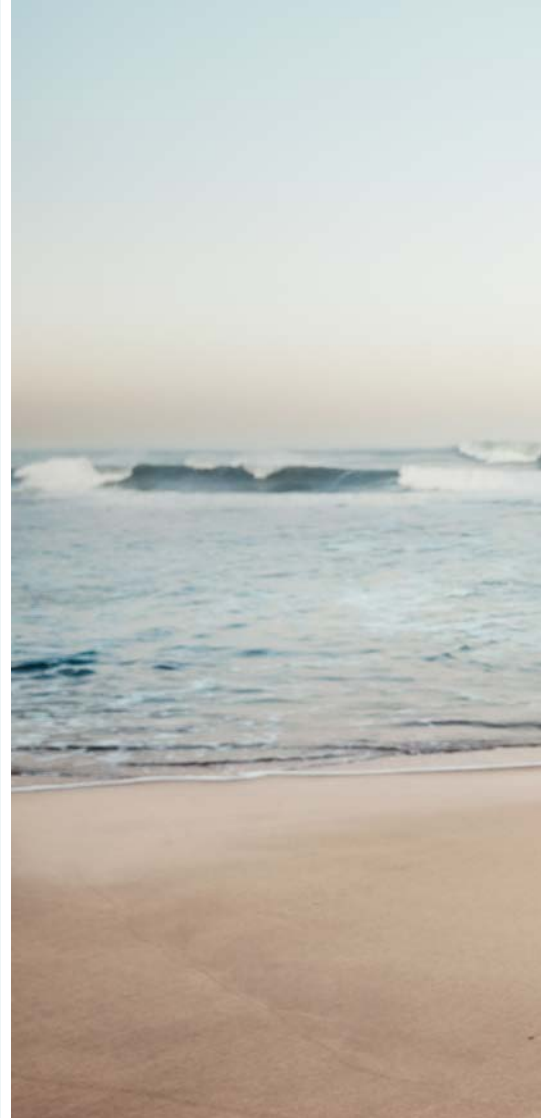




# Electrolux Annual Report 2020

# Well positioned to create value

A strong focus on innovation to improve the consumer experience and a track record of successfully driving cost efficiency are important competitive assets. A solid balance sheet facilitates profitable growth. This makes Electrolux well positioned to continue to deliver shareholder value.







#### GLOBAL LEADER

Electrolux is a global leader in household appliances. 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 digital transformation, modularized product architectures, automation and flexibility in production. Sustainability is a key business driver, and a solid balance sheet facilitates profitable growth.



**116**  
SALES  
BILLION SEK

**48**  
THOUSAND  
EMPLOYEES

**60**  
MILLION PRODUCTS  
SOLD ANNUALLY

**120**  
MARKETS

The figures above are for the consumer business, continuing operations, excluding the discontinued Electrolux Professional operations.

## Table of contents

### CEO STATEMENT

|   |    |
|---|----|
| Strategy reinforced in an exceptional year  | 5  |
| Financials 2020                             | 7  |
| Driving profitable growth                   | 8  |
| Sustainability at the heart of our strategy | 11 |
| Creating shareholder value                  | 13 |

### REPORTING

|                                       |     |
|---------------------------------------|-----|
| Report by the Board of Directors      | 14  |
| Notes                                 | 39  |
| Proposed distribution of earnings     | 77  |
| Auditors' report                      | 78  |
| Eleven-year review                    | 82  |
| Operations by business area, yearly   | 84  |
| Quarterly information                 | 85  |
| Sustainability reporting              | 86  |
| Climate-Related Financial Disclosures | 95  |
| Corporate governance report           | 100 |
| Remuneration report                   | 119 |

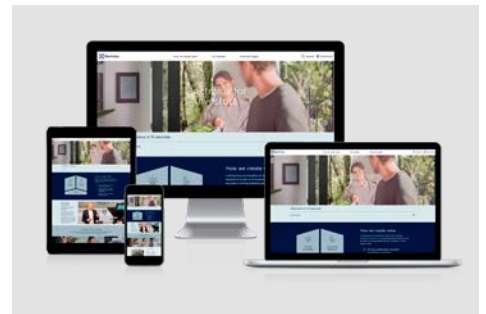
|                        |     |
|------------------------|-----|
| Events and reports     | 122 |
| Annual General Meeting | 123 |

### CONTINUING OPERATIONS

The CEO statement on pages 4–13 in this report includes the consumer business, continuing operations, following the listing of the business area Professional Products (Electrolux Professional) as a separate company in March 2020. Electrolux Professional is accounted for as discontinued operations, for more information see Note 26.

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 14–77. The Annual Report is published in Swedish and English.

### ELECTROLUX INVESTOR RELATIONS ONLINE



Please find more information about business development, strategy and business areas on the Electrolux Investor Relations webpage:  
[www.electroluxgroup.com/ir](http://www.electroluxgroup.com/ir)

### SUSTAINABILITY

The Electrolux sustainability framework and execution are described in the Sustainability reporting section on pages 86–94. The full Electrolux Sustainability Report is published online in March 2021 at:  
[www.electroluxgroup.com/sustainabilityreport2020](http://www.electroluxgroup.com/sustainabilityreport2020)



Electrolux, AEG and Zanussi are registered trademarks of AB Electrolux. For further information about trademarks, please contact Electrolux Group Intellectual Property, Trademark.

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



Jonas Samuelson,  
Electrolux President and CEO

# Strategy reinforced in an exceptional year

The coronavirus pandemic in 2020 had a severe impact on all aspects of society, including on our consumers and our business. We have all experienced challenging times but I believe that our execution and consumers' response validate that we have the right strategy in place. The financial performance improved significantly during the year as a consequence of an attractive product offer and agile execution.

The world is facing a global pandemic that has affected us all in unprecedented ways, both personally and professionally. Our top priorities have been to safeguard the health and safety of our employees and to ensure business continuity. Not least because household appliances are essential for the daily lives of consumers.

Our strategy as well as our agile way of working helped us to manage the challenges and uncertainty, as well as respond to changing consumer needs, brought about by the pandemic. I am pleased how we managed the situation during the year by quickly adapting to the

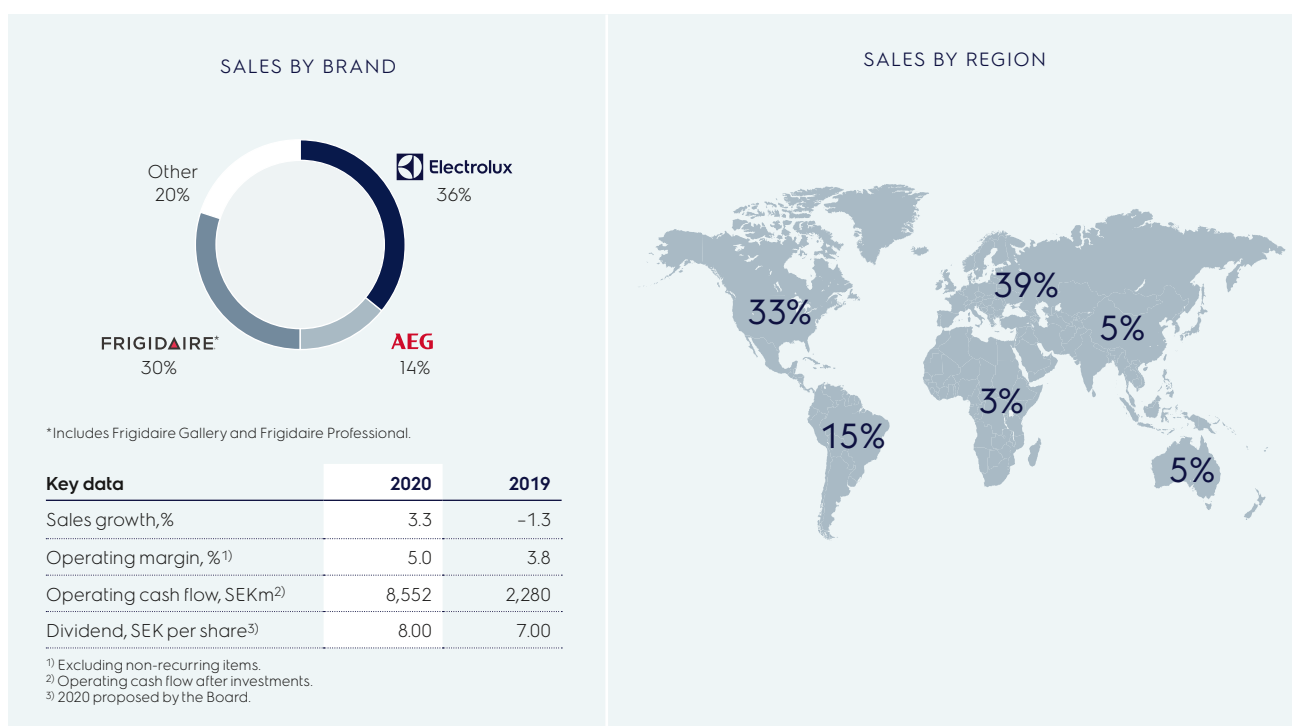
changing market, to ensure we took the right measures at the right time.

#### Responding to new situations

Following a sharp decline in demand during the onset of the coronavirus pandemic in first half of 2020, we implemented temporary cost and cash mitigation actions. These included significantly reduced discretionary spending and reprioritizing capital expenditure by deferring and scaling back investments. Cost efficiency is a key part of our business culture, and the pandemic illustrated how we as an organization can quickly respond to a volatile market environment.

Sales increased in the second half of the year driven mainly by pent-up consumer demand, people spending more time at home and government stimulus programs. Again, our agile business enabled us to quickly switch from implementing cost savings to capture the strong increase in consumer demand.

I am extremely proud of how we as an organization have navigated this challenging year that put our entire company to the test. Importantly, for me it validated that we have the right strategy in place and that we quickly can act on challenges as well as seize opportunities. ►





Due to the pandemic, consumers spent more time at home during 2020 and became more digital.

► **The digital consumer - well-informed and empowered**

Our strategy is founded on five industry trends, with sustainability and increasing consumer power driven by digitalization being most important. A consequence of the coronavirus pandemic was how it rapidly transformed consumer behavior. This affected long-term market trends for example by accelerating consumer power and digitalization.

Consumers spent more time at home due to the pandemic and became more digital. Online purchases increased and consumers became more interested in

high-quality appliances with features and benefits that enhance their user experience. Consumers using their appliances more intensively during the pandemic and allocating more of their household budgets to home improvement projects also benefitted our sales. This, in combination with our relentless focus on consumer experience innovation, has continued to improve demand for our more highly featured products, driving a favorable product mix. We also strengthened our online marketing and communication capabilities to capture the growing online and e-commerce trend. We also saw con-

sumers paying more attention to health and hygiene in the home environment, and an increased need for products that can boost wellbeing in the home, such as vacuum cleaners, air and water purifiers, dishwashers and washing machines.

During the pandemic, sustainability became even more important for consumers. Even before the pandemic, we knew that two thirds of global consumers are willing to pay more for sustainable goods.\* These changes in consumer behavior make our strategy more relevant than ever. ►

\*Eco Ethical Report, June 2019.



The global household appliance market is being transformed by five major trends. While these changes place demands on investments and economies of scale, they also present major opportunities.



## Financials 2020

### Business overview

The year was highly volatile with a challenging first half followed by a strong recovery during the second half. This resulted in a significant financial performance improvement for the year, with an operating margin of 5.0% compared to 3.8% last year, excluding non-recurring items. Electrolux organic sales increased 3.2%, although more than offset by currency translation relating to the stronger Swedish Krona, resulting in a small reported net sales decline.

The organic sales growth was driven by improved mix through selling more innovative premium products as well as higher net prices, while sales of lower-end products were decreased. After-market sales, which is one of the Group's strategic focus areas, increased significantly, accounting for 7% of sales.

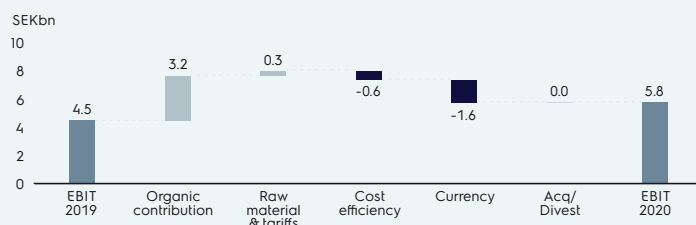
In **Europe**, market demand was positive, both in Eastern Europe and in Western Europe. For Electrolux operations, brand and product mix contributed strongly to sales and earnings, while volumes of lower-end products declined, resulting in higher sales and operating margin. The premium brands Electrolux and AEG performed well and gained value market share. Currency headwinds impacted earnings negatively, while costs for raw material were lower.

In **North America**, market demand increased during the year. For Electrolux operations, both price and mix improved while volumes were lower. The proactive price and mix management, as well as high growth in aftermarket sales, resulted in a significant earnings improvement for the year. The improvement was limited, however, by lower production volumes as a result of capacity constraints. Those were mostly due to the coronavirus situation affecting the industry as a whole, but also a result of inefficiencies in the ongoing manufacturing consolidation of the U.S. freezer/fridge production into a new, highly automated facility in Anderson.

In **Latin America** consumer demand is estimated to have increased, driven by the Brazilian market. Electrolux operations had a positive mix development, partly from increased sales of high-end products. All main markets had strong growth in online sales. Significant price increases outweighed large currency headwinds.

In **Asia-Pacific, Middle East and Africa**, the Australian market grew strongly, while markets in Southeast Asia declined due to lockdowns and recession. For Electrolux operations, both price and mix developed favorably, while volumes declined slightly. Electrolux in Australia had a significant organic growth with price increases and successful product launches. Operational efficiencies and lower costs for raw material impacted earnings positively. Operating income and margin improved significantly.

OPERATING INCOME BRIDGE<sup>1)</sup>



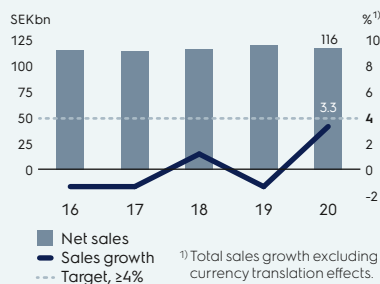
<sup>1)</sup> Excluding non-recurring items

Our focus on consumer driven innovation continued to impact operating income (EBIT) positively. Also in 2020, we strengthened our platform for future profitable growth through additional efficiency measures and extensive re-engineering investments in automated and modularized manufacturing.

OPERATING MARGIN



SALES GROWTH



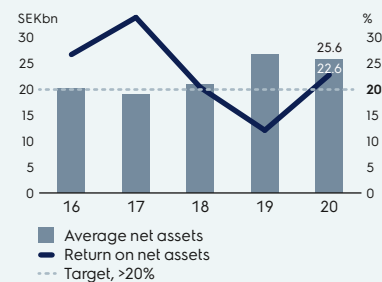
To reach the growth target, we are continuing to strengthen our positions in core markets, new markets and segments.

CAPITAL TURNOVER-RATE



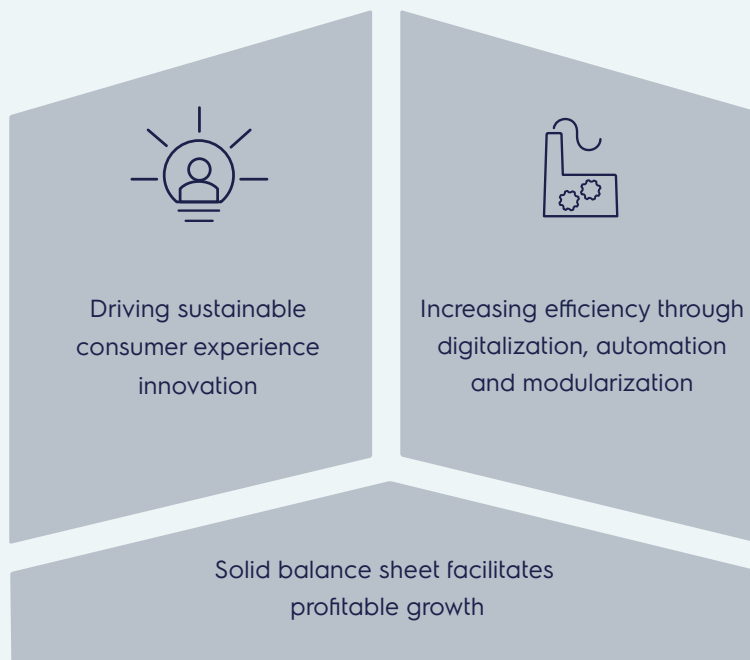
Reducing the amount of capital tied up in operations creates opportunities for profitable growth.

RETURN ON NET ASSETS



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

Note: Targets are over a business cycle. All figures in the graphs above exclude the discontinued business area Professional Products.



Financial targets for profitable growth\*



\* Financial targets are over a business cycle  
 \*\* Return on net assets

Strong focus on sustainable consumer experience innovation and increasing operational efficiency through modularized products in automated production are key drivers for profitable growth, supported by a solid balance sheet.

#### ► Driving profitable growth

Electrolux first financial priority is to reach our objective of at least 6% operating margin with high balance sheet efficiency. Once that is achieved, additional value will be driven by accelerating profitable growth of at least 4%. Our two key drivers for profitable growth are sustainable consumer experience innovation and increasing efficiency through modularized products in automated production. A solid balance sheet enables us to invest to drive profitable growth.

#### Sustainable consumer experience innovation

Product innovation based on consumer insight enables us to develop our offering based on the needs and expectations of consumers. This driver proved to be more important than ever during the coronavirus pandemic. It continued to guide us in offering the right type of products that are preferred by consumers.

The attractive, high-margin aftermarket business is a focus area for us. We strengthen our position by investing in digital capability to interact individually with consumers, extending the service,

consumable and accessories product offering and promoting consumer loyalty.

We know that strong brands grow faster, are more profitable and more resilient. Our three main brands Electrolux, AEG and Frigidaire are all well-established and account for around 80% of our gross profit. They target distinct consumer groups with potential to attract a larger audience.

An example of our product innovation paying off is the external recognition we received during the year, such as being top ranked in five different categories by Reviewed.com in the U.S., including ►

## Three clear innovation areas

We shape living for the better by reinventing taste, care and wellbeing experiences for more enjoyable and sustainable living.



### Taste

Enabling users to prepare great-tasting food.

As a kitchen appliance leader, we want our products to enable consumers to prepare food with the right taste and texture, minimize food waste, and create healthy and nutritious meals. We continuously add new functionalities in terms of control, interaction and innovative digital technologies.

By enabling consumers to achieve excellent culinary results, we inspire people to eat and live more enjoyably and sustainably. The Frigidaire AirFry cooker is one of our commercially successful products that promotes healthier cooking.

Cookers, hobs, ovens, hoods, microwave ovens, refrigerators and freezers.

### Care

Enabling users to care for their clothes so they stay new for longer.

Our laundry products offer consumers outstanding garment care, water and energy efficiency, and effective low temperature washing. Demand for Electrolux washing machines and tumble dryers is driven by innovations that promote user-friendliness and garment care through tailored and adaptive programs combined with leading resource efficiency.

We create care solutions that make it easier for consumers to make better choices for their wardrobe, their life and the planet, so they can love their clothes for longer. Our Electrolux PerfectCare 800/900 washers in Europe ensure clothes retain their size, shape and vibrancy, and are wrinkle free.

Washing machines, tumble dryers and dishwashers.



### Wellbeing

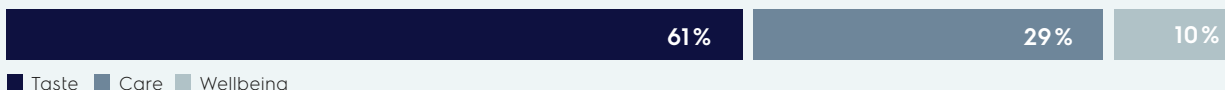
Enabling users to achieve healthy wellbeing in their homes.

We strive to create wellbeing products that are differentiated by their visual appeal, and how they promote healthy indoor environments and sustainable living. Electrolux vacuum cleaners and air-conditioning equipment reduce harmful allergens and pollutants in the home.

Our high-performance wellbeing solutions are easy to use, accessible and versatile. The Electrolux PureQ9 vacuum cleaner is one of our products that efficiently removes fine dust from floors, while being ergonomic and quiet.

Vacuum cleaners, air-conditioning equipment, water heaters, heat pumps, small domestic appliances and accessories.

#### SHARE OF SALES



► ‘Best refrigerator’ and ‘Best front-load washer’. We also had great success with our recently launched built-in kitchen range under the Electrolux brand in Europe, read more on page 12.

As a sustainability leader in the appliance industry, we focus on sustainable product innovation, including improving energy and water efficiency of our products. During the year, we further integrated sustainability and product R&D into our consumer experience teams. We have defined targets and KPIs for each major product category where efficiency standards exist.

#### Modularized products in automated production

Our SEK 8bn re-engineering investment program at Electrolux is crucial to strengthen cost competitiveness and drive profitable growth through increased modularization and automation in the Americas and Europe. Our global modularized product platforms are key to continue to drive innovation going forward in a competitive way.

The re-engineering investment at our Curitiba plant in Brazil was successfully completed during the year, while our investments in North America and São

Carlos in Brazil experienced delays due to the coronavirus situation. This of course pushes cost savings from these investments forward, but I want to emphasize that we still expect our re-engineering and streamlining initiatives to generate approximately SEK 3.5bn of annual cost savings, with full effect from 2024. We are also accelerating investments in digitally integrating our manufacturing and supply chains. ►

### ■ CASE - INCREASING EFFICIENCY THROUGH DIGITALIZATION, AUTOMATION AND MODULARIZATION



## Enhancing competitiveness in Brazil



In 2020, Electrolux completed a significant investment in its Curitiba plant in Brazil to enhance competitiveness through greater efficiency and flexibility.

Electrolux saw the opportunity to make its Curitiba refrigeration/freezer plant more competitive by improving cost effectiveness and increasing flexibility, while strengthening its position in the growing two-door refrigerator segment.

#### Modularization and new product platform

When redesigning the Curitiba plant, standardized global modular product platforms were used. Product modularization drives profitable growth as it speeds up innovation by leveraging global technologies, increases flexi-

bility, and allows a sharpened offering with more relevant features at a lower cost with best-in-class quality.

The Curitiba investment enabled a new product platform geared toward the two-door refrigerator market. These new products also promote sustainability as they are 30% more energy efficient than the previous generation and use refrigerants with lower climate impact.

#### Increased automation

The level of automation in production was significantly increased, from 4% to 23%. In addition, a new warehouse was built next to the factory with state-



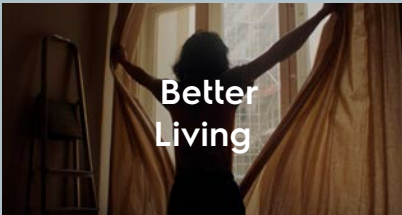
of-the-art automated equipment to optimize storage and the handling of inbound and outbound goods. Greater automation has improved the safety incident rate by approximately 10%, reduced direct labor by a quarter and decreased raw material stock by almost 20%.

#### Greater efficiency

High-speed machines were incorporated into important production phases – including some that were more than twice as productive as previous equipment, while using less raw materials and energy. For production overall, CO<sub>2</sub> has been reduced by 11% and water use by 12% since the investment began in 2017.

## For the Better 2030

### Towards carbon neutrality & circularity

|  |   |  |
|--|---|--|
|  <p><b>Better solutions</b></p>   |  <p><b>Better company</b></p>   |  <p><b>Better Living</b></p>  |
| <p>Lead in energy- and resource-efficient solutions</p> <hr/> <p>Offer circular products and business solutions</p> <hr/> <p>Eliminate harmful materials</p> | <p>Be climate neutral and drive clean and resource-efficient operations</p> <hr/> <p>Act ethically, lead in diversity and respect human rights</p> <hr/> <p>Drive supply chain sustainability</p> | <p>Make sustainable eating the preferred choice</p> <hr/> <p>Make clothes last twice as long with half the environmental impact</p> <hr/> <p>Make homes healthier and more sustainable through smart solutions for air, water and floors</p> |

Support the UN Sustainable Development Goals and Climate targets

► **Solid balance sheet**

A solid balance sheet is essential as it enables us to continue to invest in areas such as consumer experience innovation and re-engineering as well as to strengthen our positions in emerging markets.

During the year, we further increased our liquidity buffer to ensure financial stability.

**Sustainability at the heart of our strategy**

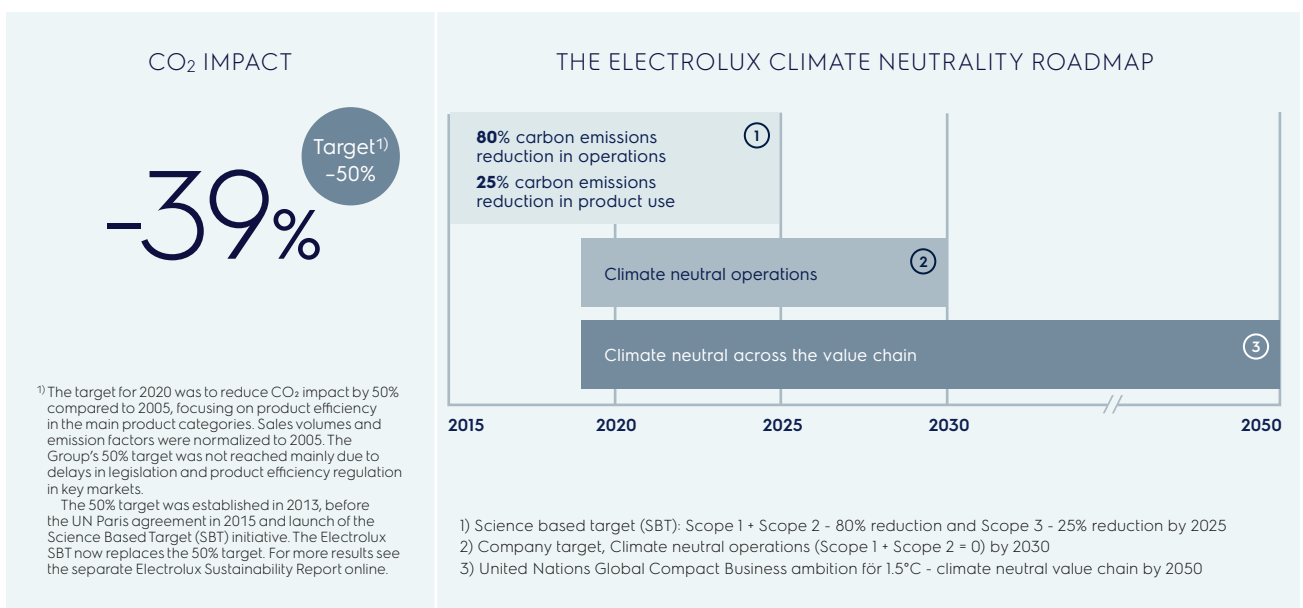
In 2020, we launched and began implementing our new For the Better 2030

sustainability framework, which I am confident will maintain our sustainability leadership as a competitive advantage and driver of profitable growth over the next decade. In fact, the framework takes our sustainability ambitions to the next level.

Our ambition is to achieve climate neutrality by 2050. As around 85% of our carbon footprint is in the user phase of our products, our focus is on offering as energy efficient products as possible to consumers. Offering efficient products is our greatest contribution to tackling climate change, while also boosting

margins. Our most resource-efficient products have consistently had a higher margin in recent years, and accounted for 26% of total units sold and 36% of gross profit in 2020. I am also particularly proud of our new long-term incentive program for senior managers that includes a substantial climate impact reduction element to drive our climate action going forward.

But our sustainability agenda goes far beyond combatting climate change and the impact of our products – to proactively work with our operations, supply chain, and the overall circularity of our ►





■ CASE - DRIVING SUSTAINABLE CONSUMER EXPERIENCE INNOVATION

## Driving profitable growth through innovation



Built-in kitchen is a key innovation area for Electrolux in Europe where it has further strengthened its position in recent years.

Electrolux has strengthened its premium position in the built-in kitchen area in Europe through deep consumer insight to drive sales, consumer ratings and profit.

### Delivering profitable growth

Built-in kitchen is a key innovation area for Electrolux in Europe where it has further strengthened its position in recent years. This has involved sharpening its range through consumer insight to better meet consumer needs and create simply outstanding consumer experiences. During the second half of 2019, Electrolux launched its new built-in kitchen range under a sharpened Electrolux brand.

New products contributed to an increase in net sales for built-in kitchen of 5.3% and gross profit of 5.9%.<sup>1</sup> Electrolux has a 22% value market share of the built-in kitchen market in Europe and a no 1 or no 2 position in eight of its key sales clusters.<sup>2</sup> The built-in kitchen range has been well received by the market with consumers rating it 4.9 stars out of 5 when first launched.

### Consumer insight drives innovation

The new built-in kitchen range features appliances with intuitive user interfaces that provide real-time guidance to the user. The Electrolux QuickSelect dishwasher interface is an excellent example of identifying real consumer needs around product use and sustainability. Electrolux QuickSelect has been appreciated by consumers with a 4.92 star rating out of 5, while net sales and gross profit have increased by 11%.<sup>1</sup>

### The importance of branding and effective marketing

In early 2019, a sharpened Electrolux brand was communicated based on clearly defined attributes such as 'most human centric innovation', 'leader in sustainable solutions' and 'designed in Sweden'. This was then developed into a comprehensive campaign across all media touchpoints, including TV, and

consumer brand recall was tested and validated throughout the entire campaign to ensure high success rate. The result showed that the advertisement was effective both in terms of boosting short term sales and having the potential to build Electrolux brand power in the long run. Success in the strategic Polish market has already been measured and Electrolux is now rated as a top three brand in Poland following the successful brand campaign.

<sup>1</sup> Nine months 2020 vs nine months 2019.

<sup>2</sup> September 2020.



► business. Our re-engineering program for example plays a key role in driving resource efficiency in our operations to strengthen our competitiveness. The framework is also intended to inspire and empower people to make choices that will help them live more sustainably, while providing us with engaging new ways to communicate with consumers.

I would also like to acknowledge the role of our purpose 'to shape living for the better' in guiding us and supporting society during what was a difficult year for many. The Electrolux Food Foundation made funding available to help people in need during the pandemic. Working together with partners and Electrolux employees, close to half a million meals were donated to people in need. Our people also contributed to other health-care efforts in our various markets.

#### Creating shareholder value

In March, we made Electrolux Professional into a separate public entity. This was the latest in a long history of successful spin-offs where Electrolux shareholders received shares in a newly listed company. The move enables both the consumer and professional businesses to develop and flourish on their own given their different business models. The spin-off has made us into an even more consumer-focused business, which I believe helped us navigate the turbulence of last year.

Additionally, the Board of Directors proposed to reinstate a dividend for the fiscal year 2019 based on the recovery in earnings and cash flow. The dividend of SEK 7 per share was decided at an Extraordinary General Meeting on November 3.

I especially want to thank my colleagues for the great commitment and

professionalism they have shown during this challenging year due to the coronavirus pandemic. It has not only affected how we work but also how we live our lives. As the pandemic continues into 2021, we are ready to respond in an agile manner. I am confident that our strategy ensures we remain well positioned to deliver long-term shareholder value even in rapidly changing market conditions. ■

Stockholm, February 2021

Jonas Samuelson  
President and CEO



# Report by the Board of Directors



Electrolux Professional AB was listed on Nasdaq Stockholm as a separate company on March 23, 2020, and is therefore no longer part of the Electrolux Group. Results for Electrolux Professional, for the time it was part of the Electrolux Group, are reported as discontinued operations. The comments in this report refer to the consumer business, continued operations, unless otherwise stated. For information on accounting principles, see Note 1 and Note 26.

# Report by the Board of Directors

- Net sales amounted to SEK 115,960m (118,981). The sales growth excluding currency translation effects was 3.3%.
- Operating income amounted to SEK 5,778m (3,189), corresponding to a margin of 5.0% (2.7). Last year included non-recurring items of SEK -1,344m.
- Income for the period amounted to SEK 3,988m (1,820), corresponding to SEK 13.88 (6.33) per share.
- Operating cash flow after investments amounted to SEK 8,552m (2,280).
- Electrolux Professional AB was distributed to AB Electrolux shareholders and listed on Nasdaq Stockholm March 23, 2020.
- The Board proposes a dividend for 2020 of SEK 8.00 (7.00) per share, to be paid in two installments.

| Key data  |                    |         |           |
|---|--------------------|---------|-----------|
| SEKM  | 2020               | 2019    | Change, % |
| <b>Continuing operations</b>                          |                    |         |           |
| Net sales   | 115,960            | 118,981 | -3        |
| Sales growth, % <sup>1)</sup>                         | 3.3                | -1.3    |           |
| Organic growth, %                                     | 3.2                | -1.0    |           |
| Acquisitions, %                                       | 0.1                | 0.0     |           |
| Divestments, %  | -                  | -0.3    |           |
| Changes in exchange rates, %                          | -5.8               | 4.3     |           |
| Operating income <sup>2)</sup>                        | 5,778              | 3,189   | 81        |
| Operating margin, %                                   | 5.0                | 2.7     |           |
| Income after financial items                          | 5,096              | 2,456   | 108       |
| Income for the period                                 | 3,988              | 1,820   | 119       |
| Earnings per share, SEK <sup>3)</sup>                 | 13.88              | 6.33    |           |
| Operating cash flow after investments                 | 8,552              | 2,280   |           |
| Return on net assets, %                               | 22.6               | 12.0    |           |
| Capital turnover-rate, times/year                     | 4.5                | 4.5     |           |
| Average number of employees                           | 47,543             | 48,652  |           |
| Net debt/equity ratio                                 | 0.08               | 0.34    |           |
| <b>Total Group, including discontinued operations</b> |                    |         |           |
| Income for the period <sup>4)</sup>                   | 6,584              | 2,509   | 162       |
| Earnings per share, SEK                               | 22.91              | 8.73    |           |
| Equity per share, SEK                                 | 65.10              | 78.55   |           |
| Dividend per share, SEK                               | 8.00 <sup>5)</sup> | 7.00    |           |
| Return on equity, %                                   | 34.1               | 11.4    |           |

<sup>1)</sup> Change in net sales adjusted for currency translation effects.  
<sup>2)</sup> Operating income for 2019 included non-recurring items of SEK -1,344m. Excluding these items, operating income for 2019 amounted to SEK 4,533m, corresponding to a margin of 3.8%, see Note 7.  
<sup>3)</sup> Basic, based on an average of 287.4 (287.4) million shares for the full year, excluding shares held by Electrolux.  
<sup>4)</sup> Income for the period 2020 included a settlement gain from the distribution of Electrolux Professional of SEK 2,379m.  
<sup>5)</sup> Proposed by the Board of Directors.

AB Electrolux (publ), 556009-4178  
 Annual Report 2020, page 14-77  
 Sustainability Reporting 2020, page 86-94  
 Climate-Related Financial Disclosures, page 95-99  
 Corporate Governance Report 2020, page 100-118  
 Remuneration Report 2020, page 119-121

## Net sales and income

- Sales decreased by 2.5%. This was a result of negative currency translation effects of 5.8%, while organic sales increased by 3.2% and acquisitions had a positive impact of 0.1%.
- Operating income amounted to SEK 5,778m (3,189), corresponding to a margin of 5.0% (2.7). Last year included non-recurring items of SEK -1,344m. Excluding those items, operating income 2019 amounted to SEK 4,533m, corresponding to a margin of 3.8%.
- Mix developed favorably and operating margin improved across all business areas, excluding non-recurring items.
- Positive price development fully offset significant currency headwinds.
- Income for the period for continuing operations amounted to SEK 3,988m (1,820), corresponding to SEK 13.88 (6.33) per share.

### Net sales

Net sales in 2020 amounted to SEK 115,960m (118,981), which is a decrease of 2.5%. Organic sales increased by 3.2% and acquisitions had a positive impact of 0.1%, while currency translation had a negative impact of 5.8%.

All business areas reported organic sales growth. Positive price development and mix improvements through selling more innovative premium products contributed to the growth, as well as increased aftermarket sales. However, sales volumes decreased.

### Operating income

Operating income for 2020 amounted to SEK 5,778m (3,189), corresponding to a margin of 5.0% (2.7). Last year, operating income included non-recurring items of SEK -1,344m, see Note 7.

The increase in operating income was mainly driven by the organic contribution. Mix developed strongly across business areas and higher net prices more than offset significant currency headwinds. Lower costs for raw material impacted operating income positively.

Operating margin, excluding non-recurring items last year, increased in all business areas. For more information on the performance of each business area, see page 18–21.

### Effects of changes in exchange rates

Changes in exchange rates had a negative impact of SEK -1,621m on operating income year-over-year. The impact of transaction effects was SEK -1,340m. Translation effects amounted to SEK -281m.

### Financial net

Net financial items amounted to SEK -681m (-733), mainly a result of lower interest costs.

### Income after financial items

Income after financial items amounted to SEK 5,096m (2,456), corresponding to 4.4% (2.1) of net sales.

### Taxes

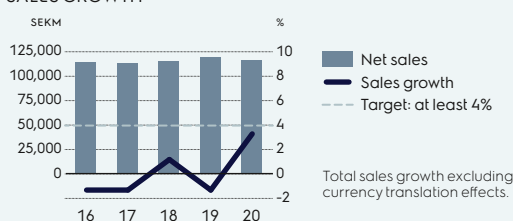
Total taxes for 2020 amounted to SEK -1,108m (-636), corresponding to a tax rate of 21.7% (25.9).

### Income for the period and earnings per share

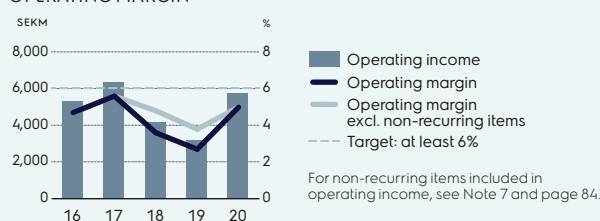
Income for the period for continuing operations, amounted to SEK 3,988m (1,820), corresponding to SEK 13.88 (6.33) in earnings per share before dilution.

Income for the period for the Group, including discontinued operations, amounted to SEK 6,584m (2,509), corresponding to SEK 22.91 (8.73) in earnings per share before dilution. The income for the period for the Group included a settlement gain from the distribution of Electrolux Professional of SEK 2,379m.

### SALES GROWTH



### OPERATING MARGIN



Financial targets are over a business cycle. For comparable reasons the figures in the graphs above are exclusive of the discontinued business area Professional Products.

# Consolidated statement of comprehensive income

| SEKM   | NOTE     | 2020           | 2019           |
|--|----------|----------------|----------------|
| <b>Net sales</b>   | 3, 4     | <b>115,960</b> | <b>118,981</b> |
| Cost of goods sold   | 5, 7     | -93,689        | -99,182        |
| <b>Gross operating income</b>  |          | <b>22,272</b>  | <b>19,799</b>  |
| Selling expenses   | 5, 7     | -11,071        | -12,186        |
| Administrative expenses  | 5, 7     | -5,116         | -5,481         |
| Other operating income and expenses  | 6, 7, 29 | -307           | 1,057          |
| <b>Operating income</b>  | 3, 8     | <b>5,778</b>   | <b>3,189</b>   |
| Financial items, net   | 9        | -681           | -733           |
| <b>Income after financial items</b>  |          | <b>5,096</b>   | <b>2,456</b>   |
| Taxes  | 10       | -1,108         | -636           |
| <b>Income for the period, continuing operations</b>                          |          | <b>3,988</b>   | <b>1,820</b>   |
| Income for the period, discontinued operations                               | 26       | 2,595          | 688            |
| <b>Income for the period</b>   |          | <b>6,584</b>   | <b>2,509</b>   |
| <b>Items that will not be reclassified to income for the period:</b>         |          |                |                |
| Remeasurement of provisions for post-employment benefits                     | 22       | 189            | -103           |
| Income tax relating to items that will not be reclassified                   |          | -46            | 3              |
|  |          | <b>143</b>     | <b>-100</b>    |
| <b>Items that may be reclassified subsequently to income for the period:</b> |          |                |                |
| Cash flow hedges   | 11, 18   | 32             | -10            |
| Exchange-rate differences on translation of foreign operations               | 11       | -3,326         | 1,030          |
| Income tax relating to items that may be reclassified                        | 11       | 48             | 24             |
|  |          | <b>-3,246</b>  | <b>1,044</b>   |
| <b>Other comprehensive income, net of tax</b>                                |          | <b>-3,103</b>  | <b>944</b>     |
| <b>Total comprehensive income for the period</b>                             |          | <b>3,481</b>   | <b>3,452</b>   |
| <b>Income for the period attributable to:</b>                                |          |                |                |
| Equity holders of the Parent Company   |          | 6,584          | 2,509          |
| Non-controlling interests  |          | 0              | -1             |
| <b>Total</b>   |          | <b>6,584</b>   | <b>2,509</b>   |
| <b>Total comprehensive income for the period attributable to:</b>            |          |                |                |
| Equity holders of the Parent Company   |          | 3,481          | 3,453          |
| Non-controlling interests  |          | -0             | -1             |
| <b>Total</b>   |          | <b>3,481</b>   | <b>3,452</b>   |
| <b>Earnings per share</b>  | 20       |                |                |
| For income attributable to the equity holders of the Parent Company:         |          |                |                |
| Basic, continuing operations, SEK  |          | 13.88          | 6.33           |
| Basic, discontinued operations, SEK  |          | 9.03           | 2.40           |
| Basic, total Group, SEK  |          | 22.91          | 8.73           |
| Diluted, continuing operations, SEK  |          | 13.86          | 6.30           |
| Diluted, discontinued operations, SEK  |          | 9.02           | 2.38           |
| Diluted, total Group, SEK  |          | 22.88          | 8.69           |
| <b>Average number of shares</b>  | 20       |                |                |
| Basic, million   |          | 287.4          | 287.4          |
| Diluted, million   |          | 287.7          | 288.8          |

## Operations by business area

- Strong performance in Europe driven by product and brand mix.
- Improved price and mix in North America more than offset lower volumes and manufacturing transition cost.
- In Latin America positive price and mix outweighed significant currency headwinds. However, earnings decreased compared to last year, which included positive one-off items.
- Strong organic development in Australia was the main driver for increased operating income in Asia-Pacific, Middle East and Africa.

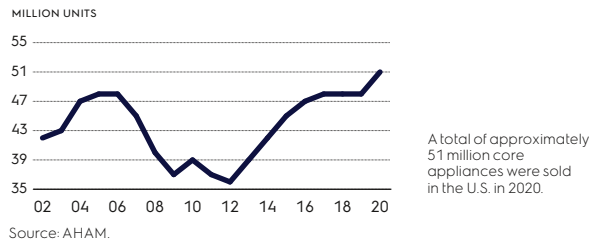
### Market demand overview

The coronavirus pandemic resulted in more time spent at home. Several markets benefitted from consumers allocating more of their household budgets to home improvement in the second half of 2020.

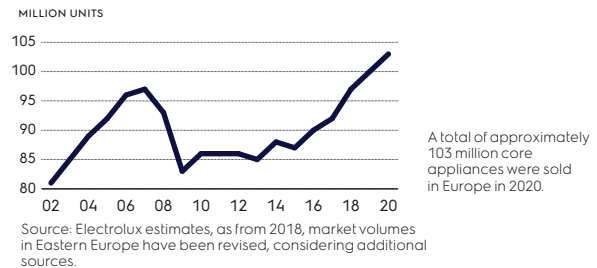
Market demand for core appliances in Europe increased by 3% in 2020. This was driven by growth of 8% in Eastern Europe and of 1% in Western Europe. In the U.S., market demand for core appliances increased by 6%. Market demand in Brazil is

estimated to have increased in 2020, while demand in Argentina and Chile is estimated to have declined, due to restrictions to limit the spread of the coronavirus and political instability. In Asia-Pacific, Middle East and Africa, overall consumer demand for appliances is estimated to have declined in 2020, mainly due to lockdowns to limit the spread of the coronavirus and recessions. However, consumer demand in Australia, one of Electrolux main markets, grew strongly.

#### INDUSTRY SHIPMENTS FOR CORE APPLIANCES IN THE U.S.



#### INDUSTRY SHIPMENTS FOR CORE APPLIANCES IN EUROPE

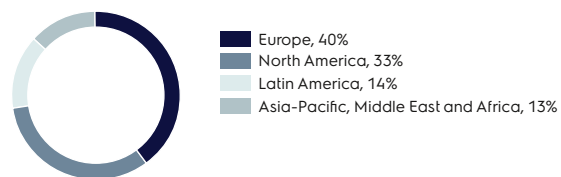


For other markets there are no comprehensive market statistics.

### Business areas

Electrolux operations are organized into four regional business areas: Europe, North America, Latin America and Asia-Pacific, Middle East and Africa. The Group's operations include products for consumers comprising of major appliances, e.g. 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.

#### SHARE OF SALES BY BUSINESS AREA



## Financial overview by business area, continuing operations

| SEKM  | 2020         | 2019         | Change, % |
|---|--------------|--------------|-----------|
| Net sales   | 115,960      | 118,981      | -3        |
| <b>Operating income:</b>                                    |              |              |           |
| Europe  | 3,643        | 2,493        | 46        |
| North America   | 1,215        | -516         | n.m.      |
| Latin America   | 666          | 1,821        | -63       |
| Asia-Pacific, Middle East and Africa                        | 1,038        | 446          | 133       |
| Other, Group common costs, etc.                             | -783         | -1,055       | 26        |
| <b>Total</b>  | <b>5,778</b> | <b>3,189</b> | <b>81</b> |
| Operating margin, %   | 5.0          | 2.7          |           |
| Operating margin excl. non-recurring items, % <sup>1)</sup> | 5.0          | 3.8          |           |

<sup>1)</sup> For more information on non-recurring items, see Note 7.

## Europe

Market demand in Europe increased by 3% in 2020. This was driven by growth in Eastern Europe of 8% and in Western Europe of 1%.

Electrolux operations reported an organic sales growth of 3.3% in 2020 driven by improvement in brand and product mix, while volumes of lower-end products declined. The improved product mix was mainly driven by the focus areas built-in kitchen and premium laundry products and the business area gained

value market share in its premium brands Electrolux and AEG. The strategically important aftermarket sales also increased.

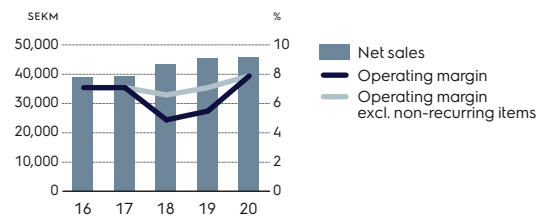
Operating income and margin improved year-over-year, excluding the non-recurring items last year, see Note 7. This was mainly driven by improved mix as well as lower raw material costs. Currency headwinds impacted earnings negatively.

### KEY FIGURES

| SEKM  | 2020   | 2019   |
|---|--------|--------|
| Net sales   | 46,038 | 45,420 |
| Organic growth, %   | 3.3    | 1.7    |
| Acquisitions, %   | —      | 0.1    |
| Operating income  | 3,643  | 2,493  |
| Operating margin, %   | 7.9    | 5.5    |
| Operating margin excl. non-recurring items, % <sup>1)</sup> | 7.9    | 7.1    |
| Net assets  | 1,406  | 1,429  |
| Return on net assets, %                                     | 153.8  | 113.5  |
| Capital expenditure   | 2,155  | 2,399  |
| Average number of employees                                 | 17,661 | 17,943 |

<sup>1)</sup> For information on non-recurring items, see Note 7 and page 84.

### NET SALES AND OPERATING MARGIN



## North America

Market demand for core appliances in the U.S. increased by 6% in 2020. Market demand for all major appliances, including microwave ovens and home-comfort products, increased by 4%.

Electrolux operations in North America reported an organic sales increase of 0.9%. Both price and mix improved, while volumes were lower. Volumes were impacted by capacity constraints, mostly due to the coronavirus situation affecting the industry as a whole, but also as a result of inefficiencies related to the ongoing manufacturing consolidation for refrigerators and freezers.

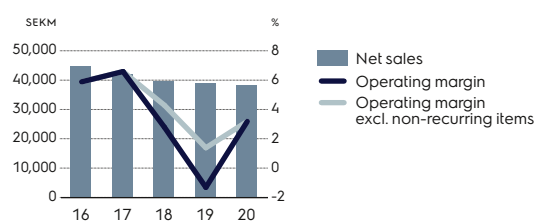
Operating income and margin improved year-over-year, excluding non-recurring items last year, see Note 7. Positive price and mix development more than offset negative effects from lower volumes and cost inefficiencies related to the manufacturing consolidation and the pandemic. High growth of aftermarket sales also contributed to earnings.

### KEY FIGURES

| SEKM  | 2020   | 2019   |
|---|--------|--------|
| Net sales   | 38,219 | 38,954 |
| Organic growth, %   | 0.9    | -8.7   |
| Divestments, %  | —      | -1.0   |
| Operating income  | 1,215  | -516   |
| Operating margin, %   | 3.2    | -1.3   |
| Operating margin excl. non-recurring items, % <sup>1)</sup> | 3.2    | 1.4    |
| Net assets  | 6,086  | 6,496  |
| Return on net assets, %                                     | 16.3   | -8.3   |
| Capital expenditure   | 1,772  | 2,573  |
| Average number of employees                                 | 11,551 | 11,287 |

<sup>1)</sup> For information on non-recurring items, see Note 7 and page 84.

### NET SALES AND OPERATING MARGIN



## Latin America

Overall consumer demand for core appliances in Latin America is estimated to have increased in 2020, driven by Electrolux main market Brazil. In Argentina, the demand is estimated to have declined significantly due to restrictions to limit the coronavirus pandemic and political instability. The market demand in Chile is estimated to have decreased slightly.

Electrolux operations in Latin America reported an organic sales growth of 10.0% in 2020, even though net sales declined due to the negative currency translation effect. The organic sales growth was mainly driven by Brazil but also by Argentina and Chile. Both higher price and mix improvement contributed, as well as higher sales volumes in Brazil. Aftermarket

sales increased and all main markets had strong growth in online sales.

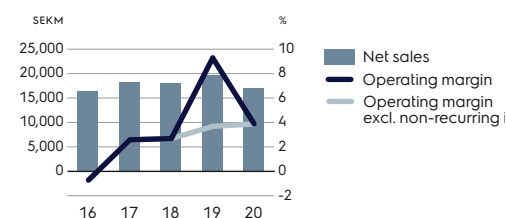
Operating income decreased year-over-year, excluding non-recurring items last year, see Note 7. Volumes declined but mix developed favorably, partly driven by increased sales of high-end products. Significant price increases outweighed large currency headwinds. Efficiency initiatives driven mainly by digital transformation impacted positively. Last year, operating income included a positive impact related to operational taxes and a reversal of provision in Brazil.

### KEY FIGURES

| SEKM  | 2020   | 2019   |
|---|--------|--------|
| Net sales   | 16,915 | 19,653 |
| Organic growth, %   | 10.0   | 10.9   |
| Operating income  | 666    | 1,821  |
| Operating margin, %   | 3.9    | 9.3    |
| Operating margin excl. non-recurring items, % <sup>1)</sup> | 3.9    | 3.7    |
| Net assets  | 4,526  | 7,044  |
| Return on net assets, %                                     | 11.9   | 27.1   |
| Capital expenditure   | 665    | 956    |
| Average number of employees                                 | 9,391  | 10,230 |

<sup>1)</sup> For information on non-recurring items, see Note 7 and page 84.

### NET SALES AND OPERATING MARGIN



## Asia-Pacific, Middle East and Africa

Overall consumer demand for appliances is estimated to have declined in the region in 2020, mainly due to lockdowns to limit the spread of the coronavirus and recessions. However, demand in Australia, one of Electrolux main markets, grew strongly as household consumption increased significantly.

Electrolux reported an organic sales growth of 1.7%. Both price and mix developed favorably, while volumes declined slightly. Electrolux in Australia had a significant organic growth with price increases and successful product launches.

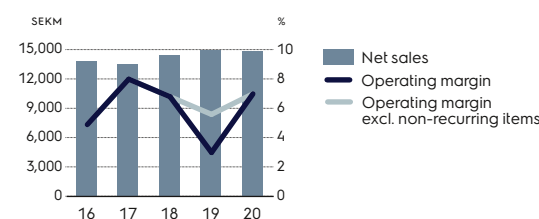
Operating income and margin increased year-over-year, excluding non-recurring items last year, see Note 7. The positive organic development from price and mix contributed to the improvement as well as operational efficiencies and lower costs for raw material. Currency headwinds impacted operating income negatively.

### KEY FIGURES

| SEKM  | 2020   | 2019   |
|---|--------|--------|
| Net sales   | 14,788 | 14,954 |
| Organic growth, %   | 1.7    | -1.3   |
| Acquisitions, %   | 0.6    | 0.1    |
| Operating income  | 1,038  | 446    |
| Operating margin, %   | 7.0    | 3.0    |
| Operating margin excl. non-recurring items, % <sup>1)</sup> | 7.0    | 5.6    |
| Net assets  | 3,996  | 6,062  |
| Return on net assets, %                                     | 20.3   | 7.4    |
| Capital expenditure   | 562    | 456    |
| Average number of employees                                 | 7,526  | 7,919  |

<sup>1)</sup> For information on non-recurring items, see Note 7 and page 84.

### NET SALES AND OPERATING MARGIN



## Other facts

### Changes in Group Management during 2020

On March 16, 2020 it was announced that Adam Cich would replace Dan Arler as new head of the business area Asia-Pacific, Middle East and Africa with immediate effect. Adam Cich was also appointed Executive Vice President.

On August 18, 2020 it was announced that Jan Brockmann would resign from his position as Chief Operations Officer on September 30, 2020. On September 16, 2020 it was announced that Carsten Franke had been appointed new Chief Operations Officer and Executive Vice President as from October 1, 2020.

### 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, 2020, the Group had a total of 3,403 (3,897) cases pending, representing approximately 3,440 (approximately 3,933) plaintiffs. During 2020, 930 new cases with approximately 931 plaintiffs were filed and 1,424 pending cases with approximately 1,424 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.

In the balance sheet as per December 31, 2019, assets and liabilities of Electrolux Professional have been reclassified as 'Discontinued operations, assets held for distribution' and 'Discontinued operations, liabilities held for distribution' respectively. Working capital and net assets items below exclude assets and liabilities of Electrolux Professional for both 2020 and 2019.

## Financial position

- Equity/assets ratio was 23.6% (23.6).
- Return on equity was 34.1% (11.4).
- Return on net assets was 22.6% (12.0).
- Financial net cash position amounted to SEK 4,741m, compared to a financial net debt position of SEK 667m end of 2019.

### Working capital and net assets

Working capital as of December 31, 2020, amounted to SEK -19,191m (-17,390), corresponding to -17.9% (-14.8) of annualized net sales. Operating working capital amounted to

SEK 1,851m (3,149), corresponding to 1.7% (2.7) of annualized net sales.

Average net assets were SEK 25,563m (26,532), corresponding to 22.0% (22.3) of annualized net sales. Return on net assets was 22.6% (12.0).

### Working capital and net assets

| SEKM   | Dec. 31, 2020  | % of net sales <sup>1)</sup> | Dec. 31, 2019  | % of net sales <sup>1)</sup> |
|--|----------------|------------------------------|----------------|------------------------------|
| Inventories                                      | 13,213         | 12.3                         | 16,194         | 13.8                         |
| Trade receivables                                | 19,944         | 18.6                         | 20,847         | 17.7                         |
| Accounts payable                                 | -31,306        | -29.2                        | -33,892        | -28.8                        |
| <b>Operating working capital</b>                 | <b>1,851</b>   | <b>1.7</b>                   | <b>3,149</b>   | <b>2.7</b>                   |
| Provisions                                       | -8,083         |                              | -8,183         |                              |
| Prepaid and accrued income and expenses          | -12,777        |                              | -11,748        |                              |
| Taxes and other assets and liabilities           | -181           |                              | -608           |                              |
| <b>Working capital</b>                           | <b>-19,191</b> | <b>-17.9</b>                 | <b>-17,390</b> | <b>-14.8</b>                 |
| Property, plant and equipment, owned             | 20,452         |                              | 21,803         |                              |
| Property, plant and equipment, right-of-use      | 2,351          |                              | 2,811          |                              |
| Goodwill   | 6,369          |                              | 7,071          |                              |
| Other non-current assets                         | 4,696          |                              | 5,820          |                              |
| Deferred tax assets and deferred tax liabilities | 5,588          |                              | 6,057          |                              |
| <b>Net assets</b>                                | <b>20,265</b>  | <b>18.9</b>                  | <b>26,172</b>  | <b>22.3</b>                  |
| Annualized net sales <sup>2)</sup>               | 107,142        |                              | 117,519        |                              |
| <b>Average net assets</b>                        | <b>25,563</b>  | <b>22.0</b>                  | <b>26,532</b>  | <b>22.3</b>                  |
| Annualized net sales <sup>3)</sup>               | 115,960        |                              | 118,981        |                              |
| Return on net assets, %                          | 22.6           |                              | 12.0           |                              |

<sup>1)</sup> Annualized, see Note 31.

<sup>2)</sup> Calculated at end of period exchange rates.

<sup>3)</sup> Calculated at average exchange rates.

### Liquid funds

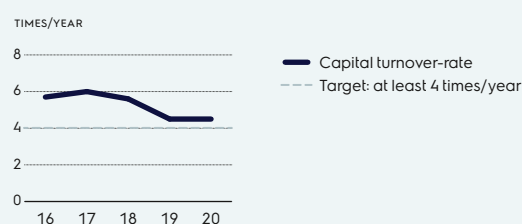
Liquid funds as of December 31, 2020, amounted to SEK 20,467m (11,189), excluding back-up credit facilities. Electrolux strengthened its liquidity buffer during the year to secure financial stability in a volatile environment as a consequence of the pandemic. Electrolux has an unused committed back-up multi-currency revolving credit facility of EUR 1,000m, approximately SEK 10,057m, maturing 2023, a revolving credit facility of SEK 3,000m, maturing 2021 and a revolving credit facility of SEK 10,000m, maturing 2025.

### Liquidity profile

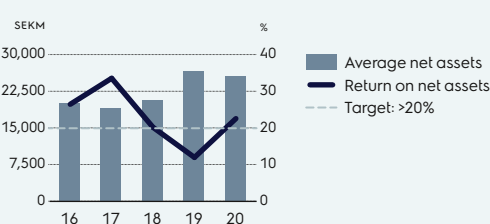
| SEKM                                    | Dec. 31, 2020 | Dec. 31, 2019 |
|---|---------------|---------------|
| Liquid funds                            | 20,467        | 11,189        |
| % of annualized net sales <sup>1)</sup> | 40.6          | 18.4          |
| Net liquidity                           | 18,864        | 7,569         |
| Fixed interest term, days               | 17            | 12            |
| Effective annual yield, %               | 0.5           | 0.8           |

<sup>1)</sup> Liquid funds in relation to net sales, see Note 31 for definition. For additional information on the liquidity profile, see Note 18.

### CAPITAL TURNOVER-RATE



### RETURN ON NET ASSETS



Financial targets are over a business cycle.

For comparable reasons the figures in the graphs above are exclusive of the discontinued business area Professional Products.



# Consolidated balance sheet

| SEKM   | NOTE   | December 31, 2020 | December 31, 2019 |
|--|--------|-------------------|-------------------|
| <b>ASSETS</b>  |        |                   |                   |
| <b>Non-current assets</b>  |        |                   |                   |
| Property, plant and equipment, owned                               | 12     | 20,452            | 21,803            |
| Property, plant and equipment, right-of-use                        | 8      | 2,351             | 2,811             |
| Goodwill   | 13     | 6,369             | 7,071             |
| Other intangible assets  | 13     | 3,480             | 3,817             |
| Investments in associates  | 29     | 274               | 424               |
| Deferred tax assets  | 10     | 6,064             | 6,618             |
| Financial assets   | 18     | 65                | 93                |
| Pension plan assets  | 22     | 1,272             | 1,043             |
| Other non-current assets   | 14     | 878               | 1,486             |
| <b>Total non-current assets</b>                                    |        | <b>41,205</b>     | <b>45,166</b>     |
| <b>Current assets</b>  |        |                   |                   |
| Inventories  | 15     | 13,213            | 16,194            |
| Trade receivables  | 17, 18 | 19,944            | 20,847            |
| Tax assets   |        | 894               | 913               |
| Derivatives  | 18     | 135               | 192               |
| Other current assets   | 16     | 3,846             | 4,465             |
| Short-term investments   | 18     | 172               | 190               |
| Cash and cash equivalents  | 18     | 20,196            | 10,807            |
| Discontinued operations, assets held for distribution              | 26     | –                 | 8,034             |
| <b>Total current assets</b>  |        | <b>58,399</b>     | <b>61,642</b>     |
| <b>Total assets</b>  |        | <b>99,604</b>     | <b>106,808</b>    |
| <b>EQUITY AND LIABILITIES</b>                                      |        |                   |                   |
| <b>Equity attributable to equity holders of the Parent Company</b> |        |                   |                   |
| Share capital  | 20     | 1,545             | 1,545             |
| Other paid-in capital  | 20     | 2,905             | 2,905             |
| Other reserves   | 20     | -4,593            | -1,351            |
| Retained earnings  | 20     | 18,846            | 19,468            |
|  |        | <b>18,702</b>     | <b>22,566</b>     |
| Non-controlling interests  |        | 7                 | 8                 |
| <b>Total equity</b>  |        | <b>18,709</b>     | <b>22,574</b>     |
| <b>Non-current liabilities</b>                                     |        |                   |                   |
| Long-term borrowings   | 18     | 14,123            | 8,236             |
| Long-term lease liabilities  | 8      | 1,834             | 2,333             |
| Deferred tax liabilities   | 10     | 476               | 561               |
| Provisions for post-employment benefits                            | 22     | 4,951             | 4,909             |
| Other provisions   | 23     | 5,567             | 5,577             |
| <b>Total non-current liabilities</b>                               |        | <b>26,952</b>     | <b>21,616</b>     |
| <b>Current liabilities</b>   |        |                   |                   |
| Accounts payable   | 18     | 31,306            | 33,892            |
| Tax liabilities  |        | 562               | 883               |
| Other liabilities  | 24     | 17,114            | 16,821            |
| Short-term borrowings  | 18     | 1,329             | 3,354             |
| Short-term lease liabilities                                       | 8      | 784               | 817               |
| Derivatives  | 18     | 332               | 293               |
| Other provisions   | 23     | 2,516             | 2,606             |
| Discontinued operations, liabilities held for distribution         | 26     | –                 | 3,951             |
| <b>Total current liabilities</b>                                   |        | <b>53,943</b>     | <b>62,617</b>     |
| <b>Total liabilities</b>   |        | <b>80,894</b>     | <b>84,233</b>     |
| <b>Total equity and liabilities</b>                                |        | <b>99,604</b>     | <b>106,808</b>    |

Net debt items as per December 31, 2019, exclude assets and liabilities of Electrolux Professional. Equity as per December 31, 2019, includes Electrolux Professional.

Cont. Financial position

### Net debt

As of December 31, 2020, Electrolux had a financial net cash position (excluding lease liabilities and post-employment provisions) of SEK 4,741m, compared to the financial net debt position of SEK 667m as of December 31, 2019. Net provisions for post-employment benefits was SEK 3,679m (3,866) and lease liabilities amounted to SEK 2,618m (3,150) as of December 31, 2020. In total, net debt amounted to SEK 1,556m, a decrease by SEK 6,127m compared to SEK 7,683m per December 31, 2019.

### Net debt

| SEKM   | Dec. 31, 2020 | Dec. 31, 2019 <sup>1)</sup> |
|--|---------------|-----------------------------|
| Short-term loans                                       | 1,012         | 1,307                       |
| Short-term part of long-term loans                     | 277           | 1,446                       |
| Trade receivables with recourse                        | 40            | 602                         |
| <b>Short-term borrowings</b>                           | <b>1,329</b>  | <b>3,354</b>                |
| Financial derivative liabilities                       | 210           | 233                         |
| Accrued interest expenses and pre-paid interest income | 64            | 33                          |
| <b>Total short-term borrowings</b>                     | <b>1,603</b>  | <b>3,620</b>                |
| <b>Long-term borrowings</b>                            | <b>14,123</b> | <b>8,236</b>                |
| <b>Total borrowings<sup>2)</sup></b>                   | <b>15,727</b> | <b>11,856</b>               |
| Cash and cash equivalents                              | 20,196        | 10,807                      |
| Short-term investments                                 | 172           | 190                         |
| Financial derivative assets                            | 81            | 176                         |
| Prepaid interest expenses and accrued interest income  | 18            | 16                          |
| <b>Liquid funds</b>                                    | <b>20,467</b> | <b>11,189</b>               |
| <b>Financial net debt</b>                              | <b>-4,741</b> | <b>667</b>                  |
| Lease liabilities                                      | 2,618         | 3,150                       |
| Net provisions for post-employment benefits            | 3,679         | 3,866                       |
| <b>Net debt</b>  | <b>1,556</b>  | <b>7,683</b>                |
| Net debt/equity ratio                                  | 0.08          | 0.34                        |
| <b>Total equity</b>                                    | <b>18,709</b> | <b>22,574</b>               |
| Equity per share, SEK                                  | 65.10         | 78.55                       |
| Return on equity, %                                    | 34.1          | 11.4                        |
| Equity/assets ratio, %                                 | 23.6          | 23.6                        |

<sup>1)</sup> Electrolux Professional was primarily financed through intra-group loans of approximately SEK 1.2bn from Electrolux, included in net debt as per December 31, 2019, shown above. These loans were repaid in connection with the listing of Electrolux Professional on March 23, 2020.

<sup>2)</sup> Whereof interest-bearing liabilities amounting to SEK 15,412m as of December 31, 2020, and SEK 10,989m as of December 31, 2019.

Long-term borrowings and long-term borrowings with maturities within 12 months amounted to a total of SEK 14,400m as of December 31, 2020 with average maturity of 2.8 years, compared to SEK 9,682m and 3.0 years at the end of 2019. During 2021, long-term borrowings amounting to approximately SEK 0.3bn 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. In March 2020, to ensure financial flexibility and to mitigate the potential impact from the coronavirus pandemic, the Board of Directors approved a temporary exception from the long-term borrowing limits. The maximum amount of long-term borrowings maturing in any given 12-months period was SEK 5,744m at the end of 2020. At year-end, the average interest-fixing period for long-term borrowings was 1.6 years (1.5).

At year-end, the average interest rate for the Group's total interest-bearing borrowings was 1.6% (1.6).

### Rating

Electrolux has an investment-grade rating from S&P Global Ratings, A- with a stable outlook.

### Rating

|                    | Long-term debt | Outlook | Short-term debt | Short-term debt, Nordic |
|--------------------|----------------|---------|-----------------|-------------------------|
| S&P Global Ratings | A-             | Stable  | A-2             | K-1                     |

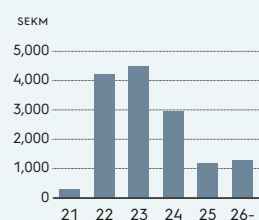
### Net debt/equity and equity/assets ratio

The net debt/equity ratio was 0.08 (0.34). The equity/assets ratio was 23.6% (23.6).

### Equity and return on equity

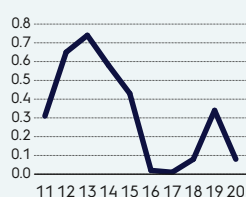
Total equity as of December 31, 2020, amounted to SEK 18,709m (22,574), which corresponds to SEK 65.10 (78.55) per share. Return on equity was 34.1% (11.4), impacted by a settlement gain from the distribution of Electrolux Professional. Adjusted for the settlement gain, return on equity was 21.7% (11.4).

### LONG-TERM BORROWINGS, BY MATURITY

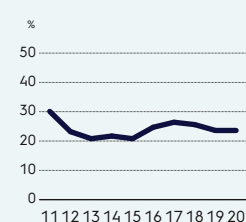


In 2021, long-term borrowings in the amount of approximately SEK 0.3bn will mature. For information on borrowings, see Note 2 and 18.

### NET DEBT/EQUITY RATIO<sup>1)</sup>



### EQUITY/ASSETS RATIO<sup>1)</sup>



<sup>1)</sup> 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 |                       |                |                   |        | Non-controlling interests | Total equity |
|---|--|-----------------------|----------------|-------------------|--------|---------------------------|--------------|
|   | Share capital  | Other paid-in capital | Other reserves | Retained earnings | Total  |                           |              |
| Opening balance, January 1, 2019                          | 1,545  | 2,905                 | -2,394         | 19,683            | 21,738 | 11                        | 21,749       |
| Effect from change in accounting principles               | –  | –                     | –              | -234              | -234   | –                         | -234         |
| Adjusted opening balance                                  | 1,545  | 2,905                 | -2,394         | 19,450            | 21,504 | 11                        | 21,515       |
| <b>Income for the period</b>                              | –  | –                     | –              | 2,509             | 2,509  | -1                        | 2,509        |
| Cash flow hedges  | –  | –                     | -10            | –                 | -10    | –                         | -10          |
| Exchange differences on translation of foreign operations | –  | –                     | 1,029          | –                 | 1,029  | 0                         | 1,029        |
| Remeasurement of provisions for post-employment benefits  | –  | –                     | –              | -103              | -103   | –                         | -103         |
| Income tax relating to other comprehensive income         | –  | –                     | 24             | 3                 | 27     | –                         | 27           |
| <b>Other comprehensive income, net of tax</b>             | –  | –                     | 1,044          | -100              | 944    | –                         | 944          |
| <b>Total comprehensive income for the period</b>          | –  | –                     | 1,044          | 2,409             | 3,453  | -1                        | 3,452        |
| Share-based payments                                      | –  | –                     | –              | 52                | 52     | –                         | 52           |
| Dividend  | –  | –                     | –              | -2,443            | -2,443 | -1                        | -2,443       |
| Acquisition of non-controlling interest                   | –  | –                     | –              | –                 | –      | -1                        | -1           |
| <b>Total transactions with equity holders</b>             | –  | –                     | –              | -2,391            | -2,391 | -2                        | -2,393       |
| Closing balance, December 31, 2019                        | 1,545  | 2,905                 | -1,351         | 19,468            | 22,566 | 8                         | 22,574       |
| <b>Income for the period</b>                              | –  | –                     | –              | 6,584             | 6,584  | 0                         | 6,584        |
| Cash flow hedges  | –  | –                     | 32             | –                 | 32     | –                         | 32           |
| Exchange differences on translation of foreign operations | –  | –                     | -3,322         | -4                | -3,326 | -0                        | -3,326       |
| Remeasurement of provisions for post-employment benefits  | –  | –                     | –              | 189               | 189    | –                         | 189          |
| Income tax relating to other comprehensive income         | –  | –                     | 48             | -46               | 2      | –                         | 2            |
| <b>Other comprehensive income, net of tax</b>             | –  | –                     | -3,242         | 140               | -3,102 | -0                        | -3,103       |
| <b>Total comprehensive income for the period</b>          | –  | –                     | -3,242         | 6,723             | 3,481  | -0                        | 3,481        |
| Share-based payments                                      | –  | –                     | –              | 70                | 70     | –                         | 70           |
| Dividend <sup>1)</sup>                                    | –  | –                     | –              | -7,415            | -7,415 | -0                        | -7,415       |
| Acquisition of non-controlling interest                   | –  | –                     | –              | –                 | –      | -0                        | -0           |
| <b>Total transactions with equity holders</b>             | –  | –                     | –              | -7,345            | -7,345 | -0                        | -7,346       |
| Closing balance, December 31, 2020                        | 1,545  | 2,905                 | -4,593         | 18,846            | 18,702 | 7                         | 18,709       |

<sup>1)</sup> 2020: Dividend payment to shareholders SEK 2,012m. Distribution of Electrolux Professional AB of SEK 5,403m, equivalent to the fair market value of Electrolux Professional at listing at Nasdaq Stockholm on March 23, 2020.  
For more information on share capital, number of shares and earnings per share, see Note 20.

## Cash flow

- Operating cash flow after investments amounted to SEK 8,552m (2,280).
- Capital expenditure amounted to SEK 5,338m (6,674).
- R&D expenditure amounted to 3.3% (3.3) of net sales.

### Operating cash flow after investments

Operating cash flow after investments in 2020 amounted to SEK 8,552m (2,280). The year-over-year comparison reflects an increased operating income, a lower level of investments as well as a more favorable development of operating assets and liabilities. As a result of the strong market demand during the second half of the year that could not fully be met, inventory levels were low at the same time as procurements were high.

#### Cash flow

| SEKM  | 2020          | 2019          |
|---|---------------|---------------|
| Operating income adjusted for non-cash items <sup>1)</sup>                    | 10,807        | 9,746         |
| Change in operating assets and liabilities                                    | 2,852         | -498          |
| <b>Operating cash flow</b>  | <b>13,659</b> | <b>9,248</b>  |
| Investments in tangible and intangible assets                                 | -5,338        | -6,674        |
| Changes in other investments  | 230           | -294          |
| <b>Operating cash flow after investments</b>                                  | <b>8,552</b>  | <b>2,280</b>  |
| Acquisitions and divestments of operations                                    | -8            | -27           |
| <b>Operating cash flow after structural changes</b>                           | <b>8,544</b>  | <b>2,254</b>  |
| Financial items paid, net <sup>2)</sup>                                       | -596          | -656          |
| Taxes paid  | -1,132        | -1,277        |
| <b>Cash flow from operations and investments</b>                              | <b>6,816</b>  | <b>321</b>    |
| Payment of lease liabilities  | -911          | -870          |
| Dividend  | -2,012        | -2,443        |
| Share-based payments  | 0             | 9             |
| <b>Total cash flow, excluding changes in loans and short-term investments</b> | <b>3,894</b>  | <b>-2,982</b> |

<sup>1)</sup> Operating income adjusted for depreciation and amortization and other non-cash items.  
<sup>2)</sup> For the period January 1 – December 31, 2020. Interests and similar items received SEK 72m (74), interests and similar items paid SEK -397m (-495) and other financial items paid SEK -163m (-110). Interest paid related to lease liabilities SEK -108m (-124).

### Capital expenditure

Capital expenditure in property, plant and equipment in 2020 amounted to SEK 4,325m (5,320). The investments were mainly related to new products and architectures, manufacturing efficiency, automation and re-engineering. Including investments in product development and software, capital expenditure amounted to SEK 5,338m (6,674), corresponding to 4.6% (5.6) of net sales.

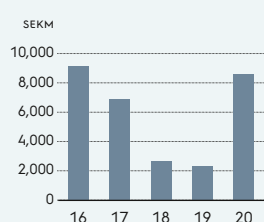
#### Capital expenditure by business area

| SEKM                                 | 2020         | 2019         |
|--------------------------------------|--------------|--------------|
| Europe                               | 2,155        | 2,399        |
| % of net sales                       | 4.7          | 5.3          |
| North America                        | 1,772        | 2,573        |
| % of net sales                       | 4.6          | 6.6          |
| Latin America                        | 665          | 956          |
| % of net sales                       | 3.9          | 4.9          |
| Asia-Pacific, Middle East and Africa | 562          | 456          |
| % of net sales                       | 3.8          | 3.0          |
| Other                                | 183          | 290          |
| <b>Total</b>                         | <b>5,338</b> | <b>6,674</b> |
| % of net sales                       | 4.6          | 5.6          |

### R&D expenditure

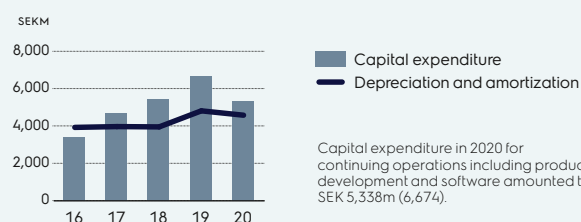
The expenditure for research and development in 2020, including capitalization of SEK 563m (788), amounted to SEK 3,799m (3,899) corresponding to 3.3% (3.3) of net sales.

#### OPERATING CASH FLOW AFTER INVESTMENTS<sup>1)</sup>



Operating cash flow after investments in 2020 for continuing operations amounted to SEK 8,552m (2,280).

#### CAPITAL EXPENDITURE<sup>1)</sup>



Capital expenditure in 2020 for continuing operations including product development and software amounted to SEK 5,338m (6,674).

<sup>1)</sup>The figures for 2018, 2019 and 2020 are for continuing operations, exclusive of Electrolux Professional.

# Consolidated cash flow statement

| SEKM   | NOTE | 2020          | 2019          |
|--|------|---------------|---------------|
| <b>Operations</b>  |      |               |               |
| Operating income from continuing operations  |      | 5,778         | 3,189         |
| Depreciation and amortization <sup>1)</sup>  |      | 4,587         | 4,821         |
| Other non-cash items   |      | 442           | 1,736         |
| Financial items paid, net <sup>2)</sup>  |      | -596          | -656          |
| Taxes paid   |      | -1,132        | -1,277        |
| <b>Cash flow from operations, excluding change in operating assets and liabilities</b> |      | <b>9,079</b>  | <b>7,813</b>  |
| <b>Change in operating assets and liabilities</b>                                      |      |               |               |
| Change in inventories  |      | 1,236         | -437          |
| Change in trade receivables  |      | -2,401        | -604          |
| Change in accounts payable   |      | 1,737         | 67            |
| Change in other operating assets, liabilities and provisions                           |      | 2,279         | 476           |
| <b>Cash flow from change in operating assets and liabilities</b>                       |      | <b>2,852</b>  | <b>-498</b>   |
| <b>Cash flow from operations</b>   |      | <b>11,932</b> | <b>7,314</b>  |
| <b>Investments</b>   |      |               |               |
| Acquisition of operations  | 26   | -8            | -27           |
| Capital expenditure in property, plant and equipment                                   | 12   | -4,325        | -5,320        |
| Capital expenditure in product development   | 13   | -563          | -788          |
| Capital expenditure in software and other intangibles                                  | 13   | -450          | -566          |
| Other  |      | 230           | -294          |
| <b>Cash flow from investments</b>  |      | <b>-5,115</b> | <b>-6,994</b> |
| <b>Cash flow from operations and investments</b>                                       |      | <b>6,816</b>  | <b>321</b>    |
| <b>Financing</b>   |      |               |               |
| Change in short-term investments   |      | 16            | -13           |
| Change in short-term borrowings  |      | -308          | 854           |
| New long-term borrowings   | 18   | 9,793         | 3,810         |
| Amortization of long-term borrowings <sup>3)</sup>                                     | 18   | -4,555        | -2,376        |
| Payment of lease liabilities   |      | -911          | -870          |
| Dividend   |      | -2,012        | -2,443        |
| Share-based payments   |      | 0             | 9             |
| <b>Cash flow from financing</b>  |      | <b>2,023</b>  | <b>-1,028</b> |
| <b>Total cash flow, continuing operations</b>  |      | <b>8,839</b>  | <b>-707</b>   |
| <b>Total cash flow, discontinued operations</b>  | 26   | <b>1,177</b>  | <b>297</b>    |
| <b>Total cash flow, total Group</b>  |      | <b>10,016</b> | <b>-411</b>   |
| <b>Cash and cash equivalents at beginning of period</b>                                |      | <b>11,458</b> | <b>11,697</b> |
| Exchange-rate differences referring to cash and cash equivalents                       |      | -667          | 172           |
| Cash and cash equivalents in distributed operations                                    |      | -611          | -             |
| <b>Cash and cash equivalents at end of period<sup>4)</sup></b>                         |      | <b>20,196</b> | <b>11,458</b> |

<sup>1)</sup> Depreciation related to right-of-use assets amounted to SEK -876m (-876).

<sup>2)</sup> Interest and similar items received SEK 72m (74), interest and similar items paid SEK -397m (-495) and other financial items received/paid SEK -163m (-110). Interest paid related to lease liabilities SEK -108m (-124).

<sup>3)</sup> For 2020, the amount includes loan repurchases and early repayment of loan of SEK 3,085m.

<sup>4)</sup> The difference between Cash and cash equivalents for full year 2019 in the Consolidated cash flow statement and Consolidated balance sheet corresponded to the cash and cash equivalents of Electrolux Professional amounting to approximately SEK 0.6bn.

# Risk management

Electrolux continuously monitors its identified key risks as well as new and evolving risks, aiming to respond flexibly to internal or external changes. The structured process to monitor and coordinate the risk management related activities are supervised and directed by the Enterprise Risk Management (ERM) Board. Both the risk appetite as well as the approach to monitor, assess and follow-up are also reviewed regularly by Group Management to ensure that they are up to date and adapted to Electrolux strategy.

Risks are categorized based on two dimensions: their potential consequences on Electrolux operations and the operation's vulnerability to them. Key risks are those deemed to have an extreme or high impact on the Group's financial result if materialized, but also emerging risks or risks not sufficiently understood with potential high impact are included. More information regarding the ERM process can be found in the Corporate governance report.

Electrolux identified strategic, external and internal key risks are presented below. Financial risks are presented in more detail in Note 2, Financial risk management. Risks related to sustainability are detailed in the Sustainability reporting. Climate-related risks are discussed in the section on Climate-Related Financial Disclosures.

## Strategic risks

### Major shifts in the industry

As the society is becoming more digital consumer behavior changes, leading to structural shifts in many industries, including consumer goods. This shift has accelerated as a consequence of the coronavirus pandemic. Electrolux sees many opportunities deriving from the development but also prepares for risks. One potential emerging risk is that the company fails to reach strategic goals due to a lack of business agility and an inability to anticipate external developments. The Group is carefully monitoring the evolving competitive landscape including new operators and business models, changes in alliances and increased competition.

## Innovation capability

Electrolux ability to invest in growth and innovation, including new markets and segments, is crucial for its strategy. Not executing on the Group's strategic priorities in a timely manner may affect the Group's delivery of sustainable consumer experience innovation and profitable growth. Therefore, portfolio management is essential for Electrolux, ensuring the right allocation of resources for relevant innovation in the product and service categories.

## Digital transformation

Digital transformation through automation, modularization and digital manufacturing is part of Electrolux ambition to drive operational excellence. It is crucial for the Group to execute on its re-engineering programs within operations to adapt to the rapidly changing industry and consumer needs and to continue to be cost efficient. An inability to follow through on the initiatives may lead to lower performance, delays or higher costs. Digitalization and automation in manufacturing and supply chain processes also results in an emerging risk related to the inability to attract and train personnel for the new skills required. Electrolux therefore closely monitors its re-engineering projects, continuously evaluates their impact on the business and refines its recruitment processes and training programs.

## External risks

### Geopolitical risks

Electrolux closely monitors events which may have negative impact on the macroeconomic or geopolitical factors affecting its markets. Political instability has increased during the last year, due to events such as Brexit in Europe, Hong Kong in Asia, the trade war between the U.S. and China and the South China Sea disputes. The development may lead to economic downturn and changed consumer behaviors impacting the Group's sales negatively.

Instabilities and emerging new geopolitical areas of concern can also affect Electrolux costs for raw material and transportation as well as currency exchange rate development, which in turn affect the financial result of the Group. Electrolux continuously works on business continuity plans based on possible consequences of such events.

## Sensitivity analysis year-end 2020

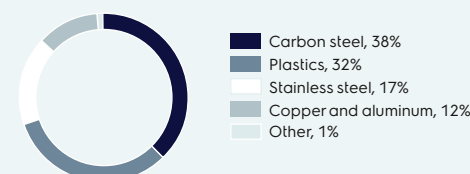
| Risk  | Change +/-         | Pre-tax earnings impact +/-, SEK M |
|---|--------------------|------------------------------------|
| <b>Raw materials<sup>1)</sup></b>               |                    |                                    |
| Carbon Steel                                    | 10%                | 400                                |
| Stainless Steel                                 | 10%                | 200                                |
| Plastics  | 10%                | 350                                |
| <b>Currency<sup>2)</sup> and interest rates</b> |                    |                                    |
| USD to EUR                                      | 10%                | 390                                |
| EUR to GBP                                      | 10%                | 230                                |
| USD to BRL                                      | 10%                | 230                                |
| USD to CAD                                      | 10%                | 220                                |
| EUR to CHF                                      | 10%                | 200                                |
| THB to AUD                                      | 10%                | 140                                |
| CNY to USD                                      | 10%                | 140                                |
| EUR to CZK                                      | 10%                | 100                                |
| EUR to RUB                                      | 10%                | 90                                 |
| USD to VND                                      | 10%                | 90                                 |
| Translation exposure to SEK <sup>3)</sup>       | 10%                | 670                                |
| Interest rate                                   | 1 percentage point | 80                                 |

<sup>1)</sup> Changes in raw materials refer to Electrolux prices and contracts, which may differ from market prices.

<sup>2)</sup> Transactional exposure. Translation effects not included.

<sup>3)</sup> Assuming the Swedish krona appreciates/depreciates against all other currencies.

## RAW MATERIALS EXPOSURE 2020



In 2020, Electrolux, continuing operations, purchased raw materials for approximately SEK 12bn. Purchases of steel accounted for the largest part.

### Regulatory risks

Electrolux is subject to a vast range of regulations, laws and industry standards. As the regulatory landscape evolves, it is important to monitor and mitigate risks related to legal and product regulatory compliance, antitrust, trade rules, contractual risks, protection of IP/Patents, confidential information, Personal Data Protection, insider information etc. Non-compliance could lead to sanctions, fines, higher costs or inability to continue manufacturing some products. In addition, the development regarding sustainability ambitions can result in new regulatory requirements. To mitigate these risks, Electrolux has inhouse lawyers, in all business areas as well as centrally, to monitor regulation changes and to attend to compliance matters. Regular training for employees is among the most important actions.

### Market risks

A financial crisis and an economic downturn may affect consumers' purchasing power and behavior, resulting in a lower market demand that could impact Electrolux sales. Major changes in society, for instance resulting from pandemics, can lead to emerging risks such as changes in consumer behavior. To mitigate these risks, Electrolux closely follows market and sales developments and changes in consumer behavior. Electrolux also focuses on an agile manufacturing set-up for fast adaptation to changes in demand. In times of strong market demand, it is also essential that Electrolux can benefit from its global scale by delivering new innovative products and outstanding consumer experiences with a high speed to market.

Electrolux markets are also subject to 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.

### Raw material impact

Materials account for a large share of the Group's costs. Electrolux purchases raw materials and components for approximately SEK 43bn, of which approximately SEK 12bn referred to raw materials in 2020. Fluctuations in commodity prices impact the Group's input costs and, therefore, its profitability. In order to mitigate increases in raw material prices, Electrolux raises prices of its products, improves cost efficiency and negotiates more favorable purchasing contracts for commodities such as steel and chemicals.

### Internal risks

#### Supply chain risks

The availability of many components depends on suppliers. Their potential interruption or lack of capacity would affect deliveries. Equally important, suppliers of finished goods might affect the Group's financial result and market shares negatively in case of shortfall in delivery or quality related issues. Another

key risk that Electrolux is monitoring is the inability to transport finished goods from Electrolux plants to warehouses. A global pandemic like the coronavirus, natural catastrophes, political unrest or large fires impact global suppliers and the supply chain. This causes manufacturing and delivery disruptions which may impact customers significantly as well as increase costs associated with layoffs, manufacturing adaptation, etc. Electrolux builds and adapts its business continuity plans to address these key risks and also collaborates with selected major suppliers to also monitor some of their major risks.

### IT and cyber risks

The digital transformation of the global economy, and of Electrolux more specifically, leads to great opportunities. As Electrolux uses technology to speed up the transfer of information, it also creates greater potential risks. Electrolux continuously prepares for attacks by assessing its cyber risk profile, remediates where recommended and proactively manages its defence. The coronavirus increased the cyber risks, with most of the Group's employees working from home. Cyber security control failures have become an emerging risk closely monitored by Electrolux. Specific trainings have been performed to improve awareness. IT failures, for example in key applications or hardware, may also have significant impacts on delivery, production, sales and other critical systems and functions. Electrolux IT constantly monitors these risks.

### Compliance related risks

Electrolux is exposed to sustainability factors such as human rights, employment conditions and corruption. Violation of anti-corruption legislation could lead to large fines or administrative, civil or criminal sanctions. To mitigate these risks, Electrolux has extensive internal governance documents and policies and conducts training for employees.

### Key people and talents

Evolving industry trends and new technologies require new talents in key areas. The inability to attract competences for the future, or a lack of strong succession planning, may impact Electrolux position in the market negatively. An emerging risk for Electrolux is also the inability to attract talents, by not being able to accommodate their post-pandemic work preferences. The Group builds and continuously reviews its talent pipeline and adapt its work conditions to mitigate these risks.

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.

The historical development of the Electrolux share has been adjusted to take into account the distribution of Electrolux Professional AB to Electrolux shareholders on March 23, 2020.

## Share information and ownership

### Share price performance

The Electrolux share is listed on the exchange Nasdaq Stockholm. The Electrolux B share increased by 1% in 2020, underperforming the broader Swedish market index, OMX Stockholm, which increased by 13% during the same period. The opening price for the Electrolux B share in 2020 was SEK 189.64. The highest closing price was SEK 215.30 on November 3, while the lowest closing price was SEK 105.05 on March 23. The closing price for the B share at year-end 2020 was SEK 191.35.

Total shareholder return during the year was 4%. Over the past ten years, the average total return on an investment in Electrolux B shares has been 6% annually. The corresponding performance for the OMX Stockholm Return Index was 10%.

### Share capital and ownership structure

As of December 31, 2020, 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 2020.

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, and the total number of votes amounts to 38,265,316.

### Major shareholders

|  | Share capital, % | Voting rights, % |
|--|------------------|------------------|
| Investor AB                            | 16.4             | 28.4             |
| Alecta Pension Insurance               | 5.8              | 5.9              |
| Swedbank Robur Funds                   | 4.5              | 3.7              |
| Handelsbanken Funds                    | 3.7              | 3.0              |
| BlackRock, Inc.                        | 2.6              | 2.1              |
| Nordea Funds                           | 2.4              | 2.0              |
| Vanguard                               | 2.1              | 1.7              |
| AMF Insurance & Funds                  | 1.9              | 3.9              |
| Didner & Gerge Funds                   | 1.8              | 1.4              |
| Norges Bank Investment Management      | 1.7              | 1.4              |
| <b>Total, ten largest shareholders</b> | <b>42.9</b>      | <b>53.5</b>      |

Source: Monitor by Modular Finance AB. Compiled and processed data from various sources, including Euroclear, Morningstar and the Swedish Financial Supervisory Authority (Finansinspektionen) as of December 31, 2020.

According to Monitor by Modular Finance AB, there were 59,401 shareholders in AB Electrolux as of December 31, 2020. 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](http://www.electroluxgroup.com)

### Distribution of shareholdings

| Shareholding  | Ownership, % | Number of shareholders | As % of shareholders |
|---------------|--------------|------------------------|----------------------|
| 1-1,000       | 3.5          | 54,247                 | 91.3                 |
| 1,001-10,000  | 3.8          | 4,670                  | 7.9                  |
| 10,001-20,000 | 0.7          | 152                    | 0.3                  |
| 20,001-       | 92.0         | 332                    | 0.5                  |
| <b>Total</b>  | <b>100</b>   | <b>59,401</b>          | <b>100</b>           |

Source: Monitor by Modular Finance AB. Compiled and processed data from various sources, including Euroclear, Morningstar and the Swedish Financial Supervisory Authority (Finansinspektionen) as of December 31, 2020.

### 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.

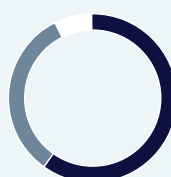
A shareholder participating in the AGM is entitled to vote for the full number of shares which he or she owns or represents. Outstanding shares in the company may be freely transferred, without restrictions under law or the company's Articles of Association. Electrolux is not aware of any agreements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

The full Articles of Association can be downloaded at [www.electroluxgroup.com](http://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



Swedish institutions and mutual funds, 60%  
Foreign investors, 33%  
Swedish private investors, 7%

At year-end, about 33% of the total share capital was owned by foreign investors.

Source: Monitor by Modular Finance AB. Compiled and processed data from various sources, including Euroclear, Morningstar and the Swedish Financial Supervisory Authority (Finansinspektionen) as of December 31, 2020.



## Distribution of funds to shareholders

### Distribution of Electrolux Professional

In March, 2020, Electrolux Professional AB was distributed to AB Electrolux shareholders and listed on Nasdaq Stockholm.

On February 21, 2020, an Extraordinary General Meeting (EGM) decided to distribute all the shares in Electrolux Professional to Electrolux shareholders. Prior to the EGM an information brochure presenting the background and reasons for the proposed split of the Electrolux Group as well as a description of Electrolux Professional's business was published on the Group's website on January 31, 2020.

On March 10, 2020, a prospectus was published on the Group's website. Investors, financial analysts and media representatives were invited to Electrolux Professional's Investor Day, held on March 11, 2020.

The last day for trading in shares of Electrolux including the right to receive shares in Electrolux Professional was March 17, 2020. Electrolux shareholders received shares in Electrolux Professional in proportion to their existing shareholding in Electrolux. Each share of series A in Electrolux entitled to one share of series A in Electrolux Professional and each share of series B in Electrolux entitled to one share of series B in Electrolux Professional. Listing and the first day of trading in the shares of Electrolux Professional on Nasdaq Stockholm was March 23, 2020.

### Dividend 2019

The Board withdrew the dividend proposal ahead of the Annual General Meeting (AGM) in March 2020 due to the situation with the coronavirus. However, after assessing the company's financial position and the impact of the pandemic, the Board announced in September its proposal to reinstate a dividend for the financial year 2019 of SEK 7.00 per share. This was resolved upon by an Extraordinary General Meeting in November, 2020, and paid in one installment on November 10, 2020.

### Proposed dividend

The Board of Directors proposes a dividend for 2020 of SEK 8.00 (7.00) per share, for a total dividend payment of approximately

SEK 2,299m (2,012). The proposed dividend corresponds to approximately 58% of income for the period, continuing operations. Last year's dividend corresponded to approximately 80% of income for the period, total Group (including discontinued operations).

The dividend is proposed to be paid in two equal installments, the first with record date March 29, 2021, and the second with record date September 29, 2021. The first installment is estimated to be paid on April 1, 2021, and the second installment on October 4, 2021.

The Group's policy 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 a 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.

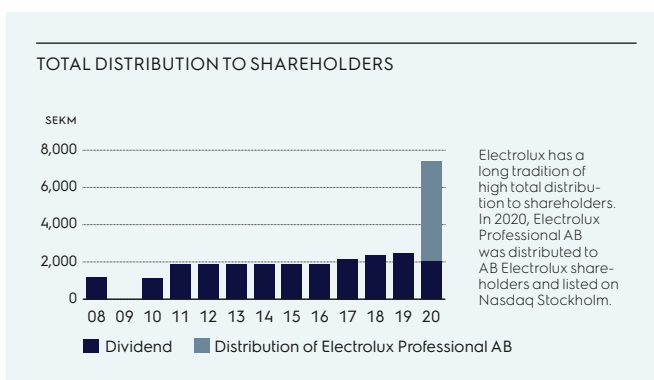
The Board of Directors proposes the Annual General Meeting 2021 to authorize the Board of Directors, for the period until the next Annual General Meeting, to resolve on acquisitions of shares in the company and that the company may acquire as a maximum so many B shares that, following each acquisition, the company holds a maximum of 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, 2020, 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, 2020         | 8,192,539 | 300,727,769 | 308,920,308   | 21,522,858                | 287,397,450                       |
| Total number of shares as of December 31, 2020 | 8,192,539 | 300,727,769 | 308,920,308   | 21,522,858                | 287,397,450                       |
| As % of total number of shares                 |           |             |               | 7.0%                      |                                   |



# 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 whistleblowing 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 for Electrolux continuing operations decreased in 2020 to 47,543 (48,652), of whom 1,414 (1,341) were in Sweden.

Salaries and remuneration in 2020 amounted to SEK 15,666m (16,318), of which SEK 1,074m (1,339) refers to Sweden.

## Remuneration guidelines for Group Management

The following guidelines were approved by the Annual General Meeting 2020 and apply until the Annual General Meeting 2024 unless any changes are proposed.

The guidelines applies to the remuneration and other terms of employment for the President and CEO, other members of the Group Management of Electrolux ('Group Management') and, if applicable, remuneration to board members for work in addition to the board assignment. The Group Management currently comprises ten executives.

The principles shall be applied to employment and consultancy agreements entered into after the Annual General Meeting in 2020 and to changes made to existing agreements thereafter. The guidelines shall be in force until new guidelines are adopted by the General Meeting. These guidelines do not apply to any remuneration decided or approved by the General Meeting.

Remuneration for the President and CEO and, if applicable, members of the Board of Directors is resolved upon by AB Electrolux Board of Directors, based on the recommenda-

tion 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. The Remuneration Committee shall also monitor and evaluate programs for variable remuneration for the Group Management, the application of the guidelines for executive remuneration as well as the current remuneration structures and compensation levels in the Company. The Board of Directors shall, based on the recommendation from the Remuneration Committee, prepare a proposal for new guidelines at least every fourth year and submit it to the Annual General Meeting. The President and CEO and other members of the Group Management do not participate in the Board of Directors' processing of and resolutions regarding remuneration-related matters in so far as they are affected by such matters.

Note 27 of the Annual Report includes a detailed description of existing remuneration arrangements for Group Management, including fixed and variable compensation, long-term incentive programs and other benefits.

Electrolux has a clear strategy to deliver profitable growth and create shareholder value. A prerequisite for the successful implementation of the Company's business strategy and safeguarding of its long-term interests, including its sustainability, is that the Company is able to recruit and retain qualified personnel. To this end, it is necessary that the Company offers competitive remuneration in relation to the country or region of employment of each Group Management member. These guidelines enable the Company to offer the Group Management a competitive total remuneration. More information on the Company's strategy can be found on the Company's website and in the most recent annual report, [www.electroluxgroup.com](http://www.electroluxgroup.com).

The remuneration terms shall emphasize 'pay for performance', and vary with the performance of the individual and the Group. The total remuneration for the Group Management shall be in line with market practice and may comprise of the following components: fixed compensation, variable compensation, pension benefits and other benefits.

Employment contracts governed by rules other than Swedish may be duly adjusted for compliance with mandatory rules or established local practice, taking into account, to the extent possible, the overall purpose of these guidelines.

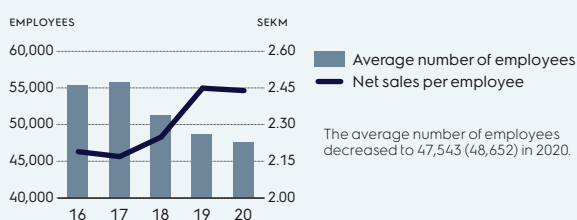
## Fixed compensation

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

Variable compensation consists of both short-term and long-term incentives. Long-term incentives consist of long-term share-related incentive programs ('LTI programs'). Such programs are resolved upon by the General Meeting and are therefore excluded from these guidelines. Each year, the Board of Directors will evaluate whether or not an LTI program shall be proposed to the General Meeting. LTI programs shall be distinctly linked to the business strategy and 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 more information regarding these LTI programs, including the criteria which the outcome depend on, please see the corporate governance section on the Group's website [www.electroluxgroup.com](http://www.electroluxgroup.com).

## EMPLOYEES<sup>1)</sup>



<sup>1)</sup> The figures for 2018, 2019 and 2020 are for continuing operations, exclusive of Electrolux Professional.

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 mainly relate to financial performance targets. Non-financial targets may also be used in order to strengthen the focus on delivering on the Company's business strategy and long-term interests, including its sustainability. The targets shall be specific, clear, measurable and time bound and be determined by the Board of Directors.

#### *Short Term Incentive (STI)*

Members of the Group Management shall participate in an STI plan under which they may receive variable compensation. The objectives in the STI plan shall mainly be financial and the measurement period shall be one year. The objectives shall mainly be set based on financial performance of the Group and, for the business area heads, of the business area for which the Group Management member is responsible, such as profit, financial efficiency and sales. Financial objectives will comprise at least 80% of the weighting. Non-financial objectives may be related to sustainability, customer satisfaction, quality or company culture.

To which extent the criteria for awarding variable cash remuneration has been satisfied shall be determined by the Remuneration Committee when the measurement period has ended. For financial objectives, the evaluation shall be based on the annual financial performance in accordance with the most recent interim report for the fourth quarter made public by the Company.

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

#### *Extraordinary arrangements*

Additional variable compensation may be approved in extraordinary circumstances, under the conditions that such extraordinary arrangement 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. Such additional variable remuneration may also be paid on an individual level for extraordinary performance beyond the individual's ordinary tasks and shall in these situations not exceed 30% of the ABS and be paid in one installment.

#### *Right to reclaim variable remuneration*

Terms and conditions for variable remuneration should be designed to enable the Board, under exceptional financial circumstances, to limit or cancel payments of variable remuneration provided that such actions are deemed reasonable (malus). The Board shall also have the possibility, under applicable law or contractual provisions and subject to the restrictions that may apply under law or contract, to in whole or in part reclaim variable remuneration paid on incorrect grounds (claw-back).

#### *Pension and benefits*

Old age and survivor's pension, disability benefits and health-care 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 provisions in collective agreements, tax and/or social security legislation to which the individual is subject, other schemes and mechanisms for pension benefits may be approved. Defined pension contributions shall not exceed 40% of the ABS unless the entitlement is higher under applicable collective agreements.

Other benefits, such as company cars and housing, may be provided on an individual level or to the entire Group Management. Costs relating to such benefits may amount to not more than 20% of the ABS. Members of the Group Management who are expatriates, may receive additional remuneration and other benefits to the extent reasonable in light of the special circumstances associated with the expat arrangement. Such benefits shall be determined in line with the Group's Directive on International Assignments and may for example include relocation costs, housing, tuition fees, home travel, tax support and tax equalization.

#### *Notice of termination and severance pay*

The notice period shall be twelve months if Electrolux takes the initiative to terminate the employment and six months if the Group Management member takes the initiative to terminate the employment.

In individual cases, contractual severance pay may be approved in addition to the notice periods. Contractual severance pay may only be payable upon Electrolux 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.

Contractual 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 of income, either from employment or from other business activities.

In addition to the above, compensation for any non-compete undertaking may be awarded. Such compensation shall be based on the ABS at the time of notice of termination of the employment, unless otherwise stipulated by mandatory collective agreement provisions, and be awarded over the period for which the non-compete clause applies, which should not exceed twelve months after termination of the employment. The compensation shall be reduced by an amount corresponding to any income that the person receives from other sources of income, either from employment or from other business activities.

#### *Salary and employment conditions for employees*

In the preparation of the Board of Directors' proposal for these remuneration guidelines, salary and employment conditions for employees of the Company have been taken into account by including information on the employees' total income, the components of the remuneration and increase and growth rate over time, in the Remuneration Committee's and the Board of Directors' basis of decision when evaluating whether the guidelines and the limitations set out herein are reasonable.

Remuneration guidelines for Group Management cont.

#### Consultancy fees

If a member of the Board of Directors (including through a wholly-owned subsidiary) should carry out services to Electrolux in addition to the board assignment, specific fees for this can be paid out (consultancy fees), provided that such services contribute to the implementation of Electrolux business strategy and the safeguarding of Electrolux long-term interests, including its sustainability. Such consultancy fee may for each member of the Board of Directors not exceed the annual remuneration for the board assignment. The fee shall be in line with market practice.

#### Deviations from the guidelines

The Board of Directors may temporarily resolve to deviate from the guidelines, in whole or in part, if in a specific case there is special cause for the deviation and a deviation is necessary to serve the Company's long-term interests, including its sustainability, or to ensure the Company's financial viability. The Remuneration Committee's tasks include preparing the Board of Directors' resolutions in remuneration-related matters. This includes any resolutions to deviate from the guidelines.

## Sustainability and environmental facts

#### Electrolux – a leader in the Household Durables Industry

The Group's sustainability performance strengthens relations with investors and Electrolux is recognized as a sustainability leader in the household durables industry. In 2020, Electrolux was included in the Dow Jones Sustainability Index (DJSI) World and Europe indexes and 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 SAM, OEKOM, CDP and UN Global Compact Top 100.

#### Sustainability reporting 2020

The Group's sustainability framework – For the Better – comprises of three areas: Better Solutions, Better Company and Better Living. For more sustainability related information, please see the section Sustainability Reporting on page 86–94. The Sustainability Reporting has been prepared in accordance with disclosure requirements set out in the Swedish Annual Accounts Act, chapter 6, paragraph 11.

#### Mandatory permits and notification in Sweden and elsewhere

Electrolux operates one plant in Sweden, which accounts for approximately 0.1% of the total value of the Group's production.

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 2020.

Electrolux products are affected by legislation in various markets, principally involving energy consumption, producer responsibility for recycling, and the 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 2020

#### February 1. Electrolux Nomination Committee's proposal for election of board members

In preparation for the Electrolux Annual General Meeting on March 25, Electrolux Nomination Committee has decided to propose the re-election of all board members except Kai Wärn, who has declined re-election. Staffan Bohman is proposed to be re-elected

as Chairman of the Board of Directors, and Petra Hedengran, Henrik Henriksson, Ulla Litzén, Karin Overbeck, Fredrik Person, David Porter and Jonas Samuelson as Board Members.

For more information, visit [www.electroluxgroup.com](http://www.electroluxgroup.com)

## Parent Company income statement

### Income statement

| SEKM                                | NOTE | 2020          | 2019          |
|-------------------------------------|------|---------------|---------------|
| <b>Net sales</b>                    | 4    | <b>40,621</b> | <b>40,594</b> |
| Cost of goods sold                  |      | -34,106       | -35,020       |
| <b>Gross operating income</b>       |      | <b>6,515</b>  | <b>5,574</b>  |
| Selling expenses                    |      | -3,582        | -3,314        |
| Administrative expenses             |      | -2,096        | -2,276        |
| Other operating expenses            | 6    | -382          | -487          |
| <b>Operating income</b>             |      | <b>455</b>    | <b>-503</b>   |
| Financial income                    | 9    | 7,248         | 5,424         |
| Financial expenses                  | 9    | -1,066        | -888          |
| <b>Financial items, net</b>         |      | <b>6,182</b>  | <b>4,536</b>  |
| <b>Income after financial items</b> |      | <b>6,637</b>  | <b>4,033</b>  |
| Appropriations                      | 21   | -36           | -682          |
| <b>Income before taxes</b>          |      | <b>6,601</b>  | <b>3,351</b>  |
| Taxes                               | 10   | -137          | 6             |
| <b>Income for the period</b>        |      | <b>6,464</b>  | <b>3,357</b>  |

### Total comprehensive income for the period

| SEKM  | 2020         | 2019         |
|---|--------------|--------------|
| <b>Income for the period</b>                      | <b>6,464</b> | <b>3,357</b> |
| <b>Other comprehensive income</b>                 |              |              |
| Exchange rate differences                         | -85          | 11           |
| Cash flow hedges                                  | -1           | 0            |
| Income tax relating to other comprehensive income | 0            | 0            |
| <b>Other comprehensive income, net of tax</b>     | <b>-86</b>   | <b>11</b>    |
| <b>Total comprehensive income for the period</b>  | <b>6,378</b> | <b>3,368</b> |

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 2020 amounted to SEK 40,621m (40,594) of which SEK 33,349m (33,113) referred to sales to Group companies and SEK 7,272m (7,481) to external customers. Income after financial items was SEK 6,637m (4,033), including dividends from subsidiaries amounting to SEK 6,782m (4,396). Income for the period amounted to SEK 6,464m (3,357).

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 935m (658). Liquid funds at the end of the period amounted to SEK 15,049m, compared to SEK 6,084m at the start of the year.

Undistributed earnings in the Parent Company at the end of the period amounted to SEK 19,453m, compared to SEK 22,894m at the start of the year. Dividend payments to shareholders for 2019 amounted to SEK 2,012m. Dividend distribution to shareholders of the shares in Electrolux Professional AB amounted to SEK 7,749m corresponding to the book value of the shares at the time of the distribution.

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, 2020 | December 31, 2019 |
|---|------|-------------------|-------------------|
| <b>ASSETS</b>                                   |      |                   |                   |
| <b>Non-current assets</b>                       |      |                   |                   |
| Intangible assets                               | 13   | 1,834             | 1,772             |
| Property, plant and equipment                   | 12   | 243               | 141               |
| Deferred tax assets                             |      | 545               | 579               |
| Financial assets                                | 14   | 31,052            | 39,268            |
| <b>Total non-current assets</b>                 |      | <b>33,674</b>     | <b>41,760</b>     |
| <b>Current assets</b>                           |      |                   |                   |
| Inventories                                     | 15   | 2,502             | 3,038             |
| Receivables from subsidiaries                   |      | 18,211            | 22,546            |
| Trade receivables                               | 17   | 1,154             | 552               |
| Derivatives with subsidiaries                   |      | 154               | 54                |
| Derivatives                                     |      | 135               | 180               |
| Other receivables                               |      | 293               | 310               |
| Prepaid expenses and accrued income             |      | 340               | 336               |
| Short-term investments                          |      | —                 | 0                 |
| Cash and bank                                   |      | 15,049            | 6,084             |
| <b>Total current assets</b>                     |      | <b>37,838</b>     | <b>33,100</b>     |
| <b>Total assets</b>                             |      | <b>71,512</b>     | <b>74,860</b>     |
| <b>EQUITY AND LIABILITIES</b>                   |      |                   |                   |
| <b>Equity</b>                                   |      |                   |                   |
| <b>Restricted equity</b>                        |      |                   |                   |
| Share capital                                   | 20   | 1,545             | 1,545             |
| Statutory reserve                               |      | 3,017             | 3,017             |
| Development reserve                             |      | 1,162             | 1,035             |
|   |      | <b>5,724</b>      | <b>5,597</b>      |
| <b>Non-restricted equity</b>                    |      |                   |                   |
| Retained earnings                               |      | 12,989            | 19,537            |
| Income for the period                           |      | 6,464             | 3,357             |
|   |      | <b>19,453</b>     | <b>22,894</b>     |
| <b>Total equity</b>                             |      | <b>25,177</b>     | <b>28,491</b>     |
| <b>Untaxed reserves</b>                         | 21   | <b>547</b>        | <b>430</b>        |
| <b>Provisions</b>                               |      |                   |                   |
| Provisions for pensions and similar commitments | 22   | 440               | 437               |
| Other provisions                                | 23   | 1,110             | 1,024             |
| <b>Total provisions</b>                         |      | <b>1,550</b>      | <b>1,461</b>      |
| <b>Non-current liabilities</b>                  |      |                   |                   |
| Payable to subsidiaries                         |      | 69                | 69                |
| Bond loans                                      | 18   | 13,634            | 5,803             |
| Other non-current loans                         | 18   | 425               | 2,328             |
| <b>Total non-current liabilities</b>            |      | <b>14,128</b>     | <b>8,200</b>      |
| <b>Current liabilities</b>                      |      |                   |                   |
| Payable to subsidiaries                         |      | 25,415            | 31,005            |
| Accounts payable                                |      | 1,752             | 1,842             |
| Other liabilities                               |      | 489               | 453               |
| Short-term borrowings                           | 18   | 248               | 1,461             |
| Derivatives with subsidiaries                   |      | 146               | 27                |
| Derivatives                                     |      | 259               | 242               |
| Accrued expenses and prepaid income             | 24   | 1,801             | 1,248             |
| <b>Total current liabilities</b>                |      | <b>30,110</b>     | <b>36,278</b>     |
| <b>Total liabilities and provisions</b>         |      | <b>45,788</b>     | <b>45,939</b>     |
| <b>Total liabilities, provisions and equity</b> |      | <b>71,512</b>     | <b>74,860</b>     |

## Parent Company change in equity

| SEKM  | Restricted equity |                   |                     | Non-restricted equity |                      | Total equity |
|---|-------------------|-------------------|---------------------|-----------------------|----------------------|--------------|
|   | Share capital     | Statutory reserve | Development reserve | Fair value reserve    | Retained earnings    |              |
| Opening balance, January 1, 2019                  | 1,545             | 3,017             | 875                 | 60                    | 22,018               | 27,515       |
| Income for the period                             | –                 | –                 | –                   | –                     | 3,357                | 3,357        |
| Exchange rate differences                         | –                 | –                 | –                   | 11                    | –                    | 11           |
| Cash flow hedges                                  | –                 | –                 | –                   | 0                     | –                    | 0            |
| Income tax relating to other comprehensive income | –                 | –                 | –                   | 0                     | –                    | 0            |
| Other comprehensive income, net of tax            | –                 | –                 | –                   | 11                    | –                    | 11           |
| Total comprehensive income for the period         | –                 | –                 | –                   | 11                    | 3,357                | 3,368        |
| Share-based payment                               | –                 | –                 | –                   | –                     | 51                   | 51           |
| Development reserve                               | –                 | –                 | 160                 | –                     | -160                 | –            |
| Dividend  | –                 | –                 | –                   | –                     | -2,443               | -2,443       |
| Total transactions with equity holders            | –                 | –                 | 160                 | –                     | -2,552               | -2,392       |
| Closing balance, December 31, 2019                | 1,545             | 3,017             | 1,035               | 71                    | 22,823               | 28,491       |
| Income for the period                             | –                 | –                 | –                   | –                     | 6,464                | 6,464        |
| Exchange rate differences                         | –                 | –                 | –                   | -85                   | –                    | -85          |
| Cash flow hedges                                  | –                 | –                 | –                   | -1                    | –                    | -1           |
| Income tax relating to other comprehensive income | –                 | –                 | –                   | 0                     | –                    | 0            |
| Other comprehensive income, net of tax            | –                 | –                 | –                   | -86                   | –                    | -86          |
| Total comprehensive income for the period         | –                 | –                 | –                   | -86                   | 6,464                | 6,378        |
| Share-based payment                               | –                 | –                 | –                   | –                     | 69                   | 69           |
| Development reserve                               | –                 | –                 | 127                 | –                     | -127                 | –            |
| Dividend  | –                 | –                 | –                   | –                     | -9,761 <sup>1)</sup> | -9,761       |
| Total transactions with equity holders            | –                 | –                 | 127                 | –                     | -9,819               | -9,692       |
| Closing balance, December 31, 2020                | 1,545             | 3,017             | 1,162               | -15                   | 19,468               | 25,177       |

<sup>1)</sup> Dividend payment to shareholders SEK 2,012m and distribution of Electrolux Professional AB SEK 7,749m.

## Parent Company cash flow statement

| SEKM   | 2020          | 2019          |
|--|---------------|---------------|
| <b>Operations</b>  |               |               |
| Income after financial items   | 6,637         | 4,033         |
| Depreciation and amortization  | 401           | 302           |
| Capital gain/loss included in operating income   | 760           | 739           |
| Share-based compensation   | 69            | 51            |
| Group contributions  | 82            | -694          |
| Taxes paid   | -103          | -121          |
| <b>Cash flow from operations, excluding change in operating assets and liabilities</b> | <b>7,846</b>  | <b>4,310</b>  |
| <b>Change in operating assets and liabilities</b>                                      |               |               |
| Change in inventories  | 536           | -225          |
| Change in trade receivables  | -602          | 620           |
| Change in current intra-group balances   | 4,619         | -1,261        |
| Change in other current assets   | 58            | -51           |
| Change in other current liabilities and provisions                                     | 605           | 425           |
| <b>Cash flow from operating assets and liabilities</b>                                 | <b>5,216</b>  | <b>-492</b>   |
| <b>Cash flow from operations</b>   | <b>13,062</b> | <b>3,818</b>  |
| <b>Investments</b>   |               |               |
| Change in shares and participations  | -40           | -5,730        |
| Capital expenditure in intangible assets   | -575          | -618          |
| Capital expenditure in property, plant and equipment                                   | -360          | -40           |
| Other  | 115           | 1,969         |
| <b>Cash flow from investments</b>  | <b>-860</b>   | <b>-4,419</b> |
| <b>Total cash flow from operations and investments</b>                                 | <b>12,202</b> | <b>-601</b>   |
| <b>Financing</b>   |               |               |
| Change in short-term investments   | -             | 0             |
| Change in short-term borrowings  | -566          | 34            |
| Change in intra-group borrowings   | -5,855        | 283           |
| New long-term borrowings   | 9,785         | 3,767         |
| Amortization of long-term borrowings   | -4,503        | -2,211        |
| Dividend   | -2,012        | -2,443        |
| <b>Cash flow from financing</b>  | <b>-3,151</b> | <b>-570</b>   |
| <b>Total cash flow</b>   | <b>9,051</b>  | <b>-1,171</b> |
| <b>Cash and cash equivalents at beginning of period</b>                                | <b>6,084</b>  | <b>7,244</b>  |
| Exchange-rate differences referring to cash and cash equivalents                       | -86           | 11            |
| <b>Cash and cash equivalents at end of period</b>                                      | <b>15,049</b> | <b>6,084</b>  |





# Notes

All amounts in SEKm unless otherwise stated

# Notes

## Contents

|         |   |    |         |  |    |
|---------|---|----|---------|--|----|
| Note 1  | Accounting principles                             | 41 | Note 18 | Financial instruments                                  | 57 |
| Note 2  | Financial risk management                         | 43 | Note 19 | Assets pledged for liabilities to credit institutions  | 61 |
| Note 3  | Segment information                               | 45 | Note 20 | Share capital, number of shares and earnings per share | 62 |
| Note 4  | Revenue recognition                               | 47 | Note 21 | Untaxed reserves, Parent Company                       | 62 |
| Note 5  | Operating expenses                                | 48 | Note 22 | Post-employment benefits                               | 63 |
| Note 6  | Other operating income and expenses               | 49 | Note 23 | Other provisions                                       | 67 |
| Note 7  | Material profit or loss items in operating income | 49 | Note 24 | Other liabilities                                      | 67 |
| Note 8  | Leases  | 50 | Note 25 | Contingent assets and liabilities                      | 68 |
| Note 9  | Financial income and financial expenses           | 51 | Note 26 | Acquired, divested and discontinued operations         | 69 |
| Note 10 | Taxes   | 51 | Note 27 | Employees and remuneration                             | 71 |
| Note 11 | Other comprehensive income                        | 52 | Note 28 | Fees to auditors                                       | 74 |
| Note 12 | Property, plant and equipment, owned              | 53 | Note 29 | Shares and participations                              | 74 |
| Note 13 | Goodwill and other intangible assets              | 54 | Note 30 | Transactions with related parties                      | 75 |
| Note 14 | Other non-current assets                          | 55 | Note 31 | Definitions  | 76 |
| Note 15 | Inventories                                       | 56 | Note 32 | Proposed distribution of earnings                      | 77 |
| Note 16 | Other current assets                              | 56 |         | Auditor's report                                       | 78 |
| Note 17 | Trade receivables                                 | 56 |         |  |    |

## 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, except for financial instruments at fair value (including derivative financial instruments). 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.

The effects from applying IFRS 5 Non-current Assets Held for Sale and Discontinued Operations for the accounting of the Electrolux Professional operations are described in Note 26.

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 17, 2021. The balance sheets and income statements are subject to approval by the Annual General Meeting of shareholders on March 25, 2021.

### 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, 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 2020, the Group consisted of 133 (187) companies with 184 (264) 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 measured 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           | 2020    |               | 2019    |               |
|---------------|---------|---------------|---------|---------------|
|               | Average | End of period | Average | End of period |
| Exchange rate |         |               |         |               |
| ARS           | 0.1320  | 0.0973        | 0.2010  | 0.1558        |
| AUD           | 6.34    | 6.28          | 6.57    | 6.53          |
| BRL           | 1.81    | 1.58          | 2.40    | 2.31          |
| CAD           | 6.84    | 6.41          | 7.10    | 7.14          |
| CHF           | 9.77    | 9.26          | 9.50    | 9.60          |
| CLP           | 0.0116  | 0.0115        | 0.0133  | 0.0125        |
| CNY           | 1.33    | 1.25          | 1.37    | 1.34          |
| EUR           | 10.48   | 10.06         | 10.56   | 10.44         |
| GBP           | 11.83   | 11.14         | 12.03   | 12.25         |
| HUF           | 0.0298  | 0.0276        | 0.0324  | 0.0315        |
| MXN           | 0.4317  | 0.4126        | 0.4878  | 0.4951        |
| RUB           | 0.1275  | 0.1095        | 0.1455  | 0.1507        |
| THB           | 0.2938  | 0.2735        | 0.3039  | 0.3119        |
| USD           | 9.18    | 8.19          | 9.43    | 9.33          |

### New or amended accounting standards applied in 2020

The following new, amended or improved accounting standards were applicable from January 1, 2020: IFRS 3 Business Combinations (endorsed by the EU April 21, 2020); IAS 1 and IAS 8: Definition of material (endorsed by the EU on November 29, 2019); and IFRS 16 Leases (endorsed by the EU on October 9, 2020). Amendments to IFRS 9, IAS 39 and IFRS 7 under the Interest Rate Benchmark Reform (endorsed by the EU on January 15, 2020) were early adopted by the Group from 2019.

The new, amended or improved standards did not have any material impact on Electrolux financial statements.

### New or amended accounting standards to be applied after 2020

The following new, amended or improved accounting standards have been published but are not mandatory for 2020 and have not been early adopted by Electrolux: IFRS 17 Insurance Contracts; IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current; IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets; Annual Improvements 2018-2020; IFRS 4 Insurance Contracts – deferral of IFRS9 (endorsed by the EU on December 15, 2020); Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2 (endorsed by the EU on January 13, 2021). These new, amended or improved standards have not yet been endorsed by the EU unless specifically stated above and they are not expected to have any material impact on Electrolux financial statements.

All amounts in SEKm unless otherwise stated

Cont. Note 1

### 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, being the higher of fair value less costs of disposal and value in use. Impairment charges are recorded when the information shows that the carrying amount of an asset is not recoverable. In many cases, market value is not 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 may result 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 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, 15 years for 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 of property, plant and equipment at year-end 2020 amounted to SEK 20,452m. The carrying amount for goodwill at year-end 2020 amounted to SEK 6,369m.

#### 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 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, 2020, Electrolux had a net amount of SEK 6,064m recognized as deferred tax assets in excess of deferred tax liabilities. As of December 31, 2020, the Group had tax loss carry-forwards and other deductible temporary differences of SEK 4,305m, which have not been included in the computation of deferred tax assets.

#### Current taxes

Electrolux estimates regarding 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 and calculation of loss allowance

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.

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. A sensitivity analysis is presented in Note 17.

At year-end 2020, trade receivables, net of provisions for expected credit losses, amounted to SEK 19,944m. The total provision for expected credit losses at year-end 2020 was SEK 698m.

#### Post-employment benefits

Electrolux sponsors a number of defined contribution and defined benefit pension plans for its employees. The pension calculations, referring to defined benefit plans, are based on actuarial assumptions regarding discount rates, mortality rates, as well as 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 2020 was 1.87% in average, which was the same rate used to estimate liabilities at the end of 2019. Sensitivities for the main assumptions are presented in Note 22.

#### 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 2020 was SEK 1,486m.

#### 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, 2020, Electrolux had a provision for warranty commitments amounting to SEK 2,039m.

#### 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.

#### 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 that shall or can be made.

#### 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 has euro as its functional currency. The balance sheet of the commissioner company has been translated into SEK at year-end rate. 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.

## Cont. Note 1

**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 the exemption in RFR2. According to RFR2, 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.

**Development reserve**

The Parent Company's financial statements recognize a development reserve in compliance with the 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.

**Leases**

All lease agreements where the Parent Company is a lessee are reported in accordance with the exemption in RFR2, i.e. right-of-use assets and lease liabilities are not reported in the balance sheet. The leasing fee is recognized as an expense on a straight-line basis over the lease period.

**Critical judgements and uncertainties**

Valuation of shares in subsidiaries is an area involving judgement and/or uncertainties for the Parent Company, in addition to the applicable critical accounting policies and key sources of estimation presented for the Group.

**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.

## 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:

- Liquidity risk from the Group's liquidity requirements
- 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

Comparative information regarding risks described and quantified in this note are for total Group, including discontinued operations, unless otherwise stated.

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.

The Group seeks to minimize the effects of these risks by using derivatives to hedge the exposures. The Group's Financial Policy governs the use of financial derivatives and provide principles for the management of 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. Policy compliance is reported on a monthly basis by Group Treasury to the Board of Directors.

**Liquidity risk**

Liquidity risk is defined as the risk of the Group not being able to meet its payment obligations due to lack of liquidity or due to the inability to convert assets into liquidity without incurring a loss.

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 Financial Policy stipulates that the level of liquid funds including unutilized committed credit facilities shall correspond to at least 2.5% of annualized net sales, at year-end 2020 this level was 40.6% (18.4). 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. At year-end 2020 the Group had net liquid funds of SEK 18,864m (7,569), well above target. Liquid funds shall be deposited in bank accounts or invested in instruments with high liquidity and issued by creditworthy

issuers. See separate section "Credit risk in financial activities" within this note. The liquidity risk is considered low at the end of 2020 given the size of liquid funds available.

**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.

**Interest-rate risk in liquid funds**

Liquidity is either deposited in bank accounts or invested in 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 194m (113). For more information, see Note 18.

**Interest-rate risk in 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.

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 -2m (-0) during 2020. On the basis of 2020 long-term interest-bearing borrowings with an average interest fixing period of 1.6 years (1.5), a one percentage point shift in interest rates would impact the Group's interest expenses by approximately SEK +/-78m (69). This calculation is based on a parallel shift of all yield curves simultaneously by one percentage point. 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.

The Group's exposure to the reform of IBOR-rates is limited. At year-end 2020, the Group had one floating rate loan denominated in USD maturing after the indicated USD LIBOR cessation date, see Note 18.

**Capital structure and credit rating**

The Group defines its capital as equity stated in the balance sheet including non-controlling interests. On December 31, 2020, the Group's capital amounted to SEK 18,709m (22,574). The Group's objective is to have a capital structure resulting in an efficient weighted cost of capital and sufficient

All amounts in SEKm unless otherwise stated

Cont. Note 2

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 2020, S&P Global Ratings confirmed the Group's rating as shown in the table below.

| Rating             | Long-term debt | Outlook | Short-term debt | Short-term debt, Nordic |
|--------------------|----------------|---------|-----------------|-------------------------|
| S&P Global Ratings | A-             | Stable  | A-2             | K-1                     |

When monitoring the capital structure, the Group uses different key figures, which are consistent with methodologies used by rating agencies and banks. The Group manages the capital structure and makes adjustments to adapt to changes in economic conditions. In order to maintain or adjust the capital structure, the Electrolux Board of Directors may propose to adjust dividends paid to shareholders, return capital to shareholders, buy back own shares, 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 even spread of maturities. The average time to maturity shall be at least 2 years and a maximum of SEK 5,000m of the long-term borrowings may mature during a 12-month period. In March 2020, to ensure financial flexibility and to mitigate the potential impact from the coronavirus pandemic, the Board of Directors approved a temporary exception from the long-term borrowing limits. 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 hedges these risks within the framework of the Financial Policy. Electrolux uses external loans denominated in foreign currencies as well as various derivatives to facilitate internal lending and to manage the foreign exchange exposure for the Group. 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. Hedging with currency derivatives is, in most cases, 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 33m (-9) during 2020.

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.

#### 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 +/- 580m (420), as a static calculation. The model assumes the distribution of earnings and costs effective at year-end 2020 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 2020 | Profit or loss impact 2019 |
|----------|--------|----------------------------|----------------------------|
| Currency |        |                            |                            |
| AUD/SEK  | -10%   | -356                       | -309                       |
| BRL/SEK  | -10%   | -334                       | -582                       |
| GBP/SEK  | -10%   | -242                       | -285                       |
| CAD/SEK  | -10%   | -242                       | -272                       |
| CHF/SEK  | -10%   | -207                       | -206                       |
| RUB/SEK  | -10%   | -131                       | -164                       |
| THB/SEK  | -10%   | 185                        | 178                        |
| CNY/SEK  | -10%   | 199                        | 261                        |
| EUR/SEK  | -10%   | 471                        | 410                        |
| USD/SEK  | -10%   | 866                        | 1,248                      |

#### 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 -104m (-1) during 2020.

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 +/- 2,864m (3,719), as a static calculation at year-end 2020. There were no outstanding net investment hedges at year-end 2020, why a similar valuation of outstanding net investment hedges in 2020, would have an effect on the Group's equity of approximately SEK +/- 0m (261).

#### 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 +/- 600m (850) and in plastics with approximately SEK +/- 350m (650), based on volumes in 2020.

#### 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 allowable exposure in relation to each counterpart. The Group only transacts investments of liquid funds and derivatives with issuers and counterparties 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. S&P Global Ratings 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 counterparties for derivative transactions. Assets and liabilities will only be netted from a credit risk perspective for counterparties with valid ISDA-agreements. As a result of these policies and limitations, the credit risk from external financial activities is not material.

Cont. Note 2

## Impact from netting agreements on gross exposure from derivatives

|  | Gross amount | Impact of netting agreements | Net position | Change |
|--|--------------|------------------------------|--------------|--------|
| <b>December 31, 2020</b>                                       |              |                              |              |        |
| Interest and currency risk derivatives reported as assets      | 135          | -111                         | 24           | 83%    |
| Interest and currency risk derivatives reported as liabilities | 332          | -111                         | 221          | 33%    |
| <b>December 31, 2019</b>                                       |              |                              |              |        |
| Interest and currency risk derivatives reported as assets      | 193          | -132                         | 61           | 68%    |
| Interest and currency risk derivatives reported as liabilities | 293          | -132                         | 161          | 45%    |

However, since Group Treasury manage a majority of the subsidiary financing through internal loans from the Parent Company, there is a material credit risk originating from internal loans. The Parent Company calculates expected credit losses (ECL) from net lending to its subsidiaries. The model defines if it is the entity, or the country where the entity is situated, that accounts for the primary source of credit risk. The credit risk is translated into a probability of default factor based on S&P Global Ratings historic values. The net lending exposure is multiplied by the probability of default and a loss given default to result in the ECL of the subsidiary. The model allows for a management overlay to adjust the ECL provision, if management possesses information that qualifies for such an adjustment. Management overlay takes forward looking factors into consideration.

The opening expected credit loss provision in the Parent Company for 2020 amounted to SEK 86m (72) primarily originating from internal loans to Latin America. The closing expected credit loss provision in the Parent Company amounted to SEK 128m (86), mainly due to increased provision for loans to Argentina. ECL provision for loans made to companies with a minority shareholding amounted to SEK 9m (0).

To reduce the settlement risk in foreign exchange transactions done with banks, Group Treasury uses Continuous Linked Settlement (CLS). CLS eliminates temporary 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 and independent stores. Sales are made on the basis of normal delivery and payment terms. The Electrolux Group Credit Policy Directive 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. 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 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 8.4% (6.4) 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 are 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.

## Note 3 Segment information

### Reportable segments - Business areas

The Group's operations are divided into four reportable segments: Europe; North America; Latin America and Asia-Pacific, Middle East and Africa. The Professional Products business area was classified as discontinued operations as of December 5, 2019 and is presented in Note 26.

All the segments are producing appliances for the consumer market, and products comprise mainly of refrigerators, freezers, cookers, dryers, washing machines, dishwashers, microwave ovens, vacuum cleaners and other small appliances.

The segments are regularly reviewed by the President and CEO, the Group's chief operating decision maker.

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. Operating costs not included in the segments are shown under Group Common 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 |              |
|--------------------------------------|----------------|----------------|------------------|--------------|
|                                      | 2020           | 2019           | 2020             | 2019         |
| Europe                               | 46,038         | 45,420         | 3,643            | 2,493        |
| North America                        | 38,219         | 38,954         | 1,215            | -516         |
| Latin America                        | 16,915         | 19,653         | 666              | 1,821        |
| Asia-Pacific, Middle East and Africa | 14,788         | 14,954         | 1,038            | 446          |
|                                      | <b>115,960</b> | <b>118,981</b> | <b>6,562</b>     | <b>4,244</b> |
| Group Common costs                   | -              | -              | -783             | -1,055       |
| <b>Total</b>                         | <b>115,960</b> | <b>118,981</b> | <b>5,778</b>     | <b>3,189</b> |
| Financial items, net                 | -              | -              | -681             | -733         |
| <b>Income after financial items</b>  | <b>-</b>       | <b>-</b>       | <b>5,096</b>     | <b>2,456</b> |

Inter-segment sales exist with the following split:

|                                      | 2020         | 2019         |
|--------------------------------------|--------------|--------------|
| Europe                               | 1,256        | 1,270        |
| North America                        | 267          | 627          |
| Latin America                        | 1            | 1            |
| Asia-Pacific, Middle East and Africa | 1,205        | 818          |
| <b>Eliminations</b>                  | <b>2,729</b> | <b>2,716</b> |

All amounts in SEKm unless otherwise stated

Cont. Note 3

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<br>December 31 |                | Equity and liabilities<br>December 31 |                | Net assets<br>December 31 |               |
|--------------------------------------|-----------------------|----------------|---------------------------------------|----------------|---------------------------|---------------|
|                                      | 2020                  | 2019           | 2020                                  | 2019           | 2020                      | 2019          |
| Europe                               | 25,796                | 28,032         | 24,390                                | 26,604         | 1,406                     | 1,429         |
| North America                        | 20,667                | 22,917         | 14,582                                | 16,421         | 6,086                     | 6,496         |
| Latin America                        | 11,190                | 14,064         | 6,663                                 | 7,020          | 4,526                     | 7,044         |
| Asia-Pacific, Middle East and Africa | 11,414                | 12,351         | 7,418                                 | 6,289          | 3,996                     | 6,062         |
| Other <sup>1)</sup>                  | 8,798                 | 9,175          | 4,546                                 | 4,033          | 4,252                     | 5,142         |
| <b>Continuing operations</b>         | <b>77,865</b>         | <b>86,540</b>  | <b>57,599</b>                         | <b>60,368</b>  | <b>20,265</b>             | <b>26,172</b> |
| <b>Discontinued operations</b>       | <b>–</b>              | <b>8,034</b>   | <b>–</b>                              | <b>3,951</b>   | <b>–</b>                  | <b>–</b>      |
| Liquid funds                         | 20,467                | 11,189         | –                                     | –              | –                         | –             |
| Total borrowings                     | –                     | –              | 15,727                                | 11,856         | –                         | –             |
| Lease liabilities                    | –                     | –              | 2,618                                 | 3,150          | –                         | –             |
| Pension assets and liabilities       | 1,272                 | 1,043          | 4,951                                 | 4,909          | –                         | –             |
| Equity                               | –                     | –              | 18,709                                | 22,574         | –                         | –             |
| <b>Total Group</b>                   | <b>99,604</b>         | <b>106,808</b> | <b>99,604</b>                         | <b>106,808</b> | <b>–</b>                  | <b>–</b>      |

<sup>1)</sup> Includes common functions, tax items.

|                                      | Depreciation and<br>amortization <sup>1)</sup> |              | Capital expenditure |              | Cash flow <sup>2)</sup> |            |
|--------------------------------------|--|--------------|---------------------|--------------|-------------------------|------------|
|                                      | 2020   | 2019         | 2020                | 2019         | 2020                    | 2019       |
| Europe                               | 1,595  | 1,693        | 2,155               | 2,399        | 3,551                   | 2,716      |
| North America                        | 1,363  | 1,391        | 1,772               | 2,573        | 965                     | -1,795     |
| Latin America                        | 533  | 694          | 665                 | 956          | 1,577                   | 961        |
| Asia-Pacific, Middle East and Africa | 738  | 751          | 562                 | 456          | 2,551                   | 1,035      |
| Other <sup>3)</sup>                  | 358  | 291          | 183                 | 290          | -92                     | -638       |
| Acquisitions/Divestments             | –  | –            | –                   | –            | -8                      | -27        |
| Financial items paid                 | –  | –            | –                   | –            | -596                    | -656       |
| Taxes paid                           | –  | –            | –                   | –            | -1,132                  | -1,277     |
| <b>Continuing operations</b>         | <b>4,587</b>                                   | <b>4,821</b> | <b>5,338</b>        | <b>6,674</b> | <b>6,816</b>            | <b>321</b> |
| <b>Discontinued operations</b>       | <b>–</b>                                       | <b>283</b>   | <b>–</b>            | <b>257</b>   | <b>–</b>                | <b>431</b> |
| <b>Total Group</b>                   | <b>4,587</b>                                   | <b>5,104</b> | <b>5,338</b>        | <b>6,931</b> | <b>6,816</b>            | <b>751</b> |

<sup>1)</sup> Depreciation related to right-of-use assets: SEK 876m (876).<sup>2)</sup> Cash flow from operations and investments.<sup>3)</sup> Includes Group functions.

## Geographical information

|                              | Net sales <sup>1)</sup> |                |
|------------------------------|-------------------------|----------------|
|                              | 2020                    | 2019           |
| USA                          | 35,001                  | 35,920         |
| Brazil                       | 12,133                  | 14,154         |
| Germany                      | 6,105                   | 6,056          |
| Australia                    | 5,461                   | 4,785          |
| France                       | 4,058                   | 3,995          |
| Sweden (country of domicile) | 4,031                   | 3,968          |
| United Kingdom               | 3,708                   | 3,928          |
| Canada                       | 3,343                   | 3,227          |
| Italy                        | 3,202                   | 3,702          |
| Switzerland                  | 3,192                   | 2,869          |
| Other                        | 35,726                  | 36,377         |
| <b>Total</b>                 | <b>115,960</b>          | <b>118,981</b> |

<sup>1)</sup> 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 2,164m (2,277). Tangible and non-tangible fixed assets located in all other countries amounted to SEK 30,488m (33,224). Individually, material countries in this aspect are Italy with SEK 3,707m (4,104), USA with SEK 9,164m (10,749) and Poland with SEK 2,508m (2,717), 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.

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.

### 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 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

In 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 recognizes 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 115,960m (118,981) during the year consisted of product sales. Revenue from service activities amounted to SEK 1,797m (1,954). The Group's net sales in Sweden amounted to SEK 4,031m (3,968). Exports from Sweden during the year amounted to SEK 37,099m (35,419), of which SEK 33,045m (32,488) 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.

All amounts in SEKm unless otherwise stated

Cont. Note 4

## 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. Electrolux has four business areas with focus on the consumer market. Sales of services are not material in relation to Electrolux total net sales.

Geography and product category are considered important attributes when disaggregating Electrolux revenue. The business areas, also being the Group's segments, are based on geography: Europe, North America, Latin America and Asia-Pacific, Middle East and Africa. In addition, the table below presents net sales by product area Taste (cooking appliances), Care (dish and laundry appliances) and Wellbeing (e.g. cleaning appliances and small domestic appliances).

| Disaggregation of revenue | Group          |                | Parent Company |               |
|---------------------------|----------------|----------------|----------------|---------------|
|                           | 2020           | 2019           | 2020           | 2019          |
| <b>Product Areas</b>      |                |                |                |               |
| Taste                     | 70,593         | 72,424         | 20,870         | 20,958        |
| Care                      | 34,298         | 34,593         | 16,591         | 16,602        |
| Wellbeing                 | 11,069         | 11,964         | 3,160          | 3,034         |
| <b>Total</b>              | <b>115,960</b> | <b>118,981</b> | <b>40,621</b>  | <b>40,594</b> |

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

| Contract liabilities                      | Advances from Customers | Customer bonuses/incentives | Prepaid income - service & warranty |            | Contract liabilities, total |
|---|-------------------------|-----------------------------|-------------------------------------|------------|-----------------------------|
|   |                         |                             | Short-term                          | Long-term  |                             |
| <b>Opening balance, January 1, 2019</b>   | <b>114</b>              | <b>4,656</b>                | <b>184</b>                          | <b>139</b> | <b>5,093</b>                |
| Gross increase during the period          | 1,274                   | 23,907                      | 289                                 | 273        | 25,743                      |
| Paid to/settled with customer             | –                       | -22,747                     | –                                   | –          | -22,747                     |
| Revenue recognized during the year        | -1,213                  | –                           | -227                                | -7         | -1,447                      |
| Contracts cancelled during the year       | -5                      | -463                        | -4                                  | -3         | -475                        |
| Acquisition/divestment of operations      | –                       | –                           | 3                                   | –          | 3                           |
| Other changes to contract balances        | –                       | -26                         | –                                   | –          | -26                         |
| Exchange-rate differences                 | 4                       | 152                         | 7                                   | 3          | 166                         |
| Discontinued operations                   | -109                    | -54                         | -35                                 | -107       | -305                        |
| <b>Closing balance, December 31, 2019</b> | <b>65</b>               | <b>5,425</b>                | <b>217</b>                          | <b>298</b> | <b>6,005</b>                |
| Gross increase during the period          | 1,394                   | 19,911                      | 223                                 | 59         | 21,588                      |
| Paid to/settled with customer             | –                       | -18,438                     | –                                   | –          | -18,438                     |
| Revenue recognized during the year        | -1,307                  | –                           | -204                                | -2         | -1,513                      |
| Contracts cancelled during the year       | -5                      | -444                        | -9                                  | -9         | -467                        |
| Acquisition/divestment of operations      | 6                       | 5                           | –                                   | –          | 11                          |
| Other changes to contract balances        | 3                       | -192                        | -5                                  | -6         | -200                        |
| Exchange-rate differences                 | -17                     | -572                        | -22                                 | -21        | -632                        |
| <b>Closing balance, December 31, 2020</b> | <b>139</b>              | <b>5,696</b>                | <b>200</b>                          | <b>319</b> | <b>6,354</b>                |

For the Parent Company contract liabilities amounted to SEK 248m (285).

## 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                                     | 2020           | 2019           |
|--|----------------|----------------|
| Direct material and components                         | 41,740         | 50,092         |
| Sourced products                                       | 16,082         | 14,615         |
| Depreciation and amortization                          | 4,587          | 4,821          |
| Salaries, other remuneration and employer contribution | 19,075         | 19,756         |
| Other operating expenses                               | 28,699         | 26,508         |
| <b>Total</b>   | <b>110,183</b> | <b>115,792</b> |

### Operating expenses

Cost of goods sold includes direct material and components amounting to SEK 41,740m (50,092) and sourced products amounting to SEK 16,082m (14,615). The depreciation and amortization charge for the year amounted to SEK 4,587m (4,821). Costs for research and development amounted to SEK 3,575m (3,462).

Government grants relating to expenses have been deducted in the related expenses by SEK 267m (82). The increase for the year is mainly related to measures due to the coronavirus. 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 2020, amounted to SEK 651m (828).

The Group's operating income includes net exchange-rate differences in the amount of SEK -160m (-12). The Group's Swedish factories accounted for 0.2% (0.1) 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 |             |
|--|-------------|--------------|----------------|-------------|
|  | 2020        | 2019         | 2020           | 2019        |
| <b>Other operating income</b>                              |             |              |                |             |
| Gain on sale of property, plant and equipment              | 78          | 98           | –              | –           |
| Pension plan amendment                                     | –           | 98           | –              | –           |
| Recovery of overpaid sales tax                             | 73          | 1,403        | –              | –           |
| Reversal of restructuring provision                        | –           | 150          | –              | –           |
| Other  | 148         | 275          | –              | 0           |
| <b>Total</b>   | <b>299</b>  | <b>2,024</b> | <b>–</b>       | <b>0</b>    |
|  |             |              |                |             |
|  | Group       |              | Parent Company |             |
|  | 2020        | 2019         | 2020           | 2019        |
| <b>Other operating expenses</b>                            |             |              |                |             |
| Loss on sale of property, plant and equipment              | –           | -68          | -7             | –           |
| Asbestos litigation  | -20         | -142         | –              | –           |
| Electrolux Professional separation project & listing costs | -22         | -190         | –              | –           |
| Loss on sale of operations and shares                      | –           | –            | –              | -37         |
| Legal expenses   | -259        | -197         | –              | –           |
| Impairment   | -108        | –            | -375           | -450        |
| Other  | -197        | -371         | –              | –           |
| <b>Total</b>   | <b>-606</b> | <b>-968</b>  | <b>-382</b>    | <b>-487</b> |
|  |             |              |                |             |
| <b>Other operating income and expenses, net</b>            | <b>-307</b> | <b>1,057</b> | <b>-382</b>    | <b>-487</b> |

## 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

No material items have been identified in 2020.

Material items in 2019 amount to SEK -1,344m and contain restructuring measures related to the consolidation of the U.S. cooking production, closure of a refrigeration production line in Latin America and efficiency measures and outsourcing projects across business areas and Group common cost, a legal settlement in the U.S. and recovery of overpaid sales tax in Brazil.

| Material profit or loss items  | 2020     | 2019          |
|--------------------------------|----------|---------------|
| Restructuring charge           | –        | -2,550        |
| Recovery of overpaid sales tax | –        | 1,403         |
| Legal settlement U.S.          | –        | -197          |
| <b>Total</b>                   | <b>–</b> | <b>-1,344</b> |

| Effect from material profit or loss items by function | 2020     | 2019          |
|---|----------|---------------|
| Cost of goods sold                                    | –        | -1,938        |
| Selling expenses                                      | –        | -69           |
| Administration expenses                               | –        | -543          |
| Other operating income and expenses                   | –        | 1,206         |
| <b>Total</b>  | <b>–</b> | <b>-1,344</b> |

## Note 8 Leases

The major part of the group's lease arrangements are those under which the group is a lessee. This applies to a large number of assets such as warehouses, office premises, vehicles, and certain office equipment. The group's activities as a lessor are limited.

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, independent of asset class, 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 of 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. Impairment of right-of-use assets is determined and accounted for in accordance with IAS 36.

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), or
- 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, being subject to continuous re-assessment. 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.

| Lease income and expenses                       | Group         |                    |
|---|---------------|--------------------|
|   | 2020          | 2019 <sup>1)</sup> |
| Income from subleasing                          | 6             | 5                  |
| <i>Lease expenses:</i>                          |               |                    |
| Short-term leases                               | -13           | -56                |
| Leases of low-value assets                      | -49           | -55                |
| Variable lease payments                         | -189          | -173               |
| Depreciation of right-of-use assets             | -876          | -876               |
| <b>Total lease expenses in operating income</b> | <b>-1,127</b> | <b>-1,159</b>      |
| Lease liability interest expense                | -108          | -124               |

<sup>1)</sup> 2019 adjusted due to discontinued operations.

Total cash outflow for lease contracts amounts to SEK 1,270m (1,278) for the year. The calculated average lease interest rate for the year was 3.7% (3.8). Lease commitments related to leases not yet commenced per December 31 amount to SEK 36m (111).

Maturity profile of lease liabilities is presented in Note 18.

For the Parent Company, lease expenses for the year amounted to SEK 118m (116) and future lease payment obligations at year end amount to SEK 502m (539). The most relevant lease agreement for the Parent company is the office rental agreement regarding Electrolux headquarters in Stockholm.

All amounts in SEKm unless otherwise stated

Cont. Note 8

## Property, plant and equipment, right-of-use

| Group                                     | Land     | Buildings    | Machinery | Other equipment | Total        |
|---|----------|--------------|-----------|-----------------|--------------|
| <b>Carrying amount</b>                    |          |              |           |                 |              |
| Opening balance, January 1, 2019          | 6        | 2,571        | 41        | 511             | 3,128        |
| Acquisition of operations                 | –        | 29           | –         | 2               | 30           |
| Additions                                 | 0        | 589          | 42        | 254             | 885          |
| Cancellations                             | 0        | -126         | -7        | -11             | -144         |
| Depreciation                              | -1       | -678         | -22       | -253            | -953         |
| Exchange rate differences                 | 0        | 86           | 1         | 15              | 102          |
| Discontinued operations                   | -0       | -182         | -12       | -43             | -238         |
| <b>Closing balance, December 31, 2019</b> | <b>5</b> | <b>2,289</b> | <b>42</b> | <b>476</b>      | <b>2,811</b> |
| Acquisition of operations                 | –        | 12           | –         | –               | 12           |
| Additions                                 | 4        | 384          | 15        | 246             | 649          |
| Cancellations                             | –        | 8            | 0         | -7              | 0            |
| Depreciation                              | -1       | -622         | -15       | -238            | -876         |
| Exchange rate differences                 | -1       | -208         | -2        | -36             | -246         |
| <b>Closing balance, December 31, 2020</b> | <b>7</b> | <b>1,864</b> | <b>40</b> | <b>440</b>      | <b>2,351</b> |

## Note 9 Financial income and financial expenses

|                                   | Group       |             | Parent Company |              |
|-----------------------------------|-------------|-------------|----------------|--------------|
|                                   | 2020        | 2019        | 2020           | 2019         |
| <b>Financial income</b>           |             |             |                |              |
| Interest income                   |             |             |                |              |
| from subsidiaries                 | –           | –           | 442            | 1,013        |
| from others                       | 74          | 69          | 3              | 0            |
| Dividends from subsidiaries       | –           | –           | 6,782          | 4,396        |
| Other financial income            | –           | –           | 21             | 15           |
| <b>Total</b>                      | <b>74</b>   | <b>69</b>   | <b>7,248</b>   | <b>5,424</b> |
| <b>Financial expenses</b>         |             |             |                |              |
| Interest expenses                 |             |             |                |              |
| to subsidiaries                   | –           | –           | -96            | -307         |
| to others                         | -363        | -367        | -313           | -251         |
| Lease liability interest expenses | -108        | -124        | –              | –            |
| Pension interest expenses, net    | -41         | -41         | –              | –            |
| Exchange-rate differences, net    | -70         | -72         | -472           | -151         |
| Other financial expenses          | -173        | -198        | -185           | -179         |
| <b>Total</b>                      | <b>-755</b> | <b>-802</b> | <b>-1,066</b>  | <b>-888</b>  |
| <b>Financial items, net</b>       | <b>-681</b> | <b>-733</b> | <b>6,182</b>   | <b>4,536</b> |

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. For more information on post-employment benefits, see Note 22.

## Note 10 Taxes

|  | Group         |             | Parent Company |          |
|--|---------------|-------------|----------------|----------|
|  | 2020          | 2019        | 2020           | 2019     |
| Current taxes  | -1,283        | -1,017      | 0              | -121     |
| Deferred taxes   | 175           | 382         | -22            | 127      |
| <b>Taxes in income for the period, continuing operations</b> | <b>-1,108</b> | <b>-636</b> | <b>-22</b>     | <b>6</b> |
| Taxes in income for the period, discontinued operations      | –             | -314        | –              | –        |
| Taxes related to OCI   | 2             | 27          | 0              | –        |
| <b>Taxes included in total comprehensive income</b>          | <b>-1,106</b> | <b>-923</b> | <b>-22</b>     | <b>6</b> |

Deferred taxes 2020 include an effect of SEK -11m (-11) due to changes in tax rates. The consolidated accounts include deferred tax liabilities of SEK 113m (89) related to untaxed reserves in the Parent Company.

| Theoretical and actual tax rates %                     | Group       |             | Parent Company |             |
|--|-------------|-------------|----------------|-------------|
|  | 2020        | 2019        | 2020           | 2019        |
| Theoretical tax rate                                   | 24.7        | 31.1        | 21.4           | 21.4        |
| Non-taxable/non-deductible income statement items, net | -0.8        | 2.2         | -20.5          | -23.5       |
| Non-recognized tax losses carried forward              | 1.1         | 0.9         | –              | –           |
| Utilized non-recognized tax losses carried forward     | -1.6        | -0.9        | –              | –           |
| Other changes in recognition of deferred tax           | -4.3        | -7.0        | 0.1            | 0.3         |
| Withholding tax  | 1.9         | 5.3         | 1.6            | 2.0         |
| Other  | 0.7         | -5.7        | -0.4           | -0.5        |
| <b>Actual tax rate</b>                                 | <b>21.7</b> | <b>25.9</b> | <b>2.1</b>     | <b>-0.2</b> |

The theoretical tax rate for the Group is calculated on the basis of the weighted total income after financial items per country, multiplied by the local statutory tax rates.

Non-taxable/non-deductible items in the Parent Company are mainly related to dividends from subsidiaries.

## Non-recognized deductible temporary differences

As of December 31, 2020, the Group had tax loss carry-forwards and other deductible temporary differences of SEK 4,305m (4,971), 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.

All amounts in SEKm unless otherwise stated

Cont. Note 10

The non-recognized deductible temporary differences will expire as follows:

| Non-recognized temporary differences | December 31  |              |
|--------------------------------------|--------------|--------------|
|                                      | 2020         | 2019         |
| 2020                                 | n/a          | 56           |
| 2021                                 | 26           | 61           |
| 2022                                 | 31           | 31           |
| 2023                                 | 34           | 12           |
| 2024                                 | 90           | 120          |
| 2025                                 | 56           | n/a          |
| And thereafter                       | 813          | 254          |
| Without time limit                   | 3,255        | 4,438        |
| <b>Total</b>                         | <b>4,305</b> | <b>4,971</b> |

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                                      | 2020         | 2019         |
|---|--------------|--------------|
| <b>Deferred tax assets:</b>   |              |              |
| Property, plant and equipment   | 333          | 340          |
| Provision for Pension obligations   | 913          | 861          |
| Provision for restructuring   | 270          | 308          |
| Other provisions  | 780          | 734          |
| Inventories   | 95           | 94           |
| Accrued expenses and prepaid income   | 452          | 587          |
| Unused tax losses carried forward   | 521          | 1,148        |
| Tax credits   | 2,760        | 2,512        |
| Other deferred tax assets   | 1,431        | 1,556        |
| <b>Deferred tax assets before netting of deferred tax assets and liabilities</b>      | <b>7,554</b> | <b>8,140</b> |
| Netting of deferred tax assets and liabilities  | -1,490       | -1,522       |
| <b>Deferred tax assets, net</b>   | <b>6,064</b> | <b>6,618</b> |
| <b>Deferred tax liabilities:</b>  |              |              |
| Property, plant and equipment   | 949          | 890          |
| Other provisions  | 84           | 78           |
| Inventories   | 250          | 327          |
| Other taxable temporary differences   | 684          | 676          |
| <b>Deferred tax liabilities before netting of deferred tax assets and liabilities</b> | <b>1,967</b> | <b>1,971</b> |
| Netting of deferred tax assets and liabilities  | -1,490       | -1,410       |
| <b>Deferred tax liabilities, net</b>  | <b>476</b>   | <b>561</b>   |
| <b>Deferred tax assets and liabilities, net</b>                                       | <b>5,588</b> | <b>6,057</b> |

|  | 2020         | 2019         |
|--|--------------|--------------|
| Deferred tax assets and liabilities, net opening balance before restatement due to change in accounting principles | 6,057        | 5,580        |
| Restatement of opening balance due to change in accounting principles  | —            | 90           |
| <b>Deferred tax assets and liabilities, net opening balance</b>  | <b>6,057</b> | <b>5,670</b> |
| Recognized in income statement, continuing operations  | 175          | 382          |
| Recognized in income statement, discontinued operations  | —            | 100          |
| Recognized in other comprehensive income   | -25          | 3            |
| Acquisitions of operations   | 35           | -14          |
| Exchange rate differences  | -654         | 122          |
| Discontinued operations  | —            | -206         |
| <b>Deferred tax assets and liabilities, net closing balance</b>  | <b>5,588</b> | <b>6,057</b> |

As per December 31, the Parent Company reported deferred tax assets amounting to SEK 545m (579) which mainly relate to unused tax losses carried forward, pensions and restructuring provisions.

## Note 11 Other comprehensive income

|  | Group         |               |
|--|---------------|---------------|
|  | 2020          | 2019          |
| <b>Items that will not be reclassified to income for the period:</b>         |               |               |
| <b>Remeasurement of provisions for post-employment benefits</b>              |               |               |
| Opening balance, January 1   | 29            | 129           |
| Gain/loss taken to other comprehensive income                                | 189           | -103          |
| Income tax relating to items that will not be reclassified                   | -46           | 3             |
| <b>Closing balance, December 31</b>  | <b>172</b>    | <b>29</b>     |
| <b>Items that may be reclassified subsequently to income for the period:</b> |               |               |
| <b>Cash flow hedges</b>  |               |               |
| Opening balance, January 1   | -18           | -8            |
| Gain/loss taken to other comprehensive income                                | -1            | -14           |
| Transferred to profit and loss on sale                                       | 33            | 4             |
| <b>Closing balance, December 31</b>  | <b>14</b>     | <b>-18</b>    |
| <b>Exchange differences on translation of foreign operations</b>             |               |               |
| Opening balance, January 1   | -1,261        | -2,291        |
| Net investment hedge   | -104          | -1            |
| Translation differences  | -3,150        | 1,030         |
| Transferred to profit and loss, discontinued operations                      | -72           | —             |
| <b>Closing balance, December 31</b>  | <b>-4,588</b> | <b>-1,261</b> |
| <b>Income tax relating to items that may be reclassified</b>                 |               |               |
| Opening balance, January 1   | -68           | -91           |
| Cash flow hedges   | -7            | 2             |
| Net investment hedges  | 55            | 22            |
| <b>Closing balance, December 31</b>  | <b>-19</b>    | <b>-68</b>    |
| Non-controlling interests, translation differences                           | 0             | 0             |
| <b>Other comprehensive income, net of tax</b>                                | <b>-3,102</b> | <b>944</b>    |

Income taxes affecting other comprehensive income during the year amounted to a total of SEK 2m (26) of which SEK -46m (3) related to remeasurement of provisions for post-employment benefits and SEK 48m (24) related to financial instruments for hedging.

All amounts in SEKm unless otherwise stated

## Note 12 Property, plant and equipment, owned

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                                  | No depreciation |
| • Land improvements                     | 0–15 years      |
| • Buildings                             | 10–40 years     |
| • Machinery and technical installations | 3–15 years      |
| • Other equipment                       | 3–10 years      |

| Group   | Land and land improvements | Buildings     | Machinery and technical installations | Other equipment | Plants under construction and advances | Total         |
|---|----------------------------|---------------|---------------------------------------|-----------------|--|---------------|
| <b>Acquisition costs</b>                      |                            |               |                                       |                 |  |               |
| Opening balance, January 1, 2019              | 1,532                      | 11,114        | 41,156                                | 3,161           | 4,752                                  | 61,715        |
| Acquired during the year                      | 59                         | 208           | 1,250                                 | 255             | 3,789                                  | 5,562         |
| Acquisition of operations                     | 3                          | 3             | 6                                     | 2               | 0                                      | 13            |
| Transfers and reclassifications               | 37                         | 136           | 2,331                                 | 99              | -2,605                                 | -3            |
| Sales, scrapping, etc.                        | -40                        | -318          | -2,143                                | -432            | -82                                    | -3,016        |
| Exchange-rate differences                     | 58                         | 385           | 1,076                                 | 78              | 127                                    | 1,724         |
| Discontinued operations                       | -142                       | -844          | -1,903                                | -235            | -134                                   | -3,258        |
| <b>Closing balance, December 31, 2019</b>     | <b>1,506</b>               | <b>10,683</b> | <b>41,774</b>                         | <b>2,927</b>    | <b>5,847</b>                           | <b>62,737</b> |
| Acquired during the year                      | 1                          | 217           | 963                                   | 184             | 2,959                                  | 4,325         |
| Acquisition of operations                     | –                          | 8             | 0                                     | 0               | –                                      | 9             |
| Transfers and reclassifications               | 43                         | 887           | 1,999                                 | 160             | -3,001                                 | 88            |
| Sales, scrapping, etc.                        | -71                        | -102          | -1,867                                | -213            | -7                                     | -2,260        |
| Exchange-rate differences                     | -146                       | -1,279        | -4,894                                | -261            | -679                                   | -7,259        |
| <b>Closing balance, December 31, 2020</b>     | <b>1,334</b>               | <b>10,414</b> | <b>37,974</b>                         | <b>2,797</b>    | <b>5,119</b>                           | <b>57,639</b> |
| <b>Accumulated depreciation</b>               |                            |               |                                       |                 |  |               |
| Opening balance, January 1, 2019              | 303                        | 5,325         | 32,032                                | 2,536           | 431                                    | 40,627        |
| Depreciation for the year                     | 29                         | 366           | 2,579                                 | 297             | 0                                      | 3,271         |
| Transfers and reclassifications               | 11                         | -11           | -24                                   | 18              | 4                                      | -2            |
| Sales, scrapping, etc.                        | -39                        | -285          | -2,019                                | -242            | 0                                      | -2,585        |
| Impairment                                    | 4                          | 278           | 557                                   | -152            | -74                                    | 613           |
| Exchange-rate differences                     | 10                         | 168           | 799                                   | 58              | 19                                     | 1,054         |
| Discontinued operations                       | -11                        | -337          | -1,516                                | -179            | -1                                     | -2,044        |
| <b>Closing balance, December 31, 2019</b>     | <b>307</b>                 | <b>5,504</b>  | <b>32,409</b>                         | <b>2,336</b>    | <b>379</b>                             | <b>40,935</b> |
| Depreciation for the year                     | 27                         | 360           | 2,213                                 | 287             | 0                                      | 2,886         |
| Transfers and reclassifications               | 0                          | 82            | -69                                   | -13             | 0                                      | 0             |
| Sales, scrapping, etc.                        | -12                        | -93           | -1,760                                | -200            | 1                                      | -2,064        |
| Impairment                                    | –                          | -2            | -51                                   | –               | 3                                      | -50           |
| Exchange-rate differences                     | -37                        | -594          | -3,643                                | -200            | -45                                    | -4,520        |
| <b>Closing balance, December 31, 2020</b>     | <b>284</b>                 | <b>5,257</b>  | <b>29,098</b>                         | <b>2,210</b>    | <b>338</b>                             | <b>37,187</b> |
| <b>Net carrying amount, December 31, 2019</b> | <b>1,200</b>               | <b>5,179</b>  | <b>9,365</b>                          | <b>591</b>      | <b>5,468</b>                           | <b>21,803</b> |
| <b>Net carrying amount, December 31, 2020</b> | <b>1,050</b>               | <b>5,158</b>  | <b>8,876</b>                          | <b>587</b>      | <b>4,781</b>                           | <b>20,452</b> |

Total net impairment in 2020 was SEK -2m (282) on buildings and land, and SEK -51m (405) on machinery and other equipment and SEK 3m (-74) on plants under construction. The majority of the impairment relates to the business areas Europe, North America and Latin America.

| Parent Company                                 | Land and land improvements | Buildings | Machinery and technical installations | Other equipment | Plants under construction and advances | Total      |
|--|----------------------------|-----------|---------------------------------------|-----------------|--|------------|
| <b>Acquisition costs</b>                       |                            |           |                                       |                 |  |            |
| Opening balance, January 1, 2019               | 1                          | 1         | 68                                    | 462             | 31                                     | 563        |
| Acquired during the year                       | –                          | –         | 0                                     | 5               | 35                                     | 40         |
| Transfer of work in progress and advances      | –                          | –         | 9                                     | 14              | -23                                    | 0          |
| Sales, scrapping, discontinued operations etc. | –                          | –         | –                                     | -43             | -5                                     | -48        |
| Exchange-rate differences                      | –                          | –         | 1                                     | 1               | 0                                      | 2          |
| <b>Closing balance, December 31, 2019</b>      | <b>1</b>                   | <b>1</b>  | <b>78</b>                             | <b>439</b>      | <b>38</b>                              | <b>557</b> |
| Acquired during the year                       | –                          | –         | 297                                   | 15              | 48                                     | 360        |
| Transfer of work in progress and advances      | –                          | –         | 28                                    | 33              | -61                                    | 0          |
| Sales, scrapping, etc.                         | –                          | –         | -187                                  | -4              | -2                                     | -193       |
| Exchange-rate differences                      | –                          | –         | -3                                    | -3              | -1                                     | -7         |
| <b>Closing balance, December 31, 2020</b>      | <b>1</b>                   | <b>1</b>  | <b>213</b>                            | <b>480</b>      | <b>22</b>                              | <b>717</b> |
| <b>Accumulated depreciation</b>                |                            |           |                                       |                 |  |            |
| Opening balance, January 1, 2019               | 1                          | 1         | 63                                    | 354             | 0                                      | 419        |
| Depreciation for the year                      | –                          | –         | 5                                     | 27              | –                                      | 32         |
| Sales, scrapping, discontinued operations etc. | –                          | –         | –                                     | -37             | –                                      | -37        |
| Exchange-rate differences                      | –                          | –         | 1                                     | 1               | –                                      | 2          |
| <b>Closing balance, December 31, 2019</b>      | <b>1</b>                   | <b>1</b>  | <b>69</b>                             | <b>345</b>      | <b>0</b>                               | <b>416</b> |
| Depreciation for the year                      | –                          | –         | 38                                    | 30              | –                                      | 68         |
| Sales, scrapping, etc.                         | –                          | –         | -5                                    | 0               | –                                      | -5         |
| Exchange-rate differences                      | –                          | –         | -3                                    | -2              | –                                      | -5         |
| <b>Closing balance, December 31, 2020</b>      | <b>1</b>                   | <b>1</b>  | <b>99</b>                             | <b>373</b>      | <b>0</b>                               | <b>474</b> |
| <b>Net carrying amount, December 31, 2019</b>  | <b>0</b>                   | <b>0</b>  | <b>9</b>                              | <b>94</b>       | <b>38</b>                              | <b>141</b> |
| <b>Net carrying amount, December 31, 2020</b>  | <b>0</b>                   | <b>0</b>  | <b>114</b>                            | <b>107</b>      | <b>22</b>                              | <b>243</b> |

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 the next page. 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 their estimated useful lives, between 5 and 15 years, using the straight-line method.

### Intangible assets with indefinite useful lives

Goodwill as at December 31, 2020, had a total carrying value of SEK 6,369m. 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 that cannot be allocated on a reasonable and consistent basis to any of the individual cash-generating units are included in impairment testing in the total carrying amount of all cash-generating units combined.

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 sales growth and gross margin. These figures are set in relation to historic figures and external reports on market development. 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 adjustments for country specific risk premiums and inflation rates for each individual country. The individual country discount rates are used to calculate a weighted average discount rate for each cash-generating unit.

The pre-tax discount rates used in 2020 were within a range of 9.5% (8.9) to 14.8% (14.0). 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 7.5 to 12.8%.

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.

As from 2019, right-of-use assets are included in the carrying amount of each cash-generating unit. Accordingly, lease payments, representing lease liability amortization and interest expense, are not considered in the forecasted cash flows. However, the forecasted cash flows have been charged with a 'replacement capital expenditure' for right-of-use assets, calculated based on an assumed normalized level of depreciation per cash-generating unit and a calculated average remaining lease period of contracts existing at December 31.

### Goodwill, value of trademark and discount rate

|                                      | 2020         |                      |                  | 2019         |                      |                  |
|--------------------------------------|--------------|----------------------|------------------|--------------|----------------------|------------------|
|                                      | Goodwill     | Electrolux trademark | Discount rate, % | Goodwill     | Electrolux trademark | Discount rate, % |
| Europe                               | 434          | –                    | 9.5              | 449          | –                    | 9.1              |
| North America                        | 1,458        | 410                  | 9.7              | 1,662        | 410                  | 8.9              |
| Latin America                        | 978          | –                    | 14.8             | 1,093        | –                    | 14.0             |
| Asia-Pacific, Middle East and Africa | 3,499        | –                    | 11.3             | 3,867        | –                    | 10.8             |
| <b>Total</b>                         | <b>6,369</b> | <b>410</b>           |                  | <b>7,071</b> | <b>410</b>           |                  |



Cont. Note 13

## Goodwill and other intangible assets

|   | Goodwill          | Group<br>Other intangible assets |              |              | Total other<br>intangible<br>assets | Parent<br>Company<br>Trademarks,<br>software, etc. |
|---|-------------------|----------------------------------|--------------|--------------|-------------------------------------|--|
|   |                   | Product<br>develop-<br>ment      | Software     | Other        |                                     |  |
| <b>Acquisition costs</b>                  |                   |                                  |              |              |                                     |  |
| Opening balance, January 1, 2019          | 8,239             | 3,574                            | 3,418        | 2,734        | 9,726                               | 3,810  |
| Acquired during the year                  | —                 | —                                | 363          | —            | 363                                 | 140  |
| Acquisition of operations                 | 384 <sup>1)</sup> | —                                | —            | 35           | 35                                  | —  |
| Internally developed                      | —                 | 797                              | 208          | —            | 1,005                               | 538  |
| Reclassification                          | —                 | -2                               | 5            | —            | 3                                   | —  |
| Fully amortized                           | —                 | -103                             | -308         | —            | -411                                | -216   |
| Sales, scrapping etc.                     | —                 | -138                             | -248         | —            | -386                                | -545   |
| Exchange-rate differences                 | 269               | 75                               | 47           | 37           | 159                                 | 19   |
| Discontinued operations                   | -1,821            | -107                             | -10          | -454         | -571                                | —  |
| <b>Closing balance, December 31, 2019</b> | <b>7,071</b>      | <b>4,096</b>                     | <b>3,475</b> | <b>2,352</b> | <b>9,923</b>                        | <b>3,746</b>                                       |
| Acquired during the year                  | —                 | —                                | 177          | 1            | 178                                 | —  |
| Acquisition of operations                 | 13                | —                                | —            | —            | —                                   | —  |
| Internally developed                      | —                 | 563                              | 272          | —            | 835                                 | 575  |
| Reclassification                          | —                 | -40                              | -48          | —            | -88                                 | —  |
| Fully amortized                           | —                 | -1,719                           | -743         | -7           | -2,469                              | -604   |
| Sales, scrapping etc.                     | —                 | -62                              | -130         | —            | -192                                | -194   |
| Exchange-rate differences                 | -715              | -395                             | -255         | -179         | -829                                | -51  |
| <b>Closing balance, December 31, 2020</b> | <b>6,369</b>      | <b>2,443</b>                     | <b>2,748</b> | <b>2,167</b> | <b>7,358</b>                        | <b>3,472</b>                                       |
| <b>Accumulated amortization</b>           |                   |                                  |              |              |                                     |  |
| Opening balance, January 1, 2019          | —                 | 2,548                            | 2,118        | 1,141        | 5,807                               | 2,096  |
| Amortization for the year                 | —                 | 392                              | 248          | 240          | 880                                 | 270  |
| Reclassification                          | —                 | —                                | 2            | —            | 2                                   | —  |
| Fully amortized                           | —                 | -103                             | -308         | —            | -411                                | -216   |
| Impairment                                | —                 | 56                               | 1            | 13           | 70                                  | —  |
| Sales, scrapping etc.                     | —                 | -61                              | -69          | —            | -130                                | -182   |
| Exchange-rate differences                 | —                 | 46                               | 25           | —            | 71                                  | 6  |
| Discontinued operations                   | —                 | -60                              | -5           | -118         | -183                                | —  |
| <b>Closing balance, December 31, 2019</b> | <b>—</b>          | <b>2,818</b>                     | <b>2,012</b> | <b>1,276</b> | <b>6,106</b>                        | <b>1,974</b>                                       |
| Amortization for the year                 | —                 | 339                              | 319          | 167          | 825                                 | 333  |
| Reclassification                          | —                 | -6                               | 6            | —            | 0                                   | —  |
| Fully amortized                           | —                 | -1,719                           | -743         | -7           | -2,469                              | -604   |
| Impairment                                | —                 | —                                | -1           | —            | -1                                  | —  |
| Sales, scrapping etc.                     | —                 | -58                              | -61          | —            | -119                                | -41  |
| Exchange-rate differences                 | —                 | -225                             | -123         | -116         | -464                                | -24  |
| <b>Closing balance, December 31, 2020</b> | <b>—</b>          | <b>1,149</b>                     | <b>1,409</b> | <b>1,320</b> | <b>3,878</b>                        | <b>1,638</b>                                       |
| <b>Carrying amount, December 31, 2019</b> | <b>7,071</b>      | <b>1,278</b>                     | <b>1,463</b> | <b>1,076</b> | <b>3,817</b>                        | <b>1,772</b>                                       |
| <b>Carrying amount, December 31, 2020</b> | <b>6,369</b>      | <b>1,294</b>                     | <b>1,339</b> | <b>847</b>   | <b>3,480</b>                        | <b>1,834</b>                                       |

<sup>1)</sup> Including adjustments of provisional values within the measurement period related to acquisitions with a value of SEK 8m for 2019.

Included in the item Other are trademarks of SEK 610m (690) and customer relationships etc. amounting to SEK 237m (386). Amortization of intangible assets is included within Cost of goods sold with SEK 330m (454), Administrative expenses with SEK 272m (123) and Selling expenses with SEK 223m (237) in the income statement. For discontinued operations amortization of intangible assets is included with SEK 0m (66) in the income statement. Electrolux did not capitalize any borrowing costs during 2020 or 2019.

## Note 14 Other non-current assets

|                                       | Group<br>December 31 |              | Parent Company<br>December 31 |               |
|---------------------------------------|----------------------|--------------|-------------------------------|---------------|
|                                       | 2020                 | 2019         | 2020                          | 2019          |
| Shares in subsidiaries                | —                    | —            | 29,401                        | 37,515        |
| Participations in other companies     | —                    | —            | 256                           | 241           |
| Long-term receivables in subsidiaries | —                    | —            | 1,367                         | 1,480         |
| Other receivables                     | 878                  | 1,486        | 28                            | 32            |
| <b>Total</b>                          | <b>878</b>           | <b>1,486</b> | <b>31,052</b>                 | <b>39,268</b> |

For Group, 'Other receivables' include mainly recoverable import duties and long-term operational tax credits.

See Note 29 for information on the major subsidiaries held by the Parent Company. A detailed specification of the Parent Company's shares in subsidiaries has been submitted to the Swedish Companies Registration Office and is available upon request from AB Electrolux Investor relations.

All amounts in SEKm unless otherwise stated

## Note 15 Inventories

|                       | Group<br>December 31 |               | Parent Company<br>December 31 |              |
|-----------------------|----------------------|---------------|-------------------------------|--------------|
|                       | 2020                 | 2019          | 2020                          | 2019         |
| Raw materials         | 2,894                | 3,032         | —                             | —            |
| Products in progress  | 299                  | 289           | —                             | —            |
| Finished products     | 9,994                | 12,854        | 2,502                         | 3,038        |
| Advances to suppliers | 26                   | 19            | —                             | —            |
| <b>Total</b>          | <b>13,213</b>        | <b>16,194</b> | <b>2,502</b>                  | <b>3,038</b> |

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 79,156m (87,649) for the Group and SEK 34,106m (35,020m) for the Parent Company.

Write-downs due to obsolescence amounted to SEK 60m (303) for the Group and SEK 0m (48m) for the Parent Company.

Reversals of previous write-downs, due to inventories either scrapped or sold, amounted to SEK 161m (200) for the Group and SEK 47m (0m) for the Parent Company.

The amounts have been included in the item Cost of goods sold in the income statements.

## Note 16 Other current assets

|   | Group<br>December 31 |              |
|---|----------------------|--------------|
|   | 2020                 | 2019         |
| VAT receivable  | 950                  | 1,012        |
| Other tax recoverable                                 | 198                  | 946          |
| Miscellaneous short-term receivables                  | 1,776                | 1,530        |
| Provisions for doubtful accounts                      | -85                  | -97          |
| Prepaid expenses and accrued income                   | 989                  | 1,057        |
| Prepaid interest expenses and accrued interest income | 18                   | 17           |
| <b>Total</b>  | <b>3,846</b>         | <b>4,465</b> |

## Note 17 Trade receivables

|  | Group         |               | Parent Company |            |
|--|---------------|---------------|----------------|------------|
|  | 2020          | 2019          | 2020           | 2019       |
| Trade receivables                              | 20,642        | 21,729        | 1,171          | 574        |
| Provision for expected credit losses           | -698          | -882          | -17            | -22        |
| <b>Trade receivables, net</b>                  | <b>19,944</b> | <b>20,847</b> | <b>1,154</b>   | <b>552</b> |
| Provisions in relation to trade receivables, % | 3.4           | 4.1           | 1.5            | 3.8        |

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for expected credit losses (ECL). The Group applies the simplified approach for trade receivables and uses a matrix to estimate the expected credit 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 through a management overlay which considers 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%. The percentages for ECL are under continuous reassessment. There is no significant impact on provisions from changes in the forward looking factors.

If the expected credit loss rates on trade receivables between 16 and 60 days past due had been 10% higher/lower as of December 2020, the loss allowance on trade receivables would have increased/decreased SEK 2.3m (0.9). If the expected credit loss rates on trade receivables between 61 and 180 days past due had been 10% higher/lower as of December 2020, the loss allowance on trade receivables would have increased/decreased SEK 4.1m (3.9).

### Provision for accounts receivable

|   | Group       |             | Parent Company |            |
|---|-------------|-------------|----------------|------------|
|   | 2020        | 2019        | 2020           | 2019       |
| <b>Provision, January 1</b>                 | <b>-882</b> | <b>-935</b> | <b>-22</b>     | <b>-38</b> |
| Acquisition of operations                   | —           | -1          | —              | —          |
| New/released provisions                     | -341        | -50         | 4              | 14         |
| Receivables written off against provision   | 426         | 65          | 1              | 2          |
| Exchange-rate differences and other changes | 99          | -27         | 0              | —          |
| Discontinued operations                     | —           | 66          | —              | —          |
| <b>Provision, December 31</b>               | <b>-698</b> | <b>-882</b> | <b>-17</b>     | <b>-22</b> |

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 40.7% (33,5) 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

|   | Group         |                    | Parent Company |            |
|---|---------------|--------------------|----------------|------------|
|   | 2020          | 2019 <sup>1)</sup> | 2020           | 2019       |
| Trade receivables not past due                | 18,741        | 19,094             | 1,133          | 552        |
| Total trade receivables past due, whereof:    | 1,203         | 1,753              | 21             | 0          |
| Past due 1 - 15 days                          | 491           | 411                | 21             | 0          |
| Past due 16 - 60 days                         | 253           | 595                | 0              | 0          |
| Past due 2 - 6 months                         | 265           | 486                | 0              | 0          |
| Past due 6 - 12 months                        | 194           | 135                | 0              | 0          |
| Past due more than 1 year                     | 0             | 126                | 0              | 0          |
| Provision on expected credit loss             | 698           | 882                | 17             | 22         |
| <b>Total trade receivables</b>                | <b>20,642</b> | <b>21,729</b>      | <b>1,171</b>   | <b>574</b> |
| Past due, in relation to trade receivables, % | 9.2           | 12.1               | 3.2            | 3.8        |

<sup>1)</sup> 2019 has been updated due to reclassification.

## 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 (FVPL):** 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 credit 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.

#### Derecognition

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 of the asset.

### Financial liabilities

#### Classification and subsequent measurement

All of the Groups financial liabilities, excluding derivatives, are classified as subsequently measured at amortized cost.

#### Derecognition

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.

#### 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

All amounts in SEKm unless otherwise stated

Cont. Note 18

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 2020, the Group's financial net cash position amounted to SEK 4,741m (net debt position of 667). The table below presents how the Group calculates net debt and what it consists of.

**Net debt**

|   | December 31   |               |
|---|---------------|---------------|
|   | 2020          | 2019          |
| Short-term loans                                      | 1,012         | 1,307         |
| Short-term part of long-term loans                    | 277           | 1,446         |
| Trade receivables with recourse                       | 40            | 602           |
| <b>Short-term borrowings</b>                          | <b>1,329</b>  | <b>3,354</b>  |
| Financial derivative liabilities                      | 210           | 233           |
| Accrued interest expenses and prepaid interest income | 64            | 33            |
| <b>Total short-term borrowings</b>                    | <b>1,603</b>  | <b>3,620</b>  |
| <b>Long-term borrowings</b>                           | <b>14,123</b> | <b>8,236</b>  |
| <b>Total borrowings</b>                               | <b>15,727</b> | <b>11,856</b> |
| Cash and cash equivalents                             | 20,196        | 10,807        |
| Short-term investments                                | 172           | 190           |
| Financial derivative assets                           | 81            | 176           |
| Prepaid interest expenses and accrued interest income | 18            | 16            |
| <b>Liquid funds</b>                                   | <b>20,467</b> | <b>11,189</b> |
| <b>Financial net debt</b>                             | <b>-4,741</b> | <b>667</b>    |
| Lease liabilities                                     | 2,618         | 3,150         |
| Net provision for post-employment benefits            | 3,679         | 3,866         |
| <b>Net debt</b>                                       | <b>1,556</b>  | <b>7,683</b>  |
| Revolving credit facility <sup>1)</sup>               | 23,057        | 10,440        |

<sup>1)</sup> For details on the Group's committed revolving credit facilities, see below under "Liquid funds". 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   |               |
|---|---------------|---------------|
|   | 2020          | 2019          |
| Cash and cash equivalents                             | 20,196        | 10,807        |
| Short-term investments                                | 172           | 190           |
| Financial derivative assets                           | 81            | 176           |
| Prepaid interest expenses and accrued interest income | 18            | 16            |
| <b>Liquid funds</b>                                   | <b>20,467</b> | <b>11,189</b> |
| % of annualized net sales <sup>1)</sup>               | 40.6          | 18.4          |
| <b>Net liquidity</b>                                  | <b>18,864</b> | <b>7,569</b>  |
| Fixed interest term, days                             | 17            | 12            |
| Effective yield, % (average per annum)                | 0.5           | 0.8           |

<sup>1)</sup> Liquid funds in relation to net sales, see Note 31 for definition.

For 2020, liquid funds, including unused committed revolving credit facilities amounted to 40.6% (18.4) of annualized net sales, well above the Financial Policy target of 2.5%. Net liquidity is calculated by deducting short-term borrowings from liquid funds. Unused committed revolving credit facilities as per December 31, 2020 consists of multi-currency facility of EUR 1,000m (1,000), maturing 2023, SEK 3,000m (0), maturing 2021 and SEK 10,000m (0), maturing 2025.

**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 2020, SEK 4,555m (2,412) of long-term borrowings matured or were amortized. These maturities were partly refinanced to the amount of SEK 9,793m (3,810).

At year-end 2020, the Group's total interest-bearing liabilities amounted to SEK 15,412m (10,989), of which SEK 14,400m (9,682) referred to long-term borrowings including maturities within 12 months. Long-term borrowings with maturities within 12 months amounted to SEK 277m (1,446). 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 14,307m (9,546), is raised at Parent Company level. Electrolux also has unused committed revolving credit facilities of SEK 23,057m (10,440) (details stated above under "Liquid funds"). 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 2020, the average interest-fixing period for long-term borrowings was 1.6 years (1.5). 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 1.6% (1.6) at year-end.

The fair value of the interest-bearing borrowings was SEK 14,674m (9,575). The fair value including swap transactions used to manage the interest fixing was approximately SEK 14,667m (9,577).

**Changes in liabilities arising from financing**

|  | Cash Flow           |               |              |                 | Non Cash flow |                   |                           |                           |                         |                 |
|--|---------------------|---------------|--------------|-----------------|---------------|-------------------|---------------------------|---------------------------|-------------------------|-----------------|
|  | Opening Balance     | Amortization  | New debt     | Net cash change | Acquisitions  | Reclassifications | Additions / Cancellations | Exchange rate differences | Discontinued operations | Closing Balance |
| <b>2020</b>  |                     |               |              |                 |               |                   |                           |                           |                         |                 |
| Long-term borrowings (including short-term part of long-term)  | 9,682               | -4,555        | 9,793        | —               | —             | 9                 | —                         | -528                      | —                       | 14,400          |
| Short-term borrowings (excluding short-term part of long-term) | 1,909               | —             | —            | -567            | —             | -9                | —                         | -282                      | —                       | 1,052           |
| Lease liabilities  | 3,150               | -911          | —            | —               | —             | —                 | 656                       | -278                      | —                       | 2,618           |
| <b>Total</b>   | <b>14,740</b>       | <b>-5,466</b> | <b>9,793</b> | <b>-567</b>     | <b>—</b>      | <b>—</b>          | <b>656</b>                | <b>-1,085</b>             | <b>—</b>                | <b>18,069</b>   |
| <b>2019</b>  |                     |               |              |                 |               |                   |                           |                           |                         |                 |
| Long-term borrowings (including short-term part of long-term)  | 8,553               | -2,412        | 3,810        | —               | 33            | -411              | —                         | 111                       | -3                      | 9,682           |
| Short-term borrowings (excluding short-term part of long-term) | 1,597               | —             | —            | 303             | 5             | —                 | —                         | 8                         | -4                      | 1,909           |
| Lease liabilities  | 3,465 <sup>1)</sup> | -942          | —            | —               | 31            | —                 | 729                       | 110                       | -243                    | 3,150           |
| <b>Total</b>   | <b>13,615</b>       | <b>-3,354</b> | <b>3,810</b> | <b>303</b>      | <b>69</b>     | <b>-411</b>       | <b>729</b>                | <b>229</b>                | <b>-250</b>             | <b>14,740</b>   |

<sup>1)</sup> Opening balance adjustment as of January 1, 2019.

All amounts in SEKm unless otherwise stated

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<br>(in currency) | Carrying amount,<br>December 31 |               |
|--|--|--------------------------|----------|--------------------------------|---------------------------------|---------------|
|  |  |                          |          |                                | 2020                            | 2019          |
| <b>Bond loans</b>                                      |  |                          |          |                                |                                 |               |
| 2017-2024  | Euro MTN Program   | Floating <sup>1)2)</sup> | SEK      | 350                            | 350                             | 350           |
| 2018-2023  | Euro MTN Program   | 1.125                    | SEK      | 200                            | 200                             | 200           |
| 2018-2023  | Euro MTN Program   | Stibor 3M + 0.58         | SEK      | 800                            | 803                             | 804           |
| 2018-2025  | Euro MTN Program   | Fixed <sup>1)</sup>      | USD      | 73                             | 598                             | 681           |
| 2019-2024  | Euro MTN Program   | 1.103                    | SEK      | 1,000                          | 1,000                           | 1,000         |
| 2019-2022  | Euro MTN Program   | Stibor 3M + 0.75         | SEK      | 1,250                          | 1,256                           | 1,260         |
| 2019-2024  | Euro MTN Program   | 0.885                    | SEK      | 750                            | 750                             | 750           |
| 2019-2024  | Euro MTN Program   | Stibor 3M + 0.75         | SEK      | 750                            | 755                             | 757           |
| 2020-2022  | Euro MTN Program   | Stibor 3M + 0.60         | SEK      | 2,550                          | 2,564                           | 0             |
| 2020-2022  | Euro MTN Program   | 0.405                    | SEK      | 250                            | 250                             | 0             |
| 2020-2023  | Euro MTN Program   | Stibor 3M + 1.85         | SEK      | 1,700                          | 1,700                           | 0             |
| 2020-2023  | Euro MTN Program   | 1.995                    | SEK      | 1,700                          | 1,700                           | 0             |
| 2020-2025  | Euro MTN Program   | Fixed <sup>1)3)</sup>    | NOK      | 500                            | 480                             | 0             |
| 2020-2027  | Euro MTN Program   | Fixed <sup>1)</sup>      | USD      | 150                            | 1,228                           | 0             |
| <b>Total bond loans<sup>4)</sup></b>                   |  |                          |          |                                | <b>13,634</b>                   | <b>5,802</b>  |
| <b>Other long-term loans</b>                           |  |                          |          |                                |                                 |               |
| 2013-2021 <sup>4)</sup>                                | Amortizing bank loan Nordic Investment Bank, long-term part  | Floating                 | SEK      | 154                            | 0                               | 154           |
| 2015-2021 <sup>4)</sup>                                | Bank loan European Investment Bank                           | Floating                 | USD      | 170                            | 0                               | 1,582         |
| 2017-2026 <sup>4)</sup>                                | Amortizing bank loan Nordic Investment Bank, long-term part  | Floating                 | USD      | 63                             | 425                             | 592           |
|  | Other long-term loans  |                          |          |                                | 64                              | 106           |
| <b>Total other long-term loans</b>                     |  |                          |          |                                | <b>489</b>                      | <b>2,434</b>  |
| <b>Long-term borrowings</b>                            |  |                          |          |                                | <b>14,123</b>                   | <b>8,236</b>  |
| <b>Short-term part of long-term loans<sup>5)</sup></b> |  |                          |          |                                |                                 |               |
| 2013-2020 <sup>4)</sup>                                | Euro MTN Program   | Fixed <sup>1)</sup>      | SEK      | 170                            | 0                               | 170           |
| 2013-2020 <sup>4)</sup>                                | Euro MTN Program   | Floating <sup>1)</sup>   | SEK      | 830                            | 0                               | 830           |
| 2013-2021 <sup>4)</sup>                                | Amortizing bank loan Nordic Investment Bank, short-term part | Floating                 | SEK      | 154                            | 154                             | 308           |
| 2017-2026 <sup>4)</sup>                                | Amortizing bank loan Nordic Investment Bank, short-term part | Floating                 | USD      | 12                             | 94                              | 108           |
|  | Other short-term part of long-term loans                     |                          |          |                                | 29                              | 30            |
| <b>Total short-term part of long-term loans</b>        |  |                          |          |                                | <b>277</b>                      | <b>1,446</b>  |
| <b>Other short-term loans</b>                          |  |                          |          |                                |                                 |               |
|  | Short-term bank loans in Egypt                               | Floating                 | EGP      | 39                             | 20                              | 126           |
|  | Short-term bank loans in Brazil                              | Floating                 | BRL      | 325                            | 513                             | 372           |
|  | Short-term bank loans in Thailand                            | Floating                 | THB      | 300                            | 82                              | 135           |
|  | Short-term bank loans in Chile                               | Floating                 | CLP      | 13,311                         | 153                             | 171           |
|  | Other bank borrowings and commercial papers                  |                          |          |                                | 244                             | 503           |
| <b>Total other short-term loans</b>                    |  |                          |          |                                | <b>1,012</b>                    | <b>1,307</b>  |
| Trade receivables with recourse                        |  |                          |          |                                | 40                              | 601           |
| <b>Short-term borrowings</b>                           |  |                          |          |                                | <b>1,329</b>                    | <b>3,354</b>  |
| <b>Long-term and short-term borrowings</b>             |  |                          |          |                                | <b>15,452</b>                   | <b>11,590</b> |
| Fair value of financial derivative liabilities         |  |                          |          |                                | 210                             | 233           |
| Accrued interest expenses and prepaid interest income  |  |                          |          |                                | 64                              | 33            |
| <b>Total borrowings</b>                                |  |                          |          |                                | <b>15,727</b>                   | <b>11,856</b> |

<sup>1)</sup> Private placement<sup>2)</sup> The interest-rate fixing profile of nominal amount SEK 100m has been adjusted with an interest-rate swap, where floating rate is swapped for fixed interest rate.

The Group applies hedge accounting of cash flows on the relation, and the net effect on the income statement from this hedge for 2020 was SEK 1m (0).

<sup>3)</sup> The interest-rate fixing profile of the loan has been adjusted with an interest-rate swap, where fixed interest rate is swapped for floating interest rate.

The Group applies hedge accounting of fair value on the relation, and the net effect on the income statement from this hedge for 2020 was SEK 3m (0).

<sup>4)</sup> Loans raised on Parent Company level amount to a total of SEK 14,307m (9,546).<sup>5)</sup> Long-term borrowings with maturities within 12 months are classified as short-term borrowings in the Group's balance sheet

All amounts in SEKm unless otherwise stated

Cont. Note 18

Other short-term loans 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 2.8 years (3.0), at the

end of 2020. The table below presents the repayment schedule of long-term borrowings.

**Repayment schedule of long-term borrowings, December 31**

|                                    | 2021       | 2022         | 2023         | 2024         | 2025         | 2026–        | Total         |
|------------------------------------|------------|--------------|--------------|--------------|--------------|--------------|---------------|
| Debenture and bond loans           | –          | 4,070        | 4,403        | 2,855        | 1,078        | 1,228        | 13,634        |
| Bank and other loans               | –          | 159          | 95           | 94           | 94           | 47           | 489           |
| Short-term part of long-term loans | 277        | –            | –            | –            | –            | –            | 277           |
| <b>Total</b>                       | <b>277</b> | <b>4,229</b> | <b>4,498</b> | <b>2,949</b> | <b>1,172</b> | <b>1,275</b> | <b>14,400</b> |

**Commercial flows**

The table below shows the forecasted transaction flows, imports and exports, for the 12-month period of 2021 and hedges at year-end 2020.

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 2020 amounted to SEK -57m (-111). At year-end 2020, the unrealized fair value of forward contracts for hedging of forecasted transaction flows amounted to SEK 33m (-9). Nominal amount of forecasted transaction flows hedged as per December 31, 2020, was SEK 1,368m (441). The hedge accounting relations have an average maturity period of 6 months (7).

**Forecasted transaction flows and hedges**

|                                     | AUD   | BRL   | CAD   | CHF   | CLP  | CNY    | EUR    | GBP   | THB    | USD     | Other  | Total   |
|-------------------------------------|-------|-------|-------|-------|------|--------|--------|-------|--------|---------|--------|---------|
| Inflow of currency, long position   | 3,327 | 3,090 | 2,213 | 2,265 | 860  | 212    | 1,811  | 3,015 | 2,216  | 4,376   | 12,126 | 35,512  |
| Outflow of currency, short position | -175  | -305  | 0     | -241  | -71  | -2,240 | -8,862 | -681  | -4,387 | -13,768 | -4,777 | -35,507 |
| Gross transaction flow              | 3,152 | 2,785 | 2,213 | 2,025 | 789  | -2,028 | -7,051 | 2,335 | -2,171 | -9,392  | 7,349  | 5       |
| Hedges                              | -846  | -864  | -284  | -278  | -165 | 1,437  | -372   | -661  | -80    | 1,971   | 142    | 0       |
| Net transaction flow                | 2,306 | 1,922 | 1,929 | 1,746 | 624  | -590   | -7,423 | 1,673 | -2,251 | -7,421  | 7,491  | 5       |

**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 unused committed revolving credit facilities of SEK 23,057m (10,440), see details stated above under 'Liquid funds'.

**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                     | -1,280         | -88                 | -4,382             | -10,207             | –           | -15,957        |
| Net settled derivatives   | 8              | -6                  | 1                  | 4                   | –           | 7              |
| Lease liabilities         | -486           | -438                | -673               | -916                | -360        | -2,873         |
| Gross settled derivatives | -230           | 36                  | 0                  | –                   | –           | -194           |
| whereof outflow           | -25,286        | -800                | -2                 | –                   | –           | -26,088        |
| whereof inflow            | 25,056         | 836                 | 2                  | –                   | –           | 25,894         |
| Accounts payable          | -31,306        | –                   | –                  | –                   | –           | -31,306        |
| Financial guarantees      | -893           | –                   | –                  | –                   | –           | -893           |
| <b>Total</b>              | <b>-34,187</b> | <b>-496</b>         | <b>-5,054</b>      | <b>-11,119</b>      | <b>-360</b> | <b>-51,216</b> |

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

The tables below and overleaf 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**

|  | 2020                         |                  |                 |                  | 2019                         |                  |                 |                  |
|--|------------------------------|------------------|-----------------|------------------|------------------------------|------------------|-----------------|------------------|
|  | Gain/loss in profit and loss | Gain/loss in OCI | Interest income | Interest expense | Gain/loss in profit and loss | Gain/loss in OCI | Interest income | Interest expense |
| <b>Recognized in operating income</b>                                  |                              |                  |                 |                  |                              |                  |                 |                  |
| Financial assets and liabilities at fair value through profit and loss | 9                            | 33               | –               | –                | -115                         | -9               | –               | –                |
| Financial assets and liabilities at amortized cost                     | -176                         | –                | –               | –                | 99                           | –                | –               | –                |
| <b>Total net gain/loss, income and expense</b>                         | <b>-167</b>                  | <b>33</b>        | <b>–</b>        | <b>–</b>         | <b>-16</b>                   | <b>-9</b>        | <b>–</b>        | <b>–</b>         |
| <b>Recognized in financial items</b>                                   |                              |                  |                 |                  |                              |                  |                 |                  |
| Financial assets and liabilities at fair value through profit and loss | -73                          | –                | –               | -67              | 84                           | -1               | –               | -141             |
| Financial assets at amortized cost                                     | –                            | –                | 74              | –                | –                            | –                | 69              | –                |
| Other financial liabilities at amortized cost                          | –                            | -161             | –               | -470             | -155                         | -100             | –               | -424             |
| <b>Total net gain/loss, income and expense</b>                         | <b>-73</b>                   | <b>-161</b>      | <b>74</b>       | <b>-537</b>      | <b>-71</b>                   | <b>-101</b>      | <b>69</b>       | <b>-565</b>      |

All amounts in SEKm unless otherwise stated

## Fair value and carrying amount on financial assets and liabilities

|  | Fair value hierarchy level | 2020          |                 | 2019          |                 |
|--|----------------------------|---------------|-----------------|---------------|-----------------|
|  |                            | Fair value    | Carrying amount | Fair value    | Carrying amount |
| <b>Financial assets</b>                                      |                            |               |                 |               |                 |
| <b>Financial assets at fair value through profit or loss</b> |                            |               |                 |               |                 |
| Whereof short-term investments                               | 1                          | 225           | 225             | 269           | 269             |
| Whereof other financial assets                               | 3                          | 65            | 65              | 93            | 93              |
| <b>Financial assets at amortized cost</b>                    |                            |               |                 |               |                 |
| Whereof trade receivables                                    |                            | 40,152        | 40,152          | 31,668        | 31,668          |
| Whereof short-term investments                               |                            | 19,944        | 19,944          | 20,847        | 20,847          |
| Whereof cash and cash equivalents                            |                            | 12            | 12              | 14            | 14              |
|  |                            | 20,196        | 20,196          | 10,807        | 10,807          |
| <b>Derivatives</b>   |                            |               |                 |               |                 |
| Whereof derivatives at fair value through profit or loss     | 2                          | 135           | 135             | 192           | 192             |
| Whereof derivatives in hedge relations                       | 2                          | 89            | 89              | 114           | 114             |
|  |                            | 46            | 46              | 78            | 78              |
| <b>Total financial assets</b>                                |                            | <b>40,512</b> | <b>40,512</b>   | <b>32,129</b> | <b>32,129</b>   |
| <b>Financial liabilities</b>                                 |                            |               |                 |               |                 |
| <b>Financial liabilities at amortized cost</b>               |                            |               |                 |               |                 |
| Whereof long-term borrowings                                 |                            | 47,123        | 46,758          | 45,515        | 45,482          |
| Whereof short-term borrowings                                |                            | 14,484        | 14,123          | 8,262         | 8,236           |
| Whereof accounts payable                                     |                            | 1,333         | 1,329           | 3,361         | 3,354           |
|  |                            | 31,306        | 31,306          | 33,892        | 33,892          |
| <b>Derivatives</b>   |                            |               |                 |               |                 |
| Whereof derivatives at fair value through profit or loss     | 2                          | 332           | 332             | 293           | 293             |
| Whereof derivatives in hedge relations                       | 2                          | 329           | 329             | 291           | 291             |
|  |                            | 3             | 3               | 2             | 293             |
| <b>Total financial liabilities</b>                           |                            | <b>47,455</b> | <b>47,090</b>   | <b>45,808</b> | <b>45,775</b>   |

## 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 Swedish krona. 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 at fair value are measured according to the following hierarchy:

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included in level 1 that are observable for assets or liabilities either directly or indirectly.

Level 3: Inputs for the assets or liabilities that are not entirely based on observable market data.

## Note 19 Assets pledged for liabilities to credit institutions

|                | Group<br>December 31 |          | Parent Company<br>December 31 |          |
|----------------|----------------------|----------|-------------------------------|----------|
|                | 2020                 | 2019     | 2020                          | 2019     |
| Pledged assets | –                    | 6        | –                             | –        |
| <b>Total</b>   | <b>–</b>             | <b>6</b> | <b>–</b>                      | <b>–</b> |

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, 2020 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, 2019              |              |
|---|--------------|
| 8,192,539 Class A shares, quota value SEK 5   | 41           |
| 300,727,769 Class B shares, quota value SEK 5 | 1,504        |
| <b>Total</b>                                  | <b>1,545</b> |
| Share capital, December 31, 2020              |              |
| 8,192,539 Class A shares, quota value SEK 5   | 41           |
| 300,727,769 Class B shares, quota value SEK 5 | 1,504        |
| <b>Total</b>                                  | <b>1,545</b> |

### Number of shares

|  | Owned by<br>Electrolux | Owned<br>by other<br>shareholders | Total              |
|--|------------------------|-----------------------------------|--------------------|
| Shares, December 31, 2019                        |                        |                                   |                    |
| Class A shares                                   | –                      | 8,192,539                         | 8,192,539          |
| Class B shares                                   | 21,522,858             | 279,204,911                       | 300,727,769        |
| <b>Total</b>                                     | <b>21,522,858</b>      | <b>287,397,450</b>                | <b>308,920,308</b> |
| 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, 2020                        |                        |                                   |                    |
| Class A shares                                   | –                      | 8,192,539                         | 8,192,539          |
| Class B shares                                   | 21,522,858             | 279,204,911                       | 300,727,769        |
| <b>Total</b>                                     | <b>21,522,858</b>      | <b>287,397,450</b>                | <b>308,920,308</b> |

### 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

|  | 2020  | 2019  |
|--|-------|-------|
| Income for the period attributable to equity holders of the Parent Company | 6,584 | 2,509 |
| Earnings per share, SEK  |       |       |
| Basic, continuing operations   | 13.88 | 6.33  |
| Basic, discontinued operations   | 9.03  | 2.40  |
| Basic, total Group   | 22.91 | 8.73  |
| Diluted, continuing operations   | 13.86 | 6.30  |
| Diluted, discontinued operations   | 9.02  | 2.38  |
| Diluted, total Group   | 22.88 | 8.69  |
| Average number of shares, million  |       |       |
| Basic  | 287.4 | 287.4 |
| Diluted  | 287.7 | 288.8 |

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 287,719,454 (288,824,237).

## Note 21 Untaxed reserves, Parent Company

|  | December 31, 2020 | Appropriations | December 31, 2019 |
|--|-------------------|----------------|-------------------|
| Accumulated depreciation in excess of plan |                   |                |                   |
| Brands                                     | 379               | 15             | 364               |
| Licenses                                   | 0                 | –              | 0                 |
| Machinery and equipment                    | 144               | 112            | 32                |
| Buildings                                  | 0                 | –              | 0                 |
| Other                                      | 24                | -10            | 34                |
| <b>Total</b>                               | <b>547</b>        | <b>117</b>     | <b>430</b>        |
| Group contributions                        |                   | -81            |                   |
| <b>Total appropriations</b>                |                   | <b>36</b>      |                   |



## 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 rereasurement 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 rereasurement 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 rereasurements 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 rereasurements. The actual return less calculated interest income on plan assets is also recorded in other comprehensive income as rereasurements. 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 consists of equal numbers of representatives from the employer and employees. 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 left the plan.

#### 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 and Canada. The pension plans in France and Italy are mainly unfunded. 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, 2020

|   | USA    | USA<br>Medical | UK     | Sweden | Germany | Switzer-<br>land | Other | Total   |
|---|--------|----------------|--------|--------|---------|------------------|-------|---------|
| <b>Amounts included in the balance sheet</b>                |        |                |        |        |         |                  |       |         |
| Present value of funded and unfunded obligations            | 7,635  | 1,837          | 7,165  | 4,644  | 4,136   | 2,674            | 783   | 28,874  |
| Fair value of plan assets (after change in asset ceiling)   | -8,316 | -1,828         | -6,978 | -2,523 | -2,755  | -2,611           | -184  | -25,195 |
| Total (surplus)/deficit                                     | -681   | 9              | 187    | 2,121  | 1,381   | 63               | 599   | 3,679   |
| Whereof reported as:  |        |                |        |        |         |                  |       |         |
| Pension plan assets   | –      | –              | –      | –      | –       | –                | –     | 1,272   |
| Provisions for post-employment benefit plans                | –      | –              | –      | –      | –       | –                | –     | 4,951   |
| Total funding level for all pension plans, %                | 109    | 100            | 97     | 54     | 67      | 98               | 23    | 87      |
| Average duration of the obligation, years                   | 9.9    | 9.8            | 15.5   | 18.7   | 14.6    | 13.2             | –     | 13.7    |
| <b>Amounts included in total comprehensive income</b>       |        |                |        |        |         |                  |       |         |
| Service cost  | 7      | –              | 15     | 182    | 23      | 47               | 4     | 277     |
| Net interest cost   | -1     | 5              | 1      | 21     | 12      | 0                | 4     | 41      |
| Remeasurements (gain)/loss                                  | -371   | -126           | 167    | 135    | 156     | -131             | -19   | -189    |
| Total expense (gain) for defined benefit plans              | -365   | -121           | 183    | 338    | 191     | -84              | -11   | 129     |
| Expenses for defined contribution plans                     |        |                |        |        |         |                  |       | 600     |
| <b>Amounts included in the cash flow statement</b>          |        |                |        |        |         |                  |       |         |
| Contributions by the employer                               | –      | 27             | 30     | –      | –       | 30               | 1     | 88      |
| Reimbursement   | –      | –              | –      | -83    | –       | –                | –     | -83     |
| Benefits paid by the employer                               | 29     | –              | –      | 115    | 165     | –                | 34    | 342     |
| <b>Major assumptions for the valuation of the liability</b> |        |                |        |        |         |                  |       |         |
| Longevity, years <sup>1)</sup>                              |        |                |        |        |         |                  |       |         |
| Male  | 20.7   | 20.7           | 20.8   | 23.0   | 20.4    | 22.7             | –     | 21.2    |
| Female  | 22.6   | 22.3           | 23.6   | 24.8   | 23.8    | 24.8             | –     | 23.6    |
| Inflation, % <sup>2)</sup>                                  | 3.00   | 5.00           | 3.00   | 1.75   | 1.80    | 1.00             | –     | 2.37    |
| Discount rate, %  | 2.30   | 2.30           | 1.50   | 1.10   | 0.70    | 0.10             | –     | 1.44    |

## Information by country December 31, 2019 (including discontinued operations)

|   | USA    | USA<br>Medical | UK     | Sweden | Germany | Switzer-<br>land | Other | Total               |
|---|--------|----------------|--------|--------|---------|------------------|-------|---------------------|
| <b>Amounts included in the balance sheet</b>                |        |                |        |        |         |                  |       |                     |
| Present value of funded and unfunded obligations            | 8,823  | 2,232          | 7,526  | 4,305  | 4,184   | 3,753            | 1,008 | 31,831              |
| Fair value of plan assets (after change in asset ceiling)   | -9,198 | -2,067         | -7,479 | -2,519 | -2,768  | -3,522           | -218  | -27,771             |
| Total (surplus)/deficit                                     | -375   | 165            | 47     | 1,786  | 1,416   | 231              | 790   | 4,060               |
| Whereof reported as:  |        |                |        |        |         |                  |       |                     |
| Pension plan assets   | –      | –              | –      | –      | –       | –                | –     | 1,056 <sup>3)</sup> |
| Provisions for post-employment benefit plans                | –      | –              | –      | –      | –       | –                | –     | 5,116 <sup>4)</sup> |
| Total funding level for all pension plans, %                | 104    | 93             | 99     | 59     | 66      | 94               | 22    | 87                  |
| Average duration of the obligation, years                   | 10.3   | 10.4           | 15.7   | 18.5   | 14.5    | 13.5             | –     | 13.6                |
| <b>Amounts included in total comprehensive income</b>       |        |                |        |        |         |                  |       |                     |
| Service cost <sup>5)</sup>                                  | -349   | 367            | 11     | 78     | 20      | 53               | -87   | 93                  |
| Net interest cost   | 6      | –              | -15    | 23     | 19      | 1                | 10    | 44                  |
| Remeasurements (gain)/loss                                  | -287   | -277           | 172    | 421    | 49      | -85              | 110   | 103                 |
| Total expense (gain) for defined benefit plans              | -630   | 90             | 168    | 522    | 88      | -31              | 33    | 240                 |
| Expenses for defined contribution plans                     |        |                |        |        |         |                  |       | 636                 |
| <b>Amounts included in the cash flow statement</b>          |        |                |        |        |         |                  |       |                     |
| Contributions by the employer                               | –      | 27             | –      | –      | –       | 43               | 23    | 93                  |
| Reimbursement   | –      | –              | –      | -103   | -334    | –                | –     | -437                |
| Benefits paid by the employer                               | –      | 20             | –      | 119    | 166     | –                | 56    | 361                 |
| <b>Major assumptions for the valuation of the liability</b> |        |                |        |        |         |                  |       |                     |
| Longevity, years <sup>1)</sup>                              |        |                |        |        |         |                  |       |                     |
| Male  | 20.7   | 20.7           | 21.0   | 23.0   | 20.2    | 22.6             | –     | 21.2                |
| Female  | 22.7   | 22.7           | 23.9   | 24.8   | 23.7    | 24.7             | –     | 23.7                |
| Inflation, % <sup>2)</sup>                                  | 3.00   | 6.25           | 3.00   | 1.75   | 1.70    | 1.25             | –     | 2.36                |
| Discount rate, %  | 3.00   | 3.00           | 1.80   | 1.40   | 0.90    | 0.10             | –     | 1.82                |

<sup>1)</sup> Expressed as the average life expectancy of a 65-year-old person in number of years.<sup>2)</sup> General inflation impacting salary and pensions increase. For USA Medical, the number refers to the inflation of healthcare benefits.<sup>3)</sup> Whereof pension plan assets amount to SEK 1,043m for continuing operations and SEK 13m for discontinued operations.<sup>4)</sup> Whereof provisions for post-employment benefit plans amount to SEK 4,909m for continuing operations and SEK 208m for discontinued operations.<sup>5)</sup> Includes a gain of SEK 200m due to plan amendment in France and settlement in Sweden and Norway.

Cont. Note 22

**Reconciliation of change in present value of funded and unfunded obligations**

|   | 2020   | 2019   |
|---|--------|--------|
| Opening balance, January 1                                  | 30,834 | 28,646 |
| Current service cost  | 248    | 246    |
| Special events  | 6      | -96    |
| Interest expense  | 540    | 808    |
| Remeasurement arising from changes in financial assumptions | 1,485  | 3,379  |
| Remeasurement from changes in demographic assumptions       | -222   | -63    |
| Remeasurement from experience                               | -112   | 206    |
| Contributions by plan participants                          | 35     | 50     |
| Benefits paid   | -1,676 | -1,808 |
| Exchange differences  | -2,299 | 1,106  |
| Settlements and other                                       | 34     | -643   |
| Total   | 28,874 | 31,831 |
| Discontinued operations, obligations <sup>1)</sup>          | -      | -997   |
| Closing balance, December 31                                | 28,874 | 30,834 |

<sup>1)</sup> 2019 updated with gross effects for discontinued operations.**Reconciliation of change in the fair value of plan assets**

|   | 2020   | 2019   |
|---|--------|--------|
| Opening balance, January 1  | 26,938 | 24,832 |
| Interest income <sup>1)</sup>   | 499    | 764    |
| Return on plan assets, excluding amounts included in interest <sup>1)</sup> | 1,510  | 3,410  |
| Effect of asset ceiling   | -170   | 14     |
| Net contribution by employer  | 5      | -344   |
| Contribution by plan participants   | 35     | 50     |
| Benefits paid   | -1,334 | -1,447 |
| Exchange differences  | -2,312 | 1,096  |
| Settlements and other   | 23     | -604   |
| Total   | 25,195 | 27,771 |
| Discontinued operations, plan assets <sup>2)</sup>                          | -      | -833   |
| Closing balance, December 31  | 25,195 | 26,938 |

<sup>1)</sup> The actual return on plan assets amounts to SEK 2,009m (4,174).<sup>2)</sup> 2019 updated with gross effects for discontinued operations.

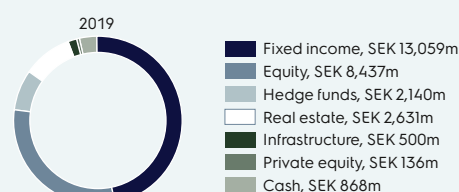
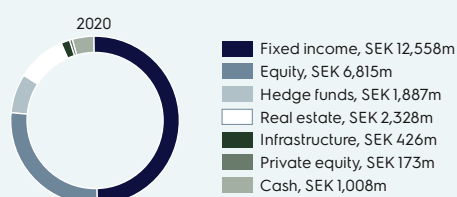
Below is the sensitivity analysis for the main financial assumptions and the potential impact on the present value of the defined pension obligation. Note that the sensitivities are not meant to express any view by Electrolux on the probability of a change.

**Sensitivity analysis on defined benefit obligation**

|                               | USA  | USA<br>Medical | UK     | Sweden | Germany | Switzer-<br>land | Other | Total  |
|-------------------------------|------|----------------|--------|--------|---------|------------------|-------|--------|
| Longevity +1 year             | 290  | 115            | 333    | 169    | 103     | 92               | 6     | 1,107  |
| Inflation +0.5% <sup>1)</sup> | 0    | 94             | 317    | 441    | 289     | 27               | 16    | 1,185  |
| Discount rate +1%             | -690 | -167           | -1,011 | -725   | -555    | -330             | -63   | -3,541 |
| Discount rate -1%             | 898  | 195            | 1,299  | 955    | 707     | 456              | 74    | 4,584  |

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

In the coming year, the Group expects to pay a total of SEK 304m 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 |       |
|---|-------------|-------|
|   | 2020        | 2019  |
| Fixed income                                      | 1,052       | 915   |
| Real estate                                       | 2,328       | 2,631 |
| Infrastructure                                    | 426         | 500   |
| Private equity                                    | 173         | 136   |

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.
- Approval of the Group's and local pension funds' investment strategies.
- 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 2020 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

|                                    | December 31 |          |       |
|------------------------------------|-------------|----------|-------|
|                                    | Funded      | Unfunded | Total |
| Opening balance, January 1, 2019   | 1,722       | 442      | 2,164 |
| Current service cost               | 48          | 7        | 55    |
| Interest cost                      | 70          | 18       | 88    |
| Benefits paid                      | -81         | -30      | -111  |
| Closing balance, December 31, 2019 | 1,759       | 437      | 2,196 |
| Current service cost               | 70          | 15       | 85    |
| Interest cost                      | 71          | 18       | 89    |
| Benefits paid                      | -85         | -30      | -115  |
| Closing balance, December 31, 2020 | 1,815       | 440      | 2,255 |

### Change in fair value of plan assets

|   | Funded |
|---|--------|
| Opening balance, January 1, 2019                | 2,351  |
| Actual return on plan assets                    | 320    |
| Contributions and compensation to/from the fund | -133   |
| Closing balance, December 31, 2019              | 2,538  |
| Actual return on plan assets                    | 108    |
| Contributions and compensation to/from the fund | -83    |
| Closing balance, December 31, 2020              | 2,563  |

### Amounts recognized in the balance sheet

|   | December 31 |        |
|---|-------------|--------|
|   | 2020        | 2019   |
| Present value of pension obligations                                  | -2,255      | -2,196 |
| Fair value of plan assets   | 2,563       | 2,538  |
| Surplus/deficit   | 308         | 342    |
| Limitation on assets in accordance with Swedish accounting principles | -748        | -779   |
| Net provisions for pension obligations                                | -440        | -437   |
| Whereof reported as provisions for pensions                           | -440        | -437   |

### Amounts recognized in the income statement

|  | 2020 | 2019 |
|--|------|------|
| Current service cost                             | 85   | 55   |
| Interest cost                                    | 89   | 88   |
| Total expenses for defined benefit pension plans | 174  | 143  |
| Insurance premiums                               | 112  | 157  |
| Total expenses for defined contribution plans    | 112  | 157  |
| Special employer's contribution tax              | 34   | 31   |
| Cost for credit insurance FPG                    | 3    | 2    |
| Total pension expenses                           | 323  | 333  |
| Compensation from the pension fund               | -83  | -133 |
| Total recognized pension expenses                | 240  | 200  |

### 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, 2020, to SEK 2,563m (2,551m) and the pension commitments to SEK 1,815m (1,759). The Swedish Group companies recorded a liability to the pension fund as per December 31, 2020, in the amount of SEK 0m (0). Contributions to the pension foundation during 2020 amounted to SEK 0m (0). Contributions from the pension foundation during 2020 amounted to SEK 83m (585).

## 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, 2019   | 1,210                        | 2,095                | 1,397  | 2,863  | 7,565  | 174                          | 473                  | 44    | 691   |
| Acquisitions of operations         | –                            | 5                    | –      | –      | 5      | –                            | –                    | –     | –     |
| Provisions made                    | 1,326                        | 2,178                | 421    | 1,733  | 5,658  | 471                          | 370                  | 8     | 849   |
| Provisions used                    | -564                         | -1,984               | -491   | -1,258 | -4,297 | -87                          | -396                 | -14   | -497  |
| Unused amounts reversed            | -179                         | -31                  | –      | -56    | -266   | -23                          | –                    | –     | -23   |
| Exchange-rate differences          | 22                           | 68                   | 50     | 70     | 210    | -1                           | 5                    | –     | 4     |
| Discontinued operations            | -86                          | -245                 | –      | -361   | -692   | 0                            | –                    | 0     | 0     |
| Closing balance, December 31, 2019 | 1,729                        | 2,086                | 1,377  | 2,991  | 8,183  | 534                          | 452                  | 38    | 1,024 |
| Of which current provisions        | 755                          | 1,015                | 280    | 556    | 2,606  | 187                          | 120                  | –     | 307   |
| Of which non-current provisions    | 973                          | 1,071                | 1,097  | 2,436  | 5,577  | 347                          | 332                  | 38    | 717   |
| Opening balance, January 1, 2020   | 1,729                        | 2,086                | 1,377  | 2,991  | 8,183  | 534                          | 452                  | 38    | 1,024 |
| Acquisitions of operations         | –                            | 10                   | –      | –      | 10     | –                            | –                    | –     | –     |
| Provisions made                    | 475                          | 2,407                | 415    | 2,083  | 5,380  | 297                          | 68                   | 42    | 407   |
| Provisions used                    | -602                         | -2,273               | -497   | -863   | -4,236 | -250                         | –                    | -25   | -275  |
| Unused amounts reversed            | -122                         | -26                  | –      | -424   | -572   | -16                          | –                    | -2    | -18   |
| Reclassifications                  | 139                          | –                    | –      | -11    | 128    | –                            | –                    | –     | –     |
| Exchange-rate differences          | -133                         | -164                 | -142   | -370   | -809   | -14                          | -13                  | -1    | -28   |
| Closing balance, December 31, 2020 | 1,486                        | 2,039                | 1,153  | 3,406  | 8,083  | 551                          | 507                  | 52    | 1,110 |
| Of which current provisions        | 629                          | 1,004                | 246    | 637    | 2,515  | 370                          | 133                  | –     | 503   |
| Of which non-current provisions    | 857                          | 1,035                | 907    | 2,769  | 5,568  | 181                          | 374                  | 52    | 607   |

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 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, 2020, will be consumed in 2021 and 2022.

Provisions for claims refer to the Group's captive insurance companies. Other provisions include mainly provisions for 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<br>December 31 |        | Parent Company<br>December 31 |       |
|------------------------------------|----------------------|--------|-------------------------------|-------|
|                                    | 2020                 | 2019   | 2020                          | 2019  |
| Accrued holiday pay                | 950                  | 928    | 268                           | 223   |
| Other accrued payroll costs        | 2,038                | 1,597  | 570                           | 261   |
| Accrued interest expenses          | 64                   | 33     | 61                            | 29    |
| Contract liabilities <sup>1)</sup> | 6,354                | 6,005  | –                             | –     |
| Other accrued expenses             | 3,778                | 3,387  | 717                           | 525   |
| Prepaid income grants              | 651                  | 828    | –                             | –     |
| Other prepaid income               | 134                  | 124    | 185                           | 210   |
| VAT liabilities                    | 937                  | 957    | –                             | –     |
| Personnel related liabilities      | 876                  | 836    | –                             | –     |
| Other operating liabilities        | 1,332                | 2,126  | –                             | –     |
| Total                              | 17,114               | 16,821 | 1,801                         | 1,248 |

<sup>1)</sup> 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 operational taxes.

All amounts in SEKm unless otherwise stated

## Note 25 Contingent assets and liabilities

|   | Group<br>December 31 |            | Parent Company<br>December 31 |              |
|---|----------------------|------------|-------------------------------|--------------|
|   | 2020                 | 2019       | 2020                          | 2019         |
| <b>Guarantees and other commitments</b> |                      |            |                               |              |
| On behalf of subsidiaries               | —                    | —          | —                             | 0            |
| On behalf of external counterparties    | 893                  | 939        | 927                           | 1,015        |
| <b>Total</b>                            | <b>893</b>           | <b>939</b> | <b>927</b>                    | <b>1,015</b> |

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, 2020, the Group had a total of 3,403 (3,897) cases pending, representing approximately 3,440 (approximately 3,933) plaintiffs. During 2020, 930 new cases with 931 plaintiffs were filed and 1,424 pending cases with approximately 1,424 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.

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 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 and a Panel of arbitrators appointed by the NAFTA Secretariat will review and decide on the matter. A hearing was held in November 2020 but the Panel has not yet rendered its 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. The one-time cost, if any, is subject to a current interest rate of 5%. However, as Electrolux believes that the company has a strong legal case and that success is more likely than not, a provision related to this potential cost has not been made. No assurances can however be given that the outcome will be successful, as appealing administrative determinations is inherently challenging.

In 2019 an order was issued by the Italian Environmental Authorities for certain remediation actions connected to contamination at Electrolux subsidiary INFA s.p.a. ("INFA") former manufacturing site in Aviato (Italy), a site (land and factory) that INFA divested to the current operator of the site, Sarinox s.p.a. ("Sarinox"), in 2001. Pursuant to the order, addressed against Sarinox, Sarinox shall, inter alia, make a contribution of 42m EUR to projects improving the groundwater quality in the Friuli region, Italy, and take certain other measures to clean 42m cubic meters of contaminated groundwater in the region. Sarinox has objected to the order by appealing to the administrative court of Trieste. In 2020, the administrative court ruled in favor of Sarinox. It is still possible to appeal the court ruling but so far the ruling has not been appealed. As it is possible that the situation can result in a liability for INFA in its capacity as former owner and operator or seller of the site, INFA filed a motion to join the proceedings to protect its interests. No provision related to this matter has been set.

## Note 26 Acquired, divested and discontinued operations

| Acquired operations   | 2020       | 2019                           |            |            |
|---|------------|--------------------------------|------------|------------|
|   | Total      | Sydney Appliance Installations | UNIC       | Total      |
| <b>Consideration:</b>   |            |                                |            |            |
| Cash paid for acquisitions made during the year                       | 73         | 26                             | 410        | 436        |
| Fair value of holding   | 48         | –                              | –          | –          |
| Deferred consideration  | –          | 13                             | 0          | 13         |
| <b>Total consideration</b>  | <b>121</b> | <b>39</b>                      | <b>410</b> | <b>449</b> |
| <b>Recognized amounts of assets acquired and liabilities assumed:</b> |            |                                |            |            |
| Total net assets acquired   | 55         | 0                              | 143        | 143        |
| Assumed net debt / cash   | 54         | 0                              | -69        | -69        |
| Goodwill  | 12         | 39                             | 336        | 375        |
| <b>Total</b>  | <b>121</b> | <b>39</b>                      | <b>410</b> | <b>449</b> |

| Payments for acquisitions:  | 2020     | 2019       |
|---|----------|------------|
| Cash paid for acquisitions made during the year                                     | 73       | 436        |
| Cash and cash equivalents in acquired operations                                    | -66      | -4         |
| Cash paid related to deferred consideration from acquisitions made in earlier years | 0        | 35         |
| Payments for acquisition of non-controlling interest in CTI SA and Somela SA, Chile | 0        | 0          |
| <b>Total paid</b>   | <b>8</b> | <b>467</b> |

### Acquisitions in 2020

#### Guangdong De Yi Jie Appliances

In August, 2020, Electrolux acquired 60% of the shares in the Chinese company Guangdong De Yi Jie Appliances Co., LTD, a company that sells AEG household appliances in China. Before the acquisition, Electrolux held 40% of the shares in the company. The acquired company is accounted for as a fully owned subsidiary as from August 31, 2020. The transaction has resulted in a preliminary goodwill of SEK 12m. The net cash flow effect from the acquisition is SEK -7m.

The operations are included in business area Asia-Pacific, Middle East and Africa.

### Acquisitions in 2019

#### Sydney Appliance Installations

On February 1, 2019, the acquisition of the Australian appliance installation and repair service operation, Sydney Appliance Installations (SAI), was completed through an asset deal. The acquisition fits well into the existing business model increasing Electrolux in-house after sales capacity in the region. The purchase price for the operation contains an upfront payment of AUD 3.9m, approximately SEK 26m and a deferred consideration of up to AUD 2m, approximately SEK 13m, of which AUD 1.7m is dependent on future financial performance. The SAI operation's net sales and operating income in 2019 amounted to AUD 3.1m and AUD 0.5m respectively, approximately SEK 21m and SEK 3.3m respectively. The acquired business contributed to Electrolux consolidated accounts in 2019 by AUD 2.9m in net sales and AUD 0.4m in operating income, approximately SEK 19m and SEK 2.9m respectively. Goodwill to be recognized in the transaction mainly relates to the value of the assembled workforce and synergies with Electrolux appliance business. Goodwill is not expected to be deductible for income tax.

The operations are included in business area Asia-Pacific, Middle East and Africa.

#### Unic SAS

On April 24, 2019, the acquisition of the French producer of professional espresso coffee machines, Unic S.A.S, was completed by acquiring 100% of the shares in a cash deal. The purchase price for the shares amounts to EUR 39m with a net debt assumed, estimated at EUR 6.6m. The company's headquarters and main manufacturing facility are located in southern France, with subsidiaries in the U.S. and Japan. The acquisition is part of Electrolux Professional Products' strategy to grow with a complete offering of food service, beverage and laundry solutions. Together with previous acquisitions (Grindmaster-Cecilware in North America 2017 and SPM Drink Systems in

Italy 2018), UNIC complements the Electrolux portfolio of products for hot, cold and frozen beverages.

The Unic group's net sales and operating income in 2019 amounted to EUR 16.7m and EUR -1.6m respectively, approximately SEK 176m and SEK -17m respectively. The acquired business contributes to Electrolux consolidated accounts, within the business Electrolux reports as discontinued operations and held for distribution, in 2019 by EUR 10.7m in net sales and EUR -1.6m in operating income, approximately SEK 113m and SEK -17m respectively. Goodwill recognized in the transaction mainly relates to synergies with Electrolux operations in this business segment. Goodwill is not expected to be deductible for income tax.

The operations are included in discontinued operations, Electrolux Professional.

### Transaction costs

Transaction costs related to the acquisitions in 2019 amount to SEK 4.2m and have been expensed as incurred during the acquisition process in 2019 (SEK 3.5m) and 2018 (SEK 0.7m). The costs have been reported in the business area's operating income.

### Discontinued operations

In January 2019, Electrolux announced that the company was preparing for the separation and distribution of its Professional Products business area ('Electrolux Professional'). On December 5, 2019, the Electrolux Board of Directors decided to propose to the Electrolux shareholders to distribute the shares in the wholly-owned subsidiary Electrolux Professional AB to the shareholders of Electrolux. The decision was taken by an Extraordinary General Meeting on February 21, 2020, and Electrolux Professional AB was listed on Nasdaq Stockholm on March 23, 2020. Electrolux Professional was classified as held for distribution to owners as per December 2019 and accounted for under the applicable principles for assets held for sale and discontinued operations IFRS 5 'Non-current assets held for sale and discontinued operations' and IFRIC 17 'Distribution of non-cash assets to owners'. All related effects are referred to as 'Discontinued operations'.

As per December 2019, Electrolux Professional was reported as discontinued operations in the consolidated statement of comprehensive income. The consolidated statement of comprehensive income for comparative periods were restated accordingly. The Electrolux Professional results were excluded from the individual lines of the consolidated income statement with the total net reported as 'Income for the period, discontinued operations', in full attributable to equity holders of the Parent Company.

The consolidated cash flow statements include a full cash flow statement for continuing operations and total cash flow for discontinued operations.

In the balance sheet as per December 31, 2019, assets and liabilities of Electrolux Professional were classified as 'Discontinued operations, assets held for distribution' and 'Discontinued operations, liabilities held for distribution' respectively.

The distribution of Electrolux Professional resulted in a settlement gain, calculated as the difference between the carrying amount of the assets distributed and the carrying amount of the dividend payable, measured at the fair market value of Electrolux Professional at listing.

Details on income statement, balance sheet and cash flow for discontinued operations are presented below. The financial information consists of Electrolux Professional's contribution to Electrolux Group consolidated financial information up until the separation on March 23, 2020.

### Income statement, discontinued operations

|   | 2020         | 2019         |
|---|--------------|--------------|
| <b>Net sales</b>                                      | <b>1,884</b> | <b>9,281</b> |
| Cost of goods sold                                    | -1,191       | -6,040       |
| <b>Gross operating income</b>                         | <b>693</b>   | <b>3,241</b> |
| Selling expenses                                      | -349         | -1,699       |
| Administrative expenses                               | -161         | -584         |
| Other operating income and expenses                   | 2            | 32           |
| <b>Operating income</b>                               | <b>185</b>   | <b>991</b>   |
| Financial items, net                                  | -1           | 12           |
| <b>Income after financial items</b>                   | <b>184</b>   | <b>1,003</b> |
| Taxes   | -40          | -314         |
| <b>Income for the period, discontinued operations</b> | <b>144</b>   | <b>688</b>   |

All amounts in SEKm unless otherwise stated

Cont. Note 26

## Balance sheet, discontinued operations

|   | 2020     | 2019         |
|---|----------|--------------|
| Property, plant and equipment, owned        | –        | 1,214        |
| Property, plant and equipment, right-of-use | –        | 238          |
| Goodwill                                    | –        | 1,821        |
| Other intangible assets                     | –        | 388          |
| Other non-current assets                    | –        | 397          |
| <b>Total non-current assets</b>             | <b>–</b> | <b>4,057</b> |
| Inventories                                 | –        | 1,265        |
| Trade receivables                           | –        | 1,687        |
| Other current assets                        | –        | 1,025        |
| <b>Total current assets</b>                 | <b>–</b> | <b>3,977</b> |
| <b>Total assets</b>                         | <b>–</b> | <b>8,034</b> |
| Long-term borrowings                        | –        | 3            |
| Long-term lease liabilities                 | –        | 172          |
| Other provisions                            | –        | 846          |
| <b>Total non-current liabilities</b>        | <b>–</b> | <b>1,021</b> |
| Accounts payable                            | –        | 1,485        |
| Short-term borrowings                       | –        | 4            |
| Short-term lease liabilities                | –        | 72           |
| Other current liabilities                   | –        | 1,370        |
| <b>Total current liabilities</b>            | <b>–</b> | <b>2,930</b> |
| <b>Total liabilities</b>                    | <b>–</b> | <b>3,951</b> |

## Cash flow, discontinued operations

|                            | 2020         | 2019       |
|----------------------------|--------------|------------|
| Cash flow from operations  | 68           | 1,120      |
| Cash flow from investments | -87          | -689       |
| Cash flow from financing   | 1,195        | -134       |
| <b>Total cash flow</b>     | <b>1,177</b> | <b>297</b> |



## Note 27 Employees and remuneration

### Employees and employee benefits

In 2020, the average number of employees was 47,543 (48,652), of which 29,644 (29,747) were men and 17,899 (18,905) 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](http://www.electroluxgroup.com).

### Average number of employees, by geographical area

|                                      | Group         |               |
|--------------------------------------|---------------|---------------|
|                                      | 2020          | 2019          |
| Europe                               | 18,727        | 18,909        |
| North America                        | 6,752         | 6,640         |
| Latin America                        | 14,113        | 14,844        |
| Asia-Pacific, Middle East and Africa | 7,951         | 8,259         |
| <b>Total</b>                         | <b>47,543</b> | <b>48,652</b> |

### Salaries, other remuneration and employer contributions

|                                     | 2020                      |                        |               | 2019                      |                        |               |
|-------------------------------------|---------------------------|------------------------|---------------|---------------------------|------------------------|---------------|
|                                     | Salaries and remuneration | Employer contributions | Total         | Salaries and remuneration | Employer contributions | Total         |
| Parent Company                      | 1,050                     | 624                    | 1,674         | 1,063                     | 577                    | 1,640         |
| whereof pension costs <sup>1)</sup> | —                         | 294                    | 294           | —                         | 243                    | 243           |
| Subsidiaries                        | 14,616                    | 2,785                  | 17,401        | 15,255                    | 2,861                  | 18,116        |
| whereof pension costs               | —                         | 583                    | 583           | —                         | 493                    | 493           |
| <b>Total</b>                        | <b>15,666</b>             | <b>3,409</b>           | <b>19,075</b> | <b>16,318</b>             | <b>3,438</b>           | <b>19,756</b> |
| whereof pension costs               | —                         | 877                    | 877           | —                         | 736                    | 736           |

<sup>1)</sup> Includes SEK 10m (8) referring to the President's predecessors according to local GAAP.

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

|                | 2020  |                 |               | 2019  |                 |               |
|----------------|---|-----------------|---------------|---|-----------------|---------------|
|                | Board members and senior managers <sup>1)</sup> | Other employees | Total         | Board members and senior managers <sup>1)</sup> | Other employees | Total         |
| Parent Company | 75  | 975             | 1,050         | 59  | 1,004           | 1,063         |
| Other          | 326   | 14,290          | 14,616        | 338   | 14,917          | 15,255        |
| <b>Total</b>   | <b>401</b>                                      | <b>15,265</b>   | <b>15,666</b> | <b>397</b>                                      | <b>15,921</b>   | <b>16,318</b> |

<sup>1)</sup> According to the definition of Senior managers in the Swedish Annual Accounts Act.

Of the Board members in Group companies, 80 (91) were men and 15 (14) women, of whom 5 (6) men and 3 (3) 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 182 (178) men and 78 (75) women, of whom 7 (6) men and 2 (2) women in the Parent Company. The total pension cost for Board members and senior managers in the Group amounted to SEK 29m (33).

### Compensation to Board members

|                                   | 2020                  |                                 |                    | 2019                  |                                 |                    |
|-----------------------------------|-----------------------|---------------------------------|--------------------|-----------------------|---------------------------------|--------------------|
|                                   | Ordinary compensation | Compensation for committee work | Total compensation | Ordinary compensation | Compensation for committee work | Total compensation |
| '000 SEK                          |                       |                                 |                    |                       |                                 |                    |
| Staffan Bohman, Chairman          | 2,200                 | 260                             | 2,460              | 2,187                 | 260                             | 2,447              |
| Petra Hedengran                   | 640                   | 310                             | 950                | 630                   | 310                             | 940                |
| Henrik Henriksson (from AGM 2020) | 480                   | —                               | 480                | —                     | —                               | —                  |
| Hasse Johansson (up to AGM 2020)  | 160                   | —                               | 160                | 630                   | 160 <sup>1)</sup>               | 790                |
| Ulla Litzén                       | 640                   | 280                             | 920                | 630                   | 280                             | 910                |
| Bert Nordberg (up to AGM 2019)    | —                     | —                               | —                  | 150                   | —                               | 150                |
| Karin Overbeck (from AGM 2020)    | 480                   | —                               | 480                | —                     | —                               | —                  |
| Fredrik Persson                   | 640                   | 160                             | 800                | 630                   | 160                             | 790                |
| David Porter                      | 640                   | —                               | 640                | 630                   | —                               | 630                |
| Jonas Samuelson, President        | —                     | —                               | —                  | —                     | —                               | —                  |
| Ulrika Saxon (up to AGM 2020)     | 160                   | —                               | 160                | 630                   | 100                             | 730                |
| Kai Wärn                          | 640                   | 100                             | 740                | 630                   | —                               | 630                |
| Ulf Carlsson (up to AGM 2020)     | —                     | —                               | —                  | —                     | —                               | —                  |
| Mina Billing (from AGM 2020)      | —                     | —                               | —                  | —                     | —                               | —                  |
| Viveca Brinkenfeldt Lever         | —                     | —                               | —                  | —                     | —                               | —                  |
| Peter Ferm                        | —                     | —                               | —                  | —                     | —                               | —                  |
| <b>Total compensation</b>         | <b>6,680</b>          | <b>1,110</b>                    | <b>7,790</b>       | <b>6,747</b>          | <b>1,270</b>                    | <b>8,017</b>       |

<sup>1)</sup> Includes compensation for work relating to investments, modularization and quality.

All amounts in SEKm unless otherwise stated

Cont. Note 27

### 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 2020 refers to one fourth of the compensation authorized by the AGM in 2019 and three fourths of the compensation authorized by the AGM in 2020. Total compensation paid in cash in 2020 amounted to SEK 7.8m, of which SEK 6.7m referred to ordinary compensation and SEK 1.1m to committee work.

### Remuneration Committee

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

### Remuneration guidelines for Group Management

The current remuneration guidelines were approved by the AGM in 2020. The guidelines apply until the AGM 2024 and are described below. The detailed guidelines can be found on page 32 in the Annual Report.

Electrolux has a clear strategy to deliver profitable growth and create shareholder value. A prerequisite for the successful implementation of the Company's business strategy and safeguarding of its long-term interests, including its sustainability, is that the Company is able to recruit and retain qualified personnel. To this end, it is necessary that the Company offers competitive remuneration in relation to the country or region of employment of each Group Management member. These guidelines enable the Company to offer the Group Management a competitive total remuneration. The total remuneration for the Group Management shall be in line with market practice and may comprise the following components: fixed compensation, variable compensation, pension benefits and other benefits. 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. Variable compensation shall mainly relate to financial performance targets. Non-financial targets may also be used in order to strengthen the focus on delivering on the Company's business strategy and long-term interests, including its sustainability. The targets shall be specific, clear, measurable and time bound and be determined by the Board of Directors.

Since 2004, Electrolux has offered 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 2020

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 2020 has been set at SEK 11.5m.

The variable salary is based on annual financial and non-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 2020, prior Presidents, and survivors is SEK 206m (221), whereof SEK 36m (30) relates to the current President.

### Remuneration and terms of employment for other members of Group Management in 2020

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 2020 was 5.0% (2.93).

Variable salary in 2020 is based on financial and non-financial targets on business area and Group level. Variable salary for business area heads and heads of Group Operations and Consumer Experience 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 40 % of pensionable salary, between 7.5 and 30 income base amounts. The contribution to the supplementary plan is 35% of pensionable salary above 20 income base amounts. Accrued capital is subject to a real rate of return of 3.5% per year. The retirement age (60) 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 3.0 years (2.7 for 2019 and 2018 programs). At each balance sheet date, the Group revises the estimates to the number of shares that are expected to vest.

## Cont. Note 27

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 2018, 2019 and 2020**

The Extraordinary General Meeting on November 3, 2020, approved a long-term incentive program for 2020. 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 General Meetings of Electrolux has also approved long-term incentive programs for 2018 and 2019.

The allocation of shares in the 2018 and 2019 programs is determined by the position level and the outcome of three financial objectives; (1) 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 was determined by the Board after the expiry of the one-year performance period. The allocation of shares in the 2020 program is determined by the position level and the outcome of three objectives; (1) earnings per share, (2) return on net assets and (3) CO<sub>2</sub> reduction. Performance outcome of (1) and (2) is determined by the Board after the expiry of the one-year performance period and (3) after the expiry of the three-year performance period.

For the 2018, 2019 and 2020 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 achieve-

ment 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 2018, 2019 and 2020 program covers 253 to 282 senior managers and key employees in almost 30 countries. Participants in the 2020 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 for the financial targets in the share program for 2020 was 100%. The outcome of the CO<sub>2</sub> target in the share program for 2020 will be determined after the expiry of the three year performance period.

For 2020, LTI programs resulted in a cost of SEK 65m (including a cost of SEK 13m in employer contribution) compared to a cost of SEK 77m in 2019 (including a cost of SEK 19m in employer contribution). The total provision for employer contribution in the balance sheet amounted to SEK 17m (53).

**Repurchased shares for LTI programs**

The Annual General Meeting in 2019 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 2017 program, but this mandate has not been used by the company.

**Allocation of shares for the 2017 program**

The 2017 performance-share program met 90% of the maximum performance and performance shares were allocated during 2020 to the participants according to the terms and conditions of the 2017 share program.

**Remuneration to Group Management**

| '000 SEK unless otherwise stated                | 2020                              |                               |                                    |                                  |                            |                     | 2019                              |                               |                                    |                                  |                            |                     |
|---|-----------------------------------|-------------------------------|------------------------------------|----------------------------------|----------------------------|---------------------|-----------------------------------|-------------------------------|------------------------------------|----------------------------------|----------------------------|---------------------|
|   | Annual fixed salary <sup>1)</sup> | Variable salary <sup>2)</sup> | Long-term PSP (cost) <sup>3)</sup> | Other remuneration <sup>4)</sup> | Total pension contribution | Social contribution | Annual fixed salary <sup>1)</sup> | Variable salary <sup>2)</sup> | Long-term PSP (cost) <sup>3)</sup> | Other remuneration <sup>4)</sup> | Total pension contribution | Social contribution |
| President and CEO                               | 11,553                            | 10,378                        | 4,151                              | 9                                | 3,993                      | 4,328               | 11,591                            | 2,213                         | 5,676                              | 1,911                            | 3,993                      | 4,942               |
| Other members of Group Management <sup>5)</sup> | 41,129                            | 31,959                        | 9,832                              | 12,757                           | 12,117                     | 11,178              | 43,994                            | 11,180                        | 17,057                             | 5,725                            | 13,235                     | 12,327              |
| <b>Total</b>                                    | <b>52,682</b>                     | <b>42,337</b>                 | <b>13,983</b>                      | <b>12,766</b>                    | <b>16,110</b>              | <b>15,506</b>       | <b>55,585</b>                     | <b>13,393</b>                 | <b>22,733</b>                      | <b>7,636</b>                     | <b>17,228</b>              | <b>17,269</b>       |

<sup>1)</sup> The annual fixed salary includes vacation salary, paid vacation days and salary deductions for company car.

<sup>2)</sup> For 2020: variable salary earned 2020 and to be paid in 2021, and for 2019: variable salary earned 2019 and paid in 2020.

<sup>3)</sup> 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.

<sup>4)</sup> Includes allowances and other benefits such as gross-up of tax, housing and company car, severance pay, and costs for extraordinary arrangements.

<sup>5)</sup> Other members of Group Management comprised of 9 people at the end of 2020, and of 10 people at the end of 2019. 2019 numbers have been adjusted for discontinued operations.

**Number of potential shares per participant, per category and year**

|  | Maximum number of B shares <sup>1)</sup> |        |        | Maximum value, SEK <sup>2)</sup> |            |            |
|--|--|--------|--------|----------------------------------|------------|------------|
|  | 2020                                     | 2019   | 2018   | 2020                             | 2019       | 2018       |
|  | Group 1, President and CEO               | 63,262 | 53,543 | 47,605                           | 11,693,460 | 11,408,250 |
| Group 2, other members of Group Management | 19,211                                   | 17,928 | 17,032 | 3,551,120                        | 3,820,000  | 3,982,000  |
| Group 3                                    | 11,424                                   | 11,189 | 10,032 | 2,111,712                        | 2,384,000  | 2,345,000  |
| Group 4                                    | 6,716                                    | 6,132  | 5,126  | 1,241,534                        | 1,306,000  | 1,198,000  |
| Group 5                                    | 4,830                                    | 4,297  | 3,728  | 892,922                          | 916,000    | 871,000    |
| Group 6                                    | 3,274                                    | 2,967  | 2,444  | 605,219                          | 632,000    | 571,000    |

<sup>1)</sup> 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. At maximum performance the aggregated value is converted to the average number of shares and average value per participant in respective category. The calculation is based on a share price of SEK 233.80 for 2018, SEK 213.07 for 2019, and SEK 184.84 for 2020 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.

<sup>2)</sup> The share allocation for the 2018 program will be at 1.5% of maximum. For the 2019 program there will be no allocation as the outcome was 0. For the 2020 program the outcome of the financial targets was 100% resulting in 1,140,782 shares, 285,196 shares are still subject to the CO<sub>2</sub> reduction target. Decision on final outcome and allocation of shares under the 2020 program will be made after the expiry of the three year performance period for the CO<sub>2</sub> reduction target.

**Performance-share program 2020**

|  | Financial objectives |         |                    | Allocation of shares |           |               |
|--|----------------------|---------|--------------------|----------------------|-----------|---------------|
|  | Minimum              | Maximum | Actual             | Outcome, %           | Weight, % | Allocation, % |
| CO <sub>2</sub> Reduction, % <sup>1)</sup> | 0                    | 100     | TBD                | TBD                  | 20        | TBD           |
| Earnings per share, SEK                    | 9.0                  | 12.5    | 13.9 <sup>2)</sup> | 100                  | 60        | 60            |
| Return on net assets, %                    | 12.0                 | 20.0    | 22.7 <sup>2)</sup> | 100                  | 20        | 20            |
| <b>Total allocation</b>                    |                      |         |                    |                      |           | <b>80</b>     |

<sup>1)</sup> Measured over 2020 - 2022, outcome will be presented in the 2022 annual report.

<sup>2)</sup> Including adjustments for acquisitions and divestments.

All amounts in SEKm unless otherwise stated

## Note 28 Fees to auditors

At the 2020 Annual General Meeting Deloitte was appointed auditor for the period until the end of the 2021 Annual General Meeting.

|  | Group     |           | Parent Company |           |
|--|-----------|-----------|----------------|-----------|
|  | 2020      | 2019      | 2020           | 2019      |
| <b>Deloitte</b>                            |           |           |                |           |
| Audit fees <sup>1)</sup>                   | 63        | 47        | 10             | 9         |
| Audit-related fees <sup>2)</sup>           | 2         | 10        | 0              | 9         |
| Tax fees <sup>3)</sup>                     | 4         | 1         | –              | 0         |
| All other fees <sup>4)</sup>               | 0         | 1         | –              | 1         |
| <b>Total fees to Deloitte<sup>5)</sup></b> | <b>69</b> | <b>59</b> | <b>10</b>      | <b>19</b> |
| Audit fees to other audit firms            | 0         | –         | –              | –         |
| <b>Total fees to auditors</b>              | <b>69</b> | <b>59</b> | <b>10</b>      | <b>19</b> |

<sup>1)</sup> 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.

<sup>2)</sup> 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 as well as review of interim reports.

<sup>3)</sup> Tax fees include for example tax compliance and tax consultation services.

<sup>4)</sup> All other fees include fees for transaction support services, financial advisory and other services.

<sup>5)</sup> Of audit-related fees, SEK 0m pertains to Deloitte Sweden, of tax fees, no amount pertains to Deloitte Sweden and of all other fees, no amount pertains to Deloitte Sweden.

## 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 Lliitha Solar remained unchanged during the year. SYR Africa supplies Electrolux with valves and has Electrolux as its sole customer. SYR Africa is currently not trading. Lliitha Solar carry out marginal business activities.

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 August 2020 Electrolux acquired the remaining 60% 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

| Company  | 2020       |                 |                          | 2019       |                 |                          |
|--|------------|-----------------|--------------------------|------------|-----------------|--------------------------|
|  | Holding, % | Carrying amount | Net income <sup>1)</sup> | Holding, % | Carrying amount | Net income <sup>1)</sup> |
| Gångaren 13 Holding AB, Sweden                 | 50         | 201             | 15                       | 50         | 201             | 16                       |
| SYR Africa (Pty), South Africa                 | 50         | –               | –                        | 50         | 53              | 2                        |
| Lliitha Solar (Pty) LTD, South Africa          | 49         | 22              | 0                        | 49         | 4               | 1                        |
| Next-Tech BVBA/SPRL, Belgium                   | 49         | 44              | -50                      | 49         | 98              | -14                      |
| Guangdong De Yi Jie Appliances Co., LTD, China | n/a        | n/a             | -5                       | 40         | 56              | -22                      |
| Vitality Ventures Group, Hong Kong             | 22         | 7               | -4                       | 22         | 12              | –                        |
| Tradeplace B.V., The Netherlands               | 20         | 0               | 0                        | 20         | 0               | 0                        |
| <b>Total</b>                                   |            | <b>274</b>      | <b>-44</b>               |            | <b>424</b>      | <b>-17</b>               |

<sup>1)</sup> 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. Regarding Guangdong De Yi Jie Appliances Co., LTD net income refers to the Group's share up until August 2020.

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, % |
|------------------------------|--|------------|
| <b>Major Group companies</b> |  |            |
| Argentina                    | Electrolux Argentina 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                        | Electrolux de Chile S.A.                           | 99.88      |
| China                        | Electrolux (Hangzhou) Domestic Appliances Co. Ltd  | 100        |
|                              | Electrolux (China) Home Appliance Co. Ltd          | 100        |
|                              | Guangdong De Yi Jie Appliances Co., Ltd            | 100        |
| Denmark                      | Electrolux Home Products Denmark A/S               | 100        |
| Egypt                        | Electrolux Egypt for Home Appliances S.A.E.        | 99.97      |
| Finland                      | Oy Electrolux Ab                                   | 100        |
| France                       | Electrolux France SAS                              | 100        |
|                              | Electrolux Home Products France SAS                | 100        |
| Germany                      | Electrolux Deutschland GmbH                        | 100        |
|                              | Electrolux Rothenburg GmbH Factory and Development | 100        |
| Hungary                      | Electrolux Lehel Kft                               | 100        |
| Italy                        | Electrolux Appliances 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        |
| Romania                      | SC Electrolux Romania SA                           | 99.83      |
| Russia                       | LLC Electrolux Rus                                 | 100        |
| Singapore                    | Electrolux SEA Pte Ltd                             | 100        |
| Spain                        | Electrolux España, S.A.U.                          | 100        |
| Sweden                       | Electrolux HemProdukter AB                         | 100        |
|                              | Electrolux Appliances AB                           | 100        |
| Switzerland                  | Electrolux AG                                      | 100        |
| Thailand                     | Electrolux Thailand Co. Ltd.                       | 100        |
| Ukraine                      | DC Electrolux LLC                                  | 100        |
| United Kingdom               | Electrolux Plc                                     | 100        |
| USA                          | Electrolux Home Products, Inc.                     | 100        |
|                              | Electrolux North America, Inc.                     | 100        |

## Note 30 Transactions with related parties

### Transactions with associated companies

|                           | Group |      | Parent company |      |
|---------------------------|-------|------|----------------|------|
|                           | 2020  | 2019 | 2020           | 2019 |
| Net sales to associates   | 67    | 27   | 56             | 11   |
| Purchases from associates | 14    | 122  | —              | —    |
| Receivables on associates | 1     | 12   | —              | 3    |
| Payables to associates    | 2     | 35   | 2              | 3    |
| Loans to associates       | 12    | 15   | 12             | —    |

The Group's related parties are its associated companies, joint ventures, the Parent company's largest shareholder Investor AB, Board members of AB Electrolux and Group Management members. Commercial terms and market prices apply to all transactions with related parties.

Investment details in associated companies are disclosed in Note 29. Transactions and balances with associated companies are disclosed in the table to the left.

Investor AB controls approximately 28% (28) of the voting rights in AB Electrolux. The Group has not had any transactions with Investor AB during the year, other than dividends declared, and there are no outstanding balances with Investor AB. Investor AB has controlling or significant influence over companies with which Electrolux may have transactions within the normal course of business. Commercial terms and market prices apply to any such transactions.

Remuneration to members of the Board of Directors and Group management are disclosed in Note 27.

## Note 31 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<sup>1)</sup> and prepaid interest expenses and accrued interest income<sup>1)</sup>.

#### Liquid funds in relation to net sales

The sum of liquid funds and non-utilized credit facilities 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<sup>1)</sup>, accrued interest expenses and prepaid interest income<sup>1)</sup>.

#### Total short-term borrowings

Short-term borrowings, financial derivative liabilities<sup>1)</sup>, accrued interest expenses and prepaid interest income<sup>1)</sup>.

#### Interest-bearing liabilities

Long-term borrowings and short-term borrowings exclusive of liabilities related to trade receivables with recourse<sup>1)</sup>.

#### 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, lease liabilities 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<sup>2)</sup> which are relevant for understanding the financial performance when comparing income for the current period with previous periods.

<sup>1)</sup> See table Net debt on page 58.

<sup>2)</sup> See Note 7 for more information.

## Note 32 Proposed distribution of earnings

|   | '000 SEK          |
|---|-------------------|
| The Board of Directors proposes that income for the period and retained earnings be distributed as follows: | 19,452,947        |
| A dividend to the shareholders of SEK 8.00 per share <sup>1)</sup> , totaling                               | 2,299,180         |
| To be carried forward   | 17,153,767        |
| <b>Total</b>  | <b>19,452,947</b> |

<sup>1)</sup> Calculated on the number of outstanding shares as per February 17, 2021.

The Board of Directors has proposed that the Annual General Meeting 2021 resolves on a dividend to the shareholders of SEK 8.00 per share to be paid in two installments. The record date for the first installment of SEK 4.00 per share is proposed to be Monday March 29, 2021 and the record date for the second installment of SEK 4.00 per share is proposed to be Wednesday September 29, 2021. 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 17,081 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 17, 2021  
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

Henrik Henriksson  
Board member

Ulla Litzén  
Board member

Karin Overbeck  
Board member

Fredrik Persson  
Board member

David Porter  
Board member

Kai Wärn  
Board member

Mina Billing  
Board member,  
employee representative

Viveca Brinkenfeldt Lever  
Board member,  
employee representative

Peter Ferm  
Board member,  
employee representative

Our audit report was submitted on February 17, 2021  
Deloitte AB

Jan Berntsson  
Authorized Public Accountant

# Auditor's 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 year 2020. The annual accounts and consolidated accounts of the company are included on pages 14-77 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 2020 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 2020 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.

### 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. Net sales in the group consist of a large number of transactions and amounts, for 2020 to 115,960 MSEK. Revenue recognition cut off constitutes a key audit matter in our audit.

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,
- audit of the internal control environment regarding revenue recognition and test of identified key controls, including IT controls
- analytical procedures, and
- detailed testing of sales transactions on a sample basis to confirm proper revenue cut off.

### Valuation of trade receivables

The group has significant amounts of trade receivables. There is a certain concentration of credit risk exposure in certain markets and towards large customers. Procedures for assessing customers' ability to pay together with appropriate accounting principles to recognize provisions for bad debt constitutes a key audit matter in our audit.

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,
- audit of the internal control environment regarding valuation of trade receivables and test of identified key controls,
- detailed testing on a sample basis against customer statements alternatively cash receipts or shipping documents to confirm trade receivables, and
- evaluation of aging of trade receivables and management's estimates of provisions for bad debt.

### Valuation of inventory

The group carries significant inventories of goods held by several production and sales units in many countries. Valuation of inventory and provisions for obsolescence requires clear policies and is subject to management's estimates. Processes for valuation of inventory and making appropriate provisions for obsolescence constitutes a key audit matter in our audit.

Accounting principles and disclosures related to inventory can be found in Note 15.



#### Our audit procedures

Our audit procedures included, but were not limited to:

- assessing the group's accounting principles for inventory in compliance with IFRS,
- audit of the internal control environment regarding valuation of inventory and test of identified key controls including IT systems,
- observations of physical inventory counts,
- on a sample basis testing valuation of inventory, and
- evaluating management's estimates related to provisions for obsolescence.

#### Accounting for legal proceedings

Electrolux is involved in several legal proceedings which could have a significant impact on the group's result and financial position. Processes to assess, evaluate and account for legal proceedings constitutes a key audit matter in our audit.

Further information on the group's legal proceedings and management of these can be found in Note 25.

#### Our audit procedures

Our audit procedures included, but were not limited to:

- quarterly meetings with the Group Head of Legal regarding significant ongoing legal proceedings,
- obtaining legal statements from a selection of the group's external lawyers, and
- evaluating management's judgments and estimates related to legal proceedings and the accounting for 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 1-13 and 81-124. 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 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 other 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 located at the Swedish Inspectorate of Auditors' web page: [www.revisorsinspektionen.se/revisornsansvar](http://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 year 2020 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 and the group's financial situation and ensuring that the company's organization is designed so that the account-

ing, 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 administration of the Board of Directors and the Managing Director is located at the Swedish Inspectorate of Auditors' web page: [www.revisorsinspektionen.se/revisornsansvar](http://www.revisorsinspektionen.se/revisornsansvar). This description is a part of the auditor's report.

Deloitte AB, was appointed auditor of AB Electrolux (publ) by the general meeting of the shareholders on the 2020-03-31 and has been the company's auditor since 2018-04-05.

Stockholm, February 17, 2021

Deloitte AB  
Signature on Swedish original

Jan Berntsson  
Authorized Public Accountant

*This is a translation of the Swedish language original.  
In the event of any differences between this translation and  
the Swedish language original, the latter shall prevail.*



# Eleven-year review

| SEKM   | 2010    | 2011    | 2012 <sup>1)</sup> | 2013    | 2014    |
|--|---------|---------|--------------------|---------|---------|
| <b>Net sales and income</b>  |         |         |                    |         |         |
| Net sales  | 106,326 | 101,598 | 109,994            | 109,151 | 112,143 |
| Organic growth, %  | 1.5     | 0.2     | 5.5                | 4.5     | 1.1     |
| Depreciation and amortization  | 3,328   | 3,173   | 3,251              | 3,356   | 3,671   |
| Items affecting comparability <sup>2)/</sup> Non-recurring items <sup>6)</sup>                 | -1,064  | -138    | -1,032             | -2,475  | -1,199  |
| Operating income   | 5,430   | 3,017   | 4,000              | 1,580   | 3,581   |
| Income after financial items   | 5,306   | 2,780   | 3,154              | 904     | 2,997   |
| Income for the period  | 3,997   | 2,064   | 2,365              | 672     | 2,242   |
| <b>Cash flow</b>   |         |         |                    |         |         |
| Cash flow from operations  | 7,680   | 5,399   | 7,080              | 4,455   | 7,822   |
| Cash flow from investments   | -4,474  | -10,049 | -4,702             | -4,734  | -3,759  |
| of which capital expenditure in property, plant and equipment                                  | -3,221  | -3,163  | -4,090             | -3,535  | -3,006  |
| Cash flow from operations and investments  | 3,206   | -4,650  | 2,378              | -279    | 4,063   |
| Cash flow from operations and investments excluding acquisitions and divestments of operations | 3,199   | 906     | 2,542              | -74     | 4,132   |
| Dividend, redemption and repurchase of shares  | -1,120  | -1,850  | -1,868             | -1,860  | -1,861  |
| Capital expenditure in property, plant and equipment as % of net sales                         | 3.0     | 3.1     | 3.7                | 3.2     | 2.7     |
| <b>Margins <sup>3)</sup></b>   |         |         |                    |         |         |
| Operating margin, %  | 6.1     | 3.1     | 4.6                | 3.7     | 3.2     |
| Income after financial items as % of net sales   | 6.0     | 2.9     | 3.8                | 3.1     | 2.7     |
| <b>Financial position</b>  |         |         |                    |         |         |
| Total assets   | 73,521  | 76,384  | 75,194             | 76,001  | 85,688  |
| Net assets   | 19,904  | 27,011  | 25,890             | 24,961  | 26,099  |
| Working capital  | -5,902  | -5,180  | -6,505             | -5,800  | -8,377  |
| Trade receivables  | 19,346  | 19,226  | 18,288             | 19,441  | 20,663  |
| Inventories  | 11,130  | 11,957  | 12,963             | 12,154  | 14,324  |
| Accounts payable   | 17,283  | 18,490  | 20,590             | 20,607  | 25,705  |
| Total equity   | 20,613  | 20,644  | 15,726             | 14,308  | 16,468  |
| Interest-bearing liabilities   | 12,096  | 14,206  | 13,088             | 14,905  | 14,703  |
| Provisions for post-employment benefits, net   |         |         | 4,479              | 2,980   | 4,763   |
| Net debt   | -709    | 6,367   | 10,164             | 10,653  | 9,631   |
| <b>Data per share</b>  |         |         |                    |         |         |
| Income for the period, SEK   | 14.04   | 7.25    | 8.26               | 2.35    | 7.83    |
| Equity, SEK  | 72      | 73      | 55                 | 50      | 57.52   |
| Dividend, SEK <sup>4)</sup>  | 6.50    | 6.50    | 6.50               | 6.50    | 6.50    |
| Trading price of B-shares at year-end, SEK   | 191.00  | 109.70  | 170.50             | 168.50  | 228.80  |
| <b>Key ratios</b>  |         |         |                    |         |         |
| Return on equity, %  | 20.6    | 10.4    | 14.4               | 4.4     | 15.7    |
| Return on net assets, %  | 27.8    | 13.7    | 14.8               | 5.8     | 14.2    |
| Net assets as % of net sales <sup>5)</sup>   | 18.2    | 23.8    | 22.5               | 21.8    | 20.4    |
| Trade receivables as % of net sales <sup>5)</sup>  | 17.7    | 17.0    | 15.9               | 17.0    | 16.2    |
| Inventories as % of net sales <sup>5)</sup>  | 10.2    | 10.5    | 11.3               | 10.6    | 11.2    |
| Net debt/equity ratio  | -0.03   | 0.31    | 0.65               | 0.74    | 0.58    |
| Interest coverage ratio  | 12.64   | 5.84    | 2.72               | 2.11    | 5.16    |
| Dividend as % of total equity  | 9.0     | 9.0     | 11.8               | 13.0    | 11.3    |
| <b>Other data</b>  |         |         |                    |         |         |
| Average number of employees  | 51,544  | 52,916  | 59,478             | 60,754  | 60,038  |
| Salaries and remuneration  | 12,678  | 13,137  | 13,785             | 13,521  | 14,278  |
| Number of shareholders   | 57,200  | 58,800  | 51,800             | 51,500  | 46,500  |
| Average number of shares after buy-backs, million  | 284.6   | 284.7   | 285.9              | 286.2   | 286.3   |
| Shares at year end after buy-backs, million  | 284.7   | 284.7   | 286.1              | 286.2   | 286.3   |

<sup>1)</sup> 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.

<sup>2)</sup> 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 31.

<sup>3)</sup> Items affecting comparability are excluded for the years 2009 to 2013. 2014 has been restated.

<sup>4)</sup> 2020: Proposed by the Board.

<sup>5)</sup> Annualized net sales, calculated at end of period exchange rates, 2019: 117,519 (restated 2018: 115,733).

<sup>6)</sup> For more information, see Note 7.

<sup>7)</sup> Certain amounts have been restated for discontinued operations as a consequence of the planned distribution of the Professional business area.

All amounts in SEKm unless otherwise stated

|  | 2015    | 2016    | 2017 <sup>1)</sup> | 2018    | 2018 <sup>2)</sup> | 2019    | 2020    | Compound annual growth rate, % |          |
|--|---------|---------|--------------------|---------|--------------------|---------|---------|--------------------------------|----------|
|  |         |         |                    |         |                    |         |         | 5 years                        | 10 years |
|  | 123,511 | 121,093 | 120,771            | 124,129 | 115,463            | 118,981 | 115,960 | -1.3                           | 0.9      |
|  | 2.2     | -1.1    | -0.4               | 1.3     | 1.2                | -1.0    | 3.2     |                                |          |
|  | 3,936   | 3,934   | 3,977              | 4,150   | 3,981              | 4,821   | 4,587   |                                |          |
|  | –       | –       | –                  | -1,343  | -1,343             | -1,344  | –       |                                |          |
|  | 2,741   | 6,274   | 7,407              | 5,310   | 4,176              | 3,189   | 5,778   | 16.1                           | 0.6      |
|  | 2,101   | 5,581   | 6,966              | 4,887   | 3,754              | 2,456   | 5,096   | 19.4                           | -0.4     |
|  | 1,568   | 4,493   | 5,745              | 3,805   | 2,854              | 1,820   | 3,988   | 20.5                           | 0.0      |
|  | 8,267   | 10,165  | 10,024             | 8,046   | –                  | 7,314   | 11,932  | 7.6                            | 4.5      |
|  | -3,403  | -2,557  | -8,200             | -6,506  | –                  | -6,994  | -5,115  |                                |          |
|  | -3,027  | -2,830  | -3,892             | -4,650  | –                  | -5,320  | -4,325  |                                |          |
|  | 4,864   | 7,608   | 1,824              | 1,540   | –                  | 321     | 6,816   | 7.0                            | 7.8      |
|  | 4,955   | 7,432   | 5,229              | 2,149   | –                  | 348     | 6,824   |                                |          |
|  | -1,870  | -1,868  | -2,155             | -2,385  | -2,385             | -2,443  | -2,012  |                                |          |
|  | 2.5     | 2.3     | 3.2                | 3.7     | 3.9                | 4.5     | 3.7     |                                |          |
|  | 2.2     | 5.2     | 6.1                | 4.3     | 3.6                | 2.7     | 5.0     |                                |          |
|  | 1.7     | 4.6     | 5.8                | 3.9     | 3.3                | 2.1     | 4.4     |                                |          |
|  | 83,471  | 85,848  | 89,542             | 97,312  | –                  | 106,808 | 99,604  | 3.6                            | 3.1      |
|  | 21,412  | 18,098  | 20,678             | 23,574  | 20,306             | 26,172  | 20,265  | -1.1                           | 0.2      |
|  | -12,234 | -14,966 | -15,873            | -16,848 | -17,077            | -17,390 | -19,191 |                                |          |
|  | 17,745  | 19,408  | 20,747             | 21,482  | 19,824             | 20,847  | 19,944  | 2.4                            | 0.3      |
|  | 14,179  | 13,418  | 14,655             | 16,750  | 15,451             | 16,194  | 13,213  | -1.4                           | 1.7      |
|  | 26,467  | 28,283  | 31,114             | 34,443  | 32,996             | 33,892  | 31,306  | 3.4                            | 6.1      |
|  | 15,005  | 17,738  | 20,480             | 21,749  | –                  | 22,574  | 18,709  | 4.5                            | -1.0     |
|  | 13,097  | 10,202  | 9,537              | 9,982   | –                  | 10,989  | 15,412  | 3.3                            | 2.5      |
|  | 4,509   | 4,169   | 2,634              | 3,814   | –                  | 3,866   | 3,679   | -4.0                           |          |
|  | 6,407   | 360     | 197                | 1,825   | –                  | 7,683   | 1,556   | -14.5                          |          |
|  | 5.45    | 15.64   | 19.99              | 13.24   | 9.93               | 6.33    | 13.88   | 20.6                           | -0.1     |
|  | 52.21   | 61.72   | 71.26              | 75.67   | –                  | 78.55   | 65.10   | 4.5                            | -1.0     |
|  | 6.50    | 7.50    | 8.30               | 8.50    | 8.50               | 7.00    | 8.00    | 4.2                            | 2.1      |
|  | 205.20  | 226.30  | 264.30             | 187.10  | 187.10             | 229.90  | 191.35  | -1.4                           | 0.0      |
|  | 9.9     | 29.4    | 31.9               | 18.2    | –                  | 11.4    | 34.1    |                                |          |
|  | 11.0    | 29.9    | 36.0               | 22.7    | 20.2               | 12.0    | 22.6    |                                |          |
|  | 17.3    | 14.2    | 17.5               | 19.0    | 17.5               | 22.3    | 22.0    |                                |          |
|  | 14.3    | 15.2    | 17.5               | 17.3    | 17.1               | 17.7    | 18.6    |                                |          |
|  | 11.5    | 10.5    | 12.4               | 13.5    | 13.4               | 13.8    | 12.3    |                                |          |
|  | 0.43    | 0.02    | 0.01               | 0.08    | –                  | 0.34    | 0.08    |                                |          |
|  | 3.75    | 3.75    | 12.16              | 9.05    | –                  | 2.57    | 5.04    |                                |          |
|  | 12.4    | 10.5    | 11.6               | 11.2    | –                  | 10.8    | 10.8    |                                |          |
|  | 58,265  | 55,400  | 55,692             | 54,419  | 51,253             | 48,652  | 47,543  | -4.0                           | -0.8     |
|  | 15,858  | 15,886  | 16,470             | 17,363  | 15,829             | 16,318  | 15,666  | -0.2                           | 2.1      |
|  | 45,485  | 48,939  | 45,295             | 49,870  | 49,870             | 50,544  | 59,401  | 5.5                            | 0.4      |
|  | 287.1   | 287.4   | 287.4              | 287.4   | 287.4              | 287.4   | 287.4   |                                |          |
|  | 287.4   | 287.4   | 287.4              | 287.4   | 287.4              | 287.4   | 287.4   |                                |          |

All amounts in SEKm unless otherwise stated

# Operations by business area yearly

| SEKM  | 2016    | 2017 <sup>1)</sup> | 2018    | 2019 <sup>2)</sup> | 2020 <sup>2)</sup> |
|---|---------|--------------------|---------|--------------------|--------------------|
| <b>Europe</b>                               |         |                    |         |                    |                    |
| Net sales                                   | 39,097  | 39,231             | 43,321  | 45,420             | 46,038             |
| Operating income                            | 2,794   | 2,772              | 2,128   | 2,493              | 3,643              |
| Margin, %                                   | 7.1     | 7.1                | 4.9     | 5.5                | 7.9                |
| <b>North America</b>                        |         |                    |         |                    |                    |
| Net sales                                   | 44,914  | 42,083             | 39,804  | 38,954             | 38,219             |
| Operating income                            | 2,657   | 2,796              | 1,104   | -516               | 1,215              |
| Margin, %                                   | 5.9     | 6.6                | 2.8     | -1.3               | 3.2                |
| <b>Latin America</b>                        |         |                    |         |                    |                    |
| Net sales                                   | 16,384  | 18,277             | 17,963  | 19,653             | 16,915             |
| Operating income                            | -111    | 483                | 492     | 1,821              | 666                |
| Margin, %                                   | -0.7    | 2.6                | 2.7     | 9.3                | 3.9                |
| <b>Asia-Pacific, Middle East and Africa</b> |         |                    |         |                    |                    |
| Net sales                                   | 13,833  | 13,457             | 14,375  | 14,954             | 14,788             |
| Operating income                            | 673     | 1,077              | 979     | 446                | 1,038              |
| Margin, %                                   | 4.9     | 8.0                | 6.8     | 3.0                | 7.0                |
| <b>Other</b>                                |         |                    |         |                    |                    |
| Operating income, common Group costs, etc.  | -693    | -775               | -527    | -1,055             | -783               |
| <b>Total, continuing operations</b>         |         |                    |         |                    |                    |
| Net sales                                   | 114,228 | 113,048            | 115,463 | 118,981            | 115,960            |
| Operating income                            | 5,320   | 6,353              | 4,176   | 3,189              | 5,778              |
| Margin, %                                   | 4.7     | 5.6                | 3.6     | 2.7                | 5.0                |

<sup>1)</sup> 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.

<sup>2)</sup> All years presented have been restated due to changes in the business area structure in 2019.

| Non-recurring items <sup>1)</sup>    | 2016 | 2017 | 2018 <sup>2)</sup> | 2019 <sup>3)</sup> | 2020 |
|--------------------------------------|------|------|--------------------|--------------------|------|
| Europe                               | –    | –    | -747               | -752               | –    |
| North America                        | –    | –    | -596               | -1,071             | –    |
| Latin America                        | –    | –    | –                  | 1,101              | –    |
| Asia-Pacific, Middle East and Africa | –    | –    | –                  | -398               | –    |
| Common Group cost                    | –    | –    | –                  | -224               | –    |
| <b>Total, continuing operations</b>  | –    | –    | <b>-1,343</b>      | <b>-1,344</b>      | –    |

<sup>1)</sup> For more information, see Note 7.

<sup>2)</sup> Non-recurring items 2018: SEK -596m refers to the consolidation of freezer production in North America, SEK -747m refers to business area Europe and includes a fine of SEK -493m, relating to an investigation by the French Competition Authority, and a cost of SEK -254m relating to an unfavorable court ruling in France.

<sup>3)</sup> Non-recurring items 2019 includes SEK -829m related to the consolidation of U.S. cooking production and SEK -225m to the closure of a refrigeration production line in Latin America, recovery of overpaid sales tax in Brazil of SEK 1,403m, a legal settlement in the U.S. of SEK -197m and restructuring charges for efficiency measures and outsourcing projects across business areas and Group common costs of SEK -1,496m.

# Quarterly information

## Net sales and income by business area per quarter

| SEKM  | Q1<br>2020 | Q2<br>2020 | Q3<br>2020 | Q4<br>2020 | Full year<br>2020 | Q1<br>2019 | Q2<br>2019 | Q3<br>2019 | Q4<br>2019 | Full year<br>2019 |
|---|------------|------------|------------|------------|-------------------|------------|------------|------------|------------|-------------------|
| <b>Europe</b>   |            |            |            |            |                   |            |            |            |            |                   |
| Net sales   | 10,908     | 8,888      | 12,317     | 13,925     | 46,038            | 10,553     | 10,479     | 11,036     | 13,352     | 45,420            |
| Operating income                                      | 558        | 244        | 1,522      | 1,319      | 3,643             | 686        | 576        | 93         | 1,138      | 2,493             |
| Operating margin, %                                   | 5.1        | 2.8        | 12.4       | 9.5        | 7.9               | 6.5        | 5.5        | 0.8        | 8.5        | 5.5               |
| <b>North America</b>                                  |            |            |            |            |                   |            |            |            |            |                   |
| Net sales   | 8,409      | 8,537      | 10,993     | 10,281     | 38,219            | 9,099      | 10,255     | 10,880     | 8,719      | 38,954            |
| Operating income                                      | -299       | -173       | 990        | 697        | 1,215             | -482       | 504        | -20        | -519       | -516              |
| Operating margin, %                                   | -3.6       | -2.0       | 9.0        | 6.8        | 3.2               | -5.3       | 4.9        | -0.2       | -5.9       | -1.3              |
| <b>Latin America</b>                                  |            |            |            |            |                   |            |            |            |            |                   |
| Net sales   | 3,826      | 2,822      | 4,779      | 5,488      | 16,915            | 4,312      | 4,816      | 4,613      | 5,913      | 19,653            |
| Operating income                                      | -15        | -183       | 440        | 424        | 666               | -223       | 164        | 1,539      | 340        | 1,821             |
| Operating margin, %                                   | -0.4       | -6.5       | 9.2        | 7.7        | 3.9               | -5.2       | 3.4        | 33.4       | 5.8        | 9.3               |
| <b>Asia-Pacific, Middle East and Africa</b>           |            |            |            |            |                   |            |            |            |            |                   |
| Net sales   | 3,434      | 3,230      | 3,916      | 4,209      | 14,788            | 3,445      | 3,682      | 3,801      | 4,027      | 14,954            |
| Operating income                                      | 44         | 159        | 459        | 376        | 1,038             | 110        | 171        | -150       | 315        | 446               |
| Operating margin, %                                   | 1.3        | 4.9        | 11.7       | 8.9        | 7.0               | 3.2        | 4.7        | -4.0       | 7.8        | 3.0               |
| <b>Other</b>  |            |            |            |            |                   |            |            |            |            |                   |
| Operating income, common group costs, etc.            | -165       | -109       | -191       | -318       | -783              | -143       | -197       | -400       | -315       | -1,055            |
| <b>Total, continuing operations</b>                   |            |            |            |            |                   |            |            |            |            |                   |
| Net sales   | 26,578     | 23,476     | 32,004     | 33,902     | 115,960           | 27,408     | 29,232     | 30,330     | 32,011     | 118,981           |
| Operating income                                      | 122        | -62        | 3,220      | 2,498      | 5,778             | -53        | 1,219      | 1,063      | 960        | 3,189             |
| Operating margin, %                                   | 0.5        | -0.3       | 10.1       | 7.4        | 5.0               | -0.2       | 4.2        | 3.5        | 3.0        | 2.7               |
| <b>Total Group, including discontinued operations</b> |            |            |            |            |                   |            |            |            |            |                   |
| Income for the period                                 | 2,509      | -141       | 2,356      | 1,860      | 6,584             | 79         | 1,132      | 739        | 559        | 2,509             |
| Earnings per share, SEK <sup>1)</sup>                 | 8.73       | -0.49      | 8.20       | 6.47       | 22.91             | 0.28       | 3.94       | 2.57       | 1.94       | 8.73              |
| 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             |

<sup>1)</sup> Basic, based on average number of shares, excluding shares owned by Electrolux.

| Non-recurring items <sup>1)</sup>    | Q1<br>2020 | Q2<br>2020 | Q3<br>2020 | Q4<br>2020 | Full year<br>2020 | Q1<br>2019 <sup>2)</sup> | Q2<br>2019 | Q3<br>2019 <sup>3)</sup> | Q4<br>2019 | Full year<br>2019 |
|--------------------------------------|------------|------------|------------|------------|-------------------|--------------------------|------------|--------------------------|------------|-------------------|
| Europe                               | -          | -          | -          | -          | -                 | -                        | -          | -752                     | -          | -752              |
| North America                        | -          | -          | -          | -          | -                 | -829                     | -          | -242                     | -          | -1,071            |
| Latin America                        | -          | -          | -          | -          | -                 | -225                     | -          | 1,326                    | -          | 1,101             |
| Asia-Pacific, Middle East and Africa | -          | -          | -          | -          | -                 | -                        | -          | -398                     | -          | -398              |
| Common Group cost                    | -          | -          | -          | -          | -                 | -                        | -          | -224                     | -          | -224              |
| <b>Total, continuing operations</b>  | -          | -          | -          | -          | -                 | <b>-1,054</b>            | -          | <b>-290</b>              | -          | <b>-1,344</b>     |

<sup>1)</sup> For more information, see Note 7.

<sup>2)</sup> The non-recurring item of SEK -829m relates to the consolidation of U.S. cooking production and SEK -225m to the closure of a refrigeration production line in Latin America. The costs are included in Cost of goods sold and consists of write down of fixed assets, provision for severance cost and other cost related to the projects.

<sup>3)</sup> The non-recurring item of SEK -290m includes recovery of overpaid sales tax in Brazil of SEK 1,403m, a legal settlement in the U.S. of SEK -197m and restructuring charges for efficiency measures and outsourcing projects across business areas and Group common costs of SEK -1,496m. The income from overpaid sales tax in Brazil and the cost for legal settlement in the U.S. are included in other operating income/expenses, the costs for restructuring and outsourcing projects are included in the applicable functional lines of the income statement.

# Sustainability reporting 2020

Electrolux is a global leader in household appliances and sustainability is part of the company’s business model as a transformational driver. This section presents the Group’s sustainability work and the results in 2020.

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, Electrolux places the consumer at the heart of everything it does. Through the company’s brands, including

Electrolux, AEG and Frigidaire, approximately 60 million household products are sold in more than 120 markets every year. In 2020, Electrolux had sales of SEK 116 billion and employed approximately 48,000 people around the world. For more information, visit [www.electroluxgroup.com](http://www.electroluxgroup.com).

## KEY RESULTS 2020

**26/36%**

products with leading performance accounted for 26% of total units sold and 36% of gross profit for consumer products in 2020

**88%**

share of electricity from renewable sources

**-19%**

absolute CO<sub>2</sub> emissions in operations during 2020 compared to 2019

**10,000**

took part in the Electrolux Food Foundation’s activities aimed at educating kids, adults and professionals in sustainable cooking and UN’s Sustainable Development Goals (SDGs) and sustainable eating

## 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 60 million home appliances sold annually, Electrolux has long recognized the impact the company has on the environ-

ment 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.

### BETTER LIVING PROGRAM



#### Better eating

Make sustainable eating the preferred choice.



#### Better garment care

Make clothes last twice as long with half the environmental impact.



#### Better home environment

Make homes healthier and more sustainable through smart solutions for air, water and floors.



#### Better company

Make our business circular and climate neutral.

In 2019 Electrolux introduced the Better Living Program, a plan to enable better and more sustainable living for consumers around the world through 2030 with targets focusing on better eating, better garment care and better home environment. The initiative widens the scope of the Electrolux commitment to sustainability and is a part of the company’s sustainability framework towards 2030.



## 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 planetary boundaries are influencing decision making at all levels. Such global megatrends create challenges for Electrolux – 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. Between 2015 and 2030, another billion people are expected to buy their first refrigerator.

#### Implications for Electrolux:

- Significant growth potential in emerging markets.
- Continued need to decrease the overall environmental footprint 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.

### Resources and planetary boundaries

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.
- Problems with plastic waste pollution increase pressure on recycling solutions.

### 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 require 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 for Electrolux.

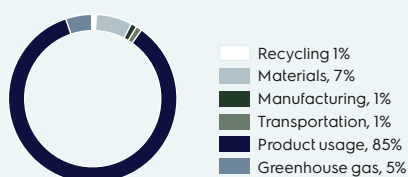
The materiality process aims to identify and understand the topics that are important to stakeholders, as well as to the Group's business strategy. It is an important way of evaluating the ability to create and sustain value.

Electrolux draws on insights from global trends and drivers, market intelligence, product research, internal and external dia-

logue, 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 are expressed in the Group's sustainability framework – For the Better – as nine promises with defined 2030 sustainability goals, and supported by key performance indicators (KPIs). See page 88 or [www.electroluxgroup.com/sustainability](http://www.electroluxgroup.com/sustainability) for more details about For the Better.

AVERAGE CO<sub>2</sub> IMPACT DURING THE LIFETIME OF APPLIANCES<sup>1)</sup>



The product life cycle perspective guides how to best reduce climate impacts. The greatest carbon emission impacts in the Electrolux value chain occur from energy consumption when products are used. See page 89 for more on the company's Climate Targets.

<sup>1)</sup> The graph is based on the Group's total CO<sub>2</sub> impact in 2015 (82 million metric tons) used for setting Science Based Targets.

# For the Better

In 2020, Electrolux launched its new Group sustainability framework – For the Better 2030. The outgoing sustainability framework – For the Better 2020 – was also completed during the year. See the separate Electrolux Sustainability Report 2020 for more on the company’s sustainability achievements between 2015 and 2020.

## FOR THE BETTER

The Electrolux new sustainability framework comprises of three areas: Better Solutions, Better Company and Better Living, which are divided into nine promises to make a positive difference for the better. For the Better 2030 includes the company’s Climate Targets and overarching objectives to become climate neutral and more circular.



## Better solutions

Electrolux works to continuously improve its products and services to make them better for consumers and the planet, and to take leadership on global sustainability challenges with a scientific and long-term approach.

### Lead in energy and resource-efficient solutions

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 to live better lives, save money and reduce their environmental footprint. In 2020, the most efficient products in the Electrolux range represented 26% of products sold and 36% of gross profit.

### Offer circular products and business solutions

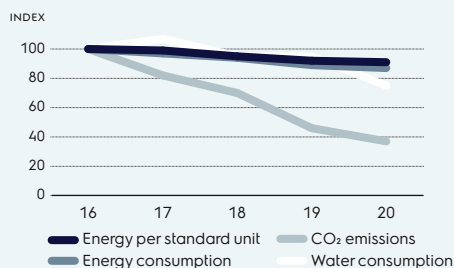
Electrolux aims to contribute to the circular economy by integrating recycled materials into product platforms, promoting recyclability, using more sustainable packaging solutions, increasing the availability of spare parts to repair Electrolux products, and developing circular business solutions. Progress in

2020 included setting ambitious targets to incorporate recycled materials into Electrolux products. Several circular business models were further developed during the year, including pilot projects with municipal housing companies in Sweden to maintain washing machines and subscription-based business models, such as for the award-winning Pure i9 robotic vacuum.

### Eliminate harmful materials

Electrolux has a robust approach to choosing materials for its products to protect human health and the environment. The Group continues to implement its common process for chemical management. New scientific findings and stakeholder requirements are used to update the Group’s Restricted Materials List. During the year, the global roll out of the Eco@web tool continued and implementation in Asia-Pacific and Egypt was completed, including two recently acquired cooker hood factories. In 2020, Electrolux submitted a plan to the UN Cool Coalition initiative to accelerate the removal of F-gases from new Electrolux products by 2023 at the latest.

OPERATIONAL RESOURCE EFFICIENCY



ELECTROLUX -50% CLIMATE TARGET FOR 2020

**-39%**

This target aimed to reduce climate impact by 50% focusing on product efficiency, and it encompassed main product categories. Sales volumes and emission factors were normalized to 2005. The Group’s 50% target was not reached mainly due to delays in legislation and product efficiency regulation in key markets.

The 50% target was established in 2013, before the UN Paris agreement in 2015 and launch of the Science Based Target (SBT) initiative. The Electrolux SBT now replaces the 50% target. For more results see the separate Electrolux Sustainability Report online.

## Better Company

Electrolux aspires to demonstrate its sustainability leadership throughout the company and acknowledges the supply chain as part of its promise as a brand.

### Be climate neutral and drive clean and resource-efficient operations

Electrolux will continue to reduce its environmental footprint by shifting to renewable energy and optimizing energy use and other resources throughout its operations. The ambition is to have climate neutral operations by 2030. In 2020, absolute CO<sub>2</sub> emissions were reduced by 19% compared to previous year, and energy efficiency improved by 45% compared to 2005. By the end of 2020, 53% of the total energy used came from renewable sources. In addition, the Group has its own solar photovoltaic systems in seven countries.

### Act ethically, lead in diversity and respect human rights

Electrolux will earn the trust of everyone impacted by its operations, demonstrating its commitment to ethics, diversity and human rights through its words and actions. This includes working to ensure the health and safety of Electrolux employees, and promoting societal benefit through community investment activities. The Group achieved its lowest recorded injury rate level reaching TCIR 0.5 for 2020.

Work with local human rights impact assessments continued during 2020, although work was affected by the coronavirus pandemic and some activities were conducted digitally. E-learning on the Anti-corruption and Workplace Policies were rolled out during the year.

### Drive supply chain sustainability

Electrolux will take its sustainability leadership agenda into the supply chain by working with suppliers to comply with the Group's high expectations, no matter where they are located, and the company drives and supports the transition to more sustainable practices. The Responsible Sourcing Program partially shifted to digital activities in 2020 due to the Covid-19 pandemic. The total number of audits, both physical and digital, was 261 in 2020.

The Electrolux Supplier Awards were reinvented in 2020, with sustainability added as a new category, reflecting the need for suppliers to support all For the Better 2030 promises. Electrolux also secured the commitment from its top 192 suppliers to disclose emissions and set targets through the CDP Supply Chain Program, which will play a key role in achieving the company's target for zero net carbon emissions throughout its supply chain by 2050.

## Better Living

Electrolux uses its global reach and presence to drive and contribute to positive change, reaching beyond the company's own products and footprint.

### Make sustainable eating the preferred choice

Electrolux will promote sustainable eating by helping consumers to reduce food waste, adopt more plant-based eating, minimize nutrition loss in cooking, and enhance sustainable eating experiences. By offering new products, solutions and partnerships, Electrolux can promote more sustainable eating. In 2020, Electrolux raised awareness on sustainable food habits through website food storage advice, an app and Electrolux Food Foundation initiatives with partners Worldchefs, WWF and AIESEC.

### Make clothes last twice as long with half the environmental impact

Electrolux has the objective to make clothes last longer and reduce the environmental impact of garment care while caring for all fabrics. By providing new products, solutions, campaigns

and partnerships Electrolux can promote more sustainable garment care. In 2020, Electrolux inspired consumers to better care for their clothes and reduce water use through the global Make it last campaign. It also launched the 50L Home partnership with global brands and NGOs to re-imagining the use of water in homes and address water efficiency.

### Make homes healthier and more sustainable through smart solutions for air, water and floors

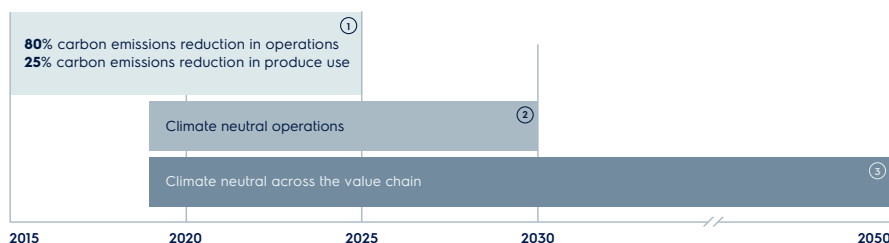
Electrolux will inspire more sustainable habits in caring for homes, pioneer knowledge and new standards for a healthier home environment, and enable wellbeing at home with reduced environmental impact. By providing new products, solutions and partnerships, Electrolux can make the indoor environment healthier and more sustainable. In 2020, Electrolux signed the UN Cool Coalition initiative – as part of the initiative, we will replace all high-impact greenhouse gases in all of our appliances with more sustainable alternatives by 2023 at the latest.

## Climate targets

The greatest carbon emission impacts in the Electrolux value chain occur from energy consumption when products are used. Electrolux has a Science Based Target that aligns its business with the objective in the Paris Agreement to limit global warming to well below 2°C. This involves reducing absolute carbon

dioxide emissions from operations by 80% and emissions from products by 25% by 2025 compared to 2015, and has been verified by the Science Based Targets Initiative to be in line with a 1.5°C climate scenario. Electrolux has also committed to becoming carbon neutral in its operations by 2030, and through the UNGC's Business Ambition for 1.5°C to have net zero emissions throughout its value chain by 2050.

### THE ELECTROLUX CLIMATE NEUTRALITY ROADMAP



1. Science Based Target (SBT) Scope 1 + Scope 2 – 80% reduction and Scope 3 – 25% reduction by 2025
2. Company target, Climate neutral operations (Scope 1 + Scope 2 = 0) by 2030
3. UNGC Business ambition for 1.5 °C – climate neutral value chain by 2050

# 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 and the climate targets.

In 2019, Electrolux formed the Sustainability Board led by the CEO, tasked with assessing priorities, monitoring progress and evaluating risks. The board will propose actions and targets to Group Management, and will be essential in delivering on Electrolux sustainability targets going forward.

Regular education and communication on the Code of Conduct and key Group Policies was introduced. All office based staff must acknowledge the Code of Conduct by electronic signature.

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; Group Operations; External Affairs; and Chemicals.

A number of Group functions are accountable for identifying and managing non-financial risks in their area of responsibility.

Risks are reported to Group Management, and they feed the materiality process.

Key sustainability governance responsibilities:

- The Board of Directors is responsible for identifying how sustainability issues impact risks to and business opportunities for the company.
- Electrolux Group Management makes decisions about sustainability priorities and monitors progress.
- 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.
- Sourcing Boards within Purchasing and Product Sourcing are 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 (whistleblower 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  | <ul style="list-style-type: none"> <li>• Environmental Policy</li> <li>• Workplace Policy</li> </ul> | <ul style="list-style-type: none"> <li>• Workplace Policy</li> <li>• Supplier Workplace Standard</li> <li>• Workplace Directive</li> </ul> | <ul style="list-style-type: none"> <li>• Anti-Corruption Policy</li> <li>• Conflict of Interest Policy</li> </ul> |
| 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](http://www.electroluxgroup.com/en/category/sustainability/codes-and-policies)

## Environment

From a 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 for 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 strategic suppliers of components and finished products must take energy efficiency measures, and report on energy and water. Some have also been included in the WWF Water Risk Filter assessment.

Electrolux responds to the annual CDP Climate and Water questionnaires. In 2020, Electrolux achieved A both in CDP Climate and CDP Water.

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 in areas 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 92 - 93). 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 Target in line with the Paris Agreement (COP 21) were approved.

In March 2019, Electrolux introduced the world's first green bond framework in its industry to raise funds earmarked for investments contributing to reduced environmental impacts from the company's products and operations. The proceeds are used to finance projects identified within environmental sections in the Electrolux sustainability framework For the Better. To increase the internal focus on actions to reduce climate change, a performance target linked to the Groups Science Based Target, within the long-term share-related incentive programs for senior managers, was implemented 2020.

Please see Electrolux Green Bond Framework and Green Bond Impact Report:  
<https://www.electroluxgroup.com/en/green-bond-framework-29317/>

## Social, labor and human rights

Electrolux reputation 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 their 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 contains the Group's Human Rights policy statement, firmly stating that human rights shall be respected. During 2019, Code of Conduct e-learning and communications was rolled out to employees. The Group's human rights commitment 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 and the Conflict Minerals program

Human rights procedures engage many functions throughout the organization, from Human Resources to Purchasing and Group Operations. Accountability for the ethics program and the oversight of human rights lies with the Ethics & Human Rights Steering Group, which comprises of senior management representatives from Group functions.

Electrolux conducts human rights impact assessments at both Group and local level, in line with the UN Guiding Principles on Business and Human Rights. Five issues and three business processes constitute the Group's salient human rights issues. The methodology for the assessments focuses on identifying the risk of harming people, as a direct or indirect result of Electrolux operations. In 2020, the focus was on following up on the actions from the assessments conducted in Egypt, Thailand and Ukraine in 2017 and 2018.

## 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 58 countries all over the world, including countries in emerging markets, 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 of 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 2020, 258 (215) reports were received, out of which 16 (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 (roles that are 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 the review and assessment of corruption risks.

# >16,000

employees completed the e-learning on the  
Anti-Corruption Policy during 2020

# 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.
- Not adapting to a low-carbon economy.

### How impacts are managed

- Continuously improve product efficiency.
- Increase use of recycled materials.
- Eliminate harmful materials.
- Integrate future requirements into product development plans.
- Participate in the UN's United for Efficiency program.

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 thousands of 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 35 finished goods factories and 5 factories making parts and accessories, and sales in 120 markets, with approximately 48,000 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.

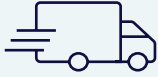
### How impacts are managed

- Implement and maintain systems for environment, resource efficiency, and health and safety.
- Governance systems and training to enforce sustainability policies.
- Assess the climate impact on operations.
- Conduct human rights impact assessments. 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<sub>2</sub> 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.
- Disruptions caused by severe weather as a result of climate change.

### 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 approximately 60 million products in over 120 markets every year, primarily through retailers. Energy and performance labeling, and sustainability communication allow us to raise product 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 products with leading environmental performance 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.
- Better Living Program
- 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<sub>2</sub> 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

- Not meeting expectations beyond legislation.
- Waste of resources due to a lack of recycling.
- Illegal trade of discarded products and recycled materials.

### How impacts are managed

- Establish a 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 according to the GRI Standards at: [www.electroluxgroup.com/sustainability](http://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, 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 potentially can affect Group performance for calendar year 2020.

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
- Responses to questionnaires from investors and analysts
- Annual submission to CDP for climate and water

Reports, policies and press releases are available at: [www.electroluxgroup.com](http://www.electroluxgroup.com)

Stockholm, February 17, 2021

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 year 2020 on pages 86-94 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 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 17, 2021

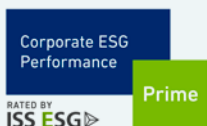
Deloitte AB

Signature on Swedish original

Jan Berntsson  
Authorized Public Accountant

*This is a translation of the Swedish language original. In the event of any differences between this translation and the Swedish language original, the latter shall prevail.*

### ELECTROLUX – A LEADER IN THE HOUSEHOLD DURABLES INDUSTRY



The Group's sustainability performance strengthens relations with investors and Electrolux is recognized as a leader in the household durables industry. In 2020, Electrolux was included in the Dow Jones Sustainability Index (DJSI) World and Europe indexes and 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 SAM, OEKOM, CDP and UN Global Compact Top 100.



# Climate-Related Financial Disclosures

## About this Report

This is the first Electrolux climate report based on the Task Force on Climate-related Financial Disclosure (TCFD) recommendations. The purpose of the report is to assess how climate change could affect Electrolux in the long term, but also the role Electrolux plays in mitigating climate change. In accordance with the TCFD recommendations, this report is based on two potential future climate scenarios and how these could impact climate-related risks and opportunities for Electrolux in the future.

The scenarios have been selected to represent two possible future developments paths, where each scenario is characterized by different societal impacts. For each scenario long-term perspectives of 10 and 30 years have been used to assess climate-related risks and possibilities based on what the Group

considers to be best available knowledge. The climate report describes the Group's continuous assessment of climate-related risks and opportunities based on the development of stakeholder expectations, scientific findings, regulatory requirements and frameworks for company reporting. Electrolux is committed to annually publish a climate report based on the TCFD recommendations and the company plans to further develop its reporting going forward, as climate science and more extensive analyses evolve. This report is structured around the four TCFD elements describing how organizations operate: governance, strategy, risk management, and metrics and targets. All these elements are related to climate-related risks and opportunities

### Governance

Disclose the organization's governance around climate-related risks and opportunities.

### Strategy

Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material.

### Risk Management

Disclose how the organization identifies, assesses, and manages climate-related risks.

### Metrics and Targets

Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.

#### About TCFD

The international Task Force on Climate-related Financial Disclosure (TCFD) was formed in 2015 by the Financial Stability Board and tasked with correcting the shortage of information regarding companies' work with, and management of, climate change. In 2017, the TCFD

released climate-related financial disclosure recommendations designed to help companies promote more informed investment, credit and underwriting decisions and enable stakeholders to better understand the financial system's exposure to climate-related risks.

## Governance

Electrolux has governance structures to effectively manage climate-related risks and opportunities.

#### Climate change management

The Electrolux climate change strategy is managed by Group Sustainability Affairs (GSA) in close cooperation with other Group staff functions and the Business Areas. The Head of GSA reports to the Chief Experience Officer (CXO) and has regular meetings with the Sustainability Board and Group Management.

The CEO reports climate-related progress to the Board, which oversees the overall company strategy. The Electrolux Sustainability Board, chaired by the CEO, is a forum to raise sustainability topics and review the implementation of the different sustainability programs.

Other members of the Sustainability Board are the Chief Financial Officer (CFO), Chief Operations Officer, CXO, Head

of HR & Communications, General Counsel and Head of GSA. The Sustainability Board gives recommendations to Electrolux Group Management, which makes decisions about sustainability and climate-related issues.

Group Risk Management manages the Electrolux Enterprise Risk Management (ERM) program. This program is governed by the ERM board, which consists of the CEO, CFO, General Counsel, Head of Group Internal Audit, and Head of Group Risk Management. The ERM program manages risks related to direct climate impacts and covers both identified and emerging risks, and with a time-horizon of around three years.

To increase the internal focus on actions to reduce climate change, a performance target linked to the Group's Science Based Target, within the long-term share-related incentive programs for senior managers, was implemented 2020 ("LTI 2020").

## Strategy

Climate change is a core element of the Electrolux Group sustainability framework, which includes the company’s climate targets, various climate-related activities and work with its stakeholders.

### For the Better 2030

The Group’s sustainability framework – For the Better 2030 – consists of Better Solutions, Better Company and Better Living. It covers all the lifecycle stages of the company’s products – from raw materials and manufacturing to product use and how Electrolux can contribute to more sustainable living for consumers around the world.

For the Better 2030 includes the company’s work with climate change and its climate targets through the Electrolux Climate Neutrality Roadmap (see below). Climate-related topics in the sustainability strategy include the objective to ‘Be climate neutral and drive clean, resource-efficient operations’ (scope 1 and 2 emissions) and the objective to ‘Lead in energy- and resource-efficient solutions’ (scope 3 emissions). Scope 1 and 3 are also addressed through the objective to ‘Eliminate harmful materials’, by phasing out hydrofluorocarbons (HFCs).

See the Electrolux Annual Report 2020, Sustainability Reporting on p. 88 for more details about For the Better 2030.

### The Electrolux Climate Neutrality Roadmap

The company’s long-term ambition is to ensure that its entire value chain is climate neutral by 2050. This supports the United Nation’s Global Compact – Business Ambition for 1.5° C, which Electrolux President and CEO Jonas Samuelson has signed.

Two shorter-term company targets act as stepping stones to its long-term ambition:

- **Science Based Target** – aims to reduce company scope 1 and 2 emissions by 80% between 2015 and 2025, and the absolute scope 3 emissions from the use of sold products by 25% during the same time period.
- **For the Better 2030 sustainability framework target** – aims to achieve climate neutral operations by 2030 (scope 1 and 2 emissions).

Climate targets include increasing the amount of renewable electricity from 88% in 2020 to 100% by 2025.

### Initiatives to contribute toward the company’s strategy

Electrolux has a variety of initiatives that are fundamental for driving its climate objectives forward. These include financial mechanisms and partner collaboration.

#### Electrolux Green Bond Framework

In 2019, Electrolux became the first company in its industry to launch a Green Bond Framework to fund climate investments and other environmental initiatives.

#### Long-term Incentive program

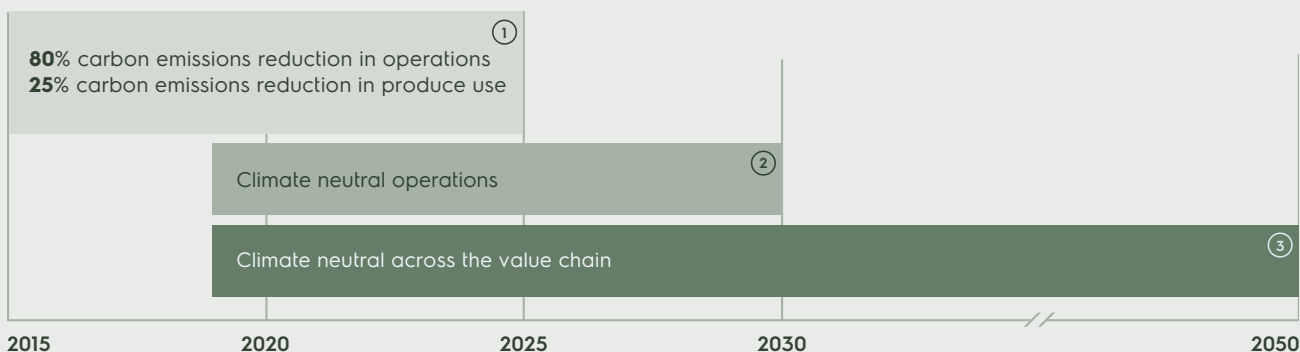
Within LTI 2020 a performance target linked to reducing climate impact in accordance the Group’s Science Based Target was introduced.

#### Examples of Electrolux climate-related collaboration

**United for Efficiency (U4E)** – Electrolux participates in the United Nations led initiative United for Efficiency to support developing countries and emerging economies in setting up effective product performance and labelling systems to help facilitate a complete market transformation to energy-efficient cooling appliances. Currently, only 50% of the use phase emissions from products sold by Electrolux are covered by product efficiency standards.

**The Cool Coalition** – The Cool Coalition was initiated by UNEP with the objective to improve the energy efficiency and to reduce the environmental impact of cooling appliances. Electrolux has made the commitment to phase out or replace high-impact greenhouse gases in all appliances with gases that have low global warming impact by 2023.

THE ELECTROLUX CLIMATE NEUTRALITY ROADMAP



1. Science Based Target (SBT) Scope 1 + Scope 2 – 80% reduction and Scope 3 – 25% reduction by 2025  
 2. Company target, Climate neutral operations (Scope 1 + Scope 2 = 0) by 2030  
 3. UNGC Business ambition for 1.5 °C – climate neutral value chain by 2050

**The Electrolux climate scenarios**

Electrolux mainly uses two different climate scenarios based on data from the International Panel on Climate Change (IPCC) and the International Energy Agency (IEA) to assess the resilience of its business. This includes its potential medium- and long-term climate-related risks and opportunities throughout the appliance industry value chain.

According to the TCFD Recommendations, companies should base their climate-related risks and opportunities on two different climate scenarios. In alignment with these recommendations, the two scenarios Electrolux uses have different levels of projected emission reductions over the time horizons of 10 years and 30 years<sup>1)</sup>. They are referred to as the Rapid Transition Scenario and the Changing Climate Scenario.

**The Rapid Transition Scenario**

This scenario would involve rapidly declining emissions in the coming decades, resulting in a global average temperature rise of between 0.3°C to 1.7°C by 2100. This ‘very stringent’ pathway would require transitional changes to achieve the UN Paris Climate Agreement, including a decline in emissions from 2020.

**Key climate implications**

- A mean global warming increase of approximately 1.0 °C between 2046 and 2065.
- A mean sea level increase of approximately 0.24 m between 2046 and 2065.

**Implications for the appliance industry**

- Stringent product energy legislation – will impact on product development and sales.
- Carbon taxes – will impact on suppliers, operations and sales.
- Digitalization and smart demand-side management – will impact on product development and sales.

The climate implications in this scenario are based on the IPCC Scenario RCP 2.6 and the IEA SDS Scenario<sup>2)</sup>.

**The Changing Climate Scenario**

This scenario would involve slowly declining emissions resulting in a temperature increase of approximately 1.4°C to 3.1°C by 2100. This ‘intermediate’ pathway would follow the current emission path to peak in 2040 with long-term physical risks as a result of climate change.

**Key climate implications**

- A mean global warming increase of approximately 1.4 °C between 2046 and 2065.
- A mean sea level increase of approximately 0.26 m between 2046 and 2065.

**Implications for the appliance industry**

- Greater acute physical risks due to more frequent and/or more severe weather systems, such as hurricanes and floods – will impact on suppliers, operations and transport in the appliance industry.
- Greater chronic physical risks from changing climate conditions, such as droughts and sea level rise – will impact on suppliers, operations and transport in the appliance industry.

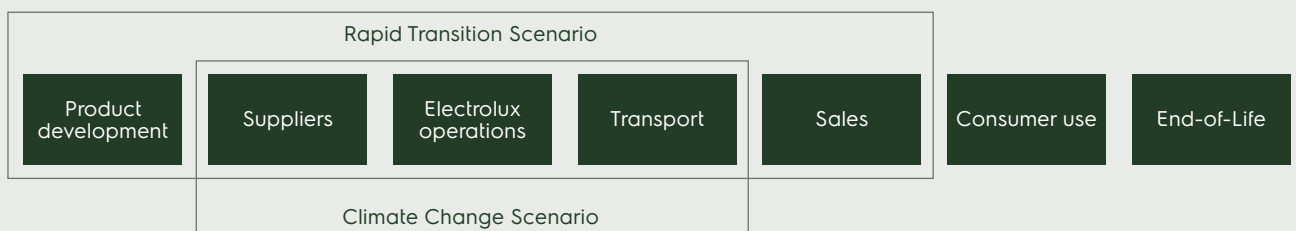
The climate implications in this scenario are based on the IPCC Scenario RCP 4.5 and the IEA STEPS Scenario<sup>3)</sup>.

<sup>1)</sup> Electrolux has based its climate scenarios and impacts on two different Representative Concentration Pathways (RCPs) developed by the IPCC (IPCC, 2014: Climate Change 2014: Synthesis Report). An RCP describes a greenhouse gas (GHG) concentration trajectory resulting in different climate futures, and ultimately results in different risks and opportunities for Electrolux based on this forecast.  
<sup>2)</sup> See the Reporting Principles on page 99 for more technical detail on the Rapid Transition Scenario.  
<sup>3)</sup> See the Reporting Principles on page 99 for more technical detail on the Changing Climate Scenario.

**Major scenario impacts on the Electrolux value chain**

The Rapid Transition and Changing Climate scenarios would both have material impact on the entire Electrolux value chain. However, their major impacts on the value chain would differ slightly (see the illustration below).

**MAJOR IMPACTS FROM THE TWO SCENARIOS ALONG THE VALUE CHAIN**



## Risk management

Electrolux has a thorough risk mapping and decision-making process that manages all risks for the Group. The two different climate scenarios result in a variety of risks and opportunities for Electrolux throughout its value chain.

### Enterprise Risk Management

The Electrolux Enterprise Risk Management (ERM) framework and related processes identify, mitigate, communicate and report risks that can significantly affect the business. Electrolux follows a risk mapping process for the collection and incorporation of risk information into decision making and governance processes. The ERM includes climate-related risks and the objective is to align the Climate Related Financial Disclosure with the ERM. Climate-related risks usually have a longer time-horizon than usual ERM-risk, with a shorter time-horizon.

### The Rapid Transition Scenario

As a sustainability leader in its industry, Electrolux is well-positioned to meet the demands for stringent product energy legislation, carbon taxes and digitalization in the near future – to continue to create long-term shareholder value. As approximately 85% of an appliance's climate footprint is in its use phase, Electrolux can play a role in meeting the need for energy efficient appliances that help mitigate the impact of climate change.

#### Primary rapid transition risks

- Increased costs related to designing resource-efficient products – Electrolux has product development roadmaps with the objective to meet forthcoming energy labelling standards, such as the EU new labelling standards and stricter minimum energy performance standards (MEPS) to be implemented between 2021 and 2023.
- Carbon taxes – Electrolux is well prepared to meet the risks of higher carbon taxes by driving resource and energy efficiency throughout the value chain. Carbon taxes on finished goods could also increase carbon import duties, such as the EU 'carbon border adjustment mechanism'.

#### Opportunities

- Industrial shift to renewable energy – Electrolux is already well on its way to carbon neutral operations by 2030. According to the projections in a study by Bloomberg New Energy Finance<sup>1</sup>, Electrolux will not be negatively affected in its operations by the shift from fossil-based to renewable electricity. An industry shift to renewable energy could therefore provide Electrolux with a competitive advantage.
- Product efficiency – More stringent product legislation and higher energy prices could drive the demand for energy efficient Electrolux products in the market. The International Monetary Fund (IMF) has concluded that a carbon tax of USD 75 per ton of CO<sub>2</sub> would increase the average electricity price across G20 countries by 43%.
- A growing market – The growing middle class, in particular in Asia and Africa, will continue to expand the market for household appliances.
- Electrification – The IEA estimates that there is potential for 2.6 billion people to shift from wood burning stoves to using clean cooking appliances. Electrolux can help meet this demand for clean and efficient appliances.

### The Changing Climate Scenario

In this scenario, Electrolux must adapt to a changing climate in terms of more frequent and/or more severe weather systems and greater chronic physical risks from changing climate conditions. Electrolux has started to include "The Changing Climate Scenario" in its loss prevention program - Blue Risk program - to improve resilience of its own operations, supply chain and transport systems, and plans to make more detailed assessments in the coming years. Action on this insight will enable Electrolux to continue to create long-term shareholder value.

#### Primary acute and chronic physical risks

- Electrolux operations – Recent internal assessments have not found that Electrolux factories have significant risks related to greater acute and chronic physical risks due to more frequent and severe weather systems and changing climate conditions. However, more detailed analyses will be conducted based on reputable external sources, such as the IPCC:
  - Acute physical risks – IPCC predict that the scenario will result in greater acute physical risks, such as more frequent hurricanes.
  - Chronic physical risks – IPCC does not predict a significant increase in chronic physical risks due to this scenario in the next 30 years, although uncertainty is high.
- Electrolux suppliers – Significant risks exist among Electrolux suppliers, although the company has a large amount of flexibility in its supply chain, which will adapt to the changing conditions to meet market needs as more resilient suppliers survive and thrive.
- Transport systems – The global logistical systems Electrolux relies on for the movement of its raw materials, components and finished goods are thought to be resilient to acute and chronic physical risks as alternative logistical arrangements can always be made. However, more investigation is required.

#### Opportunities

- Consumer demand – the need for air conditioning is expected to grow in a warmer world, particularly in Asia and Africa with a growing middle class. Electrolux can meet this growing market demand.
- A growing market – The growing middle class, in particular in Asia and Africa, will continue to expand the market for household appliances.
- Electrification – The IEA estimates that there is potential for 2.6 billion people to shift from wood burning stoves to using clean cooking appliances. Electrolux can help meet this demand for clean and efficient appliances.

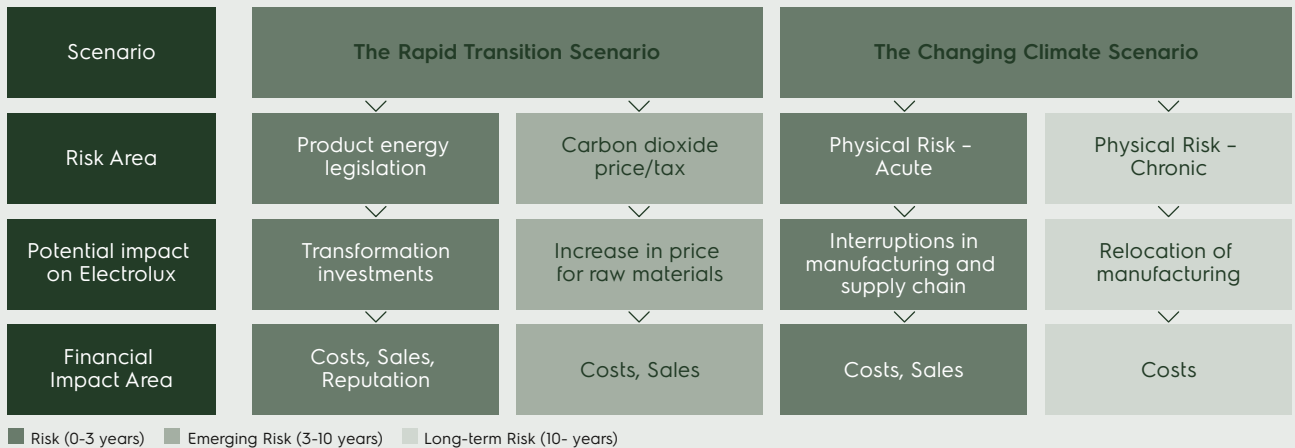
### Future development

Electrolux will continue to develop its climate scenario analyses and assess the potential impacts on its operations. Future development includes:

- Integrating climate risks in the Group's ERM
- Define climate risks for specific factory locations
- Update the Electrolux water risk using the WWF Water Risk Filter for Electrolux factories

<sup>1</sup> International Monetary Fund (2019). Fiscal Monitor, How to Mitigate Climate Change page 21.

CLIMATE-RELATED RISKS AND IMPACTS OF THE RAPID TRANSITION AND THE CHANGING CLIMATE SCENARIOS



## Metrics and Targets

Electrolux has comprehensive reporting systems that include various metrics and targets to assess and manage relevant climate-related risks and opportunities.

In 2020, Electrolux was included in the CDP climate A list for the fifth time. Electrolux also reports in accordance with the GRI Standards.

The following climate related KPIs are reported in the separate Sustainability Report:

- Energy consumption within the organization (GRI 302-1)
- Direct and Indirect CO<sub>2</sub> emissions, including fugitive emissions (GRI 305-1, 305-2)

- Greenhouse gas emissions intensity in ton CO<sub>2</sub> per million SEK (GRI 305-4)
- Reduction of GHG emissions (GRI 305-5)
- Emissions of ozone-depleting substances (GRI 305-6) Science Based Target (Scope 1, 2, and 3)
- Electrolux CDP report ([www.cdp.net](http://www.cdp.net))

Details on the company’s overall climate performance are found on page 89 in the Annual Report and detailed performance is reported in the separate Electrolux Sustainability Report 2020.

## REPORTING PRINCIPLES

This section provides some additional technical detail behind the scenarios and the report’s assumptions.

Electrolux has based its climate scenarios and impacts on two different Representative Concentration Pathways (RCPs) developed by the IPCC (IPCC, 2014: Climate Change 2014: Synthesis Report). An RCP describes a greenhouse gas (GHG) concentration trajectory resulting in different climate futures, and ultimately results in different risks and opportunities for Electrolux based on this forecast.

### The Rapid Transition Scenario

The Rapid Transition Scenario is based on RCP 2.6, which would involve rapidly declining emissions in the coming decades, resulting in a global average temperature rise of approximately between 0.3-1.7 °C by 2100. For this scenario, the IEA concludes that overall CO<sub>2</sub> emissions need to peak around 2020 and enter a steep decline thereafter to achieve a 75% reduction by 2050. The building sector, including appliances, will see a similar drop, mainly through energy efficiency, renewable energy technologies and a shift to low-carbon electricity. This means reducing carbon emissions by an average of 6% per year to one-eighth of current levels by 2050.

At the same time, demand for electricity in the building sector is expected to increase as a result of a growing consumer base, as well as a rising demand for equipment such as air conditioners and the replacement of gas and wood-burning stoves with electric appliances. The IEA concludes:

- Significant policy efforts are needed for cooling equipment and appliances to accelerate technological progress in these end uses, particularly with substantial growth in appliance and air conditioner (AC) ownership expected in the coming decade.
- Digitalization and smart demand-side management will further reduce energy use.

A combination of stringent product energy legislation as well as carbon dioxide taxes would be required, which would impact on product development, supply base, operations and sales in the appliance industry. Higher carbon dioxide taxes are recommended by the IEA and in the EU Green Deal framework. Carbon prices are expected to have an impact on energy intensive industries such as power generation, transport, steel, aluminum and plastics producers. Finished goods could also be impacted through carbon import duties, such as the EU ‘carbon border adjustment mechanism’.

The World Bank has estimated that carbon prices of at least USD 40–80/tCO<sub>2</sub> by 2020 and USD 50–100/tCO<sub>2</sub> by 2030 are required to cost-effectively reduce emissions in line with the temperature goals of the Paris Agreement. In a report from the International Monetary Fund (IMF), it was concluded that a carbon tax of USD 50 per metric ton in advanced countries (G20) would lead to

an average electricity price increase of 33%, while a carbon tax of USD 75 per metric ton would lead to an increase in price of 43%.

Today, prices for renewable and fossil-based electricity are comparable, but prices are expected to decline for renewables by around 50% over the next 10 years, while fossil-based electricity will increase by 40% according to data from Bloomberg New Energy Finance. With a USD 75 per metric ton carbon tax, the price of natural gas, both for industry and households (mostly for heating and cooking) would rise significantly, by 70% on average.

### The Changing Climate Scenario

The Changing Climate Scenario is based on RCP 4.5, which would involve slowly declining emissions resulting in approximately between 1.4-3.1°C temperature increase by 2100. The IPCC has conducted risk assessments for each region, including the potential for risk reduction through adaptation and mitigation, as well as limits to adaptation. In the near term (2030–2040 or in 10 years), projected levels of global mean temperature increase are not expected to diverge substantially between different emission scenarios. However, the IPCC predicts that by the mid-century (in 30 years), climate change will impact human health, with more frequent hot and fewer cold temperature extremes over most land areas. It is also very likely that heat waves will occur with a higher frequency and longer duration.

The average intensity of tropical cyclones, the proportion of Category 4 and 5 tropical cyclones and the associated average precipitation rates are projected to increase with a 2°C global temperature rise. Sea levels continue to rise at an increasing rate. Extreme sea level events that are historically rare (once per century in the recent past) are projected to occur frequently (at least once per year) in many locations by 2050.

The Changing Climate Scenario will increase acute physical risks due to more frequent and/or more severe weather systems, such as hurricanes and floods. It will also increase chronic physical risks from changing climate conditions, such as droughts and sea level rise. These physical impacts pose risks for disruption in the appliance industry, due to the global nature of its operations and supply chain – particularly in the manufacturing of materials and components that are situated in parts of the world that are more likely to be affected by physical risks.

### World Energy Outlook

The World Energy Outlook (WEO), published annually by the International Energy Agency (IEA), includes critical analysis and descriptions of trends in energy demand and supply. It explores possible scenarios, how they could develop and some of the main uncertainties to predict the consequences of different choices and what they mean for energy security, environmental protection and economic development.

The IEA defines two scenarios:

- The Sustainable Development Scenario (SDS) – a deep decarbonization scenario that considers how people should gain access to critical energy services while also meeting climate goals.
- The Stated Policies Scenario (STEPS) – reflecting current policies and plans.

The SDS Scenario is considered to reflect the Group’s Rapid Transition Scenario, while the STEPS Scenario is more in line with the Changing Climate Scenario. The IEA report provides recommendations to policy makers regarding sectors and product categories in order to achieve the targets in the scenarios.

### Disclosure limitations and future development

The following aspects have not been included in this TCFD Report:

- Growing consumer demand – driven by a growing middle class, increasing global incomes, electricity access rates and ownership of appliances and air conditioners.
- Price elasticity – consumer willingness to pay a higher price for more efficient appliances as a result of more stringent energy efficiency legislation.
- Mitigable risks – chronic physical risks will develop over time and could be mitigated by taking action well before they have materialized to minimize negative impact.

### Forward-looking statements

This report contains ‘forward-looking’ statements that reflect the company’s current expectations. Although Electrolux believes that the expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations prove to be correct as they are subject to risks and uncertainties that could cause the actual results to differ materially due to a variety of factors. These factors include, but are not limited to, changes in consumer demand, changes in economic, market and competitive conditions, supply and production constraints, currency fluctuations, developments in product liability litigation, changes in the regulatory environment and other government actions. Forward-looking statements are only accurate as of when they were formulated, and other than as required by applicable law, the company undertakes no obligation to update any of them in light of new information or future events.

<sup>1</sup> IEA (2018). Perspectives for the Energy Transition: The Role of Energy Efficiency.  
<sup>2</sup> The World Bank Group (2020). State and Trends of Carbon Pricing.  
<sup>3</sup> International Monetary Fund (2019). Fiscal Monitor, How to Mitigate Climate Change. p21  
<sup>4</sup> IEA, The World Energy Outlook (WEO) 2019



# Corporate Governance Report 2020

# 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 approximately 60 million products in approximately 120 markets every year. Our large installed base of approximately 400 million products globally gives us high aftermarket sales potential.



### Corporate Governance Report

This Corporate Governance Report provides 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 ensures a robust global governance framework and strong corporate culture.

### Board's focus areas during the year

The year marked a milestone in Electrolux history with the distribution of Electrolux Professional AB in March 2020, which was an important step in reshaping Electrolux into a focused consumer centric company well positioned to meet the current market and drive product innovation in order to further deliver on our profitable growth strategy.

The coronavirus pandemic has imposed unprecedented challenges. However, the company has successfully mitigated these challenges by e.g. effective cost savings and reprioritizing capital expenditures. Both long-term and short-term actions have been guided by Electrolux strategy to become a sharp, consumer centric business enhancing consumer experiences. The long-term strategy has enabled the company to capture the change in consumer behavior induced by the pandemic such as the increased focus on digitalization and the growing online and e-commerce trend.

Electrolux continued to execute on the re-engineering program during the year with extensive investments in automated and

modularized manufacturing in Brazil and North America to further strengthen cost competitiveness and drive profitable growth.

Although a significant part of the first half year 2020 was extremely challenging with an initial focus on securing access to liquidity if the markets would not recover quickly the overall outcome for the full year showed increased earnings and margins with a very strong cash flow. I am pleased that a dividend payment could be made during the year and can also report that Electrolux in 2020, as one of the first companies listed on Nasdaq Stockholm, implemented a long-term incentive program for senior executives which includes a sustainability target.

The pandemic has also affected the Board's work, not allowing travel or physical meetings. However, by adapting the ways of working by, for example, the use of digital tools, the Board's work has progressed well and the annual Board evaluation supports this picture.

I would like to take this opportunity to thank my fellow Board members for good cooperation, constructive contributions and engaged work. I would also like to thank Electrolux employees for their exceptional work efforts during an exceptionally challenging year.

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 130 companies with sales in approximately 120 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.

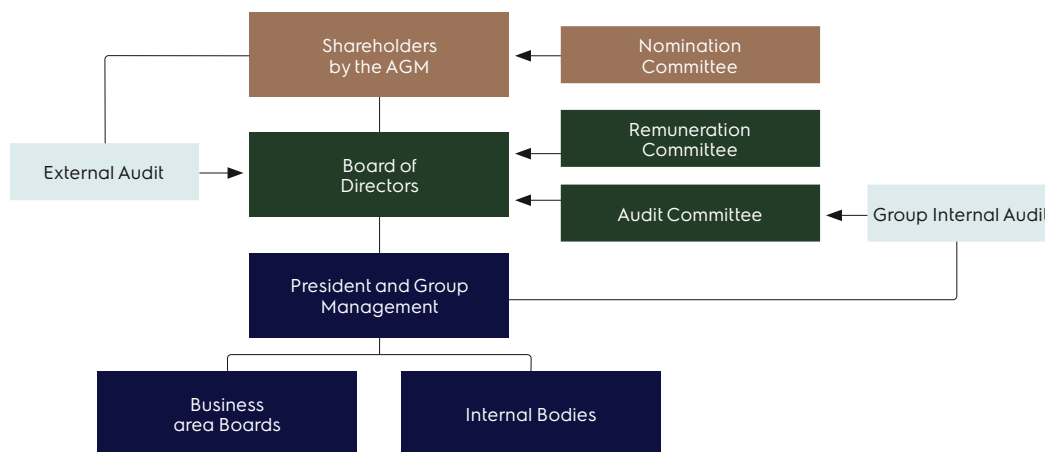
The governance of Electrolux is based on the Swedish Companies Act, Nasdaq Stockholm’s Nordic Main Market Rulebook for issuers of Shares ("Rulebook for Issuers") and the

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](http://www.corporategovernanceboard.se)

This corporate governance report has been drawn up as a part of Electrolux application of the Code. Regarding deviations from the Code in 2020 see "Deviations from the Code" on page 111. 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 2020.

Below is Electrolux formal governance structure.

## GOVERNANCE STRUCTURE



### Major external regulations

- Swedish Companies Act.
- Rulebook 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 is a leading global appliance company that has shaped living for the better for more than 100 years. We reinvent taste, care and wellbeing experiences for millions of people around the world, always striving to be at the forefront of sustainability in society through our solutions and operations. Under our brands, including Electrolux, AEG and Frigidaire, we sell approximately 60 million household products in approximately 120 markets every year. In 2020, Electrolux had sales of SEK 116bn and employed 48,000 people around the world. For more information go to [www.electroluxgroup.com](http://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 2020

- Re-election of Staffan Bohman as Chairman of the Board.
- Election of two new Board members, Henrik Henriksson and Karin Overbeck.
- Distribution of Electrolux Professional AB to the shareholders of Electrolux.
- Performance-based, long-term incentive program for senior management with a new sustainability target.

### Shares and shareholders

The Electrolux share is listed on Nasdaq Stockholm. At year-end 2020, Electrolux had approximately 59,400 shareholders according to Monitor by Modular Finance AB. Of the total share capital, 60% was owned by Swedish institutions and mutual funds, 33% by foreign investors and 7% 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 48.3% of the share capital and 57.6% of the voting rights in the company.

### Voting rights

The share capital of AB 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, 2020, 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%.

Ahead of the Annual General Meeting (AGM) in March 2020 the Board withdrew the dividend proposal for the financial year 2019 due to the uncertain situation with the coronavirus pandemic. However, in September 2020 the situation had improved significantly and the Board announced its proposal to reinstate a dividend for the financial year 2019 of SEK 7.00 per share which was resolved upon by an Extraordinary General Meeting (EGM) in November, 2020.

### Shareholders meeting

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 depository 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.

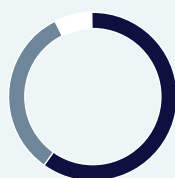
Decisions at the meeting are usually taken on the basis of a simple majority. However, as regards certain issues, the Swedish Companies Act stipulates that proposals must be approved by shareholders representing a larger number of the votes cast and the shares represented at the meeting.

### Annual General Meeting 2020

The 2020 AGM was held at the Stockholm Waterfront Congress Centre in Stockholm, Sweden, on March 31, 2020. 693 shareholders representing a total of 50.6% of the share capital and 63.3% of the votes were represented at the AGM. In order to limit the risk for further spreading of the coronavirus a number of actions were taken to minimize the risk for those who were present at the AGM and also to limit the number of participants physically present. For example the entire AGM was broadcasted live via the Group's website

[www.electroluxgroup.com/corporate-governance](http://www.electroluxgroup.com/corporate-governance).

### OWNERSHIP STRUCTURE

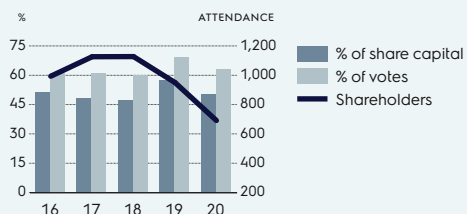


■ Swedish institutions and mutual funds, 60%  
■ Foreign investors, 33%  
■ Swedish private investors, 7%

Source: Monitor by Modular Finance AB. Compiled and processed data from various sources, including Euroclear, Morningstar and the Swedish Financial Supervisory Authority (Finansinspektionen) as per December 31, 2020.

The foreign ownership was 33% at year-end 2020 and 33% at year-end 2019. 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](http://www.electroluxgroup.com/corporate-governance)

### ATTENDANCE AT AGMS 2016-2020



693 shareholders representing a total of 50.6% of the share capital and 63.3% of the votes were present at the 2020 AGM.

**Decisions at the Annual General Meeting 2020 included:**

- Re-election of the Board members Staffan Bohman, Petra Hedengran, Ulla Litzén, Fredrik Persson, David Porter, Jonas Samuelson and Kai Wärn. Hasse Johansson and Ulrika Saxon declined re-election.
- Election of Henrik Henriksson and Karin Overbeck as new Board members.
- Re-election of Staffan Bohman as Chairman of the Board.
- Re-election of Deloitte AB as auditors.
- Remuneration to the Board members.
- Approval of remuneration guidelines for Electrolux Group Management.
- 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 2018.

The meeting was held in Swedish, with simultaneous interpretation into English. Due to the situation with the coronavirus pandemic only a limited number of Board members were present together with the Group's auditor.

**Extraordinary General Meeting February 2020**

An EGM of AB Electrolux was held on Friday, February 21, 2020, at AB Electrolux headquarter, S:t Göransgatan 143, Stockholm, Sweden. The EGM resolved to distribute all shares in Electrolux Professional AB to the shareholders of AB Electrolux.

**Extraordinary General Meeting November 2020**

An EGM of AB Electrolux was held on Tuesday, November 3, 2020. The EGM was carried out by means of postal voting only without the possibility to participate physically. The meeting resolved on a dividend for the financial year 2019 of SEK 7.00 per share and on the implementation of a performance based long-term share program for 2020 which included a new sustainability target. The EGM also resolved on amendments to the articles of association.

**Annual General Meeting 2021**

The next AGM of AB Electrolux will be held on Thursday, March 25, 2021. Due to the coronavirus pandemic, the Board of Directors has decided that the AGM should be conducted without the physical presence of shareholders, representatives or third parties and that the shareholders before the meeting should be able to exercise their voting rights only by voting in advance, so-called postal voting. However, the shareholders will be able to ask questions in writing ahead of the meeting.

For additional information on the next AGM and how to register attendance, see page 123.

**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 shareholders and their representatives 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 2020**

The Nomination Committee for the AGM 2020 was comprised of six members. Johan Forssell of Investor AB led the Nomination Committee's work.

For the proposal for the AGM 2020, 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 Nomination Committee proposed re-election of all Board members except Hasse Johansson and Ulrika Saxon who had declined re-election. The Nomination Committee also proposed Henrik Henriksson and Karin Overbeck as new Board members and re-election of Staffan Bohman as Chairman of the Board. After the election at the AGM 2020, three out of eight 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, re-election

**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.
- Remuneration Report.
- 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.

of Deloitte AB as the company's auditors for the period until the end of the AGM 2021.

A report regarding the work of the Nomination Committee was included in the Nomination Committee's explanatory statement that was published before the AGM 2020. Further information regarding the Nomination Committee and its work can be found on the Group's website:

[www.electroluxgroup.com/corporate-governance](http://www.electroluxgroup.com/corporate-governance)

#### Nomination Committee for the AGM 2021

The Nomination Committee for the AGM 2021 is based on the ownership structure as of August 31, 2020, and was announced in a press release on September 22, 2020.

The Nomination Committee's members are:

- Johan Forssell, Investor AB, Chairman
- Carina Silberg, Alecta
- Marianne Nilsson, Swedbank Robur Funds
- Tomas Risbecker, AMF - Försäkring och Fonder
- Staffan Bohman, Chairman of Electrolux
- Fredrik Persson, Board member of Electrolux

#### 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 nine 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 elected by the AGM, except for the President, are non-executive members. Two of the nine Board members, who are elected by the AGM, are not Swedish citizens.

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](http://www.electroluxgroup.com)

#### Independence

The Board is considered to be in compliance with the Swedish Companies Act's and the Code's 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](http://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 to be held in conjunction with the publication of the Group's full-year report and interim reports. One or two meetings are to be held in connection with visits to Group operations. Additional meetings, including telephone conferences, are held when necessary.

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 and sustainability 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 2018–2020 (applicable as from the respective AGM)

| SEK                                    | 2020      | 2019      | 2018      |
|--|-----------|-----------|-----------|
| Chairman of the Board                  | 2,200,000 | 2,200,000 | 2,150,000 |
| Board member                           | 640,000   | 640,000   | 600,000   |
| Chairman of the Audit Committee        | 280,000   | 280,000   | 260,000   |
| Member of the Audit Committee          | 160,000   | 160,000   | 140,000   |
| Chairman of the Remuneration Committee | 150,000   | 150,000   | 125,000   |
| Member of the Remuneration Committee   | 100,000   | 100,000   | 75,000    |

**Key focus areas for the Board during 2020**

- Effects and impacts of the coronavirus pandemic.
- Adapting Electrolux strategy and business model to global industry drivers such as increased consumer power, digitalization, sustainability, consolidation, and a growing middle class.
- Dividend payment for the financial year 2019.
- Continued focus on the new organizational structure focusing on consumer experiences.
- The listing and distribution of Electrolux Professional AB.
- Continued focus on the re-engineering program with investments in Brazil and North America.
- Global streamlining measures to improve efficiency and sharpen the consumer experience organization.

**The Board’s work in 2020**

During the year, the Board held twelve meetings. 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. 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.

**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 2020, 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**

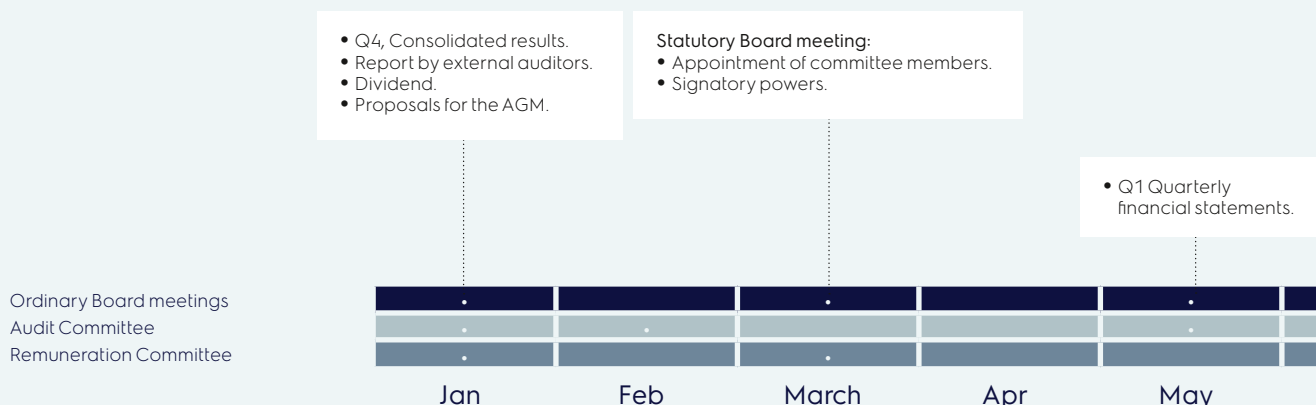
Fees to Board members is determined by the AGM and distributed to the Board members who are not employed by Electrolux. The fees to the Chairman and the Board members remained unchanged during 2020, see page 105.

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 2020**



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 Remuneration Committee shall also review the Board's report on remuneration pursuant to Chapter 8, Section 53 a of the Swedish Companies Act ("Remuneration Report")

The Committee has consisted of the following three Board members: Petra Hedengran (Chairman), Staffan Bohman and Kai Wärn. At least two meetings are convened annually. Additional meetings are held as needed.

In 2020, the Remuneration Committee held five 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, review of the Remuneration Report for 2020 and review and preparation of long-term incentive program and for 2021. The Head of Human Resources and Communication 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 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.

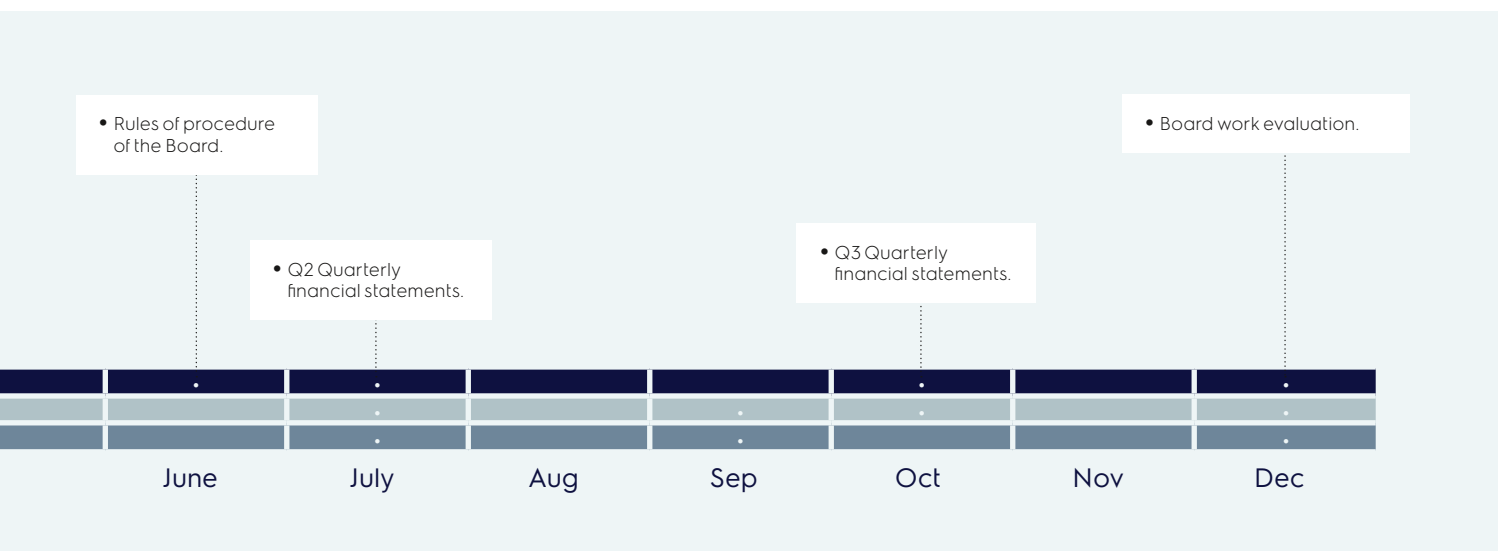
In 2020, the Audit Committee held eight meetings. The attendance of each Board member at these meetings is shown in the table on page 113. Electrolux managers have also had regular contacts with the Committee Chairman between meetings regarding specific issues. The Group's Chief Financial Officer and from time to time other senior management members 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.
- To review the Remuneration Report

#### 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 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 2020 re-elected Deloitte AB (Deloitte) as the Group’s external auditors for one year, until the AGM in 2021. The Nomination Committee’s proposal for re-election was based on the recommendation by the Audit Committee. Authorized Public Accountant Jan Bernts-son is the auditor in charge of Electrolux.

Deloitte provides an audit opinion regarding AB Electrolux, the financial statements of the majority 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 applica-ble regulations in the respective countries, including issuance of audit opinions for the various legal entities.

|                                 | 2020      | 2019      | 2018      |
|---------------------------------|-----------|-----------|-----------|
| <b>Deloitte</b>                 |           |           |           |
| Audit fees                      | 63        | 47        | 42        |
| Audit-related fees              | 2         | 10        | 1         |
| Tax fees                        | 4         | 1         | 1         |
| All other fees                  | 0         | 1         | 1         |
| <b>Total fees to Deloitte</b>   | <b>69</b> | <b>59</b> | <b>45</b> |
| <b>PwC<sup>1)</sup></b>         |           |           |           |
| Audit fees                      | –         | –         | 4         |
| Audit fees to other audit firms | 0         | –         | –         |
| <b>Total fees to auditors</b>   | <b>69</b> | <b>59</b> | <b>49</b> |

<sup>1)</sup> PricewaterhouseCoopers (PwC) was the Group’s auditors until the 2018 Annual General Meeting.

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 manage-ment 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, compli-ance 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 solu-tions 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. This is supported by a strong founda-tion of Operational Excellence and Talent, Teamship and Continuous Improvement, as well as three important transfor-mational drivers; Emerging markets acceleration, Digital trans-formation and Sustainable development. Electrolux objective is to grow with consistent profitability, see the financial targets on page 109.

**A sustainable business**  
Sustainability leadership is crucial to realizing the Electrolux strategy for long-term profitable growth. In 2020, Electrolux most resource-efficient products represented 26% of products sold and 36% 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 ethi-cal and safe workplaces, and adopting a responsible approach to sourcing and restructuring are important for realizing the business strategy.

Electrolux has a Code of Conduct, which sets out the framework of how Electrolux shall conduct its operations in ethical and sus-tainable ways. The Code of Conduct, which has been approved 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. There is regular training and communication of the Code and Group Policies, and in 2020 online trainings in the Anti-corruption Policy and the Workplace Policy were rolled out to office based employees. At year end the completion rates were 79% and 66% for the Anti-corruption and Workplace trainings respectively.

The Ethics Program encompasses a global whistleblowing system – Ethics Helpline – through which employees can report suspected misconduct in local languages. Reports may be sub-mitted anonymously if legally permitted. The largest categories of reports in 2020 related to workplace conduct, verbal abuse and other types of 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 2020 a local impact assessment was conducted of the manufacturing operations in Romania.

The Group's sustainability performance strengthens relations with investors and Electrolux is recognized as a leader in the household durables industry. In 2020, Electrolux was included in the Dow Jones Sustainability Index (DJSI) World and Europe indexes and thereby ranks among the top 10% of the world's 2,500 largest companies for social and environmental performance.

Read more about Electrolux sustainability work:  
[www.electroluxgroup.com/sustainability](http://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 48,000 employees with sales in more than 120 markets.

Of Electrolux Group total tax contribution, as defined in the below chart, corporate tax represented approximately 13% in 2020. 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 2020 amounted to approximately SEK 8.3bn 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 1.1bn in 2020, representing a global effective tax rate of the Group of 21.7%.

For more information on Electrolux tax policy, see:  
[www.electroluxgroup.com](http://www.electroluxgroup.com)

#### Risk management

Active risk management is essential for Electrolux to drive successful operations. The Group is impacted by various types of risks.

The Group's risk management approach follows a decentralized structure, where all business areas are responsible for their risk management. However, the Board of Directors is ultimately responsible for Electrolux risk management. In addition to the business areas, the Group has established internal bodies that manage risk exposures on a regular basis. Examples of internal bodies are the Enterprise Risk Management (ERM) Board, the Ethics & Human Rights Steering Group, the Audit Board and the Tax Board.

#### Insurance and loss prevention

Electrolux transfers part of its risks via tailored insurance programs. Insurable risks are continuously evaluated and monitored by the ERM Board. The Group also own two captives to ensure customized insurance solutions and costs efficiencies.

Electrolux loss prevention strategy is also widely developed, to ensure that the Group assets have the right level of protection against risks such as natural hazards, which could lead to property losses and business interruption. The Group has established loss prevention procedures and standards to be applied by each Electrolux site. Business continuity plans are also elaborated and regularly reviewed to ensure successful response to

disruptive events related to natural hazards. Annual risk surveys and visits are performed, and a consolidation of the results is reported to the ERM Board.

#### ERM as part of the Group's risk management

Electrolux has implemented an Enterprise Risk Management ("ERM") program which covers Electrolux business areas as well as global functions. It is overseen by Group Management and the ERM Board, which is also responsible for securing appropriate insurance coverage for insurable risks and assesses and facilitates the prioritization of the Group risks.

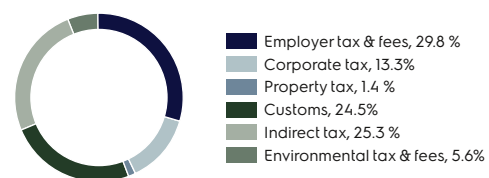
The ERM framework includes processes aimed to identify and mitigate as well as communicate and report risks with a special focus on key risks that can significantly affect the business. Electrolux follows a risk mapping process which is a management tool for formal collection and incorporation of risk information into decision making and governance processes. The risk mappings are therefore a key part of Electrolux ERM and help to increase the understanding that risk management is a critical factor for decision making and for driving value. The core of the risk mapping process is to identify and evaluate existing and emerging risks, thus enabling the possibility of leveraging risk and risk management options that extract value.

Risks are categorized in accordance with Electrolux Group Risk Universe which includes the following risk categories: strategic, external and internal risks. Strategic risks are risks that can jeopardize the execution of the Group's strategy and are impacted by external factors such as industry shifts, macro-economic developments or political instabilities. External risks consist of natural hazards, geopolitical risks, market risks or regulations, which can negatively impact the Group's performance. Internal risks mainly consist of operational risks such as sustainability risks, cyber security risks, supply chain risks and talent retention risks.

Electrolux also monitor emerging risks. They can either develop from macro-level changes such as global warming, consumer behavior or the introduction of AI – artificial intelligence, or from risks that are closer to home (resulting from industry/sector prospects and trends etc.).

The Group's risk appetite is based on the impact on its strategy that a risk would have if it materializes. Key risks are linked to action plans to close risk management gaps and follow up how risks are evolving after implementation of risk reducing measures. Risk ownership for critical risks is assigned to business area executives or individuals formally appointed to work with

#### ELECTROLUX TOTAL TAXES 2020



#### 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%.

specific risks. The approach ultimately supports a risk culture that encourages engagement and accountability within the organization

**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 are organized into four geographically defined business areas.

Six group staff functions supports the business areas: Finance, Legal Affairs, HR & Communications, Group IT, Group Operations and Global Consumer Experience organization. The Global Consumer Experience organization is globally responsible for areas such as marketing, design, R&D, 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 Group Operations with the responsibility for purchasing, manufacturing and quality.

**President and Group Management**  
 President and Group Management currently includes the President, the four 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 six 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 have been announced during 2020.

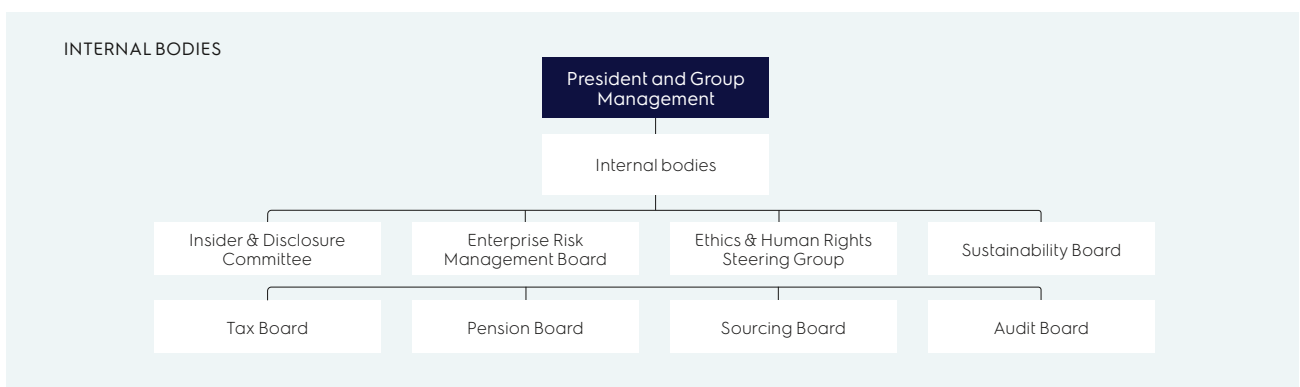
On March 16, 2020 it was announced that Adam Cich would replace Dan Arler as new head of the business area Asia-Pacific, Middle East and Africa with immediate effect. Adam Cich was also appointed Executive Vice President.

On August 18, 2020 it was announced that Jan Brockmann would resign from his position as Chief Operations Officer on September 30, 2020. On September 16, 2020 it was announced that Carsten Franke had been appointed new Chief Operations Officer and Executive Vice President with effect from October 1, 2020.

For details regarding members of Group Management, see pages 114-115. The information is updated regularly at the Group's website: [www.electroluxgroup.com](http://www.electroluxgroup.com)

**Key focus areas for the President and Group Management in 2020**

- Responding to the volatile environment caused by the coronavirus pandemic.
- Continuing to drive sustainable consumer experience innovation under sharpened brands.
- Strengthening e-commerce capabilities.
- Further developing the aftermarket business.
- Executing on re-engineering investment program, primarily in North America and Latin America.
- Launching and implementing new sustainability framework, For the better 2030.
- Implementing price increases to mitigate currency headwinds, particularly in Latin America.
- Appointment of new Group Management members.





**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 of Directors.

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 EGM in November 2020 decided on a long-term share program for 2020 (“LTI 2020”) for up to 350 senior managers and key employees. LTI 2020 includes a new CO<sub>2</sub> reduction performance target.

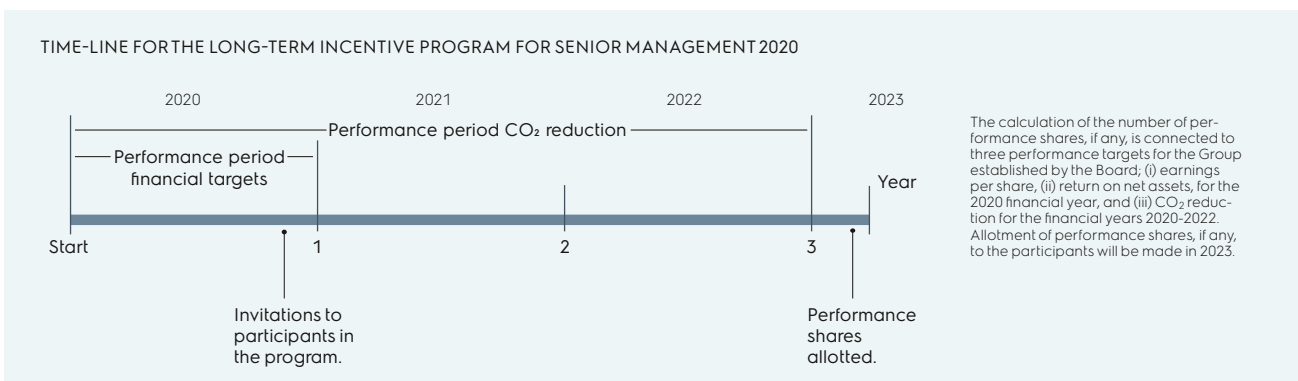
For additional information on remuneration, remuneration guidelines, long-term incentive programs and pension benefits, see Note 27.

**Deviation from the Code**

**Deviation from the Code**

The Board of Directors proposed a performance-based, long-term incentive program for 2020 (LTI 2020) ahead of the AGM 2020. In light of the then prevailing uncertainties due to the coronavirus pandemic the Board decided to withdraw the proposal for LTI 2020 together with the dividend proposal. The proposal for LTI 2020 was unilaterally withdrawn under exceptional circumstances. Given that these circumstances no longer applied the Board decided in September 2020 to convene an extraordinary general meeting to resolve upon the reinstated dividend proposal and the proposal for LTI 2020 corresponding to the proposal that was withdrawn ahead of the AGM 2020. The LTI program is a tool to align the interests of the senior executives and the interests of the shareholders, it is also an important component in the executive remuneration. Furthermore, LTI 2020 includes a new performance measure which refers to reduction of CO<sub>2</sub> in the Group’s business. By implementing the program the importance of prioritizing this area to the senior management members is also emphasized. In light of the above it was determined to be in the interest of the company and the shareholders to implement the program during 2020.

The extraordinary general meeting held on November 3, 2020 resolved to approve the Board’s proposal for LTI 2020. The performance period for the financial targets are the financial year 2020 and for the sustainability target the three financial years 2020-2022 and any allocation of shares will take place in the first half of 2023. Although the performance periods started on January 1, 2020, the participants were not invited to the program until November 2020 following the general meeting’s decision. In the event this would mean that the duration of the program would be considered to be shorter than three years, the implementation of the program would constitute a deviation from the Code’s rule 9.7, the reasons for the deviation are referred to above.



# 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 Research Institute for Industrial Economics and the German-Swedish Chamber of Commerce. Board member of Atlas Copco AB and member of 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: 85,000 B-shares. 120,279 call options, issued by Investor AB entitling the right to purchase Electrolux B shares.



## JONAS SAMUELSON

President and CEO

Born 1968, Sweden. M.Sc. Econ. Elected 2016.

Other assignments: Board Member of Polygon AB, Axel Johnson AB and Volvo Cars 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: 64,866 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: 11,000 B-shares.



## HENRIK HENRIKSSON

Born 1970, Sweden. B.Sc. in Business Administration. Elected 2020.

Other assignments: President and CEO of Scania AB. Board member of Hexagon AB and Scania AB

Previous positions: Various senior positions within Scania including Export Director in Scania South Africa Pty Ltd in Johannesburg, South Africa.

Holdings in AB Electrolux: 425 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 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.



## 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 Ellevio AB. Board Member of Hufvudstaden AB, ICA Gruppen AB, Interogo Holding AG 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: 5,000 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: 3,315 B-shares.



## KARIN OVERBECK

Born 1966, Germany. M.Sc in Economics, Marketing and Finance. Elected 2020

Other assignments: CEO of Freudenberg Home and Cleaning Solutions GmbH.

Previous positions: Various senior positions within the KAO Corporation as well as in L'Oréal, Tchibo and Unilever.

Holdings in AB Electrolux: 1,120 B-shares.



## KAI WÅRN

Born 1959, Sweden. M.Sc. in Mechanical Engineering. Elected 2017. Member of the Electrolux Remuneration Committee.

Other assignments: Chairman of the Board of Electrolux Professional AB. Board member of Sandvik AB.

Previous positions: President and CEO of Husqvarna AB. 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

**MINA BILLING**

Born 1980. Representative of the Federation of Salaried Employees in Industry and Services Elected 2020.

Board meeting attendance: 7/12

Holdings in AB Electrolux: 0 shares.

**VIVECA BRINKENFELDT LEVER**

Born 1960. Representative of the Federation of Salaried Employees in Industry and Service. Elected 2018.

Board meeting attendance: 12/12

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: 12/12

Holdings in AB Electrolux: 100 B-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: 7,839 B-shares.

## COMMITTEES OF THE BOARD OF DIRECTORS

**Remuneration Committee**

Petra Hedengran (Chairman), Staffan Bohman and Kai Wärn.

**Audit Committee**

Ulla Litzén (Chairman), Staffan Bohman, Petra Hedengran and Fredrik Persson.

## AUDITORS

**Deloitte AB****JAN BERTSSON**

Born 1964. Authorized Public Accountant.

Other audit assignments: Boliden AB and Electrolux Professional AB.

Holdings in AB Electrolux: 0 shares.

At the Annual General Meeting in 2020, Deloitte AB was re-elected as auditors for a period of one year until the Annual General Meeting in 2021.

## EMPLOYEE REPRESENTATIVES, DEPUTY MEMBERS

**ULRIK DANESTAD**

Born 1969. Representative of the Federation of Salaried Employees in Industry and Services. Elected 2020.

Holdings in AB Electrolux: 20 B-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.

**WILSON QUISPE**

Born 1978. Representative of the Federation of Salaried Employees in Industry and Services. Elected 2020.

Holdings in AB Electrolux: 500 B-shares.

Holdings in AB Electrolux are stated as of December 31, 2020 and includes holdings of related natural and legal persons, when applicable.

## THE BOARD'S REMUNERATION DURING 2020, MEETING ATTENDANCE AND INDEPENDENCE

|                                 | Total remuneration 2020,<br>'000 SEK | Board meeting<br>attendance | Remuneration<br>Committee attendance | Audit Committee<br>attendance | Independence <sup>1)</sup> |
|---------------------------------|--------------------------------------|-----------------------------|--------------------------------------|-------------------------------|----------------------------|
| Staffan Bohman                  | 2,460                                | 12/12                       | 5/5                                  | 8/8                           | Yes                        |
| Petra Hedengran                 | 950                                  | 12/12                       | 5/5                                  | 8/8                           | No                         |
| Henrik Henriksson <sup>2)</sup> | 480                                  | 8/12                        |                                      |                               | Yes                        |
| Hasse Johansson <sup>3)</sup>   | 160                                  | 4/12                        |                                      |                               | Yes                        |
| Ulla Litzén                     | 920                                  | 10/12                       |                                      | 7/8                           | Yes                        |
| Karin Overbeck <sup>2)</sup>    | 480                                  | 8/12                        |                                      |                               | Yes                        |
| Fredrik Persson                 | 800                                  | 12/12                       |                                      | 7/8                           | Yes                        |
| David Porter                    | 640                                  | 11/12                       |                                      |                               | Yes                        |
| Jonas Samuelson                 | –                                    | 12/12                       |                                      |                               | No                         |
| Ulrika Saxon <sup>3)</sup>      | 160                                  | 4/12                        | 1/5                                  |                               | Yes                        |
| Kai Wärn                        | 740                                  | 11/12                       | 4/5                                  |                               | Yes                        |

<sup>1)</sup> For further information about the independence assessment, see page 105.

<sup>2)</sup> Henrik Henriksson and Karin Overbeck were elected at the Annual General Meeting in March 2020.

<sup>3)</sup> Hasse Johansson and Ulrika Saxon declined re-election and resigned from the Board following the Annual General Meeting in March 2020.

# 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, Axel Johnson AB and Volvo Cars 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: 64,866 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: 10,475 B-shares



## ADAM CICH

Head Business Area Asia Pacific, Middle East and Africa, Executive Vice President

Born 1968. Poland. M.Sc. in Business Administration. In Group Management since 2020 and employed since 1996.

Previous positions: SVP Sales and Acting Head of Business Area Asia Pacific, Middle East and Africa. Head of Sales for Electrolux in Central and Eastern Europe. Other senior positions in Electrolux include leadership positions within sales, product line in Poland, Russia and CEE region.

Holdings in AB Electrolux: 8,113 B-shares.



## CARSTEN FRANKE

Chief Group Operations Officer, Executive Vice President

Born 1965. Germany. Engineer's degree (Dipl.-Ing) in Mechanical Engineering. In Group Management since 2020 and employed since 2005.

Previous positions: Various senior roles within Electrolux Business Area Europe including Chief Operations Officer, Vice President Supply Chain, Vice President Industrial Operations and Vice President Electrolux Lean Manufacturing System. Positions prior to Electrolux include management roles at Knorr-Bremse AG and Maschinenfabrik Reinhausen.

Holdings in AB Electrolux: 5,000 B-shares.



## RICARDO CONS

Head Business Area 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: General Management at Franke in South America. 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: 11,705 B-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: Various senior positions within Electrolux including Head of the Home Care & SDA business area, Senior Vice President Product Line Laundry Major Appliances EMEA and President Small Appliances Asia Pacific.

Holdings in AB Electrolux: 25,354 B-shares



Holdings in AB Electrolux are stated as of December 31, 2020 and includes holdings of related natural and legal persons, when applicable.

**ANNA OHLSSON-LEIJON**

Head Business Area 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 Atlas Copco AB.

Previous positions: Chief Financial Officer of AB Electrolux. Other senior positions within Electrolux including CFO of Major Appliances EMEA and Head of Electrolux Corporate Control & Services. Chief Financial Officer of Kimoda. Various positions within PricewaterhouseCoopers.

Holdings in AB Electrolux:  
18,368 B-shares.

**NOLAN PIKE**

Head Business Area North  
America, Executive Vice President

Born 1969. USA. Bachelor of Business Administration, M.B.A. in Business Management. In Group Management since 2020 and employed since 2013.

Previous positions: Senior Vice President of Electrolux Consumer Experience Area Taste. Senior Vice President of North American Product Lines at Electrolux. General management, product and sales positions at GE. Vice President and General Manager of Kenmore, and VP/GMM of home appliances at Sears Holding Corp.

Holdings in AB Electrolux:  
7,047 B-shares.

**LARS WORSØE PETERSEN**

CHRO & 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: CHRO, Senior Vice President 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:  
26,787 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:  
7,839 B-shares.



# 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.

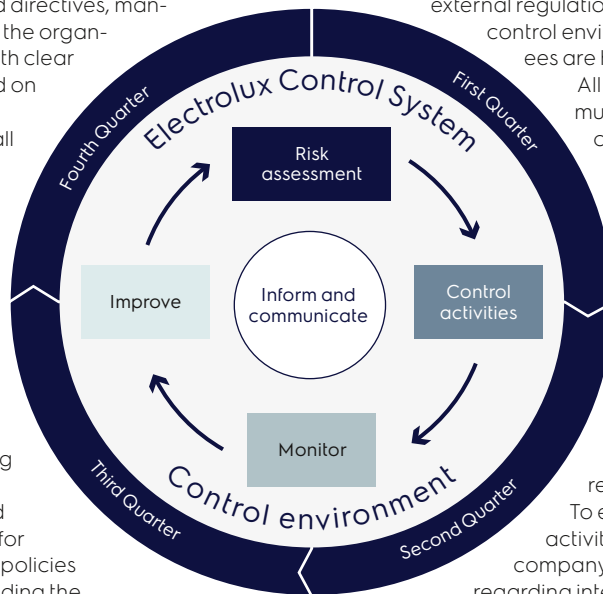
The Electrolux Board has overall responsibility for establishing an effective system of internal control. Responsibility for maintaining effective internal controls is delegated to the President. The governance structure of the Group is described on page 102. Specifically for financial reporting, the 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****Monitor and Improve**

Monitor and test of control activities is performed periodically to ensure that risks are properly mitigated.

**Improve**

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**

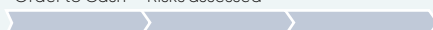
Closing Routine – Risks assessed



Manage IT – Risks assessed



Order to Cash – Risks assessed

**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, an Insider & Disclosure Committee has been formed.

Electrolux has an information policy and an insider 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.

All reports, presentations and press releases are published at: [www.electroluxgroup.com/ir](http://www.electroluxgroup.com/ir)

Stockholm, February 17, 2021

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 financial year 2020-01-01 – 2020-12-31 on pages 101–118 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 RevR 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 17, 2021

Deloitte AB

*Signature on Swedish original*

Jan Berntsson  
Authorized Public Accountant

*This is a translation of the Swedish language original.  
In the event of any differences between this translation and the Swedish language original, the latter shall prevail.*

### 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 are not 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.



# Remuneration Report 2020

## Introduction

This report describes how the guidelines for executive remuneration of AB Electrolux, adopted by the Annual General Meeting 2020, were implemented in 2020. The report also provides information on remuneration to the President & CEO and a summary of the company's outstanding share-related incentive plans. The report has been prepared in accordance with the Swedish Companies Act and the Rules on Remuneration of the Board and Executive management and on Incentive Programmes issued by the Swedish Corporate Governance Board.

Further information on executive remuneration is available in Note 27 on pages 71–73 in the Annual Report 2020. Information on the work of the remuneration committee in 2020 is set out in the Corporate Governance Report available on pages 101–118 in the Annual Report 2020.

Remuneration of the Board of Directors is not covered by this report. Such remuneration is resolved annually by the Annual General Meeting and disclosed in Note 27 and in the Corporate Governance Report in the Annual Report 2020.

### Key developments 2020

The CEO summarizes the company's overall performance in his statement on page 5–13 in the Annual Report 2020.

### Electrolux remuneration guidelines

Electrolux has a clear strategy to deliver profitable growth and create shareholder value. A prerequisite for the successful implementation of the company's business strategy and safeguarding of its long-term interests, including its sustainability, is that the company is able to recruit and retain qualified personnel. To this end, it is necessary that the company offers competitive remuneration in relation to the country or region of employ-

ment of each Group Management member. The remuneration guidelines enable the company to offer the Group Management a competitive total remuneration. More information on the company's strategy can be found on the company's website.

The remuneration terms shall emphasize 'pay for performance', and vary with the performance of the individual and the Group. The total remuneration for the Group Management shall be in line with market practice and may comprise the following components: fixed compensation, variable compensation, pension benefits and other benefits.

The guidelines are found on pages 32 in the Annual Report 2020. During 2020, the company has complied with the applicable remuneration guidelines adopted by the General Meeting. No deviations from the guidelines have been decided and no derogations from the procedure for implementation of the guidelines have been made. The auditor's report regarding the company's compliance with the guidelines is available on [www.electroluxgroup.com](http://www.electroluxgroup.com). No remuneration has been reclaimed. In addition to remuneration covered by the remuneration guidelines, the General Meetings of the company have resolved to implement long-term share-related incentive plans.

### Remuneration for the President & CEO, Jonas Samuelson in 2020 ('000 SEK unless otherwise stated)<sup>1)</sup>

| Fixed remuneration        |                              | Variable remuneration           |                                   | Extraordinary items | Pension expense <sup>6)</sup> | Total remuneration | Proportion of fixed and variable remuneration |
|---------------------------|------------------------------|---------------------------------|-----------------------------------|---------------------|-------------------------------|--------------------|---|
| Base salary <sup>2)</sup> | Other benefits <sup>3)</sup> | One-year variable <sup>4)</sup> | Multi-year variable <sup>5)</sup> |                     |                               |                    |   |
| 11,553                    | 9                            | 10,378                          | 154                               | 0                   | 3,993                         | 26,087             | Variable: 40%<br>Fixed: 60%                   |

<sup>1)</sup> Except for multi-year variable remuneration, the table reports remuneration earned in 2020. Multi-year variable remuneration is reported if vested in 2020.

<sup>2)</sup> Includes vacation salary and salary deductions for company car.

<sup>3)</sup> Includes other benefits such as travel allowance, health care benefit and mileage compensation.

<sup>4)</sup> Variable salary earned 2020 and paid in 2021.

<sup>5)</sup> Calculated as number of shares in LTI 2018 that vested on December 31, 2020 (804 shares) multiplied by the share price of Electrolux B shares on December 31, 2020 (SEK 191.35)

<sup>6)</sup> Pension is a defined contribution of 35% of annual base salary (excluding vacation salary and salary deductions for company car).

### Remuneration for the President & CEO, Jonas Samuelson in 2019 ('000 SEK unless otherwise stated)<sup>1)</sup>

| Fixed remuneration        |                              | Variable remuneration           |                                   | Extraordinary items <sup>6)</sup> | Pension expense <sup>7)</sup> | Total remuneration | Proportion of fixed and variable remuneration |
|---------------------------|------------------------------|---------------------------------|-----------------------------------|-----------------------------------|-------------------------------|--------------------|---|
| Base salary <sup>2)</sup> | Other benefits <sup>3)</sup> | One-year variable <sup>4)</sup> | Multi-year variable <sup>5)</sup> |                                   |                               |                    |   |
| 11,591                    | 10                           | 2,213                           | 9,479                             | 1,901                             | 3,993                         | 29,187             | Variable: 47%<br>Fixed: 53%                   |

<sup>1)</sup> Except for multi-year variable remuneration, the table reports remuneration earned in 2019. Multi-year variable remuneration is reported if vested in 2019.

<sup>2)</sup> Includes vacation salary and salary deductions for company car.

<sup>3)</sup> Includes other benefits such as travel allowance, health care benefit and mileage compensation.

<sup>4)</sup> Variable salary earned 2019 and paid in 2020.

<sup>5)</sup> Calculated as number of shares in LTI 2017 that vested on December 31, 2019 (41,229 shares) multiplied by the share price of Electrolux B shares on December 31, 2019 (SEK 229.9)

<sup>6)</sup> Includes an extraordinary incentive related to the separation of Electrolux Professional AB.

<sup>7)</sup> Pension is a defined contribution of 35% of annual base salary (excluding vacation salary and salary deductions for company car).

## Share-based remuneration

### Outstanding share-related incentive plans

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.

The company had during 2020 three ongoing performance-share programs (2018, 2019 and 2020). The allocation of shares in the 2018 and 2019 programs is determined by the position level and the outcome of three financial objectives; (1) earnings per share, (2) return on net assets and (3) organic sales growth. Performance outcome of the three financial objectives has been determined by the Board after the expiry of the respective one-year performance period for these programs. The allocation of shares in the 2020 program is determined by the position level and the outcome of three objectives; (1) earnings per share, (2) return on net assets and (3) CO<sub>2</sub> reduction. Performance outcome of (1) and (2) will be determined by the Board after the expiry of the one-year performance period and (3) after the expiry of the three-year performance period.

For the 2018, 2019 and 2020 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 2018, 2019 and 2020 program covers 253 to 282 senior managers and key employees in almost 30 countries. Participants in the programs 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. Additional information about the outstanding LTI programs can be found in Note 27 in the Annual Report 2020.

## Share award plans (for the President & CEO)

| The main conditions of share award plans |                    |                          |              |                         | Information regarding the reported financial year <sup>1)</sup> |                      |                   |                                    |                                  |                               |
|--|--------------------|--------------------------|--------------|-------------------------|---|----------------------|-------------------|------------------------------------|----------------------------------|-------------------------------|
|  |                    |                          |              |                         | Opening balance   | During the year      |                   | Closing balance                    |                                  |                               |
| Specification of plan                    | Performance period | Award date <sup>2)</sup> | Vesting Date | End of retention period | Share awards held at the beginning of the year                  | Awarded              | Vested            | Subject to a performance condition | Awarded and unvested at year end | Subject to a retention period |
| LTI 2018 <sup>3)</sup>                   | 2018               | 18-04-19                 | 20-12-31     | 20-12-31                | 804   | 0                    | 804 <sup>4)</sup> | 0                                  | 0                                | 0                             |
| LTI 2019 <sup>5)</sup>                   | 2019               | 19-05-28                 | 21-12-31     | 21-12-31                | 0   | 0                    | 0                 | 0                                  | 0                                | 0                             |
| LTI 2020 <sup>6)</sup>                   | 2020-2022          | 20-11-11                 | 22-12-31     | 22-12-31                |   | 63,262 <sup>7)</sup> | 0                 | 12,653 <sup>8)</sup>               | 50,609 <sup>9)</sup>             | 0                             |
| <b>TOTAL</b>                             |                    |                          |              |                         | <b>804</b>  | <b>63,262</b>        | <b>804</b>        | <b>12,653</b>                      | <b>50,609</b>                    |                               |

<sup>1)</sup> In 2020, LTI 2018 vested, resulting in 804 shares for the CEO that will be paid out in the first half of 2021. No changes occurred regarding LTI 2019.

<sup>2)</sup> Refers to the date when the share awards was awarded to the participant.

<sup>3)</sup> The maximum number of shares that could be awarded under LTI 2018 for the CEO was 47,605 shares, the outcome of LTI 2018 resulted in 804 shares for the CEO. The vested number of shares was adjusted for the distribution of Electrolux Professional AB.

<sup>4)</sup> Value at vesting Date: 154 thousand SEK, calculated as the market price per share multiplied by the number of vested shares.

<sup>5)</sup> The maximum number of shares that could be awarded under LTI 2019 for the CEO was 53,543 shares, the outcome of LTI 2019 resulted in 0 shares for the CEO.

<sup>6)</sup> The maximum number of shares that may be awarded under LTI 2020 is 63,262 for the CEO, the outcome with respect to the financial performance targets resulted in 50,609 shares for the CEO. The outcome of the CO<sub>2</sub>-reduction target will be determined after the expiry of the three year performance period.

<sup>7)</sup> Value at Award Date: 13,026 thousand SEK, calculated as the market price per share multiplied by the number of awarded shares.

<sup>8)</sup> Shares subject to CO<sub>2</sub> reduction performance target in LTI 2020.

<sup>9)</sup> Value at Award Date: 10,420 thousand SEK calculated as the market price per share multiplied by the number of awarded shares.

## Application of performance criteria

The performance measures for the CEO's variable remuneration have been selected to deliver the company's strategy and to encourage behaviour which is in the long-term interest of the company. In the selection of performance measures, the stra-

tegic objectives and short- and long-term business priorities for 2020 have been taken into account. The non-financial performance measures further contribute to alignment with sustainability as well as the company values.

## Performance of the President &amp; CEO in the reported financial year: variable cash remuneration

| Description of the criteria related to the remuneration component  | Relative weighting of the performance criteria | a) Measured performance and<br>b) actual award/ remuneration outcome ('000 SEK) |
|--|--|---|
| <b>Group EBIT Absolute Growth (%)</b><br>Year over year growth (%) in absolute operating income  | 50%  | a) +38.3% <sup>1)</sup><br>b) 5,740   |
| <b>Group Net Operating Working Capital (%)</b><br>NOWC divided by External Net Sales (12 months rolling)   | 20%  | a) 5.0%<br>b) 2,296   |
| <b>Group Contribution to Fixed Growth (%)</b><br>Year over year growth (%) in absolute CTF (External Net Sales with Variable Costs deducted)   | 20%  | a) +5.2% <sup>1)</sup><br>b) 1,194  |
| <b>Group Consumer star rating</b><br>The average rating of Electrolux products in consumer reviews on around 200 web sites, considering reviews written in the last 6 months of the calendar year, on a 0-5 scale. | 10%  | a) 4.55<br>b) 1,148   |

<sup>1)</sup> Including adjustments for acquisitions and divestments.

## Performance of the President &amp; CEO in the reported financial year: share-based incentives

| Name of plan | Description of the criteria related to the remuneration component  | Relative weighting of the performance criteria | a) Measured performance and<br>b) actual award/ remuneration outcome ('000 SEK) |
|--------------|--|--|---|
| LTI 2020     | <b>Earnings Per Share</b><br>Income for the period attributable to equity holders of the Parent Company divided by the average number of shares excluding shares held by Electrolux.   | 60%  | a) 13.9 <sup>1)</sup><br>b) 7,263 <sup>2)</sup>                                 |
|              | <b>Return On Net Assets</b><br>Operating income (annualized) expressed as a percentage of average net assets   | 20%  | a) 22.7% <sup>1)</sup><br>b) 2,421 <sup>3)</sup>                                |
|              | <b>CO<sub>2</sub> Reduction</b><br>Greenhouse gas reductions within the following three areas: (i) manufacturing, (ii) energy for product use, and (iii) use of hydrofluorocarbons (HFCs), measured on selected predefined product categories and regions. | 20%  | a) To be determined at year end 2022<br>b) To be determined at year end 2022    |

<sup>1)</sup> Including adjustments for acquisitions and divestments.

<sup>2)</sup> Based on market price per share at December 31, 2020 (SEK 191.35) multiplied by the number of shares (37,956). The shares will not vest until the first half of 2023.

<sup>3)</sup> Based on market price per share at December 31, 2020 (SEK 191.35) multiplied by the number of shares (12,653). The shares will not vest until the first half of 2023.

## Comparative information on the change of remuneration and company performance

Remuneration and company performance ('000 SEK)<sup>1)</sup>

| Annual change  | 2020 vs. 2019                 | 2020   |
|--|-------------------------------|--------|
| Jonas Samuelson, President & CEO   | -3,100 (-10.6%) <sup>2)</sup> | 26,087 |
| Group Operating Income (EBIT) margin (%) <sup>3)</sup>   | +2.3 percentage points        | 5.0%   |
| Average remuneration on a full time equivalent basis of employees <sup>4)</sup> of AB Electrolux | -13 (-1.1%)                   | 1,168  |

<sup>1)</sup> Remuneration earned in the respective years.

<sup>2)</sup> Remuneration for President & CEO was 10.6% (3,100 thousand SEK) lower in 2020 compared with 2019.

<sup>3)</sup> The Group Operating Income margin (excluding non-recurring items) was 2.7% in 2019 vs 5.0% in 2020.

<sup>4)</sup> Excluding members of group management.

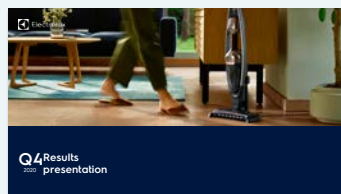
## Events and reports

The Electrolux website [www.electroluxgroup.com/ir](http://www.electroluxgroup.com/ir) contains additional and updated information about such items as business development, strategy and the Electrolux share, as well as a platform for financial statistics.



Electrolux  
Annual Report 2020

Electrolux Annual Report 2020  
[www.electroluxgroup.com/annualreport2020](http://www.electroluxgroup.com/annualreport2020)



Electrolux Interim Reports  
[www.electroluxgroup.com/ir](http://www.electroluxgroup.com/ir)



Electrolux Capital Markets Update 2020  
[www.electroluxgroup.com/CMU](http://www.electroluxgroup.com/CMU)



Electrolux for investors  
[www.electroluxgroup.com/ir/for-investors](http://www.electroluxgroup.com/ir/for-investors)



Electrolux Sustainability Report (GRI) 2020  
[www.electroluxgroup.com/sustainabilityreport2020](http://www.electroluxgroup.com/sustainabilityreport2020)

## Financial reports and major events in 2021

2  
Feb

Consolidated  
report

25  
Mar

Annual  
General Meeting

28  
Apr

Interim report  
January–March

20  
Jul

Interim report  
January–June

27  
Oct

Interim report  
January–September

Electrolux subscription service can be accessed at  
[www.electroluxgroup.com/subscribe](http://www.electroluxgroup.com/subscribe)

Investor Relations [www.electroluxgroup.com/ir](http://www.electroluxgroup.com/ir)

# Annual General Meeting

The Annual General Meeting will be on Thursday, March 25, 2021. Due to the coronavirus pandemic, the Board of Directors has decided that the Annual General Meeting should be conducted without the physical presence of shareholders, representatives or third parties and that the shareholders before the meeting should be able to exercise their voting rights only by voting in advance, so-called postal voting. However, the shareholders will be able to ask questions in writing ahead of the meeting. The questions and answers will be published on the group's website [www.electroluxgroup.com/agm2021](http://www.electroluxgroup.com/agm2021) at least 5 days before the Annual General Meeting together with a webcast with the Chairman and the CEO including their reflections on 2020.

## Participation

A person who wishes to participate in the Annual General Meeting by postal voting must

- be listed as a shareholder in the presentation of the share register prepared by Euroclear Sweden AB concerning the circumstances on Wednesday, March 17, 2021, and
- give notice of intent to participate no later than on Wednesday, March 24, 2021, by casting its postal votes in accordance with the instructions under the heading Postal voting below so that the postal voting form is received by Euroclear Sweden AB no later than that day.

In order to be entitled to participate in the meeting, a shareholder whose shares are registered in the name of a nominee must, in addition to giving notice of participation in the Annual General Meeting by submitting its postal vote, register its shares in its own name so that the shareholder is listed in the presentation of the share register as of the record date Wednesday, March 17, 2021. Such re-registration may be temporary (so-called voting rights registration), and request for such voting rights registration shall be made to the nominee, in accordance with the nominee's routines, at such time in advance as decided by the nominee. Voting rights registration that have been made by the nominee no later than Friday, March 19, 2021 will be taken into account in the presentation of the share register.

## Postal voting

The Board of Directors has decided that shareholders should be able to exercise their voting rights only by postal voting in accordance with section 22 of the Act (2020:198) on temporary exceptions to facilitate the execution of general meetings in companies and other associations. A special form must be used for the postal

vote. The form for postal voting is available on the Group's website [www.electroluxgroup.com/agm2021](http://www.electroluxgroup.com/agm2021). Completed and signed forms for postal voting can be sent by mail to AB Electrolux (publ), c/o Euroclear Sweden, Box 191, SE-101 23 Stockholm, Sweden or by e-mail to [GeneralMeetingServices@euroclear.com](mailto:GeneralMeetingServices@euroclear.com). Completed forms must be received by Euroclear no later than March 24, 2021. Shareholders who are natural persons may also cast their votes electronically through verification with BankID via the Euroclear Sweden AB's website <https://anmalan.vpc.se/EuroclearProxy>. Such electronic votes must be submitted no later than March 24, 2021.

The shareholders may not provide special instructions or conditions to the postal vote. If so, the entire postal vote is invalid. Further instructions and conditions can be found in the postal voting form and at <https://anmalan.vpc.se/EuroclearProxy>

## Powers of attorney

If the shareholder submits its postal vote by proxy, a written and dated Power of Attorney signed by the shareholder must be attached to the postal voting form. Proxy forms are available on the Group's website [www.electroluxgroup.com/agm2021](http://www.electroluxgroup.com/agm2021). If the shareholder is a legal person, a registration certificate or other authorization document must be attached to the form.

## Dividend proposal

The Board of Directors proposes a dividend for the fiscal year 2020 of SEK 8.00 (7.00) per share, for a total dividend payment of approximately SEK 2,299m (2,012). The proposed dividend corresponds to approximately 58% of income for the period, continuing operations. Last year's dividend corresponded to approximately 80% of income for the period, total Group (including discontinued operations). The dividend is proposed to be paid in two equal installments, the first with the record date Monday, March 29, 2021, and the second with the record date Wednesday September 29, 2021. The first installment is estimated to be paid on Thursday, April 1, 2021 and the second installments on Monday, October 4, 2021.

## Proposal for election of board members

The Nomination Committee has proposed re-election of Staffan Bohman, Petra Hedengran, Henrik Henriksson, Ulla Litzén, Karin Overbeck, Fredrik Persson, David Porter and Jonas Samuelson as board members. Kai Wörn has declined re-election. Staffan Bohman was proposed to be re-elected as Chairman of the Board of Directors.

### DATES REGARDING THE AGM 2021

## 2020

## 2021

| September                                      | February  | March   | April   | September  | October  |
|--|---|---|---|--|--|
| 22 Nomination Committee appointed for AGM 2020 | 1 Proposals from Nomination Committee presented<br>15 Notice to AGM published | 17 Deadline for registration in share register<br>24 Deadline for notice of intent to participate in AGM and registration in share register<br>25 AGM 2020<br>29 Proposed record date for the first installment of the dividend payment | 1 Estimated date for payment of first installment of dividend | 29 Proposed record date for second installment of the dividend payment | 4 Estimated date for payment of second installment of dividend |



## Creating value

Sustainable consumer experience innovation is a key driver for long term profitable growth, enabling users to prepare great-tasting food, care for clothes so they stay new for longer and achieve healthy wellbeing at home. These innovations are offered under three main, well-established brands, Electrolux, AEG and Frigidaire.

Profitable growth is also enabled by consistently increasing operational efficiency through digitalization, automation and modularization. Focus on sustainability is an integral part of Electrolux strategy.





AB ELECTROLUX (PUBL), 556009-4178

**Mailing address:** SE-105 45 Stockholm, Sweden | **Visiting address:** S:t Göransgatan 143, Stockholm  
**Telephone:** +46 8 738 60 00 | **Website:** [www.electroluxgroup.com](http://www.electroluxgroup.com)