed for restructuring under Chapter 11 in October. Cost-based price increases and mix improvements contributed positively to sales.

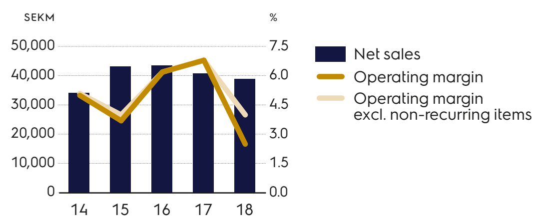
Operating income and margin declined due to lower volumes and increased costs related to raw material, logistics and trade tariffs. Cost-based price increases and mix improvements had, however, a positive earnings impact. Restructuring costs of SEK 596m for the consolidation of freezer production in North America were charged to operating income, see Note 7.

KEY FIGURES

SEKM	2018	2017
Net sales	38,875	40,656
Organic growth, %	-6.2	-6.1
Operating income	972	2,757
Operating margin, %	2.5	6.8
Operating margin excl. non-recurring items, %[1]	4.0	6.8
Net assets	2,395	2,117
Return on net assets, %	37.7	123.7
Capital expenditure	2,071	1,467
Average number of employees	12,971	14,255

[1] For information on non-recurring items, see Note 7 and page 88.

NET SALES AND OPERATING MARGIN



Major Appliances Latin America

Consumer demand for core appliances in Brazil and Argentina is estimated to have decreased in 2018. Uncertainties in the political and economic environment impacted market demand negatively, particularly in Argentina where the market declined significantly after currency devaluation. Consumer demand in Chile is estimated to have increased in 2018.

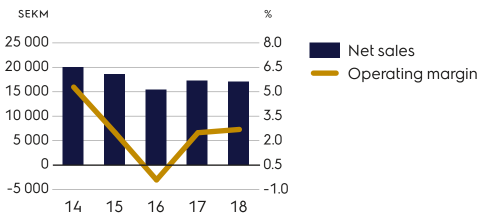
Electrolux operations in Latin America reported an organic sales growth of 9.8% in 2018. Cost-based price increases and mix improvements contributed positively to sales, although the price increases had a somewhat negative impact on sales volumes.

Operating income and margin improved. Price increases and mix improvement impacted positively, while increased costs for raw material and currency headwinds impacted negatively. Operating income includes a positive impact from a reversal of a provision related to an administrative case in the amounting to approximately SEK 170m.

KEY FIGURES

SEKM	2018	2017
Net sales	17,076	17,302
Organic growth, %	9.8	7.9
Operating income	464	425
Operating margin, %	2.7	2.5
Net assets	5,554	5,850
Return on net assets, %	8.0	7.4
Capital expenditure	714	711
Average number of employees	9,282	10,381

NET SALES AND OPERATING MARGIN



Major Appliances Asia/Pacific

Overall market demand for appliances in Australia declined slightly in 2018 due to a weaker economy and slowing property market. The market in Southeast Asia remained favorable and is estimated to have increased.

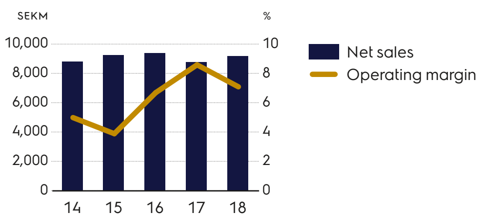
Organic sales for Electrolux increased by 3.7%. This was a result of strong growth in Southeast Asia, especially in laundry and cooking.

Operating income and margin declined. Currency headwinds and increased cost for raw material were not fully compensated by higher sales volumes and mix improvements.

KEY FIGURES

SEKM	2018	2017
Net sales	9,165	8,759
Organic growth, %	3.7	5.6
Acquisitions, %	–	0.7
Operating income	648	750
Operating margin, %	7.1	8.6
Net assets	1,971	1,625
Return on net assets, %	34.8	40.8
Capital expenditure	413	418
Average number of employees	3,819	3,792

NET SALES AND OPERATING MARGIN



Home Care & Small Domestic Appliances

In 2018, the overall market for vacuum cleaners increased, driven by the cordless category, while demand for the corded category declined. The trend shift in market demand toward cordless products accelerated.

Organic sales for Electrolux declined by 1.1%. The product mix improved as a result of active product portfolio management while sales volumes declined, mainly related to lower sales volumes of corded vacuum cleaners. The 2017 acquired smart kitchen appliance company Anova had a positive impact of 0.7% on sales while the divestment of the commercial and central vacuum-cleaner businesses in North America in 2018 had a negative impact of –5.4%.

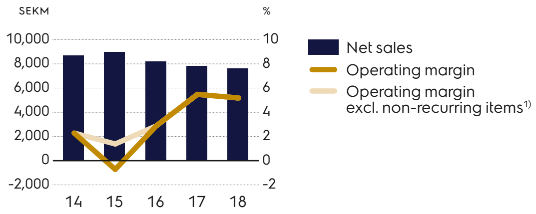
Operating income and margin were fairly in line with previous year. A strategic decision to focus the business on the strongest categories improved the mix which contributed to earnings. The business area was still in a product transition phase with lower volumes and higher investments in new product launches as a consequence.

In 2018, the commercial and central vacuum-cleaner businesses in North America were divested, see page 32.

KEY FIGURES

SEKM	2018	2017
Net sales	7,616	7,808
Organic growth, %	–1.1	–4.2
Acquisitions, %	0.7	4.7
Divestments, %	–5.4	–6.6
Operating income	398	431
Operating margin, %	5.2	5.5
Net assets	2,410	1,822
Return on net assets, %	18.3	30.1
Capital expenditure	249	190
Average number of employees	3,042	2,360

NET SALES AND OPERATING MARGIN



[1] For information on non-recurring items, see Note 7 and page 88.

Professional Products

Overall market demand for professional food-service and professional laundry equipment improved across most regions in 2018. Demand increased in Europe and Asia, while it declined in North America.

Electrolux organic growth was 3.5%. Sales increased across all three areas food, laundry and beverage. Sales grew in several markets and were particularly strong in Europe, North America, Middle East and Africa. Acquisitions had a positive impact of 4.7% on sales and refer to the acquisitions of Schneidereit and SPM Drink Systems in 2018 as well as the 2017 acquisition of Grindmaster-Cecilware.

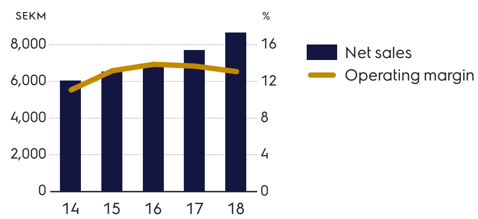
Operating income remained solid. Price increases and higher sales volumes offset increased cost for raw material and additional investments in customer care and innovation.

In 2018 Schneidereit, a supplier of laundry rental solutions for professional customers, as well as SPM Drink Systems were acquired, which expands Professional Products' current beverage offering and its role as a fullservice solution provider, see page 32.

KEY FIGURES

SEKM	2018	2017
Net sales	8,666	7,723
Organic growth, %	3.5	5.6
Acquisitions, %	4.7	6.6
Operating income	1,134	1,054
Operating margin, %	13.1	13.7
Net assets	2,957	1,728
Return on net assets, %	45.9	64.3
Capital expenditure	169	167
Average number of employees	3,166	2,947

NET SALES AND OPERATING MARGIN



Financial position

- Equity/assets ratio was 25.6% (26.4).
- Return on equity was 18.2% (31.9).
- Return on net assets was 22.7% (36.0).
- Financial net cash position amounted to SEK 1,989m (2,437).

Working capital and net assets

Working capital as of December 31, 2018 amounted to SEK –16,848m (–15,873), corresponding to –13.5% (–13.4) of annualized net sales. Operating working capital amounted to SEK 3,789m (4,288), corresponding to 3.0% (3.6) of annualized net sales.

Average net assets were SEK 23,381m (20,572), corresponding to 18.8% (17.0) of annualized net sales.

Return on net assets was 22.7% (36.0).

Working capital and net assets

SEKM	Dec. 31, 2018	% of net sales[1]	Dec. 31, 2017	% of net sales[1]
Inventories	16,750	13.5	14,655	12.4
Trade receivables	21,482	17.3	20,747	17.5
Accounts payable	–34,443	–27.7	–31,114	–26.3
Operating working capital	**3,789**	**3.0**	**4,288**	**3.6**
Provisions	–7,565		–7,823	
Prepaid and accrued income and expenses	–11,745		–11,038	
Taxes and other assets and liabilities	–1,327		–1,300	
Working capital	**–16,848**	**–13.5**	**–15,873**	**–13.4**
Property, plant and equipment	21,088		19,192	
Goodwill	8,239		7,628	
Other non-current assets	5,516		4,749	
Deferred tax assets and deferred tax liabilities	5,580		4,981	
Net assets	**23,574**	**19.0**	**20,678**	**17.5**
Annualized net sales[2]	124,399		118,464	
Average net assets	**23,381**	**18.8**	**20,572**	**17.0**
Annualized net sales[3]	124,129		120,771	
Return on net assets, %	22.7		36.0	

[1] Annualized, see Note 30.
[2] Calculated at end of period exchange rates.
[3] Calculated at average exchange rates.

Liquid funds

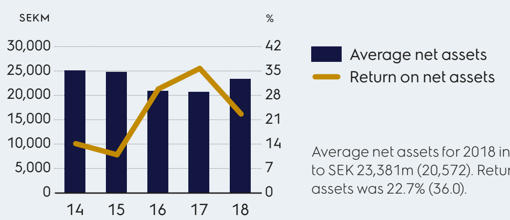
Liquidity profile

SEKM	Dec. 31, 2018	Dec. 31, 2017
Liquid funds	12,249	11,974
% of annualized net sales[1]	18.1	17.0
Net liquidity	8,187	9,024
Fixed interest term, days	12	16
Effective annual yield, %	1.1	1.8

[1] Liquid funds in relation to net sales, see note 30 for definition.
For additional information on the liquidity profile, see Note 18.

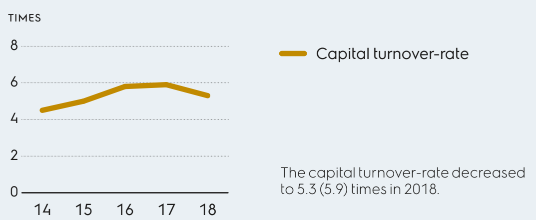
Liquid funds as of December 31, 2018, amounted to SEK 12,249m (11,974), excluding back-up credit facilities. Electrolux has an unused committed back-up multi-currency revolving credit facility of EUR 1,000m, approximately SEK 10,300m, expiring 2023.

RETURN ON NET ASSETS



Average net assets for 2018 increased to SEK 23,381m (20,572). Return on net assets was 22.7% (36.0).

CAPITAL TURNOVER-RATE, TIMES/YEAR



The capital turnover-rate decreased to 5.3 (5.9) times in 2018.

Consolidated balance sheet

SEKM	NOTE	December 31, 2018	December 31, 2017
ASSETS			
Non-current assets			
Property, plant and equipment	12	21,088	19,192
Goodwill	13	8,239	7,628
Other intangible assets	13	3,919	3,741
Investments in associates	29	397	337
Deferred tax assets	10	6,448	5,712
Financial assets	18	246	212
Pension plan assets	22	532	455
Other non-current assets	14	952	459
Total non-current assets		41,822	37,736
Current assets			
Inventories	15	16,750	14,655
Trade receivables	17, 18	21,482	20,747
Tax assets		738	830
Derivatives	18	139	87
Other current assets	16	4,507	3,839
Short-term investments	18	176	358
Cash and cash equivalents	18	11,697	11,289
Total current assets		55,490	51,806
Total assets		97,312	89,542
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Parent Company			
Share capital	20	1,545	1,545
Other paid-in capital	20	2,905	2,905
Other reserves	20	–2,394	–2,615
Retained earnings	20	19,683	18,630
		21,738	20,465
Non-controlling interests		11	14
Total equity		21,749	20,480
Non-current liabilities			
Long-term borrowings	18	6,198	6,587
Deferred tax liabilities	10	868	730
Provisions for post-employment benefits	22	4,346	3,089
Other provisions	23	5,281	5,753
Total non-current liabilities		16,693	16,159
Current liabilities			
Accounts payable	18	34,443	31,114
Tax liabilities		984	924
Other liabilities	24	17,105	15,849
Short-term borrowings	18	3,952	2,695
Derivatives	18	102	251
Other provisions	23	2,284	2,070
Total current liabilities		58,870	52,903
Total liabilities		75,563	69,062
Total equity and liabilities		97,312	89,542

Cont. **Financial position**

Net debt

Net debt

SEKM	Dec. 31, 2018	Dec. 31, 2017
Short-term loans	1,429	990
Short-term part of long-term loans	2,355	1,501
Trade receivables with recourse	168	204
Short-term borrowings	**3,952**	**2,695**
Financial derivative liabilities	81	228
Accrued interest expenses and prepaid interest income	28	27
Total short-term borrowings	**4,062**	**2,950**
Long-term borrowings	**6,198**	**6,587**
Total borrowings[1]	**10,260**	**9,537**
Cash and cash equivalents	11,697	11,289
Short-term investments	176	358
Financial derivative assets	132	84
Prepaid interest expenses and accrued interest income	243	242
Liquid funds[2]	**12,249**	**11,974**
Financial net debt	**–1,989**	**–2,437**
Net provisions for post-employment benefits	3,814	2,634
Net debt	**1,825**	**197**
Net debt/equity ratio	0.08	0.01
Total equity	**21,749**	**20,480**
Equity per share, SEK	75.67	71.26
Return on equity, %	18.2	31.9
Equity/assets ratio, %	25.6	26.4

[1] Whereof interest-bearing liabilities amounting to SEK 9,982m as of December 31, 2018 and SEK 9,078m as of December 31, 2017.

As of December 31, 2018, Electrolux had a net financial cash position of SEK 1,989m compared to the net financial cash position of SEK 2,437m as of December 31, 2017. Net provisions for post-employment benefits increased to SEK 3,814m. In total, net debt amounted to SEK 1,825m, an increase by SEK 1,628m compared to SEK 197m as of December 31, 2017.

Long-term borrowings as of December 31, 2018, including long-term borrowings with maturities within 12 months, amounted to SEK 8,553m with average maturity of 2.6 years, compared to SEK 8,088m and 2.4 years at the end of 2017.

During 2019, long-term borrowings amounting to approximately SEK 2,400m will mature.

The Group's target for long-term borrowings includes an average time to maturity of at least two years, an even spread of maturities and an average interest-fixing period between 0 and 3 years. A maximum of SEK 5,000m of the long-term borrowings is allowed to mature in a 12-month period. At year-end, the average interest-fixing period for long-term borrowings was 1.0 years (0.6).

At year-end, the average interest rate for the Group's total interest-bearing borrowings was 2.5% (2.1).

Rating

Electrolux has an investment-grade rating from Standard & Poor's, A- with a stable outlook.

Rating

	Long-term debt	Outlook	Short-term debt	Short-term debt, Nordic
Standard & Poor's	A-	Stable	A-2	K-1

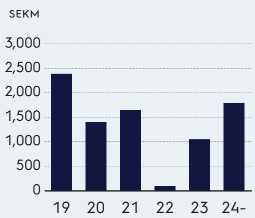
Net debt/equity and equity/assets ratio

The net debt/equity ratio was 0.08 (0.01). The equity/assets ratio was 25.6% (26.4).

Equity and return on equity

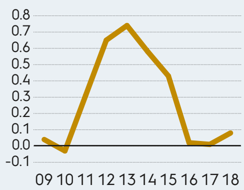
Total equity as of December 31, 2018, amounted to SEK 21,749m (20,480), which corresponds to SEK 75.67 (71.26) per share. Return on equity was 18.2% (31.9).

LONG-TERM BORROWINGS, BY MATURITY

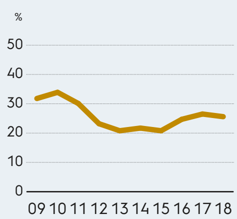


In 2019, long-term borrowings in the amount of approximately SEK 2,400m will mature. For information on borrowings, see Note 2 and 18.

NET DEBT/EQUITY RATIO[1]



EQUITY/ASSETS RATIO[1]



[1] Both ratios were significantly affected from 2012 and onwards by the changed pension accounting from the updated IAS 19 Employee Benefits.

Changes in consolidated equity

SEKM	Attributable to equity holders of the parent company: Share capital	Other paid-in capital	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
Opening balance, January 1, 2017	1,545	2,905	–1,471	14,729	17,708	30	17,738
Effect from change in accounting principles	–	–	–	–126	–126	–	–126
Adjusted opening balance	1,545	2,905	–1,471	14,603	17,582	30	17,612
Income for the period	–	–	–	5,745	5,745	0	5,745
Available for sale instruments	–	–	1	–	1	–	1
Cash flow hedges	–	–	95	–	95	–	95
Exchange differences on translation of foreign operations	–	–	–1,222	–	–1,222	–1	–1,223
Remeasurement of provisions for post-employment benefits	–	–	–	1,229	1,229	–	1,229
Income tax relating to other comprehensive income	–	–	–17	–440	–457	–	–457
Other comprehensive income, net of tax	–	–	–1,143	789	–354	–1	–355
Total comprehensive income for the period	–	–	–1,143	6,534	5,391	–1	5,389
Share-based payments	–	–	–	–356	–356	–	–356
Dividend	–	–	–	–2,155	–2,155	0	–2,155
Acquisition of non-controlling interest	–	–	–	4	4	–15	–11
Total transactions with equity holders	–	–	–	–2,507	–2,507	–15	–2,522
Closing balance, December 31, 2017	1,545	2,905	–2,615	18,630	20,465	14	20,480
Effect from change in accounting principles	–	–	–1	–17	–18	0	–18
Adjusted opening balance	1,545	2,905	–2,615	18,614	20,448	14	20,463
Income for the period	–	–	–	3,805	3,805	0	3,805
Cash flow hedges	–	–	–2	–	–2	–	–2
Exchange differences on translation of foreign operations	–	–	200	4	204	0	203
Remeasurement of provisions for post-employment benefits	–	–	–	–448	–448	–	–448
Income tax relating to other comprehensive income	–	–	23	128	151	–	151
Other comprehensive income, net of tax	–	–	221	–316	–95	0	–95
Total comprehensive income for the period	–	–	221	3,490	3,710	0	3,710
Share-based payments	–	–	–	–35	–35	–	–35
Dividend	–	–	–	–2,385	–2,385	0	–2,385
Acquisition of non-controlling interest	–	–	–	–	–	–3	–3
Total transactions with equity holders	–	–	–	–2,421	–2,421	–3	–2,424
Closing balance, December 31, 2018	1,545	2,905	–2,394	19,683	21,738	11	21,749

For more information about share capital, number of shares and earnings per share, see Note 20.

Cash flow

- Operating cash flow after investments amounted to SEK 3,649m (6,877).
- Capital expenditure amounted to SEK 5,629m (4,679).
- R&D expenditure amounted to 3.2% (3.0) of net sales.

Operating cash flow after investments

Operating cash flow after investments in 2018 amounted to SEK 3,649m (6,877). The decline was due to lower earnings, higher investments and lower cash flow from working capital, mainly due to timing effects. Acquisitions had a negative impact of SEK 902m while divestments had a positive impact of SEK 293m. For more information on acquisitions see page 32 and Note 26.

Cash flow

SEKM	2018	2017
Operating income adjusted for non-cash items[1]	10,547	11,405
Change in operating assets and liabilities	-1,000	267
Operating cash flow	**9,547**	**11,672**
Investments in tangible and intangible assets	-5,629	-4,857
Changes in other investments	-269	62
Operating cash flow after investments	**3,649**	**6,877**
Acquisitions and divestments of operations	-609	-3,405
Operating cash flow after structural changes	**3,041**	**3,472**
Financial items paid, net[2]	-361	-227
Taxes paid	-1,140	-1,421
Cash flow from operations and investments	**1,540**	**1,824**
Dividend	-2,385	-2,155
Share-based payments	-210	-483
Total cash flow, excluding change in loans and short-term investments	**-1,056**	**-814**

1) Operating income adjusted for depreciation and amortization and other non-cash items.
2) For the period January 1 — December 31, 2018. Interests and similar items received SEK 192m (199), interests and similar items paid SEK -551m (-357) and other financial items paid SEK -2m (-69).

Capital expenditure

Capital expenditure in property, plant and equipment in 2018 amounted to SEK 4,650m (3,892), corresponding to 3.7% (3.2) of net sales. Including investments in product development and software, capital expenditure amounted to SEK 5,629m (4,679). Investments in 2018 were mainly related to new products and architectures, manufacturing efficiency, automation and re-engineering.

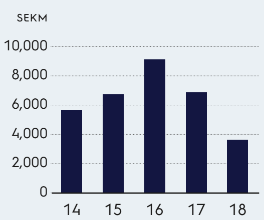
Capital expenditure by business area

SEKM	2018	2017
Major Appliances		
Europe, Middle East and Africa	1,621	1,420
% of net sales	3.8	3.7
North America	2,071	1,467
% of net sales	5.3	3.6
Latin America	714	711
% of net sales	4.2	4.1
Asia/Pacific	413	418
% of net sales	4.5	4.8
Home Care & Small Domestic Appliances	249	190
% of net sales	3.3	2.4
Professional Products	169	167
% of net sales	1.9	2.2
Other	393	306
Total	5,629	4,679
% of net sales	4.5	3.9

R&D expenditure

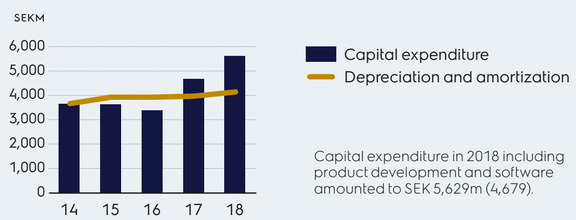
The expenditure for research and development in 2018, including capitalization of SEK 436m (355), amounted to SEK 3,960m (3,621) corresponding to 3.2% (3.0) of net sales.

OPERATING CASH FLOW AFTER INVESTMENTS



Operating cash flow after investments in 2018 amounted to SEK 3,649m (6,877).

CAPITAL EXPENDITURE



Capital expenditure in 2018 including product development and software amounted to SEK 5,629m (4,679).

Consolidated cash flow statement

SEKM	NOTE	2018	2017
Operations			
Operating income		5,310	7,407
Depreciation and amortization		4,150	3,977
Other non-cash items		1,088	21
Financial items paid, net[1]		–361	–227
Taxes paid		–1,140	–1,421
Cash flow from operations, excluding change in operating assets and liabilities		**9,046**	**9,757**
Change in operating assets and liabilities			
Change in inventories		–1,619	–1,377
Change in trade receivables		–582	–1,992
Change in accounts payable		2,317	3,418
Change in other operating liabilities and provisions		–1,116	218
Cash flow from change in operating assets and liabilities		**–1,000**	**267**
Cash flow from operations		**8,046**	**10,024**
Investments			
Acquisition of operations	26	–902	–3,405
Divestment of operations	26	293	—
Capital expenditure in property, plant and equipment	12	–4,650	–3,892
Capital expenditure in product development	13	–416	–418
Capital expenditure in software	13	–563	–369
Other		–269	–116
Cash flow from investments		**–6,506**	**–8,200**
Cash flow from operations and investments		**1,540**	**1,824**
Financing			
Change in short-term investments		193	539
Change in short-term borrowings[2]		951	–386
New long-term borrowings	18	1,736	1,002
Amortization of long-term borrowings	18	–1,531	–1,695
Dividend		–2,385	–2,155
Share-based payments		–210	–483
Cash flow from financing		**–1,245**	**–3,178**
Total cash flow		**295**	**–1,354**
Cash and cash equivalents at beginning of period		**11,289**	**12,756**
Exchange-rate differences referring to cash and cash equivalents		113	–113
Cash and cash equivalents at end of period		**11,697**	**11,289**

[1] Interests and similar items received SEK 192m (199), interests and similar items paid SEK –551m (–357) and other financial items paid SEK –2m (–69).
[2] Whereof net cash change in short-term loans SEK 397m (-341).

Acquisitions, divestments and other facts

Acquisitions

Schneidereit GmbH

On February 22, 2018 Electrolux completed the acquisition of Schneidereit GmbH, a supplier of laundry-rental solutions for professional customers in Germany and Austria. The agreement to acquire the company was announced on January 22, 2018.

The acquisition enables Electrolux to develop its offering within the professional laundry business and supports the long-term profitable growth in Europe.

Net sales for the acquired business Schneidereit GmbH in 2016 amounted to around EUR 18m (around SEK 175m) and the company has approximately 110 employees throughout Germany.

SPM Drink Systems

On October 2, 2018 Electrolux completed the acquisition of SPM Drink Systems, an Italian leading manufacturer of professional dispensers of frozen and hot beverages and soft ice-cream, as part of the strategy to increase its presence in the hospitality industry.

The acquisition supports Electrolux strategy for profitable growth. Together with the 2017 acquisition of Grindmaster-Cecilware in North America, it strengthens Electrolux presence in the fast-growing beverage segment.

The acquired operations had combined net sales in 2017 of approximately EUR 30m and 110 employees. The company's headquarters and main manufacturing facilities are based in Spilamberto, Modena, Italy.

Divestments

BEAM and Sanitaire in North America

On August 8, 2018, Electrolux announced the divestment of its U.S.-based commercial and central vacuum cleaner businesses in North America, including the brands Sanitaire and BEAM. The decision is in line with the strategy of the business area Home Care & SDA to focus on global brands and product categories.

The divested operations had combined revenues in 2017 of around USD 70m.

For more information on acquisitions and divestments of operations, see Note 26.

Asbestos litigation in the U.S.

Litigation and claims related to asbestos are pending against the Group in the U.S. Almost all of the cases refer to externally supplied components used in industrial products manufactured by discontinued operations prior to the early 1970s. The cases involve plaintiffs who have made substantially identical allegations against other defendants who are not part of the Electrolux Group.

As of December 31, 2018, the Group had a total of 3,460 (3,372) cases pending, representing approximately 3,502 (approximately 3,435) plaintiffs. During 2018, 1,355 new cases with approximately 1,355 plaintiffs were filed and 1,267 pending cases with approximately 1,288 plaintiffs were resolved.

The Group continues to operate under a 2007 agreement with certain insurance carriers who have agreed to reimburse the Group for a portion of its costs relating to certain asbestos lawsuits. The agreement is subject to termination upon 60 days notice and if terminated, the parties would be restored to their rights and obligations under the affected insurance policies.

It is expected that additional lawsuits will be filed against Electrolux. It is not possible to predict the number of future lawsuits.

In addition, the outcome of asbestos lawsuits is difficult to predict and Electrolux cannot provide any assurances that the resolution of these types of lawsuits will not have a material adverse effect on its business or on results of operations in the future.

For information on certain additional legal proceedings, see Note 25 Contingent liabilities.

Comments on impact from development in Sears

Electrolux commented on October 15, 2018, the announcement by Sears Holdings Corporation, a major U.S. customer, that it has filed voluntary petitions for relief under Chapter 11 of the U.S. Bankruptcy Code.

Following the announcement, Electrolux intends to work with Sears' restructuring officer to explore the prospects of continuing its business with Sears, while continuing to manage the financial and operational exposure.

To ensure business continuity and to mitigate the financial exposure, Electrolux has been actively planning for various Sears' contingencies while also growing the business with other customers. Therefore, the Group does not currently assess a need for material one-time costs as an immediate consequence of Sears' restructuring under Chapter 11.

However, while it is difficult to predict the outcome of Sears' attempt to restructure its business and the various scenarios it may entail, it cannot be ruled out that there may be a material impact on the future sales and earnings of Electrolux business area Major Appliances North America. Major Appliances North America's exposure to Sears was at the end of the third quarter of 2018 about 10% of the business area's total revenues.

External risks

Active risk management is essential for Electrolux to drive successful operations. The Group's strategic framework in combination with the external environment generate opportunities but also risks which in turn impact how the company manages those risks in the daily operations. Electrolux monitors and minimizes key risks in a structured and proactive manner.

The Group has several processes to manage risks through operational activities that are performed by the business area boards. Electrolux organizational structure and system for internal control and risk management are included in the Corporate Governance report.

The Group has also established internal bodies that manage risk exposures. Example of other internal bodies are: Enterprise Risk Management Board, Insider Committee, Ethics & Human Rights Steering Group, Audit Board and the Tax Board.

External risks

Macroeconomic trends, political uncertainties and overall changes in industry dynamics are factors that may impact the appliance industry and the markets in which Electrolux operates. To manage external risks, Electrolux puts close attention to understanding the economic and political development in its key markets and pro-actively manage and adapt operations. External risks include:

Variations in demand

In times of weak markets and decline in demand for the Group's products, decisive actions and cost savings initiatives throughout the Group have proven that Electrolux can make timely adjustments to its production and cost structure. In times of strong market demand, it is essential that Electrolux can benefit from its global scale by delivering new innovative products and outstanding consumer experiences with a high speed to market.

Changing industry dynamics

The fast pace of change in the industry has led to new trends, such as increased consumer power, digitalization, consolidation and sustainability. These changes place increasing demand on investments and ability to adapt, but also opens up major opportunities. Electrolux has in recent years invested in R&D and new innovations and transformed its business into a consumer-oriented company with strong focus on consumer benefits. Electrolux has also set ambitious targets to strengthen its sustainability footprint. For more information, see Sustainability reporting 2018.

Price competition

Electrolux markets are experiencing price competition. This is particularly evident in the low-cost segments and in product categories with significant overcapacity. In markets with high inflation combined with currency-rate fluctuations, Electrolux has a better possibility to carry out price increases to offset potential negative effects.

Regulatory changes

Regulatory changes (industry, environmental, social, labor and human rights) can impact reputation and the Group's ability to successfully conduct business. There are a number of processes in place to control these risks such as internal and supplier auditing, environmental management and certification, the Ethics program and the safety management system. The regulatory environment is monitored in order to be prepared for changes that impact the business.

Raw material impact

Materials account for a large share of the Group's costs. Electrolux purchases raw materials and components for approximately SEK 50bn, of which approximately SEK 20bn refers to the former in 2018. Fluctuations in commodity prices impact the Group's input costs and, therefore, its profitability. In order to mitigate increased input costs related to higher raw material prices, Electrolux may have to take actions to increase cost efficiency, negotiate purchasing contracts for commodities such as steel and chemicals or increase the prices of its products.

Political and macro risk

Political uncertainties and weak macro-economic conditions may indirectly impact demand for appliances. This has implications for Electrolux business and strategy in regions which carry a high political and macro risk. Such regions have been Latin America and the Middle East and Africa. Consequently, Electrolux must take proactive steps to assess the risks and manage them accordingly.

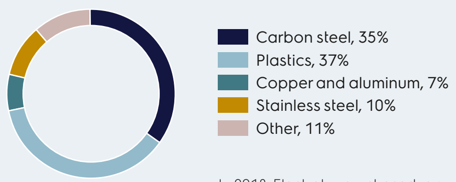
Risks, risk management and risk exposure are described in more detail in Note 1 Accounting principles, Note 2 Financial risk management and in Note 18 Financial instruments.

Sensitivity analysis year-end 2018

Risk	Change +/-	Pre-tax earnings impact -/+, SEKM
Raw materials[1]		
Carbon Steel	10%	700
Stainless Steel	10%	200
Plastics	10%	750
Currency[2] **and interest rates**		
USD to EUR	10%	350
USD to CAD	10%	260
EUR to GBP	10%	260
USD to BRL	10%	240
EUR to CHF	10%	180
CNY to USD	10%	180
THB to AUD	10%	120
USD to AUD	10%	100
EUR to RUB	10%	100
USD to THB	10%	90
Translation exposure to SEK[3]	10%	520
Interest rate	1 percentage point	50

1) Changes in raw materials refer to Electrolux prices and contracts, which may differ from market prices.
2) Transactional exposure.
3) Assuming the Swedish krona appreciates/depreciates against all other currencies.

RAW MATERIALS EXPOSURE 2018



In 2018, Electrolux purchased raw materials for approximately SEK 20 billion. Purchases of steel accounted for the largest cost.

Share information and ownership

Share price performance

The Electrolux share is listed on the exchange Nasdaq Stockholm. The Electrolux B share decreased by 29% in 2018, underperforming the broader Swedish market index, OMX Stockholm, which decreased by 8% during the same period. The opening price for the Electrolux B share in 2018 was SEK 264.30. The highest closing price was SEK 278.20 on January 31 while the lowest closing price was SEK 172.20 on October 26. The closing price for the B share at year-end 2018 was SEK 187.10.

Total shareholder return during the year was –26%. Over the past ten years, the average total return on an investment in Electrolux B shares has been 14% annually. The corresponding performance for the OMX Stockholm Return Index was 13%.

Share capital and ownership structure

As of December 31, 2018, the share capital of AB Electrolux amounted to approximately SEK 1,545m, corresponding to 308,920,308 shares. The share capital of Electrolux consists of Class A shares and Class B shares. An A share entitles the holder to one vote and a B share to one-tenth of a vote. All shares entitle the holder to the same proportion of assets and earnings and carry equal rights in terms of dividends. In accordance with the Swedish Companies Act, the Articles of Association of Electrolux also provide for specific rights of priority for holders of different types of shares, in the event that the company issues new shares or certain other instruments.

According to Electrolux Articles of Association, owners of Class A shares have the right to have such shares converted to Class B shares. The purpose of the conversion clause is to give holders of Class A shares an opportunity to achieve improved liquidity in their shareholdings. Conversion reduces the total number of votes in the company. There were no conversion of shares in 2018.

The total number of registered shares in the company amounts to 308,920,308 shares, of which 8,192,539 are Class A shares and 300,727,769 are Class B shares, total number of votes amounts to 38,265,316.

Major shareholders

	Share capital, %	Voting rights, %
Investor AB	16.4	28.4
Swedbank Robur Funds	4.8	3.9
BlackRock, Inc.	4.7	3.8
Alecta Pension Insurance	4.4	4.7
AMF Insurance & Funds	2.6	4.5
Norges Bank Investment Management	2.1	1.7
Fiduciary Management, Inc. of Milwaukee	2.1	1.7
Vanguard	2.1	1.7
TIAA - Teachers Advisors	1.8	1.5
Nordea Funds	1.5	1.2
Total, ten largest shareholders	**42.5**	**53.1**

Source: Holdings and Euroclear Sweden as of December 31, 2018.

According to Holdings and Euroclear Sweden, there were 49,870 shareholders in AB Electrolux as of December 31, 2018. Investor AB is the largest shareholder, owning 16.4% of the share capital and 28.4% of the voting rights. Information on the shareholder structure is updated quarterly at www.electroluxgroup.com

Distribution of shareholdings

Shareholding	Ownership, %	Number of shareholders	As % of shareholders
1–1,000	3.2	44,857	89.9
1,001–10,000	3.8	4,526	8.2
10,001–20,000	0.8	173	0.3
20,001–	92.2	314	0.6
Total	**100**	**49,870**	**100**

Source: Holdings and Euroclear Sweden as of December 31, 2018.

Articles of Association

AB Electrolux Articles of Association stipulate that the Annual General Meeting (AGM) shall always resolve on the appointment of the members of the Board of Directors. Apart from that, the articles do not include any provisions for appointing or dismissing members of the Board of Directors or for changing the articles.

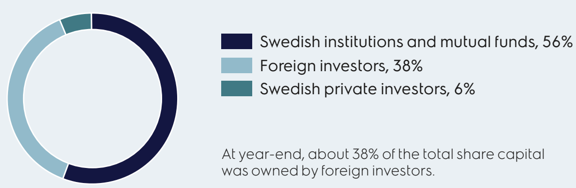
A shareholder participating in the AGM is entitled to vote for the full number of shares which he or she owns or represents. Outstanding shares in the company may be freely transferred, without restrictions under law or the company's Articles of Association. Electrolux is not aware of any agreements between shareholders, which limit the right to transfer shares.

The full Articles of Association can be downloaded at www.electroluxgroup.com

Effect of significant changes in ownership structure on long-term financing

The Group's long-term financing is subject to conditions which stipulate that lenders may request advance repayment in the event of significant changes in the ownership of the company. Such significant change could result from a public bid to acquire Electrolux shares.

OWNERSHIP STRUCTURE



At year-end, about 38% of the total share capital was owned by foreign investors.

Source: Holdings and Euroclear Sweden as of December 31, 2018.

Distribution of funds to shareholders

Proposed dividend

The Board of Directors proposes a dividend for 2018 of SEK 8.50 (8.30) per share, for a total dividend payment of approximately SEK 2,443m (2,385). The proposed dividend corresponds to approximately 64% (42) of income for the period.

The dividend is proposed to be paid in two equal installments, the first with record date April 12, 2019 and the second with record date October 11, 2019. The first installment is estimated to be paid on April 17, 2019 and the second installment on October 16, 2019.

The Group's goal is for the dividend to correspond to at least 30% of income for the period. Historically, the Electrolux dividend rate has been considerably higher than 30%. Electrolux has a long tradition of high total distribution to shareholders that includes repurchases and redemptions of shares.

Proposal for a renewed mandate on acquisition of own shares

Electrolux has, for several years, had a mandate from the Annual General Meetings to acquire own shares.

The Board of Directors proposes the Annual General Meeting 2019 to authorize the Board of Directors, for the period until the next Annual General Meeting, to resolve on acquisitions of shares in the company and that the company may acquire as a maximum so many B shares that, following each acquisition, the company holds at a maximum 10% of all shares issued by the company.

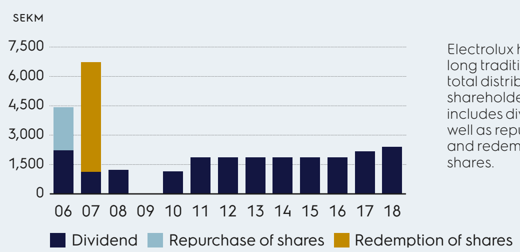
The purpose of the proposal is to be able to use repurchased shares on account of potential company acquisitions and the company's share related incentive programs, and to be able to adapt the company's capital structure.

As of December 31, 2018, Electrolux held 21,522,858 B shares in Electrolux, corresponding to approximately 7.0% of the total number of shares in the company.

Number of shares

	A shares	B shares	Shares, total	Shares held by Electrolux	Shares held by other shareholders
Number of shares as of January 1, 2018	8,192,539	300,727,769	308,920,308	21,522,858	287,397,450
Total number of shares as of December 31, 2018	8,192,539	300,727,769	308,920,308	21,522,858	287,397,450
As % of total number of shares				7.0%	

TOTAL DISTRIBUTION TO SHAREHOLDERS



Electrolux has a long tradition of high total distribution to shareholders that includes dividends as well as repurchases and redemptions of shares.

Employees

Electrolux corporate culture

Teamship is the Electrolux way of working. It's about setting aligned goals that allow clear choices and continuous improvement. It's about knowing how to collaborate. It's about transparency and a learning organization. Finally, it's about engagement and passion about outstanding consumer experiences.

Wherever Electrolux operates in the world, the company applies the same high ethical standards and principles of conduct.

Electrolux has a global Ethics Program, encompassing both ethics training and a whistle-blowing system – the Electrolux Ethics Helpline. Through the Ethics Helpline, employees can report suspected misconduct in local languages. Reports may be submitted anonymously if legally permitted.

Code of Conduct

The Group has a Code of Conduct that defines high employment standards for all Electrolux employees in all countries and business areas. It incorporates issues such as child and forced labor, health and safety, workers' rights and environmental compliance. Key policies in this context include the Workplace Policy, the Anti-Corruption Policy and the Environmental Policy.

Number of employees

The average number of employees decreased in 2018 to 54,419 (55,692), of whom 2,016 (2,039) were in Sweden. At year-end, the total number of employees was 51,798 (56,708).

Salaries and remuneration in 2018 amounted to SEK 17,363m (16,470), of which SEK 1,406m (1,406) refers to Sweden.

Proposal for remuneration guidelines for Group Management

The Board of Directors will propose the following guidelines for remuneration and other terms of employment for the President and CEO and other members of Group Management of Electrolux to the Annual General Meeting (AGM) 2019. Group Management currently comprises eleven executives. The proposed guidelines for 2019 correspond to the guidelines approved by the AGM in 2018.

The principles shall be applied for employment agreements entered into after the AGM 2019 and for changes made to existing employment agreements thereafter.

Remuneration for the President and CEO is resolved upon by the AB Electrolux Board of Directors, based on the recommendation of the Remuneration Committee. Remuneration for other members of Group Management is resolved upon by the Remuneration Committee and reported to the Board of Directors.

For a detailed description on remuneration to Group Management and related costs, see Note 27.

Electrolux shall strive to offer total remuneration that is fair and competitive in relation to the country or region of employment of each Group Management member. The remuneration terms shall emphasize 'pay for performance', and vary with the performance of the individual and the Group. The total remuneration for Group Management may comprise the components set forth hereafter.

Fixed compensation

The Annual Base Salary (ABS) shall be competitive relative to the relevant country market and reflect the scope of the job responsibilities. Salary levels shall be reviewed periodically (usually annually) to ensure continued competitiveness and to recognize individual performance.

Variable compensation

Following the 'pay for performance' principle, variable compensation shall represent a significant portion of the total compensation opportunity for Group Management. Variable compensation shall always be measured against pre-defined targets and have a maximum above which no payout shall be made.

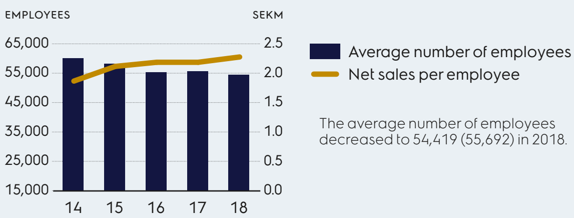
Variable compensation shall principally relate to financial performance targets.

Non-financial targets may also be used in order to strengthen the focus on delivering on the Group's strategic plans. The targets shall be specific, clear, measurable and time bound and be determined by the Board of Directors.

Short Term Incentive (STI)

Group Management members shall participate in an STI plan under which they may receive variable compensation. The objectives in the STI plan shall mainly be financial. These shall be set based on annual financial performance of the Group and, for the business area heads, of the business area for which the Group Management member is responsible.

EMPLOYEES



The average number of employees decreased to 54,419 (55,692) in 2018.

The maximum STI entitlements shall be dependent on job position and may amount up to a maximum of 100% of ABS. Reflecting current market conditions, the STI entitlement for Group Management members in the U.S. may amount up to a maximum of 150% of ABS if the maximum performance level is reached.

STI payments for 2019 are estimated[1)] to range between no payout at minimum level and SEK 58m (excluding social costs) at maximum level.

Long Term Incentive (LTI)
Each year, the Board of Directors will evaluate whether or not a LTI-program shall be proposed to the General Meeting. LTI programs shall always be designed with the aim to further enhance the common interest of participating employees and Electrolux shareholders of a good long-term development for Electrolux.

For a detailed description of all programs and related costs, see Note 27.

Proposal for performance-based long-term share program 2019
The Board of Directors will propose a performance-based long-term share program for 2019 to the AGM 2019. The proposed program will be connected to performance targets for the Group established by the Board for (i) earnings per share, (ii) return on net assets and (iii) adjusted organic sales growth, for the 2019 financial year. The proposed program will include up to 350 senior managers and key employees. Allocation of performance-based shares, if any, will take place in 2022. Details of the program will be included in the notice to the AGM 2019.

The costs for the LTI program proposed for 2019 are estimated[1)] to SEK 463m (including social costs) at maximum level.

Extraordinary arrangements
Other variable compensation may be approved in extraordinary circumstances, under the conditions that such extraordinary arrangement, in addition to the target requirements set out above, is made for recruitment or retention purposes, is agreed on an individual basis, does not exceed three (3) times the ABS and is earned and/or paid out in installments over a minimum period of two (2) years.

Costs for extraordinary arrangements during 2018 amounted to approximately SEK 3.2m. Currently there are no outstanding extraordinary arrangements.

Pension and benefits
Old age pension, disability benefits and medical benefits shall be designed to reflect home-country practices and requirements. When possible, pension plans shall be based on defined contribution. In individual cases, depending on tax and/or social security legislation to which the individual is subject, other schemes and mechanisms for pension benefits may be approved.

Other benefits may be provided on individual level or to the entire Group Management. These benefits shall not constitute a material portion of total remuneration.

Notice of termination and severance pay
The notice period shall be twelve months if the Group takes the initiative and six months if the Group Management member takes the initiative.

In individual cases, severance pay may be approved in addition to the notice periods. Severance pay may only be payable upon the Group's termination of the employment arrangement or where a Group Management member gives notice as the result of an important change in the working situation, because of which he or she can no longer perform to standard. This may be the case in e.g. the event of a substantial change in ownership of Electrolux in combination with a change in reporting line and/or job scope.

Severance pay may for the individual include the continuation of the ABS for a period of up to twelve months following termination of the employment agreement; no other benefits shall be included. These payments shall be reduced with the equivalent value of any income that the individual earns during that period of up to twelve months from other sources, whether from employment or independent activities.

Deviations from the guidelines
The Board of Directors shall be entitled to deviate from these guidelines if special reasons for doing so exist in any individual case.

1) Estimation is made on the assumption that Group Management is unchanged.

Sustainability and environmental facts

Electrolux retains global industry leadership in Dow Jones Sustainability Index 2018
In 2018, and for the twelfth consecutive year, Electrolux was recognized as a leader in the household durables industry in the prestigious Dow Jones Sustainability Index (DJSI). Electrolux thereby ranks among the top 10% of the world's 2,500 largest companies for social and environmental performance. Additionally, Electrolux has received recognition from other indexes and organizations, including RobecoSAM, UN Global Compact 100 and OEKOM Prime. Electrolux is also included in the Climate A List by CDP.

Sustainability reporting 2018
The Group's sustainability framework – For the Better – comprises of three areas: Better Solutions, Better Operations and Better Society. For more information on the Group's sustainability work and progress during 2018, read Electrolux sustainability reporting section on pages 90–99.

Mandatory permits and notification in Sweden and elsewhere
Electrolux operates two plants in Sweden, which account for approximately 1.2% of the total value of the Group's production. Permits are required by authorities for one of these plants and are also required to submit notification. The permits cover such areas as thresholds or maximum permissible values for air and water-borne emissions and noise. No significant non-compliance with Swedish environmental legislation was reported in 2018.

Manufacturing units in other countries adjust their operations, apply for necessary permits and report to the authorities in accordance with local legislation. The Group follows a precautionary principle with reference to both acquisitions of new plants and continuous operations. No significant non-compliance with applicable environmental legislation was reported in 2018.

Electrolux products are affected by legislation in various markets, principally involving energy consumption, producer responsibility for recycling, and restriction and management of hazardous substances. Electrolux continuously monitors changes in legislation, and both product development and manufacturing are adjusted to reflect these changes.

Events after year-end 2018

January 31. Electrolux reinitiates U.S. manufacturing and product investment, announces manufacturing consolidation projects
The Electrolux Group is reinitiating an investment, estimated at USD 250m, in Springfield, Tennessee, and consolidating all U.S. cooking manufacturing into that facility. Electrolux will also transfer refrigeration manufacturing from its Santiago, Chile, facility to other locations. The measures will lead to restructuring charges in the first quarter 2019 of approximately SEK 1bn, whereof approximately SEK 300m will have a cash flow impact.

As Electrolux reinitiates the project and consolidates into Springfield, the company will also cease production at its Memphis, Tennessee facility. Production at the facility is expected to continue through 2020. The Springfield, Tennessee expansion will be complete and production will begin during the fourth quarter 2020.

The increased global use of modular product platforms has also contributed to a decision to cease manufacturing of refrigerators at Electrolux factory in Santiago, Chile, to improve efficiency and sharpen the local product offering.

The charges will be reported as non-recurring items in the results for the first quarter of 2019, affecting the business areas Major Appliances North America (approximately SEK 800m) and Major Appliances Latin America (approximately SEK 225m).

Electrolux anticipates annual savings of approximately SEK 1bn with full effect from 2022 as a result of the measures announced.

January 31. Electrolux prepares for separation and stock exchange listing of Professional Products business area
The Electrolux Board of Directors has initiated work intending to propose that a shareholders meeting decides to split the Group into two listed companies, "Electrolux" for household appliances and "Electrolux Professional" for professional appliances, and to distribute Electrolux Professional to the shareholders of AB Electrolux in 2020.

Electrolux Board of Directors believes that such a split has the potential to create substantial shareholder value over time, given that the two businesses have different end markets, customers and success drivers.

A split will enable both companies to focus on their respective opportunities to drive profitable growth, with distinct strategies for innovation and customer focus, as well as a high level of capital efficiency. The separation costs are expected to be relatively low. Electrolux financial targets will remain unchanged following a separation of Electrolux Professional.

If the shareholders decide in favor of such a proposal, AB Electrolux shareholders will receive shares in Electrolux Professional in proportion to their shareholding in AB Electrolux. The intention is to list Electrolux Professional on Nasdaq Stockholm during the first half of 2020. The Board expects to provide an update on the preparations and a more detailed time plan around mid-year 2019.

A distribution of Electrolux Professional is expected to meet the requirements of Lex Asea, which in brief means that there should not be any immediate tax consequences for Sweden-based shareholders of AB Electrolux since they should only be taxed on the value of the shares received in Electrolux Professional when they sell them.

February 1. Electrolux sharpens organization to drive profitable growth
Electrolux implements strategic and organizational changes to reinforce its ability to create outstanding consumer experiences and drive profitable growth in its consumer business.

Electrolux is revising its business area structure to create four consumer-focused regional business areas, ensuring a unified approach to each market with common branded platforms and interactions with consumers. This means the Home Care & SDA business area, currently responsible for Electrolux offering of vacuum cleaners and other products for wellbeing in the home, is being combined with the four current major appliances business areas.

To accelerate product and ownership experience innovation, Electrolux is also pulling together central functions focused on consumer experiences into a new organizational structure, headed by a Group Chief Experience Officer (CXO). This organization is globally responsible for areas such as marketing, design, product lines, digital consumer solutions and ownership experience. Ola Nilsson, currently head of Home Care & SDA, has been named Group CXO and Executive Vice President. Related to this change of roles and responsibilities within Group Management, Chief Operations Officer Jan Brockmann is also being named Executive Vice President.

The changes announced are effective as from 1 February 2019. Electrolux will publish its first quarterly report based on the updated business area structure on April 26, 2019.

For more information, visit www.electroluxgroup.com

Parent Company income statement

Income statement

SEKM	NOTE	2018	2017
Net sales		38,911	35,168
Cost of goods sold		–33,560	–30,034
Gross operating income		5,351	5,134
Selling expenses		–3,247	–2,967
Administrative expenses		–1,410	–1,795
Other operating income	6	0	1
Other operating expenses	6	–804	–105
Operating income		–110	268
Financial income	9	7,967	7,142
Financial expenses	9	–695	–855
Financial items, net		7,272	6,287
Income after financial items		7,162	6,555
Appropriations	21	–1,743	182
Income before taxes		5,419	6,737
Taxes	10	69	–201
Income for the period		5,488	6,536

Total comprehensive income for the period

SEKM	2018	2017
Income for the period	5,488	6,536
Other comprehensive income		
Available for sale instruments	0	1
Exchange rate differences	57	36
Cash flow hedges	–5	–1
Income tax relating to other comprehensive income	0	1
Other comprehensive income, net of tax	52	37
Total comprehensive income for the period	5,540	6,573

The Parent Company comprises the functions of the Group's head office, as well as five companies operating on a commission basis for AB Electrolux.

Net sales for the Parent Company, AB Electrolux, during 2018 amounted to SEK 38,911m (35,168) of which SEK 31,806m (28,695) referred to sales to Group companies and SEK 7,105m (6,473) to external customers. Income after financial items was SEK 7,162m (6,555), including dividends from subsidiaries in the amount of SEK 7,179m (6,496). Income for the period amounted to SEK 5,488m (6,536).

Income tax related to group contributions is reported in the income statement. Income tax related to cash flow hedges is reported in other comprehensive income.

Capital expenditures in tangible and intangible assets amounted to SEK 594m (672). Liquid funds at the end of the period amounted to SEK 7,244m, as against SEK 6,066m at the start of the year.

Undistributed earnings in the Parent Company at the end of the period amounted to SEK 22,078m, as against SEK 19,364m at the start of the year. Dividend to shareholders for 2017 amounted to SEK 2,385m.

For information on the number of employees, salaries and remuneration, see Note 27. For information on shareholdings and participations, see Note 29.

Parent Company balance sheet

SEKM	NOTE	December 31, 2018	December 31, 2017
ASSETS			
Non-current assets			
Intangible assets	13	1,714	1,530
Property, plant and equipment	12	144	168
Deferred tax assets		453	282
Financial assets	14	35,943	33,616
Total non-current assets		38,254	35,596
Current assets			
Inventories	15	2,813	2,640
Receivables from subsidiaries		21,110	17,769
Trade receivables		1,172	1,079
Derivatives with subsidiaries		43	47
Derivatives		127	80
Other receivables		256	250
Prepaid expenses and accrued income		392	336
Short-term investments		–	–
Cash and bank		7,244	6,066
Total current assets		33,157	28,267
Total assets		71,411	63,863
EQUITY AND LIABILITIES			
Equity			
Restricted equity			
Share capital	20	1,545	1,545
Statutory reserve		3,017	3,017
Development reserve		875	506
		5,437	5,068
Non-restricted equity			
Retained earnings		16,590	12,828
Income for the period		5,488	6,536
		22,078	19,364
Total equity		27,515	24,432
Untaxed reserves	21	442	444
Provisions			
Provisions for pensions and similar commitments	22	442	438
Other provisions	23	691	791
Total provisions		1,133	1,229
Non-current liabilities			
Payable to subsidiaries		68	72
Bond loans		3,011	3,332
Other non-current loans		2,656	2,777
Total non-current liabilities		5,735	6,181
Current liabilities			
Payable to subsidiaries		30,519	25,969
Accounts payable		1,720	1,723
Other liabilities		416	580
Short-term borrowings		2,334	1,501
Derivatives with subsidiaries		45	279
Derivatives		73	228
Accrued expenses and prepaid income	24	1,479	1,297
Total current liabilities		36,586	31,577
Total liabilities and provisions		43,454	38,987
Total liabilities, provisions and equity		71,411	63,863

Parent Company change in equity

SEKM	Restricted equity			Non-restricted equity		
	Share capital	Statutory reserve	Development reserve	Fair value reserve	Retained earnings	Total equity
Opening balance, January 1, 2017	1,545	3,017	226	8	15,574	20,370
Income for the period	–	–	–	–	6,536	6,536
Available for sale instruments	–	–	–	1	–	1
Exchange rate differences	–	–	–	36	–	36
Cash flow hedges	–	–	–	–1	–	–1
Income tax relating to other comprehensive income	–	–	–	1	–	1
Other comprehensive income, net of tax	–	–	–	37	–	37
Total comprehensive income for the period	–	–	–	37	6,536	6,573
Share-based payment	–	–	–	–	–356	–356
Development reserve	–	–	280	–	–280	0
Dividend	–	–	–	–	–2,155	–2,155
Total transactions with equity holders	–	–	280	–	–2,791	–2,511
Closing balance, December 31, 2017	1,545	3,017	506	45	19,319	24,432
Effect of change in accounting principles	–	–	–	–37	–	–37
Adjusted opening balance	1,545	3,017	506	8	19,319	24,395
Income for the period	–	–	–	–	5,488	5,488
Available for sale instruments	–	–	–	0	–	0
Exchange rate differences	–	–	–	57	–	57
Cash flow hedges	–	–	–	–5	–	–5
Income tax relating to other comprehensive income	–	–	–	0	–	0
Other comprehensive income, net of tax	–	–	–	52	–	52
Total comprehensive income for the period	–	–	–	52	5,488	5,540
Share-based payment	–	–	–	–	–35	–35
Development reserve	–	–	369	–	–369	0
Dividend	–	–	–	–	–2,385	–2,385
Total transactions with equity holders	–	–	369	–	–2,789	–2,420
Closing balance, December 31, 2018	1,545	3,017	875	60	22,018	27,515

Parent Company cash flow statement

SEKM	2018	2017
Operations		
Income after financial items	7,162	6,555
Depreciation and amortization	412	317
Capital gain/loss included in operating income	332	114
Share-based compensation	–35	–454
Group contributions	–1746	230
Taxes paid	–92	–112
Cash flow from operations, excluding change in operating assets and liabilities	**6,033**	**6,650**
Change in operating assets and liabilities		
Change in inventories	–173	–46
Change in trade receivables	–93	–60
Change in current intra-group balances	–2,358	–5,769
Change in other current assets	–109	120
Change in other current liabilities and provisions	–236	–77
Cash flow from operating assets and liabilities	**–2,969**	**–5,832**
Cash flow from operations	**3,064**	**818**
Investments		
Change in shares and participations	–2,726	–1,428
Capital expenditure in intangible assets	–549	–597
Capital expenditure in property, plant and equipment	–45	–75
Other	89	5
Cash flow from investments	**–3,231**	**–2,095**
Total cash flow from operations and investments	**–167**	**–1,277**
Financing		
Change in short-term investments	0	904
Change in short-term borrowings	231	851
Change in intra-group borrowings	3,282	–231
New long-term borrowings	1,661	—
Amortization of long-term borrowings	–1,501	–1,229
Dividend	–2,385	–2,155
Cash flow from financing	**1,288**	**–1,860**
Total cash flow	**1,121**	**–3,137**
Cash and cash equivalents at beginning of period	**6,066**	**9,167**
Exchange-rate differences referring to cash and cash equivalents	57	36
Cash and cash equivalents at end of period	**7,244**	**6,066**

Notes

All amounts in SEKm unless otherwise stated

Notes

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AB Electrolux (publ), 556009-4178

All amounts in SEKm unless otherwise stated

Note 1 Accounting principles

This section describes the comprehensive basis of preparation which has been applied in preparing the financial statements. Accounting principles for specific accounting areas and individual line items are described in the related notes. For additional information on accounting principles, please contact Electrolux Investor Relations.

Basis of preparation

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union (EU). The consolidated financial statements have been prepared under the historical cost convention, as modified by revaluation of financial assets at fair value through other comprehensive income and financial assets and liabilities (including derivative financial instruments) at fair value through profit or loss. Some additional information is disclosed based on the standard RFR 1 issued by the Swedish Financial Reporting Board and the Swedish Annual Accounts Act. As required by IAS 1, Electrolux companies apply uniform accounting rules, irrespective of national legislation, as defined in the Electrolux Accounting Manual which is fully compliant with IFRS. The policies set out below have been consistently applied to all years presented with the exception of new accounting standards where the application follows the rules in each particular standard. For information on new standards, see the section on new or amended accounting standards below.

Enumerated amounts presented in tables and statements may not always agree with the calculated sum of the related line items due to rounding differences. The aim is for each line item to agree with its source and therefore there may be rounding differences affecting the total when adding up the presented line items.

The Parent Company applies the same accounting principles as the Group, except in the cases specified in the section entitled 'Parent Company accounting principles'.

The financial statements were authorized for issue by the Board of Directors on February 14, 2019. The balance sheets and income statements are subject to approval by the Annual General Meeting of shareholders on April 10, 2019.

Principles applied for consolidation

The consolidated financial statements have been prepared by use of the acquisition method of accounting, whereby the assets and liabilities and contingent liabilities assumed in a subsidiary on the date of acquisition are recognized and measured to determine the acquisition value to the Group.

The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Costs directly attributable to the acquisition effort are expensed as incurred. On an acquisition-by-acquisition basis, the Group recognizes any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the fair value of the acquired net assets exceeds the cost of the business combination, the identification and measurement of the acquired assets must be reassessed. Any excess remaining after that reassessment represents a 'bargain purchase' and is recognized immediately in the statement of comprehensive income.

The consolidated financial statements for the Group include the financial statements of the Parent Company and its directly and indirectly owned subsidiaries after:

- elimination of intra-group transactions, balances and unrealized intra-group profits, and
- carrying values, depreciation and amortization of acquired surplus values.

Definition of Group companies

The consolidated financial statements include AB Electrolux and all companies over which the Parent Company has control, i.e., the power to direct the activities; exposure to variable return and the ability to use its power. When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured at its fair value, with the change in carrying amount recognized in profit or loss.

At year-end 2018, the Group consisted of 164 (153) companies with 246 (214) operating units.

The following apply to acquisitions and divestments:

- Companies acquired are included in the consolidated income statement as of the date when Electrolux gains control.
- Companies divested are included in the consolidated income statement up to and including the date when Electrolux loses control.

Associated companies

Associates are all companies over which the Group has significant influence but not control, generally accompanying a shareholding of between 20 and 50% of the voting rights. Investments in associated companies are accounted for in accordance with the equity method.

Foreign currency translation

Foreign currency transactions are translated into the functional currency using the exchange rate prevailing at the date of each transaction.

Monetary assets and liabilities denominated in foreign currencies are valued at year-end exchange rates and any exchange-rate differences are included in income for the period, except when deferred in other comprehensive income for the effective part of qualifying net investment hedges.

The consolidated financial statements are presented in Swedish krona (SEK), which is the Parent Company's functional currency and the Group's presentation currency according to IAS 21.

The balance sheets of foreign subsidiaries are translated into SEK at year-end closing rates. The income statements are translated at the average rates for the year. Translation differences thus arising are included in other comprehensive income.

Exchange rates

SEK	2018		2017	
Exchange rate	Average	End of period	Average	End of period
ARS	0.3087	0.2373	0.5176	0.4729
AUD	6.50	6.34	6.53	6.41
BRL	2.39	2.32	2.66	2.48
CAD	6.71	6.59	6.57	6.55
CHF	8.91	9.15	8.67	8.41
CLP	0.0136	0.0129	0.0131	0.0134
CNY	1.31	1.30	1.26	1.26
EUR	10.26	10.28	9.64	9.84
GBP	11.57	11.38	11.03	11.09
HUF	0.0321	0.0320	0.0312	0.0317
MXN	0.4517	0.4556	0.4499	0.4160
RUB	0.1392	0.1292	0.1463	0.1419
THB	0.2691	0.2754	0.2517	0.2516
USD	8.70	8.97	8.54	8.21

New or amended accounting standards applied in 2018

The following new, amended or improved accounting standards were applicable from January 1, 2018: IFRS 2 Share-based Payments; IFRS 4 Insurance Contracts; IFRS 9 Financial Instruments; IFRS 15 Revenue from Contracts with Customers; IAS 40 Investment Property; and Annual Improvements 2014–2016. The effects from the application of IFRS 9 and IFRS 15 are described in section 'New or amended accounting standards to be applied after 2017' on pages 96–98 in the Annual Report 2017. The other new, amended or improved standards did not have any material impact on Electrolux financial statements.

New interpretations of accounting standards

Interpretation 22 Foreign Currency Transactions and Advance Considerations, issued by the International Financial Reporting Interpretation Committee (IFRIC), was applicable from January 1, 2018 and has had no material impact on the financial statements of Electrolux.

New or amended accounting standards to be applied after 2018

The following new, amended or improved accounting standards have been published but are not mandatory for 2018 and have not been early adopted by Electrolux: IFRS 3 Business Combinations; IFRS 9 Financial Instruments; (endorsed by the EU on March 22, 2018); IFRS 16 Leases (endorsed by the EU on October 31, 2017); IFRS 17 Insurance Contracts; IAS 1 Presentation of Financial Statements; IAS 8 Accounting Policies, Changes in Accounting

All amounts in SEKm unless otherwise stated

Cont. **Note 1**

Estimates and Errors; IAS 19 Employee Benefits; IAS 28 Investments in Associates and Joint Ventures; Annual Improvements 2015–2017. The standards have not yet been endorsed by the EU unless stated above. The effects from the application of IFRS 16 are described below. The other new, amended or improved standards mentioned above are not expected to have any material impact on the financial statements of Electrolux.

IFRS 16 Leases

IFRS 16 Leases is a major revision of how to account for leases, providing a comprehensive model for the identification of lease arrangements and their treatment in accounting and reporting. IFRS 16 supersedes IAS 17 Leases and its accompanying interpretations. The standard's effective date is January 1, 2019, and it was endorsed by the EU on October 31, 2017. Electrolux will apply IFRS 16 from January 1, 2019. Extensive preparatory work has been performed throughout the group in order to implement IFRS 16. Work has comprised assessing the full impact of IFRS 16, identifying and reviewing lease contracts, designing processes, implementing a common system solution for the group in order to fulfill the accounting and reporting requirements, and collecting and analyzing lease contract data. The general impact of IFRS 16, the outcome of the preparatory work and the preliminary effects from applying the standard are described below.

The application of IFRS 16 affects primarily lessee accounting of operating leases, as it requires almost all leases being recognized on the balance sheet, while lessor accounting remains basically unchanged. Electrolux is a lessee of a large number of assets such as warehouses, office premises, vehicles, and certain office equipment, while the group's activities as a lessor are limited. Changes in lessee accounting are expected to have a significant impact on the group's financial statements as a major part of the group's operating leases will be recognized on the balance sheet upon transition to IFRS 16. Optional exemptions which allow for excluding short-term leases and leases of low-value assets from recognition on the balance sheet will be applied. The group's finance leases exposure is limited and thus the related effects from applying IFRS 16 are limited, given this and the fact that finance leases are grandfathered upon transition.

Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The current distinction between operating and finance leases is removed for lessees and instead the standard requires recognition of a right-of-use asset and a financial liability for all contracts meeting the definition of a lease.

Transition to IFRS 16

Electrolux will adopt IFRS 16 under the modified retrospective approach as per the transition date January 1, 2019. In accordance with the standard, comparative information will not be restated. Instead, the cumulative effect of initially applying the standard will be recognized as an opening balance adjustment. All right-of-use assets will be measured at its carrying amount as if the standard had been applied since the commencement date and the lease liabilities will be measured as the present value of the remaining lease payments at transition. The incremental borrowing rate at the date of transition is used for measuring both the right-of-use assets and the lease liability.

In applying IFRS 16 for the first time, the group will use practical expedients permitted by the standard, when applicable. The practical expedients used include the following:

- There will be no reassessment of whether a contract is, or contains, a lease at the date of transition. This means that the standard is applied to all contracts that were identified as containing a lease under IAS 17 and IFRIC 4.
- Operating leases with a remaining lease term of less than 12 months as at January 1, 2019, will be accounted for as short-term leases, i.e. not recognized on the balance sheet at transition.
- Initial direct costs are excluded from the measurement of right-of-use assets at the date of transition.
- Hindsight is used in determining the lease term for contracts containing an option to extend or terminate the lease.

Under IFRS 16, both net assets and net debt will increase due to the recognition of the right-of-use assets and the lease liabilities. Lease fees, currently reported as an operating expense, will be replaced by a depreciation of the right-of-use assets and an interest expense related to the lease liabilities. The income statement will also be affected from a timing perspective, as lease fees are currently expensed on a straight-line basis. Under IFRS 16, the total lease-related expense is typically higher in the earlier years of a lease and lower in the later years of a lease. This is due to the interest expense reducing over time as the liability is amortized.

Cash flow from operations will increase as today's lease fees are included in cash flow from operations but under IFRS 16 the major part of the cash payments will relate to the amortization of the lease liability and consequently affect cash flow from financing. Only the part of the payments that reflects interest will affect cash flow from operations. However, lease fees related to leases not recognized on the balance sheet, i.e. short-term and low-value leases, will continue to affect cash flow from operations in full. The effects on the balance sheet, income statement and cash flow will consequently affect related key metrics.

A preliminary assessment indicates an opening balance adjustment as per January 1, 2019, with the following approximate effects on the balance sheet, without taking into consideration any related adjustments of prepaid and/or accrued amounts at transition:

- Right-of-use assets: SEK 3,100m
- Deferred tax assets: SEK 60m
- Lease liabilities: SEK 3,400m
- Retained earnings: SEK –240m

Based on the preliminary amounts above, net assets would increase by SEK 3,160m, and net debt by SEK 3,400m. The preliminary net assets effect is expected to affect the segments as follows: Major Appliances Europe: SEK 700m, Major Appliances North America: SEK 900m, Major Appliances Latin America: SEK 200m, Major Appliances Asia/Pacific, Middle East and Africa: SEK 700m, Home Care & SDA: SEK 150m, Professional Products: SEK 150m and Common Group SEK 360m.

The Group's preliminary assessment is that the adoption of the new accounting rules will have a slightly positive impact on operating income and a minor effect on income for the period for the full year 2019. Cash flow from operations will increase and cash flow from financing decrease by approximately SEK 900m as repayment of the principal portion of the lease liabilities will be classified as cash flow from financing.

New interpretations of accounting standards

The International Financial Reporting Interpretation Committee (IFRIC) has issued Interpretation 23 Uncertainty over Income Tax Treatments. Mandatory effective date is 1 January, 2019. The interpretation was endorsed by the EU on 23 October, 2018. No material impact is expected on the financial statements of Electrolux.

Critical accounting policies and key sources of estimation uncertainty

Use of estimates

Management has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare the financial statements in conformity with IFRS. Actual results may differ from these estimates under different assumptions or conditions. Below, Electrolux has summarized the accounting policies that require more subjective judgement by management in making assumptions or estimates regarding the effects of matters that are inherently uncertain.

Asset impairment and useful lives

Non-current assets, including goodwill, are evaluated for impairment yearly or whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impaired asset is written down to its recoverable amount based on the best information available. Different methods have been used for this evaluation, depending on the availability of information. When available, market value has been used and impairment charges have been recorded when the information indicated that the carrying amount of an asset was not recoverable. In the majority of cases, however, market value has not been available, and the fair value has been estimated by using the discounted cash flow method based on expected future results. Differences in the estimation of expected future results and the discount rates used could have resulted in different asset valuations. The yearly impairment testing of goodwill and other intangible assets with indefinite useful lives, including sensitivity analyses performed, has not indicated any impairment. See Note 13 on page 58 for more information.

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Useful lives for property, plant and equipment are estimated between 10 and 40 years for buildings and land improvements and between 3 and 15 years for machinery, technical installations and other equipment. Management regularly reassesses the useful lives of all significant assets. The carrying amount for property, plant and equipment at year-end 2018 amounted to SEK 21,088m. The carrying amount for goodwill at year-end 2018 amounted to SEK 8,239m.

Deferred taxes

In the preparation of the financial statements, Electrolux estimates the income taxes in each of the tax jurisdictions in which the Group operates as well as any deferred taxes based on temporary differences. Deferred tax assets relating mainly to tax loss carry-forwards, energy-tax credits and

All amounts in SEKm unless otherwise stated

Cont. Note 1

temporary differences are recognized in those cases when future taxable income is expected to permit the recovery of those tax assets. Changes in assumptions in the projection of future taxable income as well as changes in tax rates could result in significant differences in the valuation of deferred taxes. As of December 31, 2018, Electrolux had a net amount of SEK 5,580m recognized as deferred tax assets in excess of deferred tax liabilities. As of December 31, 2018, the Group had tax loss carry-forwards and other deductible temporary differences of SEK 6,008m, which have not been included in the computation of deferred tax assets.

Current taxes

Electrolux provisions for uncertain outcome of tax audits and tax litigations are based on management's best estimates and recorded in the balance sheet. These estimates might differ from the actual outcome and the timing of the potential effect on Electrolux cash flow is normally not possible to predict.

In recent years, tax authorities have been focusing on transfer pricing. Transfer-pricing matters are normally very complex, include high amounts and it might take several years to reach a conclusion.

Trade receivables

Receivables are reported net of provision for expected credit losses. The net value reflects the amounts that are expected to be collected, based on circumstances known at the balance sheet date. Changes in circumstances such as higher than expected defaults or changes in the financial situation of a significant customer could lead to significantly different valuations. At year-end 2018, trade receivables, net of provisions for expected credit losses, amounted to SEK 21,482m. The total provision for expected credit losses at year-end 2018 was SEK –935m.

Post-employment benefits

Electrolux sponsors defined benefit pension plans for some of its employees in certain countries. The pension calculations are based on actuarial assumptions regarding, e.g., mortality rates, future salary and pension increases. The calculation of the pension obligation also depends on the discount rate. Changes in assumptions directly affect the defined benefit obligation, service cost, interest income and expense. The discount rate used for the calculation of expenses during 2018 was 2.54% in average, which was the same rate used to estimate liabilities at the end of 2017. Sensitivities for the main assumptions are presented in Note 22 on page 67.

Restructuring

Restructuring charges include required write-downs of assets and other non-cash items, as well as estimated costs for personnel reductions and other direct costs related to the termination of the activity. The charges are calculated based on detailed plans for activities that are expected to improve the Group's cost structure and productivity. In general, the outcome of similar historical events in previous plans are used as a guideline to minimize these uncertainties. The total provision for restructuring at year-end 2018 was SEK 1,210m.

Warranties

As is customary in the industry in which Electrolux operates, many of the products sold are covered by an original warranty, which is included in the price and which extends for a predetermined period of time. Provisions for this original warranty are estimated based on historical data regarding service rates, cost of repairs, etc. As of December 31, 2018, Electrolux had a provision for warranty commitments amounting to SEK 2,095m.

Disputes

Electrolux is involved in disputes in the ordinary course of business. The disputes concern, among other things, product liability, alleged defects in delivery of goods and services, patent rights and other rights and other issues on rights and obligations in connection with Electrolux operations. Such disputes may prove costly and time consuming and may disrupt normal operations. In addition, the outcome of complicated disputes is difficult to foresee. It cannot be ruled out that a disadvantageous outcome of a dispute may prove to have a material adverse effect on the Group's earnings and financial position.

Calculation of loss allowance

When measuring expected credit loss the Group uses reasonable and supportable forward looking information, which is based on assumptions regarding the future movement of different economic drivers and how these drivers will affect each other.

If the expected credit loss rates on trade receivables between 16 and 60 days past due had been 10% higher/lower as of December 2018, the loss allowance on trade receivables would have increased/decreased SEK 0.7m (0.7).

If the expected credit loss rates on trade receivables between 61 and 180 days past due had been 10% higher/lower as of December 2018, the loss allowance on trade receivables would have increased/decreased SEK 4.6m (2.3).

Accounting principles applicable from January 1, 2019

IFRS 16 Leases is applied by Electrolux from January 1, 2019. The effects from the application of the new standard are described in section 'New or amended accounting standards to be applied after 2018' on page 45.

Leases

The major part of the group's lease arrangements are those under which the group is a lessee. The group's activities as a lessor are limited. This section therefore focuses on the principles applied for lessee accounting.

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Such an assessment is performed at inception of a contract. An identified lease agreement is further categorized by the group as either a short-term lease, a lease of a low-value asset or a standard lease. Short-term leases are defined as leases with a lease term of 12 months or less. The group's definition of low-value assets comprises all personal computers and laptops, phones, office equipment and furniture and all other assets of a value less than SEK 100k when new. Lease payments related to short-term leases and leases of low value assets are recognized as operating expenses on a straight-line basis over the term of the lease. The group applies the term 'standard lease' to all identified leases which are categorized as neither short-term leases nor leases of a low-value asset. Thus, a standard lease is a lease agreement for which a right-of-use asset and a corresponding lease liability are recognized at commencement of the lease, i.e. when the asset is available for use. The group's right-of-use assets and its long-term and short-term lease liabilities are presented as separate line items in the consolidated statement of financial position.

Assets and liabilities arising from a lease are initially measured on a present value basis. The lease liability is determined as the present value of all future lease payments at the commencement date, discounted using the Group's calculated incremental borrowing rate determined by country and contract duration (>12–36 months, >37–72 months and >72 months).

The following lease payments are included in the measurement of a lease liability:

- fixed payments, less any lease incentives,
- variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date,
- amounts expected to be payable under residual value guarantees,
- the exercise price of a purchase option if reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of that option.

Variable lease fees that do not depend on an index or rate (including property tax related to leased buildings) are not included in the measurement the lease liability. The related variable payments are charged to the statement of comprehensive income as incurred.

The lease liability is subsequently measured by reducing the carrying amount to reflect the lease payments made and by increasing the carrying amount to reflect interest on the lease liability, using the effective interest method.

A right-of-use asset is measured at cost comprising the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement day, less any lease incentives received, and any initial direct costs, and restoration costs (unless incurred to produce inventories) with the corresponding obligation recognized and measured as a provision under IAS 37. The right-of-use asset is subsequently measured at cost less accumulated depreciation, any impairment losses as well as any remeasurement of the lease liability.

A remeasurement of the lease liability, and a corresponding applicable adjustment to the related right-of-use asset, is performed when

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).

All amounts in SEKm unless otherwise stated

Cont. **Note 1**

- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

A right-of-use asset is normally depreciated on a straight-line basis over the shorter of the asset's useful life and the lease term. However, if ownership of the asset is reasonably certain to be transferred at the end of the lease, the right-of-use asset is depreciated over its useful life. Depreciation of a right-of-use asset starts at the commencement date of the lease.

A lease payment related to a standard lease is accounted for partly as amortization of the lease liability and partly as interest expense in the statement of comprehensive income.

Lease components are separated from non-lease components for leases regarding buildings (offices, warehouses etc.). For leases regarding other asset classes (machinery, vehicles etc.) the lease components and any associated non-lease components are accounted for as a single arrangement.

In determining the lease term, extension options are only included if it is determined as reasonably certain to extend. Periods after termination options are only included in the lease term if the lease is reasonably certain not to be terminated. A lease term is reviewed if a significant event or a significant change in circumstances occurs which affects the assessment.

Parent Company accounting principles

The Parent Company has prepared its Annual Report in compliance with Swedish Annual Accounts Act (1995:1554) and recommendation RFR 2, Accounting for Legal Entities of the Swedish Financial Reporting Board. RFR 2 prescribes that the Parent Company in the Annual Report of a legal entity shall apply all International Financial Reporting Standards and interpretations approved by the EU as far as this is possible within the framework of the Annual Accounts Act, taking into account the connection between accounting and taxation. The recommendation states which exceptions from IFRS and additions shall be made. Revenue from contracts with customers are reported in accordance with IFRS 15 and financial instruments are reported in accordance with IFRS 9 in the Parent Company for the first time in 2018. The effects from applying the standards have been assessed as not material.

Shares in subsidiaries

Holdings in subsidiaries are recognized in the Parent Company financial statements according to the cost method of accounting. The value of subsidiaries are tested for impairment when there is an indication of a decline in the value.

Foreign currency translations

The Annual Report is presented in Swedish krona (SEK), which is the Parent Company's accounting currency according to the Swedish Annual Accounts Act. One of the companies operating on a commission basis for AB Electrolux changed its functional currency to euro as from January 1, 2015. Translating differences thus arise as from 2015. The balance sheet of the commissioner company has been translated into SEK at year-end rates. The income statement has been translated at the average rate for the year. Translation differences thus arising have been included in Other comprehensive income.

Anticipated dividends

Dividends from subsidiaries are recognized in the income statement after decision by the annual general meeting in the respective subsidiary. Anticipated dividends from subsidiaries are recognized in cases where the Parent Company has exclusive rights to decide on the size of the dividend and the Parent Company has made a decision on the size of the dividend before the Parent Company has published its financial reports.

Taxes

The Parent Company's financial statements recognize untaxed reserves including deferred tax. The consolidated financial statements, however, reclassify untaxed reserves to deferred tax liability and equity. Tax on group contribution is reported in the income statement.

Group contributions

Group contributions provided or received by the Parent Company are recognized as appropriations in the income statement. Shareholder contributions provided by the Parent Company are recognized in shares and participations which are subject to impairment tests as indicated above.

Pensions

The Parent Company reports pensions in the financial statements in accordance with RFR 2. According to RFR 2, IAS 19 shall be adopted regarding supplementary disclosures when applicable.

Intangible assets

The Parent Company amortizes trademarks in accordance with RFR 2. The Electrolux trademark in North America is amortized over 40 years using the straight-line method. All other trademarks are amortized over their useful lives, estimated to 10 years, using the straight-line method.

The central development costs of the Group's common business system are recorded in the Parent Company. The amortization is based on the usage and go-live dates of the entities and continues over the system's useful life, estimated to 5 years per unit using the straight-line method. The applied principle gives an estimated amortization period of 10 years for the system.

Development reserve

The Parent Company's financial statement recognize a development reserve in compliance with Swedish Annual Accounts Act. An amount equal to the period's total expenditure of own developed intangible assets has been transferred from unrestricted equity to the development reserve within restricted equity.

Appropriations and untaxed reserves

The Parent Company reports additional fiscal depreciation, required by Swedish tax law, as appropriations in the income statement. In the balance sheet, these are included in untaxed reserves.

Financial statements presentation

The Parent Company presents the income statement and the balance sheet in compliance with the Swedish Annual Accounts Act (1995:1554) and recommendation RFR 2.

All amounts in SEKm unless otherwise stated

Note 2 Financial risk management

Financial risk management

The Group is exposed to a number of risks from liquid funds, trade receivables, customer-financing receivables, payables, borrowings, commodities and foreign exchange. The risks include:

- Interest-rate risk on liquid funds and borrowings
- Financing risk in relation to the Group's capital requirements
- Foreign-exchange risk on commercial flows and net investments in foreign subsidiaries
- Commodity-price risk affecting the expenditure on raw materials and components; and
- Credit risk relating to financial and commercial activities

The Board of Directors of Electrolux has established several policies for the Group (hereinafter all policies are referred to as the Financial Policy) to monitor and manage the financial risks relating to the operations of the Group.

Group Treasury in Stockholm, supported by three regional treasury centers located in Asia, North America, and Latin America provide services to the business, co-ordinate access to financial markets, monitor and manage the financial risks through internal risk reports, which analyze exposures by degree and magnitude of the risk.

The Group seeks to minimize the effects of these risks by using derivatives to hedge these risks exposures. The Group's Financial Policy governs the use of financial derivatives, which provide principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. The internal auditors review on a continuous basis compliance with policies and exposure limits.

Interest-rate risk on liquid funds and borrowings

Interest-rate risk refers to the adverse effects of changes in interest rates on the Group's income. The main factors determining this risk include the interest-fixing period.

Liquid funds

Liquid funds as defined by the Group consist of cash and cash equivalents, short-term investments, financial derivative assets, prepaid interest expenses and accrued interest income. Electrolux target is that the level of liquid funds including unutilized committed credit facilities shall correspond to at least 2.5% of annualized net sales. In addition, net liquid funds defined as liquid funds less short-term borrowings shall exceed zero, taking into account fluctuations arising from acquisitions, divestments, and seasonal variations. The main criteria for the investments are that the instruments are highly liquid and have creditworthy issuers. See Credit risk in financial activities on page 50.

Interest-rate risk in liquid funds

All liquidity is invested in interest bearing instruments, normally with maturities between 0 and 3 months. A downward shift in the yield curves of one percentage point would reduce the Group's interest income by approximately SEK 115m (111). For more information, see Note 18.

Borrowings

The debt financing of the Group is managed by Group Treasury in order to ensure efficiency and risk control. Debt is primarily raised at parent company level and transferred to subsidiaries through internal loans or capital injections. In this process, swap instruments are used to convert the funds to the required currency. Short-term financing is also undertaken locally in subsidiaries where there are capital restrictions. The Group's borrowings contain no financial covenants that can trigger premature cancellation of the loans. For more information, see Note 18.

Interest-rate risk in borrowings

Group Treasury manages the long-term loan portfolio to keep the average interest-fixing period between 0 and 3 years. Derivatives, such as interest-rate swap agreements, are used to manage the interest-rate risk by changing the interest from fixed to floating or vice versa. For those derivatives Electrolux practice hedge accounting, which have affected Other comprehensive income by SEK –1.5m during 2018. On the basis of 2018 long-term interest-bearing borrowings with an average interest fixing period of 1.0 years (0.6), a one percentage point shift in interest rates would impact the Group's interest expenses by approximately SEK +/–61m (52). This calculation is based on a parallel shift of all yield curves simultaneously by one percentage point, excluding immaterial revaluation effects. Electrolux acknowledges that the calculation is an approximation and does not take into consideration the fact that the interest rates on different maturities and different currencies might change differently.

Capital structure and credit rating

The Group defines its capital as equity stated in the balance sheet including non-controlling interests. On December 31, 2018, the Group's capital amounted to SEK 21,749m (20,480). The Group's objective is to have a capital structure resulting in an efficient weighted cost of capital and sufficient credit worthiness where operating needs and the needs for potential acquisitions are considered.

To achieve and keep an efficient capital structure, the Financial Policy states that the Group's long-term ambition is to maintain a long-term rating within a safe margin from a non-investment grade. In December 2018, Standard & Poor's confirmed Electrolux A-rating with stable outlook. The A-2 short-term corporate credit rating and the short-term Nordic regional scale rating of K-1 were also affirmed.

Rating

	Long-term debt	Outlook	Short-term debt	Short-term debt, Nordic
Standard & Poor's	A-	Stable	A-2	K-1

When monitoring the capital structure, the Group uses different figures, which are consistent with methodologies used by rating agencies and banks. The Group manages the capital structure and makes adjustments to it in light of changes in economic conditions. In order to maintain or adjust the capital structure, the Electrolux Board of Directors may propose to adjust the amount of dividends paid to shareholders, return capital to shareholders, buy back own shares or issue new shares, or sell assets to reduce debt.

Financing risk

Financing risk refers to the risk that financing of the Group's capital requirements and refinancing of existing borrowings could become more difficult or more costly. This risk can be decreased by ensuring that maturity dates are evenly distributed over time, and that total short-term borrowings do not exceed liquidity levels. The financial net debt, total borrowings less liquid funds, excluding seasonal variances, shall be long-term according to the Financial Policy. The Group's goals for long-term borrowings include an average time to maturity of at least 2 years, and an even spread of maturities. A maximum of SEK 5,000m of the long-term borrowings is allowed to mature in a 12-month period. For more information, see Note 18.

Foreign exchange risk

Foreign exchange risk refers to the adverse effects of changes in foreign exchange-rates on the Group's income and equity. In order to manage such effects, the Group covers these risks within the framework of the Financial Policy. The Group's overall currency exposure is managed centrally.

Transaction exposure from commercial flows

The Financial Policy stipulates to what extent commercial flows are to be hedged. In 2016 the Financial Policy was updated so that hedging with currency derivatives in most cases only are applied on invoiced flows. This means that currency exposures from forecasted flows should normally be managed by natural hedges, price adjustments and cost reductions. However, in cases when both price and volume is committed, Electrolux may hedge also forecasted flows. For those derivatives Electrolux practice hedge accounting, which has affected Other comprehensive income by SEK 2m during 2018.

Group subsidiaries cover their risks in commercial currency flows mainly through the Group's treasury centers. Group Treasury thus assumes the currency risks and covers such risks externally by the use of currency derivatives.

The Group's geographically widespread production reduces the effects of changes in exchange-rates. The remaining transaction exposure is either related to internal sales from producing entities to sales companies or external exposures from purchasing of components and input material for the production paid in foreign currency. These external imports are often priced in U.S. dollar (USD). The global presence of the Group, however, leads to a significant netting of the transaction exposures. For additional information on exposures and hedging, see Note 18.

All amounts in SEKm unless otherwise stated

Cont. **Note 2**

Translation exposure from consolidation of entities outside Sweden

Changes in exchange-rates also affect the Group's income in connection with translation of income statements of foreign subsidiaries into SEK. Electrolux does not hedge such exposure. The translation exposures arising from income statements of foreign subsidiaries are included in the sensitivity analysis mentioned below.

Foreign-exchange sensitivity from transaction and translation exposure

The major net export currencies that Electrolux is exposed to are the U.S. dollar, the Chinese renminbi and the euro. The major import currencies that Electrolux is exposed to are the British pound, the Australian dollar, the Canadian dollar and the Brazilian real. These currencies represent the majority of the exposures of the Group, but are largely offsetting each other as different currencies represent net inflows and outflows. A change up or down by 10% in the value of each currency against the Swedish krona would affect the Group's profit and loss for one year by approximately SEK +/– 730m (1,010), as a static calculation. The model assumes the distribution of earnings and costs effective at year-end 2018 and does not include any dynamic effects, such as changes in competitiveness or consumer behavior arising from such changes in exchange-rates.

Sensitivity analysis of major currencies

Risk	Change	Profit or loss impact 2018	Profit or loss impact 2017
Currency			
BRL/SEK	–10%	–345	–233
AUD/SEK	–10%	–295	–295
GBP/SEK	–10%	–286	–323
CAD/SEK	–10%	–261	–255
CHF/SEK	–10%	–184	–177
RUB/SEK	–10%	–116	–94
THB/SEK	–10%	128	67
CNY/SEK	–10%	129	121
EUR/SEK	–10%	383	336
USD/SEK	–10%	984	824

Exposure from net investments (balance sheet exposure)

The net of assets and liabilities in foreign subsidiaries constitute a net investment in foreign currency, which generates a translation difference in the consolidation of the Group. This exposure can have an impact on the Group's total comprehensive income, and on the capital structure. The exposure is normally handled by natural hedges including matching assets with debts in the same currency. In exceptional cases the exposure can be managed by currency derivatives implemented on Group level and carried out by the Parent Company. For those derivatives Electrolux practice hedge accounting, which has affected Other comprehensive income by SEK –65m during 2018.

A change up or down by 10% in the value of each currency against the Swedish krona would affect the net investment of the Group by approximately SEK +/– 3,230m (2,977), as a static calculation at year-end 2018. A similar valuation of outstanding hedges, would have an effect on the Group's equity of approximately SEK +/–154m (148).

Commodity-price risks

Commodity-price risk is the risk that the cost of direct and indirect materials could increase as underlying commodity prices rise in global markets. The Group is exposed to fluctuations in commodity prices through agreements with suppliers, whereby the price is linked to the raw-material price on the world market. This exposure can be divided into direct commodity exposure, which refers to pure commodity exposures, and indirect commodity exposure, which is defined as exposure arising from only part of a component. Commodity-price risk is mainly managed through contracts with the suppliers. A change in price up or down by 10% in steel would affect the Group's profit or loss with approximately SEK +/– 800m (800) and in plastics with approximately SEK +/– 600m (700), based on volumes in 2018.

Credit risk

Credit risk in financial activities

Exposure to credit risks arises from the investment of liquid funds, and derivatives. In order to limit exposure to credit risk, the Group has adopted a policy of only dealing with creditworthy counterparties. A counterpart list has been established, which specifies the maximum permissible exposure in relation to each counterpart. The Group only transacts investments of liquid funds and derivatives with issuers and counterparts holding a long-term rating of at least A- credit rating, as these are considered to have low credit risk for the purpose of impairment assessment. Standard & Poor's or similar independent rating agencies supply the credit rating information. Group Treasury can allow exceptions from this rule, e.g., to enable money deposits within countries rated below A-, but this represents only a minor part of the total liquidity in the Group.

The Group strives for master netting agreements (ISDA) with all counterparts for derivative transactions. Assets and liabilities will only be netted from a credit risk perspective for counterparts with valid ISDA-agreements. As a result of these policies and limitations, the expected credit loss from external financial activities is not material. However, since Group Treasury manage a majority of the subsidiary financing through internal loans from the parent, there is a material credit risk originating from internal loans.

The opening expected credit loss provision in the parent company for 2018 amounted to SEK 46m primarily originate from internal loans to Latin America. The closing expected credit loss reservation in the parent company amounted to SEK 72m, an increase of SEK 26m, mainly due to higher country risk for Argentina.

To reduce the settlement risk in foreign exchange transactions done with banks, Group Treasury uses Continuous Linked Settlement. Continuous Linked Settlement eliminates temporal settlement risk since both legs of a transaction are settled simultaneously.

Credit risk in trade receivables

Electrolux sells to a substantial number of customers in the form of large retailers, buying groups, independent stores, and professional users. Sales are made on the basis of normal delivery and payment terms. The Electrolux Group Credit Policy defines how credit management is to be performed in the Electrolux Group to achieve competitive and professionally performed credit sales, limited bad debts, and improved cash flow and optimized profit. On a more detailed level, it also provides a minimum level for customer and credit- risk assessment, clarification of responsibilities and the framework for credit decisions. The credit-decision process combines the parameters risk/reward, payment terms and credit protection in order to obtain as much paid sales as possible. In some markets, Electrolux uses credit insurance as a mean of protection. Credit limits that exceed SEK 300m are as from December 2018 approved by the Audit Committee (and by the Board of Directors until December 2018). For many years, Electrolux has used the Electrolux Rating Model (ERM) to have a common and objective approach to credit-risk assessment that enables more standardized and systematic credit evaluations to minimize inconsistencies in decisions. The ERM is based on a risk/reward approach and is the basis for the customer assessment. The Electrolux Rating Model consists of three different parts: Customer and Market Information; Warning Signals; and a Credit Risk Rating (CR2). Through CR2 the customers are classified in risk categories.

Credit approvals and other monitoring procedures are also in place to ensure that follow-up action is taken to recover overdue debts. Furthermore, the Group reviews the recoverable amount of each trade debt and debt investment on an individual basis at the end of the reporting period to ensure that adequate loss allowance is made for irrecoverable amounts. In this regard, management considers that the Group's credit risk is significantly reduced. Trade receivables relate to a large number of customers, spread across diverse industries and geographical areas. However, there is a concentration of large credit exposures on a number of customers in, primarily, the U.S., Latin America and Europe. Concentration of credit risk related to a single counterparty did not exceed 11.7 % total trade receivables at any time during the year. For more information, see Note 17.

The Group defines default as customers where significant financial difficulties have been identified. A receivable is written off when there is indications of no realistic prospect of recovery or at a 360 days overdue whichever is the earliest. There is a limited use of enforcement activities.

All amounts in SEKm unless otherwise stated

Note 3 Segment information

Reportable segments – Business areas

The Group's operations are divided into six reportable segments based on differences in products: Major Appliances Europe, Middle East and Africa; Major Appliances North America; Major Appliances Latin America; Major Appliances Asia/Pacific; Home Care & SDA and Professional Products.

The Major Appliances business areas are geographically defined, while the Home Care & SDA and Professional Products business areas are global. The segments are regularly reviewed by the President and CEO, the Group's chief operating decision maker.

Major Appliances and Home Care & SDA are producing appliances for the consumer market. Products within Major Appliances comprise mainly of refrigerators, freezers, cookers, dryers, washing machines, dishwashers and microwave ovens. Home Care & SDA include vacuum cleaners and other small appliances. Professional Products produces equipment and appliances for food-service and laundry solutions for professional users.

The segments are responsible for the operating results and the net assets used in their businesses, whereas financial items and taxes, as well as net debt and equity, are not reported per segment. The operating results and net assets of the segments are consolidated using the same principles as for the total Group. The segments consist of separate legal units as well as divisions in multi-segment legal units where some allocations of costs and net assets are made. Operating costs not included in the segments are shown under Common Group costs, which mainly are costs related to group management activities typically required to run the Electrolux Group.

Sales between segments are made on market conditions with arm's-length principles.

	Net sales		Operating income	
	2018	2017	**2018**	2017
Major Appliances Europe, Middle East and Africa	42,732	38,524	2,220	2,764
Major Appliances North America	38,875	40,656	972	2,757
Major Appliances Latin America	17,076	17,302	464	425
Major Appliances Asia/Pacific	9,165	8,759	648	750
Home Care & SDA	7,616	7,808	398	431
Professional Products	8,666	7,723	1,134	1,054
	124,129	**120,771**	**5,836**	**8,182**
Common Group costs	—	—	–527	–775
Total	**124,129**	**120,771**	**5,310**	**7,407**
Financial items, net	—	—	–423	–441
Income after financial items	—	—	**4,887**	**6,966**

Inter-segment sales exist with the following split:

	2018	2017
Major Appliances Europe, Middle East and Africa	1,105	995
Major Appliances North America	640	705
Major Appliances Latin America	1	—
Major Appliances Asia/Pacific	318	308
Professional Products	4	6
Eliminations	**2,068**	**2,014**

The segments are responsible for the management of the operational assets and their performance is measured at the same level, while financing is managed by Group Treasury at group or country level. Consequently, liquid funds, interest-bearing receivables, interest-bearing liabilities and equity are not allocated to the business segments.

	Assets December 31		Equity and liabilities December 31		Net assets December 31	
	2018	2017	**2018**	2017	**2018**	2017
Major Appliances Europe, Middle East and Africa	27,389	25,575	23,997	22,037	3,392	3,538
Major Appliances North America	17,405	14,840	15,010	12,723	2,395	2,117
Major Appliances Latin America	12,085	12,602	6,531	6,752	5,554	5,850
Major Appliances Asia/Pacific	6,123	5,788	4,152	4,163	1,971	1,625
Home Care & SDA	6,011	5,341	3,601	3,519	2,410	1,822
Professional Products	6,101	4,434	3,144	2,706	2,957	1,728
Other[1]	9,418	8,533	4,523	4,535	4,895	3,998
	84,531	**77,113**	**60,958**	**56,436**	**23,574**	**20,678**
Liquid funds	12,249	11,974	—	—	—	—
Total borrowings	—	—	10,260	9,537	—	—
Pension assets and liabilities	532	455	4,346	3,089	—	—
Equity	—	—	21,749	20,480	—	—
Total	**97,312**	**89,542**	**97,312**	**89,542**	—	—

1) Includes common functions, tax items.

	Depreciation and amortization		Capital expenditure		Cash flow[1]	
	2018	2017	**2018**	2017	**2018**	2017
Major Appliances Europe, Middle East and Africa	1,404	1,365	1,621	1,420	2,122	2,154
Major Appliances North America	1,112	1,119	2,071	1,467	885	2,975
Major Appliances Latin America	627	633	714	711	–9	260[3]
Major Appliances Asia/Pacific	374	300	413	418	376	971
Home Care & SDA	215	199	249	190	–487	317
Professional Products	168	151	169	167	1,004	1,112
Other[2]	249	210	393	306	–242	–912
Acquisitions/Divestments	—	—	—	—	–609	–3,405
Financial items	—	—	—	—	–361	–227
Taxes paid	—	—	—	—	–1,140	–1,421
Total	**4,150**	**3,977**	**5,629**	**4,679**	**1,540**	**1,824**

1) Cash flow from operations and investments.
2) Includes Group functions.
3) Includes SEK –178m related to the acquisition of the Continental brand.

All amounts in SEKm unless otherwise stated

Cont. **Note 3**

Geographical information

	Net sales[1)]	
	2018	2017
USA	38,275	39,462
Brazil	11,995	11,721
Germany	6,509	5,938
Sweden (country of domicile)	5,782	5,283
Australia	4,813	5,011
Italy	4,718	4,088
France	4,381	4,149
United Kingdom	4,062	3,969
Switzerland	3,429	3,188
Canada	3,035	3,689
Other	37,130	34,273
Total	124,129	120,771

1) Revenues attributable to countries on the basis of customer location.

Tangible and intangible fixed assets located in the Group's country of domicile, Sweden, amounted to SEK 2,040m (1,888). Tangible and non-tangible fixed assets located in all other countries amounted to SEK 31,206m (28,673). Individually, material countries in this aspect are Italy with SEK 3,885m (3,219), USA with SEK 9,016m (7,474) and Poland with SEK2,462m (2,347), respectively.

No single customer of the Group represents 10% or more of the external revenue.

Note 4 Revenue recognition

Revenue recognition

Electrolux manufactures and sells appliances mainly in the wholesale market to customers being retailers. Electrolux products include refrigerators, dishwashers, washing machines, cookers, vacuum cleaners, air conditioners and small domestic appliances. Electrolux offer complete solutions for both consumers and professionals.

Sales are recorded net of value-added tax, specific sales taxes, returns, and trade discounts. Revenues arise from sales of finished products and services.

Sale of finished products including spare parts and accessories

Sales of products are revenue recognized at a point in time i.e when control of the products has transferred, being when the products are delivered to the customer. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or there is objective evidence that all criteria for acceptance have been satisfied. In practice, transfer of control and thus revenue recognition normally depends on the contractual incoterm.

Transaction price — Volume discounts

The products are often sold with volume discounts based on aggregate sales over a specific time period, normally 3–12 months. Revenue from these sales is recognized based on the price specified in the contract, net of the estimated volume discounts. Accumulated experience is used to estimate and provide for the discounts using either the expected value method or an assessment of the most likely amount. Revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur. A contract liability is recognized for expected volume discounts payable to customers in relation to sales made until the end of the reporting period. The estimated volume discount is revised at each reporting date.

Receivables, contract assets and contract liabilities

A receivable is recognized when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due. If the consideration is conditional to additional performance, a contract asset is recorded.

If Electrolux receive prepayments from customer a contract liability is recorded. See table on page 53.

Sale of goods and services combined

When contracts include both goods and services the sales value is split into the separate performance obligations as applicable and revenue is recognized when each of the separate performance obligations is satisfied. In general, types of performance obligations that may occur are products, spare parts, installation, service and support and education.

Sale of services in a separate contract

Electrolux recognizes revenue from services related to installation of products, repairs or maintenance service when control is transferred being over the time the service is provided. For service contracts covering a longer period revenue is recognized on a linear basis over the contract period.

Sale of licenses in a separate contract

Electrolux is licensing trade names to other companies. The license provides the licensee a right to access intellectual property throughout the license period and revenue is recognized over time. The most common license type for Electrolux is sales based royalty where the revenue is recognized when the sales occur.

Payments to customers

Agreements can be made with customers to compensate for various services or actions the customer takes. This relates to e.g. agreements under which Electrolux agrees to compensate the customer for e.g. marketing activities undertaken by the customer. The main rule is that if the payment is related to a distinct service or product it shall be accounted for as a purchase of that service or product. If not it shall be deducted from the related revenue stream. In practice, if the contract doesn't include any requirement of follow up from Electrolux side and/or reporting back from the customer that the service is performed, the payment shall be accounted for as a reduction of revenue.

Customer incentives

Customer incentives include promotional activities as e.g. coupons, gift cards, free products and loyalty/cash points. Customer incentives are additional performance obligations providing the customer with a material right, i.e. the customer is purchasing a product or service in the original purchase and the right to a free or discounted product or service in the future. The customer is effectively paying in advance for future products or services. Revenue is therefore allocated to two performance obligations, the originally purchased product and the product bought in the future (payment in advance). A liability is recognized for the rebate until it's used or expires unused.

Within Electrolux a common promotional activity is to offer free products in combination with other sales. When the free products are related to the Electrolux product range, revenue is allocated to both the ordinary products sold and the free products.

When the free products are unrelated to the Electrolux product range, the free products are recognized as marketing/sales cost.

Warranties

The most common warranty for Electrolux is to replace a faulty product under legal and common practice warranty terms. In those cases warranty is recognized as a provision. Electrolux also sells extended warranty where the revenue is recognized during the warranty period, which usually starts

All amounts in SEKm unless otherwise stated

Cont. Note 4

after the legal warranty period. Sometimes warranty offered is including a service part and if it is difficult to separate the warranty from the service the two are bundled together and revenue is recognized over the warranty period.

Sales with a right of return

A right of return is not a separate performance obligation, but it affects the transaction price for the transferred goods. Returns rights are commonly granted in the retail and consumer industry.

Regarding a right of return which follows from legislation, statutory requirements, business practice or is stipulated in the contract with the customer, revenue is not recognized for goods expected to be returned. Instead, a liability is recognized for expected refunds to customers. An asset is also recorded for the expected returned item. The estimated amount of returned goods in each sale with a right of return, is based on a probability-weighted approach or most likely outcome, whichever is most predictive. The estimate is revised on each reporting date.

Principal versus agent

I some countries Electrolux acts as an agent, i.e. Electrolux arranges for goods or services to be provided by an external supplier to the customer. Electrolux records as revenue the commission fee earned for facilitating the transfer of goods or service or the net amount of consideration that the company retains after paying the other party the consideration received in exchange for the goods or services to be provided by that party.

Freight charges

In most cases freight is included in the price of the product sold and revenue is recognized at the same time as for the product.

Consignment stock or sell-through arrangement

For some customers Electrolux keeps the inventory of products in the warehouse of the customer or in the customer's outlet. Transfer of control of the products are done when the customer lifts the product from the warehouse or when the product is sold to the end consumer. Electrolux recognize revenue when the control has been transferred or when there is a legal right of forcing a sales transaction.

Revenue types and flows

The vast majority of the Group's revenues of SEK 124,129m (120,771) during the year consisted of product sales. Revenue from service activities amounted to SEK 1,843m (1,772). The Group's net sales in Sweden amounted to SEK 5,782m (5,283). Exports from Sweden during the year amounted to SEK 36,190m (31,384), of which SEK 32,619m (28,321) were to Group subsidiaries. The major part of the Swedish export comes from one of the Swedish entities acting as a buying/selling hub for the European business meaning that most of the European product flows are routed via this entity.

Disaggregation of revenue

Electrolux manufactures and sells appliances mainly in the wholesale market to customers being retailers. Electrolux products include refrigerators, dishwashers, washing machines, cookers, vacuum cleaners, air conditioners and small domestic appliances. Major Appliances and Home Care & SDA focus on the consumer market and Professional Products on professional users. Sales of services are not material in relation to Electrolux total net sales as described above. Product and geography are considered important attributes when disaggregating Electrolux revenue. Therefore, the table below presents net sales related to Major Appliances, Home Care & SDA and Professional Products per geographical region.

	2018				2017			
Disaggregation of revenue	Major Appliances	Home Care & SDA	Professional Products	Total	Major Appliances	Home Care & SDA	Professional Products	Total
Geographical region								
Europe, Middle East and Africa	42,732	3,891	6,951	53,574	38,524	3,628	6,141	48,292
North America	38,875	926	849	40,650	40,656	1,427	764	42,847
Latin America	17,076	887	—	17,963	17,302	975	—	18,277
Asia Pacific	9,165	1,912	866	11,942	8,759	1,778	819	11,356
Total	107,847	7,616	8,666	124,129	105,241	7,808	7,723	120,771

The table below presents the opening and closing balances of contract liabilities as well as movements during the year.

			Prepaid income – service & warranty		
Contract liabilities	Advances from Customers	Customer bonuses/ incentives	Short-term	Long-term	Contract liabilities, total
Opening balance, January 1, 2018	118	4,222	92	74	4,506
Gross increase during the period	1,098	13,305	175	52	14,630
Paid to/settled with customer	—	–12,721	—	—	–12,721
Revenue recognized during the year	–1,105	—	–193	–11	–1,309
Contracts cancelled during the year	—	–301	–14	–11	–326
Other changes to contract balances		–14	114	28	128
Exchange-rate differences	3	165	10	7	185
Closing balance, December 31, 2018	114	4,656	184	139	5,093

All amounts in SEKm unless otherwise stated

Note 5 Operating expenses

Cost of goods sold and additional information on costs by nature

Cost of goods sold includes expenses for the following items:

- Finished goods i.e. cost for production and sourced products
- Warranty
- Environmental fees
- Warehousing and transportation
- Exchange-rate changes on payables and receivables and the effects from currency hedging

Operating expenses	2018	2017
Direct material and components	49,679	47,956
Sourced products	15,176	16,192
Depreciation and amortization	4,150	3,977
Salaries, other renumeration and employer contribution	22,014	20,364
Other operating expenses	27,800	24,875
Operating expenses, total	118,819	113,364

Cost of goods sold includes direct material and components amounting to SEK 49,679m (47,956) and sourced products amounting to SEK 15,176m (16,192). The depreciation and amortization charge for the year amounted to SEK 4,150m (3,977). Costs for research and development amounted to SEK 3,836m (3,566).

Government grants relating to expenses have been deducted in the related expenses by SEK 74m (79). Government grants related to assets have been recognized as deferred income in the balance sheet and will be recognized as income over the useful life of the assets. The remaining value of these grants, at the end of 2018, amounted to SEK 882m (879).

The Group's operating income includes net exchange-rate differences in the amount of SEK –161m (90). The Group's Swedish factories accounted for 1.2% (1.3) of the total value of production.

Selling and administration expenses

Selling expenses include expenses for brand communication, sales driving communication and costs for sales and marketing staff. Selling expenses also include the cost for impairment of trade receivables.

Administration expenses include expenses for general management, controlling, human resources, shared service and IT expenses related to the named functions. Administration costs related to manufacturing are included in cost of goods sold.

Note 6 Other operating income and expenses

	Group		Parent Company	
Other operating income	2018	2017	2018	2017
Gain on sale of property, plant and equipment	19	115	–	–
Gain on sale of operations and shares	205	6	–	1
Pension curtailment	–	134	–	–
Claim for recovery of overpaid tax	130	–	–	–
Reversal of restructuring provision	140	–	–	–
Bargain purchase (neg. goodwill)	150	–	–	–
Earn-out adjustment	194	–	–	–
Other	216	73	0	–
Other operating income, total	1,054	328	0	1

	Group		Parent Company	
Other operating expenses	2018	2017	2018	2017
Loss on sale of property, plant and equipment	–38	–18	–	–1
Impairment	–	–	–310	–104
Fine to competition authority	–493	–	–493	–
Provision for reorganization procedure	–254	–	–	–
Other	–92	–5	–1	–
Other operating expenses, total	–877	–23	–804	–105

Other operating income and expenses, net	177	305	–804	–104

Note 7 Material profit or loss items in operating income

This note summarizes events and transactions with significant effects, which are relevant for understanding the financial performance when comparing income for the current period with previous periods, including items such as:

- Capital gains and losses from divestments of product groups or major units
- Close-down or significant down-sizing of major units or activities
- Restructuring initiatives with a set of activities aimed at reshaping a major structure or process
- Significant impairment
- Other major non-recurring costs or income

Material items in the 2018 operating income are specified in the table below. Restructuring charge refers to the consolidation of freezer production in North America. Fine to competition authority refers to the completed investigation by the French Competition Authority. Provision for reorganization procedures refers to the unfavorable court ruling in France, extending a reorganization procedure of a former subsidiary to include Electrolux Home Products France SAS. In 2017, no material items were identified.

Material profit or loss items	2018	2017
Restructuring charge	–596	–
Fine to competition authority	–493	–
Provision for reorganization procedure	–254	–
Total	–1,343	–

Effect from material profit or loss items by function	2018	2017
Cost of goods sold	–596	–
Other operating income and expenses	–747	–
Total	–1,343	–

All amounts in SEKm unless otherwise stated

Note 8 Leasing

The Group generally owns its production facilities. The Group rents some warehouse and office premises under leasing agreements and has also leasing contracts for certain office equipment. Most leasing agreements in the Group are operational leases and the costs are recognized directly in the income statement in the corresponding period.

Finance leases are capitalized at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments. Leased assets are depreciated over their useful lives. If there is no reasonable certainty that the lessee will obtain ownership by the end of the lease term, the assets are fully depreciated over the shorter of the lease term or remaining useful life.

Financial leases

Electrolux has no material financial leases.

Operating leases

The future amount of minimum lease-payment obligations are distributed as follows:

	Operating leases
2019	1,211
2020–2023	3,051
2024–	733
Total	**4,995**

Expenses in 2018 for rental payments (minimum leasing fees) amounted to SEK 1,308m (1,230). Among the Group's operating leases there are neither material contingent expenses, nor restrictions.

Note 9 Financial income and financial expenses

	Group		Parent Company	
	2018	2017	2018	2017
Financial income				
Interest income				
from subsidiaries	—	—	782	541
from others	106	183	0	96
Dividends from subsidiaries	—	—	7,179	6,496
Other financial income	—	—	6	9
Total financial income	**106**	**183**	**7,967**	**7,142**
Financial expenses				
Interest expenses				
to subsidiaries	—	—	–229	–132
to others	–235	–360	–84	–275
Exchange-rate differences, net	22	–11	–122	–320
Pension interest expenses, net	–47	–92	—	—
Other financial expenses	–269	–161	–260	–128
Total financial expenses	**–529**	**–624**	**–695**	**–855**
Financial items, net	**–423**	**–441**	**7,272**	**6,287**

Interest expenses to others, for the Group and Parent Company, include gains and losses on derivatives used for managing the Group's interest fixing. For information on financial instruments, see Note 18.

Note 10 Taxes

	Group		Parent Company	
	2018	2017	2018	2017
Current taxes	–1,209	–1,540	–92	–112
Deferred taxes	128	319	161	–89
Taxes included in income for the period	**–1,081**	**–1,221**	**69**	**–201**
Taxes related to OCI	151	–457	—	—
Taxes included in total comprehensive income	**–930**	**–1,678**	**69**	**–201**

Deferred taxes 2018 include an effect of SEK –41m (–139) due to changes in tax rates. The consolidated accounts include deferred tax liabilities of SEK 91m (98) related to untaxed reserves in the Parent Company.

Theoretical and actual tax rates

%	2018	2017
Theoretical tax rate	24.7	27.7
Non-taxable/non-deductible income statement items, net	–0.4	–2.7
Non-recognized tax losses carried forward	6.6	0.3
Utilized non-recognized tax losses carried forward	0.0	–1.5
Other changes in recognition of deferred tax	–4.5	–11.1
Withholding tax	1.8	1.8
Other	–6.1	3.0
Actual tax rate	**22.1**	**17.5**

The theoretical tax rate for the Group is calculated on the basis of the weighted total Group net sales per country, multiplied by the local statutory tax rates.

Non-recognized deductible temporary differences

As of December 31, 2018, the Group had tax loss carry-forwards and other deductible temporary differences of SEK 6,008m (7,134), which have not been included in computation of deferred tax assets. The decision not to recognize certain temporary differences is based on an assessment where the likelihood of future utilization is evaluated for each of the temporary items. The Group typically does not recognize temporary differences in situations where it is considered the ability to utilize these to be limited. The non-recognized deductible temporary differences will expire as follows:

	December 31, 2018
2019	90
2020	141
2021	133
2022	110
2023	48
And thereafter	455
Without time limit	5,031
Total	**6,008**

All amounts in SEKm unless otherwise stated

Cont. **Note 10**

The tables below show deferred tax assets and liabilities at the end of each reporting period and the change in net deferred tax assets and liabilities.

Deferred tax assets and deferred tax liabilities

	2018	2017
Deferred tax assets:		
Property, plant and equipment	322	300
Provision for Pension obligations	945	932
Provision for restructuring	170	360
Other provisions	998	1,196
Inventories	145	227
Accrued expenses and prepaid income	467	464
Unused tax losses carried forward	674	860
Other deferred tax assets	3,768	2,312
Deferred tax assets before netting of deferred tax assets and liabilities	7,489	6,651
Netting of deferred tax assets and liabilities	–1,041	–939
Deferred tax assets net	6,448	5,712
Deferred tax liabilities:		
Property, plant and equipment	738	627
Other provisions	159	150
Inventories	315	286
Other taxable temporary differences	697	606
Deferred tax liabilities before netting of deferred tax assets and liabilities	1,909	1,669
Netting of deferred tax assets and liabilities	–1,041	–939
Deferred tax liabilities net	868	730
Deferred tax assets and liabilities net	5,580	4,981

	2018	2017
Deferred tax assets and liabilities, net opening balance before restatement due to change in accounting principles	4,981	5,588
Restatement of opening balance due to change in accounting principles	1	42
Deferred tax assets and liabilities, net opening balance	4,982	5,630
Recognized in income statement	128	319
Recognized in other comprehensive income	142	–440
Acquisitions of operations	110	–240
Exchange rate differences	218	–288
Deferred tax assets and liabilities, net closing balance	5,580	4,981

Other deferred tax assets include tax credits related to the production of energy-efficient appliances amounting to SEK 1,665m (1,631).

Note 11 Other comprehensive income

	Group	
	2018	2017
Items that will not be reclassified to income for the period:		
Remeasurement of provisions for post-employment benefits		
Opening balance, January 1	449	–340
Gain/loss taken to other comprehensive income	–448	1,229
Income tax relating to items that will not be reclassified	128	–440
Closing balance, December 31	129	449
Items that may be reclassified subsequently to income for the period:		
Available-for-sale instruments		
Opening balance, January 1	1	0
Change in accounting principle[1)]	–1	—
Gain/loss taken to other comprehensive income	—	4
Transferred to profit and loss	—	–3
Closing balance, December 31	—	1
Cash flow hedges		
Opening balance, January 1	–6	–101
Gain/loss taken to other comprehensive income	–4	–6
Transferred to profit and loss on sale	2	101
Closing balance, December 31	–8	–6
Exchange differences on translation of foreign operations		
Opening balance, January 1	–2,495	–1,273
Net investment hedge	–65	–39
Translation differences	269	–1,183
Closing balance, December 31	–2,291	–2,495
Income tax		
Opening balance, January 1	–114	–97
Income tax relating to items that may be reclassified	23	–17
Closing balance, December 31	–91	–114
Non-controlling interests, translation differences	0	–1
Other comprehensive income, net of tax	–95	–355

1) At transition to IFRS 9 a financial instrument classified as Available for sale was reclassified to Financial asset at fair value through profit and loss.

Income taxes related to items of other comprehensive income were SEK 128m (–440) for remeasurement of provisions for post-employment benefits and SEK 23m (–17) for financial instruments for hedging.

All amounts in SEKm unless otherwise stated

Note 12 Property, plant and equipment

Group	Land and land improvements	Buildings	Machinery and technical installations	Other equipment	Plants under construction and advances	Total
Acquisition costs						
Opening balance, January 1, 2017	1,418	10,194	40,167	2,640	2,088	56,507
Acquired during the year	10	108	916	234	2,623	3,891
Acquisition of operations	42	196	200	14	7	459
Transfer of work in progress and advances	9	234	1,530	22	–1,795	0
Sales, scrapping, etc.	–74	–181	–1,629	–85	40	–1,929
Exchange-rate differences	–37	–198	–1,481	–36	–119	–1,871
Closing balance, December 31, 2017	**1,368**	**10,353**	**39,703**	**2,789**	**2,844**	**57,057**
Acquired during the year	13	201	1,178	221	3,036	4,649
Acquisition of operations	2	10	20	20	0	52
Transfer of work in progress and advances	91	167	807	180	–1,245	0
Sales, scrapping, etc.	–8	–78	–2,225	–118	–39	–2,468
Exchange-rate differences	66	461	1,673	69	156	2,425
Closing balance, December 31, 2018	**1,532**	**11,114**	**41,156**	**3,161**	**4,752**	**61,715**
Accumulated depreciation						
Opening balance, January 1, 2017	224	4,701	30,309	2,132	416	37,782
Depreciation for the year	20	318	2,496	222	1	3,057
Transfer of work in progress and advances	0	0	8	–8	0	0
Sales, scrapping, etc.	–9	–155	–1,572	–78	0	–1,814
Impairment	0	0	20	0	0	20
Exchange-rate differences	–12	–85	–1,029	–23	–31	–1,180
Closing balance, December 31, 2017	**223**	**4,779**	**30,232**	**2,245**	**386**	**37,865**
Depreciation for the year	19	363	2,530	265	0	3,177
Transfer of work in progress and advances	49	–31	–92	74	0	0
Sales, scrapping, etc.	–4	–54	–2,130	–110	1	–2,297
Impairment	2	33	146	0	14	195
Exchange-rate differences	14	235	1,346	62	30	1,687
Closing balance, December 31, 2018	**303**	**5,325**	**32,032**	**2,536**	**431**	**40,627**
Net carrying amount, December 31, 2017	**1,145**	**5,574**	**9,471**	**544**	**2,458**	**19,192**
Net carrying amount, December 31, 2018	**1,229**	**5,789**	**9,124**	**625**	**4,321**	**21,088**

Property, plant, and equipment are stated at historical cost less straight-line accumulated depreciation, adjusted for any impairment charges. Land is not depreciated as it is considered to have an unlimited useful life. All other depreciation is calculated using the straight-line method and is based on the following estimated useful lives:

- Land and land improvements 0–15 years
- Buildings 10–40 years
- Machinery and technical installations 3–15 years
- Other equipment 3–10 years

Total impairment in 2018 was SEK 35m (0) on buildings and land, and SEK 146m (20) on machinery and other equipment and SEK 14m (0) on plants under construction. The majority of the impairment relates to the business area Major Appliances North America.

Parent Company	Land and land improvements	Buildings	Machinery and technical installations	Other equipment	Plants under construction and advances	Total
Acquisition costs						
Opening balance, January 1, 2017	4	57	729	392	49	1,231
Acquired during the year	–	–	–	61	14	75
Transfer of work in progress and advances	–	–	–	4	–4	0
Sales, scrapping, discontinued operations etc.	–3	–56	–671	–7	–	–737
Exchange-rate differences	–	–	2	2	1	5
Closing balance, December 31, 2017	**1**	**1**	**60**	**452**	**60**	**574**
Acquired during the year	–	–	–	16	29	45
Transfer of work in progress and advances	–	–	5	21	–26	0
Sales, scrapping, etc.	–	–	0	–30	–34	–64
Exchange-rate differences	–	–	3	3	2	8
Closing balance, December 31, 2018	**1**	**1**	**68**	**462**	**31**	**563**
Accumulated depreciation						
Opening balance, January 1, 2017	4	57	725	337	–	1,123
Depreciation for the year	0	0	16	17	–	33
Sales, scrapping, discontinued operations etc.	–3	–56	–688	–6	–	–753
Exchange-rate differences	–	–	1	2	–	3
Closing balance, December 31, 2017	**1**	**1**	**54**	**350**	–	**406**
Depreciation for the year	0	0	6	28	–	34
Sales, scrapping, etc.	0	0	0	–26	–	–26
Exchange-rate differences	–	–	3	2	–	5
Closing balance, December 31, 2018	**1**	**1**	**63**	**354**	–	**419**
Net carrying amount, December 31, 2017	0	0	**6**	**102**	**60**	**168**
Net carrying amount, December 31, 2018	0	0	**5**	**108**	**31**	**144**

All amounts in SEKm unless otherwise stated

Note 13 Goodwill and other intangible assets

Goodwill

Goodwill is reported as an indefinite life intangible asset at cost less accumulated impairment losses.

Product development

Electrolux capitalizes expenses for certain own development of new products provided that the level of certainty of their future economic benefits and useful life is high. The intangible asset is only recognized if the product is sellable on existing markets and that resources exist to complete the development. Only expenditures which are directly attributable to the new product's development are recognized. Capitalized development costs are amortized over their useful lives, between 3 and 5 years, using the straight-line method.

Software

Acquired software licenses and development expenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over useful lives, between 3 and 5 years, using the straight-line method.

Trademarks

Trademarks are reported at historical cost less amortization and impairment. The Electrolux trademark in North America, acquired in 2000, is regarded as an indefinite life intangible asset and is not amortized in the group accounts. One of the Group's key strategies is to develop Electrolux into the leading global brand within the Group's product categories. This acquisition gave Electrolux the right to use the Electrolux brand worldwide, whereas it previously could be used only outside of North America. The total carrying amount for the Electrolux brand is SEK 410m, included in the item Other in the table on page 59. All other trademarks are amortized over their useful lives, estimated to 5 to 10 years, using the straight-line method.

Customer relationships

Customer relationships are recognized at fair value in connection with acquisitions. The values of these relationships are amortized over the estimated useful lives, between 5 and 15 years, using the straight-line method.

Intangible assets with indefinite useful lives

Goodwill as at December 31, 2018, had a total carrying value of SEK 8,239m. The allocation, for impairment-testing purposes, on cash-generating units is shown in the table below.

All intangible assets with indefinite useful lives are tested for impairment at least once every year. Single assets are tested more often in case there are indications of impairment. The recoverable amounts of the cash-generating units have been determined based on value in use calculations. The cash-generating units equal the business areas. Costs related to group services and global leverage activities are carried by the cash-generating units and therefore included in the impairment testing of each cash-generating unit. Common group costs, related to group management activities typically required to run the Electrolux Group cannot be allocated on a reasonable and consistent basis to any of the cash-generating units and are therefore included in the impairment test of the total of all cash-generating units.

Value in use is calculated using the discounted cash flow model based on by Group management approved forecasts for the coming four years. The forecasts are built up from the estimate of the units within each business area. The preparation of the forecast requires a number of key assumptions such as volume, price, product mix, prices for raw material and components, which will create a basis for future growth and gross margin. These figures are set in relation to historic figures and external reports on market growth. The cash flow for the last year of the four-year period is used as the base for the perpetuity calculation. The discount rates are based on the pre-tax Electrolux Group WACC (Weighted Average Cost of Capital) with addition of a country risk premium for each individual country. The individual country discount rates are used to calculate a weighted average discount rate for each cash-generating units

The pre-tax discount rates used in 2018 were for the main part within a range of 9.3% (9.4) to 12.0% (11.9). For the calculation of the in-perpetuity value, Gordon's growth model is used. According to Gordon's model, the terminal value of a growing cash flow is calculated as the starting cash flow divided by cost of capital less the growth rate. Cost of capital less growth of 2% (2%) is within the range of 7.3 to 10.0%.

Sensitivity analyses have been carried out based on a reduction of the operating margin by 0.5 percentage points and by an increase in the cost of capital by one percentage point respectively. None of the sensitivity analyses led to a reduction of the recoverable amount below the carrying amount for any of the cash-generating units, i.e. the hypothetical changes in key assumptions would not lead to any impairment. The calculations are based on management's assessment of reasonably possible adverse changes in operating margin and cost of capital, yet they are hypothetical and should not be viewed as an indication that these factors are likely to change. The sensitivity analyses should therefore be interpreted with caution.

Goodwill, value of trademark and discount rate

	2018			2017		
	Goodwill	Electrolux trademark	Discount rate, %	Goodwill	Electrolux trademark	Discount rate, %
Major Appliances Europe, Middle East and Africa	2,513	–	9.9	2,506	–	10.0
Major Appliances North America	493	410	9.3	451	410	9.4
Major Appliances Latin America	940	–	12.0	1,114	–	11.9
Major Appliances Asia/Pacific	1,510	–	9.6	1,528	–	9.9
Professional Products	1,439	–	10.1	776	–	10.0
Home Care & SDA	1,344	–	9.9	1,253	–	10.0
Total	8,239	410		7,628	410	

All amounts in SEKm unless otherwise stated

Cont. Note 13

Goodwill and other intangible assets

	Group	Other intangible assets				Parent Company
	Goodwill	Product develop-ment	Software	Other	Total other intangible assets	Trademarks, software, etc.
Acquisition costs						
Opening balance, January 1, 2017	4,742	3,239	3,520	1,729	8,488	3,180
Acquired during the year	—	—	144	174	318	174
Acquisition of operations	3,220	—	—	764	764	—
Internally developed	—	418	225	—	643	423
Reclassification	—	–29	17	12	—	—
Fully amortized	—	–112	–129	—	–241	—
Sales, scrapping etc.	—	–11	–38	—	–49	–40
Exchange-rate differences	–334	–75	–51	–78	–204	15
Closing balance, December 31, 2017	7,628	3,430	3,688	2,601	9,719	3,752
Acquired during the year	—	—	121	1	122	102
Acquisition of operations	617[1]	1	1	214	216	—
Internally developed	—	415	441	—	856	447
Reclassification	—	–51	52	–1	—	—
Fully amortized	—	–268	–870	–52	–1,190	–512
Sales, scrapping etc.	–4	–44	–106	–45	–195	–13
Exchange-rate differences	–2	91	91	–30	152	34
Closing balance, December 31, 2018	8,239	3,574	3,418	2,688	9,680	3,810
Accumulated amortization						
Opening balance, January 1, 2017	—	2,286	2,366	724	5,376	1,934
Amortization for the year	—	300	391	229	920	284
Reclassification	—	—	—	—	—	—
Fully amortized	—	–112	–129	—	–241	—
Impairment	—	3	—	—	3	–3
Exchange-rate differences	—	–33	–20	–27	–80	7
Closing balance, December 31, 2017	—	2,444	2,608	926	5,978	2,222
Amortization for the year	—	344	377	251	972	378
Reclassification	—	—	—	—	—	
Fully amortized	—	–268	–870	–52	–1,190	–512
Impairment	—	–9	—	—	–9	
Sales, scrapping etc.	—	–25	–60	—	–85	–5
Exchange-rate differences	—	62	63	–30	95	13
Closing balance, December 31, 2018	—	2,548	2,118	1,095	5,761	2,096
Carrying amount, December 31, 2017	7,628	986	1,080	1,675	3,741	1,530
Carrying amount, December 31, 2018	8,239	1,026	1,300	1,593	3,919	1,714

1) Including an adjustment of a provisional value of SEK 10m within the measurement period related to an acquisition during 2017.

Included in the item Other are trademarks of SEK 813m (901) and customer relationships etc. amounting to SEK 780m (774). Amortization of intangible assets is included within Cost of goods sold with SEK 409m (472), Administrative expenses with SEK 320m (266) and Selling expenses with SEK 243m (182) in the income statement. Electrolux did not capitalize any borrowing costs during 2018 or 2017.

All amounts in SEKm unless otherwise stated

Note 14 Other non-current assets

	Group December 31,		Parent Company December 31,	
	2018	2017	2018	2017
Shares in subsidiaries	—	—	32,245	29,823
Participations in other companies	—	—	219	225
Long-term receivables in subsidiaries	—	—	3,459	3,548
Other receivables	952	459	20	20
Total	952	459	35,943	33,616

Note 15 Inventories

	Group December 31,		Parent Company December 31,	
	2018	2017	2018	2017
Raw materials	3,590	3,288	—	—
Products in progress	346	277	—	—
Finished products	12,790	11,058	2,813	2,640
Advances to suppliers	24	32	—	—
Total	16,750	14,655	2,813	2,640

Inventories and work in progress are valued at the lower of cost, at normal capacity utilization, and net realizable value. Net realizable value is defined as the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale at market value. The cost of finished goods and work in progress comprises development costs, raw materials, direct labor, tooling costs, other direct costs and related production overheads. The cost of inventories is assigned by using the weighted average cost formula. Provisions for obsolescence are included in the value for inventory.

The cost of inventories recognized as expense and included in Cost of goods sold amounted to SEK 87,658m (85,684) for the Group.

Write-downs due to obsolescence amounted to SEK 272m (257) and reversals of previous write-downs amounted to SEK 364m (300) for the Group. The amounts have been included in the item Cost of goods sold in the income statement.

Note 16 Other current assets

	Group December 31,	
	2018	2017
Miscellaneous short-term receivables	2,935	2,426
Provisions for doubtful accounts	–138	–35
Prepaid expenses and accrued income	1,467	1,207
Prepaid interest expenses and accrued interest income	243	241
Total	4,507	3,839

Miscellaneous short-term receivables include, for example claims related to VAT, operational taxes, and insurance claims.

Note 17 Trade receivables

	2018	2017
Trade receivables	22,417	21,548
Provisions for impairment of receivables	–935	–801
Trade receivables, net	**21,482**	**20,747**
Provisions in relation to trade receivables, %	4.2	3.7

IFRS 9 introduced a new impairment model for financial assets, moving from an 'incurred loss model' to an 'expected loss model'. This affects the calculation of provisions for bad debts and resulted in an expected loss being provided for on all financial receivables, including those not overdue. The effect from applying the new model on trade receivables led to an increase of the bad debt provision for the Group of SEK 18m, equivalent to 2.3% of the provision as per December 31, 2017. The effect is based on the recalculation of the bad debt reserve as per year-end 2017 and is recognized as an opening balance adjustment in 2018. This adjustment affected Trade receivables, Deferred tax and Equity (Retained earnings).

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for expected losses. The Group applies the simplified approach for trade receivables and uses a matrix to estimate the expected losses. The change in amount of the provision is recognized in the income statement within selling expenses. The expected loss calculation is based on historical data and is adjusted with a forward looking analysis, including macroeconomic factors impacting the different customer segments and more specific factors such as signs of bankruptcy, officially known insolvency etc. Electrolux uses credit insurance as a mean of protection. The Group's internal guidelines to the companies is to at least reserve 0.01% for current trade receivables and for receivables maximum 15 days past due. For trade receivables past due between 16 to 60 days Electrolux reserves 1% and increase to 5% for receivables past due between 61 to 180 days. Trade receivables that are 6 months past due but less than 12 months is reserved at 45% and receivables that are 12 months past due and more are reserved at 100%. Percentages are for year end. At year end, there is no significant impact on provisions from changes in the forward looking factors.

Provisions for impairment of receivables

	2018	2017
Provisions, January 1	–801	–757
Effect of change in accounting principles	–18	—
Acquisition of operations	–4	–18
New provisions	–212	–212
Actual credit losses	135	152
Exchange-rate differences and other changes	–35	34
Provisions, December 31	–935	–801

The fair value of trade receivables equals their carrying amount as the impact of discounting is not significant. Electrolux has a significant credit exposure on a number of major customers, primarily in the U.S., Latin America and Europe. Receivables concentrated to customers with credit limits amounting to SEK 300m or more represent 33% (36) of the total trade receivables. The creation and usage of provisions for impaired receivables have been included in selling expenses in the income statement.

Timing analysis of trade receivables past due

	2018	2017
Trade receivables not overdue	20,571	20,485
Past due 1 - 15 days	481	401
Past due 16 - 60 days	239	46
2 – 6 months overdue	191	13
6 –12 months overdue	0	0
More than 1 year overdue	0	0
Total trade receivables past due but not impaired	911	460
Impaired trade receivables	935	801
Total trade receivables	22,417	21,746
Past due, including impaired, in relation to trade receivables, %	8.2	5.8

All amounts in SEKm unless otherwise stated

Note 18 Financial instruments

Additional and complementary information is presented in the following notes to the Annual Report: Note 2, Financial risk management, describes the Group's risk policies in general and regarding the principal financial instruments of Electrolux in more detail. Note 17, Trade receivables, describes the trade receivables and related credit risks.

The information in this note highlights and describes the principal financial instruments of the Group regarding specific major terms and conditions when applicable, and the exposure to risk and the fair values at year end.

Financial instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognized when the entity becomes party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Group commits to purchase or sell the asset.

At initial recognition, the Group measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit or loss.

Financial assets

Classification and subsequent measurement

The Group classifies its financial assets in the following measurement categories:

- Fair value through profit or loss (FVPL);
- Fair value through other comprehensive income (FVOCI); or
- Amortized cost.

The classification requirements for debt and equity instruments are described below.

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as trade receivables, loan receivables as well as government bonds.

The Group classifies its debt instruments into one of the following two measurement categories:

Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest (SPPI), and are not designated as FVPL, are measured at amortized cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognized (see impairment below). Interest income from these financial assets is included in the financial net using the effective interest rate method.

Fair value through profit or loss (FVTPL): Assets that do not meet the criteria for amortized cost are measured at fair value through profit and loss. A gain or loss on a financial debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognized in the financial net in the period in which it arises. Interest income from these financial assets is included in the financial net using the effective interest rate method. Trade receivables sold on non-recourse terms are categorized as 'Hold to Sell' with gain or loss reported in operating income.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets. Gains and losses on equity investments at FVPL are included in the financial net in the statement of comprehensive income. The Group does not have any material investments in equity instruments.

Impairment and expected loss

The Group assesses on a forward-looking basis the expected credit losses (ECL) associated with its debt instrument assets not carried at fair value. The Group recognizes a provision for such losses at each reporting date. The measurement of ECL reflects an unbiased and probability-weighted amount based on reasonable and supportable information available such as past events, current condition and forecasts of future economic conditions. For trade receivables, the group applies the 'simplified approach', which means that the provision for bad debts will equal the lifetime expected loss. To measure the expected credit losses, trade receivables are grouped into six categories based on shared credit risk characteristics and days past due. If the provision is considered insufficient due to individual considerations, the provision is extended to cover the extra anticipated losses.

De-recognition

Financial assets, or a portion thereof, are derecognized when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either (i) the Group transfers substantially all the risks and rewards of ownership, or (ii) the Group neither transfers nor retains substantially all the risks and rewards of ownership and the Group has not retained control.

Financial liabilities

Classification and subsequent measurement

All of the Groups financial liabilities, excluding derivatives, are classified as subsequently measured at amortized cost. Derivatives with negative fair values are classified as at fair value through profit or loss.

De-recognition

Financial liabilities are derecognized when they are extinguished, i.e. when the obligation specified in the contract is discharged, cancelled or expires.

Derivatives and hedging activities

Derivatives are initially recognized at fair value on the date on which the derivative contract is entered into and are subsequently re-measured at fair value. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. Fair value gain or loss related to derivatives not designated or not qualifying as hedging instruments is recognized in profit or loss.

The Group applies the hedge accounting requirements of IFRS 9. For derivatives designated and qualifying as hedging instruments, the method of recognizing the fair value gain or loss depends on the nature of the item being hedged. Derivatives are designated as either:

- Hedges of the fair value of recognized assets or liabilities or firm commitments (fair value hedges);
- Hedges of highly probable future cash flows attributable to a recognized asset or liability (cash flow hedges); or
- Hedges of a net investment in a foreign operation (net investment hedges).

The Group documents, at the inception of the hedge, the relationship between hedged items and hedging instruments, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at the hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items based on the following hedge effectiveness requirements:

- There is an economic relationship between the hedged item and the hedging instrument;
- The effect of credit risk does not dominate the value changes that result from that economic relationship; and
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the statement of comprehensive income, together with changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in equity via other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in the statement of comprehensive income. Amounts accumulated in equity are recycled to the statement of profit or loss in the periods when the hedged item affects profit or loss. They are recorded in the income or expense lines in which the revenue or expense associated with the related hedged item is reported.

All amounts in SEKm unless otherwise stated

Cont. **Note 18**

Net investment hedge

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognized directly in equity via other comprehensive income; the gain or loss relating to the ineffective portion is recognized immediately in the statement of comprehensive income. Gains and losses accumulated in equity are included in the statement of comprehensive income when the foreign operation is disposed of as part of the gain or loss on the disposal.

Net debt

At year-end 2018, the Group's financial net debt amounted to SEK –1,989m (–2,437). The table below presents how the Group calculates net debt and what it consists of.

Net debt

	December 31	
	2018	2017
Short-term loans	1,429	990
Short-term part of long-term loans	2,355	1,501
Trade receivables with recourse	168	204
Short-term borrowings	**3,952**	**2,695**
Financial derivative liabilities	81	228
Accrued interest expenses and prepaid interest income	28	27
Total short-term borrowings	**4,062**	**2,950**
Long-term borrowings	**6,198**	**6,587**
Total borrowings	**10,260**	**9,537**
Cash and cash equivalents	11,697	11,289
Short-term investments	176	358
Financial derivative assets	132	85
Prepaid interest expenses and accrued interest income	243	242
Liquid funds	**12,249**	**11,974**
Financial net debt	**–1,989**	**–2,437**
Net provision for post-employment benefits	3,814	2,634
Net debt	**1,825**	**197**
Revolving credit facility (EUR 1,000m)[1]	10,277	9,844

[1] The facilities are not included in net borrowings, but can be used for short-term and long-term funding.

Liquid funds

Liquid funds as defined by the Group consist of cash and cash equivalents, short-term investments, financial derivative assets and prepaid interest expenses and accrued interest income. Cash and cash equivalents consist of cash on hand, bank deposits and other short-term highly liquid investments with a maturity of 3 months or less.

The table to the right presents the key data of liquid funds. The carrying amount of liquid funds is approximately equal to fair value.

Liquidity profile

	December 31	
	2018	2017
Cash and cash equivalents	11,697	11,289
Short-term investments	176	358
Financial derivative assets	132	85
Prepaid interest expenses and accrued interest income	243	242
Liquid funds	**12,249**	**11,974**
% of annualized net sales[1]	18.1	17.0
Net liquidity	**8,187**	**9,024**
Fixed interest term, days	12	16
Effective yield, % (average per annum)	1.1	1.8

[1] Liquid funds in relation to net sales, see Note 30 for definition.

For 2018, liquid funds, including unused revolving credit facilities of EUR 1,000m, amounted to 18.1% (17.0) of annualized net sales. Net liquidity is calculated by deducting short-term borrowings from liquid funds.

Interest-bearing liabilities

Borrowings are initially recognized at fair value net of transaction costs incurred. After initial recognition, borrowings are valued at amortized cost using the effective interest method.

In 2018, SEK 1,531m of long-term borrowings matured or were amortized. These maturities were partly refinanced to the amount of SEK 1,736m.

At year-end 2018, the Group's total interest-bearing liabilities amounted to SEK 9,982m (9,078), of which SEK 8,553m (8,088) referred to long-term borrowings including maturities within 12 months. Long-term borrowings with maturities within 12 months amounted to SEK 2,355mm (1,501). The outstanding long-term borrowings have mainly been made under the European Medium-Term Note Program and via bilateral loans. The majority of total long-term borrowings, SEK 8,001m (7,609), is raised at parent company level. Electrolux also has an unused committed multicurrency revolving credit facility of EUR 1,000m maturing 2023. However, Electrolux expects to meet any future requirements for short-term borrowings through bilateral bank facilities and capital-market programs such as commercial paper programs.

At year-end 2018, the average interest-fixing period for long-term borrowings was 1.0 years (0.6). The calculation of the average interest-fixing period includes the effect of interest-rate swaps used to manage the interest-rate risk of the debt portfolio. The average interest rate for the total borrowings was 2.5% (2.1) at year end.

The fair value of the interest-bearing borrowings was SEK 7,967m. The fair value including swap transactions used to manage the interest fixing was approximately SEK 7,965m.

Changes in liabilities arising from financing

		Cash Flow			Non Cash flow		
	Opening Balance	Amortization	New debt	Net cash change	Acquisitions	Exchange rate differences	Closing Balance
Long-term borrowings (including short-term part of long-term)	8,088	–1,531	1,737	—	13	246	8,553
Short-term borrowings (excluding short-term part of long-term)	1,194	—	—	397	134	–128	1,597
Total	9,282	–1,531	1,737	397	147	118	10,150

All amounts in SEKm unless otherwise stated

Cont. Note 18

The table below sets out the carrying amount of the Group's borrowings.

Borrowings

Issue/maturity date	Description of loan	Interest rate, %	Currency	Nominal value (in currency)	Carrying amount, December 31 2018	2017
Bond loans[1]						
2013-2020	Euro MTN Program	3.440	SEK	170	170	170
2013-2020	Euro MTN Program	Floating	SEK	830	830	830
2014–2019	Euro MTN Program	Floating	SEK	750	–	750
2014–2019	Euro MTN Program	2.340	SEK	250	–	250
2014–2019	Euro MTN Program	1.000	EUR	100	–	982
2017–2024	Euro MTN Program	Floating	SEK	350	350	350
2018–2023	Euro MTN Program	1.125	SEK	200	200	–
2018–2023	Euro MTN Program	Floating	SEK	800	806	–
2018–2025	Euro MTN Program	3.724	USD	73	655	–
Total bond loans					3,011	3,332
Other long-term loans[1]						
1996–2036	Fixed rate loans in Germany	7.870	EUR	39	400	381
2013–2021	Amortizing long term bank loan in Sweden, long part	Floating	SEK	461	461	769
2015–2021	Long-term bank loans in Sweden	Floating	USD	170	1,522	1,392
2017–2026	Amortizing long term bank loan in Sweden	Floating	USD	75	673	616
	Other long-term loans				131	97
Total other long-term loans					3,187	3,255
Long-term borrowings					6,198	6,587
Short-term part of long-term loans[2]						
2012-2018	Euro MTN Program	2.910	SEK	270	–	270
2013–2018	Euro MTN Program	Floating	SEK	600	–	600
2013–2018	Euro MTN Program	2.875	SEK	400	–	400
2013–2021	Amortizing long term bank loan in Sweden, short part	Floating	SEK	231	–	231
2013–2021	Amortizing long term bank loan in Sweden, short part	Floating	SEK	308	308	–
2014–2019	Euro MTN Program	Floating	SEK	750	750	–
2014–2019	Euro MTN Program	2.340	SEK	250	250	–
2014–2019	Euro MTN Program	1.000	EUR	100	1,026	–
	Other short-term part of long-term loans				21	–
Total short-term part of long-term loans					2,355	1,501
Other short-term loans						
	Short-term bank loans in Egypt	Floating	EGP	363	182	208
	Short-term bank loans in Brazil	Floating	BRR	292	675	61
	Short-term bank loans in Thailand	Floating	THB	942	259	212
	Other bank borrowings and commercial papers				313	509
Total other short-term loans					1,429	990
Trade receivables with recourse					168	204
Short-term borrowings					3,952	2,695
Long-term and short-term borrowings					10,150	9,282
Fair value of derivative liabilities					81	228
Accrued interest expenses and prepaid interest income					28	27
Total borrowings					10,260	9,537

[1] The interest-rate fixing profile of the borrowings has been adjusted with interest-rate swaps.
[2] Long-term borrowings with maturities within 12 months are classified as short-term borrowings in the Group's balance sheet.

Short-term borrowings pertain mainly to countries with capital restrictions. The average maturity of the Group's long-term borrowings including long-term borrowings with maturities within 12 months was 2.6 years (2.4), at the end of 2018. The table below presents the repayment schedule of long-term borrowings.

Repayment schedule of long-term borrowings, December 31

	2019	2020	2021	2022	2023	2024–	Total
Debenture and bond loans	–	1,000	–	–	1,006	1,005	3,011
Bank and other loans	–	412	1,779	103	103	790	3,187
Short-term part of long-term loans	2,355	–	–	–	–	–	2,355
Total	2,355	1,412	1,779	103	1,109	1,795	8,553

All amounts in SEKm unless otherwise stated

Cont. Note 18

Other interest-bearing investments

Interest-bearing receivables from customer financing amounting to SEK 0m (0) are included in the item Trade receivables in the consolidated balance sheet. The Group's customer-financing activities are performed in order to provide sales support and are directed mainly to independent retailers in Scandinavia. The majority of the financing is shorter than 12 months. There is no major concentration of credit risk related to customer financing. Collaterals and the right to repossess the inventory also reduce the credit risk in the financing operations. The income from customer financing is subject to interest-rate risk. This risk is immaterial to the Group.

Commercial flows

The table below shows the forecasted transaction flows, imports and exports, for the 12-month period of 2019 and hedges at year-end 2018.

The hedged amounts are dependent on the hedging policy for each flow considering the existing risk exposure. The effect of hedging on operating income during 2018 amounted to SEK 25m (–107). At year-end 2018, the unrealized fair value of forward contracts for hedging of forecasted transaction flows amounted to SEK 2m (–12).

Forecasted transaction flows and hedges

	AUD	BRL	CAD	CHF	CLP	CNY	EUR	GBP	THB	USD	Other	Total
Inflow of currency, long position	2,966	3,295	2,547	2,064	1,342	352	3,898	3,443	1,945	2,336	11,637	35,826
Outflow of currency, short position	–136	–314	0	–238	–386	–1,906	–8,843	–624	–3,690	–12,557	–7,133	–35,826
Gross transaction flow	2,830	2,981	2,547	1,827	957	–1,554	–4,945	2,819	–1,745	–10,221	4,504	—
Hedges	–554	–648	–162	–216	–197	1,295	108	–931	–168	1,559	–86	—
Net transaction flow	2,277	2,333	2,385	1,610	760	–258	–4,837	1,887	–1,913	–8,662	4,418	—

Maturity profile of financial liabilities and derivatives

The table below presents the undiscounted cash flows of the Group's contractual liabilities related to financial instruments based on the remaining period at the balance sheet date to the contractual maturity date. Floating interest cash flows with future fixing dates are estimated using the forward-forward interest rates at year-end. Any cash flow in foreign currency is converted to Swedish krona using the FX spot rates at year-end. The short-term liabilities from account payables are matched by positive cash flow from trade receivables. The loan maturities can be offset by the available liquidity and/or a combination by new issued bonds, commercial papers or bank loans. On top of the other sources, Electrolux has an unused committed credit facility of EUR 1,000m.

Maturity profile of financial liabilities and derivatives – undiscounted cash flows

	≤ 0.5 year	> 0.5 year < 1 year	> 1 year < 2 years	> 2 years < 5 years	> 5 years	Total
Loans	–2,684	–1,260	–1,659	–3,173	–1,720	–10,496
Net settled derivatives	0	0	–1	–1	0	–3
Gross settled derivatives	54	3	—	—	—	57
whereof outflow	–20,740	–875	—	—	—	–21,615
whereof inflow	20,794	877	—	—	—	21,671
Accounts payable	–34,443	—	—	—	—	–34,443
Financial guarantees	–992	—	—	—	—	–992
Total	–38,065	–1,257	–1,660	–3,174	–1,720	–45,877

Net gain/loss, fair value and carrying amount on financial instruments

The tables below present net gain/loss on financial instruments, the effect in the income statement and equity, and the fair value and carrying amount of financial assets and liabilities. Net gain/loss can include both exchange-rate differences and gain/loss due to changes in interest-rate levels.

Net gain/loss, income and expense on financial instruments

	2018				2017			
	Gain/loss in profit and loss	Gain/loss from OCI	Income	Expense	Gain/loss in profit and loss	Gain/loss in OCI	Income	Expense
Recognized in operating income								
Financial assets and liabilities at fair value through profit and loss	86	25	—	—	–107	—	—	—
Loans and receivables	—	—	—	—	197	—	—	—
Financial assets and liabilities at amortized cost	–279	—	—	—	—	—	—	—
Total net gain/loss, income and expense	**–193**	25	—	—	**90**	—	—	—
Recognized in financial items								
Financial assets and liabilities at fair value through profit and loss	–56	—	—	–193	216	58	—	–9
Loans and receivables	—	—	—	—	–286	—	190	—
Available-for-sale financial assets	—	—	—	—	–104	1	—	—
Financial assets at amortized cost	–116	—	107	—	—	—	—	—
Other financial liabilities at amortized cost	146	—	—	–311	130	—	—	–638
Total net gain/loss, income and expense	**–26**	—	**107**	**–504**	**–44**	**59**	**190**	**–647**

All amounts in SEKm unless otherwise stated

Cont. Note 18

Fair value and carrying amount on financial assets and liabilities

	2018[1]		2017[1]	
	Hierarchy level	Carrying amount	Hierarchy level	Carrying amount
Financial assets				
Financial assets		–		212
Financial assets at fair value through profit and loss		–	3	192
Available-for-sale		–	3	20
Trade receivables		–		20,747
Loans and receivables		–	2	20,747
Derivatives		–	2	87
Short-term investments		–		358
Financial assets at fair value through profit and loss		–	1	164
Loans and receivables		–		194
Cash and cash equivalents		–		11,289
Financial assets at fair value through profit and loss		–		2,863
Loans and receivables		–		2,719
Cash		–		5,707
Financial assets		246		–
Financial assets at fair value through profit and loss	3	246		–
Trade receivables		21,482		–
Financial assets at amortized cost	2	21,482		–
Derivatives		139		–
Financial assets at fair value through profit and loss	2	120		–
Derivatives in hedge accounting	2	19		–
Short-term investments		176		–
Financial assets at fair value through profit and loss	1	175		–
Financial assets at amortized cost	1	1		–
Cash and cash equivalents		11,697		–
Financial assets at fair value through profit and loss		5,847		–
Financial assets at amortized cost		5,850		–
Total financial assets		33,740		32,693
Financial liabilities				
Long-term borrowings		6,198		6,587
Financial liabilities measured at amortized cost		6,198		6,587
Accounts payable		34,443		31,114
Financial liabilities at amortized cost		34,443		31,114
Short-term borrowings		3,952		2,695
Financial liabilities measured at amortized cost		3,952		2,695
Derivatives	2	102	2	251
Total financial liabilities		44,695		40,647

1) Carrying amount equals fair value except for long and short-term borrowings where the fair value is SEK 45m (66), respectively SEK 12m (16) higher than the carrying amount.

Fair value estimation

Valuation of financial instruments at fair value is done at the most accurate market prices available. Instruments which are quoted on the market, e.g., the major bond and interest-rate future markets, are all marked-to-market with the current price. The foreign-exchange spot rate is used to convert the value into SEK. For instruments where no reliable price is available on the market, cash flows are discounted using the deposit/swap curve of the cash flow currency. If no proper cash flow schedule is available, e.g., as in the case with forward-rate agreements, the underlying schedule is used for valuation purposes. To the extent option instruments are used, the valuation is based on the Black & Scholes formula.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities is estimated by discounting the future contractual cash flows at the current market-interest rate that is available to the Group for similar financial instruments. The Group's financial assets and liabilities are measured according to the following hierarchy:

Level 1: Quoted prices in active markets for identical assets or liabilities. At year-end, the fair value for level 1 financial assets was SEK 176m (164) and for financial liabilities SEK 0m (0).

Level 2: Inputs other than quoted prices included in level 1 that are observable for assets or liabilities either directly or indirectly. At year-end, the fair value for level 2 financial assets was SEK 21,621m (20,834) and for financial liabilities SEK 102m (251).

Level 3: Inputs for the assets or liabilities that are not entirely based on observable market data. At year-end, the fair value for level 3 financial assets was SEK 246m (212) and for financial liabilities SEK 0m (0).

Note 19 Assets pledged for liabilities to credit institutions

	Group December 31		Parent Company December 31	
	2018	2017	2018	2017
Real-estate mortgages	–	–	–	–
Other	6	6	–	–
Total	6	6	–	–

All amounts in SEKm unless otherwise stated

Note 20 Share capital, number of shares and earnings per share

The equity attributable to equity holders of the Parent Company consists of the following items:

Share capital

As per December 31, 2018, the share capital of AB Electrolux consisted of 8,192,539 Class A shares and 300,727,769 Class B shares with a quota value of SEK 5 per share. All shares are fully paid. One A share entitles the holder to one vote and one B share to one-tenth of a vote. All shares entitle the holder to the same proportion of assets and earnings, and carry equal rights in terms of dividends.

Share capital

Share capital, December 31, 2017	
8,192,539 Class A shares, quota value SEK 5	41
300,727,769 Class B shares, quota value SEK 5	1,504
Total	**1,545**
Share capital, December 31, 2018	
8,192,539 Class A shares, quota value SEK 5	41
300,727,769 Class B shares, quota value SEK 5	1,504
Total	**1,545**

Number of shares

	Owned by Electrolux	Owned by other share-holders	Total
Shares, December 31, 2017			
Class A shares	–	8,192,539	8,192,539
Class B shares	21,522,858	279,204,911	300,727,769
Total	**21,522,858**	**287,397,450**	**308,920,308**
Conversion of Class A shares into Class B shares			
Class A shares	–	–	–
Class B shares	–	–	–
Sold shares			
Class A shares	–	–	–
Class B shares	–	–	–
Shares, December 31, 2018			
Class A shares	–	8,192,539	8,192,539
Class B shares	21,522,858	279,204,911	300,727,769
Total	**21,522,858**	**287,397,450**	**308,920,308**

Other paid-in capital

Other paid-in capital relates to payments made by owners and includes share premiums paid.

Other reserves

Other reserves include the following items: Cashflow hedges which refer to changes in valuation of currency contracts used for hedging future foreign currency transactions; and exchange-rate differences on translation of foreign operations which refer to changes in exchange rates when net investments in foreign subsidiaries are translated to SEK. The amount of exchange-rate changes includes the value of hedging contracts for net investments. Finally, other reserves include tax relating to the mentioned items.

Retained earnings

Retained earnings, including income for the period, include the income of the Parent Company and its share of income in subsidiaries and associated companies. Retained earnings also include remeasurement of provision for post-employment benefits, reversal of the cost for share-based payments recognized in income, income from sales of own shares and the amount recognized for the common dividend.

Earnings per share

	2018	2017
Income for the period attributable to equity holders of the Parent Company	3,805	5,745
Earnings per share		
Basic, SEK	13.24	19.99
Diluted, SEK	13.14	19.88
Average number of shares, million		
Basic	287.4	287.4
Diluted	289.5	289.0

Basic earnings per share is calculated by dividing the income for the period attributable to the equity holders of the Parent Company with the average number of shares. The average number of shares is the weighted average number of shares outstanding during the year, after repurchase of own shares. Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding with the estimated number of shares from the share programs. Share programs are included in the dilutive potential ordinary shares as from the start of each program. The dilution in the Group is a consequence of the Electrolux long-term incentive programs.

The average number of shares during the year has been 287,397,450 (287,397,450) and the average number of diluted shares has been 289,503,125 (289,020,186).

Note 21 Untaxed reserves, Parent Company

	December 31, 2018	Appropriations	December 31, 2017
Accumulated depreciation in excess of plan			
Brands	382	25	357
Licenses	0	–20	20
Machinery and equipment	23	–20	43
Buildings	0	0	0
Other	37	12	24
Total	**442**	**–3**	**444**
Group contributions		1,746	
Total appropriations		**1,743**	

All amounts in SEKm unless otherwise stated

Note 22 Post-employment benefits

Post-employment benefits

The Group sponsors pension plans in many of the countries in which it has significant activities. Pension plans can be defined contribution or defined benefit plans or a combination of both. Under defined benefit pension plans, the company enters into a commitment to provide post-employment benefits based upon one or several parameters for which the outcome is not known at present. For example, benefits can be based on final salary, on career average salary, or on a fixed amount of money per year of employment. Under defined contribution plans, the company's commitment is to make periodic payments to independent authorities or investment plans, and the level of benefits depends on the actual return on those investments. Some plans combine the promise to make periodic payments with a promise of a guaranteed minimum return on the investments. These plans are also defined benefit plans.

In some countries, Electrolux makes provisions for compulsory severance payments. These provisions cover the Group's commitment to pay employees a lump sum upon reaching retirement age, or upon the employees' dismissal or resignation.

In addition to providing pension benefits and compulsory severance payments, the Group provides healthcare benefits for some of its employees in certain countries, mainly in the U.S.

The cost for pension is disaggregated into three components; service cost, financing cost or income and remeasurement effects. Service cost is reported within Operating income and classified as Cost of goods sold, Selling expenses or Administrative expenses depending on the function of the employee. Financing cost or income is recognized in the Financial items and the remeasurement effects in Other comprehensive income. The Projected Unit Credit Method is used to measure the present value of the obligations and costs.

Net provisions for post-employment benefits in the balance sheet represent the present value of the Group's obligations less market value of plan assets. The remeasurements of the obligations are made using actuarial assumptions determined at the balance sheet date. Changes in the present value of the obligations due to revised actuarial assumptions and experience adjustments on the obligation are recorded in Other comprehensive income as remeasurements. The actual return less calculated interest income on plan assets is also recorded in other comprehensive income as remeasurements. Past-service costs are recognized immediately in income for the period.

Some features of the defined benefit plans in the main countries are described below.

USA

The number of pension plans in the U.S. has been significantly reduced over the years through plan consolidation. The defined benefit plans are closed for future accruals and employees are offered defined contribution plans. Pensions in payment are not generally subject to indexation. Funding position is reassessed every year with a target to restore the funding level over seven years. Surplus in the fund can be used to take a contribution holiday and refunds are taxed at 50%. Benefits are mainly paid from the plan assets.

United Kingdom

The defined benefit plan is closed for future accruals and employees are offered defined contribution. The funding position is reassessed every three years and a schedule of contributions is agreed between the Trustee and the company. The Trustee decides the investment strategy and consults with the company. Benefits are paid from the plan assets.

Sweden

The main defined benefit plan in Sweden is the collectively agreed pension plan for white collar employees, the ITP 2 plan, and it is based on final salary. Benefits in payment are indexed according to the decisions of the Alecta insurance company, typically those follow inflation. The plan is semi-closed, meaning that only new employees born before 1979 are covered by the ITP 2 solution. A defined contribution solution (ITP 1) is offered to employees born after 1978. Electrolux has chosen to fund the pension obligation (ITP 2) by a pension foundation. The foundation's Board of Directors consists of an equal number of members from Group staff functions and representatives from the company. There is no funding requirement for an ITP pension foundation. Benefits are paid directly by the company and, in case of surplus, the company can reimburse itself for the current and the previous year's pension cost and/or take a contribution holiday.

Germany

There are several defined benefit plans based on final salary in Germany. Benefits in payment are indexed every three years according to inflation levels. All plans are closed for new participants. Electrolux has arranged a Contractual Trust Arrangement (CTA) and the funds are held by a local bank who acts as the trustee for the scheme. The assets are managed by a fund management company, Electrolux performs an oversight on the strategy via an investment committee with members both from Group staff functions and the local German company. No minimum funding requirements or regular funding obligations apply to CTAs. If there is a surplus under both German GAAP and IFRS rules, Electrolux can take a refund up to the German GAAP surplus. Benefits are paid directly by the company and Electrolux can refund itself for pension pay-outs. Over time, Electrolux will have access to any residual funds after the last beneficiary has died.

Switzerland

In Switzerland benefits are career average in nature, with indexation of benefits following decisions of the foundation board, subject to legal minima. Contributions are paid to the pension foundation and a recovery plan has to be set up if the plans are underfunded on the local funding basis. Swiss laws do not state any specific way of calculating an employer's additional contribution and because of that there is normally no minimum funding requirement. The assets in the foundation is to a large extent handled by local banks and they are working with both asset allocation and selection within a framework decided by the Swiss foundation board. Benefits are paid from the plan assets.

Other countries

There is a variety of smaller plans in other countries and the most important of those are in France, Italy, Canada and Norway. The pension plans in France and Italy are mainly unfunded. The Norwegian pension plans are funded and in Canada there are both funded and unfunded pension plans. A mix of final salary and career average exists in these countries. Some plans are open for new entrants.

All amounts in SEKm unless otherwise stated

Cont. **Note 22**

Explanation of amounts in the financial statements relating to defined benefit obligations.

Information by country December, 31, 2018

	USA	USA Medical	UK	Sweden	Germany	Switzer-land	Other	Total
Amounts included in the balance sheet								
Present value of funded and unfunded obligations	8,221	1,790	6,257	4,052	3,779	3,396	1,151	28,646
Fair value of plan assets (after change in asset ceiling)	–7,814	–1,837	–6,354	–2,772	–2,631	–3,100	–324	–24,832
Total (surplus)/deficit	407	–47	–97	1,280	1,148	296	827	3,814
Whereof reported as:								
Pension plan assets	—	—	—	—	—	—	—	532
Provisions for post-employment benefit plans	—	—	—	—	—	—	—	4,346
Total funding level for all pension plans, %	97	103	102	68	70	91	16	87
Average duration of the obligation, years	9.4	9.9	14.7	17.4	14.3	12.6	—	12.7
Amounts included in total comprehensive income								
Service cost[1]	17	—	60	158	22	54	9	320
Net interest cost	8	1	6	18	6	—	9	48
Remeasurements (gain)/loss	49	81	–373	279	206	197	9	448
Total expense (gain) for defined benefit plans	74	82	–307	455	234	251	27	816
Expenses for defined contribution plans								640
Amounts included in the cash flow statement								
Contributions by the employer	—	–22	–58	—	—	–40	–11	–131
Reimbursement	—	—	—	91	626	—	—	717
Benefits paid by the employer	–21	—	—	–125	–161	—	–55	–362
Major assumptions for the valuation of the liability								
Longevity, years[2]								
Male	20.8	20.8	20.9	23.0	20.0	22.5	—	21.2
Female	22.7	22.7	23.8	24.8	23.6	24.5	—	23.6
Inflation, %[3]	3	6.5	3.25	1.75	1.7	1.25	—	2.4
Discount rate, %	4.2	4.2	2.7	2.3	1.7	0.7	—	2.63

Information by country December, 31, 2017

	USA	USA Medical	UK	Sweden	Germany	Switzer-land	Other	Total
Amounts included in the balance sheet								
Present value of funded and unfunded obligations	8,203	1,790	6,700	3,690	3,773	3,083	1,139	28,378
Fair value of plan assets (after change in asset ceiling)	–7,951	–1,826	–6,449	–2,822	–3,345	–3,008	–343	–25,744
Total (surplus)/deficit	252	–36	251	868	428	75	796	2,634
Whereof reported as:								
Pension plan assets	—	—	—	—	—	—	—	455
Provisions for post-employment benefit plans	—	—	—	—	—	—	—	3,089
Total funding level for all pension plans, %	97	102	96	76	89	98	30	91
Average duration of the obligation, years	10.1	9.9	16.7	16.7	14.3	12.8	—	13.4
Amounts included in total comprehensive income								
Service cost[4]	–124	—	8	146	21	–36	8	23
Net interest cost	38	9	9	15	11	2	7	91
Remeasurements (gain)/loss	–764	–207	–42	102	–126	–163	–29	–1,229
Total expense (gain) for defined benefit plans	–850	–198	–25	263	–94	–197	–14	–1,115
Expenses for defined contribution plans								585
Amounts included in the cash flow statement								
Contributions by the employer	—	–29	–55	—	–1	–36	–13	–134
Reimbursement	—	—	—	88	—	—	—	88
Benefits paid by the employer	–20	—	—	–120	–154	—	–28	–322
Major assumptions for the valuation of the liability								
Longevity, years[2]								
Male	20.0	20.0	22.1	23.0	19.8	22.4	—	21.8
Female	22.3	22.3	24.5	24.8	23.5	24.4	—	24
Inflation, %[3]	3	6.75	3.25	1.75	1.7	1	—	2.42
Discount rate, %	3.6	3.6	2.5	2.5	1.7	0.6	—	2.54

1) Includes a loss of SEK 51m in UK due to gender equalization of Guaranteed Minimum Pension.
2) Expressed as the average life expectancy of a 65 years old person in number of years.
3) General inflation impacting salary and pensions increase. For USA Medical, the number refers to the inflation of healthcare benefits.
4) Includes a total gain of SEK 237m related to plan amendments in Switzerland and the U.S.

All amounts in SEKm unless otherwise stated

Cont. Note 22

Reconciliation of change in present value of funded and unfunded obligations

	2018	2017
Opening balance, January 1	28,378	29,734
Current service cost	237	255
Special events	50	–232
Interest expense	720	764
Remeasurement arising from changes in financial assumptions	–717	851
Remeasurement from changes in demographic assumptions	–132	–275
Remeasurement from experience	72	–76
Contributions by plan participants	45	43
Benefits paid	–1,514	–1,526
Exchange differences	1,539	–1,138
Settlements and other	–32	–22
Closing balance, December 31	28,646	28,378

Reconciliation of change in the fair value of plan assets

	2018	2017
Opening balance, January 1	25,744	25,565
Interest income[1]	672	673
Return on plan assets, excluding amounts included in interest[1]	–1,225	1,832
Effect of asset ceiling	–52	–79
Net contribution by employer	–224	368
Contribution by plan participants	45	43
Benefits paid	–1,514	–1,526
Exchange differences	1,453	–1,071
Settlements and other	–67	–61
Closing balance, December 31	24,832	25,744

1) The actual return on plan assets amounts to SEK –553m (2,505).

Risks

There are mainly three categories of risks related to defined benefit obligations and pension plans. The first category relates to risks affecting the actual pension payments. Increased longevity and inflation of salary and pensions are the principle risks that may increase the future pension payments and, hence, increase the pension obligation. The second category relates to investment return. Pension plan assets are invested in a variety of financial instruments and are exposed to market fluctuations. Poor investment return may reduce the value of investments and render them insufficient to cover future pension payments. The final category relates to measurement and affects the accounting for pensions. The discount rate used for measuring the present value of the obligation may fluctuate which impacts the valuation of the Defined Benefit Obligation (DBO). The discount rate also impacts the size of the interest income and expense that is reported in the Financial items and the service cost. When determining the discount rate, the Group uses AA rated corporate bond indexes which match the duration of the pension obligations. In Sweden and Norway, mortgage-backed bonds are used for determining the discount rate. Expected inflation and mortality assumptions are based on local conditions in each country and changes in those assumptions may also affect the measured obligation and, therefore, the accounting entries.

Investment strategy and risk management

The Group manages the allocation and investment of pension plan assets with the aim of decreasing the total pension cost over time. This means that certain risks are accepted in order to increase the return. The investment horizon is long-term and the allocation ensures that the investment portfolios are well diversified. In some countries, a so called trigger-points scheme is in place, whereby the investment in fixed income assets increases as the funding level improves. The Board of Electrolux annually approves the limits for asset allocation. The final investment decision often resides with the local trustee that consults with Electrolux. The risks related to pension obligations, e.g., mortality exposure and inflation, are monitored on an ongoing basis. Buy-out premiums are also monitored and other potential liability management actions are also considered to limit the exposure to the Group.

Below is the sensitivity analysis for the main financial assumptions and the potential impact on the present value of the defined pension obligation. Note that the sensitivities are not meant to express any view by Electrolux on the probability of a change.

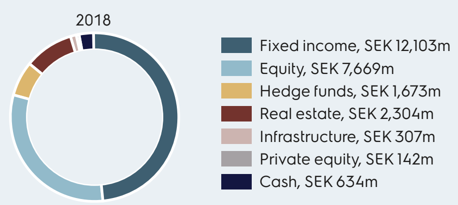
Sensitivity analysis on defined benefit obligation

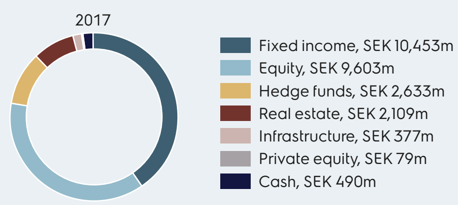
	USA	USA Medical	UK	Sweden	Germany	Switzer-land	Other	Total
Longevity +1 year	268	94	284	147	81	107	14	995
Inflation +0.5%[1]	32	92	423	375	241	40	38	1,241
Discount rate +1%	–655	–158	–801	–612	–468	–393	–90	–3,177
Discount rate –1%	779	183	1,017	801	589	482	104	3,955

1) The inflation change feeds through to other inflation-dependent assumptions, i.e., pension increases and salary growth.

In 2019, the Group expects to pay a total of SEK 389m in contributions to the pension funds and as payments of benefits directly to the employees.

MARKET VALUE OF PLAN ASSETS BY CATEGORY





All amounts in SEKm unless otherwise stated

Cont. Note 22

Market value of plan assets without quoted prices	December 31 2018	2017
Fixed income	61	63
Real estate	2,302	2,107
Infrastructure	307	377
Private equity	142	79

The Swedish pension foundation carries plan assets at an amount of SEK 200m related to property used by Electrolux.

Governance

Defined benefit pensions and pension plan assets are governed by the Electrolux Pension Board, which resumes 3 to 4 times per year and has the following responsibilities:

- Implementation of pension directives of the AB Electrolux Board of Directors.
- Evaluation and approval of new plans, changes to plans or termination of plans.
- Annually, approval of the Group's and local pension funds' investment strategies.
- Annually, approval of the Group's global and local benchmarks for follow up of pension plan assets.
- Approval of the election of company representatives in the Boards of Trustees.
- Approval of the financial and actuarial assumptions to be used in the measurement of the defined benefit obligations.

Parent Company

According to Swedish accounting principles adopted by the Parent Company, defined benefit liabilities are calculated based upon officially provided assumptions, which differ from the assumptions used in the Group under IFRS. The pension benefits are secured by contributions to a separate fund or recorded as a liability in the balance sheet. The accounting principles used in the Parent Company's separate financial statements differ from the IFRS principles, mainly in the following:

- The pension liability calculated according to Swedish accounting principles does not take into account future salary increases.
- The discount rate used in the Swedish calculations is set by the Swedish Pension Foundation (PRI) and was for 2018 4.0% (4.0). The rate is the same for all companies in Sweden.
- Changes in the discount rate and other actuarial assumptions are recognized immediately in the profit or loss and the balance sheet.
- Deficit must be either immediately settled in cash or recognized as a liability in the balance sheet.
- Surplus cannot be recognized as an asset, but may in some cases be refunded to the company to offset pension costs.

Change in the present value of defined benefit pension obligation for funded and unfunded obligations

	Funded	Unfunded	Total
Opening balance, January 1, 2017	1,597	440	2,037
Current service cost	64	9	73
Interest cost	65	18	83
Benefits paid	–75	–29	–104
Closing balance, December 31, 2017	1,651	438	2,089
Current service cost	82	16	98
Interest cost	67	18	85
Benefits paid	–78	–30	–108
Closing balance, December 31, 2018	1,722	442	2,164

Change in fair value of plan assets

	Funded
Opening balance, January 1, 2017	2,295
Actual return on plan assets	175
Contributions and compensation to/from the fund	–73
Closing balance, December 31, 2017	2,397
Actual return on plan assets	29
Contributions and compensation to/from the fund	–75
Closing balance, December 31, 2018	2,351

Amounts recognized in the balance sheet

	December 31 2018	2017
Present value of pension obligations	–2,164	–2,089
Fair value of plan assets	2,351	2,397
Surplus/deficit	187	308
Limitation on assets in accordance with Swedish accounting principles	–628	–746
Net provisions for pension obligations	–442	–438
Whereof reported as provisions for pensions	–442	–438

Amounts recognized in the income statement

	2018	2017
Current service cost	98	73
Interest cost	85	83
Total expenses for defined benefit pension plans	183	156
Insurance premiums	107	102
Total expenses for defined contribution plans	107	102
Special employer's contribution tax	33	31
Cost for credit insurance FPG	2	2
Total pension expenses	325	291
Compensation from the pension fund	–75	–73
Total recognized pension expenses	250	218

The Swedish Pension Foundation

The pension liabilities of the Group's Swedish defined benefit pension plan (PRI pensions) are funded through a pension foundation established in 1998. The market value of the assets of the foundation amounted at December 31, 2018, to SEK 2,772m (2,830m) and the pension commitments to SEK 2,013m (1,934). The Swedish Group companies recorded a liability to the pension fund as per December 31, 2018, in the amount of SEK 0m (0). Contributions to the pension foundation during 2018 amounted to SEK 0m (0). Contributions from the pension foundation during 2018 amounted to SEK 91m (88).

All amounts in SEKm unless otherwise stated

Note 23 Other provisions

	Group					Parent Company			
	Provisions for restructuring	Warranty commitments	Claims	Other	Total	Provisions for restructuring	Warranty commitments	Other	Total
Opening balance, January 1, 2017	**1,667**	**1,812**	**1,615**	**2,950**	**8,044**	**472**	**440**	**54**	**966**
Acquisitions of operations	**12**	**128**	**—**	**343**	**483**	**—**	**—**	**—**	**—**
Provisions made	—	1,404	394	1,319	3,117	4	407	20	431
Provisions used	-373	-1,360	-519	-848	-3,100	-148	-432	-26	-606
Unused amounts reversed	-34	-44	—	-348	-426	-14	—	—	-14
Exchange-rate differences	18	-25	-128	-160	-295	8	6	—	14
Closing balance, December 31, 2017	**1,290**	**1,915**	**1,362**	**3,256**	**7,823**	**322**	**421**	**48**	**791**
Of which current provisions	303	932	274	561	2,070	220	82	—	302
Of which non-current provisions	987	983	1,088	2,695	5,753	102	339	48	489
Opening balance, January 1, 2018	**1,290**	**1,915**	**1,362**	**3,256**	**7,823**	**322**	**421**	**48**	**791**
Acquisitions of operations	**—**	**10**	**—**	**19**	**29**	**—**	**—**	**—**	**—**
Provisions made	718	1,793	391	871	3,773	3	86	3	92
Provisions used	-749	-1,679	-464	-867	-3,759	-122	-44	-7	-173
Unused amounts reversed	-108	-11	—	-512	-631	-74	0	0	-74
Exchange-rate differences	59	67	108	96	330	45	10	0	55
Closing balance, December 31, 2018	**1,210**	**2,095**	**1,397**	**2,863**	**7,565**	**174**	**473**	**44**	**691**
Of which current provisions	411	1,071	269	533	2,284	125	92		217
Of which non-current provisions	799	1,024	1,128	2,330	5,281	49	381	44	474

Provisions are recognized when the Group has a present obligation as a result of a past event, and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation at the balance sheet date. Where the effect of time value of money is material, the amount recognized is the present value of the estimated expenditures.

Provisions for warranty are recognized at the date of sale of the products covered by the warranty and are calculated based on historical data for similar products. Provisions for warranty commitments are recognized as a consequence of the Group's policy to cover the cost of repair of defective products. Warranty is normally granted for one to two years after the sale.

Restructuring provisions are recognized when the Group has both adopted a detailed formal plan for the restructuring and has, either started the plan implementation, or communicated its main features to those affected by the restructuring. Provisions for restructuring represent the expected costs to be incurred as a consequence of the Group's decision to close some factories, rationalize production and reduce personnel, both for newly acquired and previously owned companies. The amounts are based on management's best estimates and are adjusted when changes to these estimates are known. The larger part of the restructuring provisions as per December 31, 2018, will be consumed in 2019 and 2020.

Provisions for claims refer to the Group's captive insurance companies. Other provisions include mainly provisions for direct and indirect tax, environmental liabilities, asbestos claims or other liabilities. The timing of any resulting outflows for provisions for claims and other provisions is uncertain.

Note 24 Other liabilities

	Group December 31		Parent Company December 31	
	2018	2017	**2018**	2017
Accrued holiday pay	1,043	1,057	137	213
Other accrued payroll costs	1,297	1,726	64	315
Accrued interest expenses	28	27	25	25
Prepaid income grants	882	879	—	—
Other prepaid income	302	43	43	6
Other accrued expenses	4,710	4,009	1,210	738
Contract liabilities[1]	5,093	4,506	—	—
Other operating liabilities	3,750	3,602	—	—
Total	**17,105**	**15,849**	**1,479**	**1,297**

1) Movement in contract liabilities is presented in Note 4.

Other accrued expenses include for example accruals for fees, advertising and sales promotion. Other operating liabilities include for example VAT and operational taxes.

All amounts in SEKm unless otherwise stated

Note 25 Contingent assets and liabilities

	Group December 31		Parent Company December 31	
	2018	2017	2018	2017
Guarantees and other commitments				
On behalf of subsidiaries	–	–	1,044	1,009
On behalf of external counterparties	992	1,039	490	477
Employee benefits in excess of reported liabilities	23	148	–	11
Total	1,015	1,187	1,534	1,497

A large part of the guarantees and other commitments on behalf of external counterparties, is related to U.S. sales to dealers financed through external finance companies with a regulated buy-back obligation of the products in case of dealer's bankruptcy.

In addition to the above contingent liabilities, guarantees for fulfillment of contractual undertakings are given as part of the Group's normal course of business. There was no indication at year-end that payment will be required in connection with any contractual guarantees.

Legal proceedings

Litigation and claims related to asbestos are pending against the Group in the U.S. Almost all of the cases refer to externally supplied components used in industrial products manufactured by discontinued operations prior to the early 1970s. The cases involve plaintiffs who have made substantially identical allegations against other defendants who are not part of the Electrolux Group.

As of December 31, 2018, the Group had a total of 3,460 (3,372) cases pending, representing approximately 3,502 (approximately 3,435) plaintiffs. During 2018, 1,355 new cases with 1,355 plaintiffs were filed and 1,267 pending cases with approximately 1,288 plaintiffs were resolved.

The Group continues to operate under a 2007 agreement with certain insurance carriers who have agreed to reimburse the Group for a portion of its costs relating to certain asbestos lawsuits. The agreement is subject to termination upon 60 days notice and if terminated, the parties would be restored to their rights and obligations under the affected insurance policies.

It is expected that additional lawsuits will be filed against Electrolux. It is not possible to predict the number of future lawsuits. In addition, the outcome of asbestos lawsuits is difficult to predict and Electrolux cannot provide any assurances that the resolution of these types of lawsuits will not have a material adverse effect on its business or on results of operations in the future.

In July 2004, a gas explosion occurred on Husqvarna's property in Ghislenghien, Belgium, resulting in the loss of 24 lives and substantial personal injuries and property damage. In 2012, the Belgium Supreme Court concluded that Husqvarna together with other parties were found liable for the accident and jointly and severally liable for the damages. As a former subsidiary of Electrolux, Husqvarna is covered by Electrolux liability insurance program for 2004. This program is reinsured by external insurance companies. Electrolux believes that losses which Husqvarna is covered for under Electrolux insurance program are correspondingly covered by the external reinsurance program.

The Group is involved in a legal proceeding in Egypt relating to the privatization of an Egyptian subsidiary. The proceeding is currently on-going in the court of first instance in Cairo, Egypt. Electrolux believes that the lawsuit is without legal merit. In case of a negative outcome, Electrolux believes that losses will largely be covered by guarantees obtained by Electrolux in connection with the acquisition of the Olympic Group in 2011.

In October 2013, Electrolux became subject of an investigation by the French Competition Authority regarding a possible violation of antitrust rules. The Authority has thereafter decided to conduct two separate investigations whereof one was completed in December 2018. The other investigation is still ongoing, and the Authority has so far not communicated any conclusions. Given the nature of the investigation, it cannot be ruled out that the outcome could have a material impact on Electrolux financial result and cash flow. At this stage it is however not possible to evaluate the extent of such an impact.

In November 2017, the U.S. Department of Commerce (DOC) informed the Group that it had set a preliminary and significantly increased tariff rate of 72.41% on washing machines manufactured in Mexico by Electrolux and imported into the U.S. between February 2016 and January 2017. In March 2018, Electrolux was informed by DOC that this preliminary tariff rate was determined as final. Electrolux has appealed DOC's decision. If the tariff rate is not significantly reduced as a result of the appeal process, it could lead to a one-time cost of up to USD 70m. However, Electrolux believes that the company has a very strong legal case and has not made any provision related to this potential cost at this stage.

Contingent assets

In December 2018, Electrolux obtained a judicial court certification attesting a final and non-appealable decision in Brazil that Electrolux has the right to recover overpaid tax for 2002-2014. In December 2018, Electrolux filed a claim with the Brazilian tax authorities for the recovery of the overpaid tax. Electrolux believes that there is strong support for the entire claim filed. However, as the Brazilian tax authority has advocated a specific calculation methodology for the recoverable amount, only a minor part, corresponding to the tax authority's methodology, has been recognized as an asset per December 31, 2018. The claimed amount in excess of the recognized asset is approximately SEK 1,400m.

All amounts in SEKm unless otherwise stated

Note 26 Acquired and divested operations

	2018				2017				
Acquired operations	Schneidereit	SPM	Other	Total	Anova	Grind-master-Cecilware	Kwikot	Best	Total
Consideration:									
Cash paid for acquisitions made during the year	331	470	3	804	870	838	1,632	109	3,449
Deferred consideration	37	–	20	57	263	–	139	–	402
Total consideration	**368**	**470**	**23**	**861**	**1,133**	**838**	**1,771**	**109**	**3,851**
Recognized amounts of assets acquired and liabilities assumed:									
Total net assets acquired	168	189	11	368	92	308	531	129	1,060
Assumed net debt	–93	–10	–10	–113	–57	–149	–207	–20	–433
Goodwill	293	291	22	606	1,098	679	1,447	–	3,224
Total	**368**	**470**	**23**	**861**	**1,133**	**838**	**1,771**	**109**	**3,851**

Payments for acquisitions:	2018	2017
Cash paid for acquisitions made during the year	804	3,449
Cash and cash equivalents in acquired operations	–49	–61
Cash paid related to deferred consideration from acquisitions made in earlier years	144	6
Payments for acquisition of non-controlling interest in CTI SA and Somela SA, Chile	3	11
Total paid	**902**	**3,405**

Acquisitions in 2018

Schneidereit GmbH

On February 22, 2018, Electrolux completed the acquisition of Schneidereit GmbH, a supplier of laundry rental solutions for professional customers in Germany and Austria. The agreement to acquire the company was announced on January 22, 2018. The acquisition enables Electrolux to develop its offering within the professional laundry business and supports the long-term profitable growth in Europe. Schneidereit adds a complementary business model, enabling Electrolux to help provide great experiences to an even wider customer base while exploring functional sales which is an interesting growth area in the industry for professional products.

Net sales for the acquired business Schneidereit GmbH in 2016 amounted to around EUR 18m (around SEK 175m) and the company has around 110 employees throughout Germany.

The consideration consists of a cash payment of EUR 32.8m and a deferred part (hold-back) of EUR 3.6m. The cash payment is equivalent to SEK 331m and the deferred part is equivalent to SEK 37m. The cash flow effect was SEK –303m excluding acquired cash and cash equivalents.

The acquired business is included in Electrolux consolidated accounts per December 31 with financial statements for the period January–December 2018, contributing to net sales and operating income (including amortization of surplus values) by EUR 18.7m and EUR 0k respectively, approximately SEK 192m and SEK 0m respectively.

Goodwill recognized for the acquisition include the value of the added business model with its growth potential and synergies identified. Goodwill is not expected to be deductible for income tax purposes.

The operations are included in business area Professional Products.

SPM Drink Systems

On October 2, 2018, Electrolux completed the acquisition of SPM Drink Systems, an Italian leading manufacturer of professional dispensers of frozen and hot beverages and soft ice-cream, as part of the strategy to increase its presence in the hospitality industry. The acquisition supports Electrolux strategy for profitable growth and strengthens Electrolux presence in the fast-growing beverage segment.

The acquired operations had combined net sales in 2017 of approximately EUR 30m and 110 employees. The company's headquarters and main manufacturing facilities are based in Spilamberto, Modena, Italy.

The consideration consists of a cash payment of EUR 45.6m, equivalent to SEK 470m. The cash flow effect was SEK –449m excluding acquired cash and cash equivalents.

The acquired business is included in Electrolux consolidated accounts from October 1, 2018, contributing to net sales and operating income (including amortization of surplus values) by EUR 3.7m and EUR –0.7m respectively, approximately SEK 38m and SEK –7m respectively.

For the full year 2018, the acquired business accounted for net sales and operating income of EUR 31m and EUR 0.6m respectively, approximately SEK 314m and SEK 6m respectively.

Goodwill from the transaction mainly relates to the value of the additional presence in the fast-growing beverage segment both from a product range and geographical perspective. The goodwill is not expected to be deductible for income tax purposes.

The purchase price allocation is not finalized. The expectation is that the final version will not materially differ from the preliminary allocation made.

The operations are included in business area Professional Products.

Other

Other acquisitions of operations refers to the acquisition of a nationwide provider of repair service and distribution of spare parts in Germany.

The operations are included in business area Major Appliances EMEA.

Transaction costs

Transaction costs related to the acquisitions in 2018 amount to SEK 12m and have been expensed as incurred during the acquisition process in 2017 (SEK 4m) and 2018 (SEK 8m). The costs have been reported in the business area's operating income.

Acquisitions in 2017

Grindmaster-Cecilware

In February, 2017, Electrolux completed the acquisition of the U.S. based Grindmaster-Cecilware business by acquiring 100% of the business via a purchase of all shares in the parent company of the Grindmaster-Cecilware Group in a cash transaction. The acquisition broadens Electrolux offering in its food service business and will accelerate the growth of the Professional Products business area by increasing access to the U.S. market.

Grindmaster-Cecilware is a leading U.S. based manufacturer of hot, cold and frozen beverage dispensing equipment, including coffee machines. The company is based in Louisville, Kentucky and has manufacturing facilities in Louisville and in Rayong, Thailand.

Goodwill primarily relates to the increase in market presence in North America, one of the largest global markets for professional appliances. Goodwill is not expected to be deductible for income tax purposes.

Net sales and operating income in the acquired business in 2017 amounted to USD 64.9m (SEK 560m) and USD 2.6m (SEK 23m) respectively. The Grindmaster-Cecilware business is included in Electrolux consolidated accounts from March 1, 2017. For the period from the acquisition date until the end of the reporting period the acquired business has contributed to net sales and operating income (including amortization of surplus values) by USD 53.1m and USD 1.3m respectively, approximately SEK 454m and SEK 11m respectively.

All amounts in SEKm unless otherwise stated

Cont. **Note 26**

In the first quarter of 2018, within the measurement period, additional net liabilities of USD 1.1m (SEK 10m) were added to the acquisition balance sheet resulting in an increase of goodwill with the same amount.

The business is included in business area Professional Products.

Kwikot Group

On March 1, 2017 Electrolux acquired all shares in Kwikot Pty Ltd, the parent company in the Kwikot Group, via a cash transfer. The Kwikot Group is South Africa's leading water heater producer. The acquisition broadens Electrolux home comfort product range and offers a strong platform for growth opportunities in Africa. The acquisition significantly strengthens Electrolux presence in South Africa. Kwikot is based in Johannesburg where it also has production and its main warehouse. The company has about 800 employees.

Goodwill represents the value of increasing Electrolux presence in Southern Africa. Goodwill is not expected to be deductible for income tax purposes.

The acquired business reported a Net Sales and Operating Income of ZAR 1,101m (SEK 712m) and ZAR 146m (SEK 95m) respectively in 2017. The Kwikot business is included in Electrolux consolidated accounts from March 1, 2017. For the period from the acquisition date until the end of the reporting period the acquired business has contributed to net sales and operating income by ZAR 933m and ZAR 116m respectively, approximately SEK 600m and SEK 75m respectively.

The operations are included in business area Major Appliances EMEA.

Anova

On April 4, 2017 Electrolux completed the acquisition of the U.S. based smart kitchen appliance company, Anova. Anova is a U.S. based provider of the Anova Precision Cooker, an innovative connected device for sous vide cooking that enables restaurant-quality results in the home.

The agreed up-front cash payment in the transaction amounts to USD 115m, with a potential additional amount of up to USD 135m to be paid depending on future financial performance. Part of the mentioned cash payment and contingent pay-out is in the form of remuneration to key employees connected to post-closing service. Anova's direct-to-consumer business model and digital focus are of strong strategic interest to Electrolux.

The company has approximately 70 employees and contractors globally and is headquartered in San Francisco, California. Sales are primarily carried out online – directly to consumer and through major retailers.

Goodwill primarily relates to the expectations of profitable growth in the emerging product categories of connected appliances and to be able to utilize Anova's direct-to-consumer business model with a digital focus. Goodwill is not expected to be deductible for income tax purposes. Operations are included in the business area Home Care &SDA.

Net sales and operating income in the acquired business in 2017 amounted to USD 50.3m and USD –6.4m respectively, approximately SEK 432m and SEK –57m respectively.

The Anova business is included in Electrolux consolidated accounts from April 4, 2017. For the period from the acquisition date until the end of the reporting period the acquired business has contributed to net sales and operating income (including amortization of surplus values) by USD 45.5m and USD –2.4m respectively, approximately SEK 389m and SEK –21m respectively. In 2018 the estimated outcome of the earn-out has been reduced by USD 22.3m (SEK 194m). The adjustment of the earn-out has impacted the operating income in 2018.

Best Group

On August 10, 2017 Electrolux completed the acquisition of the kitchen hoods company Best. Best is a European manufacturer of innovative and well-designed kitchen hoods. The acquisition will reinforce Electrolux capabilities for design, R&D and manufacturing of kitchen hoods. The Best Group has approximately 450 employees, primarily at manufacturing sites in Cerreto d'Esi (central Italy) and Zabrze (southern Poland).

Net sales and operating income in the acquired business in 2017 amounted to EUR 36.7m and EUR –4.8m respectively, approximately SEK 356m and SEK –46m respectively.

The Best business is included in Electrolux consolidated accounts from August 11, 2017. For the period from the acquisition date until the end of the reporting period the acquired business has contributed to net sales and operating income by EUR 17.7m and EUR –2.1m respectively, approximately SEK 171m and SEK –20m respectively.

In 2018 within the measurement period the purchase price allocation was adjusted due to the approval by the tax authorities to utilize tax losses generated by the acquired business in the joint operation post acquisition. The adjustment resulted in a negative goodwill of EUR 14.6m (SEK 150m) which was released to the operating income.

The operations are included in business area Major Appliances EMEA.

Transaction costs

Transaction costs for acquisitions completed in 2017 amounted to SEK 70m of which SEK 54m was incurred in 2017 and SEK 16m in 2016. Transaction costs are reported in operating income by business area.

Divested operations

	2018	2017
Divested operations		
North American commercial and central vacuum cleaner business, USA	293	–
Total cash received for divestments	293	–

Divested operations in 2018

In August 2018 the US-based North American commercial and central vacuum cleaner business, including the brands Beam and Sanitaire was divested. The total gross consideration was USD 37m (SEK 320m) resulting in a capital gain of USD 24m (SEK 205m) and a cash flow effect in 2018 of USD 34m (SEK 293m) after reducing the gross consideration with an agreed hold-back and the transaction cost. Transaction costs incurred amount to SEK 17m. The divestment has triggered rationalization activities and additional asset write-downs giving a negative impact in the Operating Income of USD 14m (SEK 115m). The divested operations had combined revenues in 2017 of around USD 70m.

The divestment and related effects are included in the business area Home Care & Small Domestic Appliances.

No divestments were made in 2017.

Note 27 Employees and remuneration

Employees and employee benefits

In 2018, the average number of employees was 54,419 (55,692), of which 34,371 (35,774) were men and 20,048 (19,948) were women.

A detailed specification of the average number of employees by country has been submitted to the Swedish Companies Registration Office and is available upon request from AB Electrolux, Investor Relations. See also Electrolux website www.electroluxgroup.com.

Average number of employees, by geographical area

	Group	
	2018	2017
Europe	21,669	21,258
North America	8,361	9,755
Latin America	15,631	15,975
Asia/Pacific	5,307	5,223
Rest of world	3,450	3,481
Total	**54,419**	**55,692**

Salaries, other remuneration and employer contributions

	2018			2017		
	Salaries and remuneration	Employer contributions	Total	Salaries and remuneration	Employer contributions	Total
Parent Company	1,155	587	1,742	1,174	583	1,757
whereof pension costs[1]		224	224		209	209
Subsidiaries	16,208	4,064	20,272	15,296	3,311	18,607
whereof pension costs		736	736		399	399
Total Group	**17,363**	**4,651**	**22,014**	**16,470**	**3,894**	**20,364**
whereof pension costs		960	960		608	608

[1] Includes SEK 8m (6), referring to the President's predecessors according to local GAAP.

Salaries and remuneration for Board members, senior managers and other employees

	2018			2017		
	Board members and senior managers[1]	Other employees	Total	Board members and senior managers[1]	Other employees	Total
Parent Company	64	1,091	1,155	66	1,108	1,174
Other	320	15,888	16,208	281	15,015	15,296
Total Group	**384**	**16,979**	**17,363**	**347**	**16,123**	**16,470**

[1] According to the definition of Senior managers in the Swedish Annual Accounts Act.

Of the Board members in the Group, 113 were men and 12 women, of whom 9 men and 4 women in the Parent Company. According to the definition of Senior managers in the Swedish Annual Accounts Act, the number of Senior managers in the Group consisted of 207 men and 67 women, of whom 7 men and 2 women in the Parent Company. The total pension cost for Board members and senior managers in the Group amounted to SEK 36m (34).

Compensation to the Board of Directors

The Annual General Meeting (AGM) determines the compensation to the Board of Directors for a period of one year until the next AGM. The compensation is distributed between the Chairman, other Board Members and remuneration for committee work. The Board decides the distribution of the committee fee between the committee members. Compensation is paid out in advance each quarter. Compensation paid in 2018 refers to one fourth of the compensation authorized by the AGM in 2017, and three fourths of the compensation authorized by the AGM in 2018. Total compensation paid in cash in 2018 amounted to SEK 8.3m, of which SEK 6.9m referred to ordinary compensation and SEK 1.4m to committee work[1].

Compensation to Board members 2018

´000 SEK	Ordinary compensation	Compensation for committee work	Total compensation
Staffan Bohman, Chairman (from AGM 2018)	1,612	215	1,827
Ronnie Leten (Chairman up to AGM 2018)	519	25	544
Petra Hedengran	595	347	942
Hasse Johansson	595	180[1]	775
Ulla Litzén	595	343	938
Bert Nordberg	595	–	595
Fredrik Persson	595	180	775
David Porter	595	–	595
Jonas Samuelson, President	–	–	–
Ulrika Saxon	595	100	695
Kai Wärn	595	–	595
Bo Rothzén (up to AGM 2018)	–	–	–
Gunilla Brandt (up to AGM 2018)	–	–	–
Ulf Carlsson	–	–	–
Viveca Brinkenfeldt-Lever	–	–	–
Peter Ferm	–	–	–
Total compensation 2018	**6,891**	**1,390**	**8,281**

[1] Includes compensation for work relating to investments, modularization and quality.

All amounts in SEKm unless otherwise stated

Cont. **Note 27**

Remuneration Committee

For information on the Remuneration Committee, see the Corporate Governance Report on page 107.

Remuneration guidelines for Group Management

The AGM in 2018 approved the proposed remuneration guidelines. These guidelines are described below.

The overall principles for compensation within Electrolux are tied strongly to the position held, individual as well as team performance, and competitive compensation in the country or region of employment.

The overall compensation package for higher-level management comprises fixed salary, variable salary based on short-term and long-term performance targets, and benefits such as pensions and insurance.

Electrolux strives to offer fair and competitive total compensation with an emphasis on "pay for performance". Variable compensation represents a significant proportion of total compensation for higher-level management. Total compensation is lower if targets are not achieved.

The Group has a uniform program for variable salary for management and other key positions. Variable salary is based on financial targets and may in certain circumstances include non-financial targets. Each job level is linked to a minimum and a maximum level for variable salary, and the program is capped.

Since 2004, Electrolux has long-term performance-share programs for senior managers of the Group. The alignment of Electrolux top management incentives with the interest of shareholders is a longstanding priority of the Board of Directors. Ownership of Electrolux shares by the Group's CEO and other Group Management members is an important measure to strengthen this alignment.

Thus the Board recommends that the CEO shall build up a personal holding of B-shares in Electrolux representing a value of one gross annual base salary and for Group Management members to build up a personal holding of B-shares in Electrolux representing a value of 50% of one gross annual base salary.

Remuneration and terms of employment for the President in 2018

The remuneration package for the President comprises fixed salary, variable salary based on annual targets, a long-term performance-share program and other benefits such as pension and insurance.

For the President, the annualized base salary for 2018 has been set at SEK 11.1m.

The variable salary is based on annual financial targets for the Group. Each year, a performance range is determined with a minimum and a maximum. If the performance outcome for the year is below or equal to the minimum level, no pay-out will be made. If the performance outcome is at or above the maximum, pay-out is capped at 100% of the annualized base salary. If the performance outcome is between minimum and maximum, the pay-out shall be determined on a linear basis.

The President participates in the Group's long-term performance based share programs. For further information on these programs, see below.

The notice period for the company is 12 months, and for the President 6 months. The President is entitled to 12 months severance pay based on base salary with deduction for other income during the 12 months severance period. Severance pay is applicable if the employment is terminated by the company. It is also applicable if the employment is terminated by the President provided serious breach of contract on the company's behalf or if there has been a major change in ownership structure in combination with changes in management and changed individual accountability.

Pensions for the President

The President is covered by the collectively agreed ITP plan, the alternative rule of the plan, and Electrolux Pension Plan for CEO. The Electrolux Pension Plan for CEO is a defined contribution plan. The employer contribution to the plan for the President is equivalent to 35% of annual base salary, which also includes the contributions for the benefits of the ITP-plan, alternative ITP and any insurable supplementary disability and survivor's pension. In addition the Company provides a disability pension of maximum SEK 1.2m per year if long term disability occurs. The retirement age for the President is 65.

The capital value of pension commitments for the President in 2018, prior Presidents, and survivors is SEK 222m (236), whereof SEK 24m (22) relates to the current President.

Remuneration and terms of employment for other members of Group Management in 2018

Like the President, other members of Group Management receive a remuneration package that comprises fixed salary, variable salary based on annual targets, long-term performance-share programs and other benefits such as pensions and insurance.

Base salary is revised annually per January 1. The average base-salary increase for members of Group Management in 2018 was 3.18% (4.27).

Variable salary in 2018 is based on financial targets on business area and Group level. Variable salary for business area heads varies between a minimum (no pay-out) and a maximum of 100% of annual base salary, which is also the cap. Group Management members in the USA have a maximum of up to 150% of annual base salary.

Group Management members that are Group staff heads receive variable salary that varies between a minimum (no pay out) and a maximum of 80%, which is also the cap.

The members of Group Management participate in the Group's long-term performance based share programs. For further information on these programs, see below.

The notice period for Group Management members employed in Sweden is 12 months' for the company and 6 months for the employee. Certain members of Group Management are entitled to 12 months' severance pay based on base salary with deduction for other income during the 12 months severance period. Severance pay is applicable if the employment is terminated by the company. It is also applicable if the employment is terminated by the Group Management member provided serious breach of contract on the company's behalf or if there has been a major change in ownership structure in combination with changes in management and changed individual accountability.

For members of Group Management employed outside of Sweden, varying terms of employment and benefits, such as company car, may apply depending upon the country of employment.

Pensions for other members of Group Management

Group Management members employed in Sweden as from 2012 receive a pension entitlement where the aggregated contribution is 35% of annual base salary. The retirement age is 65 years.

Group Management members employed in Sweden before 2012 are covered by the Alternative ITP plan, as well as a supplementary plan.

The Alternative ITP plan is a defined contribution plan where the contribution increases with age. The contribution is between 20 and 35% of pensionable salary, between 7.5 and 30 income base amounts. Provided that the member remains in the position until age 60, the company will finalize outstanding premiums in the alternative ITP plan. The contribution to the supplementary plan is 35% of pensionable salary above 20 income base amounts.

Electrolux provides disability benefits equal to 70% of pensionable salary less disability benefits from other sources. Electrolux also provides survivor benefits equal to the highest of the accumulated capital for retirement or 250 income base amounts.

The pensionable salary is calculated as the current fixed salary including vacation pay plus the average variable salary for the last three years. Accrued capital is subject to a real rate of return of 3.5% per year. For other members of Group Management, employed in Sweden before 2012, the retirement age is 60. The retirement age for one member employed prior to 2012 has been amended. The member's employment and pension entitlement is continued post age 60.

For members of Group Management employed outside of Sweden, varying pension terms and conditions apply, depending upon the country of employment.

Share-based compensation

Over the years, Electrolux has implemented several long-term incentive programs (LTI) for senior managers. These programs are intended to attract, motivate, and retain the participating managers by providing long-term incentives through benefits linked to the company's share price. They have been designed to align management incentives with shareholder interests.

For Electrolux, the share-based compensation programs are classified as equity-settled transactions, and the cost of the granted instrument's fair value at grant date is recognized over the vesting period which is 2.7 years. At each balance sheet date, the Group revises the estimates to the number of shares that are expected to vest. Electrolux recognizes the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

In addition, the Group provides for employer contributions expected to be paid in connection with the share-based compensation programs. The costs are charged to the income statement over the vesting period. The provision is periodically revalued based on the fair value of the instruments at each closing date.

Performance-share programs 2016, 2017 and 2018

The Annual General Meeting in 2018 approved a long-term incentive program. The program is in line with the Group's principles for remuneration based on performance, and is an integral part of the total compensation for

Group Management and other senior managers. Electrolux shareholders benefit from this program since it facilitates recruitment and retention of competent executives and aligns management interest with shareholder interest as the program drives executive shareholding and the participants are more aligned with the long-term strategy of the company.

The allocation of shares in the 2016, 2017 and 2018 programs is determined by the position level and the outcome of three financial objectives; (1) annual growth in earnings per share, (2) return on net assets and (3) organic sales growth (adjusted sales growth as from 2018). Performance outcome of the three financial objectives will be determined by the Board after the expiry of the one-year performance period.

For the 2016, 2017 and 2018 programs allocation is linear from minimum to maximum. There is no allocation if the minimum level is not reached. If the maximum is reached, 100% of shares will be allocated. Should the achievement of the objectives be below the maximum but above the minimum, a proportionate allocation will be made. The shares will be allocated after the three-year period free of charge.

If a participant's employment is terminated during the three-year program period, the participant will be excluded from the program and will not receive any shares or other benefits under the program. However, in certain circumstances, including for example a participant's death, disability, retirement or the divestiture of the participant's employing company, a participant could be entitled to reduced benefits under the program.

Each of the 2016, 2017 and 2018 program covers 210 to 282 senior managers and key employees in almost 30 countries. Participants in the 2018 program comprise six groups, i.e., the President, other members of Group Management, and four groups of other senior managers. All programs comprise Class B shares.

The performance outcome of the performance target for the share program for 2018 program was 1.5%, and 1.5% of maximum number of shares will be allocated to the participants in 2021, which corresponds to 19,834 shares. The dilutive effect on earnings per share is not significant. Maximum cost for 2018 program is estimated excluding employer contributions to SEK 5m for the full period 2018 - 2020. The cost for employer contributions will depend on the development of the share price.

For 2018, LTI programs resulted in a cost of SEK 125m (including a cost of SEK 14m in employer contribution) compared to a cost of SEK 115m in 2017 (including a cost of SEK 27m in employer contribution). The total provision for employer contribution in the balance sheet amounted to SEK 61m (55).

Repurchased shares for LTI programs

The Annual General Meeting in 2017 resolved that the company shall be entitled to sell B shares in the company for the purpose of covering costs, including social security charges, that may arise as a result of the 2015 program, but this mandate has not been used by the company.

Allocation of shares for the 2015 program

The 2015 performance-share program met 21% of the maximum performance and performance shares were allocated during 2018 to the participants according to the terms and conditions of the 2015 share program.

Remuneration to Group Management

	2018						2017					
'000 SEK unless otherwise stated	Annual fixed salary[1]	Variable salary[2]	Long-term PSP (cost)[3]	Other remuneration[4]	Total pension contribution	Social contribution	Annual fixed salary[1]	Variable salary[2]	Long-term PSP (cost)[3]	Other remuneration[4]	Total pension contribution	Social contribution
President and CEO	11,326	2,226	7,939	5	3,896	6,224	10,849	8,480	7,508	3	3,710	7,331
Other members of Group Management[5]	49,594	11,180	28,482	4,514	14,538	19,284	49,572	43,512	24,101	25,443	13,792	21,608
Total	60,920	13,406	36,421	4,519	18,434	25,508	60,421	51,992	31,609	25,446	17,502	28,939

1) The annual fixed salary includes vacation salary, paid vacation days and salary deductions for company car.
2) For 2018: variable salary earned 2018 and to be paid in 2019, and for 2017: variable salary earned 2017 and paid in 2018.
3) Cost for share-based incentive programs are accounted for according to IFRS 2, Share-based payments. If the expected cost of the program is reduced, the previous recorded cost is reversed and an income is recorded in the income statement. The cost includes social contribution cost for the program.
4) Includes allowances and other benefits such as gross-up of tax, housing and company car, severance pay, pay for non-compete undertaking and costs for extraordinary arrangements.
5) Other members of Group management comprised of 11 people end of 2018 and 2017

Number of potential shares per category and year

	Maximum number of B shares[1]			Maximum value, SEK[3]		
	2018	2017	2016	2018	2017	2016
Group 1, President and CEO	47,605	45,809	51,515	11,130,000	10,600,000	10,000,000
Group 2, other members of Group Management	17,032	17,239	21,547	3,982,000	3,989,000	4,183,000
Group 3	10,032	10,212	10,795	2,345,000	2,363,000	2,095,000
Group 4	5,126	5,301	5,816	1,198,000	1,227,000	1,129,000
Group 5[2]	3,728	3,797	–	871,000	879,000	–
Group 6	2,444	2,562	3,021	571,000	593,000	586,000

1) The maximum performance value for the participant in Group 1 will be 100 per cent, for participants in Group 2, 90 per cent, for participants in Group 3, 80 per cent, for participants in Group 4, 60 per cent, for participants in Group 5, 50 per cent and for participants in Group 6, 40 per cent of the participants annual base salary for 2018. At maximum performance the aggregated value is converted to the average number of shares per participant in respective category. The calculation is based on a share price of SEK 194.12 for 2016, SEK 231.40 for 2017, and SEK 233.80 for 2018 which is the average closing price of the Electrolux Class B share on the Nasdaq Stockholm during a period of ten trading days before the day participants were invited to participate in the program, adjusted for net present value of dividends for the period until shares are allocated.
2) New category introduced 2017.
3) The share allocation for the 2016 program will be at 75% of maximum. For the 2017 program, share allocation will be at 90% of maximum. For the 2018 program 1.5% of maximum will be allocated.

Performance-share program 2018

	Financial objectives			Allocation of shares		
	Minimum	Maximum	Actual	Outcome, %	Weight, %	Allocation, %
Adjusted organic sales growth, %[1]	1.0	4.0	1.4	14.9	10	1.5
Earnings per share, SEK	18.4	20.4	17.5[2]	0	50	0
Return on net assets, %	29.8	34.8	29.2[2]	0	40	0
Total allocation						1.5

1) Calculated as organic sales growth including total sales impact from prior year acquisitions and divestments.
2) Including adjustments for acquisitions and divestments.

All amounts in SEKm unless otherwise stated

Note 28 Fees to auditors

At the 2018 Annual General Meeting Deloitte was appointed auditor for the period until the 2019 Annual General Meeting. PricewaterhouseCoopers (PwC) was appointed auditor for the period until the 2018 Annual General Meeting.

	Group		Parent Company	
	2018	2017	2018	2017
Deloitte				
Audit fees[1]	42	–	8	–
Audit-related fees[2]	1	–	–	–
Tax fees[3]	1	–	–	–
All other fees[4]	1	–	1	–
Total fees to Deloitte[5]	45	–	9	–
PwC				
Audit fees[1]	4	41	–	8
Audit-related fees[2]	1	2	1	2
Tax fees[3]	–	1	–	–
All other fees[4]	1	10	1	9
Total fees to PwC[6]	6	54	2	19
Audit fees to other audit firms	–	2	–	–
Total fees to auditors	51	56	11	19

1) Audit fees consist of fees for the annual audit-services engagement and other audit services, which are those services that only the external auditors reasonably can provide, and include the Group audit; statutory audits; comfort letters and consents; and attest services.
2) Audit-related fees consist of fees for assurance and related services that are reasonably related to the performance of the audit of the accounts and annual reports of the Group and group companies traditionally performed by the external auditors, and include consultations concerning financial accounting and reporting standards; internal control reviews; employee benefit plan audits as well as review of interim reports.
3) Tax fees include fees for tax-compliance services, including the preparation of original and amended tax returns and claims for refund; tax consultations; tax advice related to mergers and acquisitions; transfer pricing; requests for rulings or technical advice from tax authorities; tax-planning services; and expatriate-tax planning and services.
4) All other fees include fees for transaction support services, financial advisory and other services.
5) Of audit-related fees, SEK 0m pertains to Deloitte Sweden, of tax fees, SEK 0m pertains to Deloitte Sweden and of all other fees, SEK 1m pertains to Deloitte Sweden.
6) The fees for PwC, excluding audit fees, refer to the period January 1 - April 30, 2018.

Note 29 Shares and participations

Investments in associated companies

Electrolux participation in Gångaren 13 Holding AB, Sweden, remained unchanged during the year. Gångaren 13 Holding AB is a real estate company owning the corporate head office in Sweden.

The holdings in the South African associated companies SYR Africa and Llitha Solar (name changed from Shalamuka Kwikot) remained unchanged during the year. SYR Africa supplies Kwikot with valves and has Kwikot as its sole customer. Llitah Solar carry out marginal business activities. The investment in Kwikot Solar has been liquidated during the year.

The holdings in Next-Tech BVBA/SPRL, Belgium, remained unchanged during the year. Next-Tech designs and sells software and hardware solutions for domestic kitchen retailers.

In January 2018 Electrolux acquired 40% of the Chinese company Guangdong De Yi Jie Appliances Co., LTD. The company sells AEG household appliances.

All associated companies are unlisted.

Investments in associated companies

	2018			2017		
Company	Holding, %	Carrying amount	Net income[1]	Holding, %	Carrying amount	Net income[1]
Gångaren 13 Holding AB, Sweden	50	199	14	50	190	5
SYR Africa (Pty), South Africa	50	36	7	50	37	0
Llitha Solar (Pty) LTD, South Africa	49	11	2	49	–1	0
Kwikot Solar, South Africa	0	1	1	50	0	0
Next-Tech BVBA/SPRL, Belgium	49	109	–7	49	111	0
Guangdong De Yi Jie Appliances Co., LTD, China	40	41	–41	–	–	–
Total		397	–25		337	5

1) Represents the Group's share of net income and is reported in the line Other operating income and expenses in the consolidated statement of comprehensive income.

All amounts in SEKm unless otherwise stated

Cont. Note 29

Group companies

The following table lists the major companies included in the Electrolux Group. A detailed specification of Group companies has been submitted to the Swedish Companies Registration Office and is available upon request from AB Electrolux Investor Relations.

Subsidiaries		Holding, %
Major Group companies		
Argentina	Frimetal S.A	100
Australia	Electrolux Home Products Pty. Ltd	100
Austria	Electrolux Austria GmbH	100
Belgium	Electrolux Home Products Corporation N.V.	100
Brazil	Electrolux do Brasil S.A.	100
Canada	Electrolux Canada Corp.	100
Chile	CTI S.A.	99.82
China	Electrolux (Hangzhou) Domestic Appliances Co. Ltd	100
	Electrolux (China) Home Appliance Co. Ltd	100
Denmark	Electrolux Home Products Denmark A/S	100
Egypt	Electrolux Egypt for Home Appliances S.A.E.	99.96
Finland	Oy Electrolux Ab	100
France	Electrolux France SAS	100
	Electrolux Home Products France SAS	100
	Electrolux Professionnel SAS	100
Germany	Electrolux Deutschland GmbH	100
	Electrolux Rothenburg GmbH Factory and Development	100
	Electrolux Professional GmbH	100
Hungary	Electrolux Lehel Kft	100
Italy	Electrolux Appliances S.p.A.	100
	Electrolux Professional S.p.A.	100
	Electrolux Italia S.p.A.	100
Mexico	Electrolux de Mexico, S.A. de C.V.	100
The Netherlands	Electrolux Associated Company B.V.	100
	Electrolux Home Products (Nederland) B.V.	100
Norway	Electrolux Home Products Norway AS	100
Poland	Electrolux Poland Spolka z.o.o.	100
Russia	LLC Electrolux Rus	100
Singapore	Electrolux SEA Pte Ltd	100
South Africa	Kwikot (Pty) Ltd.	100
Spain	Electrolux España, S.A.U.	100
Sweden	Electrolux Laundry Systems Sweden AB	100
	Electrolux HemProdukter AB	100
	Electrolux Appliances AB	100
Switzerland	Electrolux AG	100
	Electrolux Professional AG	100
Thailand	Electrolux Thailand Co. Ltd.	100
Ukraine	DC Electrolux LLC	100
United Kingdom	Electrolux Plc	100
	Electrolux Professional Ltd.	100
USA	Electrolux Home Products, Inc.	100
	Electrolux North America, Inc.	100
	Electrolux Professional Inc.	100

All amounts in SEKm unless otherwise stated

Note 30 Definitions

This report includes financial measures as required by the financial reporting framework applicable to Electrolux, which is based on IFRS. In addition, there are other measures and indicators that are used to follow up, analyze and manage the business and to provide Electrolux stakeholders with useful financial information on the Group's financial position, performance and development in a consistent way. These other measures and indicators are considered essential in supporting the Group's financial goals to achieve a combination of continuous growth, high profitability, a stable cash flow, and an optimal capital base to generate a high total return for Electrolux shareholders. Thus, there are measures related to growth, profitability and capital, share-based measures and capital indicators which are considered relevant to present on a continuous basis. Below is a list of definitions of all measures and indicators used, referred to and presented in this report.

Computation of average amounts and annualized income statement measures

In computation of key ratios where averages of capital balances are related to income statement measures, the average capital balances are based on the opening balance and all quarter-end closing balances included in the reporting period, and the income statement measures are annualized, translated at average rates for the period. In computation of key ratios where end-of-period capital balances are related to income statement measures, the latter are annualized, translated at end-of-period exchange rates. Adjustments are made for acquired and divested operations.

Growth measures

Change in net sales
Current year net sales for the period less previous year net sales for the period as a percentage of previous year net sales for the period.

Sales growth
Change in net sales adjusted for currency translation effects.

Organic growth
Change in net sales, adjusted for changes in exchange rates, acquisitions and divestments.

Acquisitions
Change in net sales, adjusted for organic growth, changes in exchange rates and divestments. The impact from acquisitions relates to net sales reported by acquired operations within 12 months after the acquisition date.

Divestments
Change in net sales, adjusted for organic growth, changes in exchange rates and acquisitions. The impact from divestments relates to net sales reported by the divested operations within 12 months before the divestment date.

Profitability measures

EBITA
Operating income excluding amortization of intangible assets.

EBITA margin
EBITA expressed as a percentage of net sales.

Operating margin (EBIT margin)
Operating income (EBIT) expressed as a percentage of net sales.

Operating margin (EBIT margin) excluding non-recurring items
Operating income (EBIT) excluding non-recurring items, expressed as a percentage of net sales.

Return on net assets
Operating income (annualized) expressed as a percentage of average net assets.

Return on equity
Income for the period (annualized) expressed as a percentage of average total equity.

Capital measures

Net debt/equity ratio
Net debt in relation to total equity.

Equity/assets ratio
Total equity as a percentage of total assets less liquid funds.

Capital turnover-rate
Net sales (annualized) divided by average net assets.

Share-based measures

Earnings per share, Basic
Income for the period attributable to equity holders of the Parent Company divided by the average number of shares excluding shares held by Electrolux.

Earnings per share, Diluted
Income for the period attributable to equity holders of the Parent Company divided by the average number of shares after dilution, excluding shares held by Electrolux.

Equity per share
Total equity divided by total number of shares excluding shares held by Electrolux.

Capital indicators

Liquid funds
Cash and cash equivalents, short-term investments, financial derivative assets[1)] and prepaid interest expenses and accrued interest income[1)].

Liquid funds in relation to net sales
The sum of liquid funds and non-utilized credit facilites divided by annualized net sales.

Operating working capital
Inventories and trade receivables less accounts payable.

Working capital
Total current assets exclusive of liquid funds, less non-current other provisions and total current liabilities exclusive of total short-term borrowings.

Net assets
Total assets exclusive of liquid funds and pension plan assets, less deferred tax liabilities, non-current other provisions and total current liabilities exclusive of total short-term borrowings.

Total borrowings
Long-term borrowings and short-term borrowings, financial derivative liabilities[1)], accrued interest expenses and prepaid interest income[1)].

Total short-term borrowings
Short-term borrowings, financial derivative liabilities[1)], accrued interest expenses and prepaid interest income[1)].

Interest-bearing liabilities
Long-term borrowings and short-term borrowings exclusive of liabilities related to trade receivables with recourse[1)].

Financial net debt
Total borrowings less liquid funds.

Net provision for post-employment benefits
Provisions for post-employment benefits less pension plan assets.

Net debt
Financial net debt and net provision for post-employment benefits.

Other measures

Operating cash flow after investments
Cash flow from operations and investments adjusted for financial items paid, taxes paid and acquisitions/divestments of operations.

Interest coverage ratio
Operating income plus interest income in relation to total interest expenses.

Non-recurring items
Material profit or loss items in operating income[2)] which are relevant for understanding the financial performance when comparing income for the current period with previous periods.

1) See table Net debt on page 62.
2) See Note 7 on page 54 for more information.

All amounts in SEKm unless otherwise stated

Note 31 Proposed distribution of earnings

	'000 SEK
The Board of Directors proposes that income for the period and retained earnings be distributed as follows:	22,078,885
A dividend to the shareholders of SEK 8.50 per share[1]), totaling	2,442,878
To be carried forward	19,636,007
Total	**22,078,885**

1) Calculated on the number of outstanding shares as per February 14 2019.

The Board of Directors has proposed that the Annual General Meeting 2019 resolves on a dividend to the shareholders of SEK 8.50 per share to be paid in two installments. The record date for the first installment of SEK 4.25 per share is proposed to be Friday April 12, 2019 and the record date for the second installment of SEK 4.25 per share is proposed to be Friday October 11, 2019. On account hereof, the Board of Directors hereby makes the following statement according to Chapter 18 Section 4 of the Swedish Companies Act.

The Board of Directors finds that there will be full coverage for the restricted equity of the Company, after distribution of the proposed dividend.

It is the Board of Directors' assessment that after distribution of the proposed dividend, the equity of the Company and the Group will be sufficient with respect to the kind, extent, and risks of the operations. The Board of Directors has hereby considered, among other things, the Company's and the Group's historical development, the budgeted development and the state of the market. If financial instruments currently valued at fair value in accordance with Chapter 4 Section 14a of the Swedish Annual Accounts Act instead had been valued according to the lower of cost or net realizable value, including cumulative revaluation of external shares, the equity of the company would decrease by SEK 121,395 thousand.

After the proposed dividend, the financial strength of the Company and the Group is assessed to continue to be good in relation to the industry in which the Group is operating. The dividend will not affect the ability of the Company and the Group to comply with its payment obligations. The Board of Directors finds that the Company and the Group are well prepared to handle any changes in respect of liquidity, as well as unexpected events.

The Board of Directors is of the opinion that the Company and the Group have the ability to take future business risks and also cope with potential losses. The proposed dividend will not negatively affect the Company's and the Group's ability to make further commercially motivated investments in accordance with the strategy of the Board of Directors.

The Board of Directors declare that the consolidated financial statements have been prepared in accordance with IFRS as adopted by the EU and give a true and fair view of the Group's financial position and results of operations. The financial statements of the Parent Company have been prepared in accordance with generally accepted accounting principles in Sweden and give a true and fair view of the Parent Company's financial position and results of operations.

The statutory Administration Report of the Group and the Parent Company provides a fair review of the development of the Group's and the Parent Company's operations, financial position and results of operations and describes material risks and uncertainties facing the Parent Company and the companies included in the Group.

Stockholm, February 14, 2019
AB ELECTROLUX (PUBL)
556009-4178

Staffan Bohman
Chairman of the Board of Directors

Jonas Samuelson
Board member and President and Chief Executive Officer

Petra Hedengran
Board member

Hasse Johansson
Board member

Ulla Litzén
Board member

Bert Nordberg
Board member

Fredrik Persson
Board member

David Porter
Board member

Ulrika Saxon
Board member

Kai Wärn
Board member

Viveca Brinkenfeldt-Lever
Board member, employee representative

Ulf Carlsson
Board member, employee representative

Peter Ferm
Board member, employee representative

Our audit report was submitted on February 15, 2019
Deloitte AB

Jan Berntsson
Authorized Public Accountant

Auditors' report

To the general meeting of the shareholders of AB Electrolux (publ) corporate identity number 556009-4178

Report on the annual accounts and consolidated accounts

Opinions
We have audited the annual accounts and consolidated accounts of AB Electrolux (publ) for the financial year 2018-01-01–2018-12-31. The annual accounts and consolidated accounts of the company are included on pages 17–81 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2018 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2018 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for Opinions
We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Other Disclosures
The audit of the report for the financial year 2017-01-01–2017-12-31 has been performed by another auditor, who has issued an auditor's report dated 16 February 2018, with unqualified opinions in the Report of annual accounts and consolidated accounts.

Key Audit Matters
Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

Revenue Recognition
Revenues in the group consists primarily of sales of appliances to retailers recognized at a certain point in time for example, when the products have been delivered to the customer. Net sales in the group for 2018 amounts to SEK 124,129m and is built up of a significant number of transactions. Due to the large transaction volume, we have identified revenue recognition, with specific focus on completeness and cut off, as a key audit matter.

Accounting principles and disclosures related to revenue recognition can be found in note 4.

Our audit procedures
Our audit procedures included, but were not limited to:
- assessing the group's accounting principles for revenue recognition and its compliance with IFRS,
- understanding the internal control environment regarding revenue recognition and test of identified key controls including IT-systems,
- analytical procedures, and
- detailed testing of sales transactions on a sample basis to confirm proper cut off of revenue.

Valuation of trade receivables
The group has significant amounts of trade receivables from its sales to customers in around 150 markets. There is a certain concentration of credit risk exposure towards a few customers in certain markets and there is a risk that some of the receivables will not be paid. The risk might be higher in some geographies due to weaker economic conditions or geopolitical uncertainties. Procedures for collecting payments and assessing customers' ability to pay together with appropriate accounting principles to recognize provisions for bad debt are important factors to ensure a fair valuation of trade receivables.

Accounting principles and disclosures related to trade receivables can be found in note 1 and 17.

Our audit procedures
Our audit procedures included, but were not limited to:
- assessing the group's accounting principles for recognizing bad debt for compliance with IFRS,
- evaluating processes and controls for credit assessments and approval of credit limits,
- detailed testing on a sample basis against customer statements alternatively cash receipts to confirm trade receivables, and
- evaluation of management's estimates of the provision for bad debt.

Valuation of inventory

The group carries significant inventories of goods and spare parts produced and held by several production and sales units in many countries. Valuation of inventory requires clear policies and is subject to management's estimates regarding acquisition costs, excess inventory and net realizable value as well as procedures for safeguarding and keeping track of inventory. Accounting principles and disclosures related to inventories can be found in note 15.

Our audit procedures

Our audit procedures included, but were not limited to:
- assessing the group's accounting principles and the individual entities' accounting for inventory in compliance with IFRS,
- observations of physical inventory counts,
- on a sample basis testing of the valuation of inventory, and
- evaluating management's estimates of the provision for obsolescence.

Accounting for litigation

Electrolux is involved in litigations in the normal course of business that could have a significant impact on the group results and financial position.

For further information on the group's litigations and legal proceedings, refer to note 1, note 25 and the statutory administration report.

Our audit procedures

Our audit procedures included, but were not limited to:
- quarterly meetings with the group head of legal regarding ongoing litigation,
- obtaining legal statements from a selection of the groups external lawyers, and
- evaluating managements judgments and estimates related to litigations and the accounting treatment of these.

Other information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1-16 and 86-121. In connection to the publication of the annual accounts and consolidated accounts additional other information will be made public in two reports, the Electrolux Annual Review 2018 (www.electroluxgroup.com/annualreports/2018) and the Market overview 2018 (www.electroluxgroup.com/ir). The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information is otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act, and concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

An additional description of our responsibility for the audit of the annual accounts and the consolidated accounts is on the Swedish Inspectorate of Auditors web page: www.revisorsinspektionen.se/revisornsansvar. This description is a part of the auditor's report.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of AB Electrolux (publ) for the financial year 2018-01-01 – 2018-12-31 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit to be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

An additional description of our responsibility for the audit of the annual accounts and the consolidated accounts is on the Swedish Inspectorate of Auditors web page: www.revisorsinspektionen.se/revisornsansvar. This description is a part of the auditor's report.

Deloitte AB, was appointed auditors of AB Electrolux (publ) by the general meeting of the shareholders on the 2018-04-05 and has been the company's auditor since 2018-04-05.

Stockholm, February 15, 2019

Deloitte AB
Signature on Swedish original

Jan Berntsson
Authorized Public Accountant


AEG
AEG

All amounts in SEKm unless otherwise stated

Eleven-year review

SEKM	2008	2009	2010	2011	2012 [1]
Net sales and income					
Net sales	104,792	109,132	106,326	101,598	109,994
Organic growth, %	–0.9	–4.8	1.5	0.2	5.5
Depreciation and amortization	3,010	3,442	3,328	3,173	3,251
Items affecting comparability [2]/ Non-recurring items [6]	–355	–1,561	–1,064	–138	–1,032
Operating income	1,188	3,761	5,430	3,017	4,000
Income after financial items	653	3,484	5,306	2,780	3,154
Income for the period	366	2,607	3,997	2,064	2,365
Cash flow					
Cash flow from operations	4,949	8,297	7,680	5,399	7,080
Cash flow from investments	–3,755	–2,967	–4,474	–10,049	–4,702
of which capital expenditure in property, plant and equipment	–3,158	–2,223	–3,221	–3,163	–4,090
Cash flow from operations and investments	1,194	5,330	3,206	–4,650	2,378
Cash flow from operations and investments excluding acquisitions and divestments of operations	1,228	5,326	3,199	906	2,542
Dividend, redemption and repurchase of shares	–1,187	69	–1,120	–1,850	–1,868
Capital expenditure in property, plant and equipment as % of net sales	3.0	2.0	3.0	3.1	3.7
Margins [3]					
Operating margin, %	1.5	4.9	6.1	3.1	4.6
Income after financial items as % of net sales	1.0	4.6	6.0	2.9	3.8
Financial position					
Total assets	73,323	72,696	73,521	76,384	75,194
Net assets	20,941	19,506	19,904	27,011	25,890
Working capital	–5,131	–5,154	–5,902	–5,180	–6,505
Trade receivables	20,734	20,173	19,346	19,226	18,288
Inventories	12,680	10,050	11,130	11,957	12,963
Accounts payable	15,681	16,031	17,283	18,490	20,590
Total equity	16,385	18,841	20,613	20,644	15,726
Interest-bearing liabilities	13,946	14,022	12,096	14,206	13,088
Provisions for post-employment benefits, net					4,479
Net debt	4,556	665	–709	6,367	10,164
Data per share					
Income for the period, SEK	1.29	9.18	14.04	7.25	8.26
Equity, SEK	58	66	72	73	55
Dividend, SEK [4]	—	4.00	6.50	6.50	6.50
Trading price of B-shares at year-end, SEK	66.75	167.50	191.00	109.70	170.50
Key ratios					
Return on equity, %	2.4	14.9	20.6	10.4	14.4
Return on net assets, %	5.8	19.4	27.8	13.7	14.8
Net assets as % of net sales [5]	18.1	17.1	18.2	23.8	22.5
Trade receivables as % of net sales [5]	17.9	17.7	17.7	17.0	15.9
Inventories as % of net sales [5]	11.0	8.8	10.2	10.5	11.3
Net debt/equity ratio	0.28	0.04	–0.03	0.31	0.65
Interest coverage ratio	1.86	7.54	12.64	5.84	2.72
Dividend as % of total equity	—	6.0	9.0	9.0	11.8
Other data					
Average number of employees	55,177	50,633	51,544	52,916	59,478
Salaries and remuneration	12,662	13,162	12,678	13,137	13,785
Number of shareholders	52,600	52,000	57,200	58,800	51,800
Average number of shares after buy-backs, million	283.1	284.0	284.6	284.7	285.9
Shares at year end after buy-backs, million	283.6	284.4	284.7	284.7	286.1

[1] Amounts for 2012 have been restated where applicable as a consequence of the amended standard for pension accounting, IAS 19 Employee Benefits and 2017 as a consequence of the introduction of IFRS 15 Revenue from Contracts with Customers.
[2] As of 2015 the accounting concept of Items affecting comparability is no longer in use. As from 2018, non-recurring items are presented, see definition in Note 30.
[3] Items affecting comparability are excluded for the years 2005 to 2013. 2014 has been restated.
[4] 2018: Proposed by the Board.
[5] Annualized net sales, calculated at end of period exchange rates, 2018: 124,399 (2017: 118,464).
[6] For more information, see Note 7.

All amounts in SEKm unless otherwise stated

	2013	2014	2015	2016	2017[1]	2018	Compound annual growth rate, % 5 years	Compound annual growth rate, % 10 years
	109,151	112,143	123,511	121,093	120,771	124,129	2.6	1.7
	4.5	1.1	2.2	–1.1	–0.4	1.3		
	3,356	3,671	3,936	3,934	3,977	4,150		
	–2,475	–1,199	—	—	—	–1,343		
	1,580	3,581	2,741	6,274	7,407	5,310	27.4	16.2
	904	2,997	2,101	5,581	6,966	4,887	40.1	22.3
	672	2,242	1,568	4,493	5,745	3,805	41.4	26.4
	4,455	7,822	8,267	10,165	10,024	8,046	12.6	5.0
	–4,734	–3,759	–3,403	–2,557	–8,200	–6,506		
	–3,535	–3,006	–3,027	–2,830	–3,892	–4,650	5.6	3.9
	–279	4,063	4,864	7,608	1,824	1,540		
	–74	4,132	4,955	7,432	5,229	2,149		
	–1,860	–1,861	–1,870	–1,868	–2,155	–2,385		
	3.2	2.7	2.5	2.3	3.2	3.7		
	3.7	3.2	2.2	5.2	6.1	4.3		
	3.1	2.7	1.7	4.6	5.8	3.9		
	76,001	85,688	83,471	85,848	89,542	97,312	5.1	2.9
	24,961	26,099	21,412	18,098	20,678	23,574	–1.1	1.2
	–5,800	–8,377	–12,234	–14,966	–15,873	–16,848		
	19,441	20,663	17,745	19,408	20,747	21,482	2.0	0.4
	12,154	14,324	14,179	13,418	14,655	16,750	6.6	2.8
	20,607	25,705	26,467	28,283	31,114	34,443	10.8	8.2
	14,308	16,468	15,005	17,738	20,480	21,749	8.7	2.9
	14,905	14,703	13,097	10,202	9,537	9,982	–7.7	–3.3
	2,980	4,763	4,509	4,169	2,634	3,814	5.1	
	10,653	9,631	6,407	360	197	1,825	–29.7	–8.7
	2.35	7.83	5.45	15.64	19.99	13.24	41.3	26.2
	50	57.52	52.21	61.72	71.26	75.67	8.6	2.7
	6.50	6.50	6.50	7.50	8.30	8.50	5.5	
	168.50	228.80	205.20	226.30	264.30	187.10	2.1	10.9
	4.4	15.7	9.9	29.4	31.9	18.2		
	5.8	14.2	11.0	29.9	36.0	22.7		
	21.8	20.4	17.3	14.2	17.5	19.0		
	17.0	16.2	14.3	15.2	17.5	17.3		
	10.6	11.2	11.5	10.5	12.4	13.5		
	0.74	0.58	0.43	0.02	0.01	0.08		
	2.11	5.16	3.75	3.75	12.16	9.05		
	13.0	11.3	12.4	10.5	11.6	11.2		
	60,754	60,038	58,265	55,400	55,692	54,419	–2.2	–0.1
	13,521	14,278	15,858	15,886	16,470	17,363	5.1	3.2
	51,500	46,500	45,485	48,939	45,295	49,870	–0.6	–0.5
	286.2	286.3	287.1	287.4	287.4	287.4		
	286.2	286.3	287.4	287.4	287.4	287.4		

All amounts in SEKm unless otherwise stated

Operations by business area yearly

SEKM	2014	2015	2016	2017[1]	2018
Major Appliances Europe, Middle East and Africa					
Net sales	34,438	37,179	37,844	38,524	42,732
Operating income	232	2,167	2,546	2,764	2,220
Margin, %	0.7	5.8	6.7	7.2	5.2
Major Appliances North America					
Net sales	34,141	43,053	43,402	40,656	38,875
Operating income	1,714	1,580	2,671	2,757	972
Margin, %	5.0	3.7	6.2	6.8	2.5
Major Appliances Latin America					
Net sales	20,041	18,546	15,419	17,302	17,076
Operating income	1,069	463	–68	425	464
Margin, %	5.3	2.5	–0.4	2.5	2.7
Major Appliances Asia/Pacific					
Net sales	8,803	9,229	9,380	8,759	9,165
Operating income	438	364	626	750	648
Margin, %	5.0	3.9	6.7	8.6	7.1
Home Care & SDA					
Net sales	8,678	8,958	8,183	7,808	7,616
Operating income	200	–63	238	431	398
Margin, %	2.3	–0.7	2.9	5.5	5.2
Professional Products					
Net sales	6,041	6,546	6,865	7,723	8,666
Operating income	671	862	954	1,054	1,134
Margin, %	11.1	13.2	13.9	13.7	13.1
Other					
Net sales	1	–	–	–	–
Operating income, common Group costs, etc.	–743	–2,632	–693	–775	–527
Total Group					
Net sales	112,143	123,511	121,093	120,771	124,129
Operating income	3,581	2,741	6,274	7,407	5,310
Margin, %	3.2	2.2	5.2	6.1	4.3

1) Electrolux applies the new standard for revenue recognition, IFRS 15 Revenue from Contracts with Customer, as of January 1, 2018. Reported figures for 2017 have been restated to enable comparison.

Non-recurring items[1]	2014	2015	2016	2017	2018
Major Appliances Europe, Middle East and Africa	–1,212	–	–	–	–747
Major Appliances North America	–39[2]	–158[2]	–	–	–596
Major Appliances Latin America	–10	–	–	–	–
Major Appliances Asia/Pacific	–10	–	–	–	–
Home Care & SDA	–	–190	–	–	–
Professional Products	–	–	–	–	–
Common Group cost	–77[2]	–1,901[2]	–	–	–
Total Group	**–1,348**	**–2,249**	**–**	–	–1,343

1) For more information, see Note 7.
2) Refers to costs related to the not completed acquisition of GE Appliances. Costs for preparatory integration work of SEK 39m for 2014 and SEK 158m for 2015 have been charged to operating income for Major Appliances North America. Common Group cost includes transaction costs of SEK 110m for 2014 and SEK 408m for 2015 and a termination fee paid to General Electric in December 2015 of USD 175m, corresponding to SEK 1,493m. In total, costs of SEK 2,059m related to GE Appliances were charged to operating income in 2015 of which SEK 63m in the first quarter, SEK 195m in the second quarter, SEK 142m in the third quarter and SEK 1,659m in the fourth quarter.

All amounts in SEKm unless otherwise stated

Quarterly information

Net sales and income by business area per quarter[2]

SEKM	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Full year 2018	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Full year 2017
Major Appliances Europe, Middle East and Africa										
Net sales	9,640	10,167	10,749	12,176	42,732	8,539	9,304	9,465	11,214	38,524
Operating income	602	–214	792	1,040	2,220	474	561	761	969	2,764
Margin, %	6.2	–2.1	7.4	8.5	5.2	5.6	6.0	8.0	8.6	7.2
Major Appliances North America										
Net sales	8,564	10,549	9,949	9,812	38,875	9,850	11,699	9,544	9,563	40,656
Operating income	–167	612	347	180	972	605	987	719	447	2,757
Margin, %	–1.9	5.8	3.5	1.8	2.5	6.1	8.4	7.5	4.7	6.8
Major Appliances Latin America										
Net sales	4,064	4,274	3,640	5,098	17,076	4,301	3,857	4,132	5,012	17,302
Operating income	34	–56	200	286	464	101	29	77	218	425
Margin, %	0.8	–1.3	5.5	5.6	2.7	2.4	0.8	1.9	4.3	2.5
Major Appliances Asia/Pacific										
Net sales	2,055	2,317	2,238	2,555	9,165	2,010	2,232	2,081	2,437	8,759
Operating income	127	187	174	160	648	112	209	214	215	750
Margin, %	6.2	8.1	7.8	6.2	7.1	5.6	9.4	10.3	8.8	8.6
Home Care & SDA										
Net sales	1,665	1,838	1,733	2,380	7,616	1,759	1,857	1,922	2,269	7,808
Operating income	64	60	69	205	398	60	69	89	214	431
Margin, %	3.8	3.3	4.0	8.6	5.2	3.4	3.7	4.6	9.4	5.5
Professional Products										
Net sales	1,917	2,209	2,135	2,405	8,666	1,742	1,999	1,897	2,085	7,723
Operating income	237	324	280	294	1,134	249	258	272	276	1,054
Margin, %	12.4	14.7	13.1	12.2	13.1	14.3	12.9	14.3	13.2	13.7
Other										
Operating income, common group costs, etc.	–133	–86	–107	–201	–527	–159	–194	–150	–273	–775
Total Group										
Net sales	27,906	31,354	30,444	34,425	124,129	28,201	30,948	29,042	32,580	120,771
Operating income	764	827	1,756	1,963	5,310	1,442	1,919	1,981	2,065	7,407
Margin, %	2.7	2.6	5.8	5.7	4.3	5.1	6.2	6.8	6.3	6.1
Income after financial items	672	748	1,634	1,832	4,887	1,340	1,730	1,895	2,001	6,966
Income for the period	551	517	1,162	1,575	3,805	1,012	1,291	1,440	2,002	5,745
Earnings per share, SEK[1]	1.92	1.80	4.04	5.48	13.24	3.52	4.49	5.01	6.97	19.99
Number of shares after buy-backs, million	287.4	287.4	287.4	287.4	287.4	287.4	287.4	287.4	287.4	287.4
Average number of shares after buy-backs, million	287.4	287.4	287.4	287.4	287.4	287.4	287.4	287.4	287.4	287.4

[1] Basic, based on average number of shares, excluding shares owned by Electrolux.
[2] Electrolux applies the new standard for revenue recognition, IFRS 15 Revenue from Contracts with Customer, as of January 1, 2018. Reported figures for 2017 have been restated to enable comparison.

Sustainability reporting 2018

Electrolux is a global leader in household and professional appliances for kitchen and laundry. Sustainability is part of the business model as a transformational driver. In this section, the Group's sustainability work and the results for 2018 are presented.

Electrolux shapes living for the better by reinventing taste, care and wellbeing experiences, making life more enjoyable and sustainable for millions of people. As a leading global appliance company, we place the consumer at the heart of everything we do. Through our brands, including Electrolux, AEG and Frigidaire, we sell more than 60 million household and professional products in more than 150 markets every year. In 2018, Electrolux had sales of SEK 124 billion and employed 54,000 people around the world. For more information, go to www.electroluxgroup.com.

KEY RESULTS 2018

21/29%

The global Green Range accounted for 21% of total units sold and 29% of gross profit for consumer products in 2018

-17%

CO_2 per manufactured product in 2018 compared to 2017

>7,000

metric tons recycled plastic used in 2018

16

Thirteen local and three global Electrolux Food Foundation projects up and running.

Business model and sustainable development

To achieve the Electrolux purpose – shape living for the better – and drive profitable growth, Electrolux uses a business model that focuses on delivering outstanding consumer experiences in taste, care and wellbeing. The objective is to create a steady stream of consumer-relevant innovations under well-established brands in key experience areas.

With over 60 million home appliances sold annually, Electrolux has long recognized the impact the company has on the environment and in society. Sustainable development is defined as a transformational driver in the business model as the company recognizes the growing importance of sustainability performance and reputation. This includes the impact of Electrolux business operations and products on the planet and society.

Electrolux is continuously making progress on sustainability and is acknowledged as a sustainability leader in the household durables industry.

ELECTROLUX — A LEADER IN THE HOUSEHOLD DURABLES INDUSTRY

ROBECOSAM Sustainability Award Gold Class 2018

MEMBER OF Dow Jones Sustainability Indices In Collaboration with RobecoSAM

Corporate Responsibility Prime rated by oekom research

CDP A LIST 2018 CLIMATE CHANGE

The Group's sustainability performance strengthens relations with investors. In 2018, and for the 12th consecutive year, Electrolux was recognized as a leader in the household durables industry in the prestigious Dow Jones Sustainability Index (DJSI). Electrolux thereby ranks among the top 10% of the world's 2,500 largest companies for social and environmental performance. Additionally, Electrolux has received recognition from other indexes and organizations, including RobecoSAM, CDP and UN Global Compact Top 100. Electrolux is included in the Climate A List by CDP for the third year in a row.

Electrolux in a changing world

The world in which Electrolux operates is constantly changing. Demographic trends are increasing pressure on resources, rapid technological development requires new business approaches, and climate and resource concerns are influencing decision making at all levels. Such global megatrends create challenges for the business – but also bring about business opportunities.

Demographics

Global demographic trends – such as population growth, the growing middle class, an aging population and urbanization – are increasing the demand for home appliances, which puts more pressure on natural resources. In the next 15 years, another billion people are expected to buy their first refrigerator.

Implications for Electrolux:

- Significant growth potential in emerging markets.
- Continued need to improve the environmental performance of products.
- Growing importance of the elderly consumer group and the increasing number of smaller households.
- Potential for new business models, such as shared ownership.

Climate and resources

The need to reduce greenhouse gas emissions, and adapt to a changing climate and resource limitations, will drive manufacturers toward circular business models that promote resource efficiency, cleaner chemistry and waste reduction.

Implications for Electrolux:

- Continued need to improve the environmental performance of products.
- Pressure to reduce water consumption in areas with water scarcity.
- Competition for some metals and minerals.
- Growing importance of the circular economy.
- Expectations to go beyond chemical legislation.

Technology

New technologies are scaled rapidly and globally, with purchasing decisions increasingly influenced by online information and social media. The Internet of Things (IoT) promises to connect billions of products in the near future.

Implications for Electrolux:

- Greater consumer empowerment and awareness requires transparency and sustainable business practices.
- Digitalization will drive the next wave of operational efficiency, including closer integration with suppliers.
- Connectivity offers opportunities for new business models that result in better resource efficiency.
- IoT enables a lifelong relationship between producers and consumers, but requires high standards of data security and privacy.

Materiality

Material issues are topics that reflect the most significant economic, environmental and social impacts.

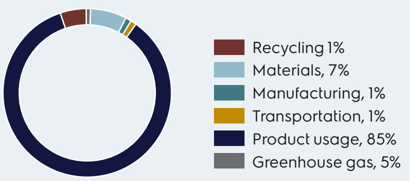
The materiality process aims to identify and understand the topics that are important to stakeholders, as well as to the Group's business strategy. It is an important way of evaluating the ability to create and sustain value.

Electrolux draws on insights from global trends and drivers, market intelligence, product research, internal and external dialogue, expert opinion and consumer surveys, and other sources of information to develop an up-to-date understanding of the prevailing business context.

The material issues have been formulated in the Group's sustainability framework – For the Better – as nine promises with defined 2020 sustainability goals, and supported by key performance indicators (KPIs) (more details in For the Better, page 92).

The correlation between the UN Sustainable Development Goals and Electrolux sustainability framework shows that the Group's materiality analysis reflects societal priorities.

AVERAGE CO_2 IMPACT DURING THE LIFETIME OF APPLIANCES[1)]



The product life-cycle perspective gives guidance for how to best reduce environmental impact by indicating the degree of impact in raw-material extraction, manufacturing, transportation, use and end-of-life treatment. The most significant environmental impact for Electrolux is carbon emissions as a result of energy consumption when products are used. Electrolux is aiming to halve the life-cycle climate impact of its products by 2020 relative to 2005 levels. If successful, this will avoid approximately 25 million metric tons of CO_2- equivalents in emissions.

[1)] The graph is based on the Group's total CO_2 impact used for setting Science Based Targets.

For the Better

The Group's sustainability framework – For the Better – comprises three areas: Better solutions, Better operations and Better society. It includes a target to halve the Group's direct carbon emissions before the end of 2020 and nine promises to make a positive difference for the better.

Better solutions	Better operations	Better society
Improve product performance and efficiency	Ensure the best health and safety	Solutions for healthy and sustainable living for more people
Make better use of resources	Achieve more with less	Be a force for good
Eliminate harmful materials	Respect human rights and ethical principles	Improve supply chain sustainability
Climate targets		

Better solutions

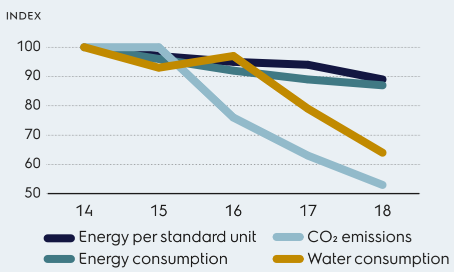
Meeting the growing global market for household appliances without increasing environmental impact requires Electrolux to improve product efficiency even further and to use resources more efficiently.

Constantly improve product performance and efficiency
Tackling climate change and the increasing demand for water are among the most urgent challenges facing society. Electrolux contributes by offering resource-efficient products that help consumers and customers to live better lives, save money and reduce their environmental footprint. In 2018, products with leading environmental performances represented 21% of products sold and 29% of gross profit. One example launched recently is the professional laundry range Line 6000 with strong environmental performance.

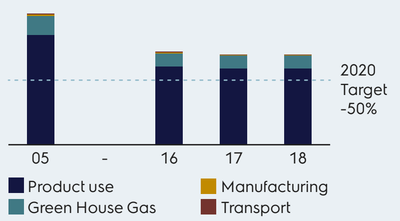
Make better use of resources
Materials used in household appliances are primarily steel, plastic and electronical components. One of the ways of contributing to greater resource efficiency is to increase the use of recycled materials and support initiatives for product recycling. Electrolux has increased activities in all business areas to reach the target of 20,000 metric tons of recycled plastics by 2020.

Eliminate harmful materials
Electrolux has a robust approach to choosing materials for its products and protecting human health and the environment. The Group continues to implement a common process for chemical management. New scientific findings and stakeholder requirements are used to regularly update the Group's Restricted Materials List.

OPERATIONAL RESOURCE EFFICIENCY



ELECTROLUX -50% CLIMATE TARGET FOR 2020



The target is to reduce climate impact by 50% focusing on product efficiency, and it encompasses the main product categories. Sales volumes and emission factors are normalized to 2005

Better operations

With 54,000 employees worldwide and operations in more than 58 countries, Electrolux influences people's daily life around the world. The Group works continuously to be more resource efficient and ensure safe and ethical operations.

Achieve more with less

Efficient use of resources reduces environmental impact and reduces costs. The Green Spirit program, a part of the Electrolux Manufacturing System, has the objective to continuously reduce energy use and to shift to renewables in the Group's operations around the world. In 2018, Electrolux reduced its energy consumption by 2,7% (2.4%) and CO_2 emissions by 14,9% (17.5%) compared to 2017. In 2018, 30% of the total energy used came from renewable sources.

Ensure the best health and safety

The Group's safety mind-set involves preventing accidents and keeping employees safe and sound, no matter where they are in the world. Since 2014, the injury rate has declined by 37% across the Group. The global incident rate (TCIR) was 0.59 (0.6) in 2018.

The approach to safety led to an estimated annual saving of over SEK 39 million in 2018 compared with 2014, based on the average financial costs associated with injuries and the number of injuries that incur lost days.

Always act ethically and respect human rights

Electrolux continues to build an ethical, trusted company, where everyone impacted by the Group's operations can feel confident that their rights are respected. Electrolux has a global ethics program encompassing both training and a whistle-blowing system – the Electrolux Ethics Helpline – and in 2018, 247 (186) Helpline reports were made. Also, as part of the Group's approach to human rights, a local human rights assessment was conducted in Ukraine in 2018.

Better society

As a global company, Electrolux affects millions of people — customers, suppliers and local communities. Electrolux strives to make a difference in society by helping all stakeholders throughout the value chain to become more sustainable and by promoting a positive impact in the communities in which the Group operates.

Solutions for healthy and sustainable living for more people

Electrolux makes efficient appliances accessible to more people, creating opportunities for a better life. As a global company, Electrolux can contribute to a faster transfer of technology to new growing markets. The Group participates in the United 4 Efficiency, a global program supporting developing countries to move their markets to energy-efficient appliances. Resource-efficient solutions improve the lives of people and minimize environmental impacts.

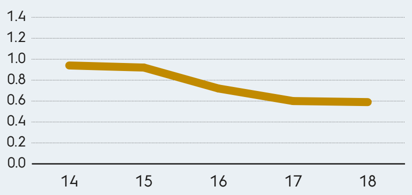
Be a force for good

As a world-leader in kitchen appliances, the Group's community investment activities focus on food — in cooperation with employees and local stakeholders. Actions are facilitated through the Electrolux Food Foundation, and the Feed the Planet partnership together with the World Association of Chefs' Societies (Worldchefs) and the world's largest youth organization AIESEC. In 2018, a strategy to replicate successful project models and scale up the positive impact was established. The objectives are to spread knowledge regarding sustainable food habits and to help people in need. Several local and three global projects were active in 2018. Some 15,000 people were educated and 445,000 food donations were made.

Improve sustainability in the supply chain

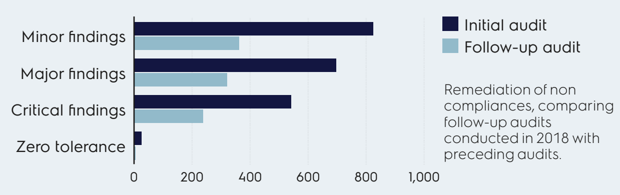
Regardless of where the Group's products and components are manufactured, it must be done with respect for people and care for the environment. As part of its responsible sourcing efforts, Electrolux carried out 399 (387) supplier audits in 2018, and over 6,400 supplier employees were trained in the Electrolux Supplier Workplace Standard and other relevant sustainability issues. Electrolux has cooperated with shippers to reduce the climate impact of container sea transport.

INCIDENT RATE[1)]



[1)] Per 200,000 working hours.

RESPONSIBLE SOURCING AUDIT FINDINGS



Managing sustainability – Risks and Opportunities

Governance

The Group's sustainability framework – For the Better – is directly overseen by the Group Management and the Business Areas' Management teams that have been engaged in the development of the priorities and objectives for the nine promises.

During 2018, a new Electrolux Code of Conduct was introduced, which was approved by the Group Management and the Board. The Code of Conduct is an overarching document of the most important Group policies and directives, and is a guide to the Electrolux way of doing business. In connection with the introduction of the Code of Conduct, the structure of other main steering documents (Group policies) has also been simplified and clarified. From a sustainability reporting perspective, the most relevant Group policies are presented below.

Each business area is responsible for contributing to the fulfillment of the Group's sustainability targets under the nine promises, and several of the KPIs are broken down and monitored at business area level. Reference groups and steering groups with Group Management and senior management participation are in place for various programs; for example, the Ethics & Human Rights Steering Group; Industrial Operations; External Affairs; and Chemicals.

A number of Group functions are accountable for identifying and managing nonfinancial risks in their area of responsibility. Risks are reported to Group Management, and they feed the materiality process.

Key sustainability governance responsibilities:
- Internal Audit evaluates and improves governance, internal control and risk management processes.
- Group Risk Management benchmarks and monitors key risks in operations and critical suppliers.
- Group Legal Affairs is responsible for implementing an anti-corruption program.
- Each Business Area's Sourcing Board is responsible for monitoring supplier compliance, with the support of the Responsible Sourcing Team.
- Group Sustainability Affairs assesses materiality, develops policies, targets, monitors the implementation of programs, and manages the Responsible Sourcing program.
- The Ethics Helpline (whistle-blower function) and programs for ethics and human rights are overseen by the Ethics & Human Rights Steering Group.

Aspect	Environment	Social, labor and human rights	Anti-corruption
Policies	Environmental Policy Workplace Policy	Workplace Policy Supplier Workplace Standard Workplace Directive	Anti-Corruption Policy Conflict of Interest Policy
Key areas	• Product design	• Child and forced labor	• Conflict of interest
	• Efficiency in operations	• Health and safety, working hours, compensation	• Bribes or other improper benefits
	• Influencing legislation	• Discrimination and harassment	• Business partners and customers
	• Environmental management systems	• Freedom of association, collective bargaining	• Political contributions

The full text of Electrolux policies is available at www.electroluxgroup.com/en/category/sustainability/codes-and-policies

Environment

From an entire product life-cycle perspective, Electrolux has a relatively large environmental impact – including energy consumption, use of materials and chemicals. Generally, the most significant impacts occur during a product's use phase, and the Group's strategy is to improve product performance.

The Electrolux Environmental Policy outlines how Electrolux aims to improve environmental performance in production and product use, as well as how to design products for disposal. Requirements in the Group's operations and in supply chain are described in the Workplace Directive. All Electrolux factories with more than 50 employees are required to be ISO 14001 and ISO 50001 certified.

Group requirements on suppliers are described in the Supplier Workplace Standard and the Workplace Directive. Compliance is mandatory when evaluating potential and existing suppliers. The Group's major suppliers of finished products must measure and monitor their energy use and report it through the energy reporting standard. They have also been included in the WWF Water Risk Filter assessment.

Electrolux responds to the annual CDP Climate Change and Water questionnaires, and was included in the Climate Change A-list, and scored as B in CDP Water in 2018.

The Group's proactive approach aims to develop and promote sales of products with lower environmental impact. Readiness for more stringent product legislation, for example, can lead to increased sales. For many years, products with superior environmental performance have delivered higher profit margins.

Electrolux products are affected by legislation including energy consumption, producer responsibility, and management of hazardous substances. Some customers have requirements that go beyond legislation.

The main environmental risks are related to regulatory and customer requirements (see pages 96–97). Not meeting requirements could result in fines or limitations in production permits, reduced sales or product withdrawal. Electrolux has processes in place to mitigate these risks, including ISO management systems, internal audits, a Responsible Sourcing program, and targets in the product development plans.

The Group's programs to reduce operational resource consumption and to introduce more recycled materials in products are saving costs.

In 2018, the Group's Science Based Targets in line with the Paris Agreement (COP 21) were approved.

Social, labor and human rights

Electrolux is built on trust, which means that all actions and decisions must be governed by principles of ethics, integrity, and respect for people and care for the environment – no matter where the Group operates in the world.

Consumers are increasingly making purchasing decisions based on the trust in companies and how they contribute to society. Additionally, employees prefer to work for a company with values that match their own. Respecting human rights and being an ethical company goes beyond simply meeting legal requirements. It is about guiding employees to know what is right and wrong, and how to make decisions accordingly. The goals in For the Better reflect the Group's commitment to build a strong culture for ethics and human rights.

The key human rights risks include freedom of association, discrimination and working conditions. Other risks are privacy of information, and corruption.

The Electrolux Code of Conduct was launched in 2018, and it contains the Group's Human Rights Statement, firmly establishing that human rights shall be respected. This is further detailed through a new Human Rights Directive. The Workplace Policy, the Supplier Workplace Standard and the Workplace Directive contain mandatory requirements relating to labor rights, health, safety and environment within Electrolux and suppliers.

Electrolux monitors performance and manages risks through internal and external audits, an annual self-assessment process for manufacturing units, local human rights assessments, education, the Ethics Helpline, management-labor dialogue, as well as health and safety committees. Risks in the supply chain are addressed through audits and training efforts as part of the Responsible Sourcing program.

Human rights procedures engage many functions throughout the organization, from Human Resources to Purchasing and Global Industrial Operations. Accountability for the ethics program and oversight of human rights lies with the Ethics & Human Rights Steering Group, which comprises senior management representatives from Group functions.

Electrolux conducts human rights impact assessments at both Group and local level. Six issues and three business processes constitute the Group's salient human rights issues. The methodology is in line with the UN Guiding Principles on Business and Human Rights, and good practices for human rights impact assessments. The assessments span the Group's entire activities in the country, including risks at suppliers and customers. In 2018, a local human rights impact assessment was conducted in Ukraine.

Anti-corruption

Corruption poses a threat to sustainable economic and social development around the world and in particular in poor communities. Corruption could also have severe negative impacts for the Group by obstructing business growth, increasing costs and imposing serious legal and reputational risks. Operating in more than 58 countries all over the world, including countries in emerging markets, means that Electrolux is exposed to risks related to corruption and bribery. These risks may arise in several phases of the value chain, such as in purchasing and sales.

Electrolux has zero tolerance for corruption and works continuously to raise awareness among employees in order to minimize the risk for corruption. Measures against corruption are included in the Anti-Corruption Policy, which all employees are required to follow. This policy provides guidance to employees on how to do the right thing and explains what actions constitute unlawful and inappropriate behavior.

Employees can report ethical misconduct through a whistleblower system. In 2018, 247 (186) reports were received, out of which 24 (19) reports in the area of business integrity were investigated. "Business integrity" includes allegations related to corruption, fraud, theft, internal control and anti-trust.

Electrolux conducts Group-wide e-learning courses on anti-corruption. These initiatives complement the tailored training that certain functions such as sales, procurement and senior management receive (more exposed to corruption risks). Such face-to-face training sessions have been conducted locally throughout the organization by either in-house legal counsel or by external experts. Training requirements are continuously monitored and evaluated based on business needs, and the legal and risk context. The local human rights assessments include review and assessment of corruption risks.

76%

of employees trusted that the concerns reported through the Ethics Helpline (Alertline in North America) are handled confidentially and fairly in 2018.

Impacts throughout the value chain

A value chain perspective helps Electrolux identify how it can best manage its impacts and create maximal value.

This approach makes it easier to identify opportunities, minimize or enhance impacts, and understand boundaries. It also helps the company to understand how its actions and impacts are interrelated.

The following section identifies the Group's key sustainability risks and impacts, and how they are managed. It also identifies the degree of influence along the value chain, and the value created for the company and the society.

Product development

Close collaboration between Design, Marketing and R&D enables new products to offer best-in-class consumer experiences. The ambition is to develop solutions with leading environmental performance. Timely innovation is key to meeting forthcoming legal requirements and market demands. The focus is on energy, water and material efficiency, as well as chemical use in appliances.

Risks
- Not meeting regulatory or market requirements.
- Not meeting consumer expectations.

How impacts are managed
- Continuously improve product efficiency.
- Increase use of recycled materials.
- Eliminate harmful materials.
- Integrate future requirements into product development plans.

Ability to influence - High

Generating value
Products with leading environmental performance deliver customer value in line with the business strategy, while reducing negative impact on the environment.

Suppliers

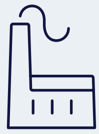
Electrolux relies on several thousand first-tier suppliers, many in emerging markets. The focus is on safeguarding Electrolux standards and developing supplier capacity to improve sustainability performance. Electrolux also requires all its suppliers to comply with Electrolux Supplier Workplace Standard and the Workplace Directive.

Risks
- Connections to social, ethical and human rights violations.
- Severe weather conditions caused by climate change could negatively affect supply.
- Business interruptions due to unethical business practices in the supply chain.

How impacts are managed
- Apply a risk-based approach to identify suppliers in scope.
- Assess the climate impact of key suppliers.
- Conduct auditing to safeguard standards.
- Hold training and drive improvement programs.

Ability to influence - Medium

Generating value
Enforcing Electrolux standards supports human rights and raises environmental, labor and economic standards, particularly in emerging markets. This also builds trust and a resilient supply chain, while reducing business and reputational risks.



Electrolux operations

Electrolux has 53 factories and sales in 150 markets, with approximately 54,000 employees. The main focus areas are to reduce the environmental footprint, maintain high ethical standards and working conditions, as well as to have a positive impact in local communities.

Risks
- Disruptions due to emissions and discharges as a result of incidents.
- Disruptions caused by severe weather as a result of climate change.
- Impact due to social, ethical and human rights violations.
- Corruption related to weak governance.

How impacts are managed
- Apply the environmental management systems and efficiency programs.
- Ensure the best conditions for health and safety. Governance systems and training to enforce sustainability policies.
- Assess the climate impact of operations.
- Support local community programs.

Ability to influence - High

Generating value
Electrolux creates community benefit by providing jobs, knowledge transfer and economic opportunities. Positive employee relationships promote competence development, employee wellbeing and job satisfaction. Local community engagement creates good stakeholder relations, improves employee pride and enhances brand reputation.

Transport

Addressing transportation is part of a life-cycle approach to the Group's overall impacts. Electrolux emits more CO_2 transporting its goods than it emits through the total energy used in the Group operations.

Approximately 300,000 metric tons are emitted annually through the distribution of goods via sea, land and air in Europe, North America and Brazil.

Risks
- Emissions from transportation.
- Labor conditions in logistics companies.

How impacts are managed
- Implement collaborative solutions to mitigate logistics-related impacts.
- Promote efficient modes of transport.

Ability to influence - **Medium**

Generating value
Helping to create a more sustainable transport industry strengthens the Group's brand reputation. Transport is included in the Electrolux carbon target. It also supports suppliers in their work to improve their environmental and labor standards.

Sales

Electrolux sells more than 60 million products in over 150 markets every year, primarily through retailers. Energy and performance labeling, and sustainability communication allow us to raise efficiency awareness among consumers.

Risks
- Failure to effectively inform consumers on product use.
- Not meeting consumer expectations on product efficiency.
- Limited opportunity to influence decision-making at the point-of-purchase.
- Corruption.

How impacts are managed
- Continuously improve product performance and efficiency.
- Improve pre- and point of purchase communication.
- Secure third party endorsement of products (such as best-in-test recognitions).
- Communicate on themes such as food storage, reducing food waste, caring for clothes and textiles.
- Conduct Group-wide trainings on anti-corruption.

Ability to influence - **Medium**

Generating value
Promoting transparency and the Group's sustainable product offering contributes to retailer sustainability goals, strengthens brands and builds customer loyalty. As sales of the Group's Green Range demonstrate, an efficient product offering is a profitable strategy.

Consumer use

As the main environmental impacts of Electrolux products occur when they are used, product energy and water efficiency is a top priority.

Greater use of connected products in the future will help improve optimal product use.

Risks
- Not meeting expectations on product performance.
- Consumers not using products in an optimal way.
- Product safety.
- Data privacy for users of connected products.

How impacts are managed
- Continuously improve product performance and efficiency.
- Prepare for increased data privacy regulation.
- Follow the product safety governance and procedures.
- Increase development and sales of connected products.

Ability to influence - **Medium**

Generating value
Appliances deliver social benefits that many take for granted – such as food preservation, hygiene standards, freeing up time from household chores, and facilitating equal opportunities – factors that are particularly significant in emerging markets. Providing efficient products, raising consumer awareness and increasing appliance connectivity can help counter rising global CO_2 emissions, while reducing food waste and the wear of clothes.

End-of-life

Legislation on appliance recycling is being introduced in more markets. On average, materials account for approximately 7% of a product's life-cycle impact, and Electrolux market research indicates that it is a top priority for consumers.

In Europe, the region with the most comprehensive producer responsibility legislation, 80% of the materials from collected end-of-life large appliances must be recovered.

Risks
- Expectations on producers to take responsibility beyond legislation.
- Waste of resources due to a lack of recycling.
- Illegal trade of discarded products and recycled materials.

How impacts are managed
- Establish more circular business by using recycled materials.
- Eliminate harmful materials to enable higher quality recycled materials and decrease environmental impact.
- Promote proper recycling as part of producer's responsibility.

Ability to influence - **Low**

Generating value
Building resource-efficient and closed-loop systems help reduce environmental impact and overall resource consumption. Innovative designs that allow material reuse saves money and energy, and increases consumer trust in the Electrolux brand.

The sustainability reporting section in the administration report has been developed to fulfill the requirements in the Swedish Annual Accounts Act. For more detailed information on Electrolux and sustainability, please read the Sustainability Report prepared based on the GRI Standards at: www.electroluxgroup.com/sustainability

Sustainability reporting and information

The Electrolux sustainability routines and systems for information and communication aim at providing key stakeholders with accurate, relevant and timely information concerning the targets and results of the Group's sustainability framework, called For the Better.

The sustainability reporting section in the administration report has been developed to fulfill the requirements in the Swedish Annual Accounts Act. This report also highlights how the Group's priorities reflect its commitment to the 10 principles of the UN Global Compact. Unless otherwise indicated, sustainability disclosures include all operations that can potentially affect Group performance for the calendar year 2018.

Sustainability information is shared regularly in the form of:
- Electrolux Sustainability Report, including
  - United Nations Global Compact Communication on Progress
  - United Nations Guiding Principles Reporting Framework
- Sustainability in Brief
- Mandatory reporting regarding transparency in the supply chain
- Press releases
- Meetings with key stakeholders worldwide
- Questionnaires from investors and analysts
- Annual submission to CDP for climate and water

Reports, policies and press releases are available at:
www.electroluxgroup.com

Stockholm, February 14, 2019

AB Electrolux (publ)
Board of Directors

Auditor's report on the statutory sustainability report

To the general meeting of the shareholders in AB Electrolux (publ), corporate identity number 556009-4178.

Engagement and responsibility
It is the board of directors who is responsible for the statutory sustainability report for the financial year 2018-01-01 – 2018-12-31 on pages 90-98 and that it has been prepared in accordance with the Annual Accounts Act.

The scope of the audit
Our examination has been conducted in accordance with FAR's auditing standard RevR 12 The auditor's opinion regarding the statutory sustainability report. This means that our examination of the statutory sustainability report is substantially different and less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

Opinion
A statutory sustainability report has been prepared.

Stockholm, February 15, 2019

Deloitte

Jan Berntsson
Authorized Public Accountant

VISIT OUR REPORT

Electrolux Sustainability Report 2018

www.electroluxgroup.com/sustainability

Corporate governance report 2018

Corporate governance report

Chairman's introduction

As a leading global appliance company, Electrolux shapes living for the better by reinventing taste, care and wellbeing experiences to make life more enjoyable and sustainable for millions of people. Through the Group's different brands, we sell more than 60 million household and professional products in more than 150 markets every year. Our large installed base of 400 million products globally gives us high aftermarket sales potential.

The global landscape in which Electrolux operates is changing. Demographic trends are increasing pressure on resources, rapid technological development requires new business approaches, and climate and resource concerns are influencing decision making at all levels. Such global trends create challenges for the business but also business opportunities for driving profitable growth.

Board's focus areas during the year

The Board sets the Group's strategy and provides the governance framework within which the CEO and the Group Management are mandated to drive the business. To be able to steer the Group and support the Group Management, the Board needs to have a firm grasp of the operational business drivers while also monitoring macro trends. In June, the Board combined visits to Electrolux sites in Italy with a two day board meeting focused on discussing the strategy and drivers for value creation. By visiting the Group's sites the Board gets a firsthand understanding of the business which is essential when setting the strategy and evaluating investments and acquisitions.

An important driver for executing on our profitable growth strategy is increasing the level of modularized products in automated production. Investments in this area strengthen Electrolux competitiveness through innovative offerings focusing on consumer experiences and at the same time increase our efficiency. During the year, investments have been a focus area for the Board as well as initiating the work to evaluate and prepare for the intended separation of our Professional Products business area from the Group, which was announced on January 31, 2019. The Board believes that Electrolux Professional has significant potential for long-term value creation as an agile stand-alone company, which can pursue growth through market consolidation and innovation, and that Electrolux core consumer business also stands to benefit both in terms of growth and margins from a sharpened focus on consumer experience innovation, the aftermarket and emerging markets. The Board expects to provide an update on the preparations and a more detailed time plan around mid-year 2019.

To support the profitable growth ambitions the Board approved several important acquisitions, such as strengthening the beverage offering for Professional Products through the SPM Drink Systems acquisition as well as adding functional sales expertise through the Schneidereit acquisition.

A new Code of Conduct

During 2018, the Board endorsed a new Code of Conduct, which together with the Group policies, are key pillars in our global, decentralized organization. With the Code of Conduct and our other Group policies, we strengthen our corporate culture to ensure that we act consistently and with high ethical standards globally even in countries where local legislation may be weaker. Electrolux has an agile organization, with a strong corporate culture, able to swiftly take advantage of opportunities while acting responsibly and sustainably.

The Corporate governance report

This Corporate Governance Report provides more details of the overall governance structure of Electrolux, the interactions between the formal corporate bodies, internal policies and procedures as well as relevant control functions and reporting, which all combined ensure a robust global governance framework and strong corporate culture.

As newly elected Chairman of Electrolux, I have this first year focused on getting a deeper knowledge about the company and its markets. This has included a close and frequent dialogue with the CEO and his team during the year but also several visits to our operations in Sweden, Germany, Italy, the U.S., Brazil and Thailand. This has given me a chance to get a firsthand impression and to liaise with many engaged, committed and devoted members of our organization. I am confident in our ability to create consumer and shareholder value in the years to come. To continue to stay competitive in a changing market, we are sharpening our offering, organization and business model. All together this will serve us well.

Staffan Bohman
Chairman of the Board

Governance in Electrolux

Electrolux aims at implementing strict norms and efficient governance processes to ensure that all operations create long-term value for shareholders and other stakeholders. This involves the maintenance of an efficient organizational structure, systems for internal control and risk management and transparent internal and external reporting.

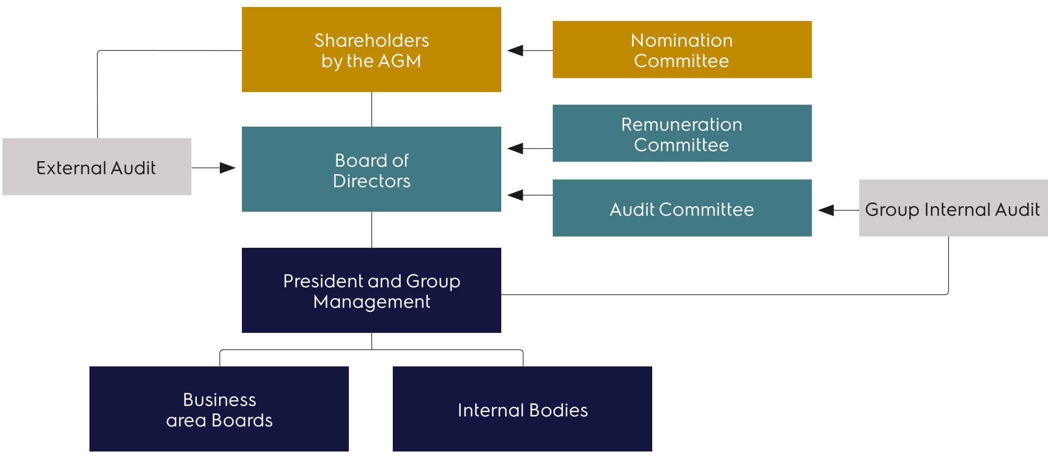
The Electrolux Group comprises approximately 160 companies with sales in more than 150 markets. The parent company of the Group is AB Electrolux, a public Swedish limited liability company. The company's shares are listed on Nasdaq Stockholm.

The governance of Electrolux is based on the Swedish Companies Act, Nasdaq Stockholm's rule book for issuers and the Swedish Code of Corporate Governance (the "Code"), as well as other relevant Swedish and foreign laws and regulations. The Code is published on the website of the Swedish Corporate Governance Board, which administrates the Code: www.corporategovernanceboard.se

This corporate governance report has been drawn up as a part of Electrolux application of the Code. Electrolux does not report any deviations from the Code in 2018. There has been no infringement by Electrolux of applicable stock exchange rules and no breach of good practice on the securities market reported by the disciplinary committee of Nasdaq Stockholm or the Swedish Securities Council in 2018.

Below is Electrolux formal governance structure.

GOVERNANCE STRUCTURE



Major external regulations
- Swedish Companies Act.
- Nasdaq Stockholm's rule book for issuers.
- Swedish Code of Corporate Governance.

Major internal regulations
- Articles of Association.
- Board of Directors' working procedures.
- Policies for information, finance, credit, accounting manual, etc.
- Processes for internal control and risk management.
- Code of Conduct, Anti-Corruption Policy and Workplace Policy.

Electrolux shapes living for the better by reinventing taste, care and wellbeing experiences, making life more enjoyable and sustainable for millions of people. As a leading global appliance company, we place the consumer at the heart of everything we do. Through our brands, including Electrolux, AEG and Frigidaire, we sell more than 60 million household and professional products in more than 150 markets every year. In 2018, Electrolux had sales of SEK 124bn and employed 54,000 people around the world. For more information, go to: www.electroluxgroup.com

AB Electrolux (publ) is registered under number 556009-4178 with the Swedish Companies Registration Office. The registered office of the Board of Directors is in Stockholm, Sweden. The address of the Group headquarters is S:t Göransgatan 143, SE-105 45 Stockholm, Sweden.

Highlights 2018

- Election of Staffan Bohman as a new Board member and Chairman of the Board.
- Election of Deloitte AB as new auditors.
- Performance-based, long-term incentive program for senior management.
- Continued focus on global ethics program and the implementation of a new Code of Conduct.

Shares and shareholders

The Electrolux share is listed on Nasdaq Stockholm. At year-end 2018, Electrolux had 49,870 shareholders according to Euroclear Sweden AB and Holdings. Of the total share capital, 56% was owned by Swedish institutions and mutual funds, 38% by foreign investors and 6% by Swedish private investors, see below. Investor AB is the largest shareholder, holding 16.4% of the share capital and 28.4% of the voting rights. The ten largest shareholders accounted for 42.5% of the share capital and 53.1% of the voting rights in the company.

Voting rights

The share capital of Electrolux consists of Class A shares and Class B shares. One A share entitles the holder to one vote and one B share to one-tenth of a vote. Both A shares and B shares entitle the holders to the same proportion of assets and earnings and carry equal rights in terms of dividends. Owners of A shares can request to convert their A shares into B shares. Conversion reduces the total number of votes in the company. As of December 31, 2018, the total number of registered shares in the company amounted to 308,920,308 shares, of which 8,192,539 were Class A shares and 300,727,769 were Class B shares. The total number of votes in the company was 38,265,316. Class B shares represented 78.6% of the voting rights and 97.3% of the share capital.

Dividend policy

Electrolux target is for the dividend to correspond to at least 30% of the income for the period. For a number of years, the dividend level has been considerably higher than 30%.

The Annual General Meeting (AGM) in April 2018 decided to adopt the Board's proposed dividend of SEK 8.30 per share for the fiscal year 2017 which, in accordance with the Board's proposal, was paid out in two equal installments. The Board of Directors proposes a dividend for the fiscal year 2018 of SEK 8.50 per share to be paid in two equal installments, for a total dividend payment of approximately SEK 2,443m.

Shareholders meeting

General Meetings of shareholders

The decision-making rights of shareholders in Electrolux are exercised at shareholders' meetings. The AGM of AB Electrolux is held in Stockholm, Sweden, during the first half of the year.

Extraordinary General Meetings may be held at the discretion of the Board or, if requested, by the auditors or by shareholders owning at least 10% of all shares in the company.

Participation in decision-making requires the shareholder's presence at the meeting, either personally or by proxy. In addition, the shareholder must be registered in the share register by a stipulated date prior to the meeting and must provide notice of participation in the manner prescribed. Additional requirements for participation apply to shareholders with holdings in the form of American Depositary Receipts (ADR) or similar certificates. Holders of such certificates are advised to contact the ADR depositary bank, the fund manager or the issuer of the certificates in good time before the meeting in order to obtain additional information.

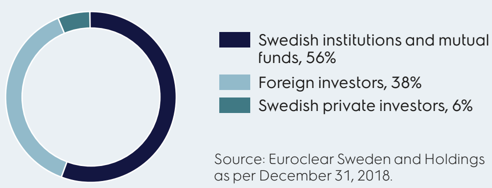
Individual shareholders requesting that a specific issue be included in the agenda of a shareholders' meeting can normally request the Electrolux Board to do so. The last date for making such a request for the respective meeting will be published on the Group's website.

Decisions at the meeting are usually taken on the basis of a simple majority. However, as regards certain issues, the Swedish Companies Act stipulates that proposals must be approved by shareholders representing a larger number of the votes cast and the shares represented at the meeting.

Annual General Meeting 2018

The 2018 AGM was held at the Stockholm Waterfront Congress Centre in Stockholm, Sweden, on April 5, 2018. 1,129 shareholders representing a total of 47.1% of the share capital and 60.3% of the votes were represented at the AGM. The President's speech was broadcasted live via the Group's website and is also available on www.electroluxgroup.com/corporate-governance, together with the minutes. The meeting was held in Swedish, with simultaneous interpretation into English. All Board members, as well as the Group's auditor in charge, were present at the meeting.

OWNERSHIP STRUCTURE



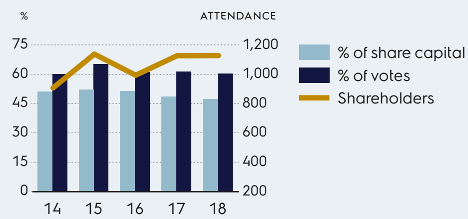
Source: Euroclear Sweden and Holdings as per December 31, 2018.

The foreign ownership has decreased to 38% at year-end 2018 from 51% at year-end 2017.

Foreign investors are not always recorded in the share register. Foreign banks and other custodians may be registered for one or several customers' shares, and the actual owners are then usually not displayed in the register. For additional information regarding the ownership structure, see above.

The information on ownership structure is updated quarterly on the Group's website: www.electroluxgroup.com/corporate-governance

ATTENDANCE AT AGMS 2014–2018



1,129 shareholders representing a total of 47.1% of the share capital and 60.3% of the votes were present at the 2018 AGM.

Decisions at the Annual General Meeting 2018 included:
- Dividend payment of SEK 8.30 per share for fiscal year 2017 to be paid out in two equal installments of SEK 4.15 per share.
- Election of Staffan Bohman as new Board member and re-election of the Board members Petra Hedengran, Hasse Johansson, Ulla Litzén, Bert Nordberg, Fredrik Persson, David Porter, Jonas Samuelson, Ulrika Saxon and Kai Wärn.
- Election of Staffan Bohman as Chairman of the Board, replacing Ronnie Leten who had declined re-election.
- Change of the company's Articles of Association.
- Election of Deloitte AB as new auditors.
- Remuneration to the Board members.
- Approval of remuneration guidelines for Electrolux Group Management.
- Performance-based, long-term incentive program for 2018 covering up to 350 managers and key employees.
- Authorization to acquire own shares and to transfer own shares on account of company acquisitions and to cover costs that may arise as a result of the share program for 2016.

Annual General Meeting 2019

The next AGM of AB Electrolux will be held on Wednesday, April 10, 2019, at Stockholm Waterfront Congress Centre in Stockholm, Sweden.

For additional information on the next AGM and how to register attendance, see page 120.

Nomination Committee

Nomination Committee

The AGM resolves upon the nomination process for the Board of Directors and the auditors. The AGM 2011 adopted an instruction for the Nomination Committee which applies until further notice. The instruction involves a process for the appointment of a Nomination Committee comprised of six members. The members should be one representative of each of the four largest shareholders, in terms of voting rights that wish to participate in the Committee, together with the Chairman of the Electrolux Board and one additional Board member.

The composition of the Nomination Committee shall be based on shareholder statistics from Euroclear Sweden AB as of the last banking day in August in the year prior to the AGM and on other reliable shareholder information which is provided to the company at such time. The names of the representatives and the names of the shareholders they represent shall be announced as soon as they have been appointed. If the shareholder structure changes during the nomination process, the composition of the Nomination Committee may be adjusted accordingly.

The Nomination Committee is assisted in preparing proposals for auditors by the company's Audit Committee and the Nomination Committee's proposal is to include the Audit Committee's recommendation on the election of auditors.

The Nomination Committee's proposals are publicly announced no later than on the date of notification of the AGM. Shareholders may submit proposals for nominees to the Nomination Committee.

Nomination Committee for the AGM 2018

The Nomination Committee for the AGM 2018 was comprised of six members. Johan Forssell of Investor AB led the Nomination Committee's work.

For the proposal for the AGM 2018, the Nomination Committee made an assessment of the composition and size of the current Board as well as the Electrolux Group's operations. Areas of particular interest were Electrolux strategies and goals and the demands on the Board that are expected from the Group's positioning for the future. The Nomination Committee applied rule 4.1 of the Code as diversity policy in its nomination work. The Nomination Committee considered that a breadth and variety as regards age, nationality, educational background, gender, experience, competence and term of office is represented among the Board members.

The Chairman of the Board, Ronnie Leten, had declined re-election and the Nomination Committee proposed Staffan Bohman as new Board member and as Chairman of the Board. After the election at the AGM 2018, three out of nine Board members elected at the shareholders' meeting are women (in this calculation, the President has not been included in the total number of Board members).

The Nomination Committee also proposed, in accordance with the recommendation by the Audit Committee, election of Deloitte AB as the company's new auditors for the period until the end of the AGM 2019.

A report regarding the work of the Nomination Committee was included in the Nomination Committee's explanatory statement that was published before the AGM 2018. Further information regarding the Nomination Committee and its work can be found on the Group's website:
www.electroluxgroup.com/corporate-governance

Nomination Committee for the AGM 2019

The Nomination Committee for the AGM 2019 is based on the ownership structure as of August 31, 2018, and was announced in a press release on September 26, 2018.

The Nomination Committee's members are:
- Johan Forssell, Investor AB, Chairman
- Kaj Thorén, Alecta
- Marianne Nilsson, Swedbank Robur Funds
- Carine Smith Ihenacho, Norges Bank Investment Management
- Staffan Bohman, Chairman of Electrolux
- Fredrik Persson, Board member of Electrolux

The AGM resolves upon:
- The adoption of the Annual Report.
- Dividend.
- Election of Board members and, if applicable, auditors.
- Remuneration to Board members and auditors.
- Guidelines for remuneration to Group Management.
- Other important matters.

The Nomination Committee's tasks include preparing a proposal for the next AGM regarding:
- Chairman of the AGM.
- Board members.
- Chairman of the Board.
- Remuneration to Board members.
- Remuneration for committee work.
- Amendments of instructions for the Nomination Committee, if deemed necessary.
- Auditors and auditors' fees, when these matters are to be decided by the following AGM.

Board of Directors

The Board of Directors

The Board of Directors has the overall responsibility for Electrolux organization and administration.

Composition of the Board

The Electrolux Board is comprised of ten members without deputies, who are elected by the AGM, and three members with deputies, who are appointed by the Swedish employee organizations in accordance with Swedish labor law.

The AGM elects the Chairman of the Board. Directly after the AGM, the Board holds a meeting for formal constitution at which the members of the committees of the Board are elected, among other things. The Chairman of the Board of Electrolux is Staffan Bohman.

All current members of the Board, except for the President, are non-executive members. One of the ten Board members, who are elected by the AGM, is not a Swedish citizen.

For additional information regarding the Board of Directors, see pages 112–113. The information is updated regularly at the Group's website: www.electroluxgroup.com

Independence

The Board is considered to be in compliance with relevant requirements for independence. The assessment of each Board member's independence is presented in the table on page 113.

All Directors except for Petra Hedengran and Jonas Samuelson have been considered independent. Petra Hedengran has been considered independent in relation to the company and the administration of the company, but not in relation to major shareholders of Electrolux. Jonas Samuelson has been considered independent in relation to major shareholders of Electrolux but not, in his capacity as President and CEO, in relation to the company and the administration of the company.

Jonas Samuelson has no major shareholdings, nor is he a part-owner in companies having significant business relations with Electrolux. Jonas Samuelson is the only member of Group Management with a seat on the Board.

The Board's tasks

One of the main tasks of the Board is to manage the Group's operations in such a manner as to assure the owners that their interests in terms of a long-term profitable growth and value creation are being met in the best possible manner. The Board's work is governed by rules and regulations including the Swedish Companies Act, the Articles of Association, the Code and the working procedures established by the Board. The Articles of Association of Electrolux are available on the Group's website: www.electroluxgroup.com/corporate-governance

Working procedures and Board meetings

The Board determines its working procedures each year and reviews these procedures as required. The working procedures describe the Chairman's specific role and tasks, as well as the responsibilities delegated to the committees appointed by the Board.

In accordance with the procedures and the Code, the Chairman shall among other things:

- Organize and distribute the Board's work.
- Ensure that the Board discharges its duties and has relevant knowledge of the company.
- Secure the efficient functioning of the Board.
- Ensure that the Board's decisions are implemented efficiently.
- Ensure that the Board evaluates its work annually.

The working procedures for the Board also include detailed instructions to the President and other corporate functions regarding issues requiring the Board's approval. Among other things, these instructions specify the maximum amounts that various decision-making functions within the Group are authorized to approve as regards credit limits, capital expenditure and other expenditure.

The working procedures stipulate that the meeting for the formal constitution of the Board shall be held directly after the AGM. Decisions at this statutory meeting include the election of members of the committees of the Board and authorization to sign on behalf of the company. In addition to the statutory Board meeting, the Board normally holds seven other ordinary meetings during the year. Four of these meetings are held in conjunction with the publication of the Group's full-year report and interim reports. One or two meetings are held in connection with visits to Group operations. Additional meetings, including telephone conferences, are held when necessary.

The Board's work in 2018

During the year, the Board held eight meetings. All meetings except one were held in Stockholm, Sweden. The attendance of each Board member at these meetings is shown in the table on page 113.

All Board meetings during the year followed an agenda, which, together with the documentation for each item on the agenda, was sent to Board members in advance of the meetings. Meetings usually last for half a day or one entire day in order to allow time for presentations and discussions. Electrolux General Counsel serves as secretary at the Board meetings.

Each scheduled Board meeting includes a review of the Group's results and financial position, as well as the outlook for the forthcoming quarters, as presented by the President. The meetings also deal with investments and the establishment of new operations, as well as acquisitions and divestments. The Board decides on all investments exceeding SEK 100m and receives reports on all investments exceeding SEK 25m.

Normally, the head of a business area also reviews a current strategic issue at the meeting. For an overview of how the Board's work is spread over the year, see the table on pages 106–107.

The Board deals with and decides on Group-related issues such as:

- Main goals.
- Strategic orientation.
- Essential issues related to financing, investments, acquisitions and divestments.
- Follow-up and control of operations, communication and organization, including evaluation of the Group's operational management.
- Appointment of and, if necessary, dismissal of the President.
- Overall responsibility for establishing an effective system of internal control and risk management as well as a satisfactory process for monitoring the company's compliance with relevant laws and other regulations as well as internal policies.

Remuneration to the Board of Directors 2016–2018 (applicable as from the respective AGM)

SEK	2018	2017	2016
Chairman of the Board	2,150,000	2,075,000	2,030,000
Board member	600,000	580,000	560,000
Chairman of the Audit Committee	260,000	250,000	250,000
Member of the Audit Committee	140,000	120,000	95,000
Chairman of the Remuneration Committee	125,000	125,000	120,000
Member of the Remuneration Committee	75,000	75,000	60,000

Key focus areas for the Board during 2018

- Dividend payment for the fiscal year 2017.
- Adapting Electrolux strategy and business model to global industry drivers such as digitalization, consolidation, increased consumer power, sustainability and a growing middle class.
- Initiating the work to evaluate and prepare for a potential separation of Professional Products business area from the Group.
- Investments in manufacturing for increased cost efficiency, through automation and digitalization, mainly in North America and Latin America.
- Acquisitions to broaden Electrolux offering:
  - Schneidereit GmbH, a supplier of professional laundry rental solutions in Germany and Austria.
  - SPM Drink Systems, an Italian based manufacturer of professional dispensers for beverages and ice-cream.
- Divestment of the U.S. commercial and central vacuum cleaner businesses in North America.

Ensuring quality in financial reporting

The working procedures determined annually by the Board include detailed instructions on the type of financial reports and similar information which are to be submitted to the Board. In addition to the full-year report, interim reports and the annual report, the Board reviews and evaluates comprehensive financial information regarding the Group as a whole and the entities within the Group.

The Board also reviews, primarily through the Board's Audit Committee, the most important accounting principles applied by the Group in financial reporting, as well as major changes in these principles. The tasks of the Audit Committee also include reviewing reports regarding internal control and financial reporting processes, as well as internal audit reports submitted by the Group's internal audit function, Group Internal Audit.

The Group's external auditors report to the Board as necessary, but at least once a year. A minimum of one such meeting is held without the presence of the President or any other member of Group Management. The external auditors also attend the meetings of the Audit Committee.

The Audit Committee reports to the Board after each of its meetings. Minutes are taken at all meetings and are made available to all Board members and to the auditors.

Board work evaluation

The Board evaluates its work annually with regard to working procedures and the working climate, as well as regards the focus of the Board work. This evaluation also focuses on access to and requirements of special competence in the Board. The evaluation is a tool for the development of the Board work and also serves as input for the Nomination Committee's work. The evaluation of the Board is each year initiated and lead by the Chairman of the Board. The evaluation of the Chairman is led by one of the other members of the Board. Evaluation tools include questionnaires and discussions.

In 2018, Board members responded to written questionnaires. As part of the evaluation process, the Chairman also had individual discussions with Board members. The evaluations were discussed at a Board meeting.

The result of the evaluations was presented for the Nomination Committee.

Fees to Board members

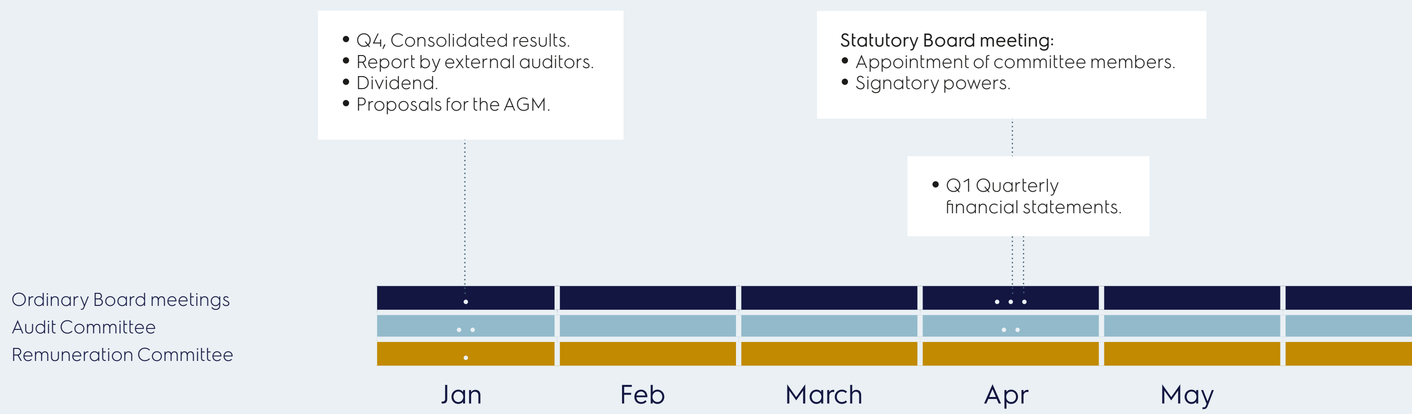
Fees to Board members is determined by the AGM and distributed to the Board members who are not employed by Electrolux. The fees to the Chairman and the Board members was revised during 2018, see page 105.

The Nomination Committee has recommended that Board members appointed by the AGM acquire Electrolux shares and that these are maintained as long as they are part of the Board. A shareholding of a Board member should after five years correspond to the value of one gross annual fee.

Board members who are not employed by Electrolux are not invited to participate in the Group's long-term incentive programs for senior managers and key employees.

For additional information on remuneration to Board members, see Note 27.

OVERVIEW OF VARIOUS ITEMS ON THE BOARD'S AGENDA AND COMMITTEE MEETINGS 2018



Each scheduled Board meeting included a review of the Group's results and financial position, as well as the outlook for the forthcoming quarters.

Remuneration Committee
Audit Committee

Committees of the Board

The Board has established a Remuneration Committee and an Audit Committee. The major tasks of these committees are preparatory and advisory, but the Board may delegate decision-making powers on specific issues to the committees. The issues considered at committee meetings shall be recorded in minutes of the meetings and reported at the following Board meeting. The members and Chairmen of the committees are appointed at the statutory Board meeting following election of Board members.

The Board has also determined that issues may be referred to ad hoc committees dealing with specific matters.

Remuneration Committee

One of the Remuneration Committee's primary tasks is to propose guidelines for the remuneration to the members of Group Management. The Committee also proposes changes in remuneration to the President, for resolution by the Board, and reviews and resolves on changes in remuneration to other members of Group Management on proposal by the President.

The Committee has as from the AGM 2018 consisted of the following three Board members: Petra Hedengran (Chairman), Staffan Bohman and Ulrika Saxon. At least two meetings are convened annually. Additional meetings are held as needed.

In 2018, the Remuneration Committee held four meetings. The attendance of each Board member at these meetings is shown in the table on page 113. Significant issues addressed include resolution on remuneration to new members of Group Management, review and resolution on changes in the remuneration to members of Group Management, follow-up and evaluation of previously approved long-term incentive programs and remuneration guidelines for Group Management and general review and preparation of long-term incentive program and remuneration guidelines for Group Management for 2019. The Head of Human Resources and Organizational Development participated in the meetings and was responsible for meeting preparations.

Audit Committee

The main task of the Audit Committee is to oversee the processes of Electrolux financial reporting and internal control in order to secure the quality of the Group's external reporting. The Audit Committee is also tasked with supporting the Nomination Committee with proposals when electing external auditors.

The Audit Committee has as from the AGM 2018 consisted of the following four Board members: Ulla Litzén (Chairman), Staffan Bohman, Petra Hedengran and Fredrik Persson. The external auditors report to the Committee at each ordinary meeting. At least three meetings are held annually. Additional meetings are held as needed.

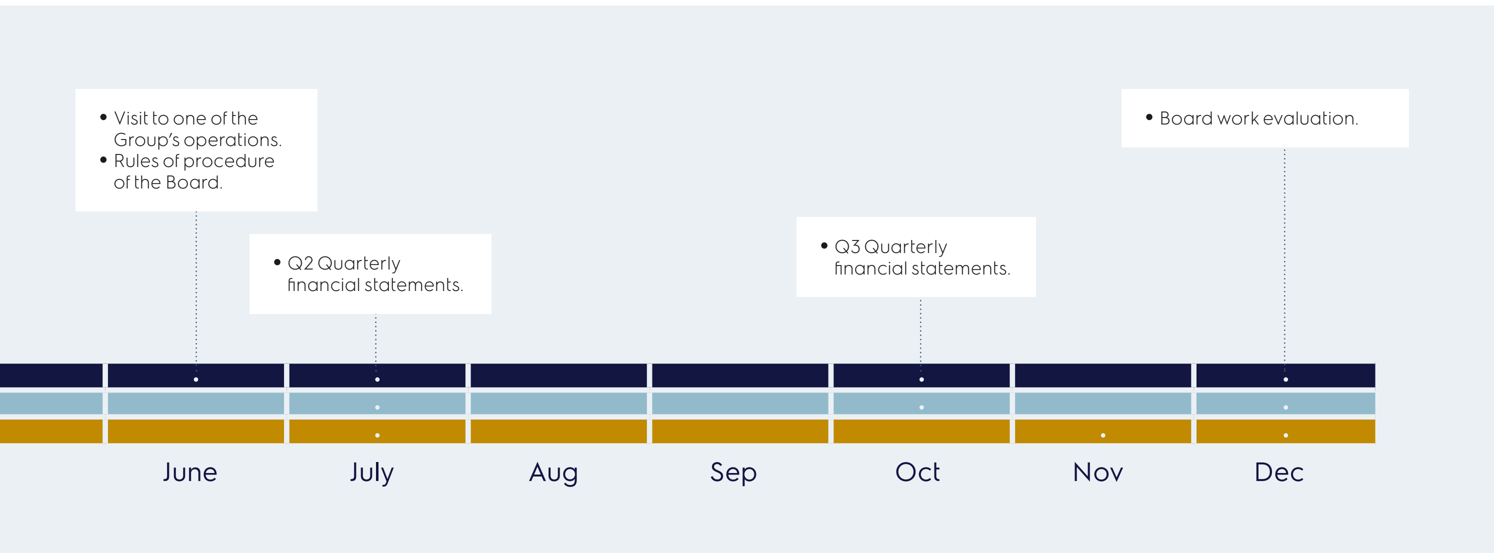
In 2018, the Audit Committee held seven meetings. The attendance of each Board member at these meetings is shown in the table on page 113. Electrolux managers have also had regular contacts with the Committee Chairman between meetings regarding specific issues. The Group's Chief Financial Officer and the Head of Group Internal Audit have participated in the Audit Committee meetings.

The Remuneration Committee's tasks include for example:

- To prepare and evaluate remuneration guidelines for Group Management.
- To prepare and evaluate targets and principles for variable compensation.
- To prepare terms for pensions, notices of termination and severance pay as well as other benefits for Group Management.
- To prepare and evaluate Electrolux long-term incentive programs.

The Audit Committee's tasks include for example:

- To review the financial reporting.
- To monitor the effectiveness of the internal control, including risk management, concerning the financial reporting.
- To follow up the activities of the Group Internal Audit as regards to organization, recruiting, budgets, plans, results and audit reports.
- To review (and from December, 2018 approve) certain credit limits.
- To keep informed of the external audit and the quality control performed by the Supervisory Board of Public Accountants and to evaluate the work of the external auditors.
- To inform the Board of the outcome of the external audit and explain how the audit contributed to the reliability of the financial reporting as well as the role of the Committee in this process.
- To review, and when appropriate, preapprove the external auditors' engagements in other tasks than audit services.
- To evaluate the objectivity and independence of the external auditors.
- To support the Nomination Committee with proposals when electing external auditors.



External Audit

External auditors

The AGM in 2018 elected Deloitte AB (Deloitte) as the Group's new external auditors for one year, until the AGM in 2019. The election of Deloitte was preceded by a thorough procurement process and recommendation by the Audit Committee. Authorized Public Accountant Jan Berntsson is the auditor in charge of Electrolux.

Deloitte provides an audit opinion regarding AB Electrolux, the financial statements of its subsidiaries, the consolidated financial statements for the Electrolux Group and the administration of AB Electrolux. The auditors also conduct a review of the report for the second quarter.

The audit is conducted in accordance with the Swedish Companies Act, International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden.

Audits of local statutory financial statements for legal entities outside of Sweden are performed as required by law or applicable regulations in the respective countries, including issuance of audit opinions for the various legal entities.

At the 2018 Annual General Meeting Deloitte was appointed auditors for the period until the 2019 Annual General Meeting. PricewaterhouseCoopers (PwC) was appointed auditors for the period until the 2018 Annual General Meeting.

	2018	2017	2016
Deloitte			
Audit fees	42	–	–
Audit-related fees	1	–	–
Tax fees	1	–	–
All other fees	1	–	–
Total fees to Deloitte	45	–	–
PwC			
Audit fees	4	41	40
Audit-related fees	1	2	1
Tax fees	–	1	4
All other fees	1	10	4
Total fees to PwC	6	54	49
Audit fees to other audit firms	–	2	–
Total fees to auditors	51	56	49

For details regarding fees paid to the auditors and their non-audit assignments in the Group, see Note 28.

Internal Audit

Group Internal Audit

The internal audit function is responsible for independent, objective assurance, in order to systematically evaluate and propose improvements for more effective governance, internal control and risk management processes.

The process of internal control and risk management has been developed to provide reasonable assurance that the Group's goals are met in terms of efficient operations, compliance with relevant laws and regulations and reliable financial reporting.

Internal audit assignments are conducted according to a risk based plan developed annually and approved by the Audit Committee. The audit plan is derived from an independent risk assessment conducted by Group Internal Audit to identify and evaluate risks associated with the execution of the company strategy, operations, and processes. The plan is designed to address the most significant risks identified within the Group and its business areas. The audits are executed using a methodology for evaluating the design and effectiveness of internal controls to ensure that risks are adequately addressed and processes are operated efficiently.

Opportunities for improving the efficiency in the governance and internal control and risk management processes identified in the internal audits are reported to responsible business area management for action. A summary of audit results is provided to the Audit Board and the Audit Committee, as is the status of management's implementation of agreed actions to address findings identified in the audits.

For additional information on internal control, see pages 116–117. For additional information on risk management, see Note 1, Note 2 and Note 18.

Company Management of Electrolux

Electrolux – a global leader with a purpose to shape living for the better

Electrolux has a strategic framework that connects a consumer experience focused business model with a clear company purpose – Shape living for the better. To achieve the purpose and drive profitable growth, Electrolux uses a business model which focuses on creating outstanding consumer experiences. By creating desirable solutions and great experiences that enrich peoples' daily lives and the health of the planet, Electrolux wants to be a driving force in defining enjoyable and sustainable living. Focus is to invest in innovations that are most relevant for creating the outstanding consumer experience to make great tasting food, the best care for clothes and to increase wellbeing in the home.

Targeted growth and optimization of the product portfolio to the most profitable product categories and products with distinct consumer benefits, will strengthen the presence of Electrolux in the product categories and channels where the Group is most competitive. In addition to organic growth, Electrolux sees a potential to grow through acquisitions. This is supported by a strong foundation of Operational Excellence and Talent, Teamship and Continuous Improvement, as well as three important transformational drivers; Emerging markets acceleration, Digital transformation and Sustainable development. Electrolux objective is to grow with consistent profitability, see the financial targets below.

A sustainable business

Sustainability leadership is crucial to realizing the Electrolux strategy for long-term profitable growth. In 2018, Electrolux most resource-efficient products represented 21% of products sold and 29% of gross profit.

The company takes a consistent approach to sustainability in the countries where Electrolux operates. Understanding and engaging in challenges such as climate change, creating ethical and safe workplaces, and adopting a responsible approach to sourcing and restructuring are important for realizing the business strategy.

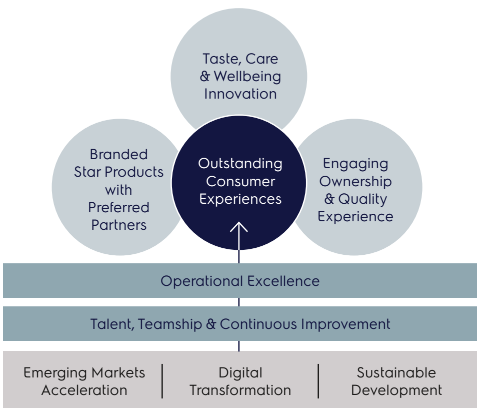
In 2018, Electrolux further developed its Ethics Program and established a new Code of Conduct, setting out the framework of how Electrolux shall conduct its operations in ethical and sustainable ways. The Code of Conduct, which has been endorsed by the Board, serves as an introduction to the Group Policies, and its purpose is to increase the clarity on what the company's principles mean for the employees. An educational campaign for employees has been prepared with a planned rollout during 2019.

The Ethics Program also encompasses a global whistleblowing system – the Ethics Helpline – through which employees can report suspected misconduct in local languages. Reports may be submitted anonymously if legally permitted. The highest number of reports in 2018 related to discrimination and harassment, such as the use of abusive language or disrespectful behavior.

In line with the UN Guiding Principles on Business and Human Rights, Electrolux conducts human rights risk assessments at both global and local levels since 2016. The methodology for the assessments focuses on identifying the risk of harming people, as a direct or indirect result of Electrolux operations, and includes corruption risks as well as opportunities to increase local positive impacts. In 2018, a local assessment was conducted of the company's operations in Ukraine

In 2018, Electrolux maintained the position as industry leader in the Household Durables category in the Dow Jones Sustainability World Index. RobecoSAM publishes the Dow Jones Sustainability Indices (DJSI), which evaluate the performance of the world's leading companies in sustainability – from each industry on a global and regional level, respectively. The evaluation is based on criteria such as corporate governance, risk management, branding, climate change mitigation, supply chain standards and labor practices.

Read more about Electrolux sustainability work: www.electroluxgroup.com/sustainability



Electrolux as a tax payer

One important aspect of Electrolux company purpose – Shape living for the better – is to act as a good corporate citizen and taxpayer wherever Electrolux operates.

Electrolux plays an important role in contributing to public finances in all jurisdictions where the Group operates. The Group has approximately 54,000 employees operating in more than 58 countries and has about 50 manufacturing facilities across five continents.

Of Electrolux total tax contribution, as defined in the below chart, corporate tax represented approximately 13% in 2018. Corporate income taxes are only a portion of the Group's total contribution to public finances in Electrolux markets. In addition to corporate income taxes, Electrolux pays indirect taxes, customs duties, property taxes, employee related taxes, environmental charges and a number of other direct or indirect contributions to governments. The total contribution to public finances for 2018 amounted to approximately SEK 8.0bn whereof approximately half related to emerging markets.

Electrolux most transparent contribution to public finances around the world is corporate income taxes, see Note 10. Corporate income taxes amounted to SEK 1,081m in 2018, representing a global effective tax rate of the Group of 22.1%. Approximately 40% of the total corporate income taxes in 2018 related to the Group's activities in emerging markets.

For more information on Electrolux tax policy, see: www.electroluxgroup.com

ELECTROLUX TOTAL TAXES 2018

Financial targets over a business cycle

The financial goals set by Electrolux aim to strengthen the Group's leading, global position in the industry and assist in generating a healthy total yield for Electrolux shareholders. The objective is growth with improved profitability.

- Sales growth of at least 4% annually.
- Operating margin of at least 6%.
- Capital turnover-rate of at least 4.
- Return on net assets >20%.

Risk assessment

Electrolux monitors and minimizes key risks in a structured and proactive manner. In general, there are two types of risks: Strategic risks and manageable business risks. The strategic risks are related to the Group's strategy and are impacted by the external environment. The business risks comprise of operational and financial risks which are managed by the Group's operational units and Group Treasury, respectively.

Electrolux ability to increase profitability and shareholder value is largely dependent on its success in developing innovative products and create outstanding consumer experiences under strong brands while maintaining cost-efficient operations. Realizing this potential requires effective and controlled enterprise risk management.

Macroeconomic trends, changes in industry dynamics and political risks are factors that impact the appliance industry and the markets in which Electrolux operates. To manage external risks and opportunities, Electrolux puts close attention to understanding the economic and political development in its key markets and pro-actively manage and adapt operations. External risks include, variations in demand, price competition and changes in prices for raw materials. Changing industry dynamics such as digitalization, consolidation and sustainability are other examples. In addition, the Group is exposed to risks related to financial operations, e.g., interest risks, financing risks, currency risks and credit risks.

Risk exposures are managed by internal bodies, see chart below, and business area boards.

The purpose of the internal audit function, Group Internal Audit, is to provide reasonable assurance that the Group's goals are met in terms of efficient operations, compliance with relevant laws and regulations and reliable financial reporting, see pages 116–117.

Management and company structure

Electrolux aims at implementing strict norms and efficient processes to ensure that all operations create long-term value for shareholders and other stakeholders. This involves the maintenance of an efficient organizational structure, systems for internal control and enterprise risk management and transparent internal and external reporting.

The Group has a decentralized corporate structure in which the overall management of operational activities is largely performed by the business area boards.

Electrolux operations have during 2018 been organized into six business areas. Within Major Appliances, the business areas are geographically defined, while the business areas Home Care & SDA and Professional Products are global. On August 16, 2018 it was announced that with effect from January 1, 2019, the Major Appliances organization in Middle East and Africa (MEA), which then was part of Major Appliances Europe, Middle East and Africa (EMEA), will be included in Major Appliances Asia Pacific (APAC). On February 1, 2019, it was announced that the Home Care & SDA business area will be combined with the four current major appliances business areas with immediate effect.

During 2018 six group staff units have supported the business areas: Finance, Legal Affairs, Human Resources and Organizational Development, Marketing and Branding, Global Operations and Communications. As from February 1, 2019, the following group staff functions are being implemented: Finance, Legal Affairs, HR & Communications, Global Operations and Global Consumer Experience organization. The Global Consumer Experience organization is globally responsible for areas such as marketing, design, product lines, digital consumer solutions and ownership experience.

There are also a number of internal bodies which are forums that are preparatory and decision-making in their respective areas, see chart below. Each body includes representatives from concerned functions.

In order to fully take advantage of the Group's global presence and economies of scale, the Group has established Global Operations with the responsibility for product development, purchasing, manufacturing, design and quality.

President and Group Management

President and Group Management

Group Management currently includes the President, the five business area heads and five group staff heads. The President is appointed by and receives instructions from the Board. The President, in turn, appoints other members of Group Management and is responsible for the ongoing management of the Group in accordance with the Board's guidelines and instructions. Group Management holds monthly meetings to review the previous month's results, to update forecasts and plans and to discuss strategic issues.

A diversified management team

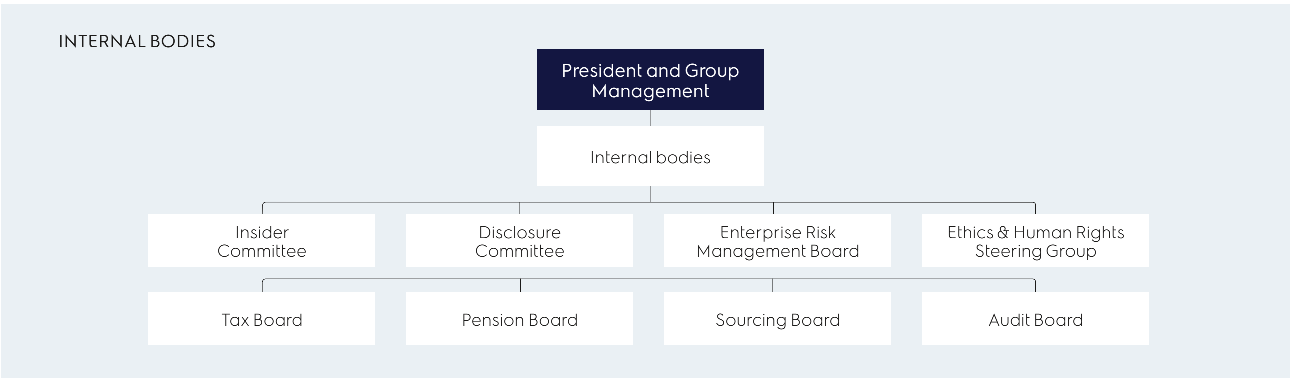
The Electrolux management team, with its extensive expertise, diverse cultural backgrounds and experiences from various markets in the world, forms an excellent platform for pursuing profitable growth in accordance with the Group's strategy. Electrolux Group Management represents seven different nationalities. Most of them have previous experience of predominantly multinational consumer goods companies.

In recent years, a number of major initiatives have been launched aimed at better leveraging the unique, global position of Electrolux. In several areas, global and cross-border organizations have been established to, for example, increase the pace of innovation in product development, reduce complexity in manufacturing and optimize purchasing.

Changes in Group Management

The following changes in the Group management were made with effect from October 1, 2018.

Dan Arler, previous Head of Major Appliances Europe, Middle East and Africa (EMEA) and Executive Vice President of AB Electrolux, was appointed Head of Major Appliances APAC



& MEA and Executive Vice President of AB Electrolux; replacing Kenneth L. Ng, who had decided to retire from the company.

Anna Ohlsson-Leijon, previous Chief Financial Officer (CFO) of AB Electrolux, was appointed Head of Major Appliances Europe and Executive Vice President of AB Electrolux.

Therese Friberg, previous CFO of Major Appliances EMEA, was appointed new CFO of AB Electrolux.

The following changes in the Group management have been announced with effect from February 1, 2019.

Ola Nilsson, previous Head of Home Care & SDA, was appointed Group Chief Experience Officer (CXO) and Executive Vice President of AB Electrolux, and as a consequence of the new organizational structure, the Chief Marketing Officer Lars Hygrell is no longer member of Group Management. Jan Brockmann, Chief Operations Officer was also appointed as Executive Vice President of AB Electrolux.

For details regarding members of Group Management, see pages 114–115
The information is updated regularly at the Group's website:
www.electroluxgroup.com

Key focus areas for the President and Group Management in 2018

- Appointment of new Group Management members.
- Focus on taste, care and wellbeing innovation areas to provide outstanding consumer experiences.
- Program to improve quality and the ownership experience for consumers.
- Product portfolio management to focus on star products for profitable growth.
- Continues improvement to achieve a competitive cost structure.
- Modularization, automation and digitalization within manufacturing.
- Actions to mitigate increased costs for raw material, trade tariffs in North America and currency headwinds, particularly in Latin America.
- Increased investments in manufacturing for further growth and cost efficiency mainly in North America and Latin America.
- Digitalization such as connected appliances and digital commerce.
- Acquisitions to broaden Electrolux offering:
  - —Schneidereit GmbH, a supplier of professional laundry rental solutions in Germany and Austria.
  - —SPS Drink Systems, an Italian based manufacturer of professional dispensers for beverages and ice-cream.
- Divestment of the U.S. commercial and central vacuum cleaner businesses in North America.

Business Area Boards

Business areas

The business area heads are also members of Group Management and have responsibility for the operating income and net assets of their respective business area.

The overall management of the business areas is the responsibility of business area boards, which meet quarterly. The President is the chairman of all such boards. The business area board meetings are attended by the President, the management of the respective business area and the group staff heads. The business area boards are responsible for monitoring on-going operations, establishing strategies, determining business area budgets and making decisions on major investments.

Remuneration

Remuneration to Group Management

Remuneration guidelines for Group Management are resolved upon by the AGM, based on the proposal from the Board. Remuneration to the President is then resolved upon by the Board, based on proposals from the Remuneration Committee. Changes in the remuneration to other members of Group Management is resolved upon by the Remuneration Committee, based on proposals from the President, and reported to the Board.

Electrolux shall strive to offer total remuneration that is fair and competitive in relation to the country of employment or region of each Group Management member. The remuneration terms shall emphasize "pay for performance", and vary with the performance of the individual and the Group.

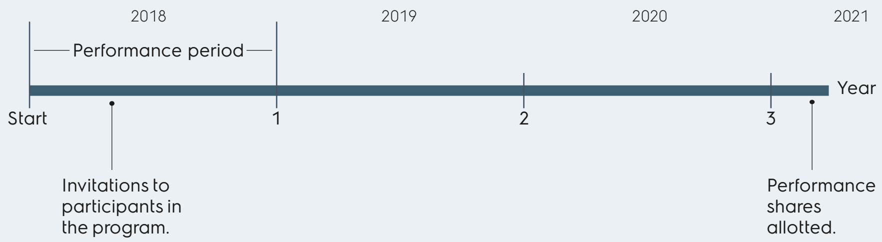
Remuneration may comprise of:
- Fixed compensation.
- Variable compensation.
- Other benefits such as pension and insurance.

Following the "pay for performance" principle, variable compensation shall represent a significant portion of the total compensation opportunity for Group Management. Variable compensation shall always be measured against pre-defined targets and have a maximum above which no pay-out shall be made. The targets shall principally relate to financial performance.

Each year, the Board of Directors will evaluate whether or not a long-term incentive program shall be proposed to the AGM. The AGM 2018 decided on a long-term share program for up to 350 senior managers and key employees.

For additional information on remuneration, remuneration guidelines, long-term incentive programs and pension benefits, see Note 27.

TIME-LINE FOR THE LONG-TERM INCENTIVE PROGRAM FOR SENIOR MANAGEMENT 2018



The calculation of the number of performance shares, if any, is connected to three performance targets for the Group established by the Board; (i) earnings per share (ii) return on net assets, and (iii) adjusted organic sales growth, for the 2018 financial year. Allotment of performance shares, if any, to the participants will be made in 2021.

Board of Directors and Auditors

STAFFAN BOHMAN

Chairman

Born 1949. Sweden. B.Sc. Econ. Elected 2018. Member of the Electrolux Audit Committee and the Electrolux Remuneration Committee.

Other assignments: Chairman of the Board of Ipco AB, Upplands Motor Holding AB and the German-Swedish Chamber of Commerce. Board member of Atlas Copco AB and the Royal Swedish Academy of Engineering Sciences (IVA).

Previous positions: President and CEO of Sapa and DeLaval as well as Board Member of, inter alia., Scania AB, Inter-IKEA Holding NV and Rezidor Hotel Group AB.

Holdings in AB Electrolux: 50,000 B-shares.

JONAS SAMUELSON

President and CEO

Born 1968. Sweden. M.Sc. Econ. Elected 2016.

Other assignments: Board Member of Polygon AB and Axel Johnson AB.

Previous positions: Various senior positions within Electrolux including CFO of AB Electrolux, COO Global Operations Major Appliances and Head of Major Appliances EMEA. Chief Financial Officer and Executive Vice President of Munters AB. Various positions within General Motors, mainly in the U.S., and Saab Automobile AB.

Holdings in AB Electrolux: 32,070 B-shares.

PETRA HEDENGRAN

Born 1964. Sweden. M. of Laws. Elected 2014. Chairman of the Electrolux Remuneration Committee and member of the Electrolux Audit Committee.

Other assignments: General Counsel and member of Group Management of Investor AB. Board Member of Alecta and the Association for Generally Accepted Principles in the Securities Market (Sw. Föreningen för god sed på värdepappersmarknaden).

Previous positions: Attorney and partner at Advokatfirman Lindahl. Various positions within the ABB Financial Services including General Counsel of ABB Financial Services, Nordic Region. Law Clerk with the Stockholm District Court. Associate at Gunnar Lindhs Advokatbyrå.

Holdings in AB Electrolux: 9,000 B-shares.

HASSE JOHANSSON

Born 1949. Sweden. M.Sc. in Electrical Engineering. Elected 2008.

Other assignments: Chairman of the Board of Dynamate Industrial Services AB and Uniter AB. Board Member of Autoliv Inc., PowerCell Sweden AB, Skyllbergs Bruk AB, CalixKlippan Group AB, DevPort AB and SEM Electromagnet Holding AB.

Previous positions: Executive Vice President and Head of R&D of Scania CV AB. Founder of Mecel AB (part of Delphi Corporation). Various senior management positions within Delphi Corporation.

Holdings in AB Electrolux: 4,000 B-shares.

ULLA LITZÉN

Born 1956. Sweden. B.Sc. Econ. and M.B.A. Elected 2016. Chairman of the Electrolux Audit Committee.

Other assignments: Board Member of Epiroc AB, Husqvarna AB, NCC AB and Ratos AB.

Previous positions: President of W Capital Management AB, wholly-owned by the Wallenberg Foundations. Various leading positions within the Investor Group including Managing Director and member of Group Management of Investor AB.

Holdings in AB Electrolux: 4,000 B-shares.

BERT NORDBERG

Born 1956. Sweden. Engineer. Elected 2013.

Other assignments: Chairman of the Board of Vestas Wind Systems A/S. Board Member of Svenska Cellulosa Aktiebolaget SCA, Axis Communications AB, Essity AB and Saab Group.

Previous positions: Chairman, President and CEO of Sony Mobile Communications AB. Various leading positions within the Ericsson Group. Various positions within Data General Corporation and Digital Equipment Corporation.

Holdings in AB Electrolux: 3,000 B-shares.

FREDRIK PERSSON

Born 1968. Sweden. M.Sc. Econ. Elected 2012. Member of the Electrolux Audit Committee.

Other assignments: Chairman of the Board of JM AB, the Confederation of Swedish Enterprise (Sw. Svenskt Näringsliv) and ICC Sweden. Board Member of Hufvudstaden AB, ICA Gruppen AB and Ahlström Capital Oy.

Previous positions: Various leading positions within Axel Johnson AB including President and CEO. Head of Research of Aros Securities AB. Various positions within ABB Financial Services AB.

Holdings in AB Electrolux: 3,000 B-shares.

DAVID PORTER

Born 1965. USA. Bachelor's degree, Finance. Elected 2016.

Other assignments: Head of Microsoft Stores, Corporate Vice President, Microsoft Corp.

Previous positions: Head of Worldwide Product Distribution at DreamWorks Animation SKG. Various positions within WalMart Stores, Inc.

Holdings in AB Electrolux: 1,250 B-shares.

ULRIKA SAXON

Born 1966. Sweden. Studies in Economics. Elected 2011. Member of the Electrolux Remuneration Committee.

Other assignments: President and CEO of Bonnier Ventures. Board Member of SF Studios, Adlibris, KIT Story Engine, FLX, Refunder and partner in AI Sustainability Center.

Previous positions: Senior positions within the Bonnier Group including CEO of Bonnier Magazines. Board engagements in TocaBoca, United Screens. Senior positions within marketing and consultancy.

Holdings in AB Electrolux: 2,000 B-shares.

KAI WÄRN

Born 1959. Sweden. M.Sc. in Mechanical Engineering. Elected 2017.

Other assignments: President and CEO of Husqvarna AB. Board Member of Husqvarna AB.

Previous positions: Operations Partner at IK Investment Partners Norden AB. President and CEO of Seco Tools AB. Various positions within ABB.

Holdings in AB Electrolux: 4,000 B-shares.

EMPLOYEE REPRESENTATIVES

VIVECA BRINKENFELDT-LEVER

Born 1960. Representative of the Federation of the Salaried Employees in Industry and Service. Elected 2018.

Board meeting attendance:[1] 4/8

Holdings in AB Electrolux: 0 shares.

1) Elected December 1, 2018. Previously deputy member.

ULF CARLSSON

Born 1958. Representative of the Swedish Confederation of Trade Unions. Elected 2001.

Board meeting attendance: 8/8

Holdings in AB Electrolux: 0 shares.

PETER FERM

Born 1965. Representative of the Federation of Salaried Employees in Industry and Services. Elected 2018.

Board meeting attendance:[2] 6/8

Holdings in AB Electrolux: 0 shares.

2) Elected April 5, 2018. Previously deputy member.

EMPLOYEE REPRESENTATIVES, DEPUTY MEMBERS

MONICA ANNALA

Born 1966. Representative of the Confederation of Trade Unions. Elected 2018.

Holdings in AB Electrolux: 0 shares.

RICHARD DELLNER

Born 1953. Representative of the Federation of Salaried Employees in Industry and Services. Elected 2013.

Holdings in AB Electrolux: 500 B-shares.

JOACHIM NORD

Born 1966. Representative of the Federation of Salaried Employees in Industry and Services. Elected 2018.

Holdings in AB Electrolux: 0 shares.

SECRETARY OF THE BOARD

MIKAEL ÖSTMAN
Born 1967. M. of Laws and B.Sc. Econ. General Counsel of AB Electrolux.

Secretary of the Electrolux Board since 2017.

Holdings in AB Electrolux: 8,369 B-shares.

COMMITTEES OF THE BOARD OF DIRECTORS

Remuneration Committee
Petra Hedengran (Chairman), Staffan Bohman and Ulrika Saxon.

Audit Committee
Ulla Litzén (Chairman), Staffan Bohman, Petra Hedengran and Fredrik Persson.

AUDITORS

Deloitte AB

JAN BERNTSSON
Born 1964. Authorized Public Accountant.

Other audit assignments: Kinnevik AB and Boliden AB.

Holdings in AB Electrolux: 0 shares.

At the Annual General Meeting in 2018, Deloitte AB was elected as new auditors for a period of one year until the Annual General Meeting in 2019.

Holdings in AB Electrolux are stated as of December 31, 2018 and includes holdings of related natural and legal persons, when applicable.

THE BOARD'S REMUNERATION DURING 2018, MEETING ATTENDANCE AND INDEPENDENCE

	Total remuneration 2018, '000 SEK	Board meeting attendance	Remuneration Committee attendance	Audit Committee attendance	Independence[2]
Staffan Bohman[1]	1,827	6/8	3/4	5/7	Yes
Ronnie Leten[1]	544	2/8	1/4		Yes
Petra Hedengran	942	8/8	4/4	7/7	No
Hasse Johansson[3]	775	7/8			Yes
Ulla Litzén	938	8/8		7/7	Yes
Bert Nordberg	595	8/8			Yes
Fredrik Persson	775	8/8		6/7	Yes
David Porter	595	8/8			Yes
Jonas Samuelson	–	8/8			No
Ulrika Saxon	695	8/8	4/4		Yes
Kai Wärn	595	8/8			Yes

1) Ronnie Leten resigned as Board member and Chairman of the Board, and Staffan Bohman replaced him, at the AGM in April 2018.
2) For further information about the independence assessment, see page 105.
3) The total remuneration 2018 for Hasse Johansson includes compensation for work relating to investments, modularization and quality.

Group Management

JONAS SAMUELSON

President and CEO

Born 1968. Sweden. M.Sc. in Business Administration and Economics. In Group Management and employed since 2008.

Other assignments: Board Member of Polygon AB and Axel Johnson AB.

Previous positions: Various senior positions within Electrolux including CFO of AB Electrolux, COO Global Operations Major Appliances and Head of Major Appliances EMEA. Chief Financial Officer and Executive Vice President of Munters AB. Various senior positions within General Motors, mainly in the U.S., and Saab Automobile AB.

Holdings in AB Electrolux: 32,070 B-shares.

THERESE FRIBERG

Chief Financial Officer

Born 1975. Sweden. B.Sc. in Business Administration. In Group Management since 2018 and employed since 1999.

Previous positions: CFO of Electrolux Major Appliances EMEA. Other senior positions within Electrolux including Head of Group Business Control and Sector Controller Home Care & SDA.

Holdings in AB Electrolux: 6,259 B-shares

DANIEL (DAN) ARLER

Head of Major Appliances Asia Pacific, Middle East and Africa, Executive Vice President

Born 1969. The Netherlands. B.Sc. in Marketing. In Group Management since 2016 and employed since 2002.

Previous positions: Head of Electrolux Major Appliances EMEA. Other senior positions within Electrolux including General Manager of Electrolux Japan and Senior Vice President Product Line Kitchen in Major Appliances EMEA. Management positions in Stanley Works Europe and the Whirlpool Corporation in Europe.

Holdings in AB Electrolux: 9,702 B-shares.

JAN BROCKMANN

Chief Operations Officer, Executive Vice President

Born 1966. Germany. M.Sc. in Mechanical Engineering, M.B.A. In Group Management since 2011 and employed since 2010.

Previous positions: Various senior positions within Electrolux including Group Chief Technology Officer and Head of R&D, Electrolux Major Appliances. Various senior product management positions within Volkswagen Group. Project Manager Automotive/Restructuring in Roland Berger Strategy Consultants GmbH. Key Account and General Management positions within Valeo Group.

Holdings in AB Electrolux: 10,514 B-shares.

RICARDO CONS

Head of Major Appliances Latin America, Executive Vice President

Born 1967. Brazil. Bachelor in Business Administration, Finance and Marketing, MBA in Team Management. In Group Management since 2016 and employed since 1997–2011 and 2016.

Previous positions: Management positions at Franke in Brazil. Various senior positions at Electrolux Brazil, including President Small Appliances Latin America, Sales and Marketing Director Major Appliances. Positions in Volvo Brazil.

Holdings in AB Electrolux: 0 shares.

OLA NILSSON

Chief Experience Officer, Executive Vice President

Born 1969. Sweden. M.Sc. in International Business Administration. In Group Management since 2016 and employed since 1994.

Previous positions: Head of Home Care & Small Domestic Appliances. Various senior positions within Electrolux including Senior Vice President, Product Line Laundry Major Appliances EMEA and President Small Appliances Asia Pacific.

Holdings in AB Electrolux: 5,235 B-shares

Holdings in AB Electrolux are stated as of December 31, 2018 and includes holdings of related natural and legal persons, when applicable.

ANNA OHLSSON-LEIJON

Head of Major Appliances Europe, Executive Vice President

—

Born 1968. Sweden. B.Sc. in Business Administration and Economics. In Group Management since 2016 and employed since 2001.

Other assignments: Board member of Alfa Laval AB.

Previous positions: Chief Financial Officer of AB Electrolux. Other senior positions within Electrolux including CFO of Electrolux Major Appliances EMEA and Head of Electrolux Corporate Control & Services. Chief Financial Officer of Kimoda. Various positions within PricewaterhouseCoopers.

Holdings in AB Electrolux: 8,798 B-shares.

ALAN SHAW

Head of Major Appliances North America, Executive Vice President

—

Born 1963. USA. B.S. in Economics and Political science, M.B.A. in Marketing. In Group Management and employed since 2016.

Previous positions: Executive Vice President at Husqvarna AB. President and Chief Executive Officer at Char-Broil LLC. President and Chief Executive Officer at Murray Group. Various senior management positions in Asia-Pacific and North America at Whirlpool. Marketing Director at a Whirlpool JV, Consul, in Brazil. Product management positions at Whirlpool Corporation.

Holdings in AB Electrolux: 0 shares.

LARS WORSØE PETERSEN

Head of HR & Communications, Senior Vice President

—

Born 1958. Denmark. M.Sc. in Economics and Business Administration. In Group Management since 2011 and employed since 1994–2005 and 2011.

Previous positions: Head of Group Staff Human Resources at Husqvarna AB, 2005–2011. Various senior positions within Electrolux including Head of Human Resources for Electrolux Major Appliances North America and Head of Electrolux Holding A/S in Denmark.

Holdings in AB Electrolux: 18,102 B-shares.

ALBERTO ZANATA

Head of Professional Products, Executive Vice President

—

Born 1960. Italy. University degree in Electronic Engineering with Business Administration. In Group Management since 2009 and employed since 1989.

Previous positions: Senior management positions within Electrolux including Head of Professional Products in North America and senior management positions in Electrolux Professional Products.

Holdings in AB Electrolux: 27,468 B-shares.

MIKAEL ÖSTMAN

General Counsel, Senior Vice President

—

Born 1967. Sweden. M. of Laws and B.Sc. Econ. In Group Management since 2017 and employed since 2002.

Previous positions: Various senior positions within Electrolux including Head of Electrolux Corporate Legal Department and Head of Electrolux Legal Affairs Europe. Corporate Counsel at Telia Mobile AB. Lawyer at Advokatfirman Vinge. Law Clerk with the Stockholm District Court.

Holdings in AB Electrolux: 8,369 B-shares.

CHANGES IN GROUP MANAGEMENT ANNOUNCED ON FEBRUARY 1, 2019

The following changes in the Group Management have been announced with effect from February 1, 2019.

Ola Nilsson, previous Head of Home Care & SDA, was appointed Group Chief Experience Officer (CXO) and Executive Vice President of AB Electrolux, and as a consequence of the new organizational structure, the Chief Marketing Officer Lars Hygrell is no longer member of Group Management. Jan Brockmann, Chief Operations Officer was also appointed as Executive Vice President of AB Electrolux.

Internal control over financial reporting

The Electrolux Control System (ECS) has been developed to ensure accurate and reliable financial reporting and preparation of financial statements in accordance with applicable laws and regulations, generally accepted accounting principles and other requirements for listed companies. The ECS adds value through clarified roles and responsibilities, improved process efficiency, increased risk awareness and improved decision support.

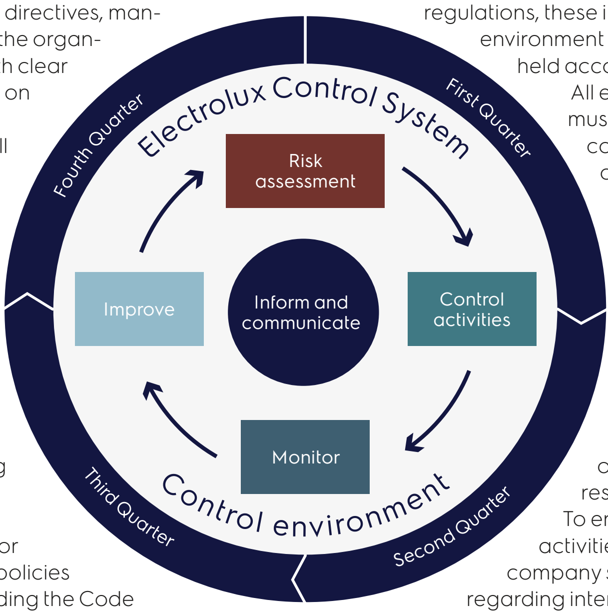
The ECS is based on the Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The five components of this framework are control environment, risk assessment, control activities, monitor and improve and inform and communicate.

Control environment

The foundation for the ECS is the control environment, which determines the individual and collective behavior within the Group. It is defined by policies and directives, manuals, and codes, and enforced by the organizational structure of Electrolux with clear responsibility and authority based on collective values.

The Electrolux Board has overall responsibility for establishing an effective system of internal control. Responsibility for maintaining effective internal controls is delegated to the President. The governance structure of the Group is described on page 102. Specifically for financial reporting, the Board has established an Audit Committee, which assists in overseeing relevant policies and important accounting principles applied by the Group.

The limits of responsibilities and authorities are given in directives for delegation of authority, manuals, policies and procedures, and codes, including the Code of Conduct, the Workplace Policy, and the Anti-Corruption Policy, as well as in policies for information, finance, and in the accounting manual. Together with laws and external regulations, these internal guidelines form the control environment and all Electrolux employees are held accountable for compliance.



All entities within the Electrolux Group must maintain adequate internal controls. As a minimum requirement, control activities should address key risks identified within the Group. Group Management have the ultimate responsibility for internal controls within their areas of responsibility. Group Management is described on pages 114–115.

The ECS Program Office, a department within the Group Internal Audit function, has developed the methodology and is responsible for maintaining the ECS. To ensure timely completion of these activities, specific roles aligned with the company structure, with clear responsibilities regarding internal control, have been assigned within the Group.

CONTROL ENVIRONMENT — EXAMPLE

Code of Conduct
Minimum standards in the area of environment, health and safety, labor standards and human rights. The Code of Conduct is mandatory for Electrolux units.

Group Finance Policy
Details the general framework for how financial operations shall be organized and managed within the Group. The policy contains directives and other mandatory standards issued by the Group Finance organization.

Credit Directive
Rules for customer assessment and credit risk that clarify responsibilities and are the framework for credit decisions.

Delegation of Authority Directive
Details the approval rights, with monetary, volume or other appropriate limits, e.g., approval of credit limits and credit notes.

Internal Control Directive
Details responsibility for internal controls. Controls should address the Minimum Internal Control Requirements (MICR) within every applicable process, for example "Order to Cash".

Accounting Manual
Accounting principles and reporting instructions for the Group's reporting entities are contained in the Electrolux Accounting Manual. The Accounting Manual is mandatory for all reporting units.

Risk assessment

Risk assessment

Risk assessment includes identifying risks of not fulfilling the fundamental criteria, i.e., completeness, accuracy, valuation and reporting for significant accounts in the financial reporting for the Group as well as risk of loss or misappropriation of assets.

At the beginning of each calendar year, the ECS Program Office performs a global risk assessment to determine the reporting units, data centers and processes in scope for the ECS activities. Within the Electrolux Group, a number of different processes generating transactions that end up in significant accounts in the financial reporting have been identified. All larger reporting units perform the ECS activities.

The ECS has been rolled out to almost all of the smaller units within the Group. The scope for smaller units is limited in terms of monitoring as management is not formally required to test the controls.

Control activities

Control activities

Control activities mitigate the risks identified and ensure accurate and reliable financial reporting as well as process efficiency.

Control activities include both general and detailed controls aimed at preventing, detecting and correcting errors and irregularities. In the ECS, the following types of controls are implemented, documented and tested:

- Manual and application controls – to secure that key risks related to financial reporting within processes are controlled.
- IT general controls – to secure the IT environment for key applications.
- Entity-wide controls – to secure and enhance the control environment.

Monitor

Improve

Monitor and Improve

Monitor and test of control activities is performed periodically to ensure that risks are properly mitigated.

The effectiveness of control activities is monitored continuously at four levels: Group, business area, reporting unit, and process. Monitoring involves both formal and informal procedures applied by management, process owners and control operators, including reviews of results in comparison with budgets and plans, analytical procedures, and key-performance indicators.

Within the ECS, management is responsible for testing key controls. Management testers who are independent of the control operator perform these activities. Group Internal Audit maintains test plans and performs independent testing of selected controls. Controls that have failed must be remediated, which means establishing and implementing actions to correct weaknesses.

The Audit Committee reviews reports regarding internal control and processes for financial reporting. Group Internal Audit proactively proposes improvements to the control environment. The head of Group Internal Audit has dual reporting lines: To the President and the Audit Committee for assurance activities, and to the CFO for other activities.

Inform and communicate

Inform and communicate

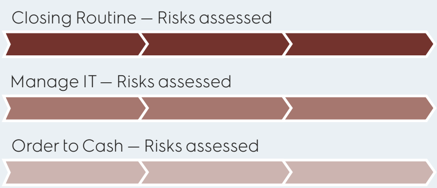
Inform and communicate within the Electrolux Group regarding risks and controls contributes to ensuring that the right business decisions are made.

Guidelines for financial reporting are communicated to employees, e.g., by ensuring that all manuals, policies and codes are published and accessible through the Group-wide intranet as well as information related to the ECS.

To inform and communicate is a central element of the ECS and is performed continuously during the year. Management, process owners and control operators in general are responsible for informing and communicating the results within the ECS.

The status of the ECS activities is followed up continuously through status meetings between the ECS Program Office and coordinators in the business areas. Information about the status of the ECS is provided periodically to business area and Group Management, the Audit Board and the Audit Committee.

ENTERPRISE RISK ASSESSMENT – EXAMPLE



CONTROL ACTIVITIES – EXAMPLE

Process	Risk assessed	Control activity
Closing Routine	Risk of incorrect financial reporting.	Reconciliation between general ledger and accounts receivable sub-ledger is performed, documented and approved.
Manage IT	Risk of unauthorized/incorrect changes in the IT environment.	All changes in the IT environment are authorized, tested, verified and finally approved.
Order to Cash	Risk of not receiving payment from customers in due time.	Customers' payments are monitored and outstanding payments are followed up.
Order to Cash	Risk of incurring bad debt.	Application automatically blocks sales orders/deliveries when the credit limit is exceeded.

Financial reporting and information

Electrolux routines and systems for information and communication aim at providing the market with relevant, reliable, correct and vital information concerning the development of the Group and its financial position. Specifically for purposes of considering the materiality of information, including financial reporting, relating to Electrolux and ensuring timely communication to the market, a Disclosure Committee has been formed.

Electrolux has an information policy meeting the requirements for a listed company.

Financial information is issued regularly in the form of:

- Full-year reports and interim reports, published as press releases.
- The Annual Report.
- Press releases on all matters which could have a significant effect on the share price.
- Presentations and telephone conferences for financial analysts, investors and media representatives on the day of publication of full-year and quarterly results.
- Meetings with financial analysts and investors in Sweden and worldwide.

All reports, presentations and press releases are published at: www.electroluxgroup.com/ir

Stockholm, February 14, 2019

AB Electrolux (publ)
The Board of Directors

Auditor's report on the Corporate Governance Statement

To the general meeting of the shareholders in AB Electrolux (publ), corporate identity number 556009-4178

Engagement and responsibility

It is the board of directors who is responsible for the corporate governance statement for the year 2018 on pages 100–118 and that it has been prepared in accordance with the Annual Accounts Act.

The scope of the audit

Our examination has been conducted in accordance with FAR's auditing standard RevU 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

Opinions

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2–6 the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the annual accounts and the consolidated accounts and are in accordance with the Annual Accounts Act.

Stockholm, February 15, 2019

Deloitte AB

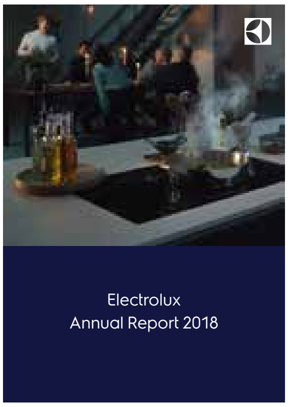
Jan Berntsson
Authorized Public Accountant

Factors affecting forward-looking statements

This annual report contains "forward-looking" statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. Such statements include, among others, the financial goals and targets of Electrolux for future periods and future business and financial plans. These statements are based on current expectations and are subject to risks and uncertainties that could cause actual results to differ materially due to a variety of factors. These factors include, but may not be limited to the following; consumer demand and market conditions in the geographical areas and industries in which Electrolux operates, effects of currency fluctuations, competitive pressures to reduce prices, significant loss of business from major retailers, the success in developing new products and marketing initiatives, developments in product liability litigation, progress in achieving operational and capital efficiency goals, the success in identifying growth opportunities and acquisition candidates and the integration of these opportunities with existing businesses, progress in achieving structural and supply-chain reorganization goals.

Events and reports

The Electrolux website www.electroluxgroup.com/ir contains additional and updated information about such items as the Electrolux share and corporate governance as well as a platform for financial statistics.



Electrolux Annual Report 2018
www.electroluxgroup.com/annualreport2018

Electrolux Annual Review 2018
www.electroluxgroup.com/annualreports/2018

Electrolux Interim Reports
www.electroluxgroup.com/ir

Electrolux Sustainability Report (GRI) 2018
www.electroluxgroup.com/sustainabilityreport2018

Financial reports and major events in 2019

1 Feb	27 Mar	10 Apr	26 Apr	18 Jul	25 Oct
Consolidated report	Capital Markets Day	Annual General Meeting	Interim report January–March	Interim report January–June	Interim report January–September

Electrolux subscription service can be accessed at
www.electroluxgroup.com/subscribe

Investor Relations www.electroluxgroup.com/ir

Annual General Meeting

The Annual General Meeting will be held at 5 pm on Wednesday, April 10, 2019, at Stockholm Waterfront Congress Centre, Nils Ericsons plan 4, Stockholm, Sweden.

Participation

Shareholders who intend to participate in the Annual General Meeting must

- be registered in the share register kept by the Swedish central securities depository Euroclear Sweden AB on Thursday, April 4, 2019, and
- give notice of intent to participate, to Electrolux on Thursday, April 4, 2019, at the latest.

Notice of participation

Notice of intent to participate can be given

- on the Group's website; www.electroluxgroup.com/agm2019
- by telephone +46 8 402 92 79, on weekdays between 9 am and 4 pm
- by mail to
  AB Electrolux
  c/o Euroclear Sweden AB
  Box 191
  SE-101 23 Stockholm
  Sweden

Notice should include the shareholder's name, personal identity or registration number, address, telephone number and the number of assistants attending, if any. Shareholders may vote by proxy, in which case a power of attorney should be submitted to Electrolux well in advance of the Annual General Meeting.

Proxy forms in English and Swedish are available on the Group's website: www.electroluxgroup.com/agm2019

Shares registered by trustee

Shareholders that have their shares registered in the name of a nominee must, in addition to giving notice of participation in the meeting, temporarily be recorded in the share register in their own names (so called voting-rights registration) to be able to participate in the General Meeting. In order for such registration to be effectuated on Thursday, April 4, 2019, shareholders should contact their bank or trustee well in advance of that date.

Dividend

The Board of Directors proposes a dividend for the fiscal year 2018 of SEK 8.50 per share, for a total dividend payment of approximately SEK 2,443m (2,385). The proposed dividend corresponds to approximately 64% (42) of income for the period. The dividend is proposed to be paid in two equal installments, the first with the record date Friday, April 12, 2019, and the second with the record date Friday October 11, 2019. The first installment is estimated to be paid on Wednesday, April 17, 2019 and the second installment on Wednesday, October 16, 2019.

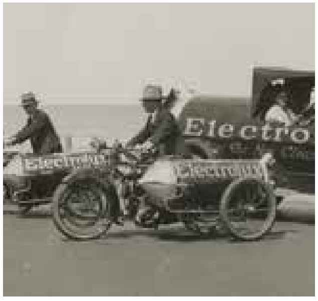
Proposal for election of board members to Annual General Meeting

In preparation for the Annual General Meeting, the Nomination Committee has in January 2019 proposed the re-election of all board members except Bert Nordberg, who has declined re-election. Staffan Bohman was proposed to be re-elected as Chairman of the Board of Directors, and Petra Hedengran, Hasse Johansson, Ulla Litzén, Fredrik Persson, David Porter, Jonas Samuelson, Ulrika Saxon and Kai Wärn as Board members.

DATES REGARDING THE AGM 2019

2018 September	2019 January	March	April		October
26 Nomination Committee appointed for AGM 2019	28 Proposals from Nomination Committee presented	6 Notice to AGM estimated to be published	4 Deadline for notice of intent to participate in AGM and registration in share register 10 AGM 2019	12 Proposed record date for the first installment of the dividend payment 17 Estimated date for payment of first installment of dividend	11 Proposed record date for the second installment of the dividend payment 16 Estimated date for payment of second installment of dividend

Founded in Sweden in 1919
by entrepreneur Axel Wenner-Gren



1920s The Electrolux salesmen sold vacuum cleaners all over the world, supported by innovative marketing methods like the vacuum cleaner car.

1930s The innovative and completely silent absorption fridge could run on either electricity or gas, and became a global success.

1940s The launch of the groundbreaking Assistent food processor was Electrolux first venture into cooking products.

1950s Electrolux legendary "floating wing" W20 washing machine helped to shorten the time consuming and cumbersome laundry process considerably.

1960s The "Luxomatic" vacuum cleaner was launched in 1964 and had innovations like an adjustable nozzle and a cord winder.

1970s The Datalux cooker launched in 1978 had an electronic rear control panel featuring a digital clock and a timer.

1980s The legendary Electrolux "Troika" with Anders Scharp, Hans Werthén and Gösta Bystedt made Electrolux into a global appliance company through hundreds of acquisitions.

1990s The prototype of the world's first robotic vacuum cleaner, the Trilobite, was presented in 1997.

2000s The innovative battery-driven vacuum cleaner Ergorapido was launched in 2004 following systematic product development and consumer tests.

2010s Electrolux expanded its offering of connected appliances, here with Google Assistant.

100 years of better living

In 2019, Electrolux turns 100 years. Founded in Sweden in 1919 by entrepreneur Axel Wenner-Gren, Electrolux has shaped living for the better for 100 years by reinventing what great taste, care and wellbeing experiences mean for our consumers.

The Electrolux story is rich with groundbreaking innovations and bold entrepreneurship, as well as with cutting edge sales and marketing methods. It's a history of rapid expansion and acquisitions, as well as of consumer insight and world-class design. All in the midst of major trends like globalization and digitalization.

By creating more enjoyable and sustainable living for hundreds of millions of people around the world, we have not only impacted the lives of our consumers, but also the societies in which they live.

During 2019, we will highlight and celebrate all these achievements, but more importantly we will look forward by putting our purpose into action and positively impact the world's greatest challenge: the way we all live our lives. 2019 will therefore be the starting point for our most important initiative: a global, long-term action plan to create a more enjoyable and sustainable future.

More information about this and our history will be displayed at the Annual General Meeting.

Electrolux

AB ELECTROLUX (PUBL), 556009-4178

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ANNUAL REVIEW ON THE WEB
www.electroluxgroup.com/annualreports/2018