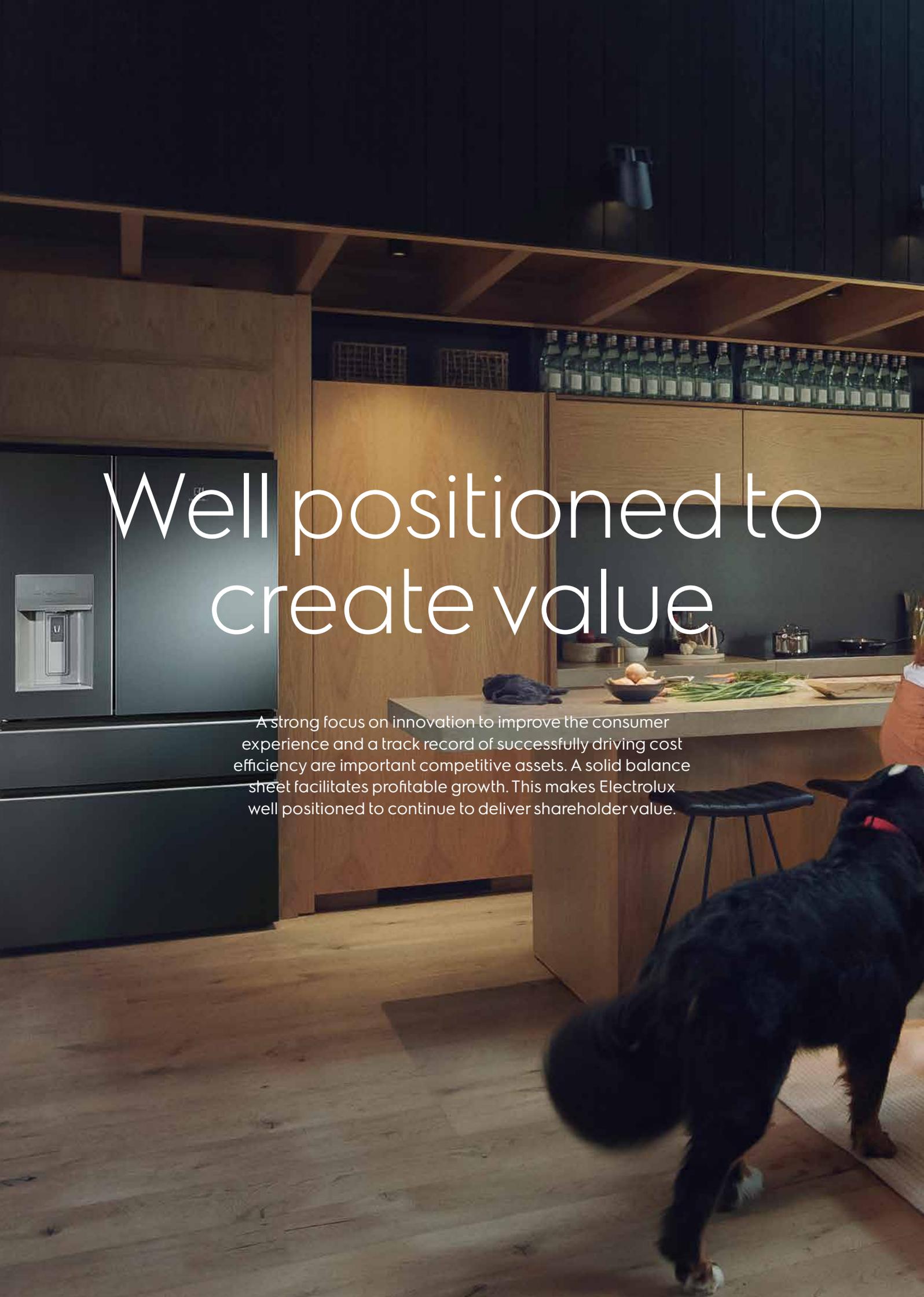




# Electrolux Annual Report 2019

A modern kitchen with wooden cabinetry, a dark refrigerator, and a bar counter with stools. A black dog is in the foreground.

# 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 modularized product architectures as well as automation and flexibility in production. Sustainability is a key business driver, and a solid balance sheet facilitates profitable growth.

**119**

SALES  
BILLION SEK

**120**

MARKETS

**60**

MILLION PRODUCTS  
SOLD ANNUALLY

**49**

THOUSAND  
EMPLOYEES

Figures above are for the consumer business, continuing operations, exclusive of the discontinued operations Electrolux Professional.

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## CONTINUING OPERATIONS

The CEO statement on pages 4–15 in this report includes the consumer business, continuing operations, following the decision made by the Board in 2019 to propose to distribute and list the business area Professional Products (Electrolux Professional) as a separate company. 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 17–81. The Annual Report is published in Swedish and English.

## ANNUAL REVIEW ON THE WEB



Please find more information about business development, strategy and business areas in the Electrolux Annual Review 2019, accessible on all your digital platforms.

Please visit the Electrolux Annual Review 2019 at:  
[www.electroluxgroup.com/annualreports/2019](http://www.electroluxgroup.com/annualreports/2019)

## SUSTAINABILITY

The Electrolux sustainability framework and execution are described in the Sustainability reporting section on pages 90–98. The full Electrolux Sustainability Report is published online in March 2020 at:  
[www.electroluxgroup.com/sustainabilityreport2019](http://www.electroluxgroup.com/sustainabilityreport2019)



Electrolux, AEG and Zanussi are the 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.

# Strengthening our innovation and efficiency platform

In 2019, we intensified our work to make our business even more consumer focused and streamlined, as well as executed on our re-engineering program. Such measures – along with the proposed separation of our professional products business – are key to create even more shareholder value going forward.

## Building for the future

We are in an intense period of transformation and innovation. In 2019, we strengthened our platform for future growth by launching important new product ranges, initiating additional efficiency measures and investing in modularized products in automated manufacturing. During the year, we also announced our intention to split the Group into two listed companies – ‘Electrolux’ for household appliances and ‘Electrolux Professional’ for professional appliances. ▶

## BUSINESS AREAS



Key data	2019	2018
Sales growth,% <sup>1)</sup>	-1.3	1.2
Operating margin,% <sup>1)</sup>	3.8	4.8
Operating cash flow,SEKm <sup>2)</sup>	2,280	2,646
Dividend,SEK per share <sup>3)</sup>	8.50	8.50

<sup>1)</sup> Continuing operations. Operating margin is excluding non-recurring items.

<sup>2)</sup> Continuing operations, after investments.

<sup>3)</sup> 2019 proposed by the Board.

## SALES BY REGION



“Our targeted innovation approach has strengthened our position in key categories and contributed positively to margin.”

### ► Business overview

In 2019, we continued to have a favorable sales and earnings impact from product-mix improvements, which means that we are selling more of our innovative and premium products that have higher margins. The new products we launched during the year were very well received by consumers. For example, our new built-in kitchen range in Europe was at launch rated 4.9 stars out of 5 in consumer online reviews. We were also the first to bring built-in Air Fry technology to the North American cooker market, which has been a great success with strong growth and a 4.6 star rating. Our targeted innovation approach has strengthened our position in key categories and contributed positively to margins.

Our re-engineering investments in manufacturing are building for the future by enabling us to be more efficient and to speed up innovation and enhance the consumer experience of our products.

We experienced significant headwinds from raw material costs, trade tariffs and currency – an increase of approximately SEK 1.5bn in 2019 compared to 2018. I am very pleased that we have been able to

fully offset these headwinds during the year through pricing.

However the complex and resource intensive process to consolidate the U.S. production of refrigerators/freezers to our new Anderson facility in North America impacted sales and earnings negatively in 2019. Importantly, this consolidation will increase our competitiveness going forward. We also had higher marketing investments to support our product launches. Hence, operating margin excluding non-recurring items declined to 3.8%.

In **Europe**, we saw a positive contribution to sales and earnings from product-mix improvements and price increases. Highlights included a strong performance in our focus area built-in kitchen where we gained value market share. Continued market growth was mainly driven by Eastern Europe, although Western Europe also developed positively.

**North America** experienced organic sales decline and lower earnings. The consolidation of production to the new plant in Anderson resulted in manufacturing transition costs related to running three facilities in parallel. In addition, capacity constraints in the ramp-up phase of the plant impacted sales volumes

negatively. Cost-based price increases fully offset higher costs from raw materials and trade tariffs. Mix improved, partly driven by our new multidoor refrigerators.

In **Latin America**, we saw good progress despite a volatile environment. Price increases combined with mix improvements – particularly for high-capacity washers and multidoor refrigerators – offset significant headwinds from raw material costs as well as currency due to the macroeconomic turbulence. Importantly, we saw market growth in our main market Brazil.

In **Asia-Pacific, Middle East and Africa** sales volumes declined. Mix improvements, predominantly driven by new product launches under the Electrolux brand in Australia contributed to earnings. Significant currency headwinds and lower volumes had a negative impact on operating income.

### Creating value through a more efficient and streamlined business

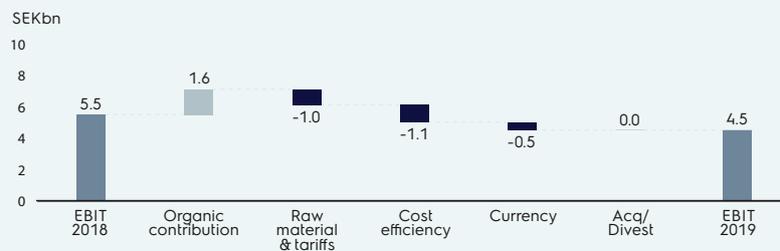
I believe that the separation of the professional products business into a stand-alone company will create substantial shareholder value over time, given that the two businesses have different markets, customers and success drivers. The spin-off will ensure that our

EARNINGS DEVELOPMENT<sup>1)</sup>



Operating income for continuing operations excl. non-recurring items in 2019 was SEK 4,533m (5,519), corresponding to a margin of 3.8% (4.8).

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



Our continued focus on consumer driven innovation and several important product launches contributed to earnings in 2019. We strengthened our platform for future profitable growth through additional efficiency measures and extensive re-engineering investments in automated and modularized manufacturing. However, manufacturing transition costs for consolidating production to our new Anderson facility as well as increased marketing investments impacted operating income (EBIT). Price increases compensated for the strong headwind we faced, from raw material costs, trade tariffs and currency.

<sup>1)</sup> Operating income is for the consumer business, exclusive of the business area Professional Products, excluding non-recurring items.



## Taste

Making it possible to prepare great-tasting food.

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

In 2019, Electrolux launched the multidoor refrigerator global platform in the Americas to tap into an attractive segment, as well as several steam ovens with the Steamify® function, which enables best-in-class baking, roasting and steaming results.



## Three clear areas for innovation

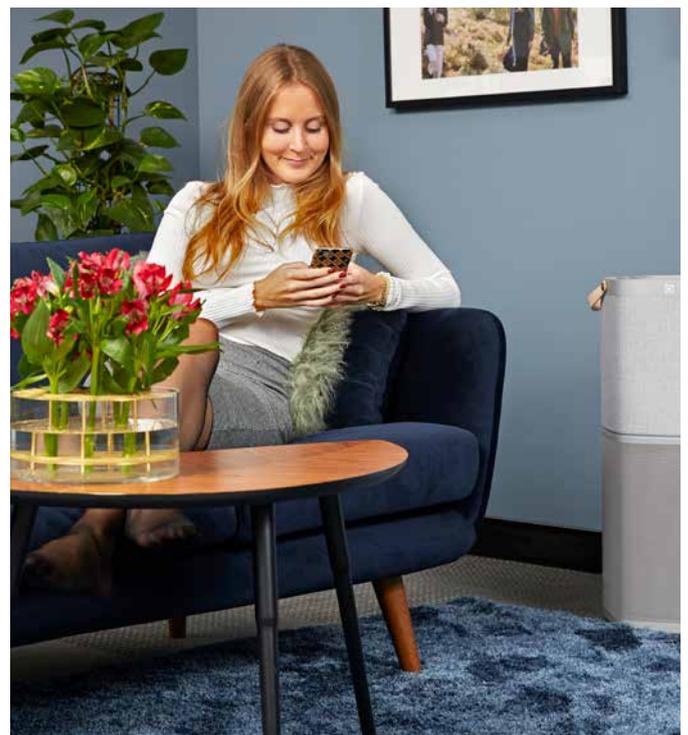
We shape living for the better by reinventing taste, care and wellbeing experiences, for more enjoyable and sustainable living.

### Care

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

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

Care innovations in 2019 included the connected AEG 9000 Premium Edition Washer Dryer with SensiDry® Technology, which can provide a three-hour wash to dry cycle, and optimizes the program to help clothing retain its shape and condition while saving energy and water.



### Wellbeing

Making it possible to achieve healthy wellbeing in your home.

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

Product launches in the Wellbeing segment in 2019 included the PureSense system, which continuously measures indoor and outdoor air quality levels and automatically adjusts the air purification rate to ensure a healthy indoor environment.





► professional business has improved capital market access and more opportunities for further market consolidation. Following shareholder approval to distribute Electrolux Professional the plan is to list the company on Nasdaq Stockholm on March 23, 2020.

Our financial targets for the consumer business as a stand-alone company remain, which requires a further sharpening of our performance to reach the targets, given the higher margin of the professional business. We define profitable growth as sales growth of at least 4% and an operating margin of at least 6% over a business cycle. Offering outstanding consumer experiences, driven

by innovation and operational excellence, is at the heart of our strategy to achieve these goals.

By creating four regionally focused business areas and reorganizing key global functions during the year, we have improved our consumer focus with the objective of accelerating profitable growth. This was reinforced by the creation of a global function for Consumer Experience that pulled together central functions into a new organizational structure.

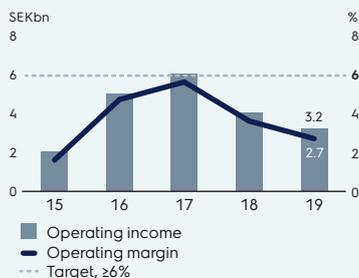
As these activities progressed, we identified additional opportunities to improve

efficiency and create an even more streamlined setup for our consumer business.

Our SEK 8 bn re-engineering investment program in automation, digitalization and innovation continued during 2019. We consolidated our U.S. refrigeration and freezer production and started up production in our new Anderson facility in the U.S., which is the biggest step we have ever taken in terms of automation. We also continued our investments in production facilities in Latin America. All initiatives under the investment program have now been announced. ►

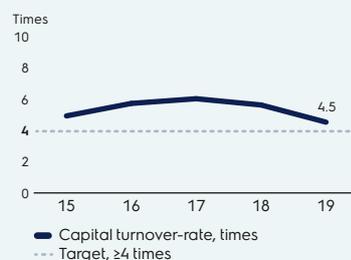
## Targets<sup>1)</sup>

OPERATING MARGIN



In 2019, operating income included non-recurring items of SEK -1,344m.

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.

<sup>1)</sup> Financial targets are for the consumer business, the figures in the graphs above exclude the business area Professional Products. Targets are over a business cycle.

■ CASE STORY

## Keeping leadership in a fast growing, attractive category

The market for high-capacity Top Load Washing Machines (TLWMs) has grown rapidly in Latin America in recent years, driven by consumer need to save time and resources by washing more clothes in a single batch.

Electrolux is the largest player in this attractive TLWM category with nearly one-third of the market and has increased sales by 35% between 2015 and 2019. The company has developed a 17 kg capacity washing machine for the premium segment that uses 'perfect dilution' technology to ensure the perfect mix of detergent and softener to care for clothes and avoid stains.

The consumer response has not only resulted in a strengthened market position, but also high consumer ratings in 2019 – for example 4.6 in Brazil.

Read more in the Electrolux Annual Review 2019:  
[www.electroluxgroup.com/annualreports/2019](http://www.electroluxgroup.com/annualreports/2019)



■ CASE STORY

## Meeting consumer needs through consumer-centric innovation

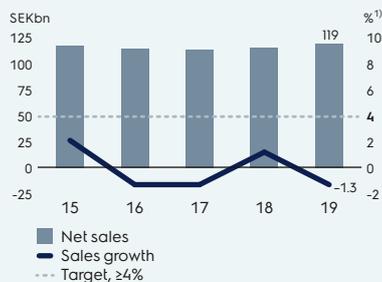
In 2019, Electrolux launched a new kitchen range based on deep consumer insight to drive premium market growth in Europe under the sharpened Electrolux brand.

A deep kitchen consumer analysis in Europe provided valuable consumer insight that highlighted the need for more intuitive products. During the second half of 2019, Electrolux launched a kitchen range of products that meet the consumer demand for more intuitive usability to enable them to get the most out of their products.

The new range has been very well received by consumers, which is significant as positive consumer reviews drive sales. The consumer rating for the new Electrolux kitchen range was 4.9 at launch compared with an average of 4.6 for the range that it replaced.

Read more in the Electrolux Annual Review 2019:  
[www.electroluxgroup.com/annualreports/2019](http://www.electroluxgroup.com/annualreports/2019)

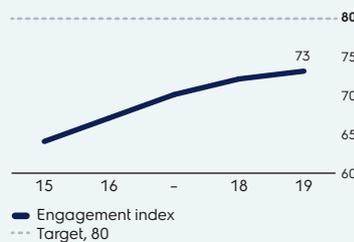
### SALES GROWTH



<sup>1)</sup> Total sales growth excluding currency translation effects.

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

### EMPLOYEE ENGAGEMENT



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

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

### SUSTAINABILITY



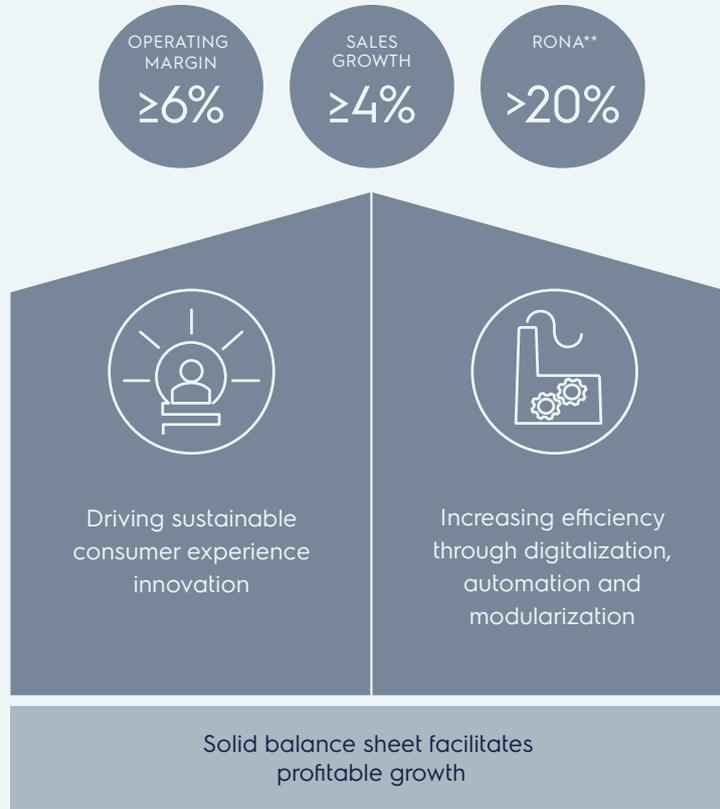
<sup>1)</sup> Reduce CO<sub>2</sub> impact by 50% by 2020 through focusing on product efficiency in the main product categories. Sales volumes and emission factors are normalized to 2005.

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

<sup>1)</sup> Financial targets are for the consumer business, the figures in the graphs above exclude the business area Professional Products. Targets are over a business cycle.

## Key areas to drive profitable growth

Financial targets for profitable growth\*



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

### ► Create Value

Following the intended separation of Professional Products, the consumer business will retain its financial targets for profitable growth. As I previously mentioned, this will require a sharpening of our targets given the higher margin of the professional business.

Our two key areas to drive profitable growth are:

- Driving sustainable consumer experience innovation
- Increasing efficiency through digitalization, automation and modularization

#### Driving sustainable consumer experience innovation

A streamlined and innovative product portfolio, with proven consumer benefits, enables great tasting food, care for clothes and healthy wellbeing in the home. Our new global consumer experience organization

established during the year intensifies our focus on deep consumer insight.

Our well-established brands with a strong innovation heritage, together with sustainability leadership differentiate Electrolux and are key to drive profitable growth. We have a clear roadmap to strengthen our position in emerging markets, which represents huge business opportunities.

We also aim to strengthen our position in the high-margin aftermarket business by doubling aftermarket sales by 2025.

We are increasing direct consumer contact by digital consumer service interfaces and by expanding our range of connected products based on a global IoT platform. In addition, we are strengthening our service product offering through extended warranties and fixed price repair models.

#### Increasing efficiency through digitalization, automation and modularization

Delivering continuous cost improvements is an important part of our strategy. We have a strong track record of delivering cost reductions and since 2015 we have reduced costs by approximately SEK 5bn.

We are implementing our SEK 8bn global product architecture and automation program to further strengthen competitiveness. These re-engineering investments together with additional streamlining measures are expected to generate approximately SEK 3.5bn in annual cost savings with full effect by 2024, while also reducing our environmental footprint.

We are increasingly leveraging our global scale while at the same time benefiting from deep local understanding to capture regional opportunities. Our digitally integrated supply chain and manufacturing helps drive improved productivity and flexibility in our operations. ►

#### ■ CASE STORY

### Fixed price repair service targets high-margin aftermarket growth

Electrolux is launching services, such as fixed price repair in Europe, that aim to access the largely untapped aftermarket business, with the overall objective of doubling Group aftermarket sales to 10% by 2025.

Electrolux has launched a fixed price repair service to tap into the significant aftermarket potential. The service allows consumers to make an informed decision on whether to repair or replace an appliance based on their quote from Electrolux.

Such services increase the lifetime value for consumers, which also drives loyalty and repurchasing rates. The new service has been well received since its launch in 2017, with its Net Promoter Score\* more than doubling.

Read more in the Electrolux Annual Review 2019: [www.electroluxgroup.com/annualreports/2019](http://www.electroluxgroup.com/annualreports/2019)

\* Measures the willingness of consumers to recommend a company's products or services to others.



#### ■ CASE STORY

### Re-engineering further strengthens competitiveness

The Anderson refrigeration plant in South Carolina in the U.S. will become one of the Group's most automated facilities following a USD 250m re-engineering investment.

Best-in-class automation solutions, modularization and more energy-efficient production at Anderson will result in significant cost savings. Automation level will increase to about 35% compared to previously less than 10%. The food preservation category is the largest in North America for Electrolux – accounting for nearly half of business area sales.

A new range of innovative Frigidaire refrigerator and freezer products has been enabled by the re-engineering investment in Anderson. The new refrigerator and freezer range is based on completely new product architectures to speed up innovation and enhance the consumer experience.

Read more in the Electrolux Annual Review 2019: [www.electroluxgroup.com/annualreports/2019](http://www.electroluxgroup.com/annualreports/2019)

## Global trends



### TRENDS

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

#### ► Well-positioned in a changing world

The world in which we operate is constantly changing due to the influence of global megatrends. These create challenges for our business – but also bring about enormous opportunities.

Increasing consumer power is a key trend. I am convinced our consumer-focused business model gives us a competitive advantage in a market where consumers are very well informed. This trend is closely related to digitalization as many consumers have access to a huge amount of consumer-related information via the internet and social media. I con-

sider this trend to be very favorable for Electrolux as positive consumer reviews of our products drive further sales. Digitalization also presents us with opportunities to connect appliances. This is a key tool to create new consumer experiences and cultivate consumer relationships during the product use phase, as well as increase efficiency in our operations.

Sustainability is increasingly important to consumers, and therefore a key driver of demand. This is a competitive advantage for us as we have a leading position when it comes to sustainability in our industry. Resource efficient products as well as greater resource efficiency in our operations continue to be a priority for us.

I believe the growing global middle class presents many exciting opportunities for Electrolux. This is why we recognize emerging markets as a driver of our future business. We are increasingly drawing on our global scale, deep local insight and modularized product platforms to quickly bring products to emerging markets, meeting the needs of local consumers.

Many of these global trends require significant investment, which favors larger players and therefore drives industry consolidation. Electrolux is a leading global player that is well positioned to continue to drive profitable growth by drawing on the opportunities from global megatrends. ►

## Our focused strategy for profitable growth



### PATH TO PROFITABLE GROWTH

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



### THE ELECTROLUX BUSINESS MODEL

By focusing on creating Outstanding Consumer Experiences, the Electrolux business model is designed to achieve the Group's purpose – Shape living for the better – and drive profitable growth.



A clear consumer focus sets us apart

Execution to increase competitiveness

With drivers that prepare us for the future

## Celebrating a century of better living



### ► Electrolux 100 years

Electrolux turned 100 years in 2019 and we can be proud of our achievements over the past century. I believe our well-established brands, strong innovation heritage, winning sales orientation, contribution to societal development and sustainability leadership are all key strengths that ensure Electrolux is well positioned to deliver profitable growth going forward.

### A century of better living

By creating great taste, care and well-being experiences, and better living for hundreds of millions of people around the world over the past century, Electrolux has not only enhanced the quality of life

of its consumers, but also the societies in which they live. Our company is part of an industry that has revolutionized domestic duties, as well as general hygiene and eating habits within less than half a century.

### Sustainability leadership – a key differentiator

In the 1990s, we were the first appliance company to focus on sustainability, which has been at the heart of our strategy ever since. Today, the Electrolux brand is associated with sustainability, which I believe is a differentiator that results in additional growth opportunities.

Sustainable products are more profitable. Our most resource-efficient prod-

ucts accounted for 23% of total products sold and 32% of gross profit in 2019.

We celebrated our anniversary year by launching the Better Living Program, which is a bold initiative to enable us to continue to be at the forefront of sustainability. The program includes a broad range of actions and targets until 2030 and is our first step to contributing to more sustainable lifestyles for the next 100 years.

### Creating shareholder value

Offering outstanding consumer experiences, driven by innovation and operational excellence, is at the heart of our strategy and essential to deliver on our financial targets. ►

### 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.



► Our journey toward profitable growth continues in 2020. As we now have an even more consumer-focused organization with key global capabilities to accelerate product innovation and

efficiency, I am confident that we are better positioned than ever to deliver long-term shareholder value.

I would finally like to thank all our employees for their individual

contributions during the year. I am proud of the dedication, professionalism and expertise our employees have shown throughout the Group. ■

Stockholm, February 2020

Jonas Samuelson President and CEO

VISIT OUR ONLINE REPORT

[www.electroluxgroup.com/annualreports/2019](http://www.electroluxgroup.com/annualreports/2019)

## Electrolux Annual Review 2019

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For more information visit the Annual Review 2019, accessible on all your digital platforms. The Annual Review includes comprehensive information about business development, strategy for profitable growth, business areas as well as profitable growth case studies.



Report by the  
Board of Directors

In 2019, the Electrolux Board of Directors decided to propose to shareholders to distribute the business area Professional Products as a separate company under the name of Electrolux Professional. The intention is to list the company on Nasdaq Stockholm. Distribution of, and first day of trading in, the shares in Electrolux Professional is planned to take place on March 23, 2020. Electrolux Professional is in this report accounted for as discontinued operations. The comments in this report refers to the consumer business, continuing operations, exclusive of Electrolux Professional, unless otherwise stated. For information on accounting principles, see Note 1 and Note 26.

# Report by the Board of Directors

- Net sales for continuing operations amounted to SEK 118,981m (115,463). The sales growth excluding currency translation effects was -1.3%.
- Operating income for continuing operations amounted to SEK 3,189m (4,176), corresponding to a margin of 2.7% (3.6).
- Excluding non-recurring items of SEK -1,344m (-1,343), operating income for continuing operations amounted to SEK 4,533m (5,519), corresponding to a margin of 3.8% (4.8).
- Income for the period for the Group, including discontinued operations, amounted to SEK 2,509m (3,805), corresponding to SEK 8.73 (13.24) per share.
- Operating cash flow after investments for the Group, including discontinued operations, amounted to SEK 3,433m (3,649).
- Extraordinary General Meeting is held on February 21, 2020, to resolve on the distribution of Electrolux Professional.
- The Board proposes a dividend for 2019 of SEK 8.50 (8.50) per share, to be paid in two installments.

Key data			
SEKM	2019	2018	Change, %
<b>Continuing operations</b>			
Net sales	118,981	115,463	3
Sales growth, % <sup>1)</sup>	-1.3	1.2	
Organic growth, %	-1.0	1.2	
Acquisitions, %	–	0.4	
Divestments, %	-0.3	-0.4	
Changes in exchange rates, %	4.3	0.9	
Operating income <sup>2)</sup>	3,189	4,176	-24
Operating margin, %	2.7	3.6	
Income after financial items	2,456	3,754	-35
Income for the period	1,820	2,854	-36
Earnings per share, SEK <sup>3)</sup>	6.33	9.93	
Operating cash flow after investments <sup>5)</sup>	2,280	2,646	
Return on net assets, %	12.0	20.2	
Capital turnover-rate, times/year	4.5	5.6	
Average number of employees	48,652	51,253	
Net debt/equity ratio	0.34	–	
<b>Total Group, including discontinued operations</b>			
Income for the period	2,509	3,805	-34
Earnings per share	8.73	13.24	
Operating cash flow after investments	3,433	3,649	
Dividend per share, SEK	8.50 <sup>4)</sup>	8.50	
Net debt/equity ratio	–	0.08	
Return on equity, %	11.4	18.2	

<sup>1)</sup> Change in net sales adjusted for currency translation effects.  
<sup>2)</sup> Operating income for 2019 includes non-recurring items of SEK -1,344m (-1,343). Excluding these items, operating income amounted to SEK 4,533m, (5,519) corresponding to a margin of 3.8% (4.8), 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> Proposed by the Board of Directors.  
<sup>5)</sup> See page 30.

## 2019 in summary

- The organic sales decline of 1.0% was related to lower volumes, primarily in North America.
- Operating income declined to SEK 3,189m (4,176) and includes non-recurring items of SEK -1,344m (-1,343).
- Lower volumes and manufacturing transition costs in North America impacted earnings negatively, while price increases offset higher costs for raw materials, trade tariffs and currency headwinds.
- Major product launches, e.g. under a sharpened Electrolux brand, contributed to mix improvements.
- Proposal to shareholders to distribute Electrolux Professional as a standalone company.
- Comprehensive manufacturing consolidation projects and global streamlining measures initiated.

### Net sales and operating income

Net sales for continuing operations increased by 3.0% in 2019. Organic sales declined by 1.0%, the net contribution of acquisitions and divestments was -0.3% and currency translation had a positive impact of 4.3%. The organic sales decline was primarily due to lower volumes in North America, where sales under private label declined and temporary capacity constraints in the new facility in Anderson impacted volumes negatively. Price increases and mix improvements contributed to sales. The business areas Europe and Latin America reported organic sales growth. Product-mix improvements and price increases explain the growth in Europe. The sales growth in Latin America was mainly driven by Brazil and increased volumes, mix improvements and price increases also contributed positively. Asia-Pacific, Middle East and Africa reported a sales decline.

Operating income amounted to SEK 3,189m (4,176), corresponding to a margin of 2.7% (3.6). Operating income was negatively impacted by SEK -1,344m (-1,343) related to non-recurring items. These items comprised of restructuring charges for consolidation of manufacturing in North America and Latin America, efficiency measures and outsourcing projects across the Group, recovery of overpaid sales tax in Brazil and a legal settlement in the U.S. For more information see Note 7. Excluding these non-recurring items, operating income amounted to SEK 4,533m (5,519), corresponding to a margin of 3.8% (4.8).

Mix improvements across business areas contributed positively to operating income, as a result of major product launches and focus on core brands to improve the product mix. However, lower volumes and manufacturing transition costs in North America, higher marketing investments as well as costs related to the preparation of the separation of Professional Products

had a negative impact on earnings. Headwinds from higher raw material costs, trade tariffs and currency were fully offset by price increases.

### Distribution of Professional Products

In December 2019, Electrolux Board decided to propose to shareholders to split the Group in two listed companies Electrolux for household appliances and Electrolux Professional for professional appliances. A split will enable both companies to focus on their respective opportunities to drive profitable growth, with distinct strategies for innovation and customer focus, as well as a high level of capital efficiency. The intention is to list Electrolux Professional on March 23, 2020. Electrolux Professional is reported as discontinued operations in this report and the results are included as a single net in the income statement under the item; Income for the period, discontinued operations. For more information on Electrolux Professional and accounting principles, see page 25 and Note 26.

### Strategic initiatives to improve profitability

Electrolux has a clear strategy to deliver profitable growth and create shareholder value. At the heart of the strategy is a strong consumer focus. In 2019, Electrolux continued executing on the path to profitable growth. Product mix improved through continued focus on product portfolios with strong consumer benefits.

To accelerate profitable growth, the business was reorganized in four regional consumer-focused business areas ensuring a unified approach to each market. This meant that the Home Care & SDA business area was combined with the four major appliances business areas. A new global consumer experience organization responsible for functions such as mar-

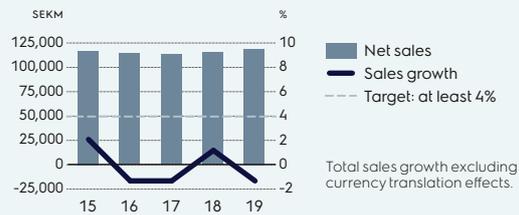
### Financial overview by business area, continuing operations

SEKM	2019	2018	Change, %
<b>Net sales</b>	118,981	115,463	3
<b>Operating income:</b>			
Europe	2,493	2,128	17
North America	-516	1,104	n.m.
Latin America	1,821	492	270
Asia-Pacific, Middle East and Africa	446	979	-54
Other, Group common costs, etc.	-1,055	-527	-100
<b>Total</b>	<b>3,189</b>	<b>4,176</b>	<b>-24</b>
Operating margin, %	2.7	3.6	
Operating margin excl. non-recurring items, % <sup>1)</sup>	3.8	4.8	

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

Financial targets over a business cycle<sup>1)</sup>

## SALES GROWTH



## OPERATING MARGIN



## CAPITAL TURNOVER-RATE



## RETURN ON NET ASSETS



<sup>1)</sup> For comparable reasons the figures in the graphs above are exclusive of the business area Professional Products.

keting, design and digital consumer solutions was established to support the business areas. The investments in modularized products in automated production continued. These are important to further increase the competitiveness in order to drive growth through more innovative products as well as lowering costs. The re-engineering program, totaling SEK 8bn, continued in 2019. The freezer and refrigerator production in U.S. was consolidated to a new factory in Anderson. The cost savings from this program and the streamlining measures above are expected to be approximately SEK 3.5bn annually, with full effect from 2024.

## Launches of new products

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

Taste innovations in 2019 included launches under a sharpened Electrolux brand in several global markets, including Europe and Australia. New kitchen products included steam ovens with the steamify function for best baking and cooking results. The new kitchen range received high recognition in consumer reviews. Other examples in 2019 included the Air-Fry cooker in North America, the first on the market built into a cooker. Multidoor refrigerators adapted to local preferences using a common manufacturing platform were launched in North America and Latin America. Multidoor is the largest and fastest growing refrigeration category. Care innovations in 2019 included the development of Top Load Washing Machines

(TLWMs) in Latin America. The market for high-capacity TLWMs has experienced fast growth in recent years and Electrolux is the largest player in this category. Resource-efficient washing machines with Electrolux UltraCare technology were launched in Europe.

In the Wellbeing area, the stylish Electrolux Pure A9 air purifier was launched in South Korea and the Nordics.

## Changes in Group Management during 2019

In February, as described on page 18, the business was reorganized into four regional consumer-focused business areas where the four major appliances business areas were combined with the previous business area Home Care & SDA. At the same time a new global consumer experience function was established to accelerate product and ownership experience innovation. This new function is headed by Ola Nilsson, previously head of Home Care & SDA, as Group Chief Experience Officer (CXO) as of February 1, 2019. As a consequence of the new organizational structure, the Chief Marketing Officer Lars Hygrell is no longer member of Group Management. Jan Brockman, Chief Operations Officer, was also appointed as Executive Vice President of AB Electrolux.

In December, Alan Shaw, head of the business area North America, decided to retire from his position. Nolan Pike, previously Senior Vice President within Electrolux global Consumer Experience organization, was appointed new head of the business area as of January 1, 2020.

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

## Net sales and income

- Sales for continuing operations increased by 3.0%. This was a result of positive currency translation effects of 4.3%, while organic sales declined by 1.0% and divestment had a negative impact of 0.3%.
- Operating income for continuing operations amounted to SEK 3,189m (4,176), corresponding to a margin of 2.7% (3.6).
- Excluding non-recurring items of SEK -1,344m (-1,343), operating income amounted to SEK 4,533m (5,519), corresponding to a margin of 3.8% (4.8).
- Lower volumes and manufacturing transition costs in North America impacted earnings negatively, while mix improvements across business areas contributed positively.
- Price increases fully offset headwinds from higher raw material costs, trade tariffs and currency.
- Income for the period for the Group, including discontinued operations, amounted to SEK 2,509m (3,805), corresponding to SEK 8.73 (13.24) per share.

### Net sales

Net sales for continuing operations in 2019 amounted to SEK 118,981m (115,463), which is an increase of 3.0%. Organic sales decreased by 1.0%, while divestments had a negative impact of 0.3% and currency translation had a positive impact of 4.3%.

The organic sales decline was primarily related to North America, where sales under private label declined and capacity constraints related to the manufacturing consolidation impacted sales volumes of refrigerators and freezers negatively. The business areas Europe and Latin America reported organic sales growth, while sales in Asia-Pacific, Middle East and Africa declined.

### Operating income

Operating income for continuing operations for 2019 amounted to SEK 3,189m (4,176), corresponding to a margin of 2.7% (3.6). Operating income included non-recurring items of SEK -1,344m (-1,343). These items refer to restructuring charges for the consolidation of the U.S. cooking production of SEK -829m, closure of a refrigerator production line in Latin America of SEK -225m, efficiency measures and outsourcing projects across business areas and Group common costs of SEK -1,496m as well as overpaid sales tax in Brazil of SEK 1,403m and a legal settlement in the U.S. of SEK -197m, see Note 7. Excluding these non-recurring items, operating income amounted to SEK 4,533m (5,519), corresponding to a margin of 3.8% (4.8).

Lower volumes and manufacturing transition costs in North America impacted earnings negatively while mix improvements across business areas contributed positively. Price increases fully offset higher costs for raw material, trade tariffs and currency.

Operating income excluding non-recurring items declined significantly for the business area North America. The busi-

ness area Asia-Pacific, Middle East and Africa also reported a decline. Earnings for the business areas Europe and Latin America increased. For more information on the performance of each business area, see page 22-24.

### Effects of changes in exchange rates

Changes in exchange rates had a negative impact of SEK -476m on operating income year-over-year. The impact of transaction effects was SEK -696m. Translation effects amounted to SEK 220m.

### Financial net

Net financial items amounted to SEK -733m (-422). The change was mainly due to interest expense on lease liabilities following the implementation of IFRS 16 as well as a general increase in interest net.

### Income after financial items

Income after financial items amounted to SEK 2,456m (3,754), corresponding to 2.1% (3.2) of net sales.

### Taxes

Total taxes for 2019 amounted to SEK -636m (-900), corresponding to a tax rate of 25.9% (24.0).

### Income for the period and earnings per share

Income for the period for continuing operations, amounted to SEK 1,820m (2,854), corresponding to SEK 6.33 (9.93) in earnings per share before dilution.

Income for the period for the Group, including discontinued operations, amounted to SEK 2,509m (3,805), corresponding to SEK 8.73 (13.24) in earnings per share before dilution.

NET SALES AND OPERATING MARGIN<sup>1)</sup>



<sup>1)</sup> For comparable reasons the figures in the graph above excludes the business area Professional Products.

EARNINGS PER SHARE<sup>2)</sup>



<sup>2)</sup> The figures for 2018 and 2019 are for continuing operations, exclusive of ElectroLux Professional.

# Consolidated statement of comprehensive income

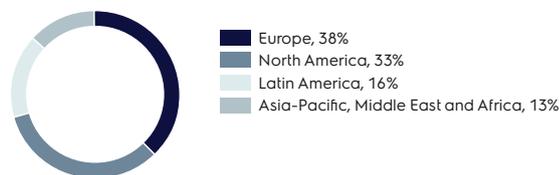
SEKM	NOTE	2019	2018
<b>Continuing operations</b>			
Net sales	3, 4	118,981	115,463
Cost of goods sold	5, 7	-99,182	-95,462
<b>Gross operating income</b>		<b>19,799</b>	<b>20,001</b>
Selling expenses	5, 7	-12,186	-11,344
Administrative expenses	5, 7	-5,481	-4,667
Other operating income and expenses	6, 7, 29	1,057	185
<b>Operating income</b>	<b>3, 8</b>	<b>3,189</b>	<b>4,176</b>
Financial items, net	9	-733	-422
<b>Income after financial items</b>		<b>2,456</b>	<b>3,754</b>
Taxes	10	-636	-900
<b>Income for the period, continuing operations</b>		<b>1,820</b>	<b>2,854</b>
Income for the period, discontinued operations	26	688	951
<b>Income for the period</b>		<b>2,509</b>	<b>3,805</b>
<b>Items that will not be reclassified to income for the period:</b>			
Remeasurement of provisions for post-employment benefits	22	-103	-448
Income tax relating to items that will not be reclassified		3	128
		-100	-319
<b>Items that may be reclassified subsequently to income for the period:</b>			
Cash flow hedges	11, 18	-10	-2
Exchange-rate differences on translation of foreign operations	11	1,030	203
Income tax relating to items that may be reclassified	11	24	23
		1,044	224
<b>Other comprehensive income, net of tax</b>		<b>944</b>	<b>-95</b>
<b>Total comprehensive income for the period</b>		<b>3,452</b>	<b>3,710</b>
<b>Income for the period attributable to:</b>			
Equity holders of the Parent Company		2,509	3,805
Non-controlling interests		-1	-0
<b>Total</b>		<b>2,509</b>	<b>3,805</b>
<b>Total comprehensive income for the period attributable to:</b>			
Equity holders of the Parent Company		3,453	3,710
Non-controlling interests		-1	-0
<b>Total</b>		<b>3,452</b>	<b>3,710</b>
<b>Earnings per share</b>	<b>20</b>		
<b>For income attributable to the equity holders of the Parent Company:</b>			
Basic, continuing operations, SEK		6.33	9.93
Basic, discontinued operations, SEK		2.40	3.31
Basic, total Group, SEK		8.73	13.24
Diluted, continuing operations, SEK		6.30	9.86
Diluted, discontinued operations, SEK		2.38	3.29
Diluted, total Group, SEK		8.69	13.14
<b>Average number of shares</b>	<b>20</b>		
Basic, million		287.4	287.4
Diluted, million		288.8	289.5

## Operations by business area

- Solid earnings and value market share gains in Europe.
- North America negatively impacted by lower volumes and manufacturing transition cost.
- Strong organic sales growth in Latin America with improved operating margin.
- Asia-Pacific, Middle East and Africa impacted by lower sales and strong currency headwind.

During the year, Electrolux revised its business area structure to create four consumer-focused regional business areas to ensure a unified approach in each market with common branded platforms and interaction with consumers. The previous business area Home Care & SDA, was combined with the four major appliances business areas. The business areas are 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

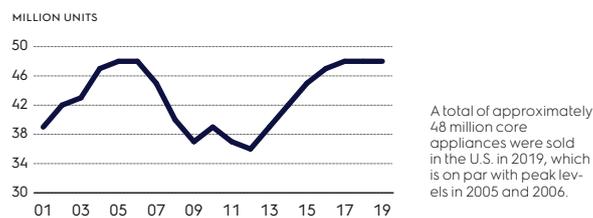


### Market overview

Market demand for core appliances in Europe increased by 2% in 2019. This was driven by growth of 3% in Eastern Europe and of 1% in Western Europe. In the U.S., market demand for core appliances declined by 2%. Market demand in Brazil is estimated to have increased in 2019, while demand in Argentina and Chile is estimated to have declined, due to an unstable political and

economic environment. Overall market demand for appliances in Australia declined due to a weaker economy, slowing property market and a weak Australian dollar. The markets in South-east Asia as well as in Middle East and Africa are estimated to have shown growth.

INDUSTRY SHIPMENTS FOR CORE APPLIANCES IN THE U.S.



Source: AHAM.

INDUSTRY SHIPMENTS FOR CORE APPLIANCES IN EUROPE



Source: Electrolux estimates, as from 2018, market volumes in Eastern Europe have been revised, considering additional sources.

For other markets there are no comprehensive market statistics.

## Europe

Market demand in Europe increased by 2% in 2019. This was driven by growth in Eastern Europe of 3% and in Western Europe of 1%.

Electrolux operations reported an organic sales growth of 1.7% in 2019 driven by improvement in brand and product mix as well as price increases. The business area gained value market share in its focus area built-in kitchen, supported by the new Electrolux branded built-in kitchen range, launched in the second half of the year.

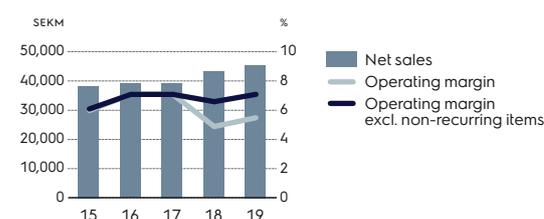
Operating income and margin improved year-over-year. Strong organic contribution from price and mix more than compensated for higher raw material costs, increased marketing investments to support important product launches as well as higher costs related to product architecture projects. Currency contributed positively. Non-recurring items of SEK -752m (-747) were included in the operating income and related to restructuring charges for efficiency measures and outsourcing projects, see Note 7.

### KEY FIGURES

SEKM	2019	2018
Net sales	45,420	43,321
Organic growth, %	1.7	4.7
Acquisitions, %	0.1	0.7
Operating income	2,493	2,128
Operating margin, %	5.5	4.9
Operating margin excl. non-recurring items, % <sup>1)</sup>	7.1	6.6
Net assets	1,429	510
Return on net assets, %	108.4	177.1
Capital expenditure	2,399	1,741
Average number of employees	17,943	18,325

<sup>1)</sup> For information on non-recurring items, see Note 7 and page 88.

### NET SALES AND OPERATING MARGIN



## North America

Market demand for core appliances in the U.S. declined by 2% in 2019. Market demand for all major appliances, including microwave ovens and home-comfort products, declined by 5%.

Electrolux operations in North America reported an organic sales decline of 8.7% due to lower volumes. Those were primarily impacted by lower sales under private label and capacity constraints related to the manufacturing consolidation for refrigerators and freezers. Cost-based price increases and mix improvements contributed positively to sales. The divestment

of the commercial and central vacuum cleaner business had a negative impact of 1.0% on sales.

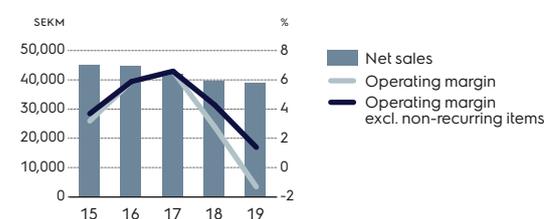
Operating income and margin declined year-over-year, mainly as a result of the lower volumes but also increased costs related to the manufacturing consolidation. Price increases more than compensated for higher costs from raw material and trade tariffs. Mix improvements and currency had a favorable impact. Non-recurring items of SEK -1,071m (-596) were included in operating income, mainly related to the consolidation of the U.S. cooking production, see Note 7.

### KEY FIGURES

SEKM	2019	2018
Net sales	38,954	39,804
Organic growth, %	-8.7	-6.3
Divestments, %	-1.0	-1.0
Operating income	-516	1,104
Operating margin, %	-1.3	2.8
Operating margin excl. non-recurring items, % <sup>1)</sup>	1.4	4.3
Net assets	6,496	3,802
Return on net assets, %	-8.3	29.3
Capital expenditure	2,573	2,099
Average number of employees	11,287	13,325

<sup>1)</sup> For information on non-recurring items, see Note 7 and page 88.

### NET SALES AND OPERATING MARGIN



## Latin America

Consumer demand for core appliances in Brazil is estimated to have shown growth in 2019. In Argentina and Chile the demand is estimated to have declined, due to the unstable political and economic environment.

Electrolux operations in Latin America reported an organic sales growth of 10.9% in 2019, mainly driven by Brazil but also by Argentina. Both price increases and mix improvement contributed, as well as higher sales volumes in Brazil.

Operating income and margin increased year-over-year. This was a result of the positive mix development, higher volumes and good execution on cost-efficiency measures.

Increased prices offset higher raw material costs but could not fully compensate for significant currency headwinds.

Operating income included a positive impact related to operational taxes and a reversal of provision in Brazil. Last year, operating income included a positive impact of approximately SEK 170m from a reversal of a provision related to an administrative case.

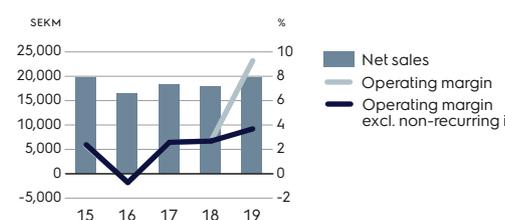
Non-recurring items of SEK 1,101m (0) were included in operating income, mainly related to the recovery of overpaid sales tax in Brazil, see Note 7.

### KEY FIGURES

SEKM	2019	2018
Net sales	19,653	17,963
Organic growth, %	10.9	9.3
Operating income	1,821	492
Operating margin, %	9.3	2.7
Operating margin excl. non-recurring items, % <sup>1)</sup>	3.7	2.7
Net assets	7,044	6,186
Return on net assets, %	27.1	7.7
Capital expenditure	956	722
Average number of employees	10,230	10,360

<sup>1)</sup> For information on non-recurring items, see Note 7 and page 88.

### NET SALES AND OPERATING MARGIN



## Asia-Pacific, Middle East and Africa

Overall market demand for appliances in Australia declined in 2019, mainly related to a slowing property market and a weak Australian dollar. The markets in Southeast Asia as well as in Middle East and Africa are estimated to have shown growth.

Electrolux reported an organic sales decline of 1.3%, mainly related to lower volumes and, in Southeast Asia, price pressure. Mix contributed positively across product categories and in most regions, notably in Australia.

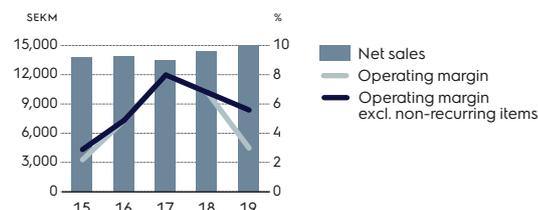
Operating income and margin declined year-over-year, mainly as a result of significant currency headwinds as well as the decline in organic sales. Investments in major product launches increased, while production efficiency contributed positively. Non-recurring items of SEK -398m (0) were included in operating income and related to restructuring charges for efficiency measures and outsourcing projects, see Note 7.

### KEY FIGURES

SEKM	2019	2018
Net sales	14,954	14,375
Organic growth, %	-1.3	4.2
Acquisitions, %	0.1	0.9
Operating income	446	979
Operating margin, %	3.0	6.8
Operating margin excl. non-recurring items, % <sup>1)</sup>	5.6	6.8
Net assets	6,062	5,223
Return on net assets, %	7.4	19.2
Capital expenditure	456	505
Average number of employees	7,919	7,829

<sup>1)</sup> For information on non-recurring items, see Note 7 and page 88.

### NET SALES AND OPERATING MARGIN



## Discontinued operations

### Electrolux Professional

Overall market demand for professional food and beverage and professional laundry equipment is estimated to have shown growth in 2019, although at a slower pace than the previous year.

Electrolux Professional reported a slight organic decline of 0.3%. Volumes decreased in the food and beverage segment, while price development contributed positively. Acquisitions had a positive impact of 4.0% on sales and refer to the acquisitions of SPM Drink Systems and UNIC.

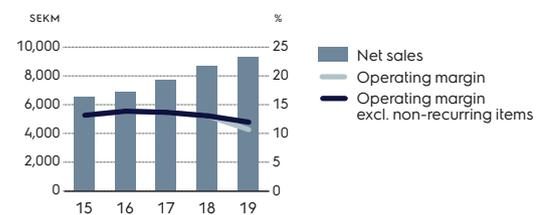
Operating income and margin declined year-over-year. The decrease was mainly due to lower volumes, partly relating to preparations pertaining to the separation of

Electrolux Professional, but also increased investments in marketing and innovation. Operating income included initial costs for setting up a new IT infrastructure, higher ongoing costs for operating as a stand-alone company as well as a positive effect from a pension plan settlement in Sweden. In 2019, an efficiency program was launched to offset the additional higher cost as a stand-alone company. Non-recurring items of SEK -122 m (0) were included in operating income related to the efficiency program. For more information on discontinued operations, see note 26.

#### KEY FIGURES

SEKM	2019	2018
Net sales	9,281	8,666
Organic growth, %	-0.3	3.5
Acquisitions, %	4.0	4.7
Operating income	991	1,134
Operating margin, %	10.7	13.1
Operating margin excl. non-recurring items, %	12.0	13.1

#### NET SALES AND OPERATING MARGIN



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. The balance sheet items for 2018 are the historical financial statements as no restatement is allowed under IFRS. To facilitate comparison, working capital and net assets items below excludes assets and liabilities of Electrolux Professional for both 2018 and 2019.

## Financial position

- Equity/assets ratio was 23.6% (25.6).
- Return on equity was 11.4% (18.2).
- Return on net assets was 12.0% (20.2).
- Financial net debt position amounted to SEK 667m (1,989 net cash position).

### Working capital and net assets

Working capital as of December 31, 2019 amounted to SEK -17,390m (-17,077), corresponding to -14.8% (-14.8) of annualized net sales. Operating working capital amounted to

SEK 3,149m (2,279), corresponding to 2.7% (2.0) of annualized net sales.

Average net assets were SEK 26,532m (20,722), corresponding to 22.3% (17.9) of annualized net sales.

Return on net assets was 12.0% (20.2).

### Working capital and net assets

SEKM	Dec. 31, 2019	% of net sales <sup>1)</sup>	Dec. 31, 2018 restated <sup>2)</sup>	% of net sales <sup>1)</sup>	Dec. 31, 2018 <sup>3)</sup>	% of net sales <sup>1)</sup>
Inventories	16,194	13.8	15,451	13.4	16,750	13.5
Trade receivables	20,847	17.7	19,824	17.1	21,482	17.3
Accounts payable	-33,892	-28.8	-32,996	-28.5	-34,443	-27.7
<b>Operating working capital</b>	<b>3,149</b>	<b>2.7</b>	<b>2,279</b>	<b>2.0</b>	<b>3,789</b>	<b>3.0</b>
Provisions	-8,183		-7,083		-7,565	
Prepaid and accrued income and expenses	-11,748		-11,205		-11,745	
Taxes and other assets and liabilities	-608		-1,067		-1,327	
<b>Working capital</b>	<b>-17,390</b>	<b>-14.8</b>	<b>-17,077</b>	<b>-14.8</b>	<b>-16,848</b>	<b>-13.5</b>
Property, plant and equipment, owned	21,803		20,003		21,088	
Property, plant and equipment, right-of-use	2,811		-		-	
Goodwill	7,071		6,800		8,239	
Other non-current assets	5,820		5,102		5,516	
Deferred tax assets and deferred tax liabilities	6,057		5,478		5,580	
<b>Net assets</b>	<b>26,172</b>	<b>22.3</b>	<b>20,306</b>	<b>17.5</b>	<b>23,574</b>	<b>19.0</b>
Annualized net sales <sup>4)</sup>	117,519		115,733		124,399	
<b>Average net assets</b>	<b>26,532</b>	<b>22.3</b>	<b>20,722</b>	<b>17.9</b>	<b>23,381</b>	<b>18.8</b>
Annualized net sales <sup>5)</sup>	118,981		115,463		124,129	
<b>Return on net assets, %</b>	<b>12.0</b>		<b>20.2</b>		<b>22.7</b>	

<sup>1)</sup> Annualized, see Note 30.

<sup>2)</sup> Excluding discontinued operations.

<sup>3)</sup> Including discontinued operations.

<sup>4)</sup> Calculated at end of period exchange rates.

<sup>5)</sup> Calculated at average exchange rates.

### Liquid funds

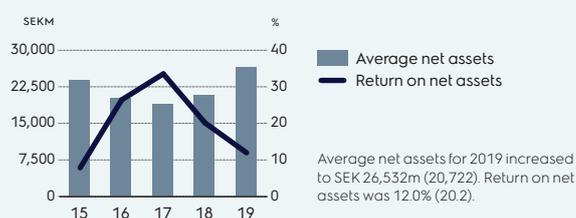
Liquid funds as of December 31, 2019, amounted to SEK 11,189m (12,249), excluding back-up credit facilities. Electrolux has an unused committed back-up multi-currency revolving credit facility of EUR 1,000m, approximately SEK 10,440m, expiring 2023.

### Liquidity profile

SEKM	Dec. 31, 2019	Dec. 31, 2018
Liquid funds	11,189	12,249
% of annualized net sales <sup>1)</sup>	18.4	18.1
Net liquidity	7,569	8,187
Fixed interest term, days	12	12
Effective annual yield, %	0.8	1.1

<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.

### RETURN ON NET ASSETS



### CAPITAL TURNOVER-RATE, TIMES/YEAR



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

# Consolidated balance sheet

SEKM	NOTE	December 31, 2019	December 31, 2018
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment, owned	12	21,803	21,088
Property, plant and equipment, right-of-use	8	2,811	—
Goodwill	13	7,071	8,239
Other intangible assets	13	3,817	3,919
Investments in associates	29	424	397
Deferred tax assets	10	6,618	6,448
Financial assets	18	93	246
Pension plan assets	22	1,043	532
Other non-current assets	14	1,486	952
<b>Total non-current assets</b>		<b>45,166</b>	<b>41,822</b>
<b>Current assets</b>			
Inventories	15	16,194	16,750
Trade receivables	17, 18	20,847	21,482
Tax assets		913	738
Derivatives	18	192	139
Other current assets	16	4,465	4,507
Short-term investments	18	190	176
Cash and cash equivalents	18	10,807	11,697
Discontinued operations, assets held for distribution	26	8,034	—
<b>Total current assets</b>		<b>61,642</b>	<b>55,490</b>
<b>Total assets</b>		<b>106,808</b>	<b>97,312</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	-1,351	-2,394
Retained earnings	20	19,468	19,683
		<b>22,566</b>	<b>21,738</b>
Non-controlling interests		8	11
<b>Total equity</b>		<b>22,574</b>	<b>21,749</b>
<b>Non-current liabilities</b>			
Long-term borrowings	18	8,236	6,198
Long-term lease liabilities	8	2,333	—
Deferred tax liabilities	10	561	868
Provisions for post-employment benefits	22	4,909	4,346
Other provisions	23	5,577	5,281
<b>Total non-current liabilities</b>		<b>21,616</b>	<b>16,693</b>
<b>Current liabilities</b>			
Accounts payable	18	33,892	34,443
Tax liabilities		883	984
Other liabilities	24	16,821	17,105
Short-term borrowings	18	3,354	3,952
Short-term lease liabilities	8	817	—
Derivatives	18	293	102
Other provisions	23	2,606	2,284
Discontinued operations, liabilities held for distribution	26	3,951	—
<b>Total current liabilities</b>		<b>62,617</b>	<b>58,870</b>
<b>Total liabilities</b>		<b>84,233</b>	<b>75,563</b>
<b>Total equity and liabilities</b>		<b>106,808</b>	<b>97,312</b>

Net debt items as per December 31, 2019, excludes assets and liabilities of Electrolux Professional. Net debt items as per December 31, 2018, includes assets and liabilities of Electrolux Professional. Equity as per December 31, 2019, and December 31, 2018, includes Electrolux Professional.

## Cont. Financial position

**Net debt**

As of December 31, 2019, Electrolux had a financial net debt position (excluding lease liabilities and post-employment provisions) of SEK 667m, compared to the financial net cash position of SEK 1,989m as of December 31, 2018. Net provisions for post-employment benefits was SEK 3,866m (3,814). Lease liabilities amounted to SEK 3,150m as of December 31, 2019 and is an effect of the application of IFRS 16 as from January 1, 2019. In total, net debt amounted to SEK 7,683m, an increase by SEK 5,858m compared to SEK 1,825m per December 31, 2018.

**Net debt**

SEKM	Dec. 31, 2019 <sup>1)</sup>	Dec. 31, 2018
Short-term loans	1,307	1,429
Short-term part of long-term loans	1,446	2,355
Trade receivables with recourse	602	168
<b>Short-term borrowings</b>	<b>3,354</b>	<b>3,952</b>
Financial derivative liabilities	233	81
Accrued interest expenses and pre-paid interest income	33	28
<b>Total short-term borrowings</b>	<b>3,620</b>	<b>4,062</b>
<b>Long-term borrowings</b>	<b>8,236</b>	<b>6,198</b>
<b>Total borrowings<sup>2)</sup></b>	<b>11,856</b>	<b>10,260</b>
Cash and cash equivalents	10,807	11,697
Short-term investments	190	176
Financial derivative assets	176	132
Prepaid interest expenses and accrued interest income	16	243
<b>Liquid funds</b>	<b>11,189</b>	<b>12,249</b>
<b>Financial net debt</b>	<b>667</b>	<b>-1,989</b>
Lease liabilities	3,150	-
Net provisions for post-employment benefits	3,866	3,814
<b>Net debt</b>	<b>7,683</b>	<b>1,825</b>
Net debt/equity ratio	0.34	0.08
<b>Total equity</b>	<b>22,574</b>	<b>21,749</b>
Equity per share, SEK	78.55	75.67
Return on equity, %	11.4	18.2
Equity/assets ratio, %	23.6	25.6

<sup>1)</sup> Electrolux Professional is currently 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 will be repaid in connection with the planned listing of Electrolux Professional and replaced by external financing leading to a reduction of Electrolux financial net debt. Electrolux Professional's liquid funds as per December 31, 2019 amounted to approximately SEK 0.6bn.

<sup>2)</sup> Whereof interest-bearing liabilities amounting to SEK 10,989m as of December 31, 2019 and SEK 9,982m as of December 31, 2018.

Long-term borrowings and long-term borrowings with maturities within 12 months amounted to a total of SEK 9,682m as of December 31, 2019 with average maturity of 3.0 years, compared to SEK 8,553m and 2.6 years at the end of 2018. During 2020, long-term borrowings amounting to approximately SEK 1.4bn will mature.

The Group's target for long-term borrowings includes an average time to maturity of at least two years, an even spread of maturities and an average interest-fixing period between 0 and 3 years. A maximum of SEK 5,000m of the long-term borrowings is allowed to mature in a 12-month period. At year-end, the average interest-fixing period for long-term borrowings was 1.5 years (1.0).

At year-end, the average interest rate for the Group's total interest-bearing borrowings was 1.6% (2.5).

**Rating**

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

**Rating**

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

**Net debt/equity and equity/assets ratio**

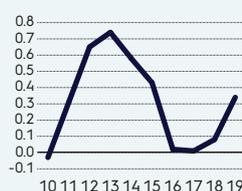
The net debt/equity ratio was 0.34 (0.08). The equity/assets ratio was 23.6% (25.6).

**Equity and return on equity**

Total equity as of December 31, 2019, amounted to SEK 22,574m (21,749), which corresponds to SEK 78.55 (75.67) per share. Return on equity was 11.4% (18.2).

**LONG-TERM BORROWINGS, BY MATURITY**

In 2020, long-term borrowings in the amount of approximately SEK 1,400m 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, 2018	1,545	2,905	-2,615	18,630	20,465	14	20,480
Effect from change in accounting principles	—	—	-1	-17	-18	0	-18
Adjusted opening balance	1,545	2,905	-2,615	18,614	20,448	14	20,463
Income for the period	—	—	—	3,805	3,805	0	3,805
Cash flow hedges	—	—	-2	—	-2	—	-2
Exchange differences on translation of foreign operations	—	—	200	4	204	0	203
Remeasurement of provisions for post-employment benefits	—	—	—	-448	-448	—	-448
Income tax relating to other comprehensive income	—	—	23	128	151	—	151
Other comprehensive income, net of tax	—	—	221	-316	-95	0	-95
Total comprehensive income for the period	—	—	221	3,490	3,710	0	3,710
Share-based payments	—	—	—	-35	-35	—	-35
Dividend	—	—	—	-2,385	-2,385	0	-2,385
Acquisition of non-controlling interest	—	—	—	—	—	-3	-3
Total transactions with equity holders	—	—	—	-2,421	-2,421	-3	-2,424
Closing balance, December 31, 2018	1,545	2,905	-2,394	19,683	21,738	11	21,749
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
Income for the period	—	—	—	2,509	2,509	—	2,509
Cash flow hedges	—	—	-10	—	-10	—	-10
Exchange differences on translation of foreign operations	—	—	1,029	—	1,029	—	1,029
Remeasurement of provisions for post-employment benefits	—	—	—	-103	-103	—	-103
Income tax relating to other comprehensive income	—	—	24	3	27	—	27
Other comprehensive income, net of tax	—	—	1,044	-100	944	—	944
Total comprehensive income for the period	—	—	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
Total transactions with equity holders	—	—	—	-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

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

The consolidated cash flow statement for 2019 and 2018 is for the total Group and includes a split of operating income into 'Operating income, continuing operations' and 'Operating income, discontinued operations'.

## Cash flow

- Operating cash flow after investments for the Group amounted to SEK 3,433m (3,649).
- Capital expenditure amounted to SEK 6,931m (5,629).
- R&D expenditure amounted to 3.3% (3.1) of net sales.

### Operating cash flow after investments

Operating cash flow after investments in 2019 for the Group amounted to SEK 3,433m (3,649). The year-over-year comparison reflects a higher contribution from operating cash flow, partly related to timing effects, while higher investments had a negative impact. Acquisitions of operations had a negative impact of SEK 467m. For more information on acquisitions see Note 26.

Operating cash flow after investments for continuing operations amounted to SEK 2,280m (2,646). For more information on cash flow related to discontinued operations, see Note 26.

### Cash flow

SEKM	2019	2018
Operating income adjusted for non-cash items <sup>1)</sup>	11,006	10,547
Change in operating assets and liabilities	-357	-1,000
<b>Operating cash flow</b>	<b>10,649</b>	<b>9,547</b>
Investments in tangible and intangible assets	-6,931	-5,629
Changes in other investments	-285	-269
<b>Operating cash flow after investments</b>	<b>3,433</b>	<b>3,649</b>
Acquisitions and divestments of operations	-467	-609
<b>Operating cash flow after structural changes</b>	<b>2,966</b>	<b>3,041</b>
Financial items paid, net <sup>2)</sup>	-661	-361
Taxes paid	-1,554	-1,140
<b>Cash flow from operations and investments</b>	<b>751</b>	<b>1,540</b>
Payment of lease liabilities	-942	-
Dividend	-2,443	-2,385
Share-based payments	9	-210
<b>Total cash flow, excluding changes in loans and short-term investments</b>	<b>-2,624</b>	<b>-1,056</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, 2019. Interests and similar items received SEK 78m (116), interests and similar items paid SEK -49m (-427) and other financial items paid SEK -111m (-49). Interest paid related to lease liabilities SEK -129m (-).

### Capital expenditure

Capital expenditure in property, plant and equipment in 2019 for the Group amounted to SEK 5,562m (4,650). Including investments in product development and software, capital expenditure amounted to SEK 6,931m (5,629).

Capital expenditures for continuing operations amounted to SEK 6,674m (5,460), corresponding to 5.6% (4.7) of net sales. The investments were mainly related to new products and architectures, manufacturing efficiency, automation and re-engineering.

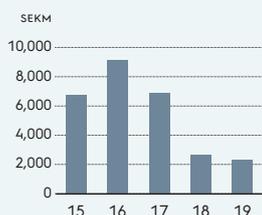
### Capital expenditure by business area

SEKM	2019	2018
<b>Continuing operations</b>		
Europe	2,399	1,741
% of net sales	5.3	4.0
North America	2,573	2,099
% of net sales	6.6	5.3
Latin America	956	722
% of net sales	4.9	4.0
Asia-Pacific, Middle East and Africa	456	505
% of net sales	3.0	3.5
Other	290	393
<b>Total</b>	<b>6,674</b>	<b>5,460</b>
% of net sales	5.6	4.7
<b>Discontinued operations</b>		
Electrolux Professional	257	169
<b>Total Group</b>	<b>6,931</b>	<b>5,629</b>
% of net sales	5.2	4.5

### R&D expenditure

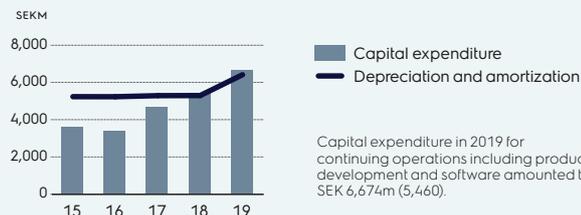
The expenditure for research and development in 2019 for continuing operations, including capitalization of SEK 788m (412), amounted to SEK 3,899m (3,566) corresponding to 3.3% (3.1) of net sales.

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



Operating cash flow after investments in 2019 for continuing operations amounted to SEK 2,280m (2,646).

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



Capital expenditure in 2019 for continuing operations including product development and software amounted to SEK 6,674m (5,460).

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

# Consolidated cash flow statement

SEKM	NOTE	2019	2018
<b>Operations</b>			
Operating income from continuing operations		3,189	4,176
Operating income from discontinued operations	26	991	1,134
Depreciation and amortization		5,104	4,150
Other non-cash items		1,722	1,088
Financial items paid, net <sup>1)</sup>		-661	-361
Taxes paid		-1,554	-1,140
<b>Cash flow from operations, excluding change in operating assets and liabilities</b>		<b>8,791</b>	<b>9,046</b>
<b>Change in operating assets and liabilities</b>			
Change in inventories		-298	-1,619
Change in trade receivables		-561	-582
Change in accounts payable		44	2,317
Change in other operating assets, liabilities and provisions		459	-1,116
<b>Cash flow from change in operating assets and liabilities</b>		<b>-357</b>	<b>-1,000</b>
<b>Cash flow from operations</b>		<b>8,434</b>	<b>8,046</b>
<b>Investments</b>			
Acquisition of operations	26	-467	-902
Divestment of operations	26	—	293
Capital expenditure in property, plant and equipment	12	-5,562	-4,650
Capital expenditure in product development	13	-797	-416
Capital expenditure in software and other intangibles	13	-571	-563
Other		-285	-269
<b>Cash flow from investments</b>		<b>-7,683</b>	<b>-6,506</b>
<b>Cash flow from operations and investments</b>		<b>751</b>	<b>1,540</b>
<b>Financing</b>			
Change in short-term investments		-13	193
Change in short-term borrowings <sup>2)</sup>		828	951
New long-term borrowings	18	3,810	1,736
Amortization of long-term borrowings	18	-2,412	-1,531
Payment of lease liabilities		-942	—
Dividend		-2,443	-2,385
Share-based payments		9	-210
<b>Cash flow from financing</b>		<b>-1,162</b>	<b>-1,245</b>
<b>Total cash flow</b>		<b>-411</b>	<b>295</b>
<b>Cash and cash equivalents at beginning of period</b>		<b>11,697</b>	<b>11,289</b>
Exchange-rate differences referring to cash and cash equivalents		172	113
<b>Cash and cash equivalents at end of period<sup>2)</sup></b>		<b>11,458</b>	<b>11,697</b>

<sup>1)</sup> Interests and similar items received SEK 78m (116), interests and similar items paid SEK -499m (-427) and other financial items paid SEK -111m (-49). Interest paid related to lease liabilities SEK -129 (-).

<sup>2)</sup> Whereof net cash change in short-term loans SEK 303m (397).

<sup>3)</sup> The difference between Cash and cash equivalents at the end of period for 2019 in the Consolidated cash flow statement and Consolidated balance sheet correspond to the cash and cash equivalents of Electrolux Professional amounting to approximately SEK 0.6 bn.

## External and emerging risks

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

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

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

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

### Variations in demand

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

### Changing industry dynamics

The fast pace of change in the industry has led to new trends, such as increased consumer power, digitalization, consolidation and sustainability. These changes place increasing demand on investments and the ability to adapt, but also open up major opportunities. Electrolux has in recent years invested in R&D and innovation and transformed its business into a consumer-

oriented company with strong focus on consumer benefits. Electrolux has also set ambitious targets to strengthen its sustainability footprint. For more information, see Sustainability reporting 2019.

### Price competition

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

### Regulatory changes

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

### Purchasing and raw material impact

Materials account for a large share of Electrolux costs. Electrolux purchases raw materials and components for approximately SEK 50bn, of which approximately SEK 17bn referred to raw materials in 2019. Electrolux also sources a significant number of finished products from external suppliers. Fluctuations in commodity prices impact the Group's input costs and, therefore, its profitability. In order to mitigate increased input costs related to higher raw material prices, Electrolux may have to take actions to increase cost efficiency, negotiate purchasing contracts for finished products and/or commodities such as steel and chemicals or increase the prices of its products. The purchasing of materials and finished products also involves risks for Electrolux if suppliers encounter constraints to deliver according to plan, which could be caused by many reasons, such as extreme weather conditions, pandemic situations or political disruptions.

### Political and macro risk

Political uncertainties and weak macro-economic conditions may indirectly impact demand for appliances. This has implications for Electrolux business and strategy in regions, which carry a high political and macro risk. While such risks have historically been mainly associated with certain markets in Latin America, the Middle East and Africa the development around Brexit have made it more difficult to predict the political risk also in Europe

### Sensitivity analysis year-end 2019, continuing operations

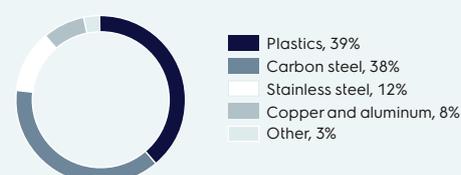
Risk	Change +/-	Pre-tax earnings impact +/-, SEK M
<b>Raw materials<sup>1)</sup></b>		
Carbon Steel	10%	600
Stainless Steel	10%	200
Plastics	10%	650
<b>Currency<sup>2)</sup> and interest rates</b>		
USD to EUR	10%	380
USD to BRL	10%	290
EUR to GBP	10%	260
USD to CAD	10%	260
CNY to USD	10%	210
EUR to CHF	10%	200
THB to AUD	10%	130
EUR to RUB	10%	120
EUR to CZK	10%	110
USD to AUD	10%	100
Translation exposure to SEK <sup>3)</sup>	10%	370
Interest rate	1 percentage point	40

<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 2019



In 2019, Electrolux, continuing operations, purchased raw materials for approximately SEK 17bn. Purchases of steel accounted for the largest cost.

and other regions. Consequently, Electrolux must take proactive steps to assess the risks and manage them accordingly.

Business risks surrounding rising international trade tariffs also include costlier imports, less competitive exports, fluctuating foreign exchange rates, shorter contracts, cancelled orders, reduced consumer demand, and slower customs procedures. Ultimately, such risks can affect Electrolux operating margins negatively.

Electrolux also looks at emerging risks. They can either develop from macro-level changes such as climate change, consumer preferences or the introduction of AI – artificial intelligence, or from risks that are closer to home (resulting from industry/sector prospects and trends etc.). Emerging risks include:

#### Cyber Security risk

The digital transformation of the global economy, and of Electrolux more specifically, leads to great opportunities. As Electrolux uses digital enablers to speed up the transfer of infor-

mation, it also creates potential greater risk. Electrolux continuously prepares against attacks by assessing its cyber risk profile, remediate where recommended and proactively manage its defense.

#### Climate change risk

Financial stakes arising from climate change can be high, both from a risk and opportunity perspective. Electrolux is closely monitoring operational, market and financial risks emerging from climate change, like the increase of natural catastrophes, which might subsequently impact property values. Protection of factories and distribution centers may have to be adapted to face extreme weather conditions. In parallel, the need to transition to a low-carbon economy implies possible tax and legal consequences which Electrolux proactively analyzes, as well as the consequences of these risks for its large suppliers.

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.

## Other facts

### 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, 2019, the Group had a total of 3,897 (3,460) cases pending, representing approximately 3,933 (approximately 3,502) plaintiffs. During 2019, 1,617 new cases with approximately 1,618 plaintiffs were filed and 1,180 pending cases with approximately 1,187 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.

## Share information and ownership

### Share price performance

The Electrolux share is listed on the exchange Nasdaq Stockholm. The Electrolux B share increased by 23% in 2019, underperforming the broader Swedish market index, OMX Stockholm, which increased by 30% during the same period. The opening price for the Electrolux B share in 2019 was SEK 187.10. The highest closing price was SEK 266.20 on October 25 while the lowest closing price was SEK 182.70 on January 3. The closing price for the B share at year-end 2019 was SEK 229.90.

Total shareholder return during the year was 27%. Over the past ten years, the average total return on an investment in Electrolux B shares has been 7% annually. The corresponding performance for the OMX Stockholm Return Index was 11%.

### Share capital and ownership structure

As of December 31, 2019, 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 2019.

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	7.2	7.0
Swedbank Robur Funds	7.0	5.7
BlackRock, Inc.	4.7	3.8
Handelsbanken Funds	2.7	2.2
Nordea Funds	2.6	2.1
Vanguard	2.3	1.8
AMF Insurance & Funds	2.3	4.2
Fiduciary Management, Inc. of Milwaukee	2.1	1.7
Norges Bank Investment Management	1.5	1.2
<b>Total, ten largest shareholders</b>	<b>48.8</b>	<b>58.1</b>

Source: Holdings and Euroclear Sweden as of December 31, 2019.

According to Holdings and Euroclear Sweden, there were 50,544 shareholders in AB Electrolux as of December 31, 2019. 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	3.1	45,963	90.9
1,001-10,000	3.4	4,311	8.2
10,001-20,000	0.7	151	0.3
20,001-	92.8	297	0.6
<b>Total</b>	<b>100</b>	<b>50,544</b>	<b>100</b>

Source: Holdings and Euroclear Sweden as of December 31, 2019.

### 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.

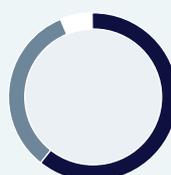
A shareholder participating in the AGM is entitled to vote for the full number of shares which he or she owns or represents. Outstanding shares in the company may be freely transferred, without restrictions under law or the company's Articles of Association. Electrolux is not aware of any agreements 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, 61%  
Foreign investors, 33%  
Swedish private investors, 6%

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

Source: Holdings and Euroclear Sweden as of December 31, 2019.

## Distribution of funds to shareholders

### Proposed dividend

The Board of Directors proposes a dividend for 2019 of SEK 8.50 (8.50) per share, for a total dividend payment of approximately SEK 2,443m (2,443). The proposed dividend corresponds to approximately 97% (64) of income for the period.

The dividend is proposed to be paid in two equal installments, the first with record date April 2, 2020, and the second with record date October 2, 2020. The first installment is estimated to be paid on April 7, 2020, and the second installment on October 7, 2020.

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

In December 2019, the Board of Directors proposed that an Extraordinary General Meeting resolves that all shares in the wholly-owned subsidiary Electrolux Professional AB is distributed. An Extraordinary General Meeting will be held on February 21, 2020 at Electrolux Headquarters in Stockholm, Sweden. For more information see, page 38 and [www.electroluxgroup.com](http://www.electroluxgroup.com)

### 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.

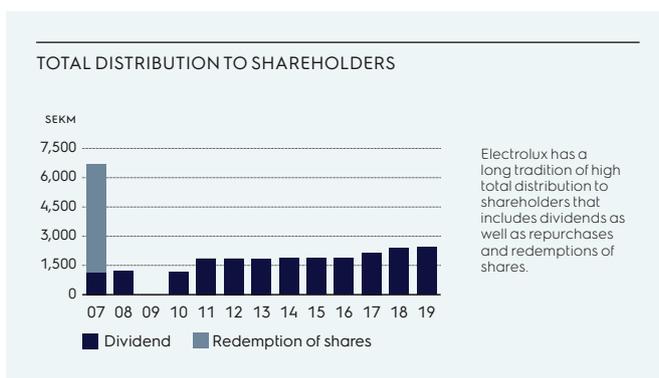
The Board of Directors proposes the Annual General Meeting 2020 to authorize the Board of Directors, for the period until the next Annual General Meeting, to resolve on acquisitions of shares in the company and that the company may acquire as a maximum so many B shares that, following each acquisition, 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, 2019, 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, 2019	8,192,539	300,727,769	308,920,308	21,522,858	287,397,450
Total number of shares as of December 31, 2019	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 2019 to 48,652 (51,253), of whom 1,341 (1,504) were in Sweden.

Salaries and remuneration in 2019 amounted to SEK 16,318m (15,829), of which SEK 1,339m (1,170) refers to Sweden.

## Proposal for remuneration guidelines for Group Management

The Board of Directors will to the Annual General Meeting 2020 propose the following guidelines for 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 of eleven 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 recommendation of the Remuneration Committee. Remuneration for other members

of Group Management is resolved upon by the Remuneration Committee and reported to the Board of Directors. 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

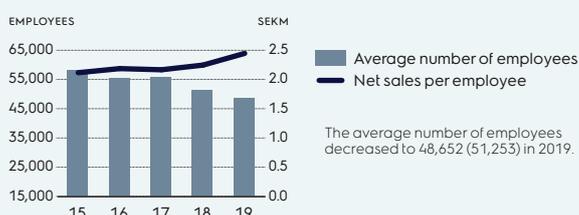
The Annual Base Salary ("ABS") shall be competitive relative to the relevant country market and reflect the scope of the job responsibilities. Salary levels shall be reviewed periodically (usually annually) to ensure continued competitiveness and to recognize individual performance.

## 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).

Following the 'pay for performance' principle, variable compensation shall represent a significant portion of the total com-

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



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

pensation 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 instalments 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 instalment.

#### *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.

#### *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

## Proposal for remuneration guidelines for Group Management cont.

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.

## Deviations from the guidelines adopted by the Annual General Meeting 2019

Compensation related to extraordinary work efforts in connection with the separation and distribution of Electrolux Professional is planned to be paid out in April 2020. The compensation deviates from the provision in the remuneration guidelines for 2019 stating that such compensation shall be earned and/or paid out in installments over a minimum period of two (2) years.

## 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 leader in the household durables industry. In 2019, 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 including SAM, OEKOM, CDP and UN Global Compact Top 100.

### Sustainability reporting 2019

The Group's sustainability framework – For the Better – comprises of three areas: Better Solutions, Better Operations and Better Society. For more information on the Group's sustainability work and progress during 2019, read Electrolux sustainability reporting section on pages 90–98.

### 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 2019.

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

### January 20. Notice convening the EGM of AB Electrolux

An Extraordinary General Meeting will be held on Friday, February 21, 2020 at AB Electrolux Headquarters, S:t Göransgatan 143, Stockholm, Sweden.

The Board of Directors proposes that the Extraordinary General Meeting resolves that all shares in the wholly-owned subsidiary Electrolux Professional be distributed, whereby one (1) share of series A in Electrolux entitles to one (1) share of series A in Electrolux Professional and one (1) share of series B in Electrolux entitles to one (1) share of series B in Electrolux Professional.

The Board of Directors further proposes that the Extraordinary General Meeting authorizes the Board of Directors to determine the record date for the right to receive shares in Electrolux Professional. Listing of the shares in Electrolux Professional is planned to take place on March 23, 2020, and the record date is expected to occur in close relation to the listing.

### February 7. New board members of AB Electrolux proposed

In preparation for the Electrolux Annual General Meeting on March 31, 2020, the Electrolux Nomination Committee proposed the election of Henrik Henriksson and Karin Overbeck as new members of the Board of Directors of AB Electrolux. Henrik Henriksson is President and CEO of Scania AB and Board Member of Scania AB and Hexagon AB. Karin Overbeck is CEO of Freudenberg Home and Cleaning Solutions GmbH.

The committee also proposes re-election of Staffan Bohman (chairman), Petra Hedengran, Ulla Litzén, Fredrik Persson, David Porter, Jonas Samuelson and Kai Wärn as Board Members. Hasse Johansson and Ulrika Saxon have declined re-election.

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

## Parent Company income statement

### Income statement

SEKM	NOTE	2019	2018
<b>Net sales</b>		<b>40,594</b>	<b>38,911</b>
Cost of goods sold		-35,020	-33,560
<b>Gross operating income</b>		<b>5,574</b>	<b>5,351</b>
Selling expenses		-3,314	-3,247
Administrative expenses		-2,276	-1,410
Other operating income	6	0	0
Other operating expenses	6	-487	-804
<b>Operating income</b>		<b>-503</b>	<b>-110</b>
Financial income	9	5,424	7,967
Financial expenses	9	-888	-695
Financial items, net		4,536	7,272
<b>Income after financial items</b>		<b>4,033</b>	<b>7,162</b>
Appropriations	21	-682	-1,743
<b>Income before taxes</b>		<b>3,351</b>	<b>5,419</b>
Taxes	10	6	69
<b>Income for the period</b>		<b>3,357</b>	<b>5,488</b>

### Total comprehensive income for the period

SEKM	2019	2018
<b>Income for the period</b>	<b>3,357</b>	<b>5,488</b>
<b>Other comprehensive income</b>		
Exchange rate differences	11	57
Cash flow hedges	0	-5
Income tax relating to other comprehensive income	0	0
<b>Other comprehensive income, net of tax</b>	<b>11</b>	<b>52</b>
<b>Total comprehensive income for the period</b>	<b>3,368</b>	<b>5,540</b>

The Parent Company comprises of 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 2019 amounted to SEK 40,594m (38,911) of which SEK 33,113m (31,806) referred to sales to Group companies and SEK 7,481m (7,105) to external customers. Income after financial items was SEK 4,033m (7,162), including dividends from subsidiaries amounting to SEK 4,396m (7,179). Income for the period amounted to SEK 3,357m (5,488).

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 658m (594). Liquid funds at the end of the period amounted to SEK 6,084m, as against SEK 7,244m at the start of the year.

Undistributed earnings in the Parent Company at the end of the period amounted to SEK 22,894m, compared with SEK 22,078m at the start of the year. Dividend payments to shareholders for 2018 amounted to SEK 2,443m.

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, 2019	December 31, 2018
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	13	1,772	1,714
Property, plant and equipment	12	141	144
Deferred tax assets		579	453
Financial assets	14	39,268	35,943
<b>Total non-current assets</b>		<b>41,760</b>	<b>38,254</b>
<b>Current assets</b>			
Inventories	15	3,038	2,813
Receivables from subsidiaries		22,546	21,110
Trade receivables		552	1,172
Derivatives with subsidiaries		54	43
Derivatives		180	127
Other receivables		310	256
Prepaid expenses and accrued income		336	392
Short-term investments		0	—
Cash and bank		6,084	7,244
<b>Total current assets</b>		<b>33,100</b>	<b>33,157</b>
<b>Total assets</b>		<b>74,860</b>	<b>71,411</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		1,035	875
		5,597	5,437
<b>Non-restricted equity</b>			
Retained earnings		19,537	16,590
Income for the period		3,357	5,488
		22,894	22,078
<b>Total equity</b>		<b>28,491</b>	<b>27,515</b>
<b>Untaxed reserves</b>	21	430	442
<b>Provisions</b>			
Provisions for pensions and similar commitments	22	437	442
Other provisions	23	1,024	691
<b>Total provisions</b>		<b>1,461</b>	<b>1,133</b>
<b>Non-current liabilities</b>			
Payable to subsidiaries		69	68
Bond loans		5,803	3,011
Other non-current loans		2,328	2,656
<b>Total non-current liabilities</b>		<b>8,200</b>	<b>5,735</b>
<b>Current liabilities</b>			
Payable to subsidiaries		31,005	30,519
Accounts payable		1,842	1,720
Other liabilities		453	416
Short-term borrowings		1,461	2,334
Derivatives with subsidiaries		27	45
Derivatives		242	73
Accrued expenses and prepaid income	24	1,248	1,479
<b>Total current liabilities</b>		<b>36,278</b>	<b>36,586</b>
<b>Total liabilities and provisions</b>		<b>45,939</b>	<b>43,454</b>
<b>Total liabilities, provisions and equity</b>		<b>74,860</b>	<b>71,411</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, 2018	1,545	3,017	506	45	19,319	24,432
Effect of change in accounting principles	—	—	—	-37	—	-37
Adjusted opening balance	1,545	3,017	506	8	19,319	24,395
Income for the period	—	—	—	—	5,488	5,488
Exchange rate differences	—	—	—	57	—	57
Cash flow hedges	—	—	—	-5	—	-5
Income tax relating to other comprehensive income	—	—	—	0	—	0
Other comprehensive income, net of tax	—	—	—	52	—	52
Total comprehensive income for the period	—	—	—	52	5,488	5,540
Share-based payment	—	—	—	—	-35	-35
Development reserve	—	—	369	—	-369	0
Dividend	—	—	—	—	-2,385	-2,385
Total transactions with equity holders	—	—	369	—	-2,789	-2,420
Closing balance, December 31, 2018	1,545	3,017	875	60	22,018	27,515
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	0
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

## Parent Company cash flow statement

SEKM	2019	2018
<b>Operations</b>		
Income after financial items	4,033	7,162
Depreciation and amortization	302	412
Capital gain/loss included in operating income	739	332
Share-based compensation	51	-35
Group contributions	-694	-1,746
Taxes paid	-121	-92
<b>Cash flow from operations, excluding change in operating assets and liabilities</b>	<b>4,310</b>	<b>6,033</b>
<b>Change in operating assets and liabilities</b>		
Change in inventories	-225	-173
Change in trade receivables	620	-93
Change in current intra-group balances	-1,261	-2,358
Change in other current assets	-51	-109
Change in other current liabilities and provisions	425	-236
<b>Cash flow from operating assets and liabilities</b>	<b>-492</b>	<b>-2,969</b>
<b>Cash flow from operations</b>	<b>3,818</b>	<b>3,064</b>
<b>Investments</b>		
Change in shares and participations	-5,730	-2,726
Capital expenditure in intangible assets	-618	-549
Capital expenditure in property, plant and equipment	-40	-45
Other	1,969	89
<b>Cash flow from investments</b>	<b>-4,419</b>	<b>-3,231</b>
<b>Total cash flow from operations and investments</b>	<b>-601</b>	<b>-167</b>
<b>Financing</b>		
Change in short-term investments	0	0
Change in short-term borrowings	34	231
Change in intra-group borrowings	283	3,282
New long-term borrowings	3,767	1,661
Amortization of long-term borrowings	-2,211	-1,501
Dividend	-2,443	-2,385
<b>Cash flow from financing</b>	<b>-570</b>	<b>1,288</b>
<b>Total cash flow</b>	<b>-1,171</b>	<b>1,121</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>7,244</b>	<b>6,066</b>
Exchange-rate differences referring to cash and cash equivalents	11	57
<b>Cash and cash equivalents at end of period</b>	<b>6,084</b>	<b>7,244</b>



# Notes

# Notes

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## 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 13, 2020. The balance sheets and income statements are subject to approval by the Annual General Meeting of shareholders on March 31, 2020.

### Principles applied for consolidation

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

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

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

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

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

### Definition of Group companies

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

At year-end 2019, the Group consisted of 187 (164) companies with 264 (246) operating units.

The following apply to acquisitions and divestments:

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

### Associated companies

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

### Foreign currency translation

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

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

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

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

### Exchange rates

SEK	2019		2018	
	Average	End of period	Average	End of period
Exchange rate				
ARS	0.2010	0.1558	0.3087	0.2373
AUD	6.57	6.53	6.50	6.34
BRL	2.40	2.31	2.39	2.32
CAD	7.10	7.14	6.71	6.59
CHF	9.50	9.60	8.91	9.15
CLP	0.0133	0.0125	0.0136	0.0129
CNY	1.37	1.34	1.31	1.30
EUR	10.56	10.44	10.26	10.28
GBP	12.03	12.25	11.57	11.38
HUF	0.0324	0.0315	0.0321	0.0320
MXN	0.4878	0.4951	0.4517	0.4556
RUB	0.1455	0.1507	0.1392	0.1292
THB	0.3039	0.3119	0.2691	0.2754
USD	9.43	9.33	8.70	8.97

### New or amended accounting standards applied in 2019

The following new, amended or improved accounting standards were applicable from January 1, 2019: IFRS 9 Financial Instruments; IFRS 16 Leases; IAS 19 Employee Benefits; IAS 28 Investments in Associates and Joint Ventures; and Annual Improvements 2015–2017. In addition, the Group has early adopted the amendments to IFRS 9, IAS 39 and IFRS 7 under the Interest Rate Benchmark Reform, endorsed by the EU on January 15, 2020.

The general effects from the application of IFRS 16 are described in section 'New or amended accounting standards to be applied after 2018' on pages 45–46 in the Annual Report 2018. A summary of the opening balance adjustment to the balance sheet is presented in the table below and a reconciliation between IAS 17 operating lease commitments and IFRS 16 lease liabilities is presented on the next page. The other new, amended or improved standards mentioned above did not have any material impact on Electrolux financial statements.

Assets	Equity and Liabilities	
Right-of-use assets	3,172	Lease liabilities 3,465
Deferred tax assets	90	Retained earnings -234
Prepaid lease fees	-34	Accrued lease fees -4
<b>Total</b>	<b>3,228</b>	<b>Total 3,228</b>

All amounts in SEKm unless otherwise stated

Cont. Note 1

**Reconciliation of IAS 17 operating lease commitments and IFRS 16 lease liabilities**

	2019
Operating lease commitments disclosed per 31 Dec. 2018	4,995
Short-term leases recognized on a straight-line basis as expense	-47
Low-value leases recognized on a straight-line basis as expense	-181
Effect from the application of the short-term practical expedient at transition to IFRS 16	-513
Adjustments as a result of a different treatment of extension and termination options	-417
<b>Commitments for standard lease agreements</b>	<b>3,837</b>
Discounted using the group's incremental borrowing rate of 3.8%	-384
Finance lease liabilities recognized per 31 Dec. 2018	6
Other	6
<b>Lease liability recognized as at January 1, 2019</b>	<b>3,465</b>

**New interpretations of accounting standards**

Interpretation 23 Uncertainty over Income Tax Treatments, issued by the International Financial Reporting Interpretation Committee (IFRIC), was applicable from January 1, 2019 and has had no material impact on the financial statements of Electrolux.

**New or amended accounting standards to be applied after 2019**

The following new, amended or improved accounting standards have been published but are not mandatory for 2019 and have not been early adopted by Electrolux: IFRS 3 Business Combinations; IFRS 17 Insurance Contracts; IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current; amendments to IAS 1 and IAS 8: Definition of material (endorsed by the EU on November 29, 2019). 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.

**New interpretations of accounting standards**

No new interpretations, with effective date after 2019, have been issued by The International Financial Reporting Interpretation Committee (IFRIC).

**Critical accounting policies and key sources of estimation uncertainty****Use of estimates**

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

**Asset impairment and useful lives**

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

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Useful lives for property, plant and equipment are estimated between 10 and 40 years for buildings and between 0 and 15 years for land and land improvements and between 3 and 15 years for machinery, technical installations and other equipment. Management regularly reassesses the useful lives of all significant assets. The carrying amount of property, plant and equipment at year-end 2019 amounted to SEK 21,803m. The carrying amount for goodwill at year-end 2019 amounted to SEK 7,071m.

**Leases**

Accounting for leases require the use of judgement from different aspects of which determining the discount rate and determining the lease term have been assessed as the most critical ones. Discount rates used are centrally established as the Group's calculated incremental borrowing rate for each entity determined by country, currency and contract duration (>12-36 months, >37-72 months and >72 months). The model for determining incremental borrowing rate is revised at least annually or when objective evidence indicates a need for revision in order to maintain the validity of the model. The lease term is determined based on the information available in the lease agreement and other relevant facts and circumstances as per management's judgement. The lease term includes extension or termination options should such options meet the threshold for reasonably certain. There may not be specific clauses on e.g. termination, cancellation or renewal of a lease. In such cases, assessments are made based on the information available in the contract together with management's judgement of any relevant circumstances. As per December 31, 2019, the carrying amount of right-of-use assets was SEK 2,811m and total lease liabilities amounted to SEK 3,150m. Of the carrying amount of right-of-use assets, SEK 2,289m is related to lease contracts for buildings, where many of the contracts have different types of extension and termination options. Changes in determination whether any such option is reasonably certain to exercise or not may have significant effect on the reported amounts on right-of-use assets and lease liabilities recognized under IFRS 16.

**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, 2019, Electrolux had a net amount of SEK 6,057m recognized as deferred tax assets in excess of deferred tax liabilities. As of December 31, 2019, the Group had tax loss carry-forwards and other deductible temporary differences of SEK 4,971m, which have not been included in the computation of deferred tax assets.

**Current taxes**

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

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

**Trade receivables 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.

If the expected credit loss rates on trade receivables between 16 and 60 days past due had been 10% higher/lower as of December 2019, the loss allowance on trade receivables would have increased/decreased SEK 0.9m (0.7). If the expected credit loss rates on trade receivables between 61 and 180 days past due had been 10% higher/lower as of December 2019, the loss allowance on trade receivables would have increased/decreased SEK 3.9m (4.6).

At year-end 2019, trade receivables, net of provisions for expected credit losses, amounted to SEK 20,847m. The total provision for expected credit losses at year-end 2019 was SEK -882m.

Cont. Note 1

**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, e.g., mortality rates, future salary and pension increases. The calculation of the pension obligation also depends on the discount rate. Changes in assumptions directly affect the defined benefit obligation, service cost, interest income and expense. The discount rate used for the calculation of expenses during 2019 was 2.63% in average, which was the same rate used to estimate liabilities at the end of 2018. 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 2019 was SEK 1,729m.

**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, 2019, Electrolux had a provision for warranty commitments amounting to SEK 2,086m.

**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 shall 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 changed its functional currency to euro as from January 1, 2015. Translating differences thus arise as from 2015. The balance sheet of the commissioner company has been translated into SEK at year-end 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.

**Group contributions**

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

**Pensions**

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

**Intangible assets**

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

**Development reserve**

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

**Appropriations and untaxed reserves**

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

**Leases**

All lease agreements where the Parent Company is a lessee are reported as operating leases, regardless of whether the agreements are finance or operating leases. The leasing fee is recognized as an expense on a straight-line basis over the lease period.

**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:

- 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

Risks described and quantified in this note are for total Group, including Electrolux Professional, 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, which analyze exposures by degree and magnitude of the risk.

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

### Interest-rate risk on liquid funds and borrowings

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

### Liquid funds

Liquid funds as defined by the Group consist of cash and cash equivalents, short-term investments, financial derivative assets, prepaid interest expenses and accrued interest income. Electrolux target is that the level of liquid funds including unutilized committed credit facilities shall correspond to at least 2.5% of annualized net sales. In addition, net liquid funds defined as liquid funds less short-term borrowings shall exceed zero, taking into account fluctuations arising from acquisitions, divestments, and seasonal variations. The main criteria for the investments are that the instruments are highly liquid and have creditworthy issuers. See Credit risk in financial activities on page 49.

### Interest-rate risk in liquid funds

All liquidity is invested in interest bearing instruments, normally with maturities between 0 and 3 months. A downward shift in the yield curves of one percentage point would reduce the Group's interest income by approximately SEK 113m (115). For more information, see Note 18.

### Borrowings

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

### Interest-rate risk in borrowings

Group Treasury manages the long-term loan portfolio to keep the average interest-fixing period between 0 and 3 years. Derivatives, such as interest-rate swap agreements, are used to manage the interest-rate risk by changing the interest from fixed to floating or vice versa. For those derivatives Electrolux practice hedge accounting, which have affected Other comprehensive income by SEK -0m (-5) during 2019. On the basis of 2019 long-term interest-bearing borrowings with an average interest fixing period of 1.5 years (1.0), a one percentage point shift in interest rates would impact the Group's interest expenses by approximately SEK +/-69m (61). This calculation

is based on a parallel shift of all yield curves simultaneously by one percentage point, excluding immaterial revaluation effects. Electrolux acknowledges that the calculation is an approximation and does not take into consideration the fact that the interest rates on different maturities and different currencies might change differently.

### Capital structure and credit rating

The Group defines its capital as equity stated in the balance sheet including non-controlling interests. On December 31, 2019, the Group's capital amounted to SEK 22,574m (21,749). The Group's objective is to have a capital structure resulting in an efficient weighted cost of capital and sufficient credit worthiness where operating needs and the needs for potential acquisitions are considered.

To achieve and keep an efficient capital structure, the Financial Policy states that the Group's long-term ambition is to maintain a long-term rating within a safe margin from a non-investment grade. In December 2019, Standard & Poor's confirmed Electrolux A- rating with stable outlook. The A-2 short-term corporate credit rating and the short-term Nordic regional scale rating of K-1 were also affirmed.

### Rating

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

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

### Financing risk

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

### Foreign exchange risk

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

### Transaction exposure from commercial flows

The Financial Policy stipulates to what extent commercial flows are to be hedged. Hedging with currency derivatives in most cases only are applied on invoiced flows. This means that currency exposures from forecasted flows should normally be managed by natural hedges, price adjustments and cost reductions. However, in cases when both price and volume is committed, Electrolux may hedge also forecasted flows. For those derivatives Electrolux practice hedge accounting, which has affected Other comprehensive income by SEK -9m (-2) during 2019.

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.

Cont. Note 2

**Translation exposure from consolidation of entities outside Sweden**

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

**Foreign-exchange sensitivity from transaction and translation exposure**

The major net export currencies that Electrolux is exposed to are the U.S. dollar, the Chinese renminbi and the euro. The major import currencies that Electrolux is exposed to are the British pound, the Australian dollar, the Canadian dollar and the Brazilian real. These currencies represent the majority of the exposures of the Group, but are largely offsetting each other as different currencies represent net inflows and outflows. A change up or down by 10% in the value of each currency against the Swedish krona would affect the Group's profit and loss for one year by approximately SEK +/- 420m (530), as a static calculation. The model assumes the distribution of earnings and costs effective at year-end 2019 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 2019	Profit or loss impact 2018
Currency			
BRL/SEK	-10%	-582	-345
AUD/SEK	-10%	-309	-295
GBP/SEK	-10%	-285	-286
CAD/SEK	-10%	-272	-261
CHF/SEK	-10%	-206	-184
RUB/SEK	-10%	-164	-116
THB/SEK	-10%	178	128
CNY/SEK	-10%	261	129
EUR/SEK	-10%	410	383
USD/SEK	-10%	1,248	984

**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 -1m (-65) during 2019.

A change up or down by 10% in the value of each currency against the Swedish krona would affect the net investment of the Group by approximately SEK +/- 3,719m (3,230), as a static calculation at year-end 2019. A similar valuation of outstanding hedges, would have an effect on the Group's equity of approximately SEK +/-261m (154).

**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 +/- 850m (800) and in plastics with approximately SEK +/- 650m (600), based on volumes in 2019.

**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 counterparty list has been established, which specifies the maximum permissible exposure in relation to each counterparty. 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. Standard & Poor's or similar independent rating agencies supply the credit rating information. Group Treasury can allow exceptions from this rule, e.g., to enable money deposits within countries rated below A-, but this represents only a minor part of the total liquidity in the Group.

The Group strives for master netting agreements (ISDA) with all 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 expected credit loss from external financial activities is not material. However, since Group Treasury manage a majority of the subsidiary financing through internal loans from the parent, there is a material credit risk originating from internal loans.

The opening expected credit loss provision in the parent company for 2019 amounted to SEK 72m primarily originate from internal loans to Latin America. The closing expected credit loss reservation in the parent company amounted to SEK 86m, mainly due to higher country risk for Argentina.

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

**Credit risk in trade receivables**

Electrolux sells to a substantial number of customers in the form of large retailers, buying groups, independent stores, and professional users. Sales are made on the basis of normal delivery and payment terms. The Electrolux Group Credit Policy 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 industries and geographical areas. However, there is a concentration of large credit exposures on a number of customers in, primarily, the U.S., Latin America and Europe. Concentration of credit risk related to a single counterparty did not exceed 6.4 % (11.7) total trade receivables at any time during the year. For more information, see Note 17.

The Group defines default as customers where significant financial difficulties have been identified. A receivable is written off when there 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.

All amounts in SEKm unless otherwise stated

## Note 3 Segment information

### Reportable segments – Business areas

Electrolux has revised the business area structure to create four consumer-focused regional business areas, this means the Home Care & SDA business area has been combined with the four major appliances business areas. The Professional Products business area has been classified as discontinued operations as of December 5, 2019 and is presented in Note 26.

The Group's operations are after the structure changes divided into four reportable segments: Europe; North America; Latin America; Asia-Pacific, Middle East and Africa.

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 cleaner 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	
	2019	2018	2019	2018
Europe	45,420	43,321	2,493	2,128
North America	38,954	39,804	-516	1,104
Latin America	19,653	17,963	1,821	492
Asia-Pacific, Middle East and Africa	14,954	14,375	446	979
	<b>118,981</b>	<b>115,463</b>	<b>4,244</b>	<b>4,703</b>
Common Group costs	–	–	-1,055	-527
<b>Total</b>	<b>118,981</b>	<b>115,463</b>	<b>3,189</b>	<b>4,176</b>
Financial items, net	–	–	-733	-422
<b>Income after financial items</b>	<b>–</b>	<b>–</b>	<b>2,456</b>	<b>3,754</b>

Inter-segment sales exist with the following split:

	2019	2018
Europe	1,270	1,105
North America	627	640
Latin America	1	1
Asia-Pacific, Middle East and Africa	818	318
<b>Eliminations</b>	<b>2,716</b>	<b>2,064</b>

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

	Assets December 31		Equity and liabilities December 31		Net assets December 31	
	2019	2018	2019	2018	2019	2018
Europe	28,032	26,276	26,604	25,766	1,429	510
North America	22,917	19,124	16,421	15,322	6,496	3,802
Latin America	14,064	13,092	7,020	6,906	7,044	6,186
Asia-Pacific, Middle East and Africa	12,351	10,826	6,289	5,603	6,062	5,223
Professional Products	–	6,101	–	3,144	–	2,957
Other <sup>1)</sup>	9,175	9,112	4,033	4,217	5,142	4,895
<b>Continuing operations</b>	<b>86,540</b>	<b>84,531</b>	<b>60,368</b>	<b>60,958</b>	<b>26,172</b>	<b>23,574</b>
<b>Discontinued operations</b>	<b>8,034</b>	<b>–</b>	<b>3,951</b>	<b>–</b>	<b>–</b>	<b>–</b>
Liquid funds	11,189	12,249	–	–	–	–
Total borrowings	–	–	11,856	10,260	–	–
Lease liabilities	–	–	3,150	–	–	–
Pension assets and liabilities	1,043	532	4,909	4,346	–	–
Equity	–	–	22,574	21,749	–	–
<b>Total</b>	<b>106,808</b>	<b>97,312</b>	<b>106,808</b>	<b>97,312</b>	<b>–</b>	<b>–</b>

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

	Depreciation and amortization <sup>1)</sup>		Capital expenditure		Cash flow <sup>2)</sup>	
	2019	2018	2019	2018	2019	2018
Europe	1,693	1,402	2,399	1,741	2,716	1,984
North America	1,391	1,165	2,573	2,099	-1,795	343
Latin America	694	651	956	722	961	-25
Asia-Pacific, Middle East and Africa	751	515	456	505	1,035	586
Other <sup>3)</sup>	291	249	290	393	-638	-243
<b>Continuing operations</b>	<b>4,821</b>	<b>3,981</b>	<b>6,674</b>	<b>5,460</b>	<b>2,279</b>	<b>2,645</b>
<b>Discontinued operations</b>	<b>283</b>	<b>168</b>	<b>257</b>	<b>169</b>	<b>1,153</b>	<b>1,004</b>
Acquisitions/Divestments	–	–	–	–	-467	-609
Financial items paid	–	–	–	–	-661	-361
Taxes paid	–	–	–	–	-1,554	-1,140
<b>Total</b>	<b>5,104</b>	<b>4,150</b>	<b>6,931</b>	<b>5,629</b>	<b>751</b>	<b>1,540</b>

<sup>1)</sup> Depreciation related to right-of-use assets: SEK 953m.

<sup>2)</sup> Cash flow from operations and investments.

<sup>3)</sup> Includes Group functions.

Cont. Note 3

**Geographical information**

	Net sales <sup>1)</sup>	
	2019	2018
USA	35,920	37,083
Brazil	14,154	11,990
Germany	6,056	5,915
Australia	4,785	4,729
France	3,995	3,747
Sweden (country of domicile)	3,968	5,014
United Kingdom	3,928	3,712
Italy	3,702	3,595
Canada	3,227	3,006
Switzerland	2,869	3,204
Other	36,377	33,468
<b>Total</b>	<b>118,981</b>	<b>115,463</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 2,277m (2,040). Tangible and non-tangible fixed assets located in all other countries amounted to SEK 33,224m (28,289). Individually, material countries in this aspect are Italy with SEK 4,104m (3,427), USA with SEK 10,749m (9,016) and Poland with SEK 2,717m (2,462), 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, dish-washers, washing machines, cookers, vacuum cleaners, air conditioners and small domestic appliances. Electrolux offer complete solutions for both consumers and professionals.

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

**Sale of finished products including spare parts and accessories**

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

**Transaction price – Volume discounts**

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

**Receivables, contract assets and contract liabilities**

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

If Electrolux receive prepayments from customer a contract liability is recorded.

**Sale of goods and services combined**

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

**Sale of services in a separate contract**

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

**Sale of licenses in a separate contract**

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

**Payments to customers**

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

**Customer incentives**

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

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

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

**Warranties**

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

All amounts in SEKm unless otherwise stated

Cont. Note 4

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

#### Sales with a right of return

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

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

#### Principal versus agent

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 118,981m (115,463) during the year consisted of product sales. Revenue from service activities amounted to SEK 1,954m (1,410). The Group's net sales in Sweden amounted to SEK 3,968m (5,014). Exports from Sweden during the year amounted to SEK 35,419m (33,390), of which SEK 32,488m (30,695) were to Group subsidiaries. The major part of the Swedish export comes from one of the Swedish entities acting as a buying/selling hub for the European business meaning that most of the European product flows are routed via this entity.

#### Disaggregation of revenue

Electrolux manufactures and sells appliances mainly in the wholesale market to customers being retailers. Electrolux products include refrigerators, dishwashers, washing machines, cookers, vacuum cleaners, air conditioners and small domestic appliances. The four regional Consumer Products business areas focus on the consumer market. The business area Professional Products, which focuses on professional users, has been classified as discontinued operations in December, 2019.

Sales of services are not material in relation to Electrolux total net sales. Product and geography are considered important attributes when disaggregating Electrolux revenue. Therefore, the table below presents net sales related to Consumer Products and discontinued operations per geographical region based on the location of each selling company.

Disaggregation of revenue	2019			2018		
	Consumer Products	Discontinued operations	Total	Consumer Products	Discontinued operations	Total
<b>Geographical region</b>						
Europe	45,420	7,474	52,894	43,321	6,951	50,272
North America	38,954	949	39,903	39,804	849	40,654
Latin America	19,653	—	19,653	17,963	—	17,963
Asia-Pacific, Middle East and Africa	14,954	858	15,812	14,375	866	15,241
<b>Total</b>	<b>118,981</b>	<b>9,281</b>	<b>128,262</b>	<b>115,463</b>	<b>8,666</b>	<b>124,129</b>

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

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

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

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>

## 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	2019		2018	
Direct material and components	50,092	47,417		
Sourced products	14,615	13,831		
Depreciation and amortization	4,821	3,981		
Salaries, other remuneration and employer contribution	20,500	19,998		
Other operating expenses	25,764	26,060		
<b>Operating expenses, total</b>	<b>115,792</b>	<b>111,287</b>		

### Operating expenses for continuing operations

Cost of goods sold includes direct material and components amounting to SEK 50,092m (47,417) and sourced products amounting to SEK 14,615m (13,831). The depreciation and amortization charge for the year amounted to SEK 4,821m (3,981). Costs for research and development amounted to SEK 3,462m (3,459).

Government grants relating to expenses have been deducted in the related expenses by SEK 82m (74). 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 2019, amounted to SEK 828m (882).

The Group's operating income includes net exchange-rate differences in the amount of SEK -12m (-162). The Group's Swedish factories accounted for 0.1% (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

Other operating income	Group		Parent Company	
	2019	2018	2019	2018
Gain on sale of property, plant and equipment	98	18	—	—
Gain on sale of operations and shares	—	205	—	—
Pension plan amendment	98	—	—	—
Recovery of overpaid sales tax	1,403	130	—	—
Reversal of restructuring provision	150	140	—	—
Bargain purchase (neg. goodwill)	—	150	—	—
Earn-out adjustment	—	194	—	—
Other	275	211	0	0
<b>Other operating income, total</b>	<b>2,024</b>	<b>1,048</b>	<b>0</b>	<b>0</b>

Other operating expenses	Group		Parent Company	
	2019	2018	2019	2018
Loss on sale of property, plant and equipment	-68	-38	—	—
Asbestos litigation	-142	—	—	—
Electrolux Professional separation project & listing costs	-190	0	—	—
Loss on sale of operations and shares	—	—	-37	—
Legal settlement U.S.	-197	—	—	—
Impairment	—	—	-450	-310
Fine to competition authority	—	-493	—	-493
Provision for reorganization procedure	—	-254	—	—
Other	-371	-78	—	-1
<b>Other operating expenses, total</b>	<b>-968</b>	<b>-863</b>	<b>-487</b>	<b>-804</b>
<b>Other operating income and expenses, net</b>	<b>1,057</b>	<b>185</b>	<b>-487</b>	<b>-804</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

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 items in 2018 amount to SEK -1,343 and relate to a restructuring charge in connection with the consolidation of freezer production in North America, a fine paid to the competition authority in France and a provision for reorganization procedure as a consequence of the unfavorable court ruling in France, extending a reorganization procedure of a former subsidiary to include Electrolux Home Products France SAS.

Material profit or loss items	2019	2018
Restructuring charge	-2,550	-596
Recovery of overpaid sales tax	1,403	—
Legal settlement U.S.	-197	—
Fine to competition authority	—	-493
Provision for reorganization procedure	—	-254
<b>Total</b>	<b>-1,344</b>	<b>-1,343</b>

Effect from material profit or loss items by function	2019	2018
Cost of goods sold	-1,938	-596
Selling expenses	-69	—
Administration expenses	-543	—
Other operating income and expenses	1,206	-747
<b>Total</b>	<b>-1,344</b>	<b>-1,343</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. 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 2019
Income from subleasing	5
<i>Lease expenses:</i>	
Short-term leases	-60
Leases of low-value assets	-56
Variable lease payments	-196
Depreciation of right-of-use assets	-953
<b>Total lease expenses in operating income</b>	<b>-1,265</b>
Whereof continuing operations	-1,159
Whereof discontinued operations	-106
Lease liability interest expense	-129

Total cash outflow for lease contracts amount to SEK 1,187m for the year. The total lease expense related to short-term leases will be lower in 2020 than in 2019 and is expected at SEK 1m. This is due to standard lease contracts being classified as short-term at the adoption of IFRS 16.

The calculated average lease interest rate for 2019 was 3.8%.

Lease commitments related to leases not yet commenced as per December 31, 2019, amount to SEK 111m.

Maturity profile of lease liabilities is presented in Note 18.

### 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>

Cont. Note 10

## Note 9 Financial income and financial expenses

	Group		Parent Company	
	2019	2018	2019	2018
<b>Financial income</b>				
Interest income				
from subsidiaries	—	—	1,013	782
from others	69	103	0	0
Dividends from subsidiaries	—	—	4,396	7,179
Other financial income	—	—	15	6
<b>Total financial income</b>	<b>69</b>	<b>103</b>	<b>5,424</b>	<b>7,967</b>
<b>Financial expenses</b>				
Interest expenses				
to subsidiaries	—	—	-307	-229
to others	-367	-234	-251	-84
Lease liability interest expenses	-124	—	—	—
Pension interest expenses, net	-41	-45	—	—
Exchange-rate differences, net	-72	22	-151	-122
Other financial expenses	-198	-268	-179	-260
<b>Total financial expenses</b>	<b>-802</b>	<b>-525</b>	<b>-888</b>	<b>-695</b>
<b>Financial items, net</b>	<b>-733</b>	<b>-422</b>	<b>4,536</b>	<b>7,272</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.

## Note 10 Taxes

	Group		Parent Company	
	2019	2018	2019	2018
Current taxes	-1,017	-960	-121	-92
Deferred taxes	382	61	127	161
<b>Taxes in income for the period, continuing operations</b>	<b>-636</b>	<b>-900</b>	<b>6</b>	<b>69</b>
Taxes in income for the period, discontinued operations	-314	-182	—	—
Taxes related to OCI	27	151	—	—
<b>Taxes included in total comprehensive income</b>	<b>-923</b>	<b>-930</b>	<b>6</b>	<b>69</b>

Deferred taxes 2019 include an effect of SEK -11m (-41) due to changes in tax rates. The consolidated accounts include deferred tax liabilities of SEK 89m (91) related to untaxed reserves in the Parent Company.

### Theoretical and actual tax rates

%	2019	2018
Theoretical tax rate	31.1	23.6
Non-taxable/non-deductible income statement items, net	2.2	0.2
Non-recognized tax losses carried forward	0.9	8.5
Utilized non-recognized tax losses carried forward	-0.9	0.0
Other changes in recognition of deferred tax	-7.0	-5.8
Withholding tax	5.3	2.3
Other	-5.7	-4.8
<b>Actual tax rate</b>	<b>25.9</b>	<b>24.0</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-recognized deductible temporary differences

As of December 31, 2019, the Group had tax loss carry-forwards and other deductible temporary differences of SEK 4,971m (6,008), which have not been included in computation of deferred tax assets. The decision not to recognize certain temporary differences is based on an assessment where the likelihood of future utilization is evaluated for each of the temporary items. The Group typically does not recognize temporary differences in situations where it is considered the ability to utilize these to be limited. The non-recognized deductible temporary differences will expire as follows:

	December 31, 2019
2020	56
2021	61
2022	31
2023	12
2024	120
And thereafter	254
Without time limit	4,438
<b>Total</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

	2019	2018
<b>Deferred tax assets:</b>		
Property, plant and equipment	340	322
Provision for Pension obligations	861	945
Provision for restructuring	308	170
Other provisions	734	998
Inventories	94	145
Accrued expenses and prepaid income	587	467
Unused tax losses carried forward	1,148	674
Other deferred tax assets	4,068	3,768
<b>Deferred tax assets before netting of deferred tax assets and liabilities</b>	<b>8,140</b>	<b>7,489</b>
Netting of deferred tax assets and liabilities	-1,522	-1,041
<b>Deferred tax assets net</b>	<b>6,618</b>	<b>6,448</b>

### Deferred tax liabilities:

Property, plant and equipment	890	738
Other provisions	78	159
Inventories	327	315
Other taxable temporary differences	676	697
<b>Deferred tax liabilities before netting of deferred tax assets and liabilities</b>	<b>1,971</b>	<b>1,909</b>
Netting of deferred tax assets and liabilities	-1,410	-1,041
<b>Deferred tax liabilities net</b>	<b>561</b>	<b>868</b>

### Deferred tax assets and liabilities net

	6,057	5,580
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	2019	2018
<b>Deferred tax assets and liabilities, net opening balance before restatement due to change in accounting principles</b>	<b>5,580</b>	<b>4,981</b>
Restatement of opening balance due to change in accounting principles	90	1
<b>Deferred tax assets and liabilities, net opening balance</b>	<b>5,670</b>	<b>4,982</b>
Recognized in income statement, continuing operations	382	61
Recognized in income statement, discontinued operations	100	67
Recognized in other comprehensive income	3	142
Acquisitions of operations	-14	110
Exchange rate differences	122	218
Discontinued operations	-206	—
<b>Deferred tax assets and liabilities, net closing balance</b>	<b>6,057</b>	<b>5,580</b>

Other deferred tax assets include tax credits related to the production of energy-efficient appliances amounting to SEK 1,706m (1,665).

All amounts in SEKm unless otherwise stated

## Note 11 Other comprehensive income

	Group	
	2019	2018
Items that will not be reclassified to income for the period:		
Remeasurement of provisions for post-employment benefits		
Opening balance, January 1	129	449
Gain/loss taken to other comprehensive income	-103	-448
Income tax relating to items that will not be reclassified	3	128
Closing balance, December 31	29	129
Items that may be reclassified subsequently to income for the period:		
Available-for-sale instruments		
Opening balance, January 1	-	1
Change in accounting principle <sup>1)</sup>	-	-1
Gain/loss taken to other comprehensive income	-	-
Transferred to profit and loss	-	-
Closing balance, December 31	-	-
Cash flow hedges		
Opening balance, January 1	-8	-6
Gain/loss taken to other comprehensive income	-14	-4
Transferred to profit and loss on sale	4	2
Closing balance, December 31	-18	-8
Exchange differences on translation of foreign operations		
Opening balance, January 1	-2,291	-2,495
Net investment hedge	-1	-65
Translation differences	1,030	269
Closing balance, December 31	-1,261	-2,291
Income tax		
Opening balance, January 1	-91	-114
Income tax relating to items that may be reclassified	24	23
Closing balance, December 31	-68	-91
Non-controlling interests, translation differences	0	0
<b>Other comprehensive income, net of tax</b>	<b>944</b>	<b>-95</b>

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

Income taxes related to items of other comprehensive income were SEK 3m (128) for remeasurement of provisions for post-employment benefits and SEK 24m (23) for 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 and 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, 2018	1,368	10,353	39,703	2,789	2,844	57,057
Acquired during the year	13	201	1,178	221	3,036	4,649
Acquisition of operations	2	10	20	20	0	52
Transfer of work in progress and advances	91	167	807	180	-1,245	0
Sales, scrapping, etc.	-8	-78	-2,225	-118	-39	-2,468
Exchange-rate differences	66	461	1,673	69	156	2,425
Closing balance, December 31, 2018	1,532	11,114	41,156	3,161	4,752	61,715
Acquired during the year	59	208	1,250	255	3,789	5,562
Acquisition of operations	3	3	6	2	0	13
Transfer of work in progress and advances	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
Closing balance, December 31, 2019	1,506	10,683	41,774	2,927	5,847	62,737
<b>Accumulated depreciation</b>						
Opening balance, January 1, 2018	223	4,779	30,232	2,245	386	37,865
Depreciation for the year	19	363	2,530	265	0	3,177
Transfer of work in progress and advances	49	-31	-92	74	0	0
Sales, scrapping, etc.	-4	-54	-2,130	-110	1	-2,297
Impairment	2	33	146	0	14	195
Exchange-rate differences	14	235	1,346	62	30	1,687
Closing balance, December 31, 2018	303	5,325	32,032	2,536	431	40,627
Depreciation for the year	29	366	2,579	297	0	3,271
Transfer of work in progress and advances	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
Closing balance, December 31, 2019	307	5,504	32,409	2,336	379	40,935
Net carrying amount, December 31, 2018	1,229	5,789	9,124	625	4,321	21,088
Net carrying amount, December 31, 2019	1,200	5,179	9,365	591	5,468	21,803

Total net impairment in 2019 was SEK 282m (35) on buildings and land, and SEK 405m (146) on machinery and other equipment and SEK -74m (14) on plants under construction. The majority of the impairment relates to the business areas 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, 2018	1	1	60	452	60	574
Acquired during the year	—	—	—	16	29	45
Transfer of work in progress and advances	—	—	5	21	-26	0
Sales, scrapping, discontinued operations etc.	0	0	0	-30	-34	-64
Exchange-rate differences	—	—	3	3	2	8
Closing balance, December 31, 2018	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, etc.	—	—	—	-43	-5	-48
Exchange-rate differences	—	—	1	1	0	2
Closing balance, December 31, 2019	1	1	78	439	38	557
<b>Accumulated depreciation</b>						
Opening balance, January 1, 2018	1	1	54	350	0	406
Depreciation for the year	—	—	6	28	—	34
Sales, scrapping, discontinued operations etc.	0	0	0	-26	—	-26
Exchange-rate differences	—	—	3	2	—	5
Closing balance, December 31, 2018	1	1	63	354	0	419
Depreciation for the year	—	—	5	27	—	32
Sales, scrapping, etc.	—	—	—	-37	—	-37
Exchange-rate differences	—	—	1	1	—	2
Closing balance, December 31, 2019	1	1	69	345	0	416
Net carrying amount, December 31, 2018	0	0	5	108	31	144
Net carrying amount, December 31, 2019	0	0	9	94	38	141

## 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, 2019, had a total carrying value of SEK 7,071m. 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 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 growth and gross margin. These figures are set in relation to historic figures and external reports on market growth. The cash flow for the last year of the four-year period is used as the base for the perpetuity calculation. The discount rates are based on the pre-tax Electrolux Group WACC (Weighted Average Cost of Capital) with 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 2019 were within a range of 8.9% (9.3) to 14.0% (12.0). 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 6.9 to 12.0%.

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

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

	2019			2018		
	Goodwill	Electrolux trademark	Discount rate, %	Goodwill	Electrolux trademark	Discount rate, %
Europe	449	–	9.1	442	–	9.9
North America	1,662	410	8.9	1,598	410	9.3
Latin America	1,093	–	14.0	1,176	–	12.0
Asia-Pacific, Middle East and Africa	3,867	–	10.8	3,584	–	9.6
Professional Products	–	–	–	1,439	–	10.1
<b>Total</b>	<b>7,071</b>	<b>410</b>		<b>8,239</b>	<b>410</b>	

Cont. Note 13

## Goodwill and other intangible assets

	Group Other intangible assets				Total other intangible assets	Parent Company
	Goodwill	Product develop- ment	Software	Other		Trademarks, software, etc.
<b>Acquisition costs</b>						
Opening balance, January 1, 2018	7,628	3,430	3,688	2,647	9,765	3,752
Acquired during the year	–	–	121	1	122	102
Acquisition of operations	617 <sup>1)</sup>	1	1	214	216	–
Internally developed	–	415	441	–	856	447
Reclassification	–	-51	52	-1	–	–
Fully amortized	–	-268	-870	-52	-1,190	-512
Sales, scrapping etc.	-4	-44	-106	-45	-195	-13
Exchange-rate differences	-2	91	91	-30	152	34
<b>Closing balance, December 31, 2018</b>	<b>8,239</b>	<b>3,574</b>	<b>3,418</b>	<b>2,734</b>	<b>9,726</b>	<b>3,810</b>
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>
<b>Accumulated amortization</b>						
Opening balance, January 1, 2018	–	2,444	2,608	972	6,024	2,222
Amortization for the year	–	344	377	251	972	378
Reclassification	–	–	–	–	–	–
Fully amortized	–	-268	-870	-52	-1,190	-512
Impairment	–	-9	–	–	-9	–
Sales, scrapping etc.	–	-25	-60	–	-85	-5
Exchange-rate differences	–	62	63	-30	95	13
<b>Closing balance, December 31, 2018</b>	<b>–</b>	<b>2,548</b>	<b>2,118</b>	<b>1,141</b>	<b>5,807</b>	<b>2,096</b>
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>
<b>Carrying amount, December 31, 2018</b>	<b>8,239</b>	<b>1,026</b>	<b>1,300</b>	<b>1,593</b>	<b>3,919</b>	<b>1,714</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>

<sup>1)</sup> Including adjustments of provisional values within the measurement period related to acquisitions with a value of SEK 10m for 2018 and with a value of SEK 8m for 2019.

Included in the item Other are trademarks of SEK 690m (813) and customer relationships etc. amounting to SEK 386m (780). For continuing operations amortization of intangible assets is included within Cost of goods sold with SEK 454m (409), Administrative expenses with SEK 123m (320) and Selling expenses with SEK 237m (243) in the income statement. For discontinued operations amortization of intangible assets is included within Cost of goods sold with SEK 26m (18), Administrative expenses with SEK 6m (0) and Selling expenses with SEK 34m (27) in the income statement. Electrolux did not capitalize any borrowing costs during 2019 or 2018.

All amounts in SEKm unless otherwise stated

## Note 14 Other non-current assets

	Group December 31,		Parent Company December 31,	
	2019	2018	2019	2018
Shares in subsidiaries	–	–	37,515	32,245
Participations in other companies	–	–	241	219
Long-term receivables in subsidiaries	–	–	1,480	3,459
Other receivables	1,486	952	32	20
<b>Total</b>	<b>1,486</b>	<b>952</b>	<b>39,268</b>	<b>35,943</b>

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

## Note 15 Inventories

	Group December 31,		Parent Company December 31,	
	2019	2018	2019	2018
Raw materials	3,032	3,590	–	–
Products in progress	289	346	–	–
Finished products	12,854	12,790	3,038	2,813
Advances to suppliers	19	24	–	–
<b>Total</b>	<b>16,194</b>	<b>16,750</b>	<b>3,038</b>	<b>2,813</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 87,649m (83,035) for the Group.

Write-downs due to obsolescence amounted to SEK 303m (272) and reversals of previous write-downs, due to inventories either scrapped or sold, amounted to SEK 200m (364) for the Group. The amounts have been included in the item Cost of goods sold in the income statement.

## Note 16 Other current assets

	Group December 31,	
	2019	2018
VAT receivable	1,012	1,031
Other tax recoverable	946	319
Miscellaneous short-term receivables	1,530	1,585
Provisions for doubtful accounts	-97	-138
Prepaid expenses and accrued income	1,057	1,467
Prepaid interest expenses and accrued interest income	17	243
<b>Total</b>	<b>4,465</b>	<b>4,507</b>

## Note 17 Trade receivables

	2019	2018
Trade receivables	21,729	22,417
Provisions for impairment of receivables	-882	-935
<b>Trade receivables, net</b>	<b>20,847</b>	<b>21,482</b>
Provisions in relation to trade receivables, %	4.1	4.2

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. 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 with a forward looking analysis, including macroeconomic factors impacting the different customer segments and more specific factors such as signs of bankruptcy, officially known insolvency etc. Electrolux uses credit insurance as a mean of protection. The Group's internal guidelines to the companies is to at least reserve 0.01 % for current trade receivables and for receivables maximum 15 days past due. For trade receivables past due between 16 to 60 days Electrolux reserves 1% and increase to 5% for receivables past due between 61 to 180 days. Trade receivables that are 6 months past due but less than 12 months is reserved at 45% and receivables that are 12 months past due and more are reserved at 100%. There is no significant impact on provisions from changes in the forward looking factors.

### Provisions for impairment of receivables

	2019	2018
<b>Provisions, January 1</b>	<b>-935</b>	<b>-801</b>
Effect of change in accounting principles	–	-18
Acquisition of operations	-1	-4
New provisions	-50	-212
Actual credit losses	65	135
Exchange-rate differences and other changes	-27	-35
Discontinued operations	66	–
<b>Provisions, December 31</b>	<b>-882</b>	<b>-935</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 33.5% (33) 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

	2019	2018
Trade receivables not overdue	20,222	20,571
Past due 1 - 15 days	253	481
Past due 16 - 60 days	258	239
2 - 6 months overdue	114	191
6 - 12 months overdue	0	0
More than 1 year overdue	0	0
Total trade receivables past due but not impaired	625	911
Impaired trade receivables	882	935
<b>Total trade receivables</b>	<b>21,729</b>	<b>22,417</b>
Past due, including impaired, in relation to trade receivables, %	6.9	8.2

## 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.

#### De-recognition

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

#### De-recognition

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

### Derivatives and hedging activities

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

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

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

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

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

#### Fair value hedge

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

#### Cash flow hedge

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

#### 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

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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 2019, the Group's financial net debt amounted to SEK 667m (-1,989). The table below presents how the Group calculates net debt and what it consists of.

**Net debt**

	December 31	
	2019	2018
Short-term loans	1,307	1,429
Short-term part of long-term loans	1,446	2,355
Trade receivables with recourse	602	168
<b>Short-term borrowings</b>	<b>3,354</b>	<b>3,952</b>
Financial derivative liabilities	233	81
Accrued interest expenses and prepaid interest income	33	28
<b>Total short-term borrowings</b>	<b>3,620</b>	<b>4,062</b>
<b>Long-term borrowings</b>	<b>8,236</b>	<b>6,198</b>
<b>Total borrowings</b>	<b>11,856</b>	<b>10,260</b>
Cash and cash equivalents	10,807	11,697
Short-term investments	190	176
Financial derivative assets	176	132
Prepaid interest expenses and accrued interest income	16	243
<b>Liquid funds</b>	<b>11,189</b>	<b>12,249</b>
<b>Financial net debt</b>	<b>667</b>	<b>-1,989</b>
Lease liabilities	3,150	–
Net provision for post-employment benefits	3,866	3,814
<b>Net debt</b>	<b>7,683</b>	<b>1,825</b>
Revolving credit facility (EUR 1,000m) <sup>1)</sup>	10,440	10,277

<sup>1)</sup> 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 for continuing operations in 2019 and for total Group, including discontinued operations in 2018. The carrying amount of liquid funds is approximately equal to fair value.

**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>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>
<b>2018</b>										
Long-term borrowings (including short-term part of long-term)	8,088	-1,531	1,737	–	13	–	–	246	–	8,553
Short-term borrowings (excluding short-term part of long-term)	1,194	–	–	397	134	–	–	-128	–	1,597
<b>Total</b>	<b>9,282</b>	<b>-1,531</b>	<b>1,737</b>	<b>397</b>	<b>147</b>	<b>–</b>	<b>–</b>	<b>118</b>	<b>–</b>	<b>10,150</b>

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

**Liquidity profile**

	December 31	
	2019	2018
Cash and cash equivalents	10,807	11,697
Short-term investments	190	176
Financial derivative assets	176	132
Prepaid interest expenses and accrued interest income	16	243
<b>Liquid funds</b>	<b>11,189</b>	<b>12,249</b>
% of annualized net sales <sup>1)</sup>	18.4	18.1
<b>Net liquidity</b>	<b>7,569</b>	<b>8,187</b>
Fixed interest term, days	12	12
Effective yield, % (average per annum)	0.8	1.1

<sup>1)</sup> Liquid funds in relation to net sales, see Note 30 for definition.

For 2019, liquid funds, including unused revolving credit facilities of EUR 1000m, amounted to 18.4% (18.1) of annualized net sales. Net liquidity is calculated by deducting short-term borrowings from liquid funds.

**Interest-bearing liabilities**

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

In 2019, SEK 2,412m of long-term borrowings matured or were amortized. These maturities were partly refinanced to the amount of SEK 3,810m.

At year-end 2019, the Group's total interest-bearing liabilities amounted to SEK 10,989m (9,982), of which SEK 9,682m (8,553) referred to long-term borrowings including maturities within 12 months. Long-term borrowings with maturities within 12 months amounted to SEK 1,446m (2,355). 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 9,546m (8,001), is raised at parent company level. Electrolux also has an unused committed multicurrency revolving credit facility of EUR 1,000m maturing 2023. However, Electrolux expects to meet any future requirements for short-term borrowings through bilateral bank facilities and capital-market programs such as commercial paper programs.

At year-end 2019, the average interest-fixing period for long-term borrowings was 1.5 years (1.0). 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% (2.5) at year end.

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

All amounts in SEKm unless otherwise stated

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

**Borrowings**

Issue/maturity date	Description of loan	Interest rate, %	Currency	Nominal value (in currency)	Carrying amount, December 31	
					2019	2018
<b>Bond loans<sup>1)</sup></b>						
2013-2020	Euro MTN Program	3.440	SEK	170	—	170
2013-2020	Euro MTN Program	Floating	SEK	830	—	830
2017-2024	Euro MTN Program	Floating	SEK	350	350	350
2018-2023	Euro MTN Program	1.125	SEK	200	200	200
2018-2023	Euro MTN Program	Floating	SEK	800	804	806
2018-2025	Euro MTN Program	3.724	USD	73	681	655
2019-2024	Euro MTN Program	1.103	SEK	1,000	1,000	—
2019-2022	Euro MTN Program	Floating	SEK	1,250	1,260	—
2019-2024	Euro MTN Program	0.885	SEK	750	750	—
2019-2024	Euro MTN Program	Floating	SEK	750	757	—
<b>Total bond loans</b>					<b>5,802</b>	<b>3,011</b>
<b>Other long-term loans<sup>1)</sup></b>						
1996-2019	Fixed rate loans in Germany	7.870	EUR	39	—	400
2013-2021	Amortizing long term bank loan in Sweden, long part	Floating	SEK	154	154	461
2015-2021	Long-term bank loans in Sweden	Floating	USD	170	1,582	1,522
2017-2026	Amortizing long term bank loan in Sweden	Floating	USD	63	592	673
	Other long-term loans				106	131
<b>Total other long-term loans</b>					<b>2,434</b>	<b>3,187</b>
<b>Long-term borrowings</b>					<b>8,236</b>	<b>6,198</b>
<b>Short-term part of long-term loans<sup>2)</sup></b>						
2014-2019	Euro MTN Program	Floating	SEK	750	—	750
2014-2019	Euro MTN Program	2.340	SEK	250	—	250
2014-2019	Euro MTN Program	1.000	EUR	100	—	1,026
2013-2020	Euro MTN Program	3.440	SEK	170	170	—
2013-2020	Euro MTN Program	Floating	SEK	830	830	—
2013-2021	Amortizing long term bank loan in Sweden, short part	Floating	SEK	308	308	308
2017-2026	Amortizing long term bank loan in Sweden	Floating	USD	12	108	—
	Other short-term part of long-term loans				30	21
<b>Total short-term part of long-term loans</b>					<b>1,446</b>	<b>2,355</b>
<b>Other short-term loans</b>						
	Short-term bank loans in Egypt	Floating	EGP	217	126	182
	Short-term bank loans in Brazil	Floating	BRR	161	372	675
	Short-term bank loans in Thailand	Floating	THB	432	135	259
	Short-term bank loans in Chile	Floating	CLP	13,712	171	—
	Other bank borrowings and commercial papers				503	313
<b>Total other short-term loans</b>					<b>1,307</b>	<b>1,429</b>
<b>Trade receivables with recourse</b>					<b>601</b>	<b>168</b>
<b>Short-term borrowings</b>					<b>3,354</b>	<b>3,952</b>
<b>Long-term and short-term borrowings</b>					<b>11,590</b>	<b>10,150</b>
<b>Fair value of financial derivative liabilities</b>					<b>233</b>	<b>81</b>
<b>Accrued interest expenses and prepaid interest income</b>					<b>33</b>	<b>28</b>
<b>Total borrowings</b>					<b>11,856</b>	<b>10,260</b>

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

Short-term borrowings pertain mainly to countries with capital restrictions. The average maturity of the Group's long-term borrowings including long-term borrowings with maturities within 12 months was 3.0 years (2.6), at the end of 2019. The table below presents the repayment schedule of long-term borrowings for continuing operations.

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

	2020	2021	2022	2023	2024	2025–	Total
Debenture and bond loans	—	—	1,260	1,004	2,857	681	5,802
Bank and other loans	—	1,950	108	108	108	160	2,434
Short-term part of long-term loans	1,446	—	—	—	—	—	1,446
<b>Total</b>	<b>1,446</b>	<b>1,950</b>	<b>1,368</b>	<b>1,112</b>	<b>2,965</b>	<b>841</b>	<b>9,682</b>

All amounts in SEKm unless otherwise stated

Cont. Note 18

**Commercial flows**

The table below shows the forecasted transaction flows, imports and exports, for the 12-month period of 2020 and hedges at year-end 2019.

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 2019 amounted to SEK -111m (26). At year-end 2019, the unrealized fair value of forward contracts for hedging of forecasted transaction flows amounted to SEK -9m (-2).

**Forecasted transaction flows and hedges**

	AUD	BRL	CAD	CHF	CLP	CNY	EUR	GBP	THB	USD	Other	Total
Inflow of currency, long position	3,168	3,815	2,604	2,222	1,448	161	2,906	3,390	2,110	4,325	12,456	38,605
Outflow of currency, short position	-168	-242	0	-210	-222	-2,770	-8,124	-810	-3,952	-16,091	-6,016	-38,605
Gross transaction flow	3,000	3,573	2,604	2,012	1,226	-2,609	-5,218	2,580	-1,842	-11,766	6,440	0
Hedges	-643	-793	-141	-122	-311	800	-935	-205	109	1,952	289	0
Net transaction flow	2,357	2,780	2,463	1,890	915	-1,809	-6,153	2,375	-1,733	-9,814	6,729	0

**Maturity profile of financial liabilities and derivatives**

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

**Maturity profile of financial liabilities and derivatives - undiscounted cash flows**

	≤ 0.5 year	> 0.5 year < 1 year	> 1 year < 2 years	> 2 years < 5 years	> 5 years	Total
Loans	-2,629	-277	-2,059	-5,637	-860	-11,462
Net settled derivatives	0	0	-1	-1	0	-2
Lease liabilities	-524	-482	-835	-1,210	-534	-3,584
Gross settled derivatives	-29	5	-	-	-	-24
whereof outflow	-29,279	-690	-	-	-	-29,969
whereof inflow	29,250	695	-	-	-	29,945
Accounts payable	-33,892	-	-	-	-	-33,892
Financial guarantees	-939	-	-	-	-	-939
<b>Total</b>	<b>-38,013</b>	<b>-754</b>	<b>-2,895</b>	<b>-6,848</b>	<b>-1,394</b>	<b>-49,903</b>

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

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

**Net gain/loss, income and expense on financial instruments**

	2019				2018			
	Gain/loss in profit and loss	Gain/loss in OCI	Income	Expense	Gain/loss in profit and loss	Gain/loss in OCI	Income	Expense
<b>Recognized in operating income</b>								
Financial assets and liabilities at fair value through profit and loss	-115	-9	-	-	26	-2	-	-
Financial assets and liabilities at amortized cost	99	-	-	-	-193	-	-	-
<b>Total net gain/loss, income and expense</b>	<b>-16</b>	<b>-9</b>	<b>-</b>	<b>-</b>	<b>-167</b>	<b>-2</b>	<b>-</b>	<b>-</b>
<b>Recognized in financial items</b>								
Financial assets and liabilities at fair value through profit and loss	84	-1	-	-141	260	-65	-	-183
Financial assets at amortized cost	-	-	69	-	-	-	103	-
Other financial liabilities at amortized cost	-155	-100	-	-424	-248	-46	-	-309
<b>Total net gain/loss, income and expense</b>	<b>-71</b>	<b>-101</b>	<b>69</b>	<b>-565</b>	<b>12</b>	<b>-111</b>	<b>103</b>	<b>-492</b>

All amounts in SEKm unless otherwise stated

Cont. Note 18

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

	2019 <sup>1)</sup>		2018 <sup>1)</sup>	
	Hierarchy level	Carrying amount	Hierarchy level	Carrying amount
<b>Financial assets</b>				
<b>Financial assets</b>		<b>93</b>		<b>246</b>
Financial assets at fair value through profit and loss	3	93	3	246
<b>Trade receivables</b>		<b>20,847</b>		<b>21,482</b>
Financial assets at amortized cost		20,847		21,482
<b>Derivatives</b>		<b>192</b>		<b>139</b>
Financial assets at fair value through profit and loss	2	117	2	120
Derivatives in hedge accounting	2	75	2	19
<b>Short-term investments</b>		<b>190</b>		<b>176</b>
Financial assets at fair value through profit and loss	1	176	1	175
Financial assets at amortized cost		14	1	1
<b>Cash and cash equivalents</b>		<b>10,807</b>		<b>11,697</b>
Financial assets at fair value through profit and loss		5,421		5,847
Financial assets at amortized cost		5,386		5,850
<b>Total financial assets</b>		<b>32,129</b>		<b>33,740</b>
<b>Financial liabilities</b>				
<b>Long-term borrowings</b>		<b>8,236</b>		<b>6,198</b>
Financial liabilities measured at amortized cost		8,236		6,198
<b>Accounts payable</b>		<b>33,892</b>		<b>34,443</b>
Financial liabilities at amortized cost		33,892		34,443
<b>Short-term borrowings</b>		<b>3,354</b>		<b>3,952</b>
Financial liabilities measured at amortized cost		3,354		3,952
<b>Derivatives</b>		<b>293</b>		<b>102</b>
Financial liabilities at fair value through profit and loss	2	291	2	100
Derivatives in hedge accounting	2	2	2	2
<b>Total financial liabilities</b>		<b>45,775</b>		<b>44,695</b>

<sup>1)</sup> Carrying amount equals fair value except for long and short-term borrowings where the fair value is SEK 26m (45), respectively SEK 7m (12) higher than the carrying amount. The calculation of fair value on the Group's borrowings is level 2 in the fair value hierarchy.

## Fair value estimation

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

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities is estimated by discounting the future contractual cash

flows at the current market-interest rate that is available to the Group for similar financial instruments. The Group's financial assets and liabilities at fair value are measured according to the following hierarchy:

Level 1: Quoted prices in active markets for identical assets or liabilities. At year-end, the fair value for level 1 financial assets was SEK 176m (175) and for financial liabilities SEK 0m (0).

Level 2: Inputs other than quoted prices included in level 1 that are observable for assets or liabilities either directly or indirectly. At year-end, the fair value for level 2 financial assets was SEK 192m (139) and for financial liabilities SEK 293m (102).

Level 3: Inputs for the assets or liabilities that are not entirely based on observable market data. At year-end, the fair value for level 3 financial assets was SEK 93m (246) and for financial liabilities 0m (0).

## Note 19 Assets pledged for liabilities to credit institutions

	Group December 31		Parent Company December 31	
	2019	2018	2019	2018
Real-estate mortgages	–	–	–	–
Other	6	6	–	–
<b>Total</b>	<b>6</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, 2019, 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, 2018	
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, 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>

### Number of shares

	Owned by Electrolux	Owned by other shareholders	Total
Shares, December 31, 2018			
Class A shares	–	8,192,539	8,192,539
Class B shares	21,522,858	279,204,911	300,727,769
<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, 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>

### 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

	2019	2018
Income for the period attributable to equity holders of the Parent Company	2,509	3,805
Earnings per share, SEK		
Basic, continuing operations	6.33	9.93
Basic, discontinued operations	2.40	3.31
Basic, total Group	8.73	13.24
Diluted, continuing operations	6.30	9.86
Diluted, discontinued operations	2.38	3.29
Diluted, total Group	8.69	13.14
Average number of shares, million		
Basic	287.4	287.4
Diluted	288.8	289.5

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 288,824,237 (289,503,125).

## Note 21 Untaxed reserves, Parent Company

	December 31, 2019	Appropriations	December 31, 2018
Accumulated depreciation in excess of plan			
Brands	364	-18	382
Licenses	0	–	0
Machinery and equipment	32	9	23
Buildings	0	–	0
Other	34	-3	37
<b>Total</b>	<b>430</b>	<b>-12</b>	<b>442</b>
Group contributions		694	
<b>Total appropriations</b>		<b>682</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, Canada and Norway. The pension plans in France and Italy are mainly unfunded. The Norwegian pension plans are funded and in Canada there are both funded and unfunded pension plans. A mix of final salary and career average exists in these countries. Some plans are open for new entrants.

All amounts in SEKm unless otherwise stated

Cont. Note 22

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

## Information by country December, 31, 2019

	USA	USA Medical	UK	Sweden	Germany	Switzer- 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>1)</sup>
Provisions for post-employment benefit plans	–	–	–	–	–	–	–	5,116 <sup>2)</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>3)</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>4)</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>5)</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

## Information by country December, 31, 2018

	USA	USA Medical	UK	Sweden	Germany	Switzer- land	Other	Total
<b>Amounts included in the balance sheet</b>								
Present value of funded and unfunded obligations	8,221	1,790	6,257	4,052	3,779	3,396	1,151	28,646
Fair value of plan assets (after change in asset ceiling)	-7,814	-1,837	-6,354	-2,772	-2,631	-3,100	-324	-24,832
Total (surplus)/deficit	407	-47	-97	1,280	1,148	296	827	3,814
Whereof reported as:								
Pension plan assets	–	–	–	–	–	–	–	532
Provisions for post-employment benefit plans	–	–	–	–	–	–	–	4,346
Total funding level for all pension plans, %	97	103	102	68	70	91	16	87
Average duration of the obligation, years	9.4	9.9	14.7	17.4	14.3	12.6	–	12.7
<b>Amounts included in total comprehensive income</b>								
Service cost <sup>6)</sup>	17	–	60	158	22	54	9	320
Net interest cost	8	1	6	18	6	–	9	48
Remeasurements (gain)/loss	49	81	-373	279	206	197	9	448
Total expense (gain) for defined benefit plans	74	82	-307	455	234	251	27	816
Expenses for defined contribution plans								640
<b>Amounts included in the cash flow statement</b>								
Contributions by the employer	–	-22	-58	–	–	-40	-11	-131
Reimbursement	–	–	–	91	626	–	–	717
Benefits paid by the employer	-21	–	–	-125	-161	–	-55	-362
<b>Major assumptions for the valuation of the liability</b>								
Longevity, years <sup>4)</sup>								
Male	20.8	20.8	20.9	23.0	20.0	22.5	–	21.2
Female	22.7	22.7	23.8	24.8	23.6	24.5	–	23.6
Inflation, % <sup>5)</sup>	3.00	6.50	3.25	1.75	1.70	1.25	–	2.40
Discount rate, %	4.15	4.15	2.65	2.25	1.70	0.74	–	2.63

<sup>1)</sup> Whereof pension plan assets amount to SEK 1,043m for continuing operations and SEK 13m for discontinued operations.<sup>2)</sup> Whereof provisions for post-employment benefit plans amount to SEK 4,909m for continuing operations and SEK 208m for discontinued operations.<sup>3)</sup> Includes a gain of SEK 200m due to plan amendment in France and settlement in Sweden and Norway.<sup>4)</sup> Expressed as the average life expectancy of a 65 years old person in number of years.<sup>5)</sup> General inflation impacting salary and pensions increase. For USA Medical, the number refers to the inflation of healthcare benefits.<sup>6)</sup> Includes a loss of SEK 51m in UK due to gender equalization of Guaranteed Minimum Pension.

Cont. Note 22

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

	2019	2018
Opening balance, January 1	28,646	28,378
Current service cost	246	237
Special events	-96	50
Interest expense	808	720
Remeasurement arising from changes in financial assumptions	3,379	-717
Remeasurement from changes in demographic assumptions	-63	-132
Remeasurement from experience	206	72
Contributions by plan participants	50	45
Benefits paid	-1,808	-1,514
Exchange differences	1,106	1,539
Settlements and other	-643	-32
Total	31,831	28,646
Discontinued operations, obligations	-208	-
Closing balance, December 31	31,623	28,646

**Reconciliation of change in the fair value of plan assets**

	2019	2018
Opening balance, January 1	24,832	25,744
Interest income <sup>1)</sup>	764	672
Return on plan assets, excluding amounts included in interest <sup>1)</sup>	3,410	-1,225
Effect of asset ceiling	14	-52
Net contribution by employer	-344	-224
Contribution by plan participants	50	45
Benefits paid	-1,447	-1,514
Exchange differences	1,096	1,453
Settlements and other	-604	-67
Total	27,771	24,832
Discontinued operations, plan assets	-13	-
Closing balance, December 31	27,758	24,832

<sup>1)</sup> The actual return on plan assets amounts to SEK 4,174m (-553).

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

**Sensitivity analysis on defined benefit obligation**

	USA	USA Medical	UK	Sweden	Germany	Switzerland	Other	Total
Longevity +1 year	297	127	351	158	100	126	7	1,166
Inflation +0.5% <sup>1)</sup>	28	118	374	405	289	39	22	1,275
Discount rate +1%	-807	-213	-1,072	-670	-558	-472	-82	-3,874
Discount rate -1%	938	247	1,331	876	710	632	97	4,831

<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 329m in contributions to the pension funds and as payments of benefits directly to the employees.

**Risks**

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

**Investment strategy and risk management**

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

**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	
	2019	2018
Fixed income	915	61
Real estate	2,631	2,302
Infrastructure	500	307
Private equity	136	142

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 2019 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, 2018	1,651	438	2,089
Current service cost	82	16	98
Interest cost	67	18	85
Benefits paid	-78	-30	-108
Closing balance, December 31, 2018	1,722	442	2,164
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

### Change in fair value of plan assets

	Funded
Opening balance, January 1, 2018	2,397
Actual return on plan assets	29
Contributions and compensation to/from the fund	-75
Closing balance, December 31, 2018	2,351
Actual return on plan assets	320
Contributions and compensation to/from the fund	-133
Closing balance, December 31, 2019	2,538

### Amounts recognized in the balance sheet

	December 31	
	2019	2018
Present value of pension obligations	-2,196	-2,164
Fair value of plan assets	2,538	2,351
Surplus/deficit	342	187
Limitation on assets in accordance with Swedish accounting principles	-779	-628
Net provisions for pension obligations	-437	-442
Whereof reported as provisions for pensions	-437	-442

### Amounts recognized in the income statement

	2019	2018
Current service cost	55	98
Interest cost	88	85
Total expenses for defined benefit pension plans	143	183
Insurance premiums	157	107
Total expenses for defined contribution plans	157	107
Special employer's contribution tax	31	33
Cost for credit insurance FPG	2	2
Total pension expenses	333	325
Compensation from the pension fund	-133	-75
Total recognized pension expenses	200	250

### 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, 2019, to SEK 2,551m (2,772m) and the pension commitments to SEK 1,759m (2,013). The Swedish Group companies recorded a liability to the pension fund as per December 31, 2019, in the amount of SEK 0m (0). Contributions to the pension foundation during 2019 amounted to SEK 0m (0). Contributions from the pension foundation during 2019 amounted to SEK 585m (91).

## 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, 2018	1,290	1,915	1,362	3,256	7,823	322	421	48	791
Acquisitions of operations	–	10	–	19	29	–	–	–	–
Provisions made	718	1,793	391	871	3,773	3	86	3	92
Provisions used	-749	-1,679	-464	-867	-3,759	-122	-44	-7	-173
Unused amounts reversed	-108	-11	–	-512	-631	-74	0	0	-74
Exchange-rate differences	59	67	108	96	330	45	10	0	55
Closing balance, December 31, 2018	1,210	2,095	1,397	2,863	7,565	174	473	44	691
Of which current provisions	411	1,071	269	533	2,284	125	92	–	217
Of which non-current provisions	799	1,024	1,128	2,330	5,281	49	381	44	474
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

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, 2019, will be consumed in 2020 and 2021.

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

## Note 24 Other liabilities

	Group December 31		Parent Company December 31	
	2019	2018	2019	2018
Accrued holiday pay	928	1,043	223	137
Other accrued payroll costs	1,597	1,297	261	64
Accrued interest expenses	33	28	29	25
Contract liabilities <sup>1)</sup>	6,005	5,093	–	–
Other accrued expenses	3,387	4,710	525	1,210
Prepaid income grants	828	882	–	–
Other prepaid income	124	302	210	43
VAT liabilities	957	1,286	–	–
Personnel related liabilities	836	797	–	–
Other operating liabilities	2,126	1,667	–	–
Total	16,821	17,105	1,248	1,479

<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 December 31		Parent Company December 31	
	2019	2018	2019	2018
<b>Guarantees and other commitments</b>				
On behalf of subsidiaries	–	–	0	1,044
On behalf of external counterparties	939	992	1,015	490
Employee benefits in excess of reported liabilities	–	23	–	–
<b>Total</b>	<b>939</b>	<b>1,015</b>	<b>1,015</b>	<b>1,534</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, 2019, the Group had a total of 3,897 (3,460) cases pending, representing approximately 3,933 (approximately 3,502) plaintiffs. During 2019, 1,617 new cases with 1,618 plaintiffs were filed and 1,180 pending cases with approximately 1,187 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. 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, Electrolux believes that the company has a very strong legal case and has not made any provision related to this potential cost at this stage.

In the fourth quarter of 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. 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 has filed a motion to join the proceedings to protect its interests. At this stage it is too early to predict the outcome of this matter and to assess and quantify INFA's liability, if any. No provision has been set at this stage.

### Contingent assets

In December 2018, Electrolux obtained a judicial court certification attesting a final and non-appealable decision in Brazil that Electrolux has the right to recover overpaid sales tax for 2002-2014. In December 2018, Electrolux filed a claim with the Brazilian tax authorities for the recovery of the overpaid sales tax and a minor part was recognized as an asset per December 31, 2018. The remaining amount was recognized as an asset as per September 30, 2019. There is accordingly no longer a contingent asset related to this case.

## Note 26 Acquired, divested and discontinued operations

	2019			2018			
	Sydney Appliance Installations	UNIC	Total	Schneidereit	SPM	Other	Total
<b>Acquired operations</b>							
<b>Consideration:</b>							
Cash paid for acquisitions made during the year	26	410	436	331	470	3	804
Deferred consideration	13	0	13	37	–	20	57
<b>Total consideration</b>	<b>39</b>	<b>410</b>	<b>449</b>	<b>368</b>	<b>470</b>	<b>23</b>	<b>861</b>
<b>Recognized amounts of assets acquired and liabilities assumed:</b>							
Total net assets acquired	0	143	143	168	189	11	368
Assumed net debt	0	-69	-69	-93	-10	-10	-113
Goodwill	39	336	375	293	291	22	606
<b>Total</b>	<b>39</b>	<b>410</b>	<b>449</b>	<b>368</b>	<b>470</b>	<b>23</b>	<b>861</b>
<b>Payments for acquisitions:</b>					2019		2018
Cash paid for acquisitions made during the year					436		804
Cash and cash equivalents in acquired operations					-4		-49
Cash paid related to deferred consideration from acquisitions made in earlier years					35		144
Payments for acquisition of non-controlling interest in CTI SA and Somela SA, Chile					0		3
<b>Total paid</b>					<b>467</b>		<b>902</b>

### 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.

### Acquisitions in 2018

#### Schneidereit GmbH

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

The consideration consisted of a cash payment of EUR 32.8m and a deferred part (hold-back) of EUR 3.6m. The cash payment was equivalent to SEK 331m and the deferred part was equivalent to SEK 37m. The cash flow effect was SEK -303m excluding acquired cash and cash equivalents. In 2019 the hold-back was released with an additional payout of EUR 3.3m, equivalent to SEK 35m.

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

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

The operations were included in business area Professional Products, thus included in discontinued operations as per December 2019.

#### SPM Drink Systems

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

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

All amounts in SEKm unless otherwise stated

Cont. Note 26

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

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

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

The operations were included in business area Professional Products, thus included in discontinued operations as per December 2019.

Other

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

The operations are included in business area Europe.

Transaction costs

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

Divested operations

No divestments were made in 2019.

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

The divestment and related effects are included in business area North America.

Divested operations	2019	2018
North American commercial and central vacuum cleaner business, USA	–	293
<b>Total cash received for divestments</b>	<b>–</b>	<b>293</b>

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 intention is to list Electrolux Professional AB on Nasdaq Stockholm on March 23, 2020. Electrolux Professional has been classified as held for distribution to owners as per December 2019 and is accounted for under the applicable principles for assets held for sale and discontinued operations. All related effects are referred to as 'Discontinued operations'.

Electrolux Professional is reported as discontinued operations in the consolidated statement of comprehensive income for 2019. The consolidated statement of comprehensive income for 2018 has been restated accordingly. The Electrolux Professional results are excluded from the individual lines of the consolidated income statement with the total net reported as 'Income for the period from discontinued operations'. All income from discontinued operations is attributable to owners of the parent.

The consolidated cash flow statement includes a split of operating income into 'Operating income, continuing operations' and 'Operating income, discontinued operations'.

In the balance sheet as per 31 December 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 and measured at the lower of its carrying amount and fair value less costs to distribute. The balance sheet items for the previous year(s) are the historical financial statements as no balance sheet restatement is allowed under IFRS.

Details on income statement, balance sheet and cash flow for discontinued operations are presented below.

Income statement discontinued operations

	2019	2018
<b>Net sales</b>	<b>9,281</b>	<b>8,666</b>
Cost of sales	-6,040	-5,447
<b>Gross operating income</b>	<b>3,241</b>	<b>3,219</b>
Selling expenses	-1,699	-1,642
Administrative expenses	-584	-434
Other operating income and expenses	32	-9
<b>Operating income</b>	<b>991</b>	<b>1,134</b>
Financial items, net	12	-2
<b>Income after financial items</b>	<b>1,003</b>	<b>1,133</b>
Taxes	-314	-182
<b>Income for the period, discontinued operations</b>	<b>688</b>	<b>951</b>

Balance sheet discontinued operations

	2019	2018
Property, plant and equipment, owned	1,214	1,085
Property, plant and equipment, right-of-use	238	–
Goodwill	1,821	1,438
Other intangible assets	388	394
Other non-current assets	397	268
<b>Total non-current assets</b>	<b>4,057</b>	<b>3,185</b>
Inventories	1,265	1,299
Trade receivables	1,687	1,658
Other current assets	1,025	474
<b>Total current assets</b>	<b>3,977</b>	<b>3,431</b>
<b>Total assets</b>	<b>8,034</b>	<b>6,615</b>
Long-term borrowings	3	25
Long-term lease liabilities	172	–
Other provisions	846	726
<b>Total non-current liabilities</b>	<b>1,021</b>	<b>751</b>
Accounts payable	1,485	1,446
Short-term borrowings	4	32
Short-term lease liabilities	72	–
Other current liabilities	1,370	1,165
<b>Total current liabilities</b>	<b>2,930</b>	<b>2,644</b>
<b>Total liabilities</b>	<b>3,951</b>	<b>3,394</b>

Cash flow discontinued operations

	2019	2018
Cash flow from operations	1,120	784
Cash flow from investments	-689	-834
Cash flow from financing	-134	-94
<b>Total cash flow</b>	<b>297</b>	<b>-144</b>

## Note 27 Employees and remuneration

### Employees and employee benefits

In 2019, the average number of employees was 48,652 (51,253), of which 29,747 (32,176) were men and 18,905 (19,076) 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	
	2019	2018
Europe	18,908	19,278
North America	6,640	8,200
Latin America	14,843	15,631
Asia/Pacific	4,987	4,627
Rest of world	3,274	3,517
<b>Total continuing operations</b>	<b>48,652</b>	<b>51,253</b>
<b>Discontinued operations</b>	<b>3,469</b>	<b>3,166</b>
<b>Total Group including discontinued operations</b>	<b>52,121</b>	<b>54,419</b>

### Salaries, other remuneration and employer contributions

	2019			2018		
	Salaries and remuneration	Employer contributions	Total	Salaries and remuneration	Employer contributions	Total
Parent Company	1,063	577	1,640	1,155	587	1,742
whereof pension costs <sup>1)</sup>	—	243	243	—	224	224
Subsidiaries	15,255	3,605	18,860	14,674	3,582	18,256
whereof pension costs	—	493	493	—	647	647
<b>Total continuing operations</b>	<b>16,318</b>	<b>4,182</b>	<b>20,500</b>	<b>15,829</b>	<b>4,169</b>	<b>19,998</b>
whereof pension costs	—	736	736	—	871	871
Discontinued operations	1,666	437	2,103	1,534	482	2,016
<b>Total Group including discontinued operations</b>	<b>17,984</b>	<b>4,619</b>	<b>22,603</b>	<b>17,363</b>	<b>4,651</b>	<b>22,014</b>

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

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

	2019			2018		
	Board members and senior managers <sup>1)</sup>	Other employees	Total	Board members and senior managers <sup>1)</sup>	Other employees	Total
Parent Company	59	1,004	1,063	64	1,091	1,155
Other	338	14,917	15,255	266	15,460	15,726
<b>Total continuing operations</b>	<b>397</b>	<b>15,921</b>	<b>16,318</b>	<b>330</b>	<b>16,551</b>	<b>16,881</b>
Discontinued operations	58	1,608	1,666	54	428	482
<b>Total Group including discontinued operations</b>	<b>455</b>	<b>17,529</b>	<b>17,984</b>	<b>384</b>	<b>16,979</b>	<b>17,363</b>

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

Of the Board members in Group companies, 91 (102) were men and 14 (12) women, of whom 6 (9) men and 3 (4) women in the Parent Company. According to the definition of Senior managers in the Swedish Annual Accounts Act, the number of Senior managers in the Group consisted of 178 (184) men and 75 (64) women, of whom 6 (7) 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 33 m (33).

### Compensation to Board members

	2019			2018		
	Ordinary compensation	Compensation for committee work	Total compensation	Ordinary compensation	Compensation for committee work	Total compensation
'000 SEK						
Staffan Bohman, Chairman (from AGM 2018)	2,187	260	2,447	1,612	215	1,827
Petra Hedengran	630	310	940	595	347	942
Hasse Johansson	630	160 <sup>1)</sup>	790	595	180 <sup>1)</sup>	775
Ronnie Leten (Chairman up to AGM 2018)	—	—	—	519	25	544
Ulla Litzén	630	280	910	595	343	938
Bert Nordberg (up to AGM 2019)	150	—	150	595	—	595
Fredrik Persson	630	160	790	595	180	775
David Porter	630	—	630	595	—	595
Jonas Samuelsson, President	—	—	—	—	—	—
Ulrika Saxon	630	100	730	595	100	695
Kai Wörn	630	—	630	595	0	595
Bo Rothze'n (up to AGM 2018)	—	—	—	—	—	—
Gunilla Brandt (up to AGM 2018)	—	—	—	—	—	—
Ulf Carlsson	—	—	—	—	—	—
Viveca Brinkenfeldt-Lever	—	—	—	—	—	—
Peter Ferm	—	—	—	—	—	—
<b>Total compensation</b>	<b>6,747</b>	<b>1,270</b>	<b>8,017</b>	<b>6,891</b>	<b>1,390</b>	<b>8,281</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 2019 refers to one fourth of the compensation authorized by the AGM in 2018, and three fourths of the compensation authorized by the AGM in 2019. Total compensation paid in cash in 2019 amounted to SEK 8.0m, of which SEK 6.7m referred to ordinary compensation and SEK 1.3m to committee work<sup>1)</sup>.

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

### Remuneration Committee

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

### Remuneration guidelines for Group Management

The AGM in 2019 approved the proposed remuneration guidelines. These guidelines are described below.

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

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

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

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

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

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

### Remuneration and terms of employment for the President in 2019

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 2019 has been set at SEK 11.4m.

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

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

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

Compensation for extraordinary work efforts in connection with the separation and distribution of Electrolux Professional equivalent to two months base salary will be paid in 2020 conditional upon completion of the distribution.

### 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 2019, prior Presidents, and survivors is SEK 221m (222), whereof SEK 30m (24) relates to the current President.

### Remuneration and terms of employment for other members of Group Management in 2019

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 2019 was 2.93% (3.18).

Variable salary in 2019 is based on financial targets on business area and Group level. Variable salary for business area heads and heads of Global Operations and Consumer Experience varies between a minimum (no payout) 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 payout) 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.

In addition to the President, compensation for extraordinary work efforts in connection with the separation and distribution of Electrolux Professional will be paid in 2020 to four other members of Group Management equivalent to two months base salary conditional upon completion of the distribution.

### Pensions for other members of Group Management

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

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

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

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

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

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

### Share-based compensation

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

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

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

### Performance-share programs 2017, 2018 and 2019

The Annual General Meeting in 2019 approved a long-term incentive program. The program is in line with the Group's principles for remuneration based on performance, and is an integral part of the total compensation for Group Management and other senior managers. Electrolux shareholders benefit from this program since it facilitates recruitment and retention of competent executives and aligns management interest with shareholder interest as the program drives executive shareholding and the participants are more aligned with the long-term strategy of the company.

The allocation of shares in the 2017, 2018 and 2019 programs is determined by the position level and the outcome of three financial objectives; (1) annual growth in earnings per share, (2) return on net assets and (3) organic sales growth (adjusted sales growth as from 2018). Performance outcome of the three financial objectives will be determined by the Board after the expiry of the one-year performance period.

For the 2017, 2018 and 2019 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 2017, 2018 and 2019 program covers 210 to 282 senior managers and key employees in almost 30 countries. Participants in the 2019 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 share program 2019 was zero, thus no shares will be allocated to the participants.

For 2019, LTI programs resulted in a cost of SEK 77m (including a cost of SEK 19m in employer contribution) compared to a cost of SEK 125m in 2018 (including a cost of SEK 14m in employer contribution). The total provision for employer contribution in the balance sheet amounted to SEK 53m (61).

### Repurchased shares for LTI programs

The Annual General Meeting in 2018 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 2016 program, but this mandate has not been used by the company.

### Allocation of shares for the 2016 program

The 2016 performance-share program met 75% of the maximum performance and performance shares were allocated during 2019 to the participants according to the terms and conditions of the 2016 share program.

### Remuneration to Group Management

'000 SEK unless otherwise stated	2019						2018					
	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	11,591	2,213	5,676	1,911	3,993	4,942	11,326	2,226	7,939	5	3,896	6,224
Other members of Group Management <sup>5)</sup>	48,363	11,180	18,590	6,487	13,621	13,616	49,594	11,180	28,482	4,514	14,538	19,284
<b>Total</b>	<b>59,954</b>	<b>13,393</b>	<b>24,266</b>	<b>8,398</b>	<b>17,614</b>	<b>18,558</b>	<b>60,920</b>	<b>13,406</b>	<b>36,421</b>	<b>4,519</b>	<b>18,434</b>	<b>25,508</b>

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

<sup>2)</sup> For 2019: variable salary earned 2019 and to be paid in 2020, and for 2018: variable salary earned 2018 and paid in 2019.

<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, pay for non-compete undertaking and costs for extraordinary arrangements.

<sup>5)</sup> Other members of Group management comprised of 11 people at the end of 2019 and 2018.

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

	Maximum number of B shares <sup>1)</sup>			Maximum value, SEK <sup>3)</sup>		
	2019	2018	2017	2019	2018	2017
Group 1, President and CEO	53,543	47,605	45,809	11,408,250	11,130,000	10,600,000
Group 2, other members of Group Management	17,928	17,032	17,239	3,820,000	3,982,000	3,989,000
Group 3	11,189	10,032	10,212	2,384,000	2,345,000	2,363,000
Group 4	6,132	5,126	5,301	1,306,000	1,198,000	1,227,000
Group 5 <sup>2)</sup>	4,297	3,728	3,797	916,000	871,000	879,000
Group 6	2,967	2,444	2,562	632,000	571,000	593,000

<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 for 2018. At maximum performance the aggregated value is converted to the average number of shares per participant in respective category. The calculation is based on a share price of SEK 231.40 for 2017, SEK 233.80 for 2018, and SEK 213.07 for 2019 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> New category introduced 2017.

<sup>3)</sup> The share allocation for the 2017 program will be at 90% of maximum. For the 2018 program, share allocation will be at 1.5% of maximum. For the 2019 program there will be no allocation.

### Performance-share program 2019

	Financial objectives			Allocation of shares		
	Minimum	Maximum	Actual	Outcome, %	Weight, %	Allocation, %
Adjusted organic sales growth, % <sup>1)</sup>	1.0	4.0	-1.0	0	10	0
Earnings per share, SEK	18.4	20.4	14.0 <sup>2)</sup>	0	50	0
Return on net assets, %	29.8	34.8	19.1 <sup>2)</sup>	0	40	0
<b>Total allocation</b>						<b>0</b>

<sup>1)</sup> Calculated as organic sales growth including total sales impact from prior year acquisitions and divestments.

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

All amounts in SEKm unless otherwise stated

## Note 28 Fees to auditors

At the 2019 Annual General Meeting Deloitte was appointed auditor for the period until the 2020 Annual General Meeting.

	Group		Parent Company	
	2019	2018	2019	2018
<b>Deloitte</b>				
Audit fees <sup>1)</sup>	47	42	9	8
Audit-related fees <sup>2)</sup>	10	1	9	–
Tax fees <sup>3)</sup>	1	1	0	–
All other fees <sup>4)</sup>	1	1	1	1
<b>Total fees to Deloitte<sup>5)</sup></b>	<b>59</b>	<b>45</b>	<b>19</b>	<b>9</b>
Audit fees to other audit firms	–	4	–	–
<b>Total fees to auditors</b>	<b>59</b>	<b>49</b>	<b>19</b>	<b>9</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 6m pertains to Deloitte Sweden, of tax fees, SEK 0m pertains to Deloitte Sweden and of all other fees, SEK 1m 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. 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 January 2018 Electrolux acquired 40% of the Chinese company Guangdong De Yi Jie Appliances Co., LTD. The company sells AEG household appliances.

In April 2019 Electrolux acquired 22% of the Singapore company Vitality Ventures Group. The company sells air purifiers.

All associated companies are unlisted.

### Investments in associated companies

Company	2019			2018		
	Holding, %	Carrying amount	Net income <sup>1)</sup>	Holding, %	Carrying amount	Net income <sup>1)</sup>
Gångaren 13 Holding AB, Sweden	50	201	16	50	199	14
SYR Africa (Pty), South Africa	50	53	2	50	36	7
Lliitha Solar (Pty) LTD, South Africa	49	4	1	49	11	2
Kwikot Solar, South Africa	0	0	–	0	1	1
Next-Tech BVBA/SPRL, Belgium	49	98	-14	49	109	-7
Guangdong De Yi Jie Appliances Co., LTD, China	40	56	-22	40	41	-41
Vitality Ventures Group, Singapore	22	12	–	–	–	–
<b>Total</b>		<b>424</b>	<b>-17</b>		<b>397</b>	<b>-25</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.

### 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
	Electrolux Professional Australia 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.	99.83
China	Electrolux (Hangzhou) Domestic Appliances Co. Ltd	100

All amounts in SEKm unless otherwise stated

Cont. Note 29

Subsidiaries	Holding, %	
	Electrolux (China) Home Appliance Co. Ltd	100
Denmark	Electrolux Home Products Denmark A/S	100
Egypt	Electrolux Egypt for Home Appliances S.A.E.	99.96
Finland	Oy Electrolux Ab	100
France	Electrolux France SAS	100
	Electrolux Home Products France SAS	100
	Electrolux Professionnel SAS	100
	Electrolux Laundry Systems France SNC	100
	UNIC SAS	100
Germany	Electrolux Deutschland GmbH	100
	Electrolux Rothenburg GmbH Factory and Development	100
	Electrolux Professional GmbH	100
Hungary	Electrolux Lehel Kft	100
	Electrolux Professional Hungary Kft	100
Italy	Electrolux Appliances S.p.A.	100
	Electrolux Professional S.p.A.	100
	Electrolux Italia S.p.A.	100
	S.P.M. Drink Systems	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 Professional AB	100
	Electrolux HemProdukter AB	100
	Electrolux Appliances AB	100
Switzerland	Electrolux AG	100
	Electrolux Professional AG	100
Thailand	Electrolux Thailand Co. Ltd.	100
	Electrolux Professional (Thailand) Co., Ltd.	100
Ukraine	DC Electrolux LLC	100
United Kingdom	Electrolux Plc	100
	Electrolux Professional Ltd.	100
USA	Electrolux Home Products, Inc.	100
	Electrolux North America, Inc.	100
	Grindmaster Corporation	100
	UNIC USA Corp	100
	Electrolux Professional Inc.	100

## Note 30 Transactions with related parties

### Transactions with associated companies

	2019
Net sales to associates	27
Purchases from associates	122
Receivables on associates	12
Payables to associates	35
Loans to associates	15

The Group's related parties are its associates, joint ventures and the Parent company's largest shareholder, Board members and Group Management. The Parent company's largest shareholder, 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.

Investment details in associated companies are disclosed in note 29. Transactions and balances with associated companies are disclosed in the table to the left. Remuneration to members of the Board of Directors and Group management are disclosed in note 27. Commercial terms and market prices apply to all transactions with related parties.

## 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 62.

<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:	22,893,842
A dividend to the shareholders of the shares in Electrolux Professional AB <sup>1)</sup>	7,749,120
A dividend to the shareholders of SEK 8.50 per share <sup>2)</sup> , totaling	2,442,878
To be carried forward	12,701,844
<b>Total</b>	<b>22,893,842</b>

<sup>1)</sup> The Board of Directors has proposed an Extraordinary General Meeting to be held on February 21, 2020 resolves to distribute all shares in Electrolux Professional AB, the wholly owned subsidiary operating the Professional Products Business Area, to the shareholders of AB Electrolux. The estimated book value of the shares in Electrolux Professional AB at the time of the distribution is SEK 7,749,120 thousand.

<sup>2)</sup> Calculated on the number of outstanding shares as per February 13, 2020.

The Board of Directors has proposed that the Annual General Meeting 2020 resolves on a dividend to the shareholders of SEK 8.50 per share to be paid in two installments. The record date for the first installment of SEK 4.25 per share is proposed to be Thursday April 2, 2020 and the record date for the second installment of SEK 4.25 per share is proposed to be Friday October 2, 2020. 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 and the proposed dividend of the shares in Electrolux Professional AB.

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 178,985 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 13, 2020  
AB ELECTROLUX (PUBL)  
556009-4178

Staffan Bohman  
Chairman of the Board of Directors

Jonas Samuelson  
Board member and President  
and Chief Executive Officer

Petra Hedengran  
Board member

Hasse Johansson  
Board member

Ulla Litzén  
Board member

Fredrik Persson  
Board member

David Porter  
Board member

Ulrika Saxon  
Board member

Kai Wörn  
Board member

Viveca Brinkenfeldt-Lever  
Board member,  
employee representative

Ulf Carlsson  
Board member,  
employee representative

Peter Ferm  
Board member,  
employee representative

Our audit report was submitted on February 13, 2020  
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 2019. The annual accounts and consolidated accounts of the company are included on pages 17–81 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2019 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 2019 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 the shareholders adopts the income statement and balance sheet for the parent company and the statement of comprehensive income and the balance sheet for the group.

Our opinions in this report on the annual accounts and the 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/EU) 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/EU) 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 continuing operations, for 2019 to 118,981 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-systems,
- 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 including IT-systems,
- detailed testing on a sample basis against customer statements alternatively cash receipts 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 the consolidated accounts and is found on pages 1-16 and 85-121. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and the 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 the 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 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 the 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 the 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 the 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 ISA 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.revisor-sinspektionen.se/revisornsansvar](http://www.revisor-sinspektionen.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 the consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of AB Electrolux (publ) for the year 2019 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit to be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

### Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

### Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's financial situation and ensuring that the company's organization is designed so that the accounting, management

of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

### Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

An additional description of our responsibility for the audit of the 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 auditors of AB Electrolux (publ) by the general meeting of the shareholders on April 10, 2019 and has been the company's auditor since April 5, 2018.

Stockholm, February 13, 2020

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.*



All amounts in SEKm unless otherwise stated

# Eleven-year review

SEKm	2009	2010	2011	2012 <sup>1)</sup>	2013
<b>Net sales and income</b>					
Net sales	109,132	106,326	101,598	109,994	109,151
Organic growth, %	-4.8	1.5	0.2	5.5	4.5
Depreciation and amortization	3,442	3,328	3,173	3,251	3,356
Items affecting comparability <sup>2)/</sup> Non-recurring items <sup>6)</sup>	-1,561	-1,064	-138	-1,032	-2,475
Operating income	3,761	5,430	3,017	4,000	1,580
Income after financial items	3,484	5,306	2,780	3,154	904
Income for the period	2,607	3,997	2,064	2,365	672
<b>Cash flow</b>					
Cash flow from operations	8,297	7,680	5,399	7,080	4,455
Cash flow from investments	-2,967	-4,474	-10,049	-4,702	-4,734
of which capital expenditure in property, plant and equipment	-2,223	-3,221	-3,163	-4,090	-3,535
Cash flow from operations and investments	5,330	3,206	-4,650	2,378	-279
Cash flow from operations and investments excluding acquisitions and divestments of operations	5,326	3,199	906	2,542	-74
Dividend, redemption and repurchase of shares	69	-1,120	-1,850	-1,868	-1,860
Capital expenditure in property, plant and equipment as % of net sales	2.0	3.0	3.1	3.7	3.2
<b>Margins <sup>3)</sup></b>					
Operating margin, %	4.9	6.1	3.1	4.6	3.7
Income after financial items as % of net sales	4.6	6.0	2.9	3.8	3.1
<b>Financial position</b>					
Total assets	72,696	73,521	76,384	75,194	76,001
Net assets	19,506	19,904	27,011	25,890	24,961
Working capital	-5,154	-5,902	-5,180	-6,505	-5,800
Trade receivables	20,173	19,346	19,226	18,288	19,441
Inventories	10,050	11,130	11,957	12,963	12,154
Accounts payable	16,031	17,283	18,490	20,590	20,607
Total equity	18,841	20,613	20,644	15,726	14,308
Interest-bearing liabilities	14,022	12,096	14,206	13,088	14,905
Provisions for post-employment benefits, net				4,479	2,980
Net debt	665	-709	6,367	10,164	10,653
<b>Data per share</b>					
Income for the period, SEK	9.18	14.04	7.25	8.26	2.35
Equity, SEK	66	72	73	55	50
Dividend, SEK <sup>4)</sup>	4.00	6.50	6.50	6.50	6.50
Trading price of B-shares at year-end, SEK	167.50	191.00	109.70	170.50	168.50
<b>Key ratios</b>					
Return on equity, %	14.9	20.6	10.4	14.4	4.4
Return on net assets, %	19.4	27.8	13.7	14.8	5.8
Net assets as % of net sales <sup>5)</sup>	17.1	18.2	23.8	22.5	21.8
Trade receivables as % of net sales <sup>5)</sup>	17.7	17.7	17.0	15.9	17.0
Inventories as % of net sales <sup>5)</sup>	8.8	10.2	10.5	11.3	10.6
Net debt/equity ratio	0.04	-0.03	0.31	0.65	0.74
Interest coverage ratio	7.54	12.64	5.84	2.72	2.11
Dividend as % of total equity	6.0	9.0	9.0	11.8	13.0
<b>Other data</b>					
Average number of employees	50,633	51,544	52,916	59,478	60,754
Salaries and remuneration	13,162	12,678	13,137	13,785	13,521
Number of shareholders	52,000	57,200	58,800	51,800	51,500
Average number of shares after buy-backs, million	284.0	284.6	284.7	285.9	286.2
Shares at year end after buy-backs, million	284.4	284.7	284.7	286.1	286.2

<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> 2019: 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

	2014	2015	2016	2017 <sup>1)</sup>	2018	2018 <sup>2)</sup>	2019	Compound annual growth rate, %	
								5 years	10 years
	112,143	123,511	121,093	120,771	124,129	115,463	118,981	1.2	0.9
	1.1	2.2	-1.1	-0.4	1.3	1.2	-1.0		
	3,671	3,936	3,934	3,977	4,150	3,981	5,104		
	-1,199	-	-	-	-1,343	-1,343	-1,344		
	3,581	2,741	6,274	7,407	5,310	4,176	3,189	-2.3	-1.6
	2,997	2,101	5,581	6,966	4,887	3,754	2,456	-3.9	-3.4
	2,242	1,568	4,493	5,745	3,805	2,854	1,820	-4.1	-3.5
	7,822	8,267	10,165	10,024	8,046	-	8,434	1.5	0.2
	-3,759	-3,403	-2,557	-8,200	-6,506	-	-7,683		
	-3,006	-3,027	-2,830	-3,892	-4,650	-	-5,562		
	4,063	4,864	7,608	1,824	1,540	-	751	13.1	9.6
	4,132	4,955	7,432	5,229	2,149	-	1,218		
	-1,861	-1,870	-1,868	-2,155	-2,385	-2,385	-2,443		
	2.7	2.5	2.3	3.2	3.7	3.9	4.7		
	3.2	2.2	5.2	6.1	4.3	3.6	2.7		
	2.7	1.7	4.6	5.8	3.9	3.3	2.1		
	85,688	83,471	85,848	89,542	97,312	-	106,808	4.5	3.9
	26,099	21,412	18,098	20,678	23,574	20,306	26,172	0.1	3.0
	-8,377	-12,234	-14,966	-15,873	-16,848	-17,077	-17,390		
	20,663	17,745	19,408	20,747	21,482	19,824	20,847	0.2	0.3
	14,324	14,179	13,418	14,655	16,750	15,451	16,194	2.5	4.9
	25,705	26,467	28,283	31,114	34,443	32,996	33,892	5.7	7.8
	16,468	15,005	17,738	20,480	21,749	-	22,574	6.5	1.8
	14,703	13,097	10,202	9,537	9,982	-	10,989	-5.7	-2.4
	4,763	4,509	4,169	2,634	3,814	-	3,866	-4.1	
	9,631	6,407	360	197	1,825	-	7,683	-4.4	27.7
	7.83	5.45	15.64	19.99	13.24	9.93	6.33	-4.2	-3.6
	57.52	52.21	61.72	71.26	75.67	-	78.55	6.4	1.8
	6.50	6.50	7.50	8.30	8.50	8.50	8.50	5.5	7.8
	228.80	205.20	226.30	264.30	187.10	187.10	229.90	0.1	3.2
	15.7	9.9	29.4	31.9	18.2	-	11.4		
	14.2	11.0	29.9	36.0	22.7	20.2	12.0		
	20.4	17.3	14.2	17.5	19.0	17.5	22.3		
	16.2	14.3	15.2	17.5	17.3	17.1	17.7		
	11.2	11.5	10.5	12.4	13.5	13.4	13.8		
	0.58	0.43	0.02	0.01	0.08	-	0.34		
	5.16	3.75	3.75	12.16	9.05	-	3.20		
	11.3	12.4	10.5	11.6	11.2	-	10.8		
	60,038	58,265	55,400	55,692	54,419	51,253	48,652	-4.1	-0.4
	14,278	15,858	15,886	16,470	17,363	15,829	16,318	2.7	2.2
	46,500	45,485	48,939	45,295	49,870	49,870	50,544	1.7	-0.3
	286.3	287.1	287.4	287.4	287.4	287.4	287.4		
	286.3	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	2015	2016	2017 <sup>1)</sup>	2018	2019 <sup>2)</sup>
<b>Europe</b>					
Net sales	38,224	39,097	39,231	43,321	45,420
Operating income	2,290	2,794	2,772	2,128	2,493
Margin, %	6.0	7.1	7.1	4.9	5.5
<b>North America</b>					
Net sales	45,276	44,914	42,083	39,804	38,954
Operating income	1,454	2,657	2,796	1,104	-516
Margin, %	3.2	5.9	6.6	2.8	-1.3
<b>Latin America</b>					
Net sales	19,679	16,384	18,277	17,963	19,653
Operating income	459	-111	483	492	1,821
Margin, %	2.3	-0.7	2.6	2.7	9.3
<b>Asia-Pacific, Middle East and Africa</b>					
Net sales	13,787	13,833	13,457	14,375	14,954
Operating income	308	673	1,077	979	446
Margin, %	2.2	4.9	8.0	6.8	3.0
<b>Other</b>					
Net sales	—	—	—	—	—
Operating income, common Group costs, etc.	-2,631	-693	-775	-527	-1,055
<b>Total, continuing operations</b>					
Net sales	116,965	114,228	113,048	115,463	118,981
Operating income	1,879	5,320	6,353	4,176	3,189
Margin, %	1.6	4.7	5.6	3.6	2.7

<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>	2015	2016	2017	2018 <sup>3)</sup>	2019 <sup>4)</sup>
Europe	-40	—	—	-747	-752
North America	-207 <sup>2)</sup>	—	—	-596	-1,071
Latin America	-11	—	—	—	1,101
Asia-Pacific, Middle East and Africa	-90	—	—	—	-398
Common Group cost	-1,901 <sup>2)</sup>	—	—	—	-224
<b>Total, continuing operations</b>	<b>-2,249</b>	<b>—</b>	<b>—</b>	<b>-1,343</b>	<b>-1,344</b>

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

<sup>2)</sup> Refers to costs related to the not completed acquisition of GE Appliances. Costs for preparatory integration work of SEK 158m for 2015 have been charged to operating income for North America. Common Group cost includes transaction costs of SEK 408m for 2015 and a termination fee paid to General Electric in December 2015 of USD 175m, corresponding to SEK 1,493m. In total, costs of SEK 2,059m related to GE Appliances were charged to operating income in 2015 of which SEK 63m in the first quarter, SEK 195m in the second quarter, SEK 142m in the third quarter and SEK 1,659m in the fourth quarter.

<sup>3)</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>4)</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<sup>1)</sup>

SEKM	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Full year 2019	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Full year 2018
<b>Europe</b>										
Net sales	10,553	10,479	11,036	13,352	45,420	9,760	10,138	10,885	12,539	43,321
Operating income	686	576	93	1,138	2,493	610	-286	749	1,055	2,128
Operating margin, %	6.5	5.5	0.8	8.5	5.5	6.2	-2.8	6.9	8.4	4.9
<b>North America</b>										
Net sales	9,099	10,255	10,880	8,719	38,954	8,785	10,804	10,072	10,143	39,804
Operating income	-482	504	-20	-519	-516	-148	670	358	223	1,104
Operating margin, %	-5.3	4.9	-0.2	-5.9	-1.3	-1.7	6.2	3.6	2.2	2.8
<b>Latin America</b>										
Net sales	4,312	4,816	4,613	5,913	19,653	4,247	4,518	3,845	5,353	17,963
Operating income	-223	164	1,539	340	1,821	35	-38	205	290	492
Operating margin, %	-5.2	3.4	33.4	5.8	9.3	0.8	-0.8	5.3	5.4	2.7
<b>Asia-Pacific, Middle East and Africa</b>										
Net sales	3,445	3,682	3,801	4,027	14,954	3,197	3,685	3,507	3,986	14,375
Operating income	110	171	-150	315	446	163	243	270	302	979
Operating margin, %	3.2	4.7	-4.0	7.8	3.0	5.1	6.6	7.7	7.6	6.8
<b>Other</b>										
Operating income, common group costs, etc.	-143	-197	-400	-315	-1,055	-133	-86	-107	-201	-527
<b>Total, continuing operations</b>										
Net sales	27,408	29,232	30,330	32,011	118,981	25,988	29,145	28,309	32,021	115,463
Operating income	-53	1,219	1,063	960	3,189	527	503	1,476	1,670	4,176
Operating margin, %	-0.2	4.2	3.5	3.0	2.7	2.0	1.7	5.2	5.2	3.6
<b>Total Group, including discontinued operations</b>										
Income for the period	79	1,132	739	559	2,509	551	517	1,162	1,575	3,805
Earnings per share, SEK <sup>2)</sup>	0.28	3.94	2.57	1.94	8.73	1.92	1.80	4.04	5.48	13.24
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> The quarters 2018 have been restated due to changes in the business area structure in 2019.

<sup>2)</sup> Basic, based on average number of shares, excluding shares owned by Electrolux.

# Sustainability reporting 2019

Electrolux is a global leader in household appliances. Sustainability is part of the business model as a transformational driver. In this section, the Group's sustainability work and the results for 2019 are presented.

Electrolux shapes living for the better by reinventing taste, care and wellbeing experiences, making life more enjoyable and sustainable for millions of people. As a leading global appliance company, we place the consumer at the heart of everything we do. Through our brands, including Electrolux, AEG and

Frigidaire, we sell approximately 60 million household products in more than 120 markets every year. In 2019, Electrolux had sales of SEK 119 billion and employed 49,000 people around the world. For more information, go to [www.electroluxgroup.com](http://www.electroluxgroup.com).

## KEY RESULTS 2019

**23/32%**

products with leading performance accounted for 23% of total units sold and 32% of gross profit for consumer products in 2019

**-23%**

CO<sub>2</sub> per manufactured product in 2019 compared to 2018

**>6,400**

metric tons recycled plastic used in 2019

**30,000**

took part in the Food Heroes' workshop on UNs 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.

### THE 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 will be a part of the company's sustainability framework from 2020.

## 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 the business – but also bring about business opportunities.

### Demographics

Global demographic trends – such as population growth, the growing middle class, an aging population and urbanization – are increasing the demand for home appliances, which puts more pressure on natural resources. 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.

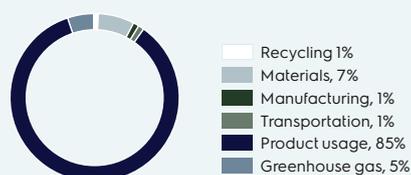
Electrolux draws on insights from global trends and drivers, market intelligence, product research, internal and external dialogue, expert opinion and consumer surveys, and other sources of information to develop an up-to-date understanding of the prevailing business context.

The material issues have been expressed in the Group's sustainability framework – For the Better – as nine promises with

defined 2020 sustainability goals, and supported by key performance indicators (KPIs) (see page 92 for more details about For the Better). As 2020 is the target year for the current framework, a materiality process was conducted during 2019 to formulate an update of the Group's sustainability framework.

In 2019, Electrolux introduced the Better Living Program with the objective to enable better and more sustainable living for consumers with targets focusing on better eating, better garment care and a better home environment. This program will be included in the updated sustainability framework with targets for 2030. New targets will be aligned with relevant UN Sustainable Development Goals. (For details see [www.electroluxgroup.com/sustainability](http://www.electroluxgroup.com/sustainability)).

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 most significant carbon emission impact for Electrolux is a result of energy consumption when products are used. In 2018, Electrolux set Science Based Targets to align its business with the objective of the Paris Agreement to limit global warming to well below 2 °C, i.e. to reduce absolute carbon dioxide emissions from operations by 80% and emissions from products by 25% by 2025 compared to 2015. With the Company target in the Better Living Program Electrolux commits to be 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.

<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

The Group’s sustainability framework – For the Better – comprises of three areas: Better solutions, Better operations and Better society. It includes a target to halve the Group’s direct carbon emissions before the end of 2020 and nine promises to make a positive difference for the better.

FOR THE BETTER



## Better solutions

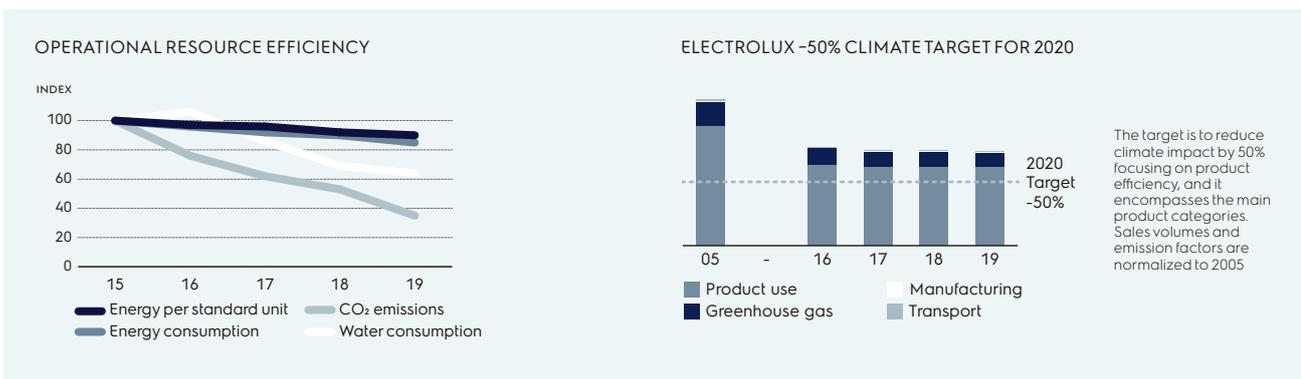
Meeting the growing global market for household appliances without increasing environmental impact requires Electrolux to improve product efficiency even further and to use resources more efficiently.

**Constantly improve product performance and efficiency**  
Tackling climate change and the increasing demand for water are among the most urgent challenges facing society. Electrolux contributes by offering resource-efficient products that help consumers and customers to live better lives, save money and reduce their environmental footprint. In 2019, products with leading environmental performances represented 23% of products sold and 32% of gross profit. One example is improved refrigerators and freezers that will be produced in the new Electrolux factory in Anderson (U.S.).

**Make better use of resources**  
The materials used in household appliances are primarily steel, plastic and electronical components. One of the ways of contributing to greater resource efficiency is to increase the use

of recycled materials and support initiatives for product recycling. In 2015, Electrolux set a target of to replace 20,000 metric tons of virgin plastics in products with recycled by 2020 and in 2019 the Group achieved 6,400 metric tons. With the forecasted volume for 2020 the target will not be achieved on time. The gap is mainly due to challenges in transferring solutions between different product and process technologies, slowing down implementation in some regions.

**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. In 2019, Electrolux joined the Cool Coalition initiative, which encourages companies to make commitments to reduce emissions in the cooling sector. Electrolux commits to find alternative refrigerants with less Global Warming Potential in refrigerators, freezers and air conditioning units.



## Better operations

Electrolux influences people's daily life around the world. The Group works continuously to be more resource efficient and ensure safe and ethical operations.

### Achieve more with less

Efficient use of resources reduces environmental impact and reduces costs. The Green Spirit program, a part of the Electrolux Manufacturing System, has the objective to continuously reduce energy use and to shift to renewables in the Group's operations around the world. In 2019, Electrolux reduced its energy consumption by 5.5% (2.7%) and CO<sub>2</sub> emissions by 34% (15%) compared to 2018. In 2019, over 45% of the total energy used came from renewable sources.

### Ensure the best health and safety

The Group's safety mindset involves preventing accidents and keeping employees safe and sound, no matter where they are in the world. Since 2015, the injury rate has declined by 39% across the Group. The global incident rate (TCIR) was 0.53\* (0.57) in 2019.

Regrettably, in early 2019, a fatality of an Electrolux employee occurred in one of our plants in Latin America. The tragedy happened despite control measures being in place at the time of the accident. Electrolux is continuously improving its processes related to safety in all its operations. The employee's family received full support and all relevant information was provided to the local authorities.

### Always act ethically and respect human rights

Electrolux continues to build an ethical, trusted company, where everyone impacted by the Group's operations can feel confident that their rights are respected. Electrolux has a global ethics program encompassing both training and a whistleblowing system – the Electrolux Ethics Helpline – and in 2019, 215 (247) Helpline reports were made. Human rights action plans, based on risk assessments, forms the basis for driving the company's approach to human rights.

\*Discontinued operations reported an incident rate (TCIR) of 1.8 in 2019.

## Better society

As a global company, Electrolux affects millions of people – customers, suppliers and local communities. Electrolux strives to make a difference in society by helping all stakeholders throughout the value chain to become more sustainable and by creating a positive impact in the communities in which the Group operates. Electrolux makes efficient appliances accessible to more people, creating opportunities for a better life. As a global company, Electrolux can contribute to a faster transfer of technology to new growing markets. The Group participates in United for Efficiency, a global program supporting developing countries to move their markets to energy-efficient appliances. Resource efficient solutions improve the lives of people and minimize environmental impacts.

### Be a force for good

As a world-leader in kitchen appliances, the Group's community investment activities focus on food – in cooperation with employees and global and local partners. The objectives are to spread knowledge regarding sustainable cooking and eating habits and to support people in need. Actions are facilitated through the Electrolux Food Foundation, and the Feed the Planet partnership together with the World Association of Chefs' Societies (Worldchefs) and the world's largest youth organiza-

tion AIESEC. The Group intends to annually fund the Electrolux Food Foundation until 2030, with an expected total of SEK 100m.

The focus in 2019, has been to replicate and scale up successful project models such as the Food Heroes program educating children on sustainable eating habits and the Like a Chef program to teach unemployed persons sustainable culinary skills. Over 30,000 people participated in Food Heroes workshops in 2019, and 142 people graduated from Like a Chef. This program has enabled many graduates to either find a job, become self-employed or pursue further culinary studies.

### Improve sustainability in the supply chain

Regardless of where the Group's products and components are manufactured, it must be done with respect for people and care for the environment. As part of its responsible sourcing efforts, Electrolux carried out 351\* (399) supplier audits in 2019, and over 4,200 (6,400) supplier employees were trained in the Electrolux Supplier Workplace Standard and other relevant sustainability issues. Electrolux has cooperated with logistic partners to reduce the climate impact of container sea transport.

\*For discontinued operations 8 audits were performed in 2019.

## Climate targets

The most significant carbon emission impact for Electrolux is a result of energy consumption when products are used, (50% target). In 2018, Electrolux set Science Based Targets to align its business with the objective in the Paris Agreement to limiting global warming to well below 2° C, i.e. to reduce absolute carbon dioxide emissions from operations by 80% and emissions from products by 25% by 2025 compared to 2015. With

the Company target in the Better Living Program, Electrolux commits to be 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 2025 emission targets for Electrolux operations have been verified by the Science Based Targets Initiative to be in line with a 1.5° C climate scenario.



1. Science based targets (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, 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; Industrial 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.

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.

Key sustainability governance responsibilities:

- The Board of Directors is responsible for identifying how sustainability issues impact risks to and business opportunities for the company.
- Internal Audit evaluates and improves governance, internal control and risk management processes.
- Group Risk Management benchmarks and monitors key risks in operations and critical suppliers.
- Group Legal Affairs is responsible for implementing an anti-corruption program.
- Each Business Area’s Sourcing Board is responsible for monitoring supplier compliance, with the support of the Responsible Sourcing team.
- Group Sustainability Affairs assesses materiality, develops policies, targets, monitors the implementation of programs, and manages the Responsible Sourcing program.
- The Ethics Helpline (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 major suppliers of finished products must

measure and monitor their energy use and report it through the energy reporting standard. They have also been included in the WWF Water Risk Filter assessment.

Electrolux responds to the annual CDP Climate and Water questionnaires. In 2019, 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 96–97). Not meeting requirements could result in fines or limitations in production permits, reduced sales or product withdrawal. Electrolux has processes in place to mitigate these risks, including ISO management systems, internal audits, a Responsible Sourcing program, and targets in the product development plans. The Group's programs to reduce operational resource consumption and to introduce more recycled materials in products are saving costs.

In 2018, the Group's Science Based Targets in line with the Paris Agreement (COP 21) were approved.

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 covered by environmental areas in the Electrolux sustainability framework For the Better. In 2019, Electrolux issued the first bond loan within its green bond framework, raising SEK 1bn.

## 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.

Human rights procedures engage many functions throughout the organization, from Human Resources to Purchasing and Global Industrial 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 2019, 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 2019, 215 (247) reports were received, out of which 19 (24) 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.

# 77%

of employees trust that the concerns reported through the Ethics Helpline (Alertline in North America) are handled confidentially and fairly in 2019.

# 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 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 42 factories and sales in 120 markets, with approximately 49,000 employees. The main focus areas are to reduce the environmental footprint, maintain high ethical standards and working conditions, as well as to have a positive impact in local communities.

### Risks

- Disruptions due to emissions and discharges as a result of incidents.
- Disruptions caused by severe weather as a result of climate change.
- Impact due to social, ethical and human rights violations.
- Corruption related to weak governance.

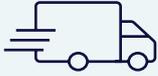
### How impacts are managed

- Apply the environmental management systems and efficiency programs.
- Ensure the best conditions for health and safety.
- Governance systems and training to enforce sustainability policies.
- Assess the climate impact on operations.
- Support local community programs.

Ability to influence - **High**

### Generating value

Electrolux creates community benefit by providing jobs, knowledge transfer and economic opportunities. Positive employee relationships promote competence development, employee wellbeing and job satisfaction. Local community engagement creates good stakeholder relations, improves employee pride and enhances brand reputation.



## Transport

Addressing transportation is part of a life-cycle approach to the Group's overall impacts. Electrolux emits more CO<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.

### 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 energy 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 based on 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 can potentially affect Group performance for calendar year 2019. Discontinued operations (Professional Product business area), are reported separately where relevant.

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 13, 2020

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 2019 on pages 90–98 and that it has been prepared in accordance with the Annual Accounts Act.

**The scope of the audit**

Our examination has been conducted in accordance with FAR’s auditing standard RevR 12. The auditor’s opinion regarding the statutory sustainability report 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 13, 2020

Deloitte AB

*Signature on Swedish original*

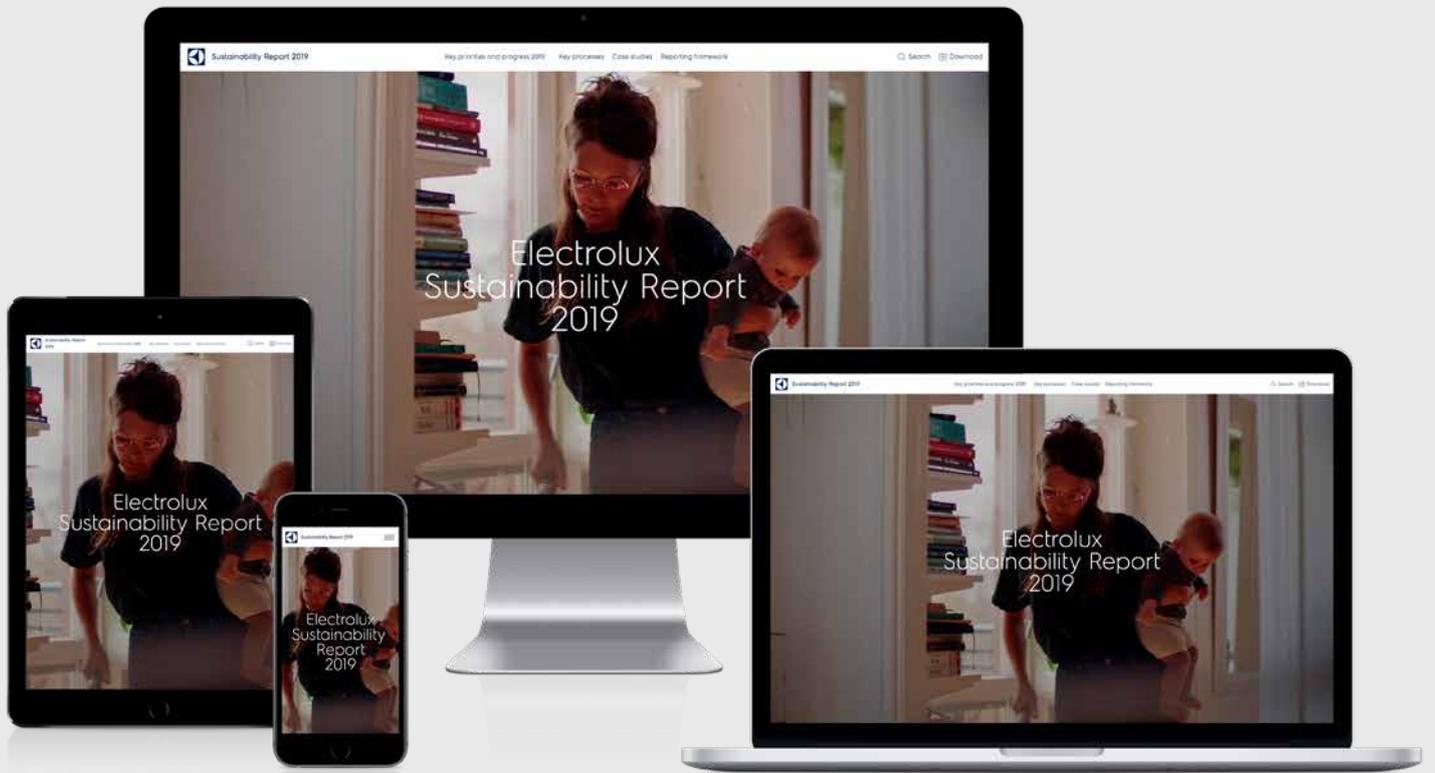
Jan Berntsson  
Authorized Public Accountant

*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 2019, 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.



VISIT OUR REPORT

# Electrolux Sustainability Report 2019

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



# Corporate governance report 2019

# 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

When Electrolux was founded it was a consumer focused business selling vacuum cleaners to households around the world. Over the years Electrolux has ventured into a variety of different product areas including products for professional use. 2019 marked the Company's 100-year anniversary and during the year significant steps have been taken to reshape the Company into a streamlined organization with a clear consumer focus, all with a view to deliver on our profitable growth strategy. One element is the decision to change the Group's business area structure resulting in the creation of four consumer-focused regional business areas as well as a new organizational structure, responsible for marketing, design, product lines, digital consumer solutions and ownership experience. Other important decisions include the global streamlining measures to improve the organization's efficiency announced in September 2019, and the proposal to list and distribute Electrolux Professional to

the shareholders announced in December 2019. The Board has also had a continued focus on investments in automation, digitalization and innovation capabilities. With the announcements of the investments in our European refrigerator facilities in Italy and Hungary our extensive re-engineering program is now fully underway. These measures, taken with a long term perspective, will lead to increased operational efficiency, outstanding products and creation of shareholder value.

Since the Board sets the Group's strategy and provides the governance framework, the Board needs to have a high understanding of the Group's business drivers and local market conditions. During the year Board members have individually continued to visit Electrolux sites to get a first-hand understanding of the operations and, in connection with a strategy session, the Board visited Electrolux sites and retailers in Thailand and Vietnam.

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 the management for its exceptional work efforts during a 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 180 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.

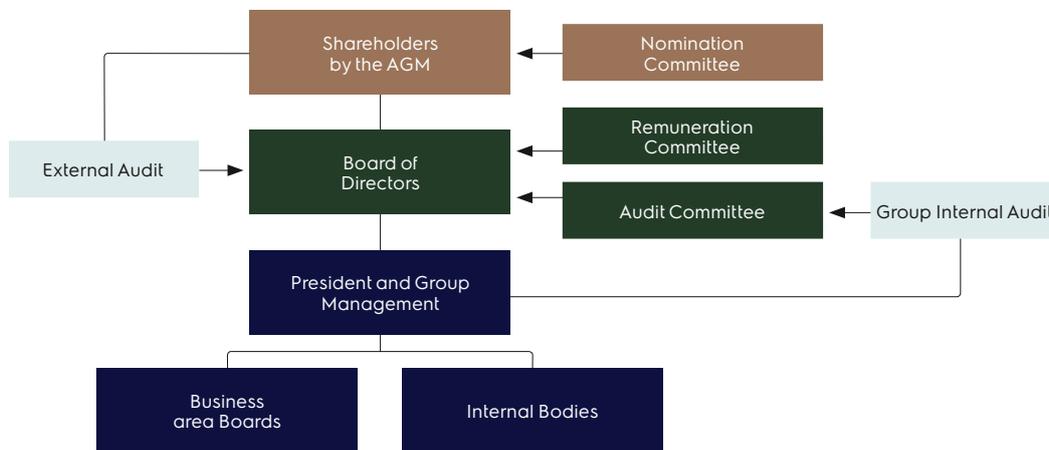
The governance of Electrolux is based on the Swedish Companies Act, Nasdaq Stockholm's rule book for issuers and

the Swedish Code of Corporate Governance (the "Code"), as well as other relevant Swedish and foreign laws and regulations. The Code is published on the website of the Swedish Corporate Governance Board, which administrates the Code: [www.corporategovernanceboard.se](http://www.corporategovernanceboard.se)

This corporate governance report has been drawn up as a part of Electrolux application of the Code. Electrolux did not report any deviations from the Code in 2019. 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 2019.

Below is Electrolux formal governance structure.

### GOVERNANCE STRUCTURE



#### Major external regulations

- Swedish Companies Act.
- Nasdaq Stockholm's rule book for issuers.
- Swedish Code of Corporate Governance.

#### Major internal regulations

- Articles of Association.
- Board of Directors' working procedures.
- Policies for information, finance, credit, accounting manual, etc.
- Processes for internal control and risk management.
- Code of Conduct, Anti-Corruption Policy and Workplace Policy.

Electrolux 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 2019, Electrolux had sales of SEK 119bn and employed 49,000 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 2019

- Proposal for the distribution of Electrolux Professional AB.
- Re-election of Staffan Bohman as Chairman of the Board.
- Performance-based, long-term incentive program for senior management.

### Shares and shareholders

The Electrolux share is listed on Nasdaq Stockholm. At year-end 2019, Electrolux had 50,544 shareholders according to Euroclear Sweden AB and Holdings. Of the total share capital, 61% was owned by Swedish institutions and mutual funds, 33% by foreign investors and 6% by Swedish private investors, see below. Investor AB is the largest shareholder, holding 16.4% of the share capital and 28.4% of the voting rights. The ten largest shareholders accounted for 48.8% of the share capital and 58.1% 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, 2019, the total number of registered shares in the company amounted to 308,920,308 shares, of which 8,192,539 were Class A shares and 300,727,769 were Class B shares. The total number of votes in the company was 38,265,316. Class B shares represented 78.6% of the voting rights and 97.3% of the share capital.

### Dividend policy

Electrolux target is for the dividend to correspond to at least 30% of the income for the period. For a number of years, the dividend level has been considerably higher than 30%.

The Annual General Meeting (AGM) in April 2019 decided to adopt the Board's proposed dividend of SEK 8.50 per share for the fiscal year 2018 which, in accordance with the Board's proposal, was paid out in two equal installments. The Board of Directors proposes a dividend for the fiscal year 2019 of SEK 8.50 per share to be paid in two equal installments, for a total dividend payment of approximately SEK 2,443m. On December 5, 2019 the Board's proposal to distribute Electrolux Professional AB to the shareholders of Electrolux was announced.

### Shareholders meeting

### General Meetings of shareholders

The decision-making rights of shareholders in Electrolux are exercised at shareholders' meetings. The AGM of AB Electrolux is held in Stockholm, Sweden, during the first half of the year.

Extraordinary General Meetings may be held at the discretion of the Board or, if requested, by the auditors or by shareholders owning at least 10% of all shares in the company.

Participation in decision-making requires the shareholder's presence at the meeting, either personally or by proxy. In addition, the shareholder must be registered in the share register by a stipulated date prior to the meeting and must provide notice of participation in the manner prescribed. Additional requirements for participation apply to shareholders with holdings in the form of American Depositary Receipts (ADR) or similar certificates. Holders of such certificates are advised to contact the ADR depository bank, the fund manager or the issuer of the certificates in good time before the meeting in order to obtain additional information.

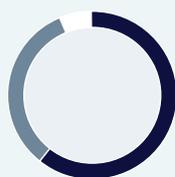
Individual shareholders requesting that a specific issue be included in the agenda of a shareholders' meeting can normally request the Electrolux Board to do so. The last date for making such a request for the respective meeting will be published on the Group's website.

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 2019

The 2019 AGM was held at the Stockholm Waterfront Congress Centre in Stockholm, Sweden, on April 10, 2019. 952 shareholders representing a total of 57.7% of the share capital and 69.3% of the votes were represented at the AGM. The President's speech was broadcasted live via the Group's website and is also available on [www.electroluxgroup.com/corporate-governance](http://www.electroluxgroup.com/corporate-governance), together with the minutes. The meeting was held in Swedish, with simultaneous interpretation into English. All Board members, as well as the Group's auditor in charge, were present at the meeting.

### OWNERSHIP STRUCTURE

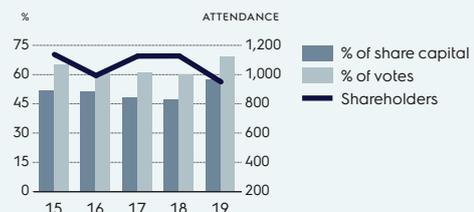


■ Swedish institutions and mutual funds, 61%  
■ Foreign investors, 33%  
■ Swedish private investors, 6%

Source: Euroclear Sweden and Holdings as per December 31, 2019.

The foreign ownership has decreased to 33% at year-end 2019 from 38% at year-end 2018. 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 2015-2019



952 shareholders representing a total of 57.7% of the share capital and 69.3% of the votes were present at the 2019 AGM.

**Decisions at the Annual General Meeting 2019 included:**

- Dividend payment of SEK 8.50 per share for fiscal year 2018 to be paid out in two equal installments of SEK 4.25 per share.
- Re-election of the Board members Staffan Bohman, Petra Hedengran, Hasse Johansson, Ulla Litzén, Fredrik Persson, David Porter, Jonas Samuelson, Ulrika Saxon and Kai Wärn. Bert Nordberg declined re-election.
- 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.
- Performance-based, long-term incentive program for 2019 covering up to 350 managers and key employees.
- Authorization to acquire own shares and to transfer own shares on account of company acquisitions and to cover costs that may arise as a result of the share program for 2017.

**Extraordinary General Meeting 2020**

An EGM of AB Electrolux will be held on Friday, February 21, 2020, at AB Electrolux headquarter, S:t Göransgatan 143, Stockholm, Sweden. The EGM will resolve upon the Board of Directors' proposal to distribute all shares in Electrolux Professional AB, the wholly owned subsidiary operating the Professional Products Business Area, to the shareholders of AB Electrolux.

**Annual General Meeting 2020**

The next AGM of AB Electrolux will be held on Tuesday, March 31, 2020, at Stockholm Waterfront Congress Centre in Stockholm, Sweden.

For additional information on the next AGM and how to register attendance, see page 120.

**Nomination Committee****Nomination Committee**

The AGM resolves upon the nomination process for the Board of Directors and the auditors. The AGM 2011 adopted an instruction for the Nomination Committee which applies until further notice. The instruction involves a process for the appointment of a Nomination Committee comprised of six members. The members should be one representative of each of the four largest shareholders, in terms of voting rights that wish to participate in the Committee, together with the Chairman of the Electrolux Board and one additional Board member.

The composition of the Nomination Committee shall be based on shareholder statistics from Euroclear Sweden AB as of the last banking day in August in the year prior to the AGM and on other reliable shareholder information which is provided to the company at such time. The names of the representatives and the names of the shareholders they represent shall be announced as soon as they have been appointed. If the

**The AGM resolves upon:**

- The adoption of the Annual Report.
- Dividend.
- Election of Board members and, if applicable, auditors.
- Remuneration to Board members and auditors.
- Guidelines for remuneration to Group Management.
- Other important matters.

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 2019**

The Nomination Committee for the AGM 2019 was comprised of six members. Johan Forssell of Investor AB led the Nomination Committee's work.

For the proposal for the AGM 2019, 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 Bert Nordberg who had declined re-election. The Nomination Committee also proposed re-election of Staffan Bohman as Chairman of the Board. After the election at the AGM 2019, 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 of Deloitte AB as the company's auditors for the period until the end of the AGM 2020.

A report regarding the work of the Nomination Committee was included in the Nomination Committee's explanatory statement that was published before the AGM 2019. 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 2020**

The Nomination Committee for the AGM 2020 is based on the ownership structure as of August 31, 2019, and was announced in a press release on September 13, 2019.

The Nomination Committee's members are:

- Johan Forssell, Investor AB, Chairman
- Kaj Thorén, Alecta
- Marianne Nilsson, Swedbank Robur Funds
- Anders Oscarsson, AMF - Försäkring och Fonder
- Staffan Bohman, Chairman of Electrolux
- Fredrik Persson, Board member of Electrolux

**The Nomination Committee's tasks include preparing a proposal for the next AGM regarding:**

- Chairman of the AGM.
- Board members.
- Chairman of the Board.
- Remuneration to Board members.
- Remuneration for committee work.
- Amendments of instructions for the Nomination Committee, if deemed necessary.
- Auditors and auditors' fees, when these matters are to be decided by the following AGM.

## Board of Directors

**The Board of Directors**

The Board of Directors has the overall responsibility for Electrolux organization and administration.

**Composition of the Board**

The Electrolux Board is comprised of 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. One of the nine Board members, who are elected by the AGM, is not a Swedish citizen.

For additional information regarding the Board of Directors, see pages 112–113. The information is updated regularly at the Group's website: [www.electroluxgroup.com](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 held in conjunction with the publication of the Group's full-year report and interim reports. One or two meetings are held in connection with visits to Group operations. Additional meetings, including telephone conferences, are held when necessary.

**The Board's work in 2019**

During the year, the Board held nine meetings. All physical meetings except one were held in Stockholm, Sweden. The attendance of each Board member at these meetings is shown in the table on page 113.

All Board meetings during the year followed an agenda, which, together with the documentation for each item on the agenda, was sent to Board members in advance of the meetings. Meetings usually last for half a day or one entire day in order to allow time for presentations and discussions. Electrolux General Counsel serves as secretary at the Board meetings.

Each scheduled Board meeting includes a review of the Group's results and financial position, as well as the outlook for the forthcoming quarters, as presented by the President. The meetings also deal with investments and the establishment of new operations, as well as acquisitions and divestments. The Board decides on all investments exceeding SEK 100m and receives reports on all investments exceeding SEK 25m.

Normally, the head of a business area also reviews a current strategic issue at the meeting. For an overview of how the Board's work is spread over the year, see the table on pages 106–107.

**The Board deals with and decides on Group-related issues such as:**

- Main goals.
- Strategic orientation.
- Essential issues related to financing, investments, acquisitions and divestments.
- Follow-up and control of operations, communication and organization, including evaluation of the Group's operational 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 2017–2019 (applicable as from the respective AGM)**

SEK	2019	2018	2017
Chairman of the Board	2,200,000	2,150,000	2,075,000
Board member	640,000	600,000	580,000
Chairman of the Audit Committee	280,000	260,000	250,000
Member of the Audit Committee	160,000	140,000	120,000
Chairman of the Remuneration Committee	150,000	125,000	125,000
Member of the Remuneration Committee	100,000	75,000	75,000

**Key focus areas for the Board during 2019**

- Dividend payment for the fiscal year 2018.
- Adapting Electrolux strategy and business model to global industry drivers such as digitalization, consolidation, increased consumer power, sustainability and a growing middle class.
- Revising the business area structure creating four consumer focused regional business areas.
- Establishment of new organizational structure focusing on consumer experiences.
- Preparing for the listing and distribution of Electrolux Professional AB.
- Investments in manufacturing for increased cost efficiency, through automation and digitalization, mainly in Europe and North America.
- Acquisition of UNIC S.A.S., a French manufacturer of professional espresso machines.
- Global streamlining measures to improve efficiency and sharpen the consumer organization.

**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 2019, Board members responded to written questionnaires. As part of the evaluation process, the Chairman also had individual discussions with Board members. The evaluations were discussed at a Board meeting.

The result of the evaluations was presented for the Nomination Committee.

**Fees to Board members**

Fees to Board members is determined by the AGM and distributed to the Board members who are not employed by Electrolux. The fees to the Chairman and the Board members was revised during 2019, 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 2019**



Each scheduled Board meeting included a review of the Group’s results and financial position, as well as the outlook for the forthcoming quarters.

### Remuneration Committee Audit Committee

#### Committees of the Board

The Board has established a Remuneration Committee and an Audit Committee. The major tasks of these committees are

preparatory and advisory, but the Board may delegate decision-making powers on specific issues to the committees. The issues considered at committee meetings shall be recorded in minutes of the meetings and reported at the following Board meeting. The members and Chairmen of the committees are appointed at the statutory Board meeting following election of Board members.

The Board has also determined that issues may be referred to ad hoc committees dealing with specific matters.

#### Remuneration Committee

One of the Remuneration Committee's primary tasks is to propose guidelines for the remuneration to the members of Group Management. The Committee also proposes changes in remuneration to the President, for resolution by the Board, and reviews and resolves on changes in remuneration to other members of Group Management on proposal by the President.

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

In 2019, the Remuneration Committee held three meetings. The attendance of each Board member at these meetings is shown in the table on page 113. Significant issues addressed include resolution on remuneration to new members of

Group Management, review and resolution on changes in the remuneration to members of Group Management, follow-up and evaluation of previously approved long-term incentive programs and remuneration guidelines for Group Management and general review and preparation of long-term incentive program and remuneration guidelines for Group Management for 2020. 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 2019, the Audit Committee held seven meetings. The attendance of each Board member at these meetings is shown in the table on page 113. Electrolux managers have also had regular contacts with the Committee Chairman between meetings regarding specific issues. The Group's Chief Financial Officer and the Head of Global Tax & Accounting have participated in the Audit Committee meetings.

#### The Remuneration Committee's tasks include for example:

- To prepare and evaluate remuneration guidelines for Group Management.
- To prepare and evaluate targets and principles for variable compensation.
- To prepare terms for pensions, notices of termination and severance pay as well as other benefits for Group Management.
- To prepare and evaluate Electrolux long-term incentive programs.

#### The Audit Committee's tasks include for example:

- To review the financial reporting.
- To monitor the effectiveness of the internal control, including risk management, concerning the financial reporting.
- To follow up the activities of the Group Internal Audit as regards to organization, recruiting, budgets, plans, results and audit reports.
- To review and 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.

- Visit to one of the Group's operations.
- Rules of procedure of the Board.

- Q2 Quarterly financial statements.

- Q3 Quarterly financial statements.

- Board work evaluation.

June

July

Aug

Sep

Oct

Nov

Dec

## External Audit

## External auditors

The AGM in 2019 re-elected Deloitte AB (Deloitte) as the Group's external auditors for one year, until the AGM in 2020. The Nomination Committee's proposal for re-election was based on the recommendation by the Audit Committee. Authorized Public Accountant Jan Berntsson is the auditor in charge of Electrolux.

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

	2019	2018	2017
<b>Deloitte</b>			
Audit fees	47	42	—
Audit-related fees	10	1	—
Tax fees	1	1	—
All other fees	1	1	—
<b>Total fees to Deloitte</b>	<b>59</b>	<b>45</b>	<b>—</b>
<b>PwC<sup>1)</sup></b>			
Audit fees	—	4	41
Audit fees to other audit firms	—	—	2
<b>Total fees to auditors</b>	<b>59</b>	<b>49</b>	<b>43</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 management processes.

The process of internal control and risk management has been developed to provide reasonable assurance that the Group's goals are met in terms of efficient operations, compliance with relevant laws and regulations and reliable financial reporting.

Internal audit assignments are conducted according to a risk based plan developed annually and approved by the Audit Committee. The audit plan is derived from an independent risk assessment conducted by Group Internal Audit to identify and evaluate risks associated with the execution of the company strategy, operations, and processes. The plan is designed to address the most significant risks identified within the Group and its business areas. The audits are executed using a methodology for evaluating the design and effectiveness of internal controls to ensure that risks are adequately addressed and processes are operated efficiently.

Opportunities for improving the efficiency in the governance and internal control and risk management processes identified in the internal audits are reported to responsible business area management for action. A summary of audit results is provided to the Audit Board and the Audit Committee, as is the status of management's implementation of agreed actions to address findings identified in the audits.

For additional information on internal control, see pages 116–117. For additional information on risk management, see Note 1, Note 2 and Note 18.

**Company Management of Electrolux**

**Electrolux – a global leader with a purpose to shape living for the better**

Electrolux has a strategic framework that connects a consumer experience focused business model with a clear company purpose – Shape living for the better. To achieve the purpose and drive profitable growth, Electrolux uses a business model which focuses on creating outstanding consumer experiences. By creating desirable solutions and great experiences that enrich peoples’ daily lives and the health of the planet, Electrolux wants to be a driving force in defining enjoyable and sustainable living. Focus is to invest in innovations that are most relevant for creating the outstanding consumer experience to make great tasting food, the best care for clothes and to increase wellbeing in the home.

Targeted growth and optimization of the product portfolio to the most profitable product categories and products with distinct consumer benefits, will strengthen the presence of Electrolux in the product categories and channels where the Group is most competitive. This is supported by a strong foundation of Operational Excellence and Talent, Teamship and Continuous Improvement, as well as three important transformational drivers; Emerging markets acceleration, Digital transformation and Sustainable development. Electrolux objective is to grow with consistent profitability, see the financial targets below.

**A sustainable business**

Sustainability leadership is crucial to realizing the Electrolux strategy for long-term profitable growth. In 2019, Electrolux most resource-efficient products represented 23% of products sold and 32% of gross profit.

The company takes a consistent approach to sustainability in the countries where Electrolux operates. Understanding and engaging in challenges such as climate change, creating ethical and safe workplaces, and adopting a responsible approach to sourcing and restructuring are important for realizing the business strategy.

In 2018, Electrolux established a new Code of Conduct, setting out the framework of how Electrolux shall conduct its operations in ethical and sustainable ways. The Code of Conduct, which has been 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. During 2019, an educational campaign was rolled out with e-learning and e-signature for office based employees, and communication materials for production environments. By the end of the year, 83% of eligible staff had taken the e-learning and signed off on the Code of Conduct.

The Ethics Program also encompasses a global whistleblowing system – Ethics Helpline – through which employees can report suspected misconduct in local languages. Reports may be submitted anonymously if legally permitted. The largest categories of reports in 2019 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 2019, the focus was on following up on the actions from the assessments conducted in Egypt, Thailand and Ukraine in 2017 and 2018.

The Group’s sustainability performance strengthens relations with investors and Electrolux is recognized as a leader in the household durables industry. In 2019, 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<sup>1)</sup>**

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 52,000 employees operating in more than 50 countries and has about 50 manufacturing facilities across five continents.

Of Electrolux Group total tax contribution, as defined in the below chart, corporate tax represented approximately 12% in 2019. 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 2019 amounted to approximately SEK 7.6bn 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 950m in 2019, representing a global effective tax rate of the Group of 27.5%.

For more information on Electrolux tax policy, see: [www.electroluxgroup.com](http://www.electroluxgroup.com)

<sup>1)</sup> In this section the group includes both Electrolux and Electrolux Professional.

**ELECTROLUX TOTAL TAXES 2019**



**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%.

**External and emerging risks**

Electrolux monitors and minimizes key risks in a structured and proactive manner. In general, there are two types of risks: Strategic risks and manageable business risks. The strategic risks are related to the Group’s strategy and are impacted by the external environment. The business risks comprise of operational and financial risks which are managed by the Group’s operational units and Group Treasury, respectively.

Electrolux ability to increase profitability and shareholder value is largely dependent on its success in developing innovative products and create outstanding consumer experiences under strong brands while maintaining cost-efficient operations. Realizing this potential requires effective and controlled enterprise risk management.

Macroeconomic trends, changes in industry dynamics and political risks are factors that impact the appliance industry and the markets in which Electrolux operates. To manage external risks and opportunities, Electrolux puts close attention to understanding the economic and political development in its key markets and pro-actively manage and adapt operations. External risks include, variations in demand, price competition and changes in prices for raw materials. Changing industry dynamics such as digitalization, consolidation and sustainability are other examples. In addition, the Group is exposed to risks related to financial operations, e.g., interest risks, financing risks, currency risks and credit risks.

Electrolux also look at emerging risks. They can either develop from macro-level changes such as climate change, consumer preferences or the introduction of AI – artificial intelligence. With the growth of digitalization, Electrolux also faces increased cyber risks.

Risk exposures are managed by internal bodies, see chart below, and business area boards.

The purpose of the internal audit function, Group Internal Audit, is to provide reasonable assurance that the Group’s goals are met in terms of efficient operations, compliance with relevant laws and regulations and reliable financial reporting, see pages 116–117.

**Management and company structure**

Electrolux aims at implementing strict norms and efficient processes to ensure that all operations create long-term value for shareholders and other stakeholders. This involves the maintenance of an efficient organizational structure, systems for internal control and enterprise risk management and transparent internal and external reporting.

The Group has a decentralized corporate structure in which the overall management of operational activities is largely performed by the business area boards.

Electrolux operations has as from February 1, 2019, been organized into four geographically defined business areas and

one business area for Professional Products. On December 5, 2019 the Board proposed to distribute the Professional Products business area to Electrolux shareholders.

As from February 1, 2019, five group staff functions have supported the business areas: Finance, Legal Affairs, HR & Communications, Global Operations and Global Consumer Experience organization. The Global Consumer Experience organization is globally responsible for areas such as marketing, design, product lines, digital consumer solutions and ownership experience.

There are also a number of internal bodies which are forums that are preparatory and decision-making in their respective areas, see chart below. Each body includes representatives from concerned functions.

In order to fully take advantage of the Group’s global presence and economies of scale, the Group has established Global Operations with the responsibility for product development, purchasing, manufacturing and quality.

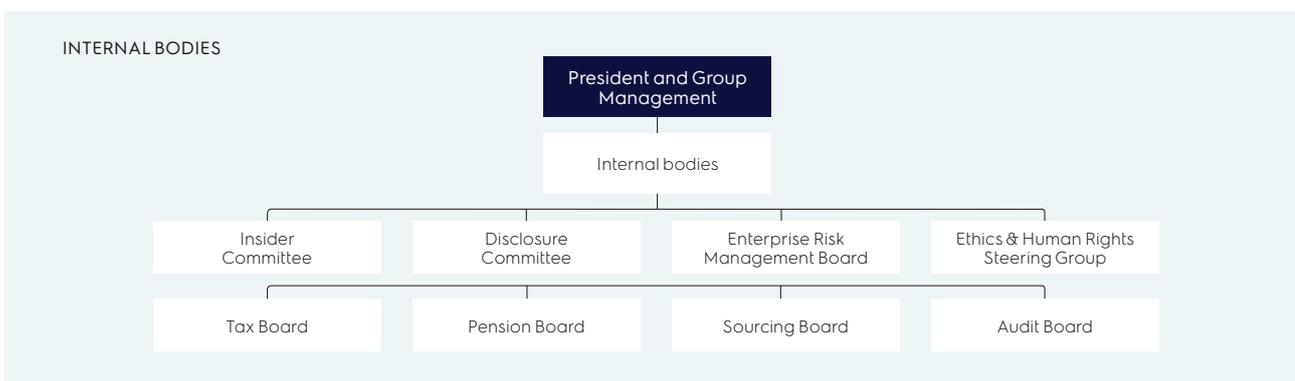
**President and Group Management**  
 Group Management currently includes the President, the five business area heads and five group staff heads. The President is appointed by and receives instructions from the Board. The President, in turn, appoints other members of Group Management and is responsible for the ongoing management of the Group in accordance with the Board’s guidelines and instructions. Group Management holds monthly meetings to review the previous month’s results, to update forecasts and plans and to discuss strategic issues.

**A diversified management team**  
 The Electrolux management team, with its extensive expertise, diverse cultural backgrounds and experiences from various markets in the world, forms an excellent platform for pursuing profitable growth in accordance with the Group’s strategy. Electrolux Group Management represents seven different nationalities. Most of them have previous experience of predominantly multinational consumer goods companies.

In recent years, a number of major initiatives have been launched aimed at better leveraging the unique, global position of Electrolux. In several areas, global and cross-border organizations have been established to, for example, increase the pace of innovation in product development, reduce complexity in manufacturing and optimize purchasing.

**Changes in Group Management**  
 The following changes in the Group management have been announced with effect from February 1, 2019.

Ola Nilsson, previous Head of Home Care & SDA, was appointed Group Chief Experience Officer (CXO) and Executive Vice President, and as a consequence of the new



organizational structure, the Chief Marketing Officer Lars Hygrell is no longer member of Group Management. Jan Brockmann, Chief Operations Officer was also appointed as Executive Vice President.

On December 12, 2019, it was announced that Alan Shaw, Head of Electrolux Business Area North America, had decided to retire. It was also announced that Nolan Pike, previously Senior Vice President within Electrolux Global Consumer Experience Organization, was appointed Executive Vice President and new Head of the Business Area North America with effect from January 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 2019**

- Revising the business area structure to create four consumer focused regional business areas.
- Accelerating product and ownership experience innovation through a new global organization.
- Focus on taste, care and wellbeing innovation areas to provide outstanding consumer experiences.
- Improve efficiency through global streamlining measures to improve efficiency in both the consumer and professional organizations.
- Investments in modularization, automation and digitalization within manufacturing for further growth and cost efficiency, mainly in Europe, North America and Latin America.
- Actions to mitigate increased costs for raw material, trade tariffs in North America and currency headwinds, particularly in Latin America.
- Digitalization such as connected appliances and digital commerce.
- Appointment of new Group Management members.
- Preparation for stock exchange listing of Professional Products.

**Business Area Boards**

**Business areas**

The business area heads are also members of Group Management and have responsibility for the operating income and net assets of their respective business area.

The overall management of the business areas is the responsibility of business area boards, which meet quarterly. The President is the chairman of all such boards. The business area board meetings are attended by the President, the management of the respective business area and the group staff heads. The business area boards are responsible for monitoring on-going operations, establishing strategies, determining business area budgets and making decisions on major investments.

**Remuneration**

**Remuneration to Group Management**

Remuneration guidelines for Group Management are resolved upon by the AGM, based on the proposal from the Board. Remuneration to the President is then resolved upon by the Board, based on proposals from the Remuneration Committee. Changes in the remuneration to other members of Group Management is resolved upon by the Remuneration Committee, based on proposals from the President, and reported to the Board.

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

Remuneration may comprise of:

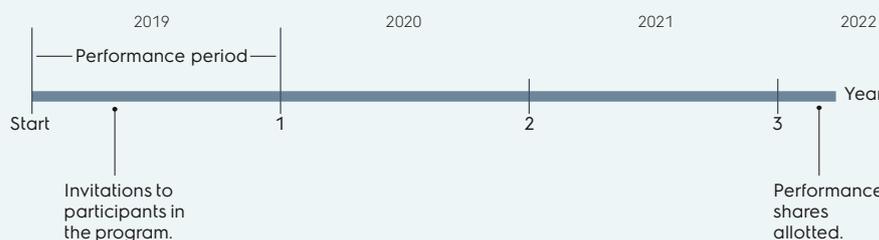
- Fixed compensation.
- Variable compensation.
- Other benefits such as pension and insurance.

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

Each year, the Board of Directors will evaluate whether or not a long-term incentive program shall be proposed to the AGM. The AGM 2019 decided on a long-term share program for up to 350 senior managers and key employees.

For additional information on remuneration, remuneration guidelines, long-term incentive programs and pension benefits, see Note 27.

**TIME-LINE FOR THE LONG-TERM INCENTIVE PROGRAM FOR SENIOR MANAGEMENT 2019**



The calculation of the number of performance shares, if any, is connected to three performance targets for the Group established by the Board; (i) earnings per share (ii) return on net assets, and (iii) adjusted organic sales growth, for the 2019 financial year. Allotment of performance shares, if any, to the participants will be made in 2022.

# 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, Ipco AB, Upplands Motor Holding AB 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: 50,000 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 and Axel Johnson AB.

Previous positions: Various senior positions within Electrolux including CFO of AB Electrolux, COO Global Operations Major Appliances and Head of Major Appliances EMEA. Chief Financial Officer and Executive Vice President of Munters AB. Various positions within General Motors, mainly in the U.S., and Saab Automobile AB.

Holdings in AB Electrolux: 47,138 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.



## HASSE JOHANSSON

Born 1949. Sweden. M.Sc. in Electrical Engineering. Elected 2008.

Other assignments: Chairman of the Board of Dynamate Industrial Services AB and Uniter AB. Board Member of Autoliv Inc., PowerCell Sweden AB, Skyllbergs Bruk AB, Calix Klippan Group AB, DevPort AB and SEM Electromagnet Holding AB.

Previous positions: Executive Vice President and Head of R&D of Scania CV AB. Founder of Mecel AB (part of Delphi Corporation). Various senior management positions within Delphi Corporation.

Holdings in AB Electrolux: 4,000 B-shares.



## ULLA LITZÉN

Born 1956. Sweden. B.Sc. Econ. and M.B.A. Elected 2016. Chairman of the Electrolux Audit Committee.

Other assignments: Board Member of Epiroc AB, Husqvarna AB, NCC AB and Ratos AB.

Previous positions: President of W Capital Management AB, wholly-owned by the Wallenberg Foundations. Various leading positions within the Investor Group including Managing Director and member of Group Management of Investor AB.

Holdings in AB Electrolux: 4,000 B-shares.



## FREDRIK PERSSON

Born 1968. Sweden. M.Sc. Econ. Elected 2012. Member of the Electrolux Audit Committee.

Other assignments: Chairman of the Board of JM AB, the Confederation of Swedish Enterprise (Sw. Svenskt Näringsliv) and ICC Sweden. Board Member of Hufvudstaden AB, ICA Gruppen AB and Ahlström Capital Oy.

Previous positions: Various leading positions within Axel Johnson AB including President and CEO. Head of Research of Aros Securities AB. Various positions within ABB Financial Services AB.

Holdings in AB Electrolux: 3,000 B-shares.



## DAVID PORTER

Born 1965. USA. Bachelor's degree, Finance. Elected 2016.

Other assignments: Head of Microsoft Stores, Corporate Vice President, Microsoft Corp.

Previous positions: Head of Worldwide Product Distribution at DreamWorks Animation SKG. Various positions within WalMart Stores, Inc.

Holdings in AB Electrolux: 1,250 B-shares.



## ULRIKA SAXON

Born 1966. Sweden. Studies in Economics. Elected 2011. Member of the Electrolux Remuneration Committee.

Other assignments: President and CEO of Bonnier Ventures. Board Member of SF Studios, Adlibris, KIT Story Engine, FLX, Refunder and partner in AI Sustainability Center.

Previous positions: Senior positions within the Bonnier Group including CEO of Bonnier Magazines.

Holdings in AB Electrolux: 2,000 B-shares.



## KAI WÄRN

Born 1959. Sweden. M.Sc. in Mechanical Engineering. Elected 2017.

Other assignments: President and CEO of Husqvarna AB. Board Member of Husqvarna AB.

Previous positions: Operations Partner at IK Investment Partners Norden AB. President and CEO of Seco Tools AB. Various positions within ABB.

Holdings in AB Electrolux: 4,000 B-shares.

## EMPLOYEE REPRESENTATIVES

**VIVECA  
BRINKENFELDT-LEVER**

Born 1960. Representative of the Federation of the Salaried Employees in Industry and Service. Elected 2018.

Board meeting attendance: 9/9

Holdings in AB Electrolux: 0 shares.

**ULF CARLSSON**

Born 1958. Representative of the Swedish Confederation of Trade Unions. Elected 2001.

Board meeting attendance: 9/9

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: 7/9

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: 4,114 B-shares.

COMMITTEES OF THE  
BOARD OF DIRECTORS**Remuneration Committee**

Petra Hedengran (Chairman), Staffan Bohman and Ulrika Saxon.

**Audit Committee**

Ulla Litzén (Chairman), Staffan Bohman, Petra Hedengran and Fredrik Persson.

## AUDITORS

**Deloitte AB****JAN BERTSSON**

Born 1964. Authorized Public Accountant.

Other audit assignments: Kinnevik AB and Boliden AB.

Holdings in AB Electrolux: 0 shares.

At the Annual General Meeting in 2019, Deloitte AB was re-elected as auditors for a period of one year until the Annual General Meeting in 2020.

## EMPLOYEE REPRESENTATIVES, DEPUTY MEMBERS

**RICHARD DELLNER**

Born 1953. Representative of the Federation of Salaried Employees in Industry and Services. Elected 2013.

Holdings in AB Electrolux: 500 B-shares.

**JOACHIM NORD**

Born 1966. Representative of the Federation of Salaried Employees in Industry and Services. Elected 2018.

Holdings in AB Electrolux: 100 B-shares.

Holdings in AB Electrolux are stated as of December 31, 2019 and includes holdings of related natural and legal persons, when applicable.

## THE BOARD'S REMUNERATION DURING 2019, MEETING ATTENDANCE AND INDEPENDENCE

	Total remuneration 2019, '000 SEK	Board meeting attendance	Remuneration Committee attendance	Audit Committee attendance	Independence <sup>1)</sup>
Staffan Bohman	2,447	9/9	3/3	7/7	Yes
Petra Hedengran	940	9/9	3/3	7/7	No
Hasse Johansson <sup>2)</sup>	790	9/9			Yes
Ulla Litzén	910	9/9		7/7	Yes
Bert Nordberg <sup>3)</sup>	150	3/9			Yes
Fredrik Persson	790	9/9		6/7	Yes
David Porter	630	7/9			Yes
Jonas Samuelson	-	9/9			No
Ulrika Saxon	730	9/9	3/3		Yes
Kai Wörn	630	8/9			Yes

<sup>1)</sup> For further information about the independence assessment, see page 105.

<sup>2)</sup> The total remuneration 2019 for Hasse Johansson includes compensation for work relating to investments, modularization and quality.

<sup>3)</sup> Bert Nordberg declined re-election and resigned from the Board following the Annual General Meeting in April 2019.

# Group Management

## JONAS SAMUELSON

President and CEO

Born 1968. Sweden. M.Sc. in Business Administration and Economics. In Group Management and employed since 2008.

Other assignments: Board Member of Polygon AB and Axel Johnson AB.

Previous positions: Various senior positions within Electrolux including CFO of AB Electrolux, COO Global Operations Major Appliances and Head of Major Appliances EMEA. Chief Financial Officer and Executive Vice President of Munters AB. Various senior positions within General Motors, mainly in the U.S., and Saab Automobile AB.

Holdings in AB Electrolux: 47,138 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: 8,067 B-shares



## DANIEL (DAN) ARLER

Head Business Area Asia Pacific, Middle East and Africa, Executive Vice President

Born 1969. The Netherlands. B.Sc. in Marketing. In Group Management since 2016 and employed since 2002.

Previous positions: Head of Electrolux Major Appliances EMEA. Other senior positions within Electrolux including General Manager of Electrolux Japan and Senior Vice President Product Line Kitchen in Major Appliances EMEA. Management positions in Stanley Works Europe and the Whirlpool Corporation in Europe.

Holdings in AB Electrolux: 15,126 B-shares.



## JAN BROCKMANN

Chief Operations Officer, Executive Vice President

Born 1966. Germany. M.Sc. in Mechanical Engineering, M.B.A. In Group Management since 2011 and employed since 2010.

Previous positions: Various senior positions within Electrolux including Group Chief Technology Officer and Head of R&D, Electrolux Major Appliances. Various senior product management positions within Volkswagen Group. Project Manager in Roland Berger Strategy Consultants GmbH. Management positions within Valeo Group.

Holdings in AB Electrolux: 17,720 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: Management positions at Franke in Brazil. Various senior positions at Electrolux Brazil, including President Small Appliances Latin America, Sales and Marketing Director Major Appliances. Positions in Volvo Brazil.

Holdings in AB Electrolux: 0 shares.



## OLA NILSSON

Chief Experience Officer, Executive Vice President

Born 1969. Sweden. M.Sc. in International Business Administration. In Group Management since 2016 and employed since 1994.

Previous positions: Head of Home Care & Small Domestic Appliances. Various senior positions within Electrolux including Senior Vice President, Product Line Laundry Major Appliances EMEA and President Small Appliances Asia Pacific.

Holdings in AB Electrolux: 9,981 B-shares



Holdings in AB Electrolux are stated as of December 31, 2019 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 Alfa Laval AB.

Previous positions: Chief Financial Officer of AB Electrolux. Other senior positions within Electrolux including CFO of Electrolux Major Appliances EMEA and Head of Electrolux Corporate Control & Services. Chief Financial Officer of Kimoda. Various positions within PricewaterhouseCoopers.

Holdings in AB Electrolux:  
13,002 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:  
0 shares.

**LARS WORSØE PETERSEN**

Head of HR & Communications,  
Senior Vice President

Born 1958. Denmark. M.Sc. in Economics and Business Administration. In Group Management since 2011 and employed since 1994–2005 and 2011.

Previous positions: Head of Group Staff Human Resources at Husqvarna AB, 2005–2011. Various senior positions within Electrolux including Head of Human Resources for Electrolux Major Appliances North America and Head of Electrolux Holding A/S in Denmark.

Holdings in AB Electrolux:  
22,135 B-shares.

**ALBERTO ZANATA**

Head of Professional Products,  
Executive Vice President

Born 1960. Italy. University degree in Electronic Engineering with Business Administration. In Group Management since 2009 and employed since 1989.

Previous positions: Senior management positions within Electrolux including Head of Professional Products in North America and senior management positions in Electrolux Professional Products.

Holdings in AB Electrolux:  
33,108 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:  
4,114 B-shares.

**CHANGES IN GROUP MANAGEMENT ANNOUNCED  
AFTER JANUARY 1, 2020**

Alberto Zanata was appointed President and CEO of Electrolux Professional in 2019. As from the distribution of Electrolux Professional AB, Alberto Zanata will no longer be a member of the Group management of Electrolux.

# Internal control over financial reporting

The Electrolux Control System (ECS) has been developed to ensure accurate and reliable financial reporting and preparation of financial statements in accordance with applicable laws and regulations, generally accepted accounting principles and other requirements for listed companies. The ECS adds value through clarified roles and responsibilities, improved process efficiency, increased risk awareness and improved decision support.

The ECS is based on the Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The five components of this framework are control environment, risk assessment, control activities, monitor and improve and inform and communicate.

## Control environment

The foundation for the ECS is the control environment, which determines the individual and collective behavior within the Group. It is defined by policies and directives, manuals, and codes, and enforced by the organizational structure of Electrolux with clear responsibility and authority based on collective values.

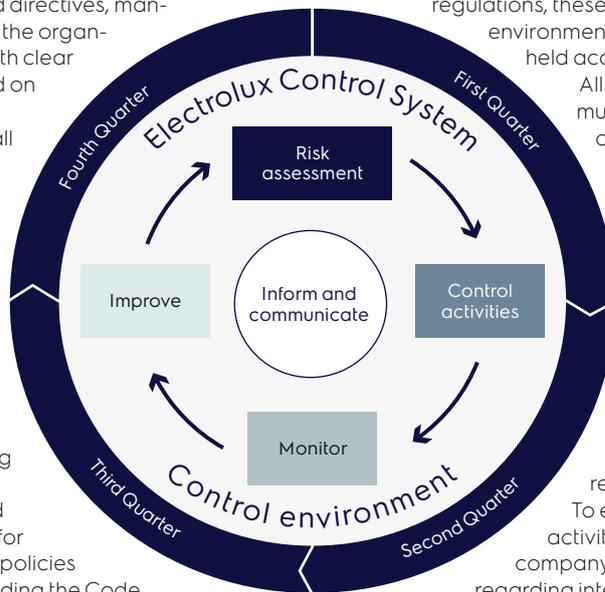
The Electrolux Board has overall responsibility for establishing an effective system of internal control. Responsibility for maintaining effective internal controls is delegated to the President. The governance structure of the Group is described on page 102. Specifically for financial reporting, the Board has established an Audit Committee, which assists in overseeing relevant policies and important accounting principles applied by the Group.

The limits of responsibilities and authorities are given in directives for delegation of authority, manuals, policies and procedures, and codes, including the Code of Conduct, the Workplace Policy, and the Anti-

Corruption Policy, as well as in policies for information, finance, and in the accounting manual. Together with laws and external regulations, these internal guidelines form the control environment and all Electrolux employees are held accountable for compliance.

All entities within the Electrolux Group must maintain adequate internal controls. As a minimum requirement, control activities should address key risks identified within the Group. Group Management have the ultimate responsibility for internal controls within their areas of responsibility. Group Management is described on pages 114–115.

The ECS Program Office, a department within the Group Internal Audit function, has developed the methodology and is responsible for maintaining the ECS. To ensure timely completion of these activities, specific roles aligned with the company structure, with clear responsibilities regarding internal control, have been assigned within the Group.



## CONTROL ENVIRONMENT – EXAMPLE

### Code of Conduct

Minimum standards in the area of environment, health and safety, labor standards and human rights. The Code of Conduct is mandatory for Electrolux units.

### Group Finance Policy

Details the general framework for how financial operations shall be organized and managed within the Group. The policy contains directives and other mandatory standards issued by the Group Finance organization.

### Credit Directive

Rules for customer assessment and credit risk that clarify responsibilities and are the framework for credit decisions.

### Delegation of Authority Directive

Details the approval rights, with monetary, volume or other appropriate limits, e.g., approval of credit limits and credit notes.

### Internal Control Directive

Details responsibility for internal controls. Controls should address the Minimum Internal Control Requirements (MICR) within every applicable process, for example "Order to Cash".

### Accounting Manual

Accounting principles and reporting instructions for the Group's reporting entities are contained in the Electrolux Accounting Manual. The Accounting Manual is mandatory for all reporting units.

**Risk assessment**  
 Risk assessment 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 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 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 within the Electrolux Group regarding risks and controls contributes to ensuring that the right business decisions are made.

Guidelines for financial reporting are communicated to employees, e.g., by ensuring that all manuals, policies and codes are published and accessible through the Group-wide intranet as well as information related to the ECS.

To inform and communicate is a central element of the ECS and is performed continuously during the year. Management, process owners and control operators in general are responsible for informing and communicating the results within the ECS.

The status of the ECS activities is followed up continuously through status meetings between the ECS Program Office and coordinators in the business areas. Information about the status of the ECS is provided periodically to business area and Group Management, the Audit Board and the Audit Committee.

ENTERPRISE RISK ASSESSMENT – EXAMPLE



CONTROL ACTIVITIES – EXAMPLE

Process	Risk assessed	Control activity
Closing Routine	Risk of incorrect financial reporting.	Reconciliation between general ledger and accounts receivable sub-ledger is performed, documented and approved.
Manage IT	Risk of unauthorized/incorrect changes in the IT environment.	All changes in the IT environment are authorized, tested, verified and finally approved.
Order to Cash	Risk of not receiving payment from customers in due time.	Customers' payments are monitored and outstanding payments are followed up.
Order to Cash	Risk of incurring bad debt.	Application automatically blocks sales orders/deliveries when the credit limit is exceeded.

### Financial reporting and information

Electrolux routines and systems for information and communication aim at providing the market with relevant, reliable, correct and vital information concerning the development of the Group and its financial position. Specifically for purposes of considering the materiality of information, including financial reporting, relating to Electrolux and ensuring timely communication to the market, a Disclosure Committee as well as an Insider 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 13, 2020

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 2019-01-01 – 2019-12-31 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 RevU 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

#### **Opinions**

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2–6 the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the annual accounts and the consolidated accounts and are in accordance with the Annual Accounts Act.

Stockholm, February 13, 2020

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.

## Events and reports

The Electrolux website [www.electroluxgroup.com/ir](http://www.electroluxgroup.com/ir) contains additional and updated information about such items as the Electrolux share, sustainability and corporate governance as well as a platform for financial statistics.



Electrolux Annual Report 2019  
[www.electroluxgroup.com/annualreport2019](http://www.electroluxgroup.com/annualreport2019)



Electrolux Annual Review 2019  
[www.electroluxgroup.com/annualreports/2019](http://www.electroluxgroup.com/annualreports/2019)



Electrolux Interim Reports  
[www.electroluxgroup.com/ir](http://www.electroluxgroup.com/ir)



Electrolux Sustainability Report (GRI) 2019  
[www.electroluxgroup.com/sustainabilityreport2019](http://www.electroluxgroup.com/sustainabilityreport2019)

## Financial reports and major events in 2020



Consolidated report



Extraordinary General Meeting



Annual General Meeting



Interim report January–March



Interim report January–June



Interim report January–September

Electrolux subscription service can be accessed at  
[www.electroluxgroup.com/subscribe](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 held at 4 pm on Tuesday, March 31, 2020, at Stockholm Waterfront Congress Centre, Nils Ericsons plan 4, Stockholm, Sweden.

## Participation

Shareholders who intend to participate in the Annual General Meeting must

- be registered in the share register kept by the Swedish central securities depository Euroclear Sweden AB on Wednesday, March 25, 2020, and
- give notice of intent to participate, to Electrolux on Wednesday, March 25, 2020, at the latest.

## Notice of participation

Notice of intent to participate can be given

- on the Group's website;  
[www.electroluxgroup.com/agm2020](http://www.electroluxgroup.com/agm2020)
- by telephone +46 8 402 92 79,  
on weekdays between 9 am and 4 pm
- by mail to  
AB Electrolux  
c/o Euroclear Sweden AB  
Box 191  
SE-101 23 Stockholm  
Sweden

Notice should include the shareholder's name, personal identity or registration number, address, telephone number and the number of assistants attending, if any. Shareholders may vote by proxy, in which case a power of attorney should be submitted to Electrolux well in advance of the Annual General Meeting.

Proxy forms in English and Swedish are available on the Group's website: [www.electroluxgroup.com/agm2020](http://www.electroluxgroup.com/agm2020)

## Shares registered by trustee

Shareholders that have their shares registered in the name of a nominee must, in addition to giving notice of participation in the meeting, temporarily be recorded in the share register in their own names (so called voting-rights registration) to be able to participate in the General Meeting. In order for such registration to be effectuated on Wednesday, March 25, 2020, shareholders should contact their bank or trustee well in advance of that date.

## Dividend

The Board of Directors proposes a dividend for the fiscal year 2019 of SEK 8.50 per share, for a total dividend payment of approximately SEK 2,443m (2,443). The proposed dividend corresponds to approximately 97% (64) of income for the period. The dividend is proposed to be paid in two equal installments, the first with the record date Thursday, April 2, 2020, and the second with the record date Friday October 2, 2020. The first installment is estimated to be paid on Tuesday, April 7, 2020 and the second installments on Wednesday, October 7, 2020.

## Proposal for election of board members

In preparation for the Annual General Meeting, the Nomination Committee has in February 2020 proposed re-election of Staffan Bohman, Petra Hedengran, Ulla Litzén, Fredrik Persson, David Porter, Jonas Samuelson and Kai Wörn as board members. Hasse Johansson and Ulrika Saxon declined re-election. The Nomination committee also proposed election of Henrik Henriksson and Karin Overbeck as new board members. Staffan Bohman was proposed to be re-elected as Chairman of the Board of Directors.

## DATES REGARDING THE AGM 2020

### 2019

### 2020

September	February	March	April	October
13 Nomination Committee appointed for AGM 2020	7 Proposals from Nomination Committee presented	25 Deadline for notice of intent to participate in AGM and registration in share register	2 Proposed record date for the first instalment of the dividend payment	2 Proposed record date for the second instalment of the dividend payment
	21 Notice to AGM estimated to be published	31 AGM 2020	7 Estimated date for payment of first instalment of dividend	7 Estimated date for payment of second instalment of dividend



Founded in Sweden in 1919  
by entrepreneur Axel Wenner-Gren



**1920s** The Electrolux salesmen sold vacuum cleaners all over the world, supported by innovative marketing methods like the vacuum cleaner car.



**1930s** The innovative and completely silent absorption fridge could run on either electricity or gas, and became a global success.



**1940s** The launch of the groundbreaking Assistent food processor was Electrolux first venture into cooking products.



**1950s** Electrolux legendary "floating wing" W20 washing machine helped to shorten the time consuming and cumbersome laundry process considerably.



**1960s** The "Luxomatic" vacuum cleaner was launched in 1964 and had innovations like an adjustable nozzle and a cord winder.



**1970s** The Datalux cooker launched in 1978 had an electronic rear control panel featuring a digital clock and a timer.



**1980s** The legendary Electrolux "Troika" with Anders Scharp, Hans Werthén and Gösta Bystedt made Electrolux into a global appliance company through hundreds of acquisitions.



**1990s** The prototype of the world's first robotic vacuum cleaner, the Trilobite, was presented in 1997.



**2000s** The innovative battery-driven vacuum cleaner Ergorapido was launched in 2004 following systematic product development and consumer tests.



**2010s** Electrolux expanded its offering of connected appliances, here with Google Assistant.

## Celebrating a century of better living

Electrolux turned 100 years old in 2019 and has contributed to strong achievements over the past century – including its well-established brands, strong innovation heritage, winning sales orientation, contribution to societal development and sustainability leadership.

By creating great taste, care and wellbeing experiences, and better living for hundreds of millions of people around the world over the past century, Electrolux has not only enhanced the quality of life of its consumers, but also the societies in which they live. Electrolux is part of an industry that has revolutionized,

domestic duties, general hygiene and eating habits within less than half a century.

In the 1990s, Electrolux was the first appliance company to focus on sustainability, which has been at the heart of the Electrolux strategy ever since. Today, the Electrolux brand is associated with sustainability, which is a differentiator that results in additional growth opportunities.

Electrolux celebrated its anniversary year by launching the Better Living Program – a bold initiative to enable it to continue to be at the forefront of sustainability. The program includes a broad range of actions and targets until 2030.

**AB ELECTROLUX (PUBL), 556009-4178**

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**ANNUAL REVIEW ON THE WEB**  
[www.electroluxgroup.com/annualreports/2019](http://www.electroluxgroup.com/annualreports/2019)