Shape living for the better

Electrolux Annual Report 2017

Shape living for the better

Our future is determined by the way we all live our lives. That's why we strive to improve everyday life for millions of people and the world around us. It is embodied in everything we do. In every idea, every product and every human interaction.

We believe that outstanding taste experiences should be easy for everyone. That there is always a better way to care for our clothes to make them look and feel new longer. That the home should be a place for wellbeing, a place to care for ourselves and our loved ones.

To succeed, we continuously rethink and improve our ways of working – internally, and together with our customers and partners.

By creating desirable solutions and great experiences that enrich peoples' daily lives and the health of our planet, we want to be a driving force in defining enjoyable and sustainable living.

This is us – at Electrolux we shape living for the better.

WE REINVENT TASTE, CARE AND WELLBEING EXPERIENCES FOR MORE ENJOYABLE AND SUSTAINABLE LIVING AROUND THE WORLD

TASTE

by making it possible to make great tasting food through our professional expertise

CARE

by making it possible to care for your clothes to keep them new for longer

WELLBEING

by making it possible to achieve healthy wellbeing in your home

OUR OFFERING

Electrolux is a global leader in household appliances and appliances for professional use. We offer thoughtfully designed, innovative and sustainable solutions, under esteemed brands including Electrolux, AEG, Zanussi and Frigidaire.

122
BILLION SEK IN SALES

60
MILLION PRODUCTS SOLD ANNUALLY

150
SALES IN MARKETS

56,000
EMPLOYEES

CONTENTS

The Annual Report for AB Electrolux (publ), 556009-4178, consists of the Report by the Board of Directors and Notes to the financial statements, pages 69–133. The Annual Report is published in Swedish and English.

Sustainability priorities are integrated throughout the Annual Report. In the Sustainability reporting section on pages 138–146, the Electrolux sustainability framework and execution are described more in detail. The full Electrolux Sustainability Report is published in an online version at:
www.electroluxgroup.com/sustainabilityreport2017

Electrolux 2017

KEY HIGHLIGHTS

- Operating income increased by 18%.
- Operating margin was 6.1% (5.2).
- Earnings improved across all business areas.
- Four business areas achieved an operating margin above 6%.
- Solid operating cash flow after investments.
- Five acquisitions completed.

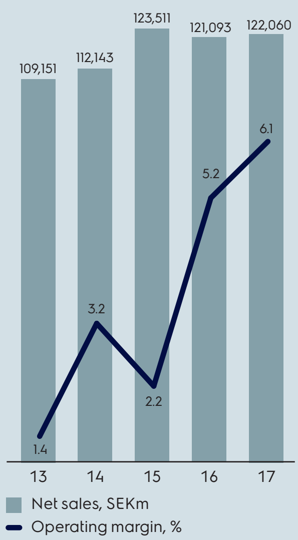
2017 IN BRIEF

Net sales increased by 0.8%, organic growth was slightly down while acquisitions contributed to sales. Organic growth across most regions while active product portfolio management to exit from unprofitable product categories as well as lower volumes under private labels in North America impacted sales negatively.

Operating margin improved to 6.1%. Four of six business areas reached an operating margin above 6%. Increased efficiency and product-mix improvement contributed to the positive earnings trend.

Operating cash flow after investments amounted to SEK 6.9bn. The main contributor to this solid cash flow is the earnings development. Acquisitions of SEK 3.4bn impacted cash flow negatively.

MARGIN IMPROVEMENT



KEY FIGURES

OPERATING INCOME

7,407

SEKm

OPERATING MARGIN

6.1

percent

OPERATING CASH FLOW[1]

6,877

SEKm

CAPITAL TURNOVER-RATE

5.9

times

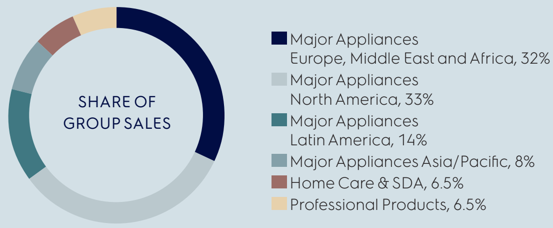
DIVIDEND[2]

8.30

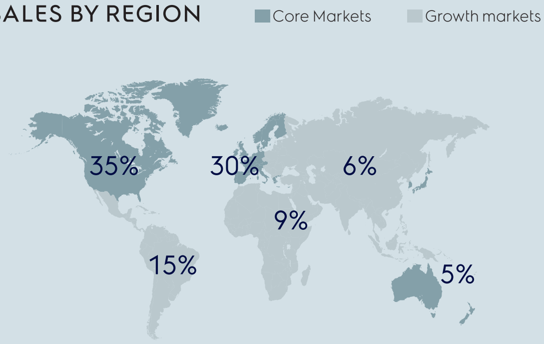
SEK per share

[1] After investments
[2] Proposed by the Board

BUSINESS AREAS



SALES BY REGION

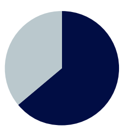


PRODUCT OFFERING FOR BEST-IN-CLASS CONSUMER EXPERIENCES

TASTE

By making it possible to make great tasting food.

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

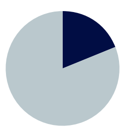


64% share of Group sales of which 4% professional products

CARE

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

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

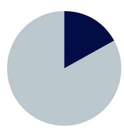


19% share of Group sales of which 2% professional products

WELLBEING

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

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



17% share of Group sales

Operating margin target achieved for 2017

OPERATING MARGIN

6.1%

Electrolux made significant progress in 2017. I am very pleased that we took an important step on our journey toward profitable growth by reaching an operating margin of 6.1%, an improvement of close to 20%. This was achieved through our consistent focus on driving sustainable profitability, resulting in improved earnings across all business areas. During the year, a revised company purpose was launched – Shape living for the better – that sets the direction for Electrolux for years to come.

In 2017, we reached our operating margin target of at least 6%, for the first time since 2010. This was an important milestone. Our focus firmly remained on achieving sustainable profitability with key areas being product portfolio management and cost efficiency. Our product portfolio management has focused on our most consumer-relevant and profitable product categories while exiting unprofitable product categories and markets. Hence, the organic sales for the Group declined slightly as a reflection of that. With operating margin now restored to our target level, our focus is shifting towards profitable growth. Our constant work to increase cost efficiency throughout the Group made good progress and our cost structure improved significantly. We also managed to improve product quality to a new record level.

A purpose-driven company

During the year we also updated our strategic framework, connecting our business model and path toward profitable growth to a clear and revised company purpose – Shape living for the better. We will achieve this by reinventing taste, care and wellbeing experiences for more enjoyable and sustainable living around the world. I feel very strongly about the importance of clarifying our company purpose as it sets the direction for Electrolux for years to come, and in 2017, a large number of new innovative products were launched to create best-in-class consumer experiences.

All business areas improved results

We experienced an overall positive demand trend across most of our markets, and the market volumes in Latin America recovered after several years of decline.

In EMEA, the favorable earnings trend continued and I am very pleased that our strong focus on new innovative products is paying off and that our premium brands gained market share. We continued to successfully launch our new product ranges under the AEG brand, including the new AEG connected washing machines. Operating income improved and the margin increased to 7.2%. During the year, we completed the acquisition of Kwikot Group, a water heater company in South Africa and Best, a European manufacturer of innovative kitchen hoods. These acquisitions enable us to further drive long-term profitable growth.

In North America our operating margin improved to a record high 6.8%, thanks to product portfolio management and increased cost efficiencies. We executed the strategically important launch of the new Frigidaire product range, which received very positive feedback from retail and consumers. The Frigidaire Gallery Freestanding Induction Range is the first affordable induction range in the U.S. market.

Our operations in Latin America accomplished a strong turnaround with an organic sales growth of 8%, following a decline of 11% in 2016. A favorable market trend in major markets such as Brazil and Argentina contributed to the positive development as well as launches of new consumer-relevant products in several markets, such as high-capacity washing machines and microwave ovens with new technologies. Operating income and margin also improved significantly. In 2017, we acquired the Continental brand, an acquisition that will enable us to further expand our market coverage in the region.

Asia Pacific delivered a high margin of 7.5%, coupled with strong organic growth of 6%. Sales volumes grew across most product categories. I am pleased to see that we are gaining market shares as a result of our efforts to develop innovative products tailored to the consumers' needs in a highly competitive region.

In Home Care & SDA, operating income and margin improved significantly to 5.5%. Organic sales, however, declined by 4% as our strategy to exit unprofitable product categories had a short-term negative impact on sales. We launched the robotic vacuum cleaner Electrolux PURE i9, which has a smart navigation system that can detect obstacles and manoeuvre around them. We also completed the acquisition of Anova in the U.S., the provider of a connected sous-vide device that enables restaurant-quality cooking at home.

Finally, I would like to highlight the performance of Professional Products which continued its profitable growth journey and yet again delivered a strong, solid operating margin of 13.7%. For the first time ever, operating income exceeded SEK 1 billion. We continue to grow this profitable business with targeted investments in new products and channels, and in 2017, we acquired Grindmaster-Cecilware, a manufacturer of beverage products. This broadens our offering and increases access to the important U.S. market.

On the path to profitable growth

Developments in 2017 have strengthened my conviction that Electrolux is well positioned for further progress in 2018 and beyond, as several important prerequisites for growth are now in place. The digital transformation is changing not only Electrolux, but the whole appliance industry, as well as consumer behavior. This offers both opportunities and challenges. We will continue to accelerate the use of digital solutions to streamline operations and increase interaction with consumers.

I expect the demand growth across most markets to continue in 2018. We aim to make the most of this market growth as our innovation for Best-in-class consumer experiences is bearing fruit with new improved products that are being very well received by the markets.

Sustainability leadership also continues to be crucial to delivering Best-in-class consumer experiences. For the past 16 years , Electrolux has been a signatory of the UN Global Compact, and we are recognized as industry leader in the prestigious Dow Jones Sustainability Index. We intend to improve further and to make smarter, more resource-efficient solutions available for everyone.

Continuous improvements are at the core of our mindset at Electrolux, and are absolutely essential to remain competitive over time. We will continue our work to improve cost structures, methods, processes and skills.

Investments in innovation

We are also enhancing our ability to drive growth through investments in innovation for new competitive products, as comprehensive re-engineering programs have been initiated at our refrigerator plant in Anderson and cooking plant in Springfield in the U.S. as well as our refrigerator plant in Curitiba in Brazil. In 2018, we are stepping up investments to SEK 6 billion to support further profitable growth.

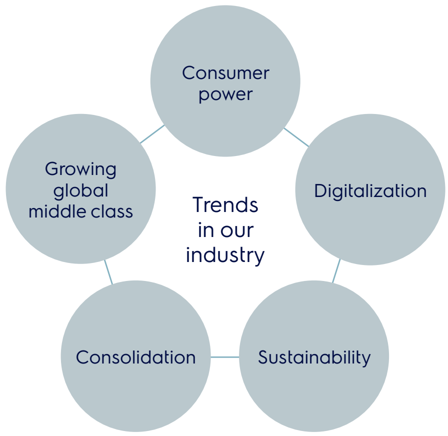
The expertise and passion of our employees will, of course, continue to be crucial to our success, and I would like to thank all our employees and stakeholders for their important contributions throughout the year. The Board's proposal to increase the dividend for 2017 to SEK 8.30 per share reflects our focus on shareholder value, and I firmly believe that we are well positioned to continue to deliver further value.

Stockholm, February 2018

Jonas Samuelson
President and CEO

Global trends that affect the industry

The global market for household appliances is being transformed by five major trends: increased consumer power, digitalization, sustainability, consolidation and a growing middle class. While these changes are placing demands on investments and economies of scale, they are also presenting major opportunities.



Changing dynamics of the industry

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.

Consumer power is growing as increasingly well-informed customers easily can access information about prices, offers and product characteristics. This means that Electrolux, as well as other brands, need to offer transparent information about how the products and offers are differentiated to meet customer needs.

Digitalization plays an important role in increasing consumer power. Mobile solutions and access to the Internet place demands on Electrolux and increase opportunities to interact with consumers in new ways. Digitalization also provides substantial opportunities to develop increasingly advanced products, such as connected products, as well as making the Group's operations more efficient.

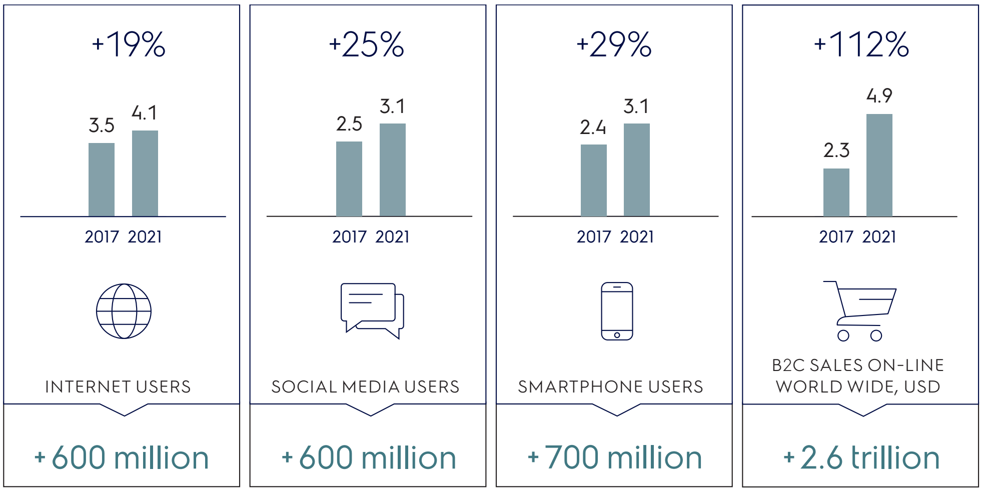
Sustainability is becoming more important for customers and consumers as well as authorities, who demand that manufacturers develop and offer sustainable products. This trend has been apparent for a number of years but development is now accelerating at varying paces in the different regions.

A global middle class is growing as a result of strong economic growth in emerging economies. This trend has been visible for many years and will continue.

Consolidation in the sector is, to a large extent, driven by the above trends as they result in challenges that require major investments and economies of scale. Manufacturers and retailers of household appliances are becoming fewer, larger and more international.

The changing dynamics of the industry cause the Group's traditional competitors to expand digitalization and smart home solutions. It also increases competition by bringing new competitors such as major digital actors and new startups that use technology to disrupt the value chain. Furthermore, the major changes in consumer behavior, and the accompanying increase in online sales, cause significant disruption in traditional retail.

THE PACE OF DIGITAL GROWTH CONTINUES TO ACCELERATE
Worldwide Digital Indicators



Source: Emarketer and Electrolux estimates.

The global market

The global market for household appliances can be split into two parts. In the mature markets (Western Europe, North America, Japan and Australia/New Zealand), population growth is low and sales are dominated by replacement products. However, growth markets (Africa, the Middle East, Eastern Europe, Latin America, Southeast Asia and China) are characterized by rapidly rising living standards and a large number of new households being able to invest in appliances and other household products.

During 2017, demand for appliances increased in both growth markets and mature markets. Demand for appliances improved across most markets during the year such as in Latin America, Eastern Europe, North America, Australia and Southeast Asia. In 2017, the demand in growth markets represented about 65% of the total market volume compared with 50% in the year 2000. Growth markets accounted for about 30% of Electrolux sales for the year, and the objective is to increase this share.

GLOBAL POPULATION
Million

13% of population in Electrolux core markets Western Europe, North America, Australia, New Zealand, Japan

87% of population in Electrolux growth markets Africa, Middle East, Eastern Europe, Latin America, Southeast Asia, China

Purpose-driven company

PURPOSE

Shape living for the better

MISSION

We reinvent taste, care and wellbeing experiences for more enjoyable and sustainable living around the world

STRATEGIC DRIVERS

Act sustainably	Create better experiences	Always improve

Purpose

Shape living for the better

Our future is determined by the way we all live our lives. That's why we strive to improve everyday life for millions of people and the world around us. This is embodied in everything we do. In every idea, every product and every human interaction.

We believe that outstanding taste experiences should be easy for everyone. That there is always a better way to care for our clothes to make them look and feel new longer. That the home should be a place for wellbeing, a place to care for ourselves and our loved ones.

To succeed, we continuously rethink and improve our ways of working – internally, and together with our customers and partners.

By creating desirable solutions and great experiences that enrich people's daily lives and the health of our planet, we want to be a driving force in defining enjoyable and sustainable living.

This is us – at Electrolux we shape living for the better.

Mission

We reinvent taste, care and wellbeing experiences for more enjoyable and sustainable living around the world.

To create these experiences we focus our innovation on three areas:

We help people make great tasting, healthy food for friends and family. An oven that cooks evenly or a hob with precise temperature controls and high speed, can enable consumers and give them the confidence and skills to do well.

We help consumers care for their clothes by making them stay new and great looking for longer. Electrolux delivers solutions that allow consumers to put their favorite clothes into the washing machine and be completely confident in the result.

People are concerned about the air that they breathe and their environment. We call that wellbeing. Electrolux helps consumers get a better home environment through floor care, air care and water care.

Strategic drivers

Our purpose is underpinned by three drivers: Act Sustainably, Create Better Experiences and Always Improve. The drivers guide our behaviors, give direction to our strategies, and convey the core of how we behave as a company.

Act sustainably — Inspire and contribute to a change for the better.

We are determined to shape living for the better, for our customers and for the health of our planet. We are proud of our Scandinavian heritage and our accomplishments, but we intend to improve further and to make smarter, more resource-efficient solutions available to everyone. To develop better operations for our coworkers and the communities around us. To always act ethically and respect human rights. To work together with customers and professional partners who share our desire to change for the better.

Create better experiences — Design solutions that elevate everyday life.

Experiences are in the food our customers put on their plates, the way they care for their clothes, the quality of the air they breathe or the water they drink. Better experiences not only elevate our customers' everyday lives, but are also mindful of our society and our planet.

Always improve — Think new and never settle.

We never settle, and are always curious and forward leaning. We see opportunities where others see problems and make things happen. That is what it takes to shape living for the better.

Targets

The Electrolux Group's financial targets contribute to maintaining and strengthening the company's leading, global position in the industry, and generate a healthy total return for Electrolux shareholders.

Operating margin

Electrolux is focused on achieving sustainable profitability in all business areas, with high priority on securing an operating margin of at least 6% over a business cycle. This will be achieved through innovative product launches and active product portfolio management, in combination with product- and structural cost efficiencies.

Operating margin improved to 6.1% (5.2). Four business areas achieved an operating margin above 6%. Cost efficiencies and product mix improvements contributed to the favorable margin development in 2017. Electrolux has focused on the most consumer relevant and profitable product categories and exiting unprofitable categories and markets, which has improved the product mix.

Capital turnover

Electrolux strives to achieve an optimal capital structure in relation to the Group's goals for profitability and growth. In recent years, efforts to reduce working capital have been intensified. This has resulted in a lower level of working capital and the goal of at least 4 times capital turnover has been exceeded. Reducing the amount of capital tied up in operations creates opportunities for profitable growth.

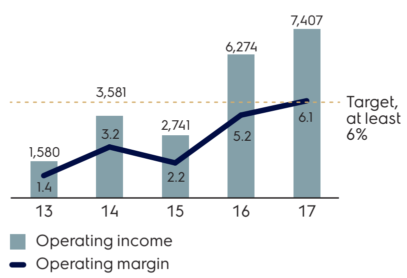
The capital turnover-rate increased to 5.9 times (5.8) in 2017. The Group's ongoing activities to operationally and structurally reduce working capital and increase efficiency within operations contributed to this favorable development.

Return on net assets

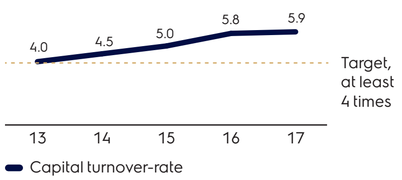
Focusing on growth with sustained profitability and a small, efficient capital base enables Electrolux to achieve a high long-term return on capital. With an operating margin that reaches the target of at least 6% and a capital turnover-rate of at least 4 times, Electrolux will achieve a return on net assets of at least 20%.

Return on net assets amounted to 35.8% (29.9). Average net assets and working capital declined during the year. Average net assets were reduced to SEK 20,713m (20,957), corresponding to 17.0% (17.3) of net sales. Working capital declined to SEK –15,721m (–14,966), corresponding to –12.2% (–11.7) of net sales. Net operating working capital (inventories, trade receivables and accounts payable) improved to SEK 4,305m (4,543), corresponding to 3.3% (3.5) of net sales.

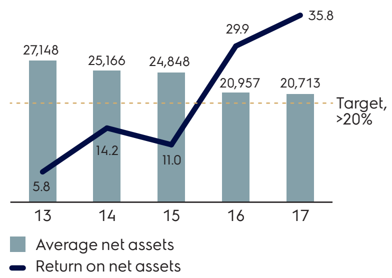
OPERATING MARGIN, %



CAPITAL TURNOVER-RATE, TIMES



RETURN ON NET ASSETS, %



TARGET*	RESULT 2017	TARGET*	RESULT 2017	TARGET*	RESULT 2017
6%	6.1%	4x	5.9x	>20%	35.8%

* Financial targets over a business cycle.

Over the past ten years, Electrolux shareholders have received an average annual total return of approximately 14%. The Group's capacity to create healthy cash flow and to enhance operational efficiency plays a major role in contributing to this value creation. There is further potential for profitability by increasing margins.

Based on the strategic framework, innovative products for best-in-class consumer experiences are to contribute to higher profitability and a margin of at least 6%. A capital turnover-rate of at least 4 times combined with an operating margin of at least 6% should yield a minimum return on net assets of 20%.

Further potential for value creation is possible if Electrolux can increase sales and improve its profitability level. The business has to achieve a sustainable profitability level before further investments are made in targeted profitable growth. The objective is an average annual sales growth of 4%. For more information on the Electrolux business model and path to profitable growth, see page 18.

Sales growth

All business areas have to achieve a sustainable profitability level before moving into targeted profitable growth, see Electrolux business model on pages 18–19. In order to reach the growth goal, the Group continues to strengthen its positions in core markets, new markets and segments. Organic growth is complemented by acquisitions and the target is a total sales growth of at least 4%.

Net sales increased to SEK 122,060m (121,093), organic sales was slightly down while acquisitions/divestmens contributed to sales by 1.0%. Four business areas reported organic sales growth. The active product portfolio approach of exiting from unprofitable product categories and lower volumes under private labels in North America impacted sales negatively.

Employee engagement

Electrolux places substantial focus on talent management to attract, recruit, develop, and retain excellent talents with diverse backgrounds. 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 is about engagement and a passion for Best-in-class consumer experiences.

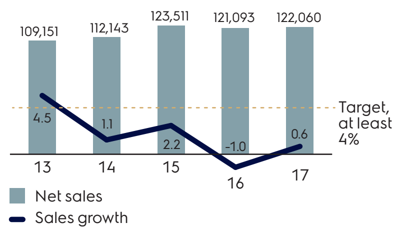
Electrolux employee engagement (EES) is an important tool for leaders to assess engagement, leadership, organizational capabilities and commitment to strategy and purpose. The survey allows for external comparison with other high-performing learning organizations.

Sustainability

Sustainability leadership is crucial to realizing the Electrolux strategy for profitable growth. The objective is to steadily improve at meeting people's needs and enhancing their daily lives in a sustainable way. In 2017, the most resource-efficient Electrolux products represented 19% of products sold and 28% of gross profit.

Electrolux can best contribute to remediating climate change through efficient products. The absolute majority of CO_2 impact during the lifetime of an appliance is from product use. Through more efficient products and operations, the Group aims to cut the CO_2 impact by 50% by 2020 relative to 2005 levels. As of 2017, 15 million tonnes have been cut, representing more than half of the target.

SALES GROWTH, %

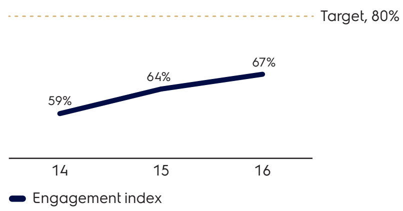


Total sales growth excluding currency translation effects.

TARGET*	RESULT 2017
4%	0.6%

* Financial targets over a business cycle.

EMPLOYEE ENGAGEMENT, %

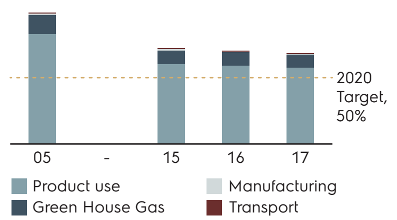


In 2017, a mini survey was carried out to monitor the teams with low scores in previous surveys. The survey showed progress. A new comprehensive survey will be carried out in 2018.

TARGET*	RESULT 2016
80%	67%

* 80% represents Best-in-class, while 67% is the benchmark for other high-performing organizations.

HALVING THE CLIMATE IMPACT, MILLION TONNE'S CO_2



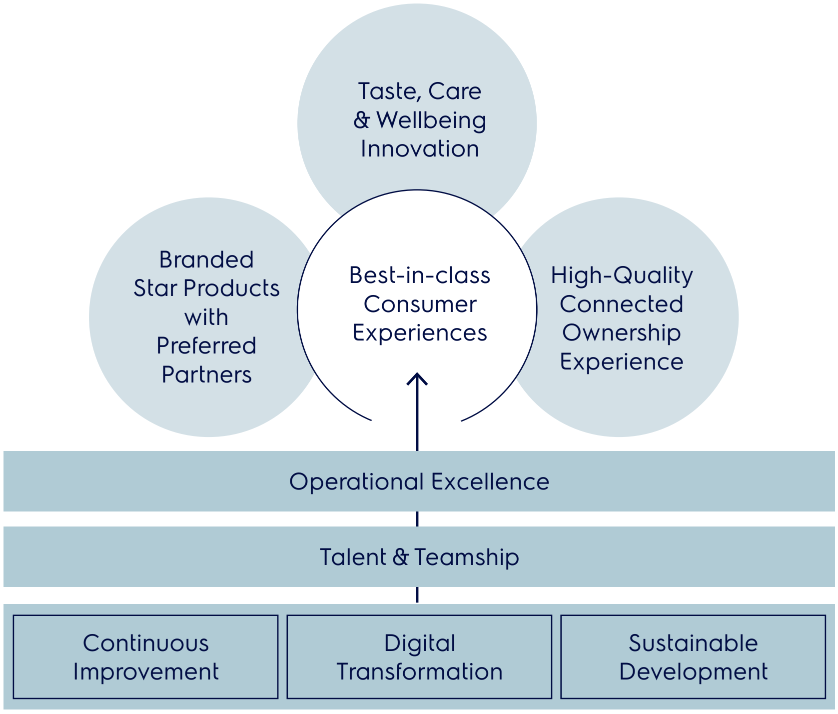
TARGET 2020	RESULT 2017
-50%	-31%

Strategy

Electrolux business model

To achieve the Group's purpose – Shape living for the better – and drive profitable growth, Electrolux uses a business model that focuses on creating Best-in-class Consumer Experiences. This is supported by a strong foundation of Operational Excellence and Talent & Teamship, as well as three important transformational drivers.

BUSINESS MODEL FOR BEST-IN-CLASS CONSUMER EXPERIENCES IN TASTE, CARE AND WELLBEING



Innovations focus on what consumers can achieve through the Group's products and solutions to create **Best-in-class Consumer Experiences in Taste, Care and Wellbeing.** The aim is to strengthen the overall experience of the offering — before, during and after the purchase of the product. Work targets three main areas:

Taste, Care & Wellbeing Innovation: Investment in innovations that are most relevant for creating the best consumer experience to make great tasting food, the best care for clothes and to increase wellbeing in the home.

Branded Star Products with Preferred Partners: Targeted growth and optimization of the product portfolio for the most profitable product categories and brands with distinct consumer benefits, in collaboration with preferred partners.

High-Quality Connected Ownership Experience: High quality and efforts to provide consumers with the best possible connected ownership experience to strengthen the offers and benefits after the initial product sales are also central to the process.

Operational Excellence

Electrolux focuses on operational excellence in all parts of the value chain. Efforts to optimize operations focus on modularization, automation and re-engineering investments in existing plants to ensure a competitive cost structure and best prerequisites for further growth. The foundation for this is a stable and focused organization that strives to minimize complexity and make work practices simpler to deliver products and services of superior quality and high delivery reliability.

Electrolux is committed to sustainable growth and efficient use of resources comprises a key component of this. Through the Green Spirit programme, targets are set to continuously reduce the use of resources.

Talent & Teamship

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 is about engagement and passion for best-in-class consumer experiences.

Digital transformation

The digital transformation is changing consumer behavior, the industry and the world at an accelerating pace. This offers substantial opportunities for streamlining operations and continuous interaction with consumers. The digital transformation affects all areas of Electrolux operations and includes several measures and projects in five core areas: connected appliances, productivity, supply chain, modularization/manufacturing and consumers' experience of purchasing and using products.

Continuous improvement

Continuous improvements mean delivering higher customer value at a lower price. Electrolux works continuously to improve cost structures, and develops methods, processes, skills and the company culture to achieve this. Continuous improvement is about simplifying ways of working and create value by working smarter. Electrolux has several cross-functional cost-excellence programs and other initiatives to reduce variable and structural costs.

Sustainable development

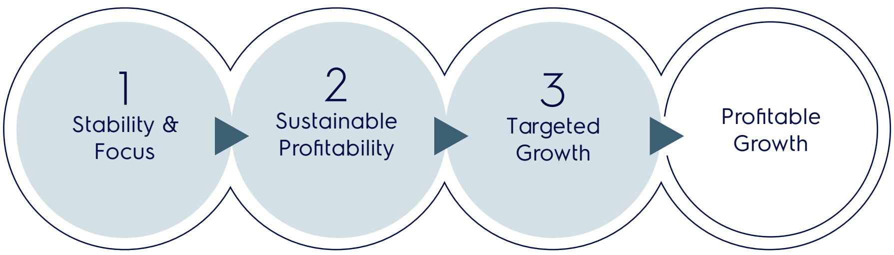
Sustainability leadership is crucial to realizing the Electrolux purpose, and to delivering Best-in-class consumer experiences. The Group's sustainability priorities target nine main areas that combined contribute to: Better solutions, Better operations and Better society, read more in Sustainabiity reporting 2017 on pages 138–146.

Path to profitable growth

To achieve sustainable profitable growth Electrolux applies a three-step model for all business areas. It starts with making sure that the business operates with stability and predictability in all key processes in combination with clear focus based on active choices to increase profitability.

The second step is about delivering this with sustainable profitability, meaning that the focused business model has resilience to external factors and clear competitive advantages that enable profitability over time.

Finally, when reaching the third step the business area can accelerate growth in a targeted way by leveraging its strength through selective investments with a clear return.



The prerequisites for profitable growth are falling into place, and the Electrolux Group has completed the second stage, Sustainable Profitability, on its path to profitable growth. This was achieved through a number of consistent priorities across the Group's operations and Business areas:

- Portfolio management with focus on the most profitable product categories and products
- Cost-efficiency focus
- Significantly improved product quality
- Teamship across all levels

Three business areas have reached the targeted growth step. All three remaining business areas advanced along the path during 2017. For more information on the path forward and business model execution by Business area, see pages 32–33 and 40–51.

Best-in-class consumer experiences

Make great-tasting food thanks to Electrolux professional expertise — Responsive kitchen systems — Better results with less effort.

Care for your clothes so they stay new for longer — Smart solutions for perfect care every time.

Electrolux aims to give consumers the best possible experiences in three areas: great tasting food, care for clothes and healthy wellbeing in the home.

Achieve healthy wellbeing in your home — Responsive wellbeing ecosystem.

Taste, Care and Wellbeing innovation

All product development at Electrolux aims to give consumers the best possible experience and results when using Electrolux products. Product development focuses on three main areas to offer Best-in-class consumer experiences: great tasting food, care for clothes and healthy wellbeing in the home.

Taste Electrolux products help consumers to achieve a culinary experience, and cook healthy and nutritious food for family and friends. Some examples include the Electrolux CombiSteam Pro Smart ovens including CookView camera and the My Electrolux App, as well as the Anova Precision Cooker, an innovative connected device for sous vide cooking that enables restaurant-quality results in the home. A continuous dialog with professional chefs and the development of new solutions for restaurants and hotels across the globe provides valuable insight that is conveyed to other parts of the Group.

Care Electrolux helps consumers to take care of their clothes so they feel new for longer. A common problem is avoiding using the washing machine or tumble dryer for certain garments. Electrolux has, however, solutions to make it possible to use its products without having to worry about the outcome. In 2017, the AEG connected washing machines and dryers received top marks from several magazines and consumer organizations around Europe. In the textiles area, the Group also benefits from the experience of professional users when new products are being developed for consumers, such as dryers with heat-pump technology.

Wellbeing Consumers also want to create a clean and healthy indoor environment free from dust, allergens and pollution. Electrolux has solutions for this, including vacuum cleaners, air-conditioning devices and water purifiers. One example of innovative solutions in this area launched in 2017 is the robotic vacuum cleaner Electrolux PURE i9 (also called the AEG RX9) with a user-friendly app and a smart navigation system that means that it, unlike other robotic vacuum cleaners, can detect obstacles and manoeuver around them, see page 49.

Branded star products with preferred partners

The Group has a number of strong, desirable brands including AEG, Electrolux, Frigidaire, Westinghouse and Zanussi. In 2017, Anova was acquired, bringing a brand with digital focus, a passionate user community and a direct-to-consumer business model. During the year, Electrolux worked successfully to revitalize the AEG and Frigidaire brands in Europe and North America respectively. Preparations were also in progress for a similar sharpening of the Electrolux brand in 2018. To maximize the contribution from these brands Electrolux focuses on selected key, high-margin products and categories, and seeks partnerships with preferred key trade partners to enable efficient marketing, delivery and sales.

Consumer needs and preferences vary considerably between different parts of the world. Electrolux global projects account for an increasing share of product development and the Group's global modular platforms facilitate the spread of successful launches from one market to another, with adaptations to local preferences. Such adaptations are crucial to giving the best possible experience to consumers around the world. The platforms also support the company's objective of offering more resource-efficient products to more consumers worldwide.

Electrolux has about 15 development centers for household appliances throughout the world, focusing on different products and technologies. These development centers are currently located in Sweden, Italy, Germany, the U.S., Brazil, Egypt and China.

The most significant environmental impact for the Group is energy and water consumption during the usage of products. Accordingly, Electrolux focus on increased product efficiency, and sustainability is one of four prioritized areas in product development. At least one-third of the product development spend is environment-related and includes energy and water efficiency. Material efficiency is growing in importance. Electrolux has successfully introduced recycled material in vacuum cleaners and other appliances.

High-quality connected ownership experience

New technology opens possibilities for new solutions. During 2017, approximately 6 million connected appliances are estimated to have been sold worldwide. It has been predicted that the annual sales figure for 2020 will be around 120 million. By that year, Electrolux aims to deliver more than 1 million connected products per year. Besides simplifying and improving the usage of products, the connection strengthens communication with the consumer after the purchase. Connected appliances is therefore an area of significant continued innovation efforts in all major product areas.

During 2017, the Group launched a number of new connected products, such as the Electrolux PerfectCare range of washing machines and tumble dryers, the robotic vacuum cleaner, see page 49, and the Frigidaire CoolConnect air conditioners. Electrolux also launched the Electrolux Connectivity Platform, an Internet of Things ecosystem that connects consumers, service providers and third-party players with an Electrolux backbone. The platform was first implemented in the smart Electrolux PerfectCare washer and dryer system product ranges.

Voice-activated products

In 2017, Electrolux became the first appliance company to sign up with Google Home to bring voice activation to Frigidaire and Anova products in the U.S. For example, consumers can ask the Frigidaire air conditioner to raise the room temperature, change fan speeds, turn the air conditioner on or off, etc. With the Anova Precision Cooker, Google Home users can use voice control to set the temperature and check the cooking status. The Group has joined the Open Connectivity Foundation, a broad collaboration project to continue to drive towards unified standards for developing open source code for connected products.

Engaging with consumers

Electrolux develops solutions to engage with consumers throughout the purchase and use phases. The aim is to establish an intimate dialog with consumers and

DESIRABLE BRANDS THAT SHAPE LIVING FOR THE BETTER

GROUNDBREAKING – RESPONSIVE – INTELLIGENT

AEG is always an idea ahead, enabling unprecedented results through German engineering.

EFFORTLESS – EMPOWERING – ENRICHING

Electrolux gives you freedom to create and experience more through our professional edge.

RELIABLE – TIME-SAVING – INTUITIVE

Frigidaire, **Westinghouse** and **Zanussi** enable great results every time, giving you more time for the things you enjoy the most.

PRECISE – SMART – SHARING

Anova enables professional results, simplified through smart precision and a passionate user community.

During the year, Electrolux worked successfully to revitalize the AEG brand in Europe and the Frigidaire brand in North America. Preparations are in progress for a similar sharpening of the Electrolux brand in 2018.

Electrolux CombiSteam Pro Smart oven with a cook view camera and My Electrolux app.

strengthen the overall owner experience of the Electrolux offering. The Group's "360° Consumer Experience" process focuses on creating the best consumer experience at different stages, from exploring various alternatives, visiting websites, interacting on social media and choosing products at retailers to installing and using the products.

Electrolux has engaged with consumers, kitchen manufacturers and retailers with the aim to create the best Brand Experience.

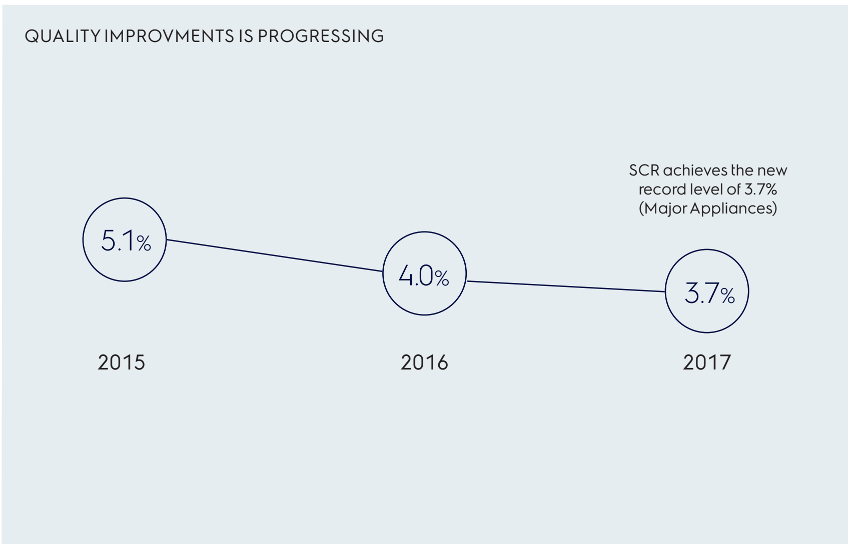
Electrolux offers efficient service, rapid upgrades and a broad range of accessories and consumables. Well-functioning service activities have the advantage of increasing customer satisfaction and —presenting opportunities for profitable aftermarket sales. The objective is to increase the share of a product's sales value that comprises service, consumables and sales of accessories.

Online sales increase

Consumer decisions regarding the purchase of household appliances are increasingly based on visits to websites, blogs and the use of social media. Online sales are expected to increase considerably in line with increased Internet usage. In 2017, the Group rolled out new AEG, Electrolux and Zanussi-branded web shops across several European countries.

Committed to quality

Quality is an important prerequisite for the consumer to choose an Electrolux product above competitors. The Group has ambitious long-term goals to continue to improve quality and drives global quality efforts through the Committed to Quality program. This program contributes to both creating better experiences and continuous improvement by listening to consumers, prioritizing prevention and early warning detection of any failures in the market. In 2017, product quality reached a new record level with a service call rate (SCR) of 3.7% (see graph).



The Group's "360° Consumer Experience" process focuses on creating the best consumer experience at different stages, from exploring various alternatives, interacting on social media, visiting websites and choosing products at retailers to installing and using the products.

Electrolux Tasteology, a documentary series uncovering the essential steps to the ultimate taste experience, has been a great success on social media.

Close to 200 robots a year installed + 1,000 robots in 2020

In 2017, more than 700 robots were installed in Electrolux plants and this figure is estimated to more than 1,000 robots in 2020.

Operational excellence

Electrolux strives to deliver modularized products in an automated and digital manufacturing setup to maximize efficiency and quality. This allows the delivery of competitively priced products for both the mass and the premium segments. The Group ensures a competitive cost structure by focusing on continuous efficiency improvements.

The manufacturing industry is experiencing a rapid technological transformation driven mainly by digitalization. This is a challenge as well as an exciting opportunity for Electrolux to increase efficiency, improve quality, better serve the customers, and produce Best-in-class solutions with a reduced environmental impact. It is also key in maintaining a competitive edge in the appliance industry, where it is increasingly important to be able to adapt quickly to consumer demands.

A number of initiatives are ongoing to further increase efficiency and reduce costs. The aim is to establish new ways of working that incorporate digital manufacturing, smart automation, modularization, sustainability, and standardization. The foundation for this is a stable and focused organization that strives to minimize complexity and make work practices simpler to deliver products and services of superior quality and high delivery reliability.

Efforts to optimize manufacturing operations are focused on three main areas;

- Design for assembly and re-engineering programs
- Digital supply chain
- Modularization and digital manufacturing

Design for assembly and re-engineering programs

Product competitiveness is enhanced by continuous improvement in all areas, as well as through re-engineering programs. In 2017, comprehensive re-engineering programs were initiated at the refrigerator plant in Anderson, South Carolina, the cooking plant in Springfield, Tennessee, and the refrigerator plant in Curitiba, Brazil. Investments are focused on product architectures, automation and innovation, and will result in efficiency improvements and increases in capacity. The initiatives will lead to an increased level of capital expenditure investments over the coming three to four years.

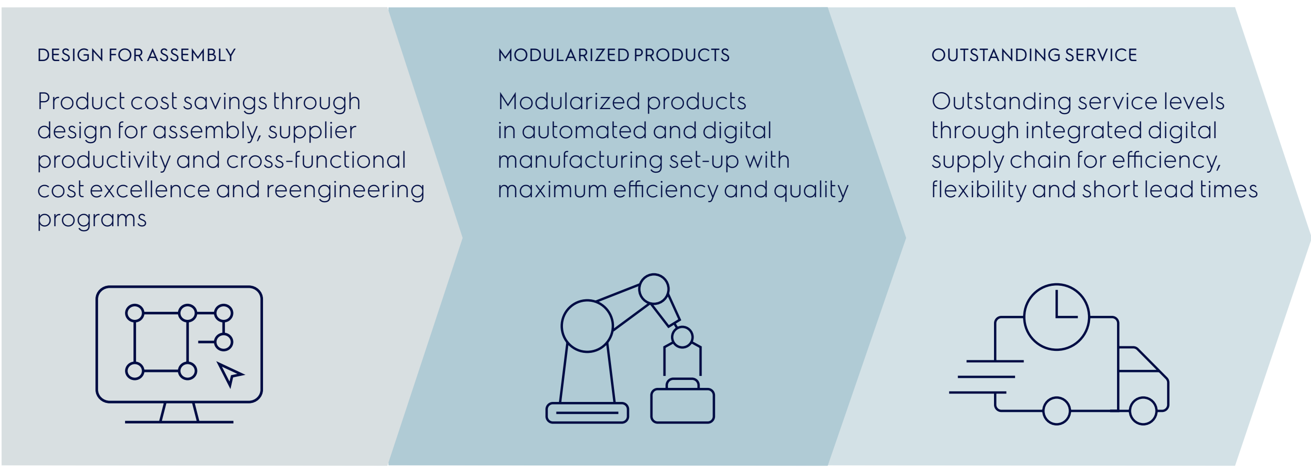
The investments will bring about increased competitiveness and cost efficiency, while, importantly, opening growth opportunities through the production of innovative products. Competitiveness is further enhanced as new products are to a greater extent designed to allow a higher degree of automation and flexibility in their manufacture.

Digital supply chain

Digital processes for closer collaboration with Electrolux suppliers and retailers help reduce costs, improve quality and increase flexibility. As part of the digital transformation, Electrolux is building a digitally integrated value chain where manufacturing processes interact with the market to meet current demand. In 2017, one project was launched to connect the machinery in the plants, enabling material tracking and localization and optimization of component flows.

During the year, a new Transportation Management System was launched in North America to track, trace and plan inbound raw material shipments. The

PRODUCTIVITY BENEFITS AND CONSUMER ORIENTED FLEXIBILITY



TOTAL COMMITMENT TO QUALITY

automated system relies on a real-time, online database that is delivering cost savings as the company transitions from manual to digitized transportation management processes. In Europe, a new system was introduced that makes it possible to track and trace Electrolux products on 750 transport routes.

The Group's global economies of scale are clear in the coordination of purchasing raw materials, components and finished products. The global purchasing function coordinates and administers approximately 60% of all purchasing. The Responsible Sourcing program supports the worldwide effort in making the right decisions on suppliers and upholding the sustainability performance of the supply base.

Modularization and digital manufacturing

An extensive modularization program is ongoing that lowers product costs and the product development spend through standardized global modular platforms for new products. This entails intense automation and focus on plant architecture. An indication of the increasing level of automation is the number of robots installed in Electrolux factories. In 2017, more than 700 robots were installed and this figure is estimated to more than 1,000 in 2020.

Modularization increases the pace of innovation as it unlocks resources for investment in product development. Furthermore, experience demonstrates that modularization means that the time from product development to market for a new product is reduced by 20–30% and that the investment cost decreases by 15–20%.

Since an increasing number of products are being built on a number of shared modules within the Group, savings can be made at the purchasing stage and, in parallel, increased automation leads to reduced direct payroll expenses. Importantly, modularization also leads to increased flexibility by allowing customization of products at late stages of production. The Group aims to further reduce the number of modules, while fully maintaining the flexibility to customize products at late stages.

Increased efficiency

The efficiency initiatives continued to yield clear results during the year. Modularization increased in the various product groups and led to increased efficiency in product development, marketing and production.

The Group strives to continuously reduce its variable and structural costs. Through improved ways of working, a higher resource efficiency and increased usage of digital tools and processes, the Electrolux Continuous Improvement Program (ECIP) aims to reduce structural costs.

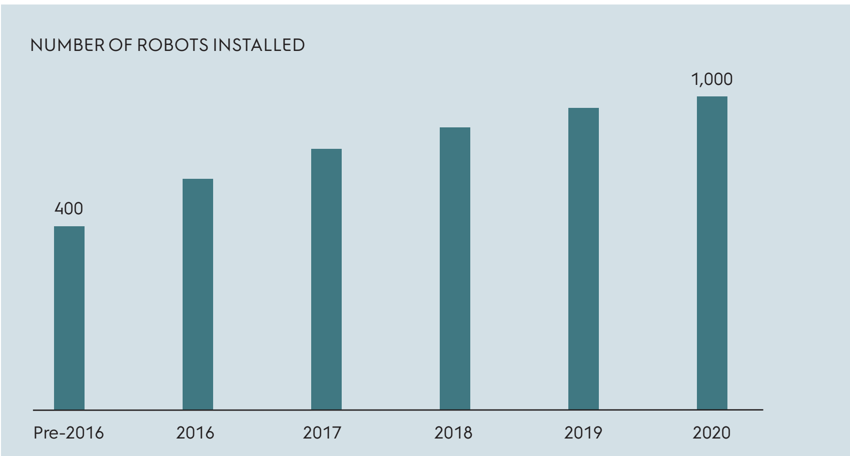
In addition to Group wide measures to streamline and optimize manufacturing and increase efficiency, each business area works intensively to reduce working capital to release resources that can instead be invested in growth activities. The work focuses primarily on trade receivables, accounts payable and inventory. In 2017, the working capital program resulted in an improvement in net operating working capital (inventories, trade receivables and accounts payable) to SEK 4,305m (4,543), corresponding to 3.3% (3.5) of net sales.

Sustainable development

Sustainability is an important transformational driver affecting operational excellence. The product life cycle perspective guides the Group on how to make priorities by quantifying the environmental impacts from raw-material extraction, manufacturing, transportation, use and end-of-life treatment. The most significant environmental impact for Electrolux is carbon emissions as a result of energy consumption when products are used. Accordingly, improving efficiency of products is a top priority, but Electrolux is also committed to reduce the impact from raw materials. The impact from manufacturing and transportation is significantly smaller, but addressed as well.

The Group's overall target is to reduce the climate impact across the products' lifecycle by 50% by 2020, relative to 2005 levels. In 2017, Science Based Targets were set to define a long-term roadmap for carbon emission reductions in line with the Paris Agreement, COP21.

Energy use and carbon emissions from operations have high priority, and Electrolux has targets for continuous



Estimated number of robots installed in Electrolux manufacturing operations.

Up to 70% recycled plastic is used in selected vacuum-cleaner models, such as the Electrolux Green Range of vacuum cleaners.

With Electrolux PerfectCare washing machine delicates, woollens and even the hand-wash-only garments can be cared for at home.

WATER CONSUMPTION

-17%

The average water consumption per unit produced in comparable plants has decreased by 17% since 2015.

CARBON EMISSIONS

-35%

The average carbon emission per unit produced has decreased by 35% since 2015.

improvements in absolute and relative reductions. The target for 2020 is a 50% relative improvement compared with 2005, and the average energy consumption per unit produced in 2017 had been reduced by 40%.

Direct carbon emissions from Electrolux operations are closely linked to the use of energy. In addition to continuously reducing energy consumption in operations, Electrolux has set a target that 50% of the total energy should come from renewable energy sources by 2020.

In 2017, 22% of the total energy came from renewable sources. Combined with the energy reduction, this means that carbon emissions from operations have been reduced by 340,000 tonnes of CO_2 compared with 2005.

For society as a whole, over 25% of global CO_2 emissions derives from the transport sector. Electrolux has set a target to reduce CO_2 emissions from transportation by 15% by 2020, and the result in 2017 was in line with the target.

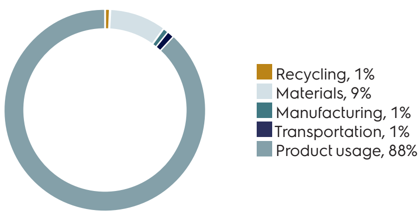
Materials used in household appliances comprise primarily steel, plastic and electronic components. Savings in materials are achieved by optimizing the use of input materials, without compromising product performance and quality. Electrolux has the objective to increase the amount of recycled polypropylene plastics in new products from 5,600 tonnes in 2017 to 20,000 tonnes by 2020. Up to 70% recycled plastic is used in selected vacuum-cleaner models.

Electrolux is working proactively to identify potentially hazardous material. New scientific findings and stakeholder requirements are used to regularly update the Restricted Materials list with the objective of phasing out chemicals of concern.

Water shortage is a major problem in many regions. Electrolux has a long-term commitment to help improve management of limited water resources. Together with World Wildlife Fund, Electrolux has mapped water-related risks associated with Group plants. As a result, the Group has implemented context-based water targets to improve water efficiency in manufacturing by 5% each year in areas with the highest risk for water shortages.

To reduce waste in operations, Electrolux has set a target to introduce Zero Landfill programs at all factories by 2020. The program focuses on identifying the origin of waste, reduction measures and opportunities to reuse materials.

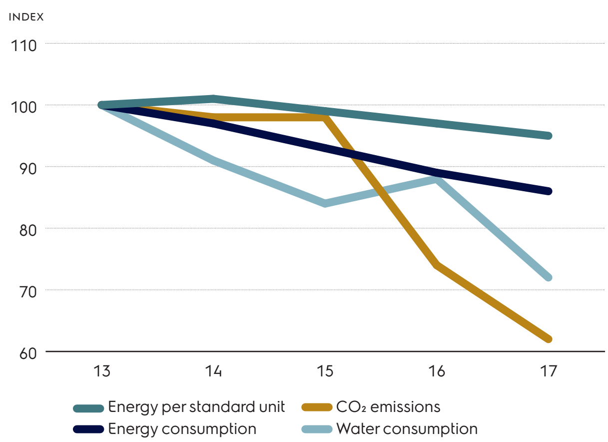
AVERAGE CO_2 IMPACT DURING THE LIFETIME OF AN APPLIANCE*

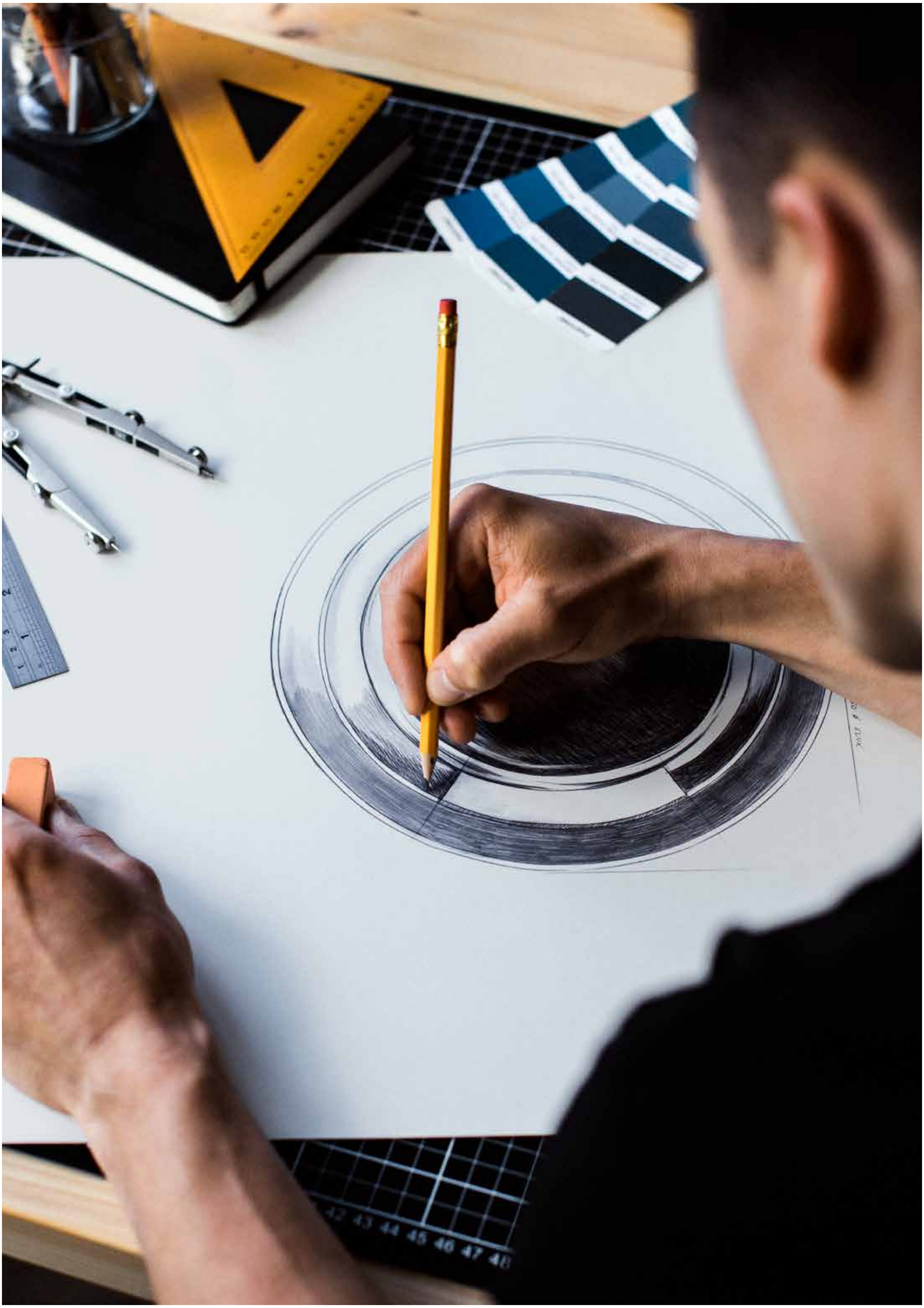


It is by reducing use of resources such as power and water during the everyday operation of its appliances that Electrolux can best contribute to a reduction in climate impact. The Group is cutting climate impact over the products' lifecycle by 50% by 2020 relative to 2005 levels. Approximately 25 million tonnes of CO_2-equivalents will be cut in emissions deriving from product use, from production and transportation as well as from the use of greenhouse gases. As of 2017, 15 million tonnes have been cut.

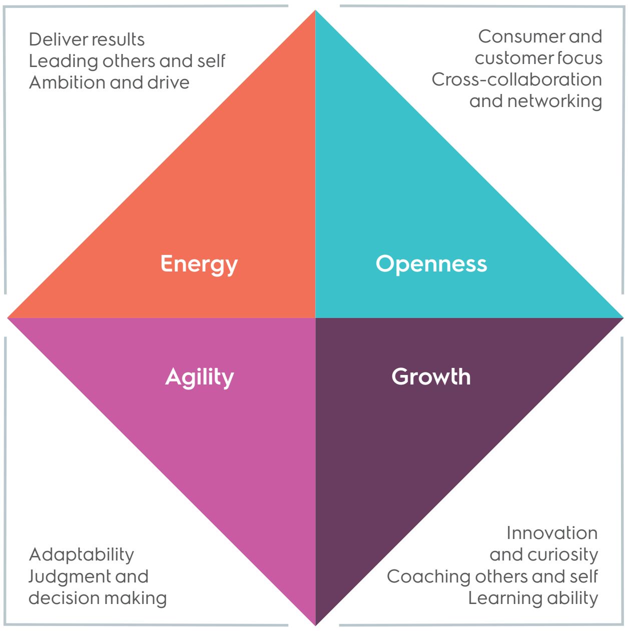
* Calculated as the average of eleven different appliances.

OPERATIONAL RESOURCE EFFICIENCY





Talent and teamship



Electrolux seeks to attract and develop excellent talents with diverse backgrounds. Teamship is the Electrolux way of working to build a high performing and learning multicultural global organization.

Talent

Electrolux aims to drive a culture enabling the right behaviors for a high performing and learning organization. To achieve the purpose and the business goals, the Group searches for and develops talents within four core competences:

- Energy focuses on drive and ability to deliver results.
- Openness focuses on needs and opportunities of the customers and on collaborating with others.
- Agility focuses on the ability to adapt to a constantly changing reality.
- Growth focuses on curiosity, ability to learn and develop.

Electrolux places substantial focus on talent management to attract, recruit, develop, and retain excellent talents with diverse backgrounds. The four core competences are included in the performance management process, as well as in the recruitment process, to identify and assess the behaviors needed for the position. With clear targets and coaching on performance, together with development plans, employees are encouraged to contribute to the Group's success, and their own personal development.

In 2017, the digitalization of all talent-related processes continued through the TalentONE. TalentONE is an online cloud solution that will provide leaders with a simpler, more effective way of driving performance and developing employees.

Leadership

The core competences form the backbone of the Electrolux leadership model, and are part of all Electrolux leadership trainings and workshops. The leadership model is included in the talent management process to evaluate behaviors from both a business leader and people leader perspective.

To ensure good internal access to future leaders, a structured process is applied to identify and develop employees for their next career move. For senior leaders Electrolux offers a leadership program building the execution and leadership capabilities needed to successfully implement the business model. In 2017, the leadership program was to a large extent focused on the digital transformation, and the opportunities and challenges it brings to talent management and leadership.

During the year tranings for leaders in their first managerial role was reinforced and reviewed through focus on; Leading oneself as well as Leading others and coaching for performance.

Aligned Goals

We focus on common goals

We make clear choices

We drive continuous improvement

Collaboration

We cross-collaborate with clear roles

We embrace team diversity

We develop and learn together

Transparency

We build trust through openness

We get the right facts and numbers

We celebrate success and learn from mistakes

Engagement

We are passionate about customer experience

We act with a sense of urgency

We take ownership and make it happen

Teamship

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 is about **engagement** and passion about Best-in-class consumer experiences. During 2017, interactive Teamship workshops were arranged for new employees.

Engagement

Electrolux evaluates and develops the engagement of people through the Electrolux employee engagement survey, EES. It is an important tool for leaders to assess engagement, leadership, organizational capabilities and commitment to strategy and purpose. The survey allows for external comparison with other high-performing learning organizations.

This year, an additional survey was carried out to monitor the teams with low scores in previous surveys. The results were very encouraging, as all teams made progress and improved their scores.

Ethics, integrity and human rights

Wherever Electrolux operates in the world, the company applies the same high standards and principles of conduct. Ethics, integrity and respect for people and the planet are taken into account when employees meet customers and colleagues around the globe.

Electrolux continued to intensify its efforts regarding human rights during the year. The key human rights areas include labor rights, such as freedom of association, non-discrimination and working conditions. In focus are privacy, with the increase in the amounts of personal data available, and corruption. Local human rights impact assessments were conducted in Egypt and Thailand in 2017.

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. The majority of the reported cases during 2017 related to discrimination and harassment.

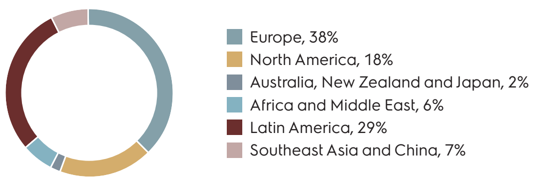
The Group carried out an internal information campaign reinforcing awareness on the Ethics Helpline. Procedures for handling potential cases of sexual harassment and misconduct were on the agenda of the Group management meeting in 2017.

Health and safety

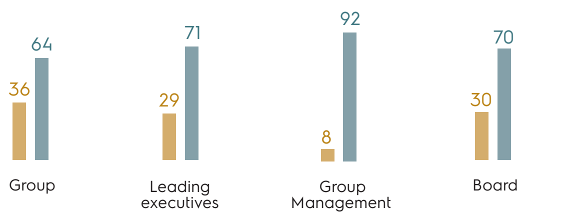
Electrolux employs a global health and safety management system, aiming to promote a strong safety culture. During the year, the total incident rate in the company (TCIR[1)]) decreased to 0.58. Approximately 82% of plants achieved a level of less than 1.0. Since 2013, the incident rate has decreased from 1.0 to 0.58. The Group aims to reduce the incident rate to less than 0.5 in 2020.

[1)] Total incident rate per 200,000 working hours.

EMPLOYEES BY GEOGRAPHIC AREA 2017



GENDER DISTRIBUTION 2017



The Electrolux Awards Day

The Electrolux Awards enable Electrolux to highlight and reward outstanding performances from employees who drive changes and achieve extraordinary results in line with the Group's strategy and goals. A number of finalists across Electrolux operations around the world are selected in each category and given the opportunity to participate in The Electrolux Awards Day in Stockholm – a gala prize ceremony in which the winners formally receive their awards.

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The following awards are presented at The Electrolux Awards Day

Ownership Solutions Award, Design Award, Industrial Operations Excellence Award, Invention Award, Leadership Award, Marketing Excellence Award, Product Award, Purchasing Award, Sales Award, Sustainability Award and Quality Award. Electrolux also presents an annual Teamship Award at a separate event.

In addition to these internal awards, Electrolux also presents an annual Supplier Award at a separate event.

The path forward

Electrolux is well positioned to take the next step on the path to profitable growth, as several important prerequisites for growth are in place.

Toward profitable growth

In 2017, the Group made good progress on the path to profitable growth. The aim is to continue this journey toward targeted growth, and several important prerequisites for this are now in place.

Underlying market growth The overall positive demand trend across most markets in 2017 is expected to continue in 2018.

More business areas in targeted growth Two more business areas, Core Appliances EMEA and Core Appliances Asia Pacific, reached the targeted growth stage during the year. Professional Products has been at this stage for several years. All three remaining business areas advanced along the path.

Product portfolio management The active product portfolio management has to a large extent focused on profitable product categories with consumer relevant innovations and exiting unprofitable categories and markets. This focus is shifting toward growth and to grow profitable product categories.

Innovation bearing fruit The Group's efforts to deliver best-in-class consumer experiences in Taste, Care and Wellbeing have created new products, with improved and simplified usage and higher quality, that are being very well received by the markets.

Competitive cost structure Electrolux has continuously through improved ways of working, a higher resource efficiency and simplification increased cost efficiency.

Higher value-creating investments Comprehensive re-engineering programs in manufacturing have been initiated. These investments in innovations for new products and increase productivity will drive further growth.

Active M&A approach Acquisitions are an integrated part of the efforts to improve and expand the product offering for best-in-class consumer experiences. Electrolux aims to leverage the five acquisitions made in 2017 – Kwikot, Grindmaster-Cecilware, Anova, Best and the Continental Brand – to broaden and strengthen the product offering and drive growth, see page 84.

Competitive advantages

Electrolux has a number of key competitive advantages on the continued journey on the path to profitable growth.

An extensive product range make Electrolux a leading manufacturer of refrigerators, dishwashers, washing machines, cookers, air conditioners, vacuum cleaners and small domestic appliances, and the only player that offers complete solutions for both consumers and professional users.

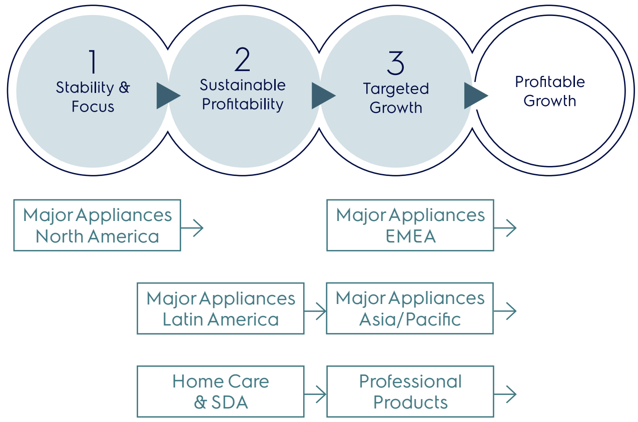
A global presence generates economies of scale and contributes to an effective cost structure at Electrolux. Furthermore, global projects across all units contribute to a faster and more efficient product development process. An extensive global modularization program is ongoing concerning manufacturing, improved efficiency, procurement of raw materials and components.

Strong brands, including: AEG, Electrolux, Frigidaire, Westinghouse and Zanussi. Consumer driven innovation and a strong focus on design and quality have ensured AEG a strong position in appliances in Germany, Austria and the Benelux countries. Electrolux is a leading brand in large parts of Europe and Latin America. In North America, Frigidaire is the Group's brand for appliances. In addition to these strategic brands, there are a large number of smaller, regional and local brands.

Professional expertise in cooking and laundry contributes to creating innovative solutions for consumer products. Electrolux has for a long period provided cooking solutions for the best chefs and restaurants in the world.

Taste, Care and Wellbeing are at the core of Electrolux consumer offering.

Moving toward Profitable Growth



About half of all Michelin-starred restaurants in Europe use kitchen appliances from Electrolux, which also contributes to strengthening the Electrolux brand. This occurs through the on-going transfer of know-how and experience from the professional business to the development of consumer products.

Strong global positions. Kitchen appliances account for almost two thirds of the Group's sales and the company holds strong positions in all major categories of kitchen appliances and commands significant global market shares. The strongest global position currently held is for cookers. In recent years, the Group has strengthened its leading position in built-in appliances through extensive product launches and partnerships with kitchen manufacturers. Electrolux offers restaurants and industrial kitchens complete solutions for cookers, ovens, refrigerators, freezers and dishwashers. The Group also holds strong positions for front-load washing machines and dishwashers, which are segments with low penetration in many markets. Here, the transfer of know-how and experience from the professional business is also used. Electrolux has many years' experience of creating effective and customer-adapted products for hospital, hotel, launderettes and apartment building laundries. Electrolux also commands a strong global position in vacuum cleaners and are expanding its offering in Home Care with small domestic appliances, air-conditioning equipment and water heaters.

Consumer insight has for many years been the focus of all product development within the Group. By performing an extensive number of interviews and home visits as well as the Group's usability labs, Electrolux gains knowledge of consumer behavior in the use of various household appliances and the needs that exist. Based on this extensive knowledge, Electrolux can develop solutions to deliver Best-in-class consumer experiences.

The Scandinavian design heritage plays a key role in shaping the Group's design activities and in the development of new and sustainable appliances. Close collaboration between design, R&D and marketing enables new products to reach the market at a faster pace and ensures that they are preferred by more consumers.

A leading position in sustainability. Electrolux has a strong track record in developing and manufacturing smarter, more accessible and resource-efficient solutions that meet the increasing requirements of consumers, customers and other stakeholders in the market. Developing these products creates a great potential for growth and opportunities to help improve the living standards for an expanding middle class in growth markets. Electrolux offers an extensive range of the most resource efficient products to meet the increasing demand for energy and cost-efficient appliances, which accounts for a significant part of the Group's gross profit.

Employees and culture play a crucial role in Electrolux achieving its mission and targets. Electrolux aims to drive a culture enabling the right behaviors for a high performing and learning organization. Teamship is the Electrolux way of working and has been established at all levels in the organization. It's about setting aligned goals that allow clear choices and continuous improvement. It is about engagement and passion about best in class consumer experiences.

SHARE OF GROUP SALES

KITCHEN PRODUCT CATEGORIES

Markets and Business areas

The appliance market

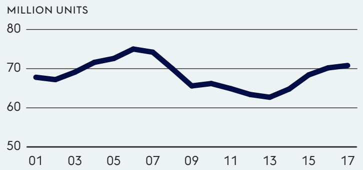
Core markets

Western Europe

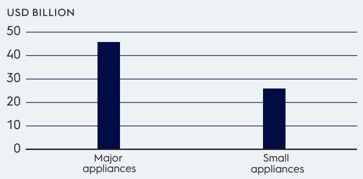
The European appliances market is fragmented and characterized by widely varying consumer patterns between countries and a large number of manufacturers, brands and retailers. Structural overcapacity and price pressure has led to ongoing industry consolidation with players aiming to achieve economies of scale. In 2017, the market trend continued to be favourable enabling growth in areas such as energy-efficient and built-in kitchen products.

Electrolux major competitors
Miele · B/S/H · Whirlpool · Samsung · LG Electronics · Arcelik

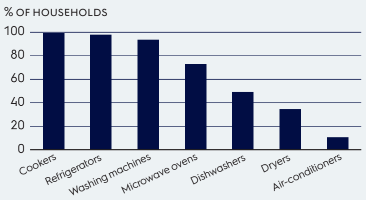
MARKET DEMAND FOR MAJOR APPLIANCES



MARKET VALUE



PRODUCT PENETRATION



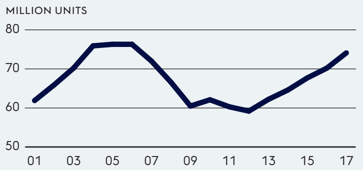
Europe	
Population:	450 million
Average number of persons per household:	2.3
Urban population:	78%
Estimated GDP growth 2017*:	1.5%

North America

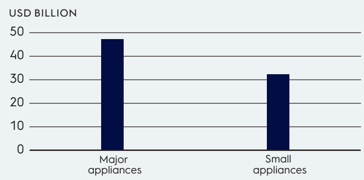
A mature, homogenous market with high product penetration that is dominated by replacement products. Large homes allow space for many household appliances, including large appliances. The market comprises several domestic and global manufacturers. The continued development in the housing sector is generating further opportunities for growth. In 2017, market demand in the U.S. continued to be positive and grew in all categories.

Electrolux major competitors
Whirlpool · Haier · LG Electronics · Samsung

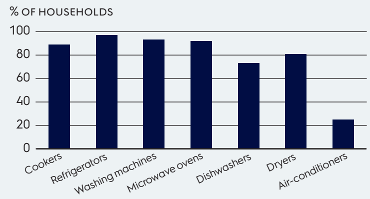
MARKET DEMAND FOR MAJOR APPLIANCES



MARKET VALUE



PRODUCT PENETRATION



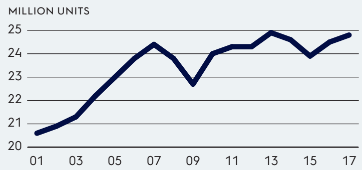
North America	
Population:	362 million
Average number of persons per household:	2.6
Urban population:	82%
Estimated GDP growth 2017:	2.2%

Australia, New Zealand and Japan

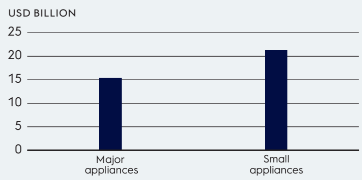
Japan is the world's third-largest single market and is dominated by major domestic manufacturers and retailers. Small living spaces have led to consumers demanding compact products, such as hand-held vacuum cleaners. While market penetration is high in Australia and New Zealand, demand is primarily driven by design and innovations as well as water and energy efficiency. During 2017, market demand in the region showed a positive trend.

Electrolux major competitors
Haier · Samsung · LG Electronics · Panasonic

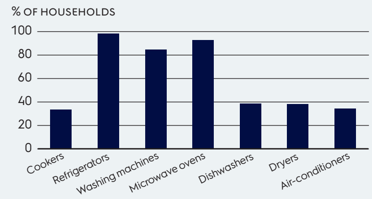
MARKET DEMAND FOR MAJOR APPLIANCES



MARKET VALUE



PRODUCT PENETRATION



Australia, New Zealand and Japan	
Population:	157 million
Average number of persons per household:	2.5
Urban population:	93%
Estimated GDP growth 2017:	1.6%

* Includes only Euro Area.
Note: Major appliance market data includes core white goods, microwave ovens and home comfort.

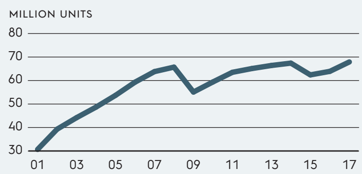
Growth markets

Africa, Middle East and Eastern Europe

The level of market development varies substantially between countries. The geographic spread plays its part in hindering manufacturers and retailers from capturing substantial market shares. Eastern Europe is dominated by Western manufacturers and a large market for replacement products is emerging. Penetration in Africa is low, but growth is high and in line with rising household purchasing power. The Middle East offers a base for regional manufacturing but is impacted by political uncertainty.

Electrolux major competitors
B/S/H · Whirlpool · Samsung · LG Electronics · Arcelik

MARKET DEMAND FOR MAJOR APPLIANCES



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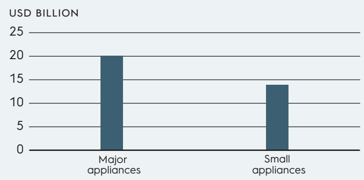
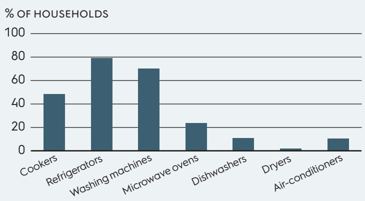


PRODUCT PENETRATION



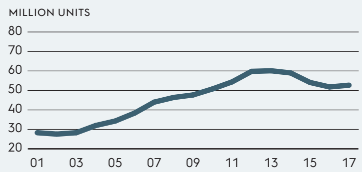
Africa and Middle East	
Population:	1,529 million
Average number of persons per household:	4.8
Urban population:	47%
Estimated GDP growth 2017:	2.9%

Latin America

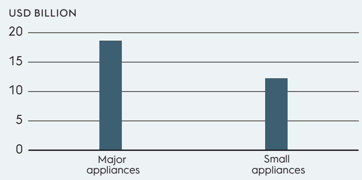
Brazil is the largest appliance market in the region where a few large manufacturers account for a large share of the market. Following the economic showdown of recent years, demand in the region is recovering and there is considerable growth potential for appliances in the longer term, especially in low-penetrated categories. The growing middle class is expected to drive demand for basic cookers, refrigerators and washing machines. Growing interest for energy and water efficiency may also drive demand.

Electrolux major competitors
Whirlpool · LG Electronics · Samsung · Daewoo

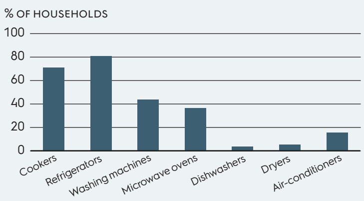
MARKET DEMAND FOR MAJOR APPLIANCES



MARKET VALUE



PRODUCT PENETRATION



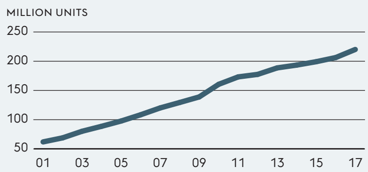
Latin America	
Population:	646 million
Average number of persons per household:	2.8
Urban population:	80%
Estimated GDP growth 2017:	1.2%

Southeast Asia and China

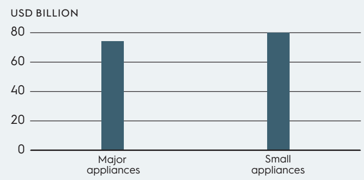
The region is characterized by emerging economies, rapid urbanization, small living spaces and an expanding middle class. China is the world's largest market for household appliances and domestic manufacturers dominate in the country. Similar to other emerging markets, consumers prioritize refrigerators, washing machines and air-conditioners as prosperity rises. Energy-efficient products and foreign premium brands are growing in popularity.

Electrolux major competitors
LG Electronics · Panasonic · Haier · B/S/H · Whirlpool · Midea · Samsung · Gree

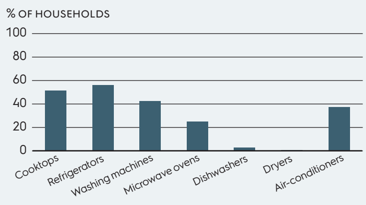
MARKET DEMAND FOR MAJOR APPLIANCES



MARKET VALUE



PRODUCT PENETRATION



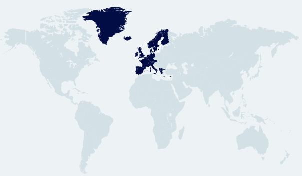
Southeast Asia and China	
Population:	4,113 million
Average number of persons per household:	3.8
Urban population:	44%
Estimated GDP growth 2017:	6.3%

Sources: World Bank, OECD and Electrolux estimates.

Electrolux market position

Core markets

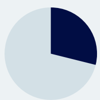
Western Europe



Electrolux priorities

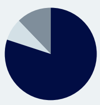
Increased focus on the strongest and most profitable product categories and brands, Electrolux and AEG. Emphasis on innovation, often drawing inspiration from the Group's professional expertise but also increased focus on smart appliances. Examples of growing segments are built-in kitchen appliances and energy-efficient products. Priority is also given to strengthening the small domestic appliances offering.

SHARE OF GROUP SALES 2017



30%

SHARE OF SALES IN THE REGION 2017



- Major appliances, 80%
- Small appliances, 8%
- Professional food-service and laundry equipment, 12%

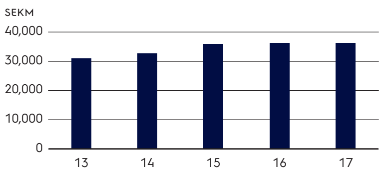
Consumer brands

Electrolux, AEG, Zanussi

Electrolux market shares

16% core appliances
10% floor care
Professional: Leading position with a strong brand recognition in the institutional/hotel segments for professional products.

NET SALES



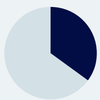
Market demand in Western Europe has improved during several years, and Electrolux sales have increased. The Group has strong market positions with a particularly strong position in kitchen appliances, both for consumers and professional users.

North America

Electrolux priorities

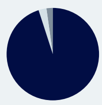
Launch of new innovative premium products within own core branded products. Focus is on strengthening and investing in the Frigidaire brand and growth in channels, such as the builder channel and online. Key focus areas are also broadening the range of professional products as well as strengthening the offering for global food chains.

SHARE OF GROUP SALES 2017



35%

SHARE OF SALES IN THE REGION 2017



- Major appliances, 95%
- Small appliances, 3%
- Professional food-service and laundry equipment, 2%

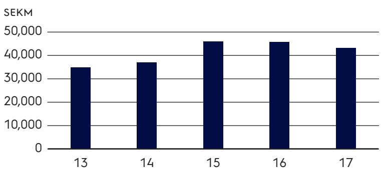
Consumer brands

Electrolux, Frigidaire Gallery, Frigidaire Professional, Anova

Electrolux market shares

17% core appliances
5% floor care
Professional: Historically strong presence in laundry equipment and a growing presence in the food service and beverage segments.

NET SALES



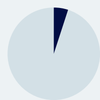
Net sales in North America have shown a positive trend in recent years, driven by growth in the market but also supported by launches of new products and new distribution channels. More recently, the Group has been affected by declining sales in private labels, which has partially been offset by growth in products under own brands.

Australia, New Zealand and Japan

Electrolux priorities

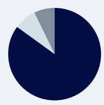
Further strengthening of positions in Australia and New Zealand through the launch of new, innovative products under the Electrolux and Westinghouse brands, and products with features including high energy and water efficiency. Prioritization of compact, user-friendly and quiet household appliances in Japan and South Korea is continuing.

SHARE OF GROUP SALES 2017



5%

SHARE OF SALES IN THE REGION 2017



- Major appliances, 85%
- Small appliances, 8%
- Professional food-service and laundry equipment, 7%

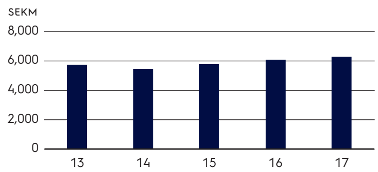
Consumer brands

Electrolux, Westinghouse

Electrolux market shares in Australia

31% core appliances
9% floor care
Professional: Historically strong position in both laundry equipment and food-service equipment for professional use.

NET SALES



Australia is the Group's main market in the region. In Japan, Electrolux is a relatively small player but has in recent years established a growing business in small, compact vacuum cleaners.

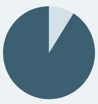
Note: Market shares are Electrolux estimates.

Growth markets

Africa, Middle East and Eastern Europe

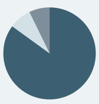
Electrolux priorities
Increased focus on the strongest brands and product categories in Eastern Europe. The aim is to grow profitably in focus categories in pace with economic recovery and growing prosperity in the region, particularly in Africa. The Electrolux production setup in Egypt will enable growth in the Middle East and North African markets. Product launches in the air-conditioner segment and small appliances will also yield further growth opportunities in the region.

SHARE OF GROUP SALES 2017



9%

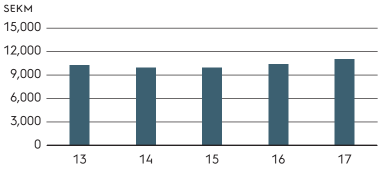
SHARE OF SALES IN THE REGION 2017



Consumer brands
Electrolux AEG ZANUSSI

Electrolux market shares
15% core appliances, Eastern Europe
9% core appliances, Egypt
11% floor care, Eastern Europe
Professional: Leadership position with stronger recognition in the institutional/hotel segments.

NET SALES

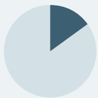


Electrolux is positioned for future growth and increased sales in pace with growing markets in Eastern Europe, the Middle East and Africa. Recently, a strong recovery in demand has been noted in Eastern European markets with increased sales for Electrolux.

Latin America

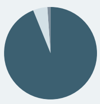
Electrolux priorities
Although some parts of the region have recently experienced challenging market conditions, there are signs of a recovery in markets such as Brazil, Argentina and Chile, with considerable growth opportunities in the longer term. By focusing on cost control and efficiency, the Group can capitalize on opportunities as the purchasing power of households stabilizes and consumer demand rebounds.

SHARE OF GROUP SALES 2017



15%

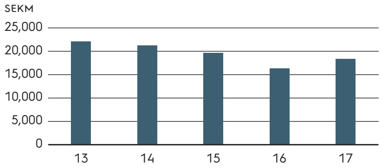
SHARE OF SALES IN THE REGION 2017



Consumer brands
Electrolux FRIGIDAIRE

Electrolux market shares
18% core appliances, Latin America
38% floor care
Professional: Growing presence of Professional Products in the region.

NET SALES

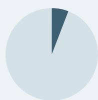


The weak market conditions of recent years have negatively impacted Electrolux sales. In 2017, however, the markets showed a recovery and sales in Latin America are expected to increase organically as the markets continue to recover. Electrolux is positioned for growth with a strong product offering combined with the acquisition of the Continental brand.

Southeast Asia and China

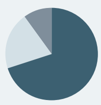
Electrolux priorities
By targeting new markets, channels and segments, and marketing a broad range of appliances, the Group aims to increase its presence in Asia. A growing middle class means higher demand for premium products. Focus on products for professional users in the laundry and food-service segments is also prioritized as well as launches of compact vacuum cleaners and small domestic appliances.

SHARE OF GROUP SALES 2017



6%

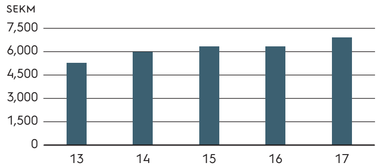
SHARE OF SALES IN THE REGION 2017



Consumer brands
Electrolux AEG Vintec

Electrolux market shares in Southeast Asia
5% core appliances
21% floor care
Professional: Reference player with stronger recognition in the hotel segments.

NET SALES



Electrolux sales in Southeast Asia have shown positive growth. The Group's strong position in front-load washing machines has been leveraged to also expand the business to kitchen appliances.

Major Appliances EMEA

Focus remained strong on the most profitable product categories and the Group continued to gain market shares under premium brands and operating income improved.

Path to profitable growth

Major appliances EMEA has reached the Targeted Growth phase, the third step on the path to profitable growth. This is based on a well-established portfolio management approach, a strong product pipeline, and a lean and efficient manufacturing and cost base. The market positions are strong in the built-in, cooking and laundry categories, as well as in most geographies.

From this strong base, Electrolux is leveraging selected growth areas such as built-in kitchen appliances and laundry products. Other examples are further growth in South Africa through the acquisition of Kwikot Group and the up-scaling of the profitable hoods business by integration with the acquired hoods manufacturer Best, to build an even more competitive offering.

Business model execution

The product mix has improved as a result of new product launches and continual strong focus on the most profitable product categories and the market shares has increased under premium brands. The comprehensive launch of new kitchen and laundry product ranges under the AEG brand continued.

Initiatives to increase efficiency within operations and manufacturing continued, and further intensified to offset raw-material cost increases. Efforts within the Electrolux Continuous Improvements Program, a cross-functional approach to raise customer value and reduce costs, led to increased cost-efficiency in many areas.

Quality improvements progressed ahead of plans, and as a result warranty costs were significantly reduced. The continued reduction in capital tied up in day-to-day operations supported funding for further business development.

During the year Electrolux completed the acquisitions of Kwikot and Best. The Kwikot Group is South Africa's leading manufacturer of water heaters, and the acquisition broadens Electrolux offering in the Home Comfort product range and creates a strong platform for continued growth in Africa. Best is a European manufacturer of innovative and well-designed kitchen hoods. The acquisition reinforces Electrolux capabilities for design, R&D and manufacturing of kitchen hoods. Kwikot and Best had a positive impact of 2.1% on sales in 2017.

SHARE OF NET SALES

32%

OPERATING MARGIN

7.2%

Market position and strengths

EMEA is the Group's largest market and Electrolux has a broad offering under three main brands: Electrolux, AEG and Zanussi. The Group has top three market positions in most geographies, with overall leadership in the Nordics. The positions are particularly strong in kitchen appliances, such as cookers, hobs and built-in appliances.

In 2017, the total European appliance market increased by 1%. Demand in Western Europe was stable. Market demand increased across most markets while demand in the UK declined. Demand in Eastern Europe rose by 4%. Intense competition between a large number of manufacturers, brands and retailers resulted in continued price pressure. Key competitors comprise Whirlpool, B/S/H and Samsung.

In the Middle East and Africa, the Group has a market presence in Egypt but holds a smaller position in other parts of the region but with considerable potential. The weak macroeconomic situation in Egypt has had a negative impact on the appliances market during 2017. Africa and the Middle East comprise a large number of countries with significant variation in terms of wealth and degree of urbanization. A common theme is that demand for appliances rises in parallel with growing prosperity. Electrolux has a growth strategy targeting primarily Egypt, Saudi Arabia and a number of countries in the Lower Gulf Region.

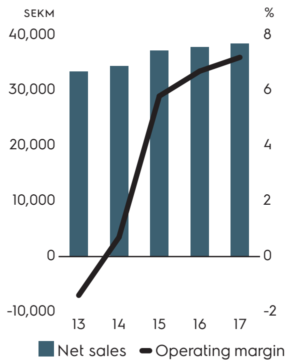
Dan Arler, Head of Major Appliances Europe, Middle East and Africa

COMMENTS ON PERFORMANCE

Launches of new innovative product ranges and focus on the most profitable product categories improved the product mix. The business area gained market shares under premium brands.

Operating income and margin improved. Mix improvements and increased cost efficiency offset the negative impact of raw-material cost increases and price pressure.

NET SALES AND OPERATING MARGIN



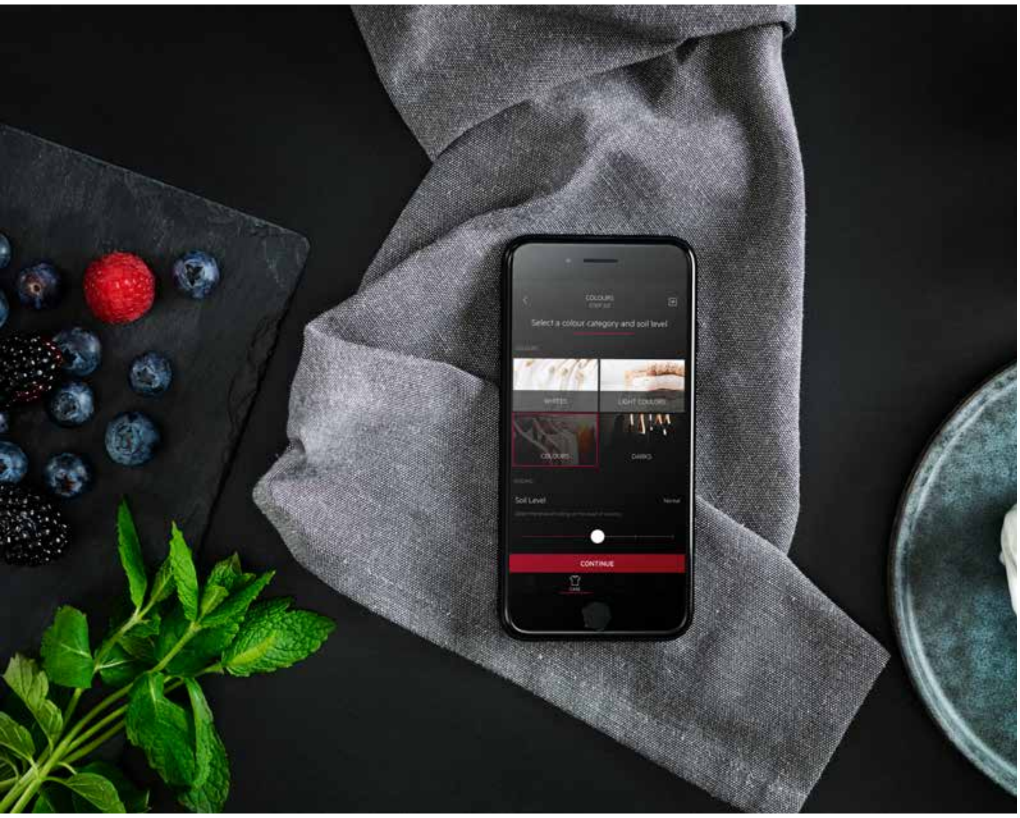
PRIORITIES MOVING FORWARD

- Focus on areas of strength to grow built-in, cooking, laundry, leveraging the Best acquisition and grow in MEA
- Lift brand position through the AEG and Electrolux launches
- Employ new technologies and ecosystems, including voice control and assisted cooking

MARKET POSITION

- Core appliances 16% in Western Europe
- Core appliances 15% in Eastern Europe
- Core appliances 9% in Egypt

The AEG connected washing machines and dryers...



... allow consumers to connect, via the My AEG app.

Best-in-class consumer offering

During the year, a number of new, innovative products were launched. The AEG connected washing machines and dryers allow consumers to connect, via the My AEG app, for home remote control and monitoring. The AEG 8000 series tumble dryer is an accredited StiWa winner and achieved an early stage Net Promoter Score (NPS) of 100.

The new Electrolux PerfectCare range of washing machines and tumble dryers is equipped with all the advanced care features of the new AEG laundry range, and on top of this a FreshScent feature that allows the consumer to freshen up delicate clothes rather than go through a full washing cycle. This is an industry first.

The SpinView™ rotating shelf helps consumers to easily find what's at the back of the fridge.

New branded web shops were rolled out across Europe to improve the online shopping experience for consumers.

For more information on the Groups products visit Electrolux consumer websites.

Major Appliances North America

Product portfolio management and strengthening the Frigidaire brand offering were key focus areas during the year and operating income improved.

Path to profitable growth

Major Appliances North America is in the first phase on the path to profitable growth: Stability & Focus. An important focus area during this phase is product portfolio management. The business area is simplifying its product offering to its best and most profitable. The business area is experiencing an historic market change as consumers shift their buying and delivery preference. At the same time, the retail landscape is also changing as Sears continues to transform and other traditional and new national retailers gain greater market share. Electrolux is adapting to these market changes by refocusing its Frigidaire brand offering, simplifying the organization, increasing the speed of innovation, building a home delivery network for the contract sales and increasing investments in manufacturing for further growth.

Business model execution

During the year, the key focus was to strengthening the Frigidaire brand. This included the launch of the Frigidaire Gallery Freestanding Induction Range, the first affordable induction offering in the U.S. market. It is produced in the Springfield cooking plant with one of the most cutting-edge robotic technologies being used in the industry.

A product simplification program was launched during the year, with the intention to narrow the products to the most profitable and impactful as well as to simplify operations.

Electrolux also prioritized the growth of sales through new digital channels. The U.S.-based manufacturing capacity is going to increase. To drive cost efficiency and further growth, investments were initiated in automation, modularization and in new global platforms.

The North American Supply Chain launched a new system to track, trace and strategically plan for inbound raw material delivery. It is delivering savings as the company transitions from manual to digitized transportation processes.

Electrolux also continued to strengthen its home delivery network for contract sales in the construction industry.

SHARE OF NET SALES

33%

OPERATING MARGIN

6.8%

Market position and strengths

Electrolux has a strong offering in the U.S. and Canada, particularly for such kitchen appliances as cookers, refrigerators and freezers. The appliances are predominantly sold under the well-established Frigidaire brand in several price segments. The Electrolux brand accounts for a smaller percentage of sales and are sold in the mass premium segment. The Group also sells appliances under private labels.

Demand for appliances increased by 3% in North America in 2017, driven by an improved macroeconomic climate and rising housing starts.

The market is also characterized by competition between several national and global manufacturers. Global competition continued to intensify in 2017 and an increasing number of international manufacturers are now offering a full range appliances. Key competitors comprise Whirlpool, Haier, LG Electronics and Samsung.

Consolidation among retailers is relatively high and nearly 70% of appliances were sold through four major retailers: Lowe's, Sears, The Home Depot and Best Buy.

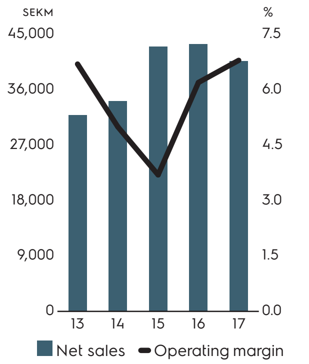
Alan Shaw, Head of Major Appliances North America

COMMENTS ON PERFORMANCE

The product mix improved, due to active product-portfolio management, while lower volumes under private labels and continued price pressure had a negative impact on sales.

Operating income and margin improved as a result of increased cost efficiency and mix improvements which more than offset the negative impact from price pressure, lower volumes and higher costs for raw materials.

NET SALES AND OPERATING MARGIN



PRIORITIES MOVING FORWARD

- Simplify operations and product offering
- Major investments in manufacturing re-engineering
- Expanding contract and digital channels

MARKET POSITION IN NORTH AMERICA

- Core appliances 17%

Frigidaire Black Stainless Suite.

Best-in-class consumer offering

The Frigidaire Gallery Freestanding Induction Range launched in 2017 as the affordable induction range in the U.S. market. The range was selected for Interior Design magazine's Best of Year awards in the appliances category. The Group also launched the first affordable black stainless suite in the mass market. Black finish is growing as an alternative to stainless steel.

During the year, the Group continued its strong market roll-out of the award-winning front load laundry line under the Electrolux brand which was introduced during 2016. It is an example of a new product leveraging global modular design, increasing sales and improving the product mix. Its industry first SmartBoost™ washing technology maximizes the cleaning power of detergent by premixing it with water before it touches the clothes to achieve a deeper clean in every cycle.
For more information visit
www.electroluxappliances.com

The Frigidaire Gallery Freestanding Induction Range.

Major Appliances Latin America

Macroeconomic conditions in Latin America improved in 2017 and Electrolux continued to focus on cost efficiency and product portfolio management and as result operating income improved significantly.

Path to profitable growth

Major appliances Latin America has reached the second phase on the path to profitable growth; Sustainable Profitability. This entails a strong focus on cost efficiency and product portfolio management. The aim is to widen the product offering and create Best-in-class consumer experiences and to capitalize on the macroeconomic recovery. Electrolux is the market leader in a large number of product categories, with high product quality and local production. Focus is on increasing profitability particularly in Electrolux major markets.

Business model execution

Optimization of the product portfolio to the most profitable categories and products with distinct consumer benefits continued to be a top priority. During the year sales volumes increased significantly.

A cost-efficiency program continued to be effective across all units. This included increased automation, reduced use of resources, improved product quality, inventory optimization, occupational health and environmental policies improvement.

Efforts to better utilize the installed base and level of waste materials were successful as the plants in Rosario, Argentina and Santiago, Chile reached 100% of planned production volume and reduced the level of waste materials.

During the year, Electrolux acquired the Continental brand in Brazil. The acquisition will enable Electrolux to further expand market coverage in the region and support profitable growth.

SHARE OF NET SALES

14%

OPERATING MARGIN

2.5%

Market position and strengths

The Electrolux brand occupies a strong position in Latin America through its innovative products and close collaboration with market-leading retail chains. Brazil is the Group's largest market in the region. In major Latin American countries such as Brazil, Chile and Argentina, Electrolux is the market leader in a large number of product categories in appliances. The Group holds a strong portfolio of brands, including Electrolux, Frigidaire, Fensa, Mademsa, Gafa and Continental. Key competitors comprise Whirlpool, LG Electronics, Samsung and Mabe.

In 2017, market demand for core appliances in Brazil showed growth, following several years with a negative trend. Brazil accounts for about 50% of the total market. Demand in Argentina and Chile also increased.

The Latin American market offers excellent opportunities for long-term growth in pace with an expanding middle class. The market is also characterized by a high degree of consolidation. These factors contribute to strengthening the potential of established manufacturers in the region.

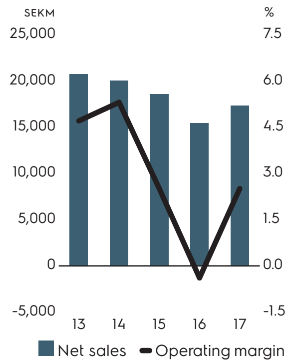
Ricardo Cons, Head of Major Appliances Latin America

COMMENTS ON PERFORMANCE

The favorable market trend and product portfolio management in major markets such as Brazil and Argentina contributed to sales growth across categories in the region.

Operating income and operating margin continued to recover and improved significantly as a result of higher volumes and improved cost-efficiency.

NET SALES AND OPERATING MARGIN



PRIORITIES MOVING FORWARD

- Continued cost-efficiency focus
- Focus on product-portfolio management
- Deliver Best-in-class products to promote effortless consumer experience

MARKET POSITION

- Electrolux holds about 32% in combined market share in Brazil, Chile and Argentina, with leadership in food preservation and fabric care.

Electrolux microwave oven with Air Cook.

Electrolux top load washing machine with impeller technology and stainless steel drum.

Best-in-class consumer offering

Electrolux introduced innovative products in several markets. These include the new top load washing machine with impeller technology and stainless steel drum designed for consumers who are looking for a high capacity product that deliver better fabric care. Electrolux has also developed Jet& Clean technology, in which consumers need not worry about cleaning the dispenser at the end of each washing process, and Perfect Dilution, preventing detergent staining of clothes. It is all about thinking of consumers' needs and aspirations.

Electrolux is changing the way we cook with microwave ovens. The new microwave oven with Air Cook is the first product to include a system that enables the powerful circulation of hot air, allowing consumers to fry food without oil, using only hot air during the preparation process.

Major Appliances Asia/Pacific

Sales of Electrolux appliances increased across most parts of the Asia/Pacific region and earnings improved. The aim is to continue to invest in product innovations to grow profitable across the region.

Path to profitable growth

Major Appliances Asia/Pacific has reached the third step on the path to profitable growth: Targeted Growth. The aim is to continue to grow profitable while making incremental growth investments. Important focus areas are to maintain the strong market position in Australia and New Zealand and to expand the offering under the AEG brand in this region, grow in new channels, accelerate launches of connected products, and expand geographically in the growing Southeast Asian markets.

In 2017 Electrolux signed an agreement to form a joint venture in China with Midea. The purpose is to grow the AEG brand in China by combining its premium products and brand with Midea's strong sales and distribution network. The aim is to build sustainable positions in China for the AEG and Electrolux brands.

Business model execution

A strong focus during the year to grow the most profitable product categories, star products, has improved the product mix.

A large number of continuous improvement projects have started across the region and have contributed to significant savings for the business area. These initiatives have improved cost efficiency and processes across various functions such as logistics, manufacturing flows and spare parts management.

Electrolux has a significant manufacturing capability in Rayong, Thailand, such as manufacturing of refrigerators and washing machines on global platforms for the Southeast Asian region, Australia, New Zealand and China. The positive trend on conversion costs and factory overhead costs continued during the year.

SHARE OF NET SALES

8%

OPERATING MARGIN

7.5%

Market position and strengths

About half of Electrolux appliance sales in the region are in Australia, where the Group is the market leader. The Group's Westinghouse brand commands strong positions in several product categories in the mass market segment. The Electrolux brand is positioned in the premium segment. Key competitors comprise Haier, Samsung and LG Electronics.

In Southeast Asia, Electrolux has a strong offering of premium products aimed at the rapidly expanding middle class, for example, energy-efficient front-load washing machines and built-in appliances for the kitchen. Water and energy efficiency are key drivers in the hot climate across the region. The Group's front-load washing machines are well adapted to these conditions and have significant market shares.

China is the largest market for household appliances. The Electrolux share of the Chinese market is relatively low, but there is considerable long-term potential for increased sales to the expanding middle class.

In 2017, overall market demand for appliances in Australia, China and Southeast Asia is estimated to have increased.

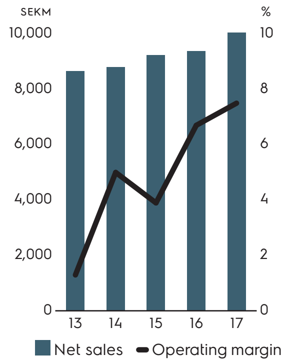
Kenneth L. Ng, Head of Major Appliances Asia/Pacific

COMMENTS ON PERFORMANCE

Organic sales growth across the region. Sales volumes increased in most product categories.

Operations in Australia and New Zealand continued its solid earnings trend and operating income improved in Southeast Asia and China.

NET SALES AND OPERATING MARGIN



PRIORITIES MOVING FORWARD

- Channel and geographic expansion in the growing South East Asia market
- Accelerate launch of connected products and ecosystem
- Build sustainable position in China

MARKET POSITION

- Core appliances 31% in Australia
- Small but growing market share in Southeast Asia

Electrolux ComfortLift dishwasher.

Best-in-class consumer offering

During the year, several new innovative products were launched such as the Electrolux ComfortLift dishwasher and several new products within Food Preparation in Australia and New Zealand, and the gentle clean at lower temperatures Electrolux UltraMix™ washing machines in Vietnam and China.

Electrolux UltraMix™ washing machine.

Home Care & SDA

Measures to improve profitability continued and operating income increased significantly. Products such as the Anova Precision Cooker and the new robotic vacuum cleaner Electrolux PURE i9 were launched.

Path to profitable growth

Home Care & SDA has reached the Sustainable Profitability phase on the path to profitable growth. This entails a firm focus on active product portfolio management and exiting unprofitable product categories and markets. After the divestment of the Eureka brand in North America 2016, activities to reposition the operations and leaving unprofitable product categories continued in other regions.

The business focus is to grow products in Home Care and Small Domestic Appliances in the areas of Wellbeing, Taste and Care. New product launches for vacuum cleaners are primarily focused on growth in cordless and robotics. Electrolux is also building a wellbeing ecosystem with the ranges EASE, WELL and PURE. The combination of floor care and air care offerings opens up opportunities to deliver enhanced consumer experiences.

Business model execution

Initiatives continued to focus on improving the customer offering, reducing complexity and concentrating operations on the most profitable product categories. Active product portfolio management and exiting unprofitable product categories have improved the product mix during the year. Another important focus has been to improve the quality of products. The service call rate has improved significantly and warranty costs has declined almost by half.

Tight cost control and reorganization of operations in several regions has improved the cost efficiency significantly.

Electrolux acquired Anova, a U.S. based provider of the Anova Precision Cooker, an innovative connected device for sous vide cooking that enables restaurant-quality results in the home. The acquisition provides a significant opportunity for profitable growth in this emerging product category. Anova's direct-to-consumer business model and digital focus are of strong strategic interest to Electrolux. Anova had a positive contribution of 4.7% on sales in 2017.

SHARE OF NET SALES

6%

OPERATING MARGIN

5.5%

Market position and strengths

The business area has the global responsibility to develop the Electrolux offering around healthy wellbeing in the home to create Best-in-class consumer experiences in wellbeing, and grow the Electrolux presence in floor care, air care and water care.

In the vacuum-cleaner segment, the Group holds leading positions in the largest markets, and has a strong presence in the premium segment of both corded and cordless vacuum-cleaners. The overall market for vacuum cleaners increased in 2017, driven mainly by cordless handsticks ,which grew across most regions. Product development is focused on innovative and energy-efficient vacuum cleaners in the upper-price segments. For small domestic appliances, product development is focused on innovative, high performance kitchen and laundry appliances.

In Europe, most products are sold under the Electrolux brand, which is complemented with the AEG brand. In North America Electrolux has a smaller position through the acquisition of the Anova brand which brings exciting new possibilities for sales and connectivity together with a new innovation hub. Sales in Latin America and Asia are predominantly under the Electrolux brand.

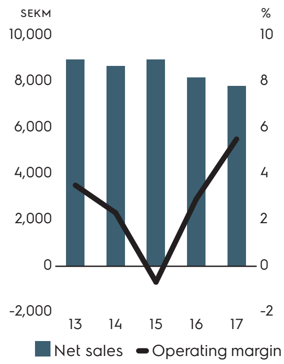
Ola Nilsson, Head of Home Care & Small Domestic Appliances

COMMENTS ON PERFORMANCE

The program to restore profitability continued during the year and operating income and margin improved significantly. Strategic decision to focus the business on the strongest categories improved the mix, which in combination with increased cost efficiencies contributed to earnings.

Exiting unprofitable product categories had a negative impact on sales in 2017.

NET SALES AND OPERATING MARGIN



PRIORITIES MOVING FORWARD

- Drive aggressive product launch plan to grow in cordless and robotics vacuum-cleaners
- Build wellbeing ecosystem with the EASE, WELL and PURE ranges
- Use Anova as a growth driver in the U.S. with B2C and digital marketing, as well as connected appliances

MARKET POSITION

- Leading positions in EMEA, Latin America and parts of Asia/Pacific
- Global player with access to distribution channels in major markets

The new robotic vacuum cleaner Electrolux PURE i9 (also called AEG RX9).

Best-in-class consumer offering

The successful launch of the new robotic vacuum cleaner Electrolux PURE i9 (also called AEG RX9) was an important step in the further improvement of the wellbeing offering. The PURE i9 can be controlled via a smartphone and, unlike other robotic vacuum cleaners, it can detect obstacles and manoeuvre around them. It received recognition as being best-in-test in a popular tech magazine in Sweden, and initial consumer feedback was very good.

The Anova Precision Cooker connects to a user's smartphone and offers thousands of recipes to make it easy to cook sous vide – a cooking technique that is well established in gourmet restaurants and growing among consumers. Food is placed in a sealable bag and brought to a precisely controlled temperature in a water bath. The precision cooker is an immersion circulator that heats and maintains the water at an exact temperature, ensuring great results.

The Anova Precision Cooker.

Professional Products

A strong product offering in both professional food-service and laundry solutions contributed to continued profitable organic growth and for the first time ever, operating income exceeded SEK 1 billion.

Path to profitable growth

Professional Products is in the Targeted Growth phase, the third step on the path to profitable growth. The product range is innovative and market positions strong in both food-service and laundry solutions, particularly in Europe and now also in beverage in the U.S. Example of focus areas has been to develop products with best in class; water- and energy efficiency performances, usability and connected experience. From this strong base, Electrolux is leveraging and expanding selected growth areas such as food service chains, quick-service restaurants, beverage and aftermarket.

Business model execution

Investments in product development contributed to a positive sales trend in most markets. During the year several new unique products were launched and the organic sales growth was 5.6%. Investments in new products and technologies reached record levels, to a significant extent focusing on sustainable products and connectivity. Connected products provide opportunities to create unique customer experiences , and also to develop new business models. Examples in 2017 was the launches of Electrolux SpeeDelight and Electrolux myPRO-zip washer and dryer, see page 51.

Initiatives to streamline operations are ongoing with the objective to improve competitiveness and support further growth opportunities. A global customer care program to improve service levels on installed products and offer additional service solutions was rolled-out called Essentia.

Electrolux acquired, and successfully integrated, Grindmaster-Cecilware, a leading U.S. based manufacturer of hot, cold and frozen beverage dispensing equipment, including coffee machines. The acquisition is a significant addition to the business area strategy to grow in North America, add new categories and become a "one stop shop" for customers in the hospitality industry. Grindmaster-Cecilware had a positive impact of 6.6% on sales in 2017.

SHARE OF NET SALES	OPERATING MARGIN
6%	13.7%

Market in brief

North America represents slightly more than 35% and Europe 25% of the global market demand for professional food and laundry products. Overall market demand for professional equipment improved across most regions in 2017.

About 65% of sales are generated in Europe and almost 14% in North America. Other key markets include Japan, China, the Middle East and Africa and Southeast Asia.

Electrolux is a full system provider in the industry with a global sales and customer care organization. Electrolux has a strong position in the European food-service market, in particular in the institutional (hospital, staff canteens, schools) and hospitality (restaurants, catering and hotels) segments. The Group is also a leading player for complete large, innovative installations in a number of growth markets under the Electrolux brand.

Examples of laundry solutions customers include hospital and hotel laundries. Electrolux also supplies products for apartment building laundries in Scandinavia and for launderettes, mainly in North America and Japan.

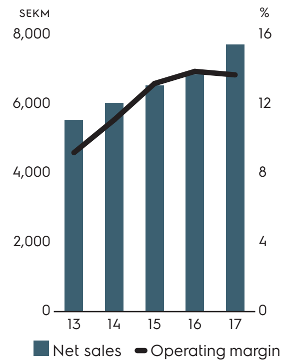
Alberto Zanata, Head of Professional Products

COMMENTS ON PERFORMANCE

A strong product offering in both professional food-service and laundry solutions contributed to organic sales growth and a strong performance.

Profitability improved for both food-service and laundry equipment, while the acquired business for beverage products had a dilutive impact on operating margin.

NET SALES AND OPERATING MARGIN



PRIORITIES MOVING FORWARD

- Continue to bring innovative solutions to customers
- Leverage the Grindmaster-Cecilware acquisition to expand the beverage business
- Drive aftermarket business

MARKET POSITION

- Strong position in Europe
- Global sales and customer care organization
- Growing share in emerging markets and in North America

Electrolux Green&Clean Rack Type dishwasher, one glass of water is all it takes to clean an entire rack of dirty dishes.

Best-in-class customer offering

The Group continued to launch and develop products with strong sustainability profiles. Energy efficiency has a high priority in the development of professional equipment. Several key launches were conducted during the year.

The Electrolux Green&Clean Rack Type dishwasher was launched with the bold claim of having the lowest running costs in the industry. The ventless heat pump solution means 50% less energy usage.

The new Electrolux ecostoreHP refrigerated counters cuts electricity bills by 80%, while storing 50 liters extra and also reducing food waste.

In 2017, a new line of Molteni was launched to accompany the vintage version of the celebrated kitchen stove.

The flexible high-speed cooker Electrolux SpeeDelight picked up two prestigious Plus X awards including being named "Best product of the year". It was recognized for its innovation, high quality, design, ease of use and functionality. SpeeDelight is Electrolux first connected professional food service product. For more information, see
https://www.professional.electrolux.com

The semi-pro laundry solution Electrolux myPRO was extended – the myPROzip washer and dryer allow for connection to both Electrolux and third-party coin boxes or payment systems – a profitable solution for customers.
https://www.mypro.electrolux.com

Caractère, the new line of the iconic cooker Molteni was launched in 2017.

The Electrolux share and Risk management

The Electrolux share

Electrolux delivered a strong earnings improvement across business areas and an increased EBIT margin above 6% for the full year 2017. This was supported by the Group's focus on profitable growth and continued market demand growth, as well as increased productivity and net cost efficiency. Cash-flow generation was solid and the Group maintained a strong balance sheet. As a result, the Electrolux share showed strong performance throughout the year with a total return of 20%.

The Electrolux B share increased by 17% in 2017, outperforming the broader Swedish market index, OMX Stockholm, which increased by 6% during the same period. During the year, Electrolux business areas showed good operational improvement and the Group achieved an operating margin above 6%, driven by strong product-mix development and net cost efficiencies.

The share price development was strong throughout most of the year, supported by the positive earnings momentum and increased profitability in most business areas. In the latter part of the year the share price showed a relative weakness versus the market index, reflecting worries of ongoing price pressure in the U.S. and increased raw material prices. This resulted in a negative sentiment on the share price from the capital markets. Following the solid earnings results for the fourth quarter 2017, the share price increased on the day by 7%, driven by profitable organic growth and continued cost efficiency.

Total return

The opening price for the Electrolux B share in 2017 was SEK 226.30. The highest closing price was SEK 309.40 on November 1. The lowest closing price was SEK 218.80 on January 9. The closing price for the B share at year-end 2017 was SEK 264.30, which was 17% higher compared to 2016.

Total shareholder return during the year was 20%. Over the past ten years, the average total return on an investment in Electrolux B shares has been 14% annually. The corresponding figure for the OMX Stockholm Return Index was 9%.

Share volatility

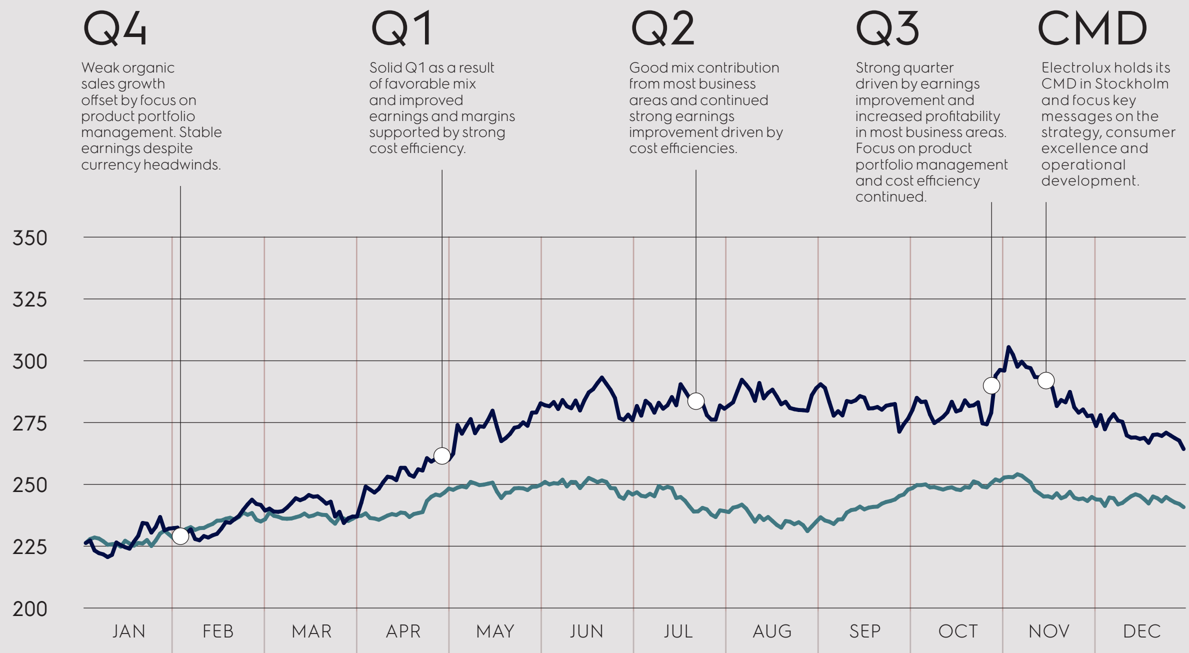
Over the past five years, the Electrolux share has shown a historical volatility of about 30 (daily values), compared with an average volatility of 20 for Nasdaq Stockholm. The beta value of the Electrolux B share over the past five years is 1.2. A beta value of more than 1 indicates that the share's sensitivity to market fluctuations is above average.

Data per share

	2008	2009	2010	2011	2012	2013	2014	2015	2016	**2017**
Year-end trading price, B shares, SEK	66.75	167.50	191.00	109.70	170.50	168.50	228.80	205.20	226.30	264.30
Highest trading price, B shares, SEK	106.00	184.10	194.70	195.60	179.00	192.70	231.10	282.80	239.60	309.40
Lowest trading price, B shares, SEK	53.50	57.50	142.50	95.30	111.50	153.70	135.30	193.10	173.10	218.80
Change in price during the year, %	–38	151	14	–43	55	–1	36	–10	10	17
Equity per share, SEK	58	66	72	73	55	50	58	52	62	72
Trading price/equity, %	116	253	264	151	310	338	398	393	367	369
Dividend, SEK	0	4.00	6.50	6.50	6.50	6.50	6.50	6.50	7.50	8.30[1]
Dividend as % of net income[2,3]	0	29	39	86	57	66	58	49	48	42
Dividend yield, %[4]	0	2.4	3.4	5.9	3.8	3.9	2.8	3.2	3.3	3.1
Earnings per share, SEK	1.29	9.18	14.04	7.25	8.26	2.35	7.83	5.45	15.64	19.99
Earnings per share, SEK[3]	2.32	13.56	16.65	7.55	11.36	9.81	11.30	5.45	15.64	19.99
Cash flow, SEK[5]	4.22	29.16	26.98	18.97	24.74	15.57	27.35	28.76	35.37	34.88
EBIT multiple[6]	19.8	12.8	10.8	13.4	14.6	38.8	22.4	25.5	11.2	11.07
EBIT multiple[3,6]	15.2	9.1	9.1	12.8	11.6	15.1	16.8	25.5	11.2	11.07
P/E ratio[7]	51.7	18.2	13.6	15.1	20.6	71.7	29.2	37.7	14.5	13.2
P/E ratio[3,7]	28.8	12.4	11.5	14.5	15.0	17.2	20.2	37.7	14.5	13.2
Number of shareholders	52,600	52,000	57,200	58,800	51,800	51,500	46,500	45,500	48,900	45,295

1) Proposed by the Board.
2) Dividend as percentage of income for the period.
3) Excluding material profit or loss items.
4) Dividend per share divided by trading price at year-end.
5) Cash flow from operations less capital expenditure, divided by the average number of shares after buy-backs.
6) Market capitalization excluding buy-backs, plus net borrowings and non-controlling interests, divided by operating income.
7) Trading price in relation to earnings per share.

Performance of the Electrolux share during the year



ELECTROLUX INITIATIVES

- Electrolux completes the acquisition of Kwikot in South Africa
- Acquisition of Grindmaster-Cecilware
- Electrolux launches game-changing robotic vacuum cleaner PURE i9
- Acquisition of the smart kitchen appliance company Anova
- Dividend of SEK 7.50 per share decided by AGM
- Electrolux to acquire European kitchen hoods company Best
- Electrolux acquires Continental brand in Latin America
- Launching SpeeDelight- the first connected high-speed professional grill
- Project launch to drive sustainable fabric care habits with AEG
- Extensive launch of Frigidaire products in North America

EXTERNAL FACTORS

- Continued stable markets in Europe despite weak UK
- Headwinds from increased commodity prices
- Currency volatility in USD and EUR
- Increased raw material prices
- Slow recovery in Latin America
- Competitive price pressure in the U.S. continues
- Growth in Asian markets
- Continued strong promotional period in the U.S.
- Positive demand growth in North America
- Demand in Brazil starts to improve

Comments on results — Electrolux B share — OMX Stockholm Index

Recommendations from analysts

	After Q4 2016	After Q1 2017	After Q2 2017	After Q3 2017	After Q4 2017
Buy	64%	45%	29%	21%	20%
Hold	18%	33%	42%	43%	60%
Sell	18%	22%	29%	36%	20%

Shareholder structure

The Electrolux share is listed on Nasdaq Stockholm. The market capitalization of Electrolux at year-end 2017 was approximately SEK 82bn (70), which corresponded to 2.3% (1.8) of the total turnover value of Nasdaq Stockholm. The company's outstanding shares are divided into A shares and B shares. A shares entitle the holder to one vote, while B shares entitle the holder to one-tenth of a vote.

Dividend

The Board of Directors proposes a dividend for 2017 of SEK 8.30 (7.50) per share, equivalent to a total dividend payment of approximately SEK 2,385m. The proposed dividend corresponds to approximately 42% of income for the period. The dividend is proposed to be paid in two equal installments, the first is expected to be paid on April 12, 2018 and the second installment on October 12, 2018. Based on the share price of Electrolux B shares at the end of 2017, the dividend yield for 2017 was 3.1%.

The Group's goal is for the dividend to correspond to at least 30% of income for the period. For a number of years, the dividend level has been considerably higher than 30%.

Ownership structure

The majority of the total share capital as of December 31, 2017, was owned by Swedish institutions, mutual funds and private investors amounting to 49%. During the year, the proportion of the capital held by foreign owners increased and amounted to approximately 51% at the end of the year. Foreign investors are not always recorded in the share register as foreign banks and other custodians may be registered for one or several customers' shares, which is why the actual owners are then not usually displayed in the register.

Share-based incentive programs

Electrolux maintains a number of long-term incentive programs for senior management. Since 2004, the Group has three-year performance-based share programs.

At year-end 2017, the incentive programs had a minor impact on the dilution of the total number of shares.

Conversion of shares

In accordance with the Articles of Association of AB Electrolux, owners of A shares have the right to have such shares converted to B shares. Conversion reduces the total number of votes in the company. In 2017, no Class A shares were converted to Class B shares. The total number of registered shares in the company amounts to 308,920,308 shares, of which 8,192,539 are A shares and 300,727,769 are B shares.

Major shareholders

	Share capital, %	Voting rights, %
Investor AB	15.5	29.9
BlackRock, Inc.	4.4	3.5
Alecta Pension Insurance	3.2	3.8
Swedbank Robur Funds	2.7	2.2
Norges Bank Investment Management	2.5	2.0
AMF Insurance & Funds	2.3	1.8
JP Morgan Asset Management	2.1	1.7
Fiduciary Management Funds	2.1	1.7
Vanguard	1.8	1.4
Invesco	1.6	1.3
Nordea Investment Management	1.3	1.1
Other shareholders	53.5	49.6
External shareholders	93.0	100.0
AB Electrolux	7.0	0.0
Total	100.0	100.0

Source: Euroclear Sweden and Holding as of December 31, 2017. The figures are rounded off.

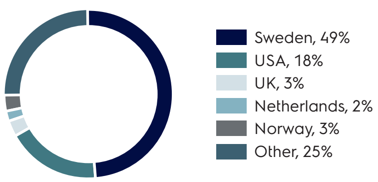
According to Euroclear Sweden, there were 45,295 shareholders in AB Electrolux as of December 31, 2017. Investor AB is the largest shareholder, owning 15.5% of the share capital and 29.9% of the voting rights. Information on the shareholder structure is updated quarterly at www.electroluxgroup.com/ownership

Distribution of shareholdings

Shareholding	Ownership, %	Number of shareholders	As % of shareholders
1–1,000	2.9	41,140	90.8
1,001–10,000	3.0	3,701	8.2
10,001–20,000	0.6	135	0.3
20,001–	93.5	319	0.7
Total	100.0	45,295	100.0

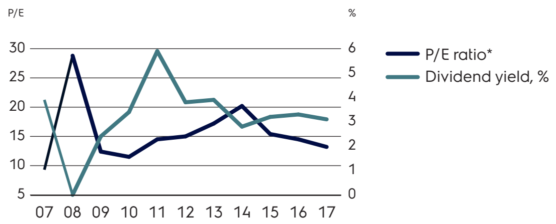
Source: Holdings and Euroclear Sweden as of December 31, 2017.

SHAREHOLDERS BY COUNTRY



As of December 31, 2017, approximately 51% of the total share capital was owned by foreign investors. Source: Euroclear Sweden and Holding as of December 31, 2017.

P/E RATIO AND DIVIDEND YIELD



At year-end 2017, the P/E ratio for Electrolux B shares was 13.2. The dividend yield was 3.1% based on the Board's proposal for a dividend of SEK 8.30 per share for 2017.
* Excluding items affecting comparability until 2014 and costs related to GE in 2015.

Share statistics

Trading in Electrolux B shares

	2017	2016
Number of traded shares, million	271.0	292.3
Value of traded shares, SEKbn	71.8	61.6
Average daily trading volume, million	1.1	1.2
Average daily trading value, SEKm	286	244
Number of issued/cancelled ADRs	553.5	1,822.6
Number of ADRs outstanding	868.7	813.2

Source: Nasdaq Stockholm, Citi.

Trading volume

During 2017, 36% of Electrolux B shares were traded outside Nasdaq Stockholm, compared to 48% during 2016. In 2017, the Electrolux share accounted for 2.0% (1.6) of the shares traded on Nasdaq Stockholm, of a total trading turnover of SEK 3,623bn (3,850).

Share data

Share listing[1]	Stockholm
Number of shares	308,920,308
of which A shares	8,192,539
of which B shares	300,727,769
Quota value	SEK 5
Market capitalization at December 31, 2017	SEK 82 billion
GICS code[2]	25201040
Ticker codes	Reuters ELUXb.ST
	Bloomberg ELUXB SS

[1] Trading in Electrolux ADRs was transferred from Nasdaq to the U.S. Over-the-Counter market as of March 31, 2005. One ADR corresponds to two B shares.
[2] MSCI's Global Industry Classification Standard (used for securities).

Market share

%	2017	2016
Nasdaq Stockholm	64.3	51.6
BATS CXE	18.3	23.7
BATS BXE	7.9	10.4
Turquoise	9.5	14.3
Total	**100.0**	**100.0**

Source: Electrolux and Nasdaq.

Average daily trading value of Electrolux shares on Nasdaq Stockholm

SEK thousand	2013	2014	2015	2016	2017
A shares	127	146	269	178	255
B shares	280,457	311,398	372,570	243,520	286,103

In 2017, an average of 1.1 million Electrolux shares were traded daily on Nasdaq Stockholm.

MEMBER OF Dow Jones Sustainability Indices In Collaboration with RobecoSAM

ROBECOSAM Sustainability Award Gold Class 2018

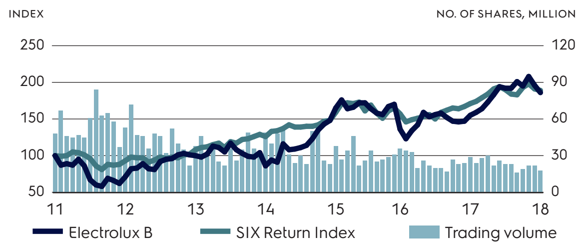
Corporate Responsibility Prime rated by oekom research

CDP A LIST 2017 CLIMATE

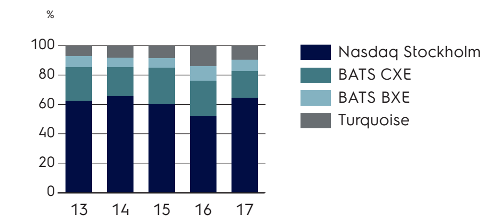
Electrolux — a leader in the household durables industry

The Group's sustainability performance strengthens relations with investors. In 2017, and for the eleventh consecutive year, Electrolux was recognized as a leader in the household durables industry in the prestigious Dow Jones Sustainability Index (DJSI). Electrolux thereby ranks among the top 10% of the world's 2,500 largest companies for social and environmental performance. Additionally, Electrolux has received recognition from other indexes and organizations, including RobecoSAM. Electrolux was also awarded a position on the 2017 Climate A List by CDP.

TOTAL RETURN OF ELECTROLUX B SHARES AND TRADING VOLUME ON NASDAQ STOCKHOLM 2011–2017



TRADING PLATFORMS FOR THE ELECTROLUX SHARE



Approximately 64% of total trading volume of Electrolux is handled through the Nasdaq Stockholm. BATS has slightly decreased its share of total trades during the past year.

Electrolux and the capital markets

Electrolux overall goal is to create shareholder value while aiming to maintain a long-term relationship with its shareholders. In its communication with the capital markets, Electrolux aims to provide reliable, accurate and updated information about the Group's business development and financial position.

Electrolux Capital Markets Day 2017

On November 16, 2017, Electrolux held its CMD at the headquarters in Stockholm. A large number of investors, financial analysts and representatives from media were present to listen to presentations by members of the Group management team, providing insight into strategy, business outlook, consumer experience, operational excellence and the Group's continued journey toward profitable growth.

Towards the operating margin target

President and CEO Jonas Samuelson opened proceedings with a strategic overview, including a review of what was said at the preceding CMD in February 2016 and what Electrolux had since delivered in profitability, growth and cash flow. He noted that the prerequisites for profitable growth were coming into place, and restated the Group's ambition to deliver at least 6% EBIT margin over a business cycle. He also touched upon how far each of the six business areas had progressed on the path to profitable growth.

A presentation from the Capital Markets Day 2017 is available at www.electroluxgroup.com/cmd2017

Focus on consumer experiences

Several of the presentations focused on the delivery of great consumer experiences as a key to achieving profitable growth. Connectivity and digitalization are important industry trends that impact product development in the three main areas of great tasting food, care for clothes and healthy well-being in the home. Participants were given a few glimpses of exciting new features, including voice-activated products. Chief Marketing Officer Lars Hygrell outlined initiatives to further strengthen the AEG, Frigidaire and Electrolux brands.

Continuous improvement of operations

Jan Brockmann, Chief Global Operations Officer, talked about initiatives to enhance product competitiveness by continuous improvement in all areas including modularization, digital supply chain and reengineering programs. The level of capital expenditure investments to drive targeted growth will increase, particularly due to comprehensive re-engineering programs at plants in North America and Latin America. Further to the increased cost efficiency, the investments will also open growth opportunities through new innovative products.

5 APRIL

The AGM 2018 will take place on April 5, 2018, at Stockholm Waterfront Congress Centre, Stockholm.

More information and documentation from the AGM 2018 is available at www.electroluxgroup.com/agm2018

Questions in focus by the capital markets

Analysts engage in questions related to the development of the appliance market and the demand in the Electrolux core markets. Forecasts of price, mix and volumes are important topics on which analysts focus in order to gain a better understanding of the operation on which they can base their longer term projections of future performance.

Examples of analysts' questions during 2017

Can you explain how you are driving continued price/mix improvements across your business areas?
By focusing on innovation and supporting new product launches to offer best-in-class consumer experiences with the strongest brands, Electrolux expects to drive further mix improvement across business areas. Launch of new products under premium brands such as Electrolux and AEG will be key for the product mix. Active product portfolio management will also support the mix, mitigating to some extent the negative impact from industry price pressure. In several of the Group's markets, Electrolux has also announced price increases as a result of headwinds from raw material costs.

How do you view the tough pricing environment in North America?
The U.S. appliance market is a competitive market attracting a lot of volume, and therefore focus and attention from international appliance makers. This has resulted in continued price pressure in the market in recent years, driven mainly by aggressive promotional activities in combination with extended holiday sales in the U.S. Electrolux has recently announced prices increases in North America.

Can you comment on your M&A strategy?
In recent years, we have actively worked to develop a good M&A pipeline in order to support our strategy and path to profitable growth through acquisitions. In 2017, we completed five deals, acquiring the smart kitchen appliance company, Anova in Home Care & SDA, the South African water-heater company Kwikot in EMEA, the U.S.-based Grindmaster-Cecilware for our professional business, the kitchen-hoods company Best in Europe and the Continental brand in Brazil. These acquisitions strengthens our market position and contribute to sales and earnings growth across our businesses. We will continue to evaluate potential acquisitions that fit our best-in-class consumer excellence strategy within Taste, Care and Wellbeing.

Can you explain the potential of your product portfolio management?
Product portfolio management is our way to drive focus on consumer benefits, profitability and growth. For a few years, Electrolux has executed structured portfolio management in EMEA, and more recently in Asia/Pacific and Home Care & SDA, which has benefited the business areas with improved mix and positive contribution to earnings. Electrolux is committed to the portfolio management approach by focusing resources on star products, focus categories and brands driving higher contribution margins. In the long run, this will enable more efficient marketing, delivery and sales execution and fuel growth with competitive products.

What are your market outlook for your core regions?
The overall positive demand trend across most markets in 2017 is expected to continue in 2018. The European appliance market is expected to show growth of 1–2% in 2018, with demand growth in most countries. Demand for appliances in North America remains favorable and is anticipated to grow by 2–3%. The market recovery in Latin America continues with an expected growth of 3–5%. Australia is expected to grow 1–2% and the market outlook for Southeast Asia remains positive.

What will be the key driver for cost efficiencies going forward?
In general, we have had a good run rate of cost achievements for several years, with reduced structural costs through major manufacturing footprint programs which are now completed. Since the start of 2017, Electrolux has shown strong performance in net cost efficiencies, offsetting increased inflation and raw material costs. This was mainly driven by improvements in variable costs but also from efficiencies linked to operational structural costs. We expect to continue to drive continuous improvement across our businesses and also mitigate headwinds from inflationary costs.

The telephone conferences from quarterly earnings presentations are available at www.electroluxgroup.com/ir

Risk management

Electrolux is impacted by various types of risks including strategic and external risks but also business risks such as operational and financial risks. Active risk management is essential for Electrolux to drive successful operations and, accordingly, the Group monitors and minimizes key risks in a structured and proactive manner.

Electrolux risk management framework

Electrolux faces different types of risks that can be divided into: Strategic risks and Manageable business risks. The strategic risks are related to the Group's strategy and are impacted by the external environment, while the business risks comprise operational and financial risks. These are managed by the Group's operational units and Group Treasury, respectively. The Group has several processes to manage overall risks through operational activities that are performed by the business area boards. The Group has also established internal bodies that manage risk exposures on a regular basis. Examples of internal bodies are the Risk Management Board, the Insider Committee, the Ethics & Human Rights Steering Group, the Audit Board and the Tax Board. For more information on the Electrolux organizational structure and system for internal control and risk management, see the Corporate Governance report.

External risk: Macroeconomic trends, political uncertainties, technological transformations and changes in industry dynamics are factors that impact the environement which the Group operates in. The Electrolux board and the business area boards monitor the development in the key markets and pro actively assess external risks as well as opportunities that may influence the Group's strategy and operations.

Strategy risk: The Group strategy is closely linked to both the external world and to internal factors which may affect the Group's execution of the strategy. The Electrolux board and the business area boards continuously revise the strategic framework to ensure it is up to date and its business divisions are fit to create and capture economic value. The Group's operational units manage potential execution risk related to the strategic priorities.

Operational risk: The Group's ability to improve operational performance and create long-term value for shareholders is related to achieving Best-in-class consumer innovation as well as continued focus on profitable growth and driving cost efficiency. Realizing this potential requires effective and controlled risk management. Risks within operations are mainly managed by the Group's business area boards. The Group also has internal bodies that pro actively monitor and manage operational risks.

Financial risk: Electrolux is impacted by financial risks such as capital market risk, credit risk and liquidity risk . These are regulated in accordance with the Group's Financial Policy that has been adopted by the Electrolux Board of Directors. Management of these risks is centralized to Group Treasury and is mainly based on financial instruments.

External risks

Macroeconomic and political risk

Political uncertainties and weak macroeconomic conditions indirectly impact consumer sentiment and demand for appliances. This may have implications for the Group's business and strategy in regions which carry high political and economic risks. Companies that invest in developing capabilities to move fast and be flexible and that have alternative strategies can sustain their competitive advantage despite operating in risky markets. Electrolux takes proactive steps to assess and manage risks and opportunities in its business environment.

Variations in demand

In times of fast changes in market trends and fluctuating demand for the Group's products, decisive actions and cost savings initiatives throughout the Group have proven that Electrolux can make timely adjustments in its production and to its cost structure. When there is strong market demand, it is essential that Electrolux can benefit from its global scale by delivering new innovative products and solutions with a high speed to market.

Price competition

A number of Electrolux markets are experiencing price competition. This is particularly evident in the low-cost segments and in product categories with significant overcapacity. Electrolux has historically aimed to maintain a disciplined approach in its pricing strategy. In markets with high inflation combined with currency rate fluctuations, Electrolux has the possibility to carry out price increases to offset potential negative effects.

Regulatory changes

Regulatory changes (industry, environmental, social, labour 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.

Global trends

The increasing pace of change in global markets along with the digital transformation is leading to new trends that influence the appliance industry. Increased consumer power, digitalization, consolidation and sustainable development are placing increasing demand on investments and the ability to adapt, but also open up major opportunities. Electrolux is focusing investments on innovation and areas such as digitalization and connectivity and has transformed its product offering with the ambition to shape living for the better by reinventing taste, care and wellbeing experiences. The Group has also communicated ambitious targets to strengthen its sustainability footprint.

Raw material impact

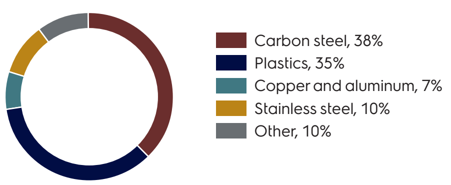
Materials account for a large share of the Group's costs. Electrolux purchases raw materials and components for approximately SEK 47 bn, of which approximately SEK 18 bn referred to the former. Fluctuations in commodity prices impact the Group's input costs and therefore its profitability. In order to mitigate increased input costs related to higher raw material prices, Electrolux has to take action to increase cost efficiency, negotiate purchasing contracts for commodities such as steel and chemicals or increase the prices of its products. For a sensitivity analysis on the impact of raw materials, see table below.

Sensitivity analysis year-end 2017

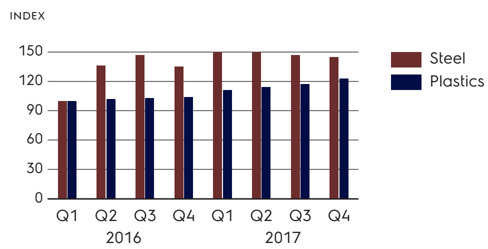
Raw materials[1]	Change +/-	Pre-tax earnings impact, SEKM
Carbon steel	10%	700
Stainless steel	10%	200
Plastics	10%	600

[1] Changes in raw materials refer to Electrolux prices and contracts, which may differ from market prices. The figures in the sensitivity table are rounded and as of year-end 2017.

RAW MATERIAL EXPOSURE 2017



TREND FOR STEEL AND PLASTIC PRICES, WEIGHTED MARKET PRICES, INDEXED



Strategy risks and opportunities

Profitable growth

To achieve profitable growth, Electrolux applies a three-step model for all business areas. The Group needs to successfully execute key priorities across its operations such as: portfolio management, cost efficiency, significantly improved product quality and teamship across all levels. The ability to invest in growth and innovation in the next stages of the model, including new segments and new markets, is hence crucial. Not being able to execute the priorities in a timely manner may affect the Group's ability to leverage on opportunities, grow profitably, and deliver the best consumer experiences.

Best-in-class consumer experiences

Electrolux invests in innovation to create Best-in-class consumer experiences through an innovative product offering within Taste, Care and Wellbeing. Efforts to provide consumers outstanding products and ownership solutions are central to the Electrolux strategy and business model. The Group must ensure that it continues to invest in key areas such as product innovation, R&D, connectivity, service and improving the quality in order to deliver Best-in-class innovation and solutions that engage consumers. Quality is a fundamental reason for the consumers to choose Electrolux products and a key priority for the Group. Electrolux has initiated a "Committed to Quality" program to reinforce a quality focus across Electrolux operations around the world.

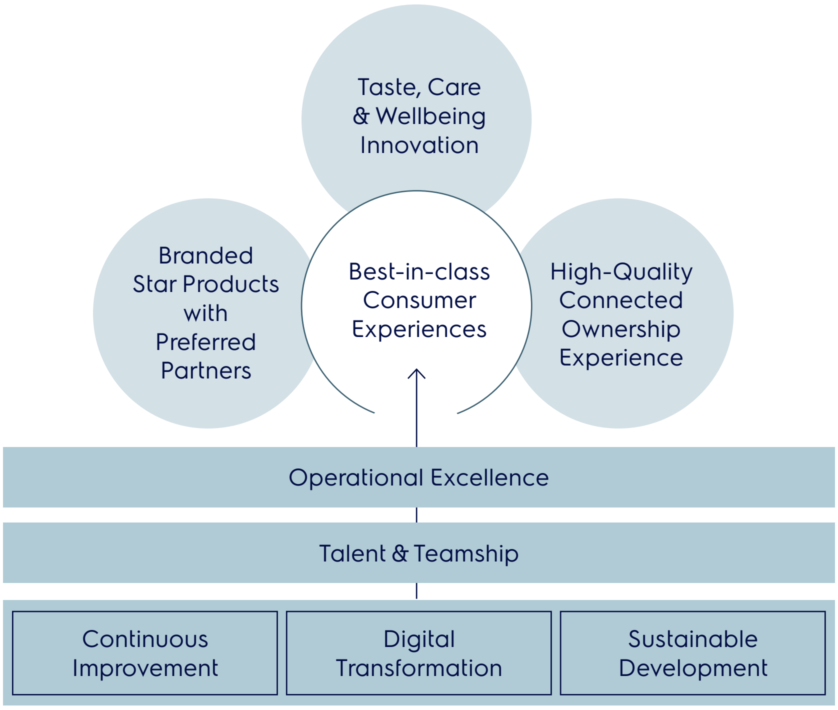
Sustainable development

Sustainability leadership is crucial to realizing the Electrolux strategy for profitable growth. The objective is to steadily improve at meeting people's needs and enhancing their daily lives in a sustainable way. Electrolux has long recognized the impact the company has on the environment and in society. The Group has made significant progress on sustainability in recent years and is acknowledged as a sustainability leader. Opportunities, key risks and how they are managed are described in the Sustainability reporting 2017 on pages 138–146.

Digital transformation

The Electrolux ambition of offering Best-in-class consumer experiences and to drive operational excellence is linked to five key digital transformation drivers. These comprise: Digital 360 Consumer Experience, Connected Experiences, Digital Productivity, Modularization & Digital Manufacturing and Digital Supply Chain. The ability to execute the digital transformation within operations is crucial for the Group to adapt to a rapidly changing industry and consumer needs.

ELECTROLUX BUSINESS MODEL
FOR BEST-IN-CLASS CONSUMER EXPERIENCES



Operational risks

Targeted growth

Over the past few years, the Group has been working on the optimization of the product portfolio with the aim to strengthen the highest performing product categories and brands and exiting unprofitable products. The work is an important part of the Group's focus on targeted growth and to deliver a Best-in-class consumer offering while achieving sustainable profitability. A key challenge is to successfully implement targeted growth initiatives and maintain investments and resources to our most strategic brands and categories. Electrolux has as part of these priorities, a strong focus on driving an active portfolio management across its business areas.

Operational excellence

The appliance industry is characterized by intense competition among manufacturers of appliances, which has resulted in an ongoing consolidation, where regional players are becoming more global and seek to benefit from synergies and economies of scale. Efforts to continuously optimize the operations are therefore essential in maintaining a competitive advantage. Electrolux focuses on automation, modularization and modernization of existing plants to ensure a competitive production footprint and effective cost structure. If projects to optimize operations cannot be executed according to plan, achieving continuous improvement across the Group's may be affected.

Talent and teamship

Teamship is the Electrolux way of working. It's about setting aligned goals, knowing how to collaborate and being a learning organization. Finally, it is about engagement and passion regarding Best-in-class consumer experiences. Dedicated employees and leaders with the right skills play a crucial role in Electrolux achieving its vision and targets. It is a prerequisite for the organization to attract and maintain competences and employees through its way of working or through well-functioning teams. Wherever Electrolux operates in the world, the company needs to apply the same high standards and principles of conduct. Electrolux has a global Ethics Program, encompassing both ethics training and a whistle-blowing system – the Electrolux Ethics Helpline. Being a global company, the Group must continue to ensure and nurture a collaborative culture in the organization to support continued execution and growth of its global operations.

Exposure to customers and suppliers

Weakening trading conditions for retailers in markets where demand is sharply declining can pose an operational challenge to manufacturers with a high level of exposure to a certain customer. Electrolux has a high customer concentration in North America and Latin America relative to other markets, mainly due to a high degree of consolidation in those markets. The Group has a comprehensive process for evaluating credit risks and monitoring the financial situation for customers. Similarly, a high concentration to suppliers may create risks in the supply chain. Authority for approving and responsibility to manage credit limits are regulated by the Group's Credit Policy. A global credit insurance program is in place for many countries to reduce credit risk. Electrolux offers its suppliers the opportunity to utilize supplier finance.

A large portion of the Electrolux cost base is variable and comprises mainly of costs related to raw materials and components, sourced products, logistics and marketing. About 70% of the costs base is variable, while 30% is structural. Electrolux cost structure enables the Group to be flexible and quickly adapt to external risks such as fluctuations in market demand or increased commodity prices. In 2017, Electrolux improved operational efficiency and reduced costs significantly with a total net cost efficiency of about SEK 3bn.

Electrolux cost structure 2017

SEK bn	
Net sales	122
Direct material	–47
Sourced products	–17
Other variable costs	–18
Operational structural cost	–23
Innovation and marketing structural cost	–9
EBIT	**7.4**
Variable cost	70%
Structural cost	30%

Financial risks

Interest-rate risks

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. All investments are interest-bearing instruments, normally with maturities between 0 and 3 months. The 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. A downward shift in the yield curves of one percentage point reduces the Group's net interest income by approximately SEK 60m (72).

Counterparty risk

Exposure to financial credit risks arises from the investment of liquid funds, and derivatives. This is managed as a financial counterparty risk within the Group. In order to limit exposure to financial credit risk, a counterparty list has been established, which specifies the maximum permissible exposure in relation to each counterparty. Both investments of liquid funds and derivatives are normally done with issuers and counterparts holding a long-term rating of at least A– defined by Standard & Poor's or a similar rating agency.

Refinancing

Refinancing risk refers to the risk that the Group's capital requirements and existing financial debt could become more difficult or more costly. The debt financing of the Group is managed by Group Treasury in order to ensure efficiency and risk control. Financial debt is primarily taken up at the 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. The risk is further decreased by ensuring that maturity dates are evenly distributed over time. The net financial debt, total financial debt less liquid funds, excluding seasonal variances, shall be long-term according to the Financial Policy.

The Group's financial debt contain no financial covenants that can trigger premature cancellation of the loans. For long-term financial debt, the Group's goal is to have an average maturity of at least two years, and an even spread of maturities.

Pension commitments

At year-end 2017, Electrolux had commitments for defined benefit obligations amounting to approximately SEK 28bn. The Group's pension commitments are coordinated centrally by Group Treasury, supervising pension assets of approximately SEK 26bn through regional pension funds. Net provisions for post-employment benefits amounted to SEK 2,634m.

The main risks related to pension risk management consists of market fluctuations impacting both capital markets and the discount rates used to calculate the present value of the pension obligations. Actuarial assumption changes, such as longevity and inflation, also represent a key pension risk as these changes impact the level of future expected pension payments.

Capital structure

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 2017, Standard & Poor's affirmed Electrolux A- credit rating with stable outlook.

Currency 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. For more information on Electrolux foreign exchange exposure, see pages 66–67.

More on Risk management

Electrolux myPRO professional washing machine for small businesses.

The Electrolux business model focuses on creating Best-in-class consumer experience.
Work in the Group targets three crucial areas: relevant experience-based innovation, optimization of the product portfolio and quality.

FURTHER INFORMATION ON HOW ELECTROLUX MANAGES ITS OPERATIONS

Read more throughout the Annual Report on how Electrolux executes its strategy and manages operational and financial risks to create long-term sustainable value for its stakeholders.

Electrolux currency exposure

Exchange rate exposure

The global presence of Electrolux, with manufacturing and sales in a number of countries, offsets exchange rate effects to a certain degree. The principal exchange rate effect arises from transaction flows; when purchasing and/or production is/are carried out in one currency and sales occur in another currency.

Every month Group Treasury collects forecasts of the transaction flows for the coming 12 months from the operating units and hedges the invoiced flows.

To some extent, the Group also utilizes currency derivatives to hedge forecasted flows with both committed price and volumes. The results from the currency hedges are transferred to the operating units. It is the business areas' responsibility to manage the FX risk of the forecasted flows through immediate price adjustment and cost reductions.

Electrolux is also affected by translation effects when the Group's sales and costs are translated into SEK. The translation exposure is primarily related to currencies in those regions where the Group's most substantial operations exist.

Sensitivity analysis of currencies

The major currencies for the Electrolux Group are the USD, EUR, BRL, CNY, GBP, CHF and CAD. The key currency pairs and flows are presented in the map together with an explanation of how they impact the Group. In general, income for Electrolux benefits from a weak USD and EUR and from a strong BRL, GBP, CAD and CHF.

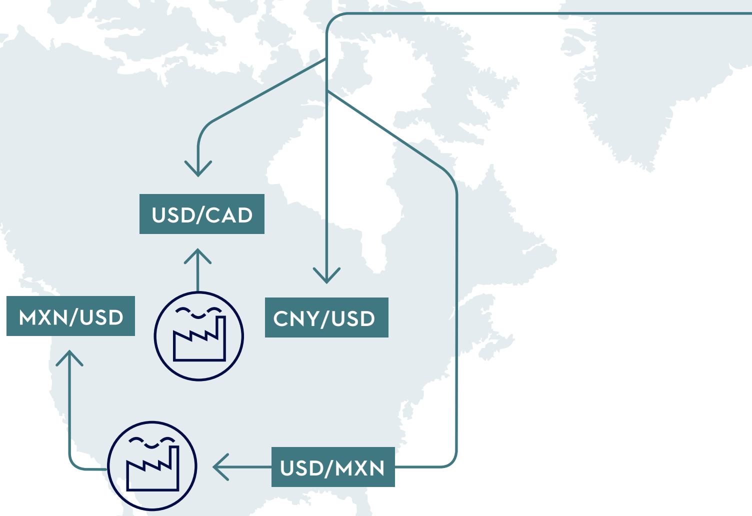
In countries with large manufacturing and logistics centers, effects over time will to a large extent balance out due to natural hedging.

Currency effects 2017

Compared with the previous year, changes in exchange rates for the full-year 2017 had a slightly negative impact on operating income. The total currency effect (translation effects and transaction effects) amounted to SEK –76m. The net transaction effect was SEK –119m and translation effects SEK 43m.

The largest negative impacts came from more expensive import to UK and Egypt due to the depreciation of their currencies. The negative effect was partly offset by cheaper imports to EMEA, Latin America, APAC and Canada thanks to the weaker USD, even if it also resulted in costlier imports to the U.S. from China and Mexico.

The negative net impact of currencies on operating income was mitigated by price increases and mix improvements.



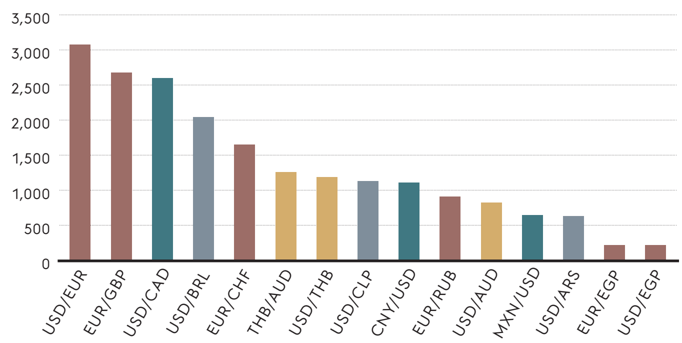
NORTH AMERICA

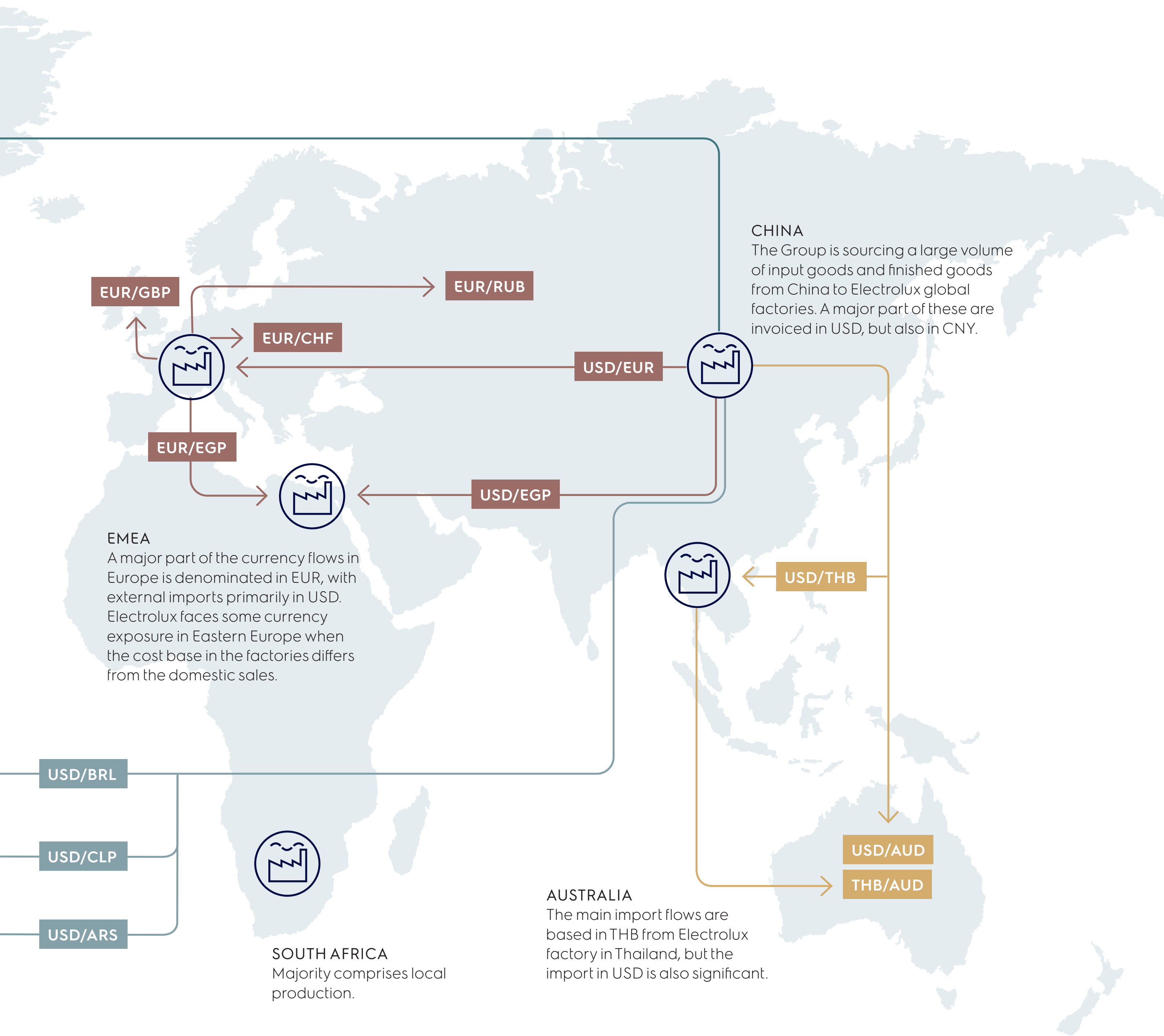
Electrolux is a net importer into the market with flows mainly from China and production conducted in Mexico. In addition to this, the operations in Canada has an exposure to USD as Electrolux imports products into that market.

LATIN AMERICA

Most of the finished products originate from own factories in the region, while imported input goods such as raw materials and components are to a large extent denominated in USD.

LARGEST CURRENCY EXPOSURES, FORECAST 2018, SEKM





CHINA
The Group is sourcing a large volume of input goods and finished goods from China to Electrolux global factories. A major part of these are invoiced in USD, but also in CNY.

EMEA
A major part of the currency flows in Europe is denominated in EUR, with external imports primarily in USD. Electrolux faces some currency exposure in Eastern Europe when the cost base in the factories differs from the domestic sales.

SOUTH AFRICA
Majority comprises local production.

AUSTRALIA
The main import flows are based in THB from Electrolux factory in Thailand, but the import in USD is also significant.

Sensitivity analysis year-end 2017

Currency[1] and interest rates	Change +/-	Pre-tax earnings impact, SEKM
USD to EUR	10%	300
EUR to GBP	10%	260
USD to CAD	10%	260
USD to BRL	10%	200
EUR to CHF	10%	160
THB to AUD	10%	120
USD to THB	10%	110
USD to CLP	10%	110
EUR to RUB	10%	90
USD to AUD	10%	80
Translation exposure to SEK[2]	10%	690
Interest rate	1 percentage point	60

[1] Including transaction effects but not translation effects.
[2] Assuming the Swedish krona appreciates/depreciates against all other currencies.


Electrolux UltraPower

Report by the Board of Directors and Notes

Report by the Board of Directors

- Net sales increased to SEK 122,060m (121,093).
- Organic sales declined by 0.4%, contribution from acquisitions/divestments was 1.0% and currency translation had a positive impact of 0.2%.
- Organic sales growth for Major Appliances EMEA, Major Appliances Latin America, Major Appliances Asia/Pacific and Professional Products.
- Operating income improved across all business areas.
- Operating income increased to SEK 7,407m (6,274), corresponding to a margin of 6.1% (5.2).
- Solid operating cash flow after investments of SEK 6,877m (9,140).
- Income for the period increased to SEK 5,745m (4,493), corresponding to SEK 19.99 (15.64) per share.
- The Board proposes a dividend for 2017 of SEK 8.30 (7.50) per share, to be paid in two installments.

Key data

SEKM	2017	2016	Change, %
Net sales	122,060	121,093	0.8
Organic growth, %	–0.4	–1.1	
Acquisitions, %	1.4	0.1	
Divestments, %	–0.4	–	
Changes in exchange rates, %	0.2	–1.0	
Operating income	7,407	6,274	18
Margin, %	6.1	5.2	
Income after financial items	6,966	5,581	25
Income for the period	5,745	4,493	28
Earnings per share, SEK[1]	19.99	15.64	
Dividend per share, SEK	8.30[2]	7.50	
Operating cash flow after investments[3]	6,877	9,140	–25
Return on net assets, %	35.8	29.9	
Capital turnover-rate, times	5.9	5.8	
Net debt/equity ratio	0.01	0.02	
Return on equity, %	31.7	29.4	
Average number of employees	55,692	55,400	

1) Basic, based on an average of 287.4 (287.1) million shares for the full year of 2017, excluding shares held by Electrolux.
2) Proposed by the Board of Directors.
3) See page 82.

AB Electrolux (publ), 556009-4178
Annual Report 2017, page 69–133

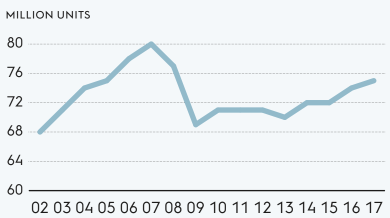
2017 in summary

- Net sales increased by 0.8%, organic growth was slightly down while acquisitions contributed to sales.
- Operating income increased by 18% and improved across all business areas.
- Major Appliances EMEA, Major Appliances North America, Major Appliances Asia/Pacific and Professional Products achieved an operating margin above 6%.
- Operating income for Major Appliances Latin America and Home Care & SDA improved significantly.
- Product mix improvements and cost efficiencies offset increased costs for raw materials.
- Five acquisitions completed; Grindmaster-Cecilware, Kwikot Group, Anova, Best and the Continental brand.

Market overview

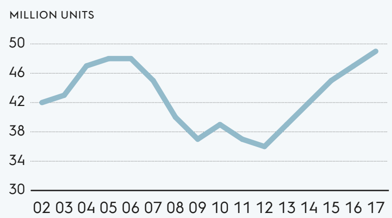
Market demand for core appliances in Europe increased by 1% in 2017. Most markets showed growth. Demand in Western Europe was stable while demand in Eastern Europe improved by 4%. Market demand for core appliances in North America continued to improve and increased by 3%. Market demand for core appliances in Australia, China and Southeast Asia also improved. Demand for appliances in Brazil improved after three consecutive years with declines, demand in Argentina and Chile also improved.

MARKET DEMAND FOR CORE APPLIANCES IN EUROPE



A total of approximately 75 million core appliances were sold in Europe in 2017, which is about 6% lower than the record year of 2007.

MARKET DEMAND FOR CORE APPLIANCES IN THE U.S.



A total of approximately 49 million core appliances were sold in the U.S. in 2017, which exceeded the top levels in 2005 and 2006.

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

Net sales and operating income

Net sales for the Electrolux Group increased by 0.8% in 2017. Organic sales declined by 0.4%, the net contribution of acquisitions and divestments was 1.0% and currency translation had a positive impact of 0.2%. Major Appliances EMEA reported organic sales growth as a result of mix improvements. Favorable market trends, in particular, in Brazil and Argentina contributed to sales growth in Major Appliances Latin America. Major Appliances Asia/Pacific reported healthy sales development across regions. Professional Products grew organically in both the food and laundry segments.

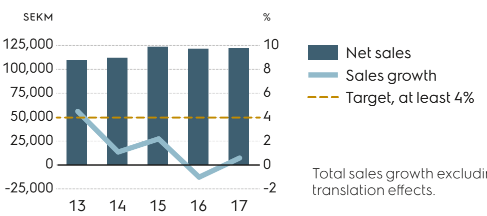
Sales for Major Appliances North America were affected by lower sales volumes of products under private labels and continued price pressure, however sales of products under owned brands increased. Sales for Home Care & SDA declined mainly due to exiting unprofitable segments.

Operating income increased to SEK 7,407m (6,274), corresponding to a margin of 6.1% (5.2). Operating income improved across all business areas. Four business areas achieved an operating margin above 6%. Product mix improvements and higher cost efficiency contributed to the favorable earnings trend in 2017, despite increased costs for raw materials.

The favourable earnings trend for Major Appliances EMEA continued in 2017 as a result of mix improvements and increased cost efficiency and the margin reached 7.2%. Major Appliances North America reached a record margin of 6.8% as a result of increased cost efficiency, despite lower volumes under private labels, price pressure and increased costs for raw materials. Operating income for Major Appliances Latin America continued to recover and improved significantly, while Major Appliances Asia/Pacific reported a continued favorable earnings trend across regions. Results for Home Care & SDA improved significantly and the profitable growth for Professional Products continued.

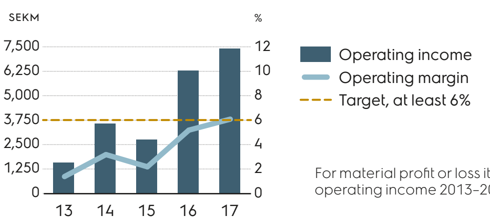
Financial targets over a business cycle

SALES GROWTH



Total sales growth excluding currency translation effects.

OPERATING MARGIN



For material profit or loss items included in operating income 2013–2015, see Note 7.

Financial overview by business area

SEKM	2017	2016	Change, %
Net sales	122,060	121,093	0.8
Operating income			
Major Appliances Europe, Middle East and Africa	2,764	2,546	9
Major Appliances North America	2,757	2,671	3
Major Appliances Latin America	425	–68	725
Major Appliances Asia/Pacific	750	626	20
Home Care & Small Domestic Appliances	431	238	81
Professional Products	1,054	954	11
Common Group costs, etc.	–775	–693	–12
Operating income	**7,407**	**6,274**	**18**
Margin, %	6.1	5.2	

Launches of new products

Electrolux aims to drive profitable growth by creating best-in-class consumer experiences. Product development focuses on three main areas: great tasting food, care for clothes and healthy well-being in the home. Examples of innovative products in 2017 are the two new product ranges under the AEG brand in Europe: The Mastery Range of kitchen products and the New Laundry Range, designed to redefine the perception of fabric care. The AEG connected washing machines and dryers allow consumers to connect, via the My AEG app, for home remote control and monitoring. In North America, The Frigidaire Gallery Freestanding Induction Range was launched as the first affordable induction range in the U.S. market. In Asia/Pacific, several new innovative products were launched such as the Electrolux ComfortLift dishwasher and the gentle clean at lower temperatures Electrolux UltraMix™ washing machines. In Latin America, new innovative products were introduced in several markets including new top load washing machines designed for consumers who are looking for a high capacity product. The new robotic vacuum cleaner Electrolux PURE i9 was introduced and can be controlled via a smart phone. The Anova Precision Cooker connects to a user's smart-phone and offers thousands of recipes to make it easy to cook sous vide – a cooking technique that is well established in gourmet restaurants and growing among consumers.

Strategic initiatives to improve profitability

In 2017, the Group made good progress on the path to profitable growth. Important priorities have been; active product portfolio management, cost efficiency measures and improvement of the product quality. Electrolux has focused on the most consumer-relevant and profitable product categories and exiting unprofitable product categories and markets, which have improved the product mix. Through improved ways of working, a higher resource efficiency and simplification, the cost structure has improved significantly. Comprehensive re-engineering programs in manufacturing, mainly in North America and Latin America, have been initiated. These investments in innovation for new products will drive further growth and increase productivity. The Group drives global quality efforts through the Committed to Quality program. In 2017, product quality reached a new record level.

Acquisitions

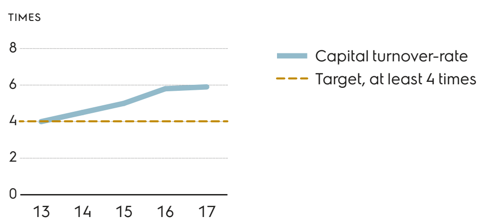
To broaden the product offering and create a strong platform for growth in new segments and markets, acquisitions are an integrated part of Electrolux strategy. In 2017, Grindmaster-Cecilware, Kwikot Group, Anova, Best and the Continental brand were acquired, see page 84 and Note 26.

Changes in Group Management

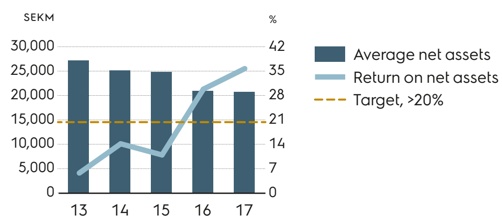
Mikael Östman is General Counsel since January 1, 2017. Ricardo Cons was appointed Head of Major Appliances Latin America as of February 1, 2017 and Lars Hygrell is Chief Marketing Officer since May 1, 2017.

For more information, visit www.electroluxgroup.com

CAPITAL TURNOVER-RATE



RETURN ON NET ASSETS



Net sales and income

- Organic sales declined by 0.4%, the net contribution of acquisitions and divestments was 1.0% and currency translation had a positive impact of 0.2%.
- Operating income improved to SEK 7,407m (6,274), corresponding to a margin of 6.1% (5.2).
- Operating income improved for all business areas.
- Income for the period increased to SEK 5,745m (4,493), corresponding to SEK 19.99 (15.64) per share.

Net sales

Net sales for the Electrolux Group in 2017 amounted to SEK 122,060m (121,093) an increase of 0.8%. Organic sales declined by 0.4%, the net contribution of acquisitions and divestments was 1.0% and currency translation had a positive impact of 0.2%.

Major Appliances EMEA, Major Appliances Latin America, Major Appliances Asia/Pacific and Professional Products reported organic sales growth. Strategic decisions to exit from unprofitable product categories had a negative impact on sales, particularly in Home Care & SDA. Lower volumes under private labels and price pressure in North America impacted sales negatively.

Operating income

Operating income for 2017 improved to SEK 7,407m (6,274), corresponding to a margin of 6.1% (5.2).

Operating income improved across all business areas. Product-mix improvements and increased efficiency contributed to the positive earnings trend. For more information on the performance by business area, see page 74.

Effects of changes in exchange rates

Changes in exchange rates had a negative impact of SEK 76m on operating income year-over-year. The impact of transaction effects was SEK –119m . Translation effects amounted to SEK 43m.

Financial net

Net financial items decreased to SEK –441m (–693). The improvement is mainly related to currencies. The financial net in 2016 was impacted by approximately SEK –170m related to the revaluation of financial liabilities in Egypt due to the depreciation of the Egyptian pound.

Income after financial items

Income after financial items improved to SEK 6,966m (5,581), corresponding to 5.7% (4.6) of net sales.

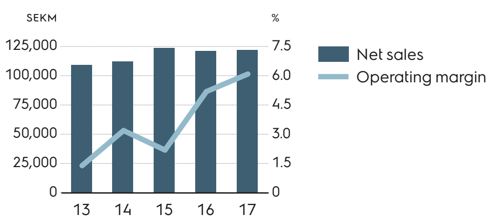
Taxes

Total taxes for 2017 amounted to SEK –1,221m (–1,088), corresponding to a tax rate of 17.5% (19.5). The effective tax rate was positively impacted by a total one-time effect of SEK 479m. This referred mainly to positive revaluation of deferred tax assets, partly offset by negative effects related to the new U.S. corporate tax legislation of SEK –128m.

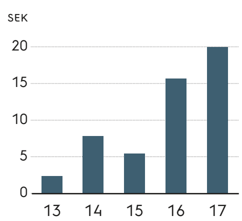
Income for the period and earnings per share

Income for the period increased to SEK 5,745m (4,493), corresponding to SEK 19.99 (15.64) in earnings per share before dilution.

NET SALES AND OPERATING MARGIN



EARNINGS PER SHARE



Consolidated income statement

SEKM	NOTE	2017	2016
Net sales	3, 4	**122,060**	**121,093**
Cost of goods sold	4, 7	–96,511	–95,820
Gross operating income		**25,549**	**25,273**
Selling expenses	4, 7	–12,897	–13,208
Administrative expenses	4, 7	–5,550	–5,812
Other operating income	5	328	218
Other operating expenses	6, 7	–23	–197
Operating income	3, 4, 8	**7,407**	**6,274**
Financial income	9	183	109
Financial expenses	9	–624	–802
Financial items, net		**–441**	**–693**
Income after financial items		**6,966**	**5,581**
Taxes	10	–1,221	–1,088
Income for the period		**5,745**	**4,493**
Items that will not be reclassified to income for the period:			
Remeasurement of provisions for post-employment benefits	22	1,229	–236
Income tax relating to items that will not be reclassified		–440	44
		789	**–192**
Items that may be reclassified subsequently to income for the period:			
Available-for-sale instruments	11, 29	1	43
Cash flow hedges	11	95	–82
Exchange-rate differences on translation of foreign operations	11	–1,233	328
Income tax relating to items that may be reclassified		–17	–20
		–1,154	**269**
Other comprehensive income, net of tax		**–365**	**77**
Total comprehensive income for the period		**5,380**	**4,570**
Income for the period attributable to:			
Equity holders of the Parent Company		5,745	4,494
Non-controlling interests		0	–1
Total comprehensive income for the period attributable to:			
Equity holders of the Parent Company		5,381	4,570
Non-controlling interests		–1	0
Earnings per share	20		
For income attributable to the equity holders of the Parent Company:			
Basic, SEK		19.99	15.64
Diluted, SEK		19.88	15.55
Average number of shares	20		
Basic, million		287.4	287.4
Diluted, million		289.0	289.0

Operations by business area

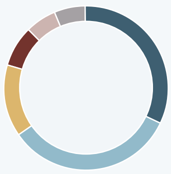
- Continued positive earnings trend in Major Appliances EMEA with margin improvement.
- Operating income and margin improved in Major Appliances North America, despite lower volumes under private labels and increased raw material costs.
- Organic sales growth and earnings recovery in Major Appliances Latin America.
- Sales growth across regions in Major Appliances Asia/Pacific and operating income improved.
- Measures to restore profitability in Home Care & SDA continued and operating income improved significantly.
- Profitable organic growth for Professional Products.

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

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

Professional products comprise food-service equipment for hotels, restaurants and institutions, as well as laundry equipment for apartment-house laundry rooms, launderettes, hotels and other professional users and as of 2017 also beverage products.

SHARE OF SALES BY BUSINESS AREA



Major events during 2017

March, 2017. Electrolux strengthens professional offering of beverage products by acquiring Grindmaster-Cecilware
Electrolux has acquired Grindmaster-Cecilware, a leading U.S. based manufacturer of hot, cold and frozen beverage dispensing equipment, including coffee machines, see page 84.

March, 2017. Electrolux completed the acquisition of Kwikot Group
In November 2016, Electrolux announced the agreement to acquire South Africa's leading water heater producer Kwikot Group. On March 1, 2017, following regulatory approval, Electrolux completed the acquisition, see page 84.

April, 2017. Electrolux completed the acquisition of the U.S. based smart kitchen appliance company, Anova.
Anova is a U.S. based provider of the Anova Precision Cooker, an innovative connected device for sous vide cooking that enables restaurant-quality results in the home, see page 84.

August, 2017. Electrolux acquired European kitchen hoods company Best
Electrolux has acquired Best, a European manufacturer of innovative and well-designed kitchen hoods, see page 84.

August 2017. Electrolux launches game-changing robotic vacuum cleaner
Electrolux has introduced a robotic vacuum cleaner with a revolutionary design and game-changing technology that takes the quality of autonomous cleaning to a new level. The product has been launched in Europe and Asia during 2017 under the Electrolux and AEG brands.

September 2017. Electrolux retains industry leadership in Dow Jones Sustainability Indices
Electrolux has been named Industry Leader of the Household Durables category in the Dow Jones Sustainability World Index (DJSI World). It is the eleventh consecutive year that Electrolux receives this recognition in the assessment, which is published by RobecoSAM.

October 2017. Electrolux acquires Continental brand in Latin America
Electrolux has announced that the Brazilian court administering the bankruptcy of Mabe Brazil has accepted Electrolux bid to acquire the intellectual property assets of the estate. Electrolux has consequently taken over the rights to the Continental brand of home appliances.

October 2017. Electrolux on climate change A-List
Electrolux has been named one of the top 5% corporate global leaders acting against climate change. The company has been awarded a position on the 2017 Climate A-List by CDP, the international non-profit organization. It is the second year in a row Electrolux gets this top recognition by CDP for its efforts to cut emissions, mitigate climate risks and develop the low-carbon economy.

November 2017. Electrolux to Contest Tariff Rate Set in Antidumping Review by U.S. Department of Commerce
Electrolux has been informed by the U.S. Department of Commerce (DOC) that it has 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. Electrolux intends to contest this decision vigorously. If the preliminary tariff rate is determined as final, it could have a one-time cost to Electrolux of up to USD 70m in 2018.

For more information, visit www.electroluxgroup.com

Major Appliances Europe, Middle East and Africa

Market demand in Europe increased by 1% in 2017. Demand in Western Europe was stable while Eastern Europe rose by 4%. Demand increased across most markets while demand in the UK declined.

Electrolux operations in EMEA reported an organic sales growth of 0.6% in 2017. The product mix improved due to launches of new innovative product ranges and focus on the most profitable product categories. The business area gained market shares under premium brands. Acquisitions had a positive impact of 2.1% on sales and referred to Kwikot and Best.

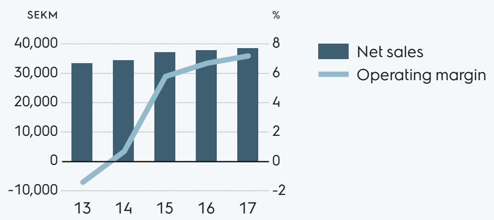
The positive earnings trend continued and operating income and margin improved. Mix improvements and increased cost efficiency offset the negative impact of raw-material cost increases and price pressure.

In 2017 Electrolux acquired South Africa's leading water heater producer Kwikot Group and a European manufacturer of innovative and well-designed kitchen hoods Best, see page 84.

KEY FIGURES

SEKM	2017	2016
Net sales	38,524	37,844
Organic growth, %	0.6	3.5
Acquisitions, %	2.1	–
Operating income	2,764	2,546
Operating margin, %	7.2	6.7
Net assets	3,547	860
Return on net assets, %	77.6	101.5
Capital expenditure	1,420	1,402
Average number of employees	20,573	20,216

NET SALES AND OPERATING MARGIN



Major Appliances North America

Market demand for core appliances in the U.S. grew by 3% in 2017. Market demand for major appliances, including microwave ovens and home-comfort products, improved by 6%.

Electrolux operations in North America reported an organic sales decline of 6.1%. Lower sales volumes under private labels and price pressure in the market had a negative impact on sales. However, sales of products under own brands increased which improved the product mix.

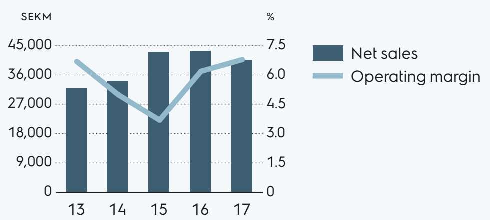
Operating income and margin improved as a result of increased cost efficiency and mix improvements which more than offset the negative impact from price pressure, lower volumes and increased raw material costs.

KEY FIGURES

SEKM	2017	2016
Net sales	40,656	43,402
Organic growth, %[1]	–6.1	–0.9
Operating income	2,757	2,671
Operating margin, %	6.8	6.2
Net assets	2,260	2,700
Return on net assets, %	117.5	75.7
Capital expenditure	1,467	673
Average number of employees	14,255	14,838

1) The organic growth in 2016 was negatively impacted by 0.2%, related to the transfer of operations under the Kelvinator brand in North America to the business area Professional Products.

NET SALES AND OPERATING MARGIN



Major Appliances Latin America

Market demand for appliances in Brazil improved after three consecutive years with decline, demand in Argentina and Chile also improved.

Electrolux operations in Latin America reported an organic sales growth of 7.9% in 2017. The favorable market trend in major markets such as Brazil and Argentina contributed to the positive sales development. Sales volumes increased across categories in the major markets of the region.

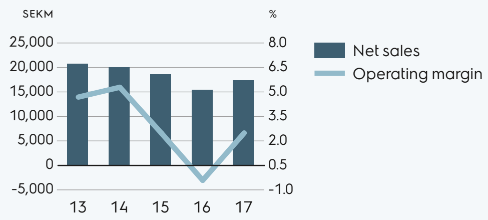
Operating income and margin recovered and improved significantly year-over-year. This is a result of higher volumes, and improved cost efficiency which offset the negative impact from higher costs for raw materials and increased price pressure.

In 2017 the Continental brand in Latin America was acquired, see page 84. The acquisition will enable Electrolux to further expand market coverage in the region.

KEY FIGURES

SEKM	2017	2016
Net sales	17,302	15,419
Organic growth, %	7.9	–10.8
Operating income	425	–68
Operating margin, %	2.5	–0.4
Net assets	5,850	6,216
Return on net assets, %	7.4	–1.1
Capital expenditure	711	600
Average number of employees	10,381	10,459

NET SALES AND OPERATING MARGIN



Major Appliances Asia/Pacific

Overall market demand for appliances in Australia, China and Southeast Asia is estimated to have increased in 2017. The market growth was particularly favorable in Southeast Asia and Australia.

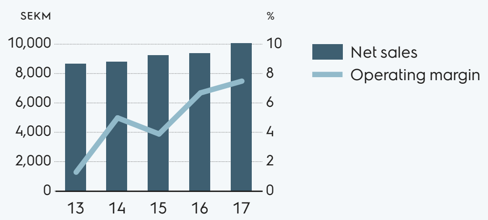
Organic sales for Electrolux increased by 5.6%. This was a result of higher sales volumes and mix improvements. Sales volumes grew across most product categories in Australia, New Zealand and Southeast Asia.

Operating income and margin improved. Operations in Australia and New Zealand continued its solid earnings trend and operating income improved in Southeast Asia and China.

KEY FIGURES

SEKM	2017	2016
Net sales	10,048	9,380
Organic growth, %	5.6	1.3
Acquisitions, %	0.7	0.5
Operating income	750	626
Operating margin, %	7.5	6.7
Net assets	1,625	1,842
Return on net assets, %	40.8	34.6
Capital expenditure	418	271
Average number of employees	3,792	3,493

NET SALES AND OPERATING MARGIN



Home Care & Small Domestic Appliances

In 2017, the overall market for vacuum cleaners increased, driven mainly by cordless handsticks which grew significantly across most regions.

Organic sales for Electrolux declined by 4.2% in 2017. The product mix improved as a result of active product portfolio management while sales volumes declined. Exiting unprofitable product categories and lower sales of cordless vacuum cleaners had a negative impact on sales. The acquired smart kitchen appliance company Anova had a positive impact of 4.7% on sales while the divestment of the Eureka brand in the U.S. in December 2016 had a negative impact of –6.6%.

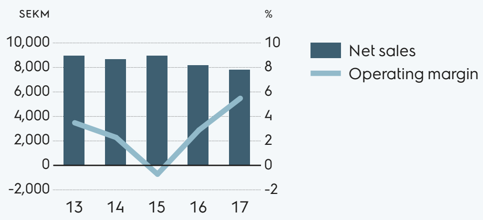
The program to restore profitability continued during the year and operating income and margin improved significantly. Strategic decision to focus the business on the strongest categories improved the mix which, in combination with increased cost efficiencies, contributed to earnings.

In 2017, the U.S.-based smart kitchen appliance company Anova was acquired, see page 84.

KEY FIGURES

SEKM	2017	2016
Net sales	7,808	8,183
Organic growth, %	–4.2	–8.2
Acquisitions, %	4.7	–
Divestments, %	–6.6	–
Operating income	431	238
Operating margin, %	5.5	2.9
Net assets	1,822	796
Return on net assets, %	30.1	18.6
Capital expenditure	190	171
Average number of employees	2,360	2,348

NET SALES AND OPERATING MARGIN



Professional Products

Overall market demand for professional food-service and professional laundry equipment improved across most regions. Demand increased in Europe, Asia Pacific and the U.S.

Electrolux organic growth was 5.6%. Sales of both laundry equipment and food-service equipment increased. Sales grew in several markets and were particularly strong in Western Europe, the U.S. and Japan. Acquisitions had a positive impact of 6.6% on sales and referred to Grindmaster-Cecilware.

Operating income and margin remained solid. Increased sales volumes contributed to earnings while currency headwinds had a negative impact. Profitability improved for both food-service and laundry equipment, while the acquired business for beverage products had a dilutive impact on operating margin.

Investments in product development to strengthen positions in existing and new segments and markets were made.

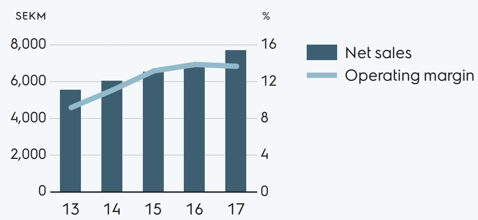
In 2017 the U.S.-based Grindmaster-Cecilware, a manufacturer of hot, cold and frozen beverage dispensing equipment was acquired, see page 84.

KEY FIGURES

SEKM	2017	2016
Net sales	7,723	6,865
Organic growth, % [1]	5.6	4.4
Acquisitions, %	6.6	0.6
Operating income	1,054	954
Operating margin, %	13.7	13.9
Net assets	1,728	843
Return on net assets, %	64.3	108.1
Capital expenditure	167	124
Average number of employees	2,947	2,767

[1] The organic growth in 2016 was positively impacted by 1.3%, related to the transfer of operations under the Kelvinator brand in North America from the business area Major Appliances North America.

NET SALES AND OPERATING MARGIN



Financial position

- Equity/assets ratio was 26.5% (24.7).
- Return on equity was 31.7% (29.4).
- Return on net assets was 35.8% (29.9).
- Financial net debt amounted to SEK –2,437m (–3,809).

Working capital and net assets

Working capital as of December 31, 2017 amounted to SEK –15,721m (–14,966), corresponding to –12.2% (–11.7) of annualized net sales. Working capital related to inventories, trade receivables and accounts payable amounted to SEK 4,305m (4,543), corresponding to 3.3% (3.5) of annualized net sales.

Average net assets were SEK 20,713m (20,957), corresponding to 17.0% (17.3) of annualized net sales.

Return on net assets was 35.8% (29.9).

Working capital and net assets

SEKM	Dec. 31, 2017	% of net sales[1]	Dec. 31, 2016	% of net sales[1]
Inventories	14,632	11.4	13,418	10.5
Trade receivables	20,945	16.3	19,408	15.2
Accounts payable	–31,272	–24.4	–28,283	–22.2
Provisions	–7,823		–8,044	
Prepaid and accrued income and expenses	–10,895		–10,732	
Taxes and other assets and liabilities	–1,308		–733	
Working capital	**–15,721**	**–12.2**	**–14,966**	**–11.7**
Property, plant and equipment	19,192		18,725	
Goodwill	7,628		4,742	
Other non-current assets	4,749		4,009	
Deferred tax assets and deferred tax liabilities	4,945		5,588	
Net assets	**20,793**	**16.2**	**18,098**	**14.2**
Annualized net sales[2]	128,367		127,490	
Average net assets	**20,713**	**17.0**	**20,957**	**17.3**
Annualized net sales[3]	122,060		121,093	
Return on net assets, %	35.8		29.9	

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

Liquid funds

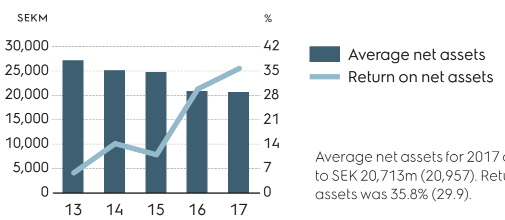
Liquidity profile

SEKM	Dec. 31, 2017	Dec. 31, 2016
Liquid funds	11,974	14,011
% of annualized net sales[1]	17.0	19.5
Net liquidity	9,024	11,761
Fixed interest term, days	16	22
Effective annual yield, %	1.8	0.9

[1] Liquid funds plus back-up credit facilities divided by annualized net sales, see below. For additional information on the liquidity profile, see Note 18.

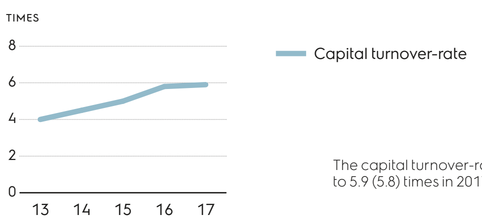
Liquid funds as of December 31, 2017, amounted to SEK 11,974m (14,011), excluding back-up credit facilities. Electrolux has an unused committed back-up multi-currency revolving credit facility of EUR 1,000m, approximately SEK 9,800m, maturing 2022 with an extension option of one year.

RETURN ON NET ASSETS



Average net assets for 2017 declined to SEK 20,713m (20,957). Return on net assets was 35.8% (29.9).

CAPITAL TURNOVER-RATE, TIMES/YEAR



The capital turnover-rate increased to 5.9 (5.8) times in 2017.

Consolidated balance sheet

SEKM	NOTE	December 31, 2017	December 31, 2016
ASSETS			
Non-current assets			
Property, plant and equipment	12	19,192	18,725
Goodwill	13	7,628	4,742
Other intangible assets	13	3,741	3,112
Investments in associates	29	337	210
Deferred tax assets	10	5,675	6,168
Financial assets	18	212	287
Pension plan assets	22	455	345
Other non-current assets	14	459	400
Total non-current assets		37,699	33,989
Current assets			
Inventories	15	14,632	13,418
Trade receivables	17, 18	20,945	19,408
Tax assets		830	701
Derivatives	18	87	103
Other current assets	16	3,839	4,568
Short-term investments	18	358	905
Cash and cash equivalents	18	11,289	12,756
Total current assets		51,980	51,859
Total assets		89,679	85,848
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Parent Company			
Share capital	20	1,545	1,545
Other paid-in capital	20	2,905	2,905
Other reserves	20	–2,624	–1,471
Retained earnings	20	18,756	14,729
		20,582	17,708
Non-controlling interests		14	30
Total equity		20,596	17,738
Non-current liabilities			
Long-term borrowings	18	6,587	7,952
Deferred tax liabilities	10	730	580
Provisions for post-employment benefits	22	3,089	4,514
Other provisions	23	5,753	5,792
Total non-current liabilities		16,159	18,838
Current liabilities			
Accounts payable	18	31,272	28,283
Tax liabilities		924	771
Other liabilities	24	15,712	15,727
Short-term borrowings	18	2,695	1,807
Derivatives	18	251	432
Other provisions	23	2,070	2,252
Total current liabilities		52,924	49,272
Total liabilities		69,083	68,110
Total equity and liabilities		89,679	85,848

Cont. **Financial position**

Net debt

Net debt

SEKM	Dec. 31, 2017	Dec. 31, 2016
Short-term borrowings	2,950	2,250
Long-term borrowings	6,587	7,952
Total borrowings[1]	**9,537**	**10,202**
Liquid funds	11,974	14,011
Financial net debt	**–2,437**	**–3,809**
Net provisions for post-employment benefits	2,634	4,169
Net debt	**197**	**360**
Net debt/equity ratio	0.01	0.02
Equity	**20,596**	**17,738**
Equity per share, SEK	71.66	61.72
Return on equity, %	31.7	29.4
Equity/assets ratio, %	26.5	24.7

[1] Whereof interest-bearing liabilities amounting to SEK 9,078m as of December 31, 2017 and SEK 9,525m as of December 31, 2016.

As of December 31, 2017, Electrolux had a net financial cash position of SEK 2,437m compared to the net financial cash position of SEK 3,809m as of December 31, 2016. Net provisions for post-employment benefits decreased to SEK 2,634m. In total, net debt amounted to SEK 197m, a decrease by SEK 163m compared to SEK 360m as of December 31, 2016.

Long-term borrowings as of December 31, 2017, including long-term borrowings with maturities within 12 months, amounted to SEK 8,088m with average maturity of 2.4 years, compared to SEK 8,451m and 2.7 years at the end of 2016.

In 2018, long-term borrowings amounting to approximately SEK 1,500m 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 0.6 years (0.8).

At year-end, the average interest rate for the Group's total interest-bearing borrowings was 2.1% (2.0).

Rating

In 2017, Electrolux investment-grade rating from Standard & Poor's, A- with a stable outlook, was affirmed.

Rating

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

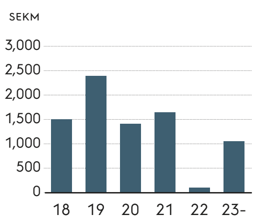
Net debt/equity and equity/assets ratio

The net debt/equity ratio was 0.01 (0.02). The equity/assets ratio was 26.5% (24.7).

Equity and return on equity

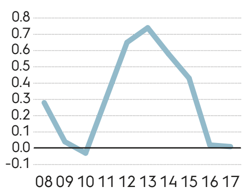
Total equity as of December 31, 2017, amounted to SEK 20,596m (17,738), which corresponds to SEK 71.66 (61.72) per share. Return on equity was 31.7% (29.4).

LONG-TERM BORROWINGS, BY MATURITY

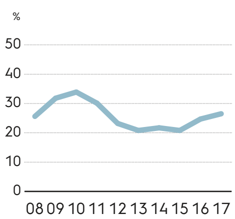


In 2018, long-term borrowings in the amount of approximately SEK 1 500m will mature. For information on borrowings, see Note 2 and 18.

NET DEBT/EQUITY RATIO[1]



EQUITY/ASSETS RATIO[1]



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

Changes in consolidated equity

SEKM	Share capital	Other paid-in capital	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
	Attributable to equity holders of the parent company						
Opening balance, January 1, 2016	1,545	2,905	–1,739	12,264	14,975	30	15,005
Income for the period	—	—	—	4,494	4,494	–1	4,493
Available-for-sale instruments	—	—	43	—	43	—	43
Cash flow hedges	—	—	–82	—	–82	—	–82
Exchange differences on translation of foreign operations	—	—	327	—	327	1	328
Remeasurement of provisions for post-employment benefits	—	—	—	–236	–236	—	–236
Income tax relating to other comprehensive income	—	—	–20	44	24	—	24
Other comprehensive income, net of tax	—	—	268	–192	76	1	77
Total comprehensive income for the period	—	—	268	4,302	4,570	0	4,570
Share-based payment	—	—	—	31	31	—	31
Dividend SEK 6.50 per share	—	—	—	–1,868	–1,868	0	–1,868
Acquisition of non-controlling interest	—	—	—	0	0	—	0
Total transactions with equity holders	—	—	—	–1,837	–1,837	0	–1,837
Closing balance, December 31, 2016	1,545	2,905	–1,471	14,729	17,708	30	17,738
Income for the period	—	—	—	5,745	5,745	0	5,745
Available for sale instruments	—	—	1	—	1	—	1
Cash flow hedges	—	—	95	—	95	—	95
Exchange differences on translation of foreign operations	—	—	–1,232	—	–1,232	–1	–1,233
Remeasurement of provisions for post-employment benefits	—	—	—	1,229	1,229	—	1,229
Income tax relating to other comprehensive income	—	—	–17	–440	–457	—	–457
Other comprehensive income, net of tax	—	—	–1,153	789	–364	–1	–365
Total comprehensive income for the period	—	—	–1,153	6,534	5,381	–1	5,380
Share-based payment	—	—	—	–356	–356	—	–356
Dividend SEK 7.50 per share	—	—	—	–2,155	–2,155	0	–2,155
Acquisition of non-controlling interest	—	—	—	4	4	–15	–11
Total transactions with equity holders	—	—	—	–2,507	–2,507	–15	–2,522
Closing balance, December 31, 2017	1,545	2,905	–2,624	18,756	20,582	14	20,596

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

Cash flow

- Operating cash flow after investments amounted to SEK 6,877m (9,140).
- Capital expenditure amounted to SEK 4,679m (3,390).
- R&D expenditure amounted to 3.0% (3.0) of net sales.

Operating cash flow after investments

Operating cash flow after investments in 2017 amounted to SEK 6,877m (9,140). The operating cash flow was in line with the previous year, while higher investments had a negative impact on the cash flow.

Acquisitions had a negative impact of SEK 3,405m on the cash flow in 2017. For more information on acquisitions see page 84 and Note 26.

Cash flow

SEKM	2017	2016
Operating income adjusted for non-cash items[1]	11,405	10,545
Change in operating assets and liabilities	267	1,328
Operating cash flow	**11,672**	**11,873**
Investments in tangible and intangible assets	–4,857	–3,390
Changes in other investments	62	657
Operating cash flow after investments	**6,877**	**9,140**
Acquisitions and divestments of operations	–3,405	176
Operating cash flow after structural changes	**3,472**	**9,316**
Financial items paid, net[2]	–227	–514
Taxes paid	–1,421	–1,194
Cash flow from operations and investments	**1,824**	**7,608**
Dividend	–2,155	–1,868
Share-based payments	–483	–57
Total cash flow, excluding change in loans and short-term investments	**–814**	**5,683**

1) Operating income adjusted for depreciation and amortization and other non-cash items.
2) For the period January 1 — December 31, 2017. Interests and similar items received SEK 199m (123), interests and similar items paid SEK –357m (–345) and other financial items paid SEK –69m (–292).

Capital expenditure

Capital expenditure in property, plant and equipment in 2017 amounted to SEK 3,892m (2,830), corresponding to 3.2% (2.3) of net sales. Including investments in product development and software, capital expenditure amounted to SEK 4,679m (3,390). Investments in 2017, mainly related to investments within manufacturing facilities for efficiencies and new products.

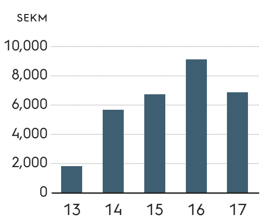
Capital expenditure by business area

SEKM	2017	2016
Major Appliances		
Europe, Middle East and Africa	1,420	1,402
% of net sales	3.7	3.7
North America	1,467	673
% of net sales	3.6	1.6
Latin America	711	600
% of net sales	4.1	3.9
Asia/Pacific	418	271
% of net sales	4.2	2.9
Home Care & Small Domestic Appliances	**190**	**171**
% of net sales	2.4	2.1
Professional Products	**167**	**124**
% of net sales	2.2	1.8
Other	306	149
Total	**4,679**	**3,390**
% of net sales	3.8	2.8

R&D expenditure

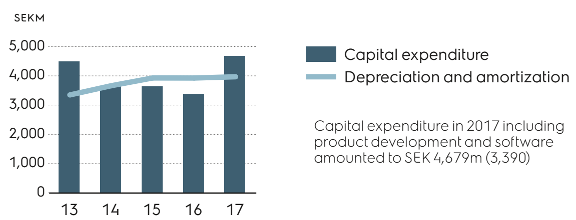
The expenditure for research and development in 2017, including capitalization of SEK 355m (274), amounted to SEK 3,621m (3,372) corresponding to 3.0% (3.0) of net sales.

OPERATING CASH FLOW AFTER INVESTMENTS



Operating cash flow after investments in 2017 amounted to SEK 6,877m (9,140).

CAPITAL EXPENDITURE



Capital expenditure in 2017 including product development and software amounted to SEK 4,679m (3,390)

Consolidated cash flow statement

SEKM	NOTE	2017	2016
Operations			
Operating income		7,407	6,274
Depreciation and amortization		3,977	3,934
Other non-cash items		21	337
Financial items paid, net[1]		–227	–514
Taxes paid		–1,421	–1,194
Cash flow from operations, excluding change in operating assets and liabilities		**9,757**	**8,837**
Change in operating assets and liabilities			
Change in inventories		–1,377	1,493
Change in trade receivables		–1,992	–467
Change in accounts payable		3,418	72
Change in other operating liabilities and provisions		218	230
Cash flow from change in operating assets and liabilities		**267**	**1,328**
Cash flow from operations		**10,024**	**10,165**
Investments			
Acquisition of operations	26	–3,405	–160
Divestment of operations	26	—	336
Capital expenditure in property, plant and equipment	12	–3,892	–2,830
Capital expenditure in product development	13	–418	–274
Capital expenditure in software	13	–369	–286
Other[2]		–116	657
Cash flow from investments		**–8,200**	**–2,557**
Cash flow from operations and investments		**1,824**	**7,608**
Financing			
Change in short-term investments		539	–799
Change in short-term borrowings		–386	–31
New long-term borrowings	18	1,002	—
Amortization of long-term borrowings	18	–1,695	–2,669
Dividend		–2,155	–1,868
Share-based payments		–483	–57
Cash flow from financing		**–3,178**	**–5,424**
Total cash flow		**–1,354**	**2,184**
Cash and cash equivalents at beginning of period		**12,756**	**10,696**
Exchange-rate differences referring to cash and cash equivalents		–113	–124
Cash and cash equivalents at end of period		**11,289**	**12,756**

[1] Interests and similar items received SEK 199m (123), interests and similar items paid SEK –357m (–345) and other financial items paid SEK –69m (–292).
[2] Including the investment in the Continental brand in Latin America of SEK 178m.

Acquisitions and other facts

Acquisitions in 2017

Grindmaster-Cecilware

On February 28, 2017, Electrolux completed the acquisition of the U.S. based Grindmaster-Cecilware business. The acquisition broadens Electrolux offering in its food service business and will accelerate the growth of the Professional Products business area by increasing access to the U.S. market, one of the largest global markets for professional appliances.

Grindmaster-Cecilware is a leading U.S. based manufacturer of hot, cold and frozen beverage dispensing equipment, including coffee machines. Grindmaster-Cecilware had net sales in excess of USD 65m in 2016 and approximately 200 employees. The company is based in Louisville, Kentucky and has manufacturing facilities in Louisville and in Rayong, Thailand.

Kwikot Group

On March 1, 2017, Electrolux acquired the Kwikot Group, South Africa's leading water heater producer. The acquisition broadens Electrolux home comfort product range and offers a strong platform for growth opportunities in Africa. The acquisition significantly strengthens Electrolux presence in South Africa.

Kwikot is based in Johannesburg where it also has production and its main warehouse. In the financial year ending June 30, 2016, Kwikot Group had sales of approximately ZAR 1.13 bn (approximately SEK 730m), and an operating profit margin of more than 20%. The company has about 800 employees.

Anova

On April 4 Electrolux completed the acquisition of the U.S. based smart kitchen appliance company, Anova. Anova is a provider of the Anova Precision Cooker, an innovative connected device for sous-vide cooking that enables restaurant-quality results in the home. The acquisition provides a significant opportunity for profitable growth in an emerging product category. Anova's direct-to-consumer business model and digital focus are of strong strategic interest to Electrolux.

Net sales in 2016 amounted to around USD 40m. The company has approximately 70 employees and contractors globally and is headquartered in San Francisco, California. Sales are primarily carried out online – directly to consumer and through major retailers.

Best

On August 10, Electrolux completed the acquisition of the European kitchen hoods company Best. Best is a European manufacturer of innovative and well-designed kitchen hoods. The acquisition will reinforce Electrolux capabilities for design, R&D and manufacturing of kitchen hoods.

Net sales in 2016 amounted to EUR 42m (around SEK 400m). The Best Group has approximately 450 employees, primarily at manufacturing sites in Cerreto d'Esi (central Italy) and Zabrze (southern Poland).

Continental brand in Latin America

On October 23, Electrolux announced that the Brazilian court administering the bankruptcy of Mabe Brazil has accepted a BRL 70m (SEK 178m) bid to acquire the intellectual property assets of the estate. Electrolux has consequently taken over the rights to the Continental brand of home appliances.

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

Asbestos litigation in the U.S.

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

As of December 31, 2017, the Group had a total of 3,372 (3,233) cases pending, representing approximately 3,435 (approximately 3,296) plaintiffs. During 2017, 1,313 new cases with 1,313 plaintiffs were filed and 1,174 pending cases with approximately 1,174 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.

External 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 performed by the business area boards. Electrolux organizational structure and system for internal control and risk management are included in the Corporate Governance report.

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

External risks

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

Variations in demand

In times of weak markets and decline in demand for the Group's products, decisive actions and cost savings initiatives throughout the Group have proven that Electrolux can make timely adjustments to its 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 best-in-class consumer experiences with speed to market.

Changing industry dynamics

The fast pace of change in the industry has led to new trends, such as increased consumer power, digitalization, consolidation and sustainability. These changes place increasing demand on investments and ability to adapt, but also opens up major opportunities. Electrolux has in recent years invested in R&D and new innovation and transformed its business into a consumer-oriented company with strong focus on consumer benefits. Electrolux has also communicated ambitious targets to improve its sustainability footprint. For more information, see Sustainability reporting 2017 on pages 138–146.

Price competition

A number of Electrolux markets are experiencing price competition. This is particularly evident in the low-cost segments and in product categories with significant overcapacity. Electrolux has historically aimed at keeping a disciplined approach in its pricing strategy. However, in markets with high inflation combined with currency-rate fluctuations, Electrolux has the possibility to carry out price increases to offset potential negative effects.

Raw material impact

Materials account for a large share of the Group's costs. Electrolux purchases raw materials and components for approximately SEK 47bn, of which approximately SEK 18bn refers to the former. Fluctuations in commodity prices impact the Group's input costs and, therefore, its profitability. In order to mitigate increased input costs related to higher raw-material prices, Electrolux may have to take actions to increase cost efficiency, negotiate purchasing contracts for commodities such as steel and chemicals or increase the prices of its products.

Political and macro risk

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

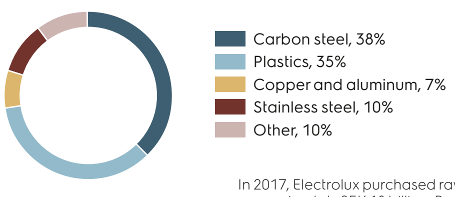
Risks, risk management and risk exposure are described in more detail in Note 1 Accounting principles, Note 2 Financial risk management and in Note 18 Financial instruments.

Sensitivity analysis year-end 2017

Risk	Change +/-	Pre-tax earnings impact, SEKM
Raw materials[1]		
Carbon Steel	10%	700
Stainless Steel	10%	200
Plastics	10%	600
Currency[2] **and interest rates**		
USD to EUR	10%	300
EUR to GBP	10%	260
USD to CAD	10%	260
USD to BRL	10%	200
EUR to CHF	10%	160
THB to AUD	10%	120
USD to THB	10%	110
USD to CLP	10%	110
EUR to RUB	10%	90
USD to AUD	10%	80
Translation exposure to SEK[3]	10%	690
Interest rate	1 percentage point	60

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

RAW-MATERIALS EXPOSURE 2017



In 2017, Electrolux purchased raw materials for approximately SEK 18 billion. Purchases of steel accounted for the largest cost.

Share capital and ownership

Share capital and ownership structure

As of December 31, 2017, 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 2017.

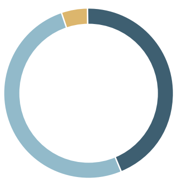
The total number of registered shares in the company amounts to 308,920,308 shares, of which 8,192,539 are Class A shares and 300,727,769 are Class B shares, total number of votes amounts to 38,265,316.

Major shareholders

	Share capital, %	Voting rights, %
Investor AB	15.5	29.9
BlackRock, Inc.	4.4	3.5
Alecta Pension Insurance	3.2	3.8
Swedbank Robur Funds	2.7	2.2
Norges Bank Investment Management	2.5	2.0
AMF Insurance & Funds	2.3	1.8
JP Morgan Asset Management	2.1	1.7
Fiduciary Management, Inc. of Milwaukee	2.1	1.7
Vanguard	1.8	1.4
Invesco	1.6	1.3
Total, ten largest shareholders	38.2	49.3

Source: Holdings and Euroclear Sweden as of December 31, 2017.

OWNERSHIP STRUCTURE



Swedish institutions and mutual funds, 44%
Foreign investors, 51%
Swedish private investors, 5%

At year-end 2017, about 51% of the total share capital was owned by foreign investors.

Source: Holdings and Euroclear Sweden as of December 31, 2017.

According to Euroclear Sweden, there were 45,295 shareholders in AB Electrolux as of December 31, 2017. Investor AB is the largest shareholder, owning 15.5% of the share capital and 29.9% of the voting rights. Information on the shareholder structure is updated quarterly at www.electroluxgroup.com

Distribution of shareholdings

Shareholding	Ownership, %	Number of shareholders	As % of shareholders
1–1,000	2.9	41,140	90.8
1,001–10,000	3.0	3,701	8.2
10,001–20,000	0.6	135	0.3
20,001–	93.5	319	0.7
Total	100	45,295	100

Source: Holdings and Euroclear Sweden as of December 31, 2017.

Articles of Association

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

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

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

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

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

Distribution of funds to shareholders

Proposed dividend

The Board of Directors proposes a dividend for 2017 of SEK 8.30 (7.50) per share, for a total dividend payment of approximately SEK 2,385m (2,155). The proposed dividend corresponds to approximately 42% (48) of income for the period.

The dividend is proposed to be paid in two equal installments, the first with record date April 9, 2018 and the second with record date October 9, 2018. The first installment is estimated to be paid on April 12, 2018 and the second installment on October 12, 2018.

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

Proposal for a renewed mandate on acquisition of own shares

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

The Board of Directors proposes the Annual General Meeting 2018 to authorize the Board of Directors, for the period until the next Annual General Meeting, to resolve on acquisitions of shares in the company and that the company may acquire as a maximum so many B shares that, following each acquisition, the company holds at a maximum 10% of all shares issued by the company.

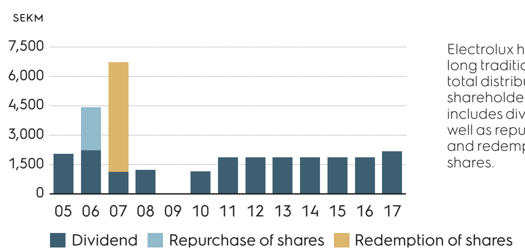
The purpose of the proposal is to be able to use repurchased shares on account of potential company acquisitions and the company's share related incentive programs, and to be able to adapt the company's capital structure.

As of December 31, 2017, 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, 2017	8,192,539	300,727,769	308,920,308	21,522,858	287,397,450
Total number of shares as of December 31, 2017	8,192,539	300,727,769	308,920,308	21,522,858	287,397,450
As % of total number of shares				7.0%	

TOTAL DISTRIBUTION TO SHAREHOLDERS



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

Employees

Electrolux corporate culture

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

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

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

Code of Conduct

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

Number of employees

The average number of employees increased in 2017 to 55,692 (55,400), of whom 2,039 (2,076) were in Sweden. At year-end, the total number of employees was 56,708 (53,889).

Salaries and remuneration in 2017 amounted to SEK 16,470m (15,886), of which SEK 1,406m (1,155) refers to Sweden.

Proposal for remuneration guidelines for Group Management

The Board of Directors will propose the following guidelines for remuneration and other terms of employment for the President and CEO and other members of Group Management of Electrolux to the Annual General Meeting (AGM) 2018. Group Management currently comprises twelve executives. The proposed guidelines for 2018 correspond to the guidelines approved by the AGM in 2017.

The principles shall be applied for employment agreements entered into after the AGM 2018 and for changes made to existing employment agreements thereafter.

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

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

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

Fixed compensation

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

Variable compensation

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

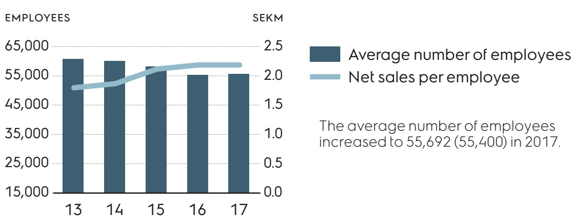
Variable compensation shall principally relate to financial performance targets.

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

Short Term Incentive (STI)

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

EMPLOYEES



The average number of employees increased to 55,692 (55,400) in 2017.

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

STI payments for 2018 are estimated[1] to range between no payout at minimum level and SEK 65m (excluding social costs) at maximum level.

Long Term Incentive (LTI)

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

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

Proposal for performance-based long-term share program 2018

The Board of Directors will propose a performance-based long-term share program for 2018 to the AGM 2018. The proposed program will be connected to performance targets for the Group established by the Board for (i) earnings per share, (ii) return on net assets and (iii) adjusted organic sales growth, for the 2018 financial year. The proposed program will include up to 350 senior managers and key employees. Allocation of performance-based shares, if any, will take place in 2021. Details of the program will be included in the notice to the AGM 2018.

The costs for the LTI program proposed for 2018 are estimated[1] to SEK 461m (including social costs) at maximum level.

Extraordinary arrangements

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

Costs for extraordinary arrangements during 2017 amount to approximately SEK 3.2m. Costs for extraordinary arrangements which have not yet been paid out are currently estimated to approximately SEK 3.2m.

Pension and benefits

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

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

Notice of termination and severance pay

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

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

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

Deviations from the guidelines

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

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

Sustainability and environmental facts

Electrolux retains global industry leadership in Dow Jones Sustainability Index 2017
In 2017, and for the eleventh consecutive year, Electrolux was recognized as a leader in the household durables industry in the prestigious Dow Jones Sustainability Index (DJSI). Electrolux thereby ranks among the top 10% of the world's 2,500 largest companies for social and environmental performance. Additionally, Electrolux has received recognition from other indexes and organizations, including RobecoSAM, CDP and OEKOM Prime status. Electrolux is also included in the Climate A List by CDP.

Sustainability reporting 2017
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 2017, read Electrolux sustainability reporting section on pages 138–146.

Mandatory permits and notification in Sweden and elsewhere
Electrolux operates three plants in Sweden, which account for approximately 1.3% of the total value of the Group's production. Permits are required by authorities for two of these plants and are also required to submit notification. The permits cover such areas as thresholds or maximum permissible values for air and waterborne emissions and noise. No significant non-compliance with Swedish environmental legislation was reported in 2017.

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. Potential non-compliance, disputes or items that pose a material financial risk are reported to Group level in accordance with Group policy. No such significant item was reported in 2017.

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

Events after year-end 2017

January 12. Staffan Bohman was proposed new Chairman
In preparation for the Electrolux Annual General Meeting, the Electrolux Nomination Committee proposes the election of Staffan Bohman as new Chairman of the Board of Directors of AB Electrolux. The committee also proposes re-election of Petra Hedengran, Hasse Johansson, Ulla Litzén, Bert Nordberg, Fredrik Persson, David Porter, Jonas Samuelson, Ulrika Saxon and Kai Wärn as Board Members. Ronnie Leten has, as previously communicated, declined re-election.

January 22. Electrolux to acquire German company in professional laundry
Electrolux has agreed to acquire Schneidereit GmbH, a supplier of laundry rental solutions for professional customers in Germany and Austria. The acquisition enables Electrolux to develop its offering within the professional laundry business and supports the long-term profitable growth in Europe.

Net sales in 2016 amounted to around EUR 18m (around SEK 175m) and the company has approximately 110 employees throughout Germany. The acquisition is expected to be completed during the first quarter of 2018 and is subject to regulatory approvals.

January 30. Electrolux investing USD 500 million in U.S. product innovation and manufacturing, also consolidating production
Electrolux is planning total investments of approximately USD 500m in its U.S. manufacturing operations, stepping up a strategic initiative to drive profitable growth in North America with new lines of innovative Frigidaire kitchen products. The company will also consolidate freezer production into its Anderson, South Carolina refrigeration facility.

This entails modernizing and expanding the manufacturing operation in Springfield, Tennessee for approximately USD 250m, including a new line of freestanding cooking products. This adds to a previously decided investment of approximately USD 250m in a new range of products and manufacturing processes at the Anderson facility. The two investments, in combination with others, will provide a new range of innovative kitchen products tailored for the Frigidaire consumer, delivering consistent, great tasting results.

As a result of the consolidation into Anderson, the company will cease production at its St. Cloud, Minnesota facility. Production is expected to continue through 2019. The company will take a restructuring charge of approximately USD 75m (approximately SEK 600m) in the first quarter of 2018.

February 7. Electrolux to receive Statement of Objections from the French Competition Authority
The French Competition Authority has informed Electrolux that it will issue a Statement of Objections alleging that Electrolux and other appliance manufacturers have acted in breach of antitrust rules in France during the period September 2006 to April 2009.

A Statement of Objections is a formal step in an investigation whereby the Competition Authority informs the concerned parties of its preliminary conclusions. The Statement of Objections does not prejudge the final outcome of the case.

As previously disclosed in Electrolux annual reports, Electrolux became in 2013 the 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. In one of the investigations, the Authority has now informed Electrolux that it intends to issue a Statement of Objections in March 2018, alleging that Electrolux and other appliance manufacturers have coordinated their prices of large domestic appliances in France during the period September 2006 to April 2009. As for the other investigation, which is still ongoing, the Authority has so far not communicated any conclusions and it is therefore too early to assess to what extent that investigation may affect the Group. Electrolux is cooperating fully with the Authority in these investigations.

The Statement of Objections will be analyzed by Electrolux when received. Given the nature of these investigations, 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.

For more information, visit www.electroluxgroup.com

Parent Company income statement

Income statement

SEKM	NOTE	2017	2016
Net sales		**35,168**	**33,954**
Cost of goods sold		–30,034	–27,939
Gross operating income		**5,134**	**6,015**
Selling expenses		–2,967	–3,763
Administrative expenses		–1,795	–1,711
Other operating income	5	1	—
Other operating expenses	6	–105	–2,379
Operating income		**268**	**–1,838**
Financial income	9	7,142	4,037
Financial expenses	9	–855	–86
Financial items, net		**6,287**	**3,951**
Income after financial items		**6,555**	**2,113**
Appropriations	21	182	3,298
Income before taxes		**6,737**	**5,411**
Taxes	10	–201	–1,027
Income for the period		**6,536**	**4,384**

Total comprehensive income for the period

SEKM	2017	2016
Income for the period	**6,536**	**4,384**
Other comprehensive income		
Available for sale instruments	1	42
Exchange rate differences	36	41
Cash flow hedges	–1	5
Income tax relating to other comprehensive income	1	–1
Other comprehensive income, net of tax	**37**	**87**
Total comprehensive income for the period	**6,573**	**4,471**

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

Net sales for the Parent Company, AB Electrolux, for the full year 2017 amounted to SEK 35,168m (33,954) of which SEK 28,695m (27,545) referred to sales to Group companies and SEK 6,473m (6,409) to external customers. Income after financial items was SEK 6,555m (2,113), including dividends from subsidiaries in the amount of SEK 6,496m (3,511). Income for the period amounted to SEK 6,536m (4,384).

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 expenditure in tangible and intangible assets was SEK 672m (427). Liquid funds at the end of the period amounted to SEK 6,066m, as against SEK 9,167m at the start of the year.

Undistributed earnings in the Parent Company at the end of the period amounted to SEK 19,364m, as against SEK 15,582m at the start of the year. Dividend to shareholders for 2016 amounted to SEK 2,155m.

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, 2017	December 31, 2016
ASSETS			
Non-current assets			
Intangible assets	13	1,530	1,246
Property, plant and equipment	12	168	108
Deferred tax assets		282	370
Financial assets	14	33,616	32,295
Total non-current assets		35,596	34,019
Current assets			
Inventories	15	2,640	2,594
Receivables from subsidiaries		17,769	11,085
Trade receivables		1,079	1,019
Tax-refund claim		–	–
Derivatives with subsidiaries		47	268
Derivatives		80	90
Other receivables		250	322
Prepaid expenses and accrued income		336	374
Short-term investments		–	904
Cash and bank		6,066	9,167
Total current assets		28,267	25,823
Total assets		63,863	59,842
EQUITY AND LIABILITIES			
Equity			
Restricted equity			
Share capital	20	1,545	1,545
Statutory reserve		3,017	3,017
Development reserve		506	226
		5,068	4,788
Non-restricted equity			
Retained earnings		12,828	11,198
Income for the period		6,536	4,384
		19,364	15,582
Total equity		24,432	20,370
Untaxed reserves	21	444	396
Provisions			
Provisions for pensions and similar commitments	22	438	440
Other provisions	23	791	966
Total provisions		1,229	1,406
Non-current liabilities			
Payable to subsidiaries		72	72
Bond loans		3,332	4,952
Other non-current loans		2,777	2,537
Total non-current liabilities		6,181	7,561
Current liabilities			
Payable to subsidiaries		25,969	25,699
Accounts payable		1,723	1,523
Other liabilities		580	414
Short-term borrowings		1,501	499
Derivatives with subsidiaries		279	183
Derivatives		228	368
Accrued expenses and prepaid income	24	1,297	1,423
Total current liabilities		31,577	30,109
Total liabilities and provisions		38,987	39,076
Total liabilities, provisions and equity		63,863	59,842

Parent Company change in equity

SEKM	Restricted equity: Share capital	Restricted equity: Statutory reserve	Restricted equity: Development reserve	Non-restricted equity: Fair value reserve	Non-restricted equity: Retained earnings	Total equity
Opening balance, January 1, 2016	1,545	3,017	—	–79	13,255	17,738
Income for the period	—	—	—	—	4,384	4,384
Available for sale instruments	—	—	—	42	—	42
Exchange rate differences	—	—	—	41	—	41
Cash flow hedges	—	—	—	5	—	5
Income tax relating to other comprehensive income	—	—	—	–1	—	–1
Other comprehensive income, net of tax	—	—	—	87	—	87
Total comprehensive income for the period	—	—	—	87	4,384	4,471
Share-based payment	—	—	—	—	29	29
Development reserve	—	—	226	—	–226	0
Dividend SEK 6.50 per share	—	—	—	—	–1,868	–1,868
Total transactions with equity holders	—	—	226	—	–2,065	–1,839
Closing balance, December 31, 2016	1,545	3,017	226	8	15,574	20,370
Income for the period	—	—	—	—	6,536	6,536
Available for sale instruments	—	—	—	1	—	1
Exchange rate differences	—	—	—	36	—	36
Cash flow hedges	—	—	—	–1	—	–1
Income tax relating to other comprehensive income	—	—	—	1	—	1
Other comprehensive income, net of tax	—	—	—	37	—	37
Total comprehensive income for the period	—	—	—	37	6,536	6,573
Share-based payment	—	—	—	—	–356	–356
Development reserve	—	—	280	—	–280	0
Dividend SEK 7.50 per share	—	—	—	—	–2,155	–2,155
Total transactions with equity holders	—	—	280	—	–2,791	–2,511
Closing balance, December 31, 2017	1,545	3,017	506	45	19,319	24,432

Parent Company cash flow statement

SEKM	2017	2016
Operations		
Income after financial items	6,555	2,113
Depreciation and amortization	317	326
Capital gain/loss included in operating income	114	2,334
Share-based compensation	–454	–34
Group contributions	230	3,244
Taxes paid	–112	–102
Cash flow from operations, excluding change in operating assets and liabilities	6,650	7,881
Change in operating assets and liabilities		
Change in inventories	–46	–119
Change in trade receivables	–60	–346
Change in current intra-group balances	–5,769	35
Change in other current assets	120	–76
Change in other current liabilities and provisions	–77	379
Cash flow from operating assets and liabilities	–5,832	–127
Cash flow from operations	818	7,754
Investments		
Change in shares and participations	–1,428	–2,871
Capital expenditure in intangible assets	–597	–393
Capital expenditure in property, plant and equipment	–75	–34
Other	5	949
Cash flow from investments	–2,095	–2,349
Total cash flow from operations and investments	–1,277	5,405
Financing		
Change in short-term investments	904	–904
Change in short-term borrowings	851	149
Change in intra-group borrowings	–231	1,679
New long-term borrowings	—	—
Amortization of long-term borrowings	–1,229	–2,681
Dividend	–2,155	–1,868
Cash flow from financing	–1,860	–3,625
Total cash flow	–3,137	1,780
Cash and cash equivalents at beginning of period	9,167	7,346
Exchange-rate differences referring to cash and cash equivalents	36	41
Cash and cash equivalents at end of period	6,066	9,167

All amounts in SEKm unless otherwise stated

Notes

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All amounts in SEKm unless otherwise stated

Note 1 Accounting principles

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

Basis of preparation

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

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

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

The financial statements were authorized for issue by the Board of Directors on February 15, 2018. The balance sheets and income statements are subject to approval by the Annual General Meeting of shareholders on April 5, 2018.

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 must be recognized immediately in profit or loss.

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 to its fair value, with the change in carrying amount recognized in profit or loss.

At year-end 2017, the Group consisted of 153 (148) companies with 214 (209) 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 and presentation currency.

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

Exchange rates

SEK	2017		2016	
Exchange rate	Average	End of period	Average	End of period
ARS	0.5176	0.4730	0.5813	0.5717
AUD	6.53	6.41	6.36	6.54
BRL	2.66	2.48	2.48	2.78
CAD	6.57	6.55	6.46	6.73
CHF	8.67	8.41	8.67	8.90
CLP	0.0132	0.0134	0.0127	0.0135
CNY	1.26	1.26	1.29	1.31
EUR	9.64	9.84	9.45	9.55
GBP	11.03	11.09	11.60	11.16
HUF	0.0312	0.0317	0.0303	0.0308
MXN	0.4499	0.4160	0.4605	0.4388
RUB	0.1463	0.1419	0.1288	0.1486
THB	0.2517	0.2516	0.2431	0.2532
USD	8.54	8.21	8.58	9.06

New or amended accounting standards applied in 2017

The following new, amended or improved standards were applicable from January 1, 2017: Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative; and Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses. Both standards were endorsed by the EU on 6 November 2017. These new, amended or improved standards did not have any material impact on Electrolux financial statements.

New or amended accounting standards to be applied after 2017

The following new or amended accounting standards have been published but are not mandatory for 2017 and have not been early adopted by Electrolux.

IFRS 9 Financial Instruments

IFRS 9 addresses the classification, measurement, recognition, impairment and de-recognition of financial instruments as well as hedge accounting. Effective date is January 1, 2018. The standard was endorsed by the EU on November 22, 2016. Electrolux will apply the new rules from January 1, 2018. Comparatives for 2017 will not be restated, as permitted by the standard. Transition effects will be accounted for as opening balance adjustments in 2018.

As part of the Group's implementation project for IFRS 9, the Group has reviewed classification and measurement of its financial assets and liabilities under IFRS 9 with the following result. The Group has concluded that IFRS 9 has no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and Electrolux does not have any such liabilities. Regarding financial assets, the overall assessment of Electrolux portfolio for handling liquidity and how it is managed concludes that it is to be treated as a single business model categorized as 'Hold to Collect'. The purpose of the portfolio is to collect contractual cash flows and the investments are held to maturity. The key risks of the business model are consistent with a 'Hold to Collect' business model, with focus on credit risk, currency risk, commodity risk and interest rate risk. Accounting for 'Hold

All amounts in SEKm unless otherwise stated

Cont. Note 1

to Collect' is carried out at amortized cost which means no change over current accounting. Electrolux may from time to time sell trade receivables on non-recourse terms. Therefore Electrolux has defined a portfolio of specific customers' trade receivables which is categorized as 'Hold to Sell'. The purpose is to achieve de-recognition before due date.

IFRS 9 introduces a new impairment model for financial assets, moving from an 'incurred loss model' to an 'expected loss model'. This affects the calculation of provisions for bad debts and will result in an expected loss being provided for on all financial receivables, including those not overdue. Electrolux has created a new model for calculating bad debt provisions related to trade receivables. The 'simplified approach' will be applied, i.e. the provision will equal the lifetime expected loss. The effect from applying the new model leads to an increase of the bad debt provision for the Group of SEK 18m, equivalent to 2.3% of the provision as per December 31, 2017. The effect is based on the recalculation of the bad debt reserve as per year-end 2017 and will be recognized as an opening balance adjustment in 2018. This adjustment will affect Trade receivables (via the Bad debt provision), Deferred tax and Equity (Retained earnings).

The hedge accounting rules in IFRS 9 more closely aligns the accounting for hedging instruments with the group's risk management practices, which is why the group has decided to apply IFRS 9 regarding hedge accounting in accordance with the standard's policy choice. Today, hedge accounting within the group is only applied to foreign currency risk and interest rate risk. In general, more hedge relationships might be eligible for hedge accounting under IFRS 9, as the standard introduces a more principles-based approach. The new standard will allow for hedge accounting to be applied to the risk components of non-financial items. This means that Electrolux will be able to apply hedge accounting when hedging commodities with financial derivatives, in addition to today's bilateral contracts with suppliers. The group has confirmed that its current hedge relationships will qualify as continuing hedges upon the adoption of IFRS 9.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 replaces IAS 18 and IAS 11 and establishes a new mindset for revenue recognition. Effective date is January 1, 2018. The standard was endorsed by the EU on September 22, 2016. Electrolux adopts IFRS 15 with full retrospective application with use of the standard's 'practical expedients' when applicable. The impact on the financial statements from the use of the practical expedients has been assessed as not material.

The new standard is based on the principle that revenue is recognized when control of a good or service transfers to a customer, i.e. under IFRS 15 there is a focus on the 'transfer of control' instead of 'transfer of risks and rewards' under current standards.

IFRS 15 introduces a five-step model to be applied to all contracts with customers in order to establish when and how to recognize revenue.

The core principle in the five step model is:

1. Identify contracts with customers.
2. Identify the separate performance obligations.
3. Determine the transaction price of the contract.
4. Allocate the transaction price to each of the separate performance obligations.
5. Recognize the revenue as each performance obligation is satisfied.

Transition to IFRS 15

The transition to IFRS 15 will be done by applying the retrospective method according to IFRS 15 transition guidance. Transitioning to IFRS 15 with a retrospective application means that IFRS 15 will be applied as if it has always been applied. Therefore, numbers for 2017 will be restated as applicable, and periods prior to January 1, 2017 will be restated through adjustments to the opening balances of 2017. The opening balance net adjustment to equity is SEK –126m. Details on the transition effects are presented below.

Extensive work has been performed during the past few years in order to implement IFRS 15, interpreting it and what it means to Electrolux, identifying relevant accounting areas that may be in scope of a change. The effects of applying the new standard have been assessed and the following key accounting areas have been identified as materially affected by the transition to IFRS 15.

1. Timing effects related to dispatch and delivery of finished products (under contracts not completed at the transition date) have been identified in business areas Major Appliances Europe, Middle East and Africa and Home Care & SDA, based on a reassessment of the point in time when control is transferred to the customer. These timing effects do not affect the full-year numbers but there are noticeable effects on the quarterly numbers, affecting net sales and operating income, as well as key ratios such as operating margin and earnings per share in the quarters. The most noticable effects are negative to Q1 and positive to Q4. Due to these quarterly effects, this key accounting area will be included as an adjustment under the transition to IFRS 15 and each quarter 2017 will be restated. The net effect as per year-end 2016 was SEK –8m after tax and will be recognized as an opening balance adjustment to 2017. This adjustment will affect Inventory, Prepaid income, Deferred tax and Equity (Retained earnings). The quarterly restatement effects from the change described above are presented through restated quarterly and full-year numbers for 2017 in the tables below and overleaf.

2. Identification of contracts including a possible agent or principal relationship where a reassessment of the contracts, based on a change in focus from 'risk and reward' to 'control', has led to the conclusion that Electrolux under a limited number of contracts is acting as an agent rather than a principal. The change in accounting leads to a net accounting method instead of a gross accounting method, resulting in reductions of Net sales and Cost of Goods Sold for business area Major Appliances Asia/Pacific of SEK 1,289m for the full year 2017. This change has no effect on operating result but causes an increase in operating margin. The effects from this change are presented through restated quarterly and full-year numbers for 2017 in the table "Quarterly effects from IFRS 15 restatement" overleaf. This change has no effect on the opening balance 2017.

Apart from the key accounting areas described above there are other non-material balance sheet effects from the transition to IFRS 15 with a total net opening balance adjustment to equity 2017 of SEK –118m. These changes cause no other restatement effects.

The table below shows the total IFRS 15 restatement effect on the opening and closing balances 2017 per affected balance sheet line item. The originally reported amount for December 2016 and December 2017 respectively are shown in columns 'Reported' and the restatement adjustments are shown in columns 'Adj.' The adjusted opening balance for 2017 is shown in column 'Adjusted OB 2017' and the restated closing balance for 2017 is shown in column 'Restated Dec. 2017'. The restated numbers for December 2017 will be used as comparative amounts from 2018.

Effects from IFRS 15 restatement of the consolidated opening and closing balances 2017

	Opening Balance 2017			Closing Balance 2017		
SEKM	Reported Dec. 2016	Adj.	Adjusted OB 2017	Reported Dec. 2017	Adj.	Restated Dec. 2017
Total Group						
Deferred tax assets	6,168	42	6,210	5,675	36	5,711
Inventory	13,418	23	13,441	14,632	23	14,655
Total assets	**85,848**	**65**	**85,913**	**89,679**	**59**	**89,738**
Other reserves	–1,471	—	–1,471	–2,624	9	–2,615
Retained earnings	14,729	–126	14,603	18,756	–126	18,630
Short-term liabilities (Prepaid income)	15,727	191	15,918	15,712	176	15,888
Total equity and liabilities	**85,848**	**65**	**85,913**	**89,679**	**59**	**89,738**

All amounts in SEKm unless otherwise stated

Cont. **Note 1**

The table below shows the total quarterly and full-year restatement effects on 2017 net sales and operating income for the affected Business areas and total Group. The originally reported amounts for each quarter 2017 are shown in column 'Rep.', the restatement adjustment in column 'Adj.' and the restated amount in column 'Rest.'. The restated numbers will be used as comparative amounts from 2018.

Quarterly effects from IFRS 15 restatement

	Q1 2017			Q2 2017			Q3 2017			Q4 2017			Full Year 2017		
SEKM	Rep.	Adj.	Rest.	Rep.	Adj.	Rest.	Rep.	Adj.	Rest.	Rep.	Adj.	Rest.	Rep.	Adj.	Rest.
Major Appliances Europe, Middle East and Africa															
Net sales	8,830	–291	8,539	9,356	–52	9,304	9,422	43	9,465	10,914	300	11,214	38,524	—	38,524
Operating income	558	–84	474	576	–15	561	749	12	761	882	87	969	2,764	—	2,764
Margin, %	6.3		5.6	6.2		6.0	7.9		8.0	8.1		8.6	7.2		7.2
Major Appliances Asia/Pacific															
Net sales	2,374	–364	2,010	2,713	–481	2,232	2,415	–334	2,081	2,547	–110	2,437	10,048	–1,289	8,759
Operating income	112	—	112	209	—	209	214	—	214	215	—	215	750	—	750
Margin, %	4.7		5.6	7.7		9.4	8.9		10.3	8.5		8.8	7.5		8.6
Home Care & SDA															
Net sales	1,786	–27	1,759	1,878	–21	1,857	1,898	24	1,922	2,245	24	2,269	7,808	—	7,808
Operating income	70	–10	60	77	–8	69	80	9	89	205	9	214	431	—	431
Margin, %	3.9		3.4	4.1		3.7	4.2		4.6	9.1		9.4	5.5		5.5
Total Group															
Net sales	28,883	–682	28,201	31,502	–554	30,948	29,309	–267	29,042	32,366	214	32,580	122,060	–1,289	120,771
Cost of Goods Sold	–22,880	588	–22,292	–24,721	531	–24,190	–23,199	288	–22,911	–25,711	–118	–25,829	–96,511	1,289	–95,222
Operating income	1,536	–94	1,442	1,942	–23	1,919	1,960	21	1,981	1,969	96	2,065	7,407	—	7,407
Margin,%	5.3		5.1	6.2		6.2	6.7		6.8	6.1		6.3	6.1		6.1
Taxes	–351	23	–328	–445	6	–439	–450	–5	–455	25	–24	1	–1,221	—	–1,221
Income for the period	1,083	–71	1,012	1,308	–17	1,291	1,424	16	1,440	1,930	72	2,002	5,745	—	5,745
Total comprehen-sive income	1,593	–69	1,524	604	–11	593	979	19	998	2,204	70	2,274	5,380	9	5,389
Earnings per share, SEK	3.77		3.52	4.55		4.49	4.96		5.01	6.72		6,97	19.99		19.99

The table below shows the total quarterly and full-year restatement effects on affected items in the consolidated balance sheet 2017. The originally reported amounts are shown in column 'Rep.', the restatement adjustment in column 'Adj.' and the restated amount in column 'Rest.'. The restated numbers will be used as comparative amounts from 2018.

Effects from IFRS 15 restatement of the consolidated balance sheet

	Q1 2017			Q2 2017			Q3 2017			Q4 2017		
SEKM	Rep.	Adj.	Rest.	Rep.	Adj.	Rest.	Rep.	Adj.	Rest.	Rep.	Adj.	Rest.
Total Group												
Deferred tax assets	5,957	64	6,021	5,567	68	5,635	5,371	62	5,433	5,675	36	5,711
Inventory	15,752	247	15,999	15,013	297	15,310	16,148	251	16,399	14,632	23	14,655
Total assets	**84,916**	**311**	**85,227**	**86,416**	**365**	**86,781**	**89,006**	**313**	**89,319**	**89,679**	**59**	**89,738**
Other reserves	–1,196	2	–1,194	–2,225	8	–2,217	–2,818	11	–2,807	–2,624	9	2,615
Retained earnings	13,418	–197	13,221	15,085	–214	14,871	16,712	–198	16,514	18,756	–126	18,630
Short-term liabilities (Prepaid income)	14,336	506	14,842	14,922	571	15,493	16,578	500	17,078	15,712	176	15,888
Total equity and liabilities	**84,916**	**311**	**85,227**	**86,416**	**365**	**86,781**	**89,006**	**313**	**89,319**	**89,679**	**59**	**89,738**

IFRS 16 Leases is a major revision of how to account for leases and requires all leases to be reported on the balance sheet. Thus, the application of IFRS 16 will lead to operational leases being recognized in the balance sheet. Electrolux has operational leases regarding, e.g., warehouses, office premises, and certain office equipment. Work is ongoing in assessing the full impact of IFRS 16 as well as designing processes and evaluating system solutions to fulfill the reporting requirements. The mandatory effective date is January 1, 2019, with early application allowed if IFRS 15 Revenue from Contracts with Customers is also applied. IFRS 16 was endorsed by the EU on October 31, 2017.

The following new or amended standards are not expected to have any material impact on the financial statements of Electrolux: IFRS 2 Share-based Payment; IFRS 4 Insurance Contracts (endorsed by the EU on November 3, 2017); IFRS 17 Insurance Contracts; IAS 19 Employee Benefits; IAS 28 Investments in Associates and Joint Ventures; IAS 40 Investment Property; and Annual Improvements 2014–2016 (endorsed by the EU on February 7, 2018) and 2015–2017.

New interpretations of accounting standards

The International Financial Reporting Interpretation Committee (IFRIC) has issued Interpretation 22 Foreign Currency Transactions and Advance Consideration and Interpretation 23 Uncertainty over Income Tax Treatments. Mandatory effective date is January 1, 2018 and January 1, 2019. The interpretations have not yet been endorsed by the EU. No material impact is expected on the financial statements of Electrolux.

Critical accounting policies and key sources of estimation uncertainty

Use of estimates

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

Asset impairment

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.

All amounts in SEKm unless otherwise stated

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Different methods have been used for this evaluation, depending on the availability of information. When available, market value has been used and impairment charges have been recorded when the information indicated that the carrying amount of an asset was not recoverable. In the majority of cases, however, market value has not been available, and the fair value has been estimated by using the discounted cash-flow method based on expected future results. Differences in the estimation of expected future results and the discount rates used could have resulted in different asset valuations. The yearly impairment testing of goodwill and other intangible assets with indefinite useful lives, including sensitivity analyses performed, has not indicated any impairment. See Note 13 on page 109 for more information.

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Useful lives for property, plant and equipment are estimated between 10 and 40 years for buildings and land improvements and between 3 and 15 years for machinery, technical installations and other equipment. Management regularly reassesses the useful lives of all significant assets. The carrying amount for property, plant and equipment at year-end 2017 amounted to SEK 19,192m. The carrying amount for goodwill at year-end 2017 amounted to SEK 7,628m.

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, 2017, Electrolux had a net amount of SEK 4,945m recognized as deferred tax assets in excess of deferred tax liabilities. As of December 31, 2017, the Group had tax loss carry-forwards and other deductible temporary differences of SEK 7,134m, which have not been included in the computation of deferred tax assets.

Current taxes

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

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

Trade receivables

Receivables are reported net of allowances for doubtful receivables. The net value reflects the amounts that are expected to be collected, based on circumstances known at the balance sheet date. Changes in circumstances such as higher than expected defaults or changes in the financial situation of a significant customer could lead to significantly different valuations. At year-end 2017, trade receivables, net of provisions for doubtful accounts, amounted to SEK 20,945m. The total provision for doubtful accounts at year-end 2017 was SEK 801m.

Post-employment benefits

Electrolux sponsors defined benefit pension plans for some of its employees in certain countries. The pension calculations are based on actuarial assumptions about, 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 2017 was 2.79% in average, which was the same rate used to estimate liabilities at the end of 2016. Sensitivities for the main assumptions are presented in Note 22 on page 119.

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 2017 was SEK 1,290m.

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. Additional provisions are created to cover goodwill warranty and extended warranty. While changes in these assumptions would result in different valuations, such changes are unlikely to have a material impact on the Group's results or financial situation. As of December 31, 2017, Electrolux had a provision for warranty commitments amounting to SEK 1,915m. Revenues from extended warranty are recognized on a linear basis over the contract period unless there is evidence that some other method better represents the stage of completion.

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.

Accounting principles applicable from January 1, 2018

IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments are applied by Electrolux from January 1, 2018. The new standards' general impact as well as transition effects are described in section 'New or amended accounting standards to be applied after 2017' on pages 96–98. The accounting principles sections for Revenue recognition, based on IFRS 15, and Financial Instruments, based on IFRS 9, are presented below.

Revenue recognition

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

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.

All amounts in SEKm unless otherwise stated

Cont. **Note 1**

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.

Free products unrelated to Electrolux products are recognized as marketing/sales cost.

Regarding free products related to Electrolux products, revenue is allocated to both the ordinary product sold and the free product.

Warranties
The most common warranty for Electrolux is to replace a faulty product under legal and common practice warranty terms. In those cases warranty is recognized as a provision. Electrolux also sells extended warranty where the revenue is recognized during the warranty period, which usually starts after the legal warranty period. Sometimes warranty offered is including a service part and if it is difficult to separate the warranty from the service the two are bundled together and revenue is recognized over the warranty period.

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

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

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

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

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

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

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

Financial assets
Classification and subsequent measurement
The Group classifies its financial assets in the following measurement categories:
- Fair value through profit or loss (FVPL);
- Fair value through other comprehensive income (FVOCI); or
- Amortized cost.

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

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

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

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

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

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

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

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

All amounts in SEKm unless otherwise stated

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

Financial liabilities

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

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:

a) Hedges of the fair value of recognized assets or liabilities or firm commitments (fair value hedges);
b) Hedges of highly probable future cash flows attributable to a recognized asset or liability (cash flow hedges); or
c) 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.

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 profit or loss, 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 profit or loss. 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 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 profit or loss. Gains and losses accumulated in equity are included in the statement of profit or loss when the foreign operation is disposed of as part of the gain or loss on the disposal.

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 reporting and taxation. The recommendation states which exceptions from IFRS and additions shall be made.

The Parent Company applies IAS 39 Financial Instruments.

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. One of the companies operating on a commission basis for AB Electrolux changed its functional currency to euro as from January 1, 2015. Translating differences thus arise as from 2015. The balance sheet of the commissioner company has been translated into SEK at year-end rates. The income statement has been translated at the average rate for the year. Translation differences thus arising have been included in Other comprehensive income.

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

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

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

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

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

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

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

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

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

All amounts in SEKm unless otherwise stated

Note 2 Financial risk management

Financial risk management

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

- 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 for goods produced
- Credit risk relating to financial and commercial activities

The Board of Directors of Electrolux has approved a financial policy as well as a credit policy for the Group to manage and control these risks (hereinafter all policies are referred to as the Financial Policy). These risks are to be managed by, amongst others, the use of financial derivative instruments according to the limitations stated in the Financial Policy. The Financial Policy also describes the management of risks relating to pension fund assets.

The management of financial risks has largely been centralized to Group Treasury in Stockholm. Local financial issues are also managed by three regional treasury centers located in Singapore, North America, and Latin America.

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, derivatives, 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 107).

Interest-rate risk in liquid funds

All investments are 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 111m (128). For more information, see Note 18 on page 112.

Borrowings

The debt financing of the Group is managed by Group Treasury in order to ensure efficiency and risk control. Debt is primarily taken up at the 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 on page 112.

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. On the basis of 2017 long-term interest-bearing borrowings with an average interest fixing period of 0.6 years (0.8), a one percentage point shift in interest rates would impact the Group's interest expenses by approximately SEK +/–52m (56) in 2017. This calculation is based on a parallel shift of all yield curves simultaneously by one percentage point. Electrolux acknowledges that the calculation is an approximation and does not take into consideration the fact that the interest rates on different maturities and different currencies might change differently.

Capital structure and credit rating

The Group defines its capital as equity stated in the balance sheet including non-controlling interests. On December 31, 2017, the Group's capital was SEK 20,596m (17,738). 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 2017, 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 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 net borrowings, 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 on page 112.

Foreign exchange risk

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

Transaction exposure from commercial flows

The Financial Policy stipulates to what extent commercial flows are to be hedged. In 2016 the Financial Policy was updated so that hedging with currency derivatives shall only be applied on invoiced flows. This means that currency exposures from forecasted flows should normally be managed by natural hedges, price adjustments and cost reductions.

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 on page 114.

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 +/–1,010m (700), as a static calculation. The model assumes the distribution of earnings and costs effective at year-end 2017 and does not include any

All amounts in SEKm unless otherwise stated

Cont. Note 2

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 2017	Profit or loss impact 2016
Currency			
GBP/SEK	–10%	–323	–313
AUD/SEK	–10%	–295	–319
CAD/SEK	–10%	–255	–228
BRL/SEK	–10%	–233	–213
CHF/SEK	–10%	–177	–165
CLP/SEK	–10%	–97	–120
THB/SEK	–10%	67	99
CNY/SEK	–10%	121	244
EUR/SEK	–10%	336	321
USD/SEK	–10%	824	608

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 within the Parent Company.

A change up or down by 10% in the value of each currency against the Swedish krona would affect the net investment of the Group by approximately SEK +/– 2,977m (3,180), as a static calculation at year-end 2017. A similar valuation of outstanding hedges, would have an effect on the Group's equity of approximately SEK +/- 148m (0).

Commodity-price risks

Commodity-price risk is the risk that the cost of direct and indirect materials could increase as underlying commodity prices rise in global markets. The Group is exposed to fluctuations in commodity prices through agreements with suppliers, whereby the price is linked to the raw-material price on the world market. This exposure can be divided into direct commodity exposure, which refers to pure commodity exposures, and indirect commodity exposure, which is defined as exposure arising from only part of a component. Commodity-price risk is mainly managed through contracts with the suppliers. A change in price up or down by 10% in steel would affect the Group's profit or loss with approximately SEK +/– 800m (800) and in plastics with approximately SEK +/– 700m (700), based on volumes in 2017.

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, a counterpart list has been established, which specifies the maximum permissible exposure in relation to each counterpart. Both investments of liquid funds and derivatives are done with issuers and counterparts holding a long-term rating of at least A- defined by Standard & Poor's or a similar rating agency. 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 arranging master netting agreements (ISDA) with the counterparts for derivative transactions and has established such agreements with the majority of the counterparts, i.e., if a counterparty will default, assets and liabilities will be netted. To reduce the settlement risk in foreign exchange transactions made with banks, Group Treasury uses Continuous Linked Settlement (CLS). CLS eliminates temporal settlement risk since both legs of a transaction are settled simultaneously.

Credit risk in trade receivables

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

There is a concentration of credit exposures on a number of customers in, primarily, the U.S., Latin America and Europe. For more information, see Note 17 on page 111.

Note 3 Segment information

Reportable segments – Business areas

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

As of 2017, segment Small Appliances has changed name to Home Care & Small Domestic Appliances (SDA), and the segment now has global responsibility to develop offerings around "Healthy wellbeing within your home" and grow the Groups presence in floor care, air care and water care.

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

Major Appliances and Home Care & SDA are producing appliances for the consumer market. Products within Major Appliances comprise mainly of refrigerators, freezers, cookers, dryers, washing machines, dishwashers and microwave ovens. Home Care & SDA include vacuum cleaners and other small appliances.

Professional Products consists of two operating segments, food-service equipment and laundry solutions for professional users, which are aggregated into one reportable segment in accordance with the aggregation criteria. Aggregation is done due to the similarities of products and services provided to professional users, similar production processes designed to make products which can endure very demanding use, and resemblance in sales and distribution channels.

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

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

	Net sales		Operating income	
	2017	2016	**2017**	2016
Major Appliances Europe, Middle East and Africa	**38,524**	37,844	**2,764**	2,546
Major Appliances North America	**40,656**	43,402	**2,757**	2,671
Major Appliances Latin America	**17,302**	15,419	**425**	–68
Major Appliances Asia/Pacific	**10,048**	9,380	**750**	626
Home Care & SDA	**7,808**	8,183	**431**	238
Professional Products	**7,723**	6,865	**1,054**	954
	122,060	**121,093**	**8,182**	**6,967**
Common Group costs	**–**	–	**–775**	–693
Total	**122,060**	**121,093**	**7,407**	**6,274**
Financial items, net	**–**	–	**–441**	–693
Income after financial items	**–**	–	**6,966**	**5,581**

All amounts in SEKm unless otherwise stated

Cont. **Note 3**

Inter-segment sales exist with the following split:

	2017	2016
Major Appliances Europe, Middle East and Africa	995	1,143
Major Appliances North America	705	841
Major Appliances Latin America	—	1
Major Appliances Asia/Pacific	308	296
Professional Products	6	8
Eliminations	**2,014**	**2,289**

The segments are responsible for the management of the operational assets and their performance is measured at the same level, while the 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	
	2017	2016	2017	2016	2017	2016
Major Appliances Europe, Middle East and Africa	25,591	21,573	22,044	20,713	3,547	860
Major Appliances North America	14,840	15,163	12,580	12,463	2,260	2,700
Major Appliances Latin America	12,602	12,364	6,752	6,148	5,850	6,216
Major Appliances Asia/Pacific	5,946	5,688	4,321	3,846	1,625	1,842
Home Care & SDA	5,341	4,181	3,519	3,385	1,822	796
Professional Products	4,434	3,399	2,706	2,556	1,728	843
Other[1]	8,496	9,124	4,535	4,283	3,961	4,841
	77,250	**71,492**	**56,457**	**53,394**	**20,793**	**18,098**
Liquid funds	11,974	14,011	—	—	—	—
Total borrowings	—	—	9,537	10,202	—	—
Pension assets and liabilities	455	345	3,089	4,514	—	—
Equity	—	—	20,596	17,738	—	—
Total	**89,679**	**85,848**	**89,679**	**85,848**	—	—

1) Includes common functions, tax items.

	Depreciation and amortization		Capital expenditure		Cash flow[1]	
	2017	2016	2017	2016	2017	2016
Major Appliances Europe, Middle East and Africa	1,365	1,343	1,420	1,402	2,154	2,936
Major Appliances North America	1,119	1,136	1,467	673	2,975	4,980
Major Appliances Latin America	633	607	711	600	260[3]	263
Major Appliances Asia/Pacific	300	295	418	271	971	665
Home Care & SDA	199	206	190	171	317	521
Professional Products	151	112	167	124	1,112	1,061
Other[2]	210	235	306	149	–912	–1,286
Acquisitions/Divestments	—	—	—	—	–3,405	176
Financial items	—	—	—	—	–227	–514
Taxes paid	—	—	—	—	–1,421	–1,194
Total	**3,977**	**3,934**	**4,679**	**3,390**	**1,824**	**7,608**

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

Geographical information

	Net sales[1]	
	2017	2016
USA	39,462	41,821
Brazil	11,721	9,988
Germany	5,938	6,516
Sweden (country of domicile)	5,283	5,294
Australia	5,011	4,858
France	4,149	4,141
Italy	4,088	3,822
United Kingdom	3,969	4,121
Canada	3,689	3,910
Switzerland	3,188	3,203
Other	35,562	33,419
Total	**122,060**	**121,093**

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

Tangible and non-tangible fixed assets located in the Group's country of domicile, Sweden, amounted to SEK 1,888m (1,457). Tangible and non-tangible fixed assets located in all other countries amounted to SEK 28,673m (25,123). Individually, material countries in this aspect are Italy with SEK 3,219m (2,980), USA with SEK 7,474m (5,838) and Poland with SEK 2,347m (2,104), respectively.

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

All amounts in SEKm unless otherwise stated

Note 4 Net sales and operating income

Revenue recognition and additional information on net sales

Sales are recorded net of value-added tax, specific sales taxes, returns, and trade discounts. Revenues arise from sales of finished products and services. Sales are recognized when the significant risks and rewards connected with ownership of the goods have been transferred to the buyer and the Group retains neither a continuing right to dispose of the goods, nor effective control of those goods and when the amount of revenue can be measured reliably. Revenues from services are recorded when the service, such as installation or repair of products, has been performed. Revenues from sale of extended warranty are recognized on a linear basis over the contract period unless there is evidence that some other method better represents the matching of revenue and expense for warranties.

The vast majority of the Group's revenues consisted of product sales. Revenue from service activities amounted to SEK 1,772m (1,621). The Group's net sales in Sweden amounted to SEK 5,283m (5,294). Exports from Sweden during the year amounted to SEK 31,384m (30,312), of which SEK 28,321m (27,363) 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.

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

Cost of goods sold includes direct material and components amounting to SEK 47,956m (48,617) and sourced products amounting to SEK 17,481m (16,628). The depreciation and amortization charge for the year amounted to SEK 3,977m (3,934). Costs for research and development amounted to SEK 3,566m (3,443).

Government grants relating to expenses have been deducted in the related expenses by SEK 79m (98). 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 2017, amounted to SEK 879m (1,049).

The Group's operating income includes net exchange-rate differences in the amount of SEK 90m (32). The Group's Swedish factories accounted for 1.3% (1.7) 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 5 Other operating income

	Group		Parent Company	
	2017	2016	**2017**	2016
Gain on sale of property, plant and equipment	115	41	–	–
Gain on sale of operations and shares	6	164	1	–
Pension curtailment	134	–	–	–
Other	73	13	–	–
Total	**328**	218	**1**	–

Note 6 Other operating expenses

	Group		Parent Company	
	2017	2016	**2017**	2016
Loss on sale of property, plant and equipment	–18	–56	–1	–
Loss on sale of operations and shares	–	–	–	–37
Impairment	–	–	–104	–2,342
Other	–5	–141	–	–
Total	**–23**	–197	**–105**	–2,379

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

In 2017 or 2016 no transactions with comparison disturbing impact were incurred.

All amounts in SEKm unless otherwise stated

Note 8 Leasing

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

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

Financial leases

Electrolux has no material financial leases.

Operating leases

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

	Operating leases
2018	1,171
2019–2022	2,813
2023–	507
Total	**4,491**

Expenses in 2017 for rental payments (minimum leasing fees) amounted to SEK 1,230m (1,191). Among the Group's operating leases there are neither material contingent expenses, nor restrictions.

Note 9 Financial income and financial expenses

	Group		Parent Company	
	2017	2016	**2017**	2016
Financial income				
Interest income				
from subsidiaries	—	—	541	465
from others	183	109	96	51
Dividends from subsidiaries	—	—	6,496	3,511
Other financial income	—	—	9	10
Total financial income	**183**	**109**	**7,142**	**4,037**
Financial expenses				
Interest expenses				
to subsidiaries	—	—	–132	–52
to others	–360	–314	–275	–239
Exchange-rate differences, net	–11	–224	–320	324
Pension interest expenses, net	–92	–116	—	—
Other financial expenses	–161	–148	–128	–119
Total financial expenses	**–624**	**–802**	**–855**	**–86**

Interest expense to others, for the Group and Parent Company, includes gains and losses on derivatives used for managing the Group's interest fixing. For information on financial instruments, see Note 18 on page 112.

Note 10 Taxes

	Group		Parent Company	
	2017	2016	**2017**	2016
Current taxes	–1,540	–995	–112	–101
Deferred taxes	319	–93	–89	–926
Taxes included in income for the period	**–1,221**	**–1,088**	**–201**	**–1,027**
Taxes related to OCI	–457	24	—	–1
Taxes included in total comprehensive income	**–1,678**	**–1,064**	**–201**	**–1,028**

Deferred taxes 2017 include an effect of SEK –139m (–28) due to changes in tax rates. The new U.S. corporate tax legislation had a one-time effect of SEK –128m. The consolidated accounts include deferred tax liabilities of SEK 98m (87) related to untaxed reserves in the Parent Company.

Theoretical and actual tax rates

%	**2017**	2016
Theoretical tax rate	27.7	28.4
Non-taxable/non-deductible income statement items, net	–2.7	–0.2
Non-recognized tax losses carried forward	0.3	0.7
Utilized non-recognized tax losses carried forward	–1.5	–1.8
Other changes in recognition of deferred tax	–11.1	–9.8
Withholding tax	1.8	2.9
Other	3.0	–0.7
Actual tax rate	**17.5**	**19.5**

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

Non-recognized deductible temporary differences

As of December 31, 2017, the Group had tax loss carry-forwards and other deductible temporary differences of SEK 7,134m (9,653), 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, 2017
2017	83
2018	110
2019	120
2020	110
2021	10
2022–	224
Without time limit	6,477
Total	**7,134**

All amounts in SEKm unless otherwise stated

Cont. Note 10

Changes in deferred tax assets and liabilities

The table below shows the movement in net deferred tax assets and liabilities.

Net deferred tax assets and liabilities

	Excess of depre-ciation	Provision for pen-sion	Provi-sion for restruc-turing	Other provi-sions	Inven-tories	Recog-nized unused tax losses	Accrued expenses and prepaid income	Other	Total deferred tax assets and liabilities	Set-off tax	Net deferred tax assets and liabilities
Opening balance, January 1, 2016	**–295**	**1,229**	**471**	**1,200**	**–272**	**1,259**	**589**	**1,063**	**5,244**	**—**	**5,244**
Recognized in total comprehensive income	–204	137	–87	92	132	–291	4	168	–49	—	–49
Acquisitions of operations	—	—	—	—	—	—	—	–4	–4	—	–4
Exchange-rate differences	–16	57	14	153	–16	37	42	126	397	—	397
Closing balance, December 31, 2016	**–515**	**1,423**	**398**	**1,445**	**–156**	**1,005**	**635**	**1,353**	**5,588**	**—**	**5,588**
Of which deferred tax assets	223	1,448	398	1,595	297	1,005	645	1,757	7,368	–1,200	6,168
Of which deferred tax liabilities	–738	–25	—	–150	–453	—	–10	–404	–1,780	1,200	–580
Opening balance, January 1, 2017	**–515**	**1,423**	**398**	**1,445**	**–156**	**1,005**	**635**	**1,353**	**5,588**	**—**	**5,588**
Recognized in total comprehensive income	202	–470	–41	–337	83	–144	–206	792	–121	—	–121
Acquisitions of operations	–15	—	—	49	–8	22	35	–323	–240	—	–240
Exchange-rate differences	50	–36	3	–111	22	–23	–38	–149	–282	—	–282
Closing balance, December 31, 2017	**–278**	**917**	**360**	**1,046**	**–59**	**860**	**426**	**1,673**	**4,945**	**—**	**4,945**
Of which deferred tax assets	257	932	360	1,196	227	860	426	2,356	6,614	–939	5,675
Of which deferred tax liabilities	–535	–15	—	–150	–286	—	—	–683	–1,669	939	–730

Other deferred tax assets include tax credits related to the production of energy-efficient appliances amounting to SEK 1,631m (895) and to foreign tax credits in U.S. of SEK 25m (248).

Note 11 Other comprehensive income

	Group 2017	Group 2016
Items that will not be reclassified to income for the period:		
Remeasurement of provisions for post-employment benefits		
Opening balance, January 1	**–340**	**–148**
Gain/loss taken to other comprehensive income	1,229	–236
Income tax relating to items that will not be reclassified	–440	44
Closing balance, December 31	**449**	**–340**
Items that may be reclassified subsequently to income for the period:		
Available-for-sale instruments		
Opening balance, January 1	**0**	**–43**
Gain/loss taken to other comprehensive income	4	–18
Transferred to profit and loss	–3	61
Closing balance, December 31	**1**	**0**
Cash flow hedges		
Opening balance, January 1	**–101**	**–19**
Gain/loss taken to other comprehensive income	–6	–101
Transferred to profit and loss on sale	101	19
Closing balance, December 31	**–6**	**–101**
Exchange differences on translation of foreign operations		
Opening balance, January 1	**–1,273**	**–1,600**
Net investment hedge	–39	0
Translation differences	–1,193	327
Closing balance, December 31	**–2,505**	**–1,273**
Income tax		
Opening balance, January 1	**–97**	**–77**
Income tax relating to items that may be reclassified	–17	–20
Closing balance, December 31	**–114**	**–97**
Non-controlling interests, translation differences	–1	1
Other comprehensive income, net of tax	**–365**	**77**

Income taxes related to items of other comprehensive income were SEK –440m (44) for remeasurement of provisions for post-employment benefits and SEK –17m (–20) for financial instruments for hedging.

All amounts in SEKm unless otherwise stated

Note 12 Property, plant and equipment

Group	Land and land improvements	Buildings	Machinery and technical installations	Other equipment	Plants under construction and advances	Total
Acquisition costs						
Opening balance, January 1, 2016	1,407	9,395	35,460	2,418	3,077	51,757
Acquired during the year	8	96	757	143	1,825	2,829
Acquisition of operations	—	—	—	—	—	—
Transfer of work in progress and advances	6	389	2,592	-42	-2,945	—
Sales, scrapping, etc.	-7	-19	-1,149	-7	-69	-1,251
Exchange-rate differences	4	333	2,507	128	200	3,172
Closing balance, December 31, 2016	1,418	10,194	40,167	2,640	2,088	56,507
Acquired during the year	10	108	916	234	2,623	3,891
Acquisition of operations	42	196	200	14	7	459
Transfer of work in progress and advances	9	234	1,530	22	-1,795	0
Sales, scrapping, etc.	-74	-181	-1,629	-85	40	-1,929
Exchange-rate differences	-37	-198	-1,481	-36	-119	-1,871
Closing balance, December 31, 2017	1,368	10,353	39,703	2,789	2,844	57,057
Accumulated depreciation						
Opening balance, January 1, 2016	199	4,057	26,809	1,937	305	33,307
Depreciation for the year	40	298	2,466	205	—	3,009
Transfer of work in progress and advances	—	114	-3	-114	3	—
Sales, scrapping, etc.	-25	-3	-1,009	—	—	-1,037
Impairment	—	13	20	—	96	129
Exchange-rate differences	10	222	2,026	104	12	2,374
Closing balance, December 31, 2016	224	4,701	30,309	2,132	416	37,782
Depreciation for the year	20	318	2,496	222	1	3,057
Transfer of work in progress and advances	0	0	8	-8	0	0
Sales, scrapping, etc.	-9	-155	-1,572	-78	0	-1,814
Impairment	0	0	20	0	0	20
Exchange-rate differences	-12	-85	-1,029	-23	-31	-1,180
Closing balance, December 31, 2017	223	4,779	30,232	2,245	386	37,865
Net carrying amount, December 31, 2016	1,194	5,493	9,858	508	1,672	18,725
Net carrying amount, December 31, 2017	1,145	5,574	9,471	544	2,458	19,192

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:

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

Total impairment in 2017 was SEK 0m (13) on buildings and land, and SEK 20m (20) on machinery and other equipment and SEK 0m (96) on plants under construction. The majority of the impairment relates to the business area Major Appliances Europe, Middle East and Africa.

Parent Company	Land and land improvements	Buildings	Machinery and technical installations	Other equipment	Plants under construction and advances	Total
Acquisition costs						
Opening balance, January 1, 2016	4	57	720	397	34	1,212
Acquired during the year	—	—	3	7	24	34
Transfer of work in progress and advances	—	—	4	5	-9	0
Sales, scrapping, discontinued operations etc.	—	—	—	-19	—	-19
Exchange-rate differences	—	—	2	2	—	4
Closing balance, December 31, 2016	4	57	729	392	49	1,231
Acquired during the year	—	—	—	61	14	75
Transfer of work in progress and advances	—	—	—	4	-4	0
Sales, scrapping, etc.	-3	-56	-671	-7	—	-737
Exchange-rate differences	—	—	2	2	1	5
Closing balance, December 31, 2017	1	1	60	452	60	574
Accumulated depreciation						
Opening balance, January 1, 2016	4	57	689	339	—	1,089
Depreciation for the year	—	—	35	16	—	51
Sales, scrapping, discontinued operations etc.	—	—	—	-19	—	-19
Exchange-rate differences	—	—	1	1	—	2
Closing balance, December 31, 2016	4	57	725	337	—	1,123
Depreciation for the year	—	—	16	17	—	33
Sales, scrapping, etc.	-3	-56	-688	-6	—	-753
Exchange-rate differences	—	—	1	2	—	3
Closing balance, December 31, 2017	1	1	54	350	—	406
Net carrying amount, December 31, 2016	0	0	4	55	49	108
Net carrying amount, December 31, 2017	0	0	6	102	60	168

All amounts in SEKm unless otherwise stated

Note 13 Goodwill and other intangible assets

Goodwill

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

Product development

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

Software

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

Trademarks

Trademarks are reported at historical cost less amortization and impairment. The Electrolux trademark in North America, acquired in 2000, is regarded as an indefinite life intangible asset and is not amortized. One of the Group's key strategies is to develop Electrolux into the leading global brand within the Group's product categories. This acquisition gave Electrolux the right to use the Electrolux brand worldwide, whereas it previously could be used only outside of North America. The total carrying amount for the Electrolux brand is SEK 410m, included in the item Other in the table on page 110. All other trademarks are amortized over their useful lives, estimated to 5 to 10 years, using the straight-line method.

Customer relationships

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

Intangible assets with indefinite useful lives

Goodwill as at December 31, 2017, had a total carrying value of SEK 7,628m. The allocation, for impairment-testing purposes, on cash-generating units is shown in the table below.

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

Value in use is calculated using the discounted cash-flow model based on by Group management approved forecasts for five periods. 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 fifth period is used as the base for the perpetuity calculation. The discount rates are based on the pre-tax Electrolux Group WACC (Weighted Average Cost of Capital) with addition of a country risk premium for each individual country. The individual country discount rates are used to calculate a weighted average discount rate for each cash-generating units

The pre-tax discount rates used in 2017 were for the main part within a range of 9.4% (7.3) to 11.9% (15.3). 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 (2%) is within the range of 7.4 to 9.9%.

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 two key assumptions (operating margin and cost of capital), yet they are hypothetical and should not be viewed as an indication that these factors are likely to change. The sensitivity analyses should therefore be interpreted with caution.

Goodwill, value of trademark and discount rate

	2017			2016		
	Goodwill	Electrolux trademark	Discount rate, %	Goodwill	Electrolux trademark	Discount rate, %
Major Appliances Europe, Middle East and Africa	2,506	–	10.0	1,089	–	9.8
Major Appliances North America	451	410	9.4	498	410	7.3
Major Appliances Latin America	1,114	–	11.9	1,186	–	15.3
Major Appliances Asia/Pacific	1,528	–	9.9	1,563	–	10.1
Professional Products	776	–	10.0	160	–	9.0
Home Care & SDA	1,253	–	10.0	246	–	9.4
Total	7,628	410		4,742	410	

All amounts in SEKm unless otherwise stated

Cont. **Note 13**

Goodwill and other intangible assets

		Group Other intangible assets				Parent Company
	Goodwill	Product develop-ment	Software	Other	Total other intangible assets	Trademarks, software, etc.
Acquisition costs						
Opening balance, January 1, 2016	5,200	3,008	3,565	1,872	8,445	2,807
Acquired during the year	—	—	110	1	111	150
Acquisition of operations	108	—	—	57	57	—
Internally developed	—	274	176	—	450	243
Reclassification	—	–52	2	50	0	—
Fully amortized	—	–213	–448	–70	–731	—
Write-off	—	–43	–1	–2	–46	–33
Exchange-rate differences	–566	265	116	–179	202	13
Closing balance, December 31, 2016	4,742	3,239	3,520	1,729	8,488	3,180
Acquired during the year	—	—	144	174	318	174
Acquisition of operations	3,220[1)]	—	—	764	764	—
Internally developed	—	418	225	—	643	423
Reclassification	—	–29	17	12	0	—
Fully amortized	—	–112	–129	—	–241	—
Write-off	—	–11	–38	—	–49	–40
Exchange-rate differences	–334	–75	–51	–78	–204	15
Closing balance, December 31, 2017	7,628	3,430	3,688	2,601	9,719	3,752
Accumulated amortization						
Opening balance, January 1, 2016	—	1,979	2,316	749	5,044	1,683
Amortization for the year	—	345	430	150	925	275
Reclassification	—	—	1	–1	0	—
Fully amortized	—	–213	–448	–70	–731	—
Write-off	—	7	—	—	7	–29
Exchange-rate differences	—	168	67	–104	131	5
Closing balance, December 31, 2016	—	2,286	2,366	724	5,376	1,934
Amortization for the year	—	300	391	229	920	284
Reclassification	—	—	—	—	—	—
Fully amortized	—	–112	–129	—	–241	—
Write-off	—	3	—	—	3	–3
Exchange-rate differences	—	–33	–20	–27	–80	7
Closing balance, December 31, 2017	—	2,444	2,608	926	5,978	2,222
Carrying amount, December 31, 2016	4,742	953	1,154	1,005	3,112	1,246
Carrying amount, December 31, 2017	7,628	986	1,080	1,675	3,741	1,530

1) Including an adjustment of a provisional value of SEK –4m within the measurement period related to an acquisition during 2016.

Included in the item Other are trademarks of SEK 901m (553) and customer relationships etc. amounting to SEK 774m (452). Amortization of intangible assets is included within Cost of goods sold with SEK 472m (431), Administrative expenses with SEK 266m (343) and Selling expenses with SEK 182m (151) in the income statement. Electrolux did not capitalize any borrowing costs during 2017 or 2016.

All amounts in SEKm unless otherwise stated

Note 14 Other non-current assets

	Group December 31,		Parent Company December 31,	
	2017	2016	2017	2016
Shares in subsidiaries	–	–	29,823	28,396
Participations in other companies	–	–	225	327
Long-term receivables in subsidiaries	–	–	3,548	3,559
Other receivables	459	400	20	13
Total	459	400	33,616	32,295

Note 15 Inventories

	Group December 31,		Parent Company December 31,	
	2017	2016	2017	2016
Raw materials	3,288	3,276	–	19
Products in progress	277	257	–	1
Finished products	11,035	9,874	2,640	2,574
Advances to suppliers	32	11	–	–
Total	14,632	13,418	2,640	2,594

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 86,973m (83,463) for the Group.

Write-downs due to obsolescence amounted to SEK 257m and reversals of previous write-downs amounted to SEK 300m 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,	
	2017	2016
Miscellaneous short-term receivables	2,426	3,199
Provisions for doubtful accounts	–35	–28
Prepaid expenses and accrued income	1,207	1,147
Prepaid interest expenses and accrued interest income	241	250
Total	3,839	4,568

Miscellaneous short-term receivables include VAT and other items.

Note 17 Trade receivables

	2017	2016
Trade receivables	21,746	20,165
Provisions for impairment of receivables	–801	–757
Trade receivables, net	20,945	19,408
Provisions in relation to trade receivables, %	3.7	3.8

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. Changes in the provision are recognized as selling expenses in the income statement. The Group's policy is to reserve 50% of trade receivables that are 6 months past due but less than 12 months, and to reserve 100% of receivables that are 12 months past due and more. If the provision is considered insufficient due to individual consideration such as bankruptcy, officially known insolvency, etc., the provision should be extended to cover the extra anticipated losses.

Provisions for impairment of receivables

	2017	2016
Provisions, January 1	–757	–500
Acquisition of operations	–18	–
New provisions	–212	–345
Actual credit losses	152	110
Exchange-rate differences and other changes	34	–22
Provisions, December 31	–801	–757

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 36% (32) 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

	2017	2016
Trade receivables not overdue	20,485	19,227
Less than 2 months overdue	447	150
2–6 months overdue	13	31
6–12 months overdue	–	–
More than 1 year overdue	–	–
Total trade receivables past due but not impaired	460	181
Impaired trade receivables	801	757
Total trade receivables	21,746	20,165
Past due, including impaired, in relation to trade receivables, %	5.8	4.7

All amounts in SEKm unless otherwise stated

Note 18 Financial instruments

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

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

The Group classifies its financial assets in the following categories:
- Financial assets at fair value through profit or loss
- Loans and receivables
- Available-for-sale financial assets

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition.

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently measured at their fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either hedges of the fair value of recognized assets or liabilities or a firm commitment (fair-value hedges); hedges of highly probable forecast transactions (cash-flow hedges); or hedges of net investments in foreign operations.

Movements on the hedging reserve are shown in other comprehensive income in the consolidated income statement.

Net debt

At year-end 2017, the Group's financial net debt amounted to SEK –2,437m (–3,809). The table below presents how the Group calculates net debt and what it consists of.

Net debt

	December 31, 2017	December 31, 2016
Short-term loans	990	1,074
Short-term part of long-term loans	1,501	499
Trade receivables with recourse	204	234
Short-term borrowings	**2,695**	**1,807**
Financial derivative liabilities	228	419
Accrued interest expenses and prepaid interest income	27	24
Total short-term borrowings	**2,950**	**2,250**
Long-term borrowings	**6,587**	**7,952**
Total borrowings	**9,537**	**10,202**
Cash and cash equivalents	11,289	12,756
Short-term investments	358	905
Financial derivative assets	85	100
Prepaid interest expenses and accrued interest income	242	250
Liquid funds	**11,974**	**14,011**
Financial net debt	**–2,437**	**–3,809**
Net provision for post-employment benefits	2,634	4,169
Net debt	**197**	**360**
Revolving credit facility (EUR 1,000m)[1]	9,844	10,912

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

Liquid funds

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

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

Liquidity profile

	December 31, 2017	December 31, 2016
Cash and cash equivalents	11,289	12,756
Short-term investments	358	905
Financial derivative assets	85	100
Prepaid interest expenses and accrued interest income	242	250
Liquid funds	**11,974**	**14,011**
% of annualized net sales[1]	17.0	19.5
Net liquidity	**9,024**	**11,761**
Fixed interest term, days	16	22
Effective yield, % (average per annum)	1.8	0.9

[1] Liquid funds plus unused revolving credit facilities of EUR 1,000m divided by annualized net sales.

For 2017, liquid funds, including unused revolving credit facilities of EUR 1,000m, amounted to 17.0% (19.5) of annualized net sales. The 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 2017, SEK 1,258m of long-term borrowings matured or were amortized. These maturities were partly refinanced to the amount of SEK 1,002m.

At year-end 2017, the Group's total interest-bearing liabilities amounted to SEK 9,078m (9,525), of which SEK 8,088m (8,451) referred to long-term borrowings including maturities within 12 months. Long-term borrowings with maturities within 12 months amounted to SEK 1,501m (499). 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 7,609m (7,988), is taken up at the parent company level. Electrolux also has an unused committed multicurrency revolving credit facility of EUR 1,000m maturing 2022. 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 2017, the average interest-fixing period for long-term borrowings was 0.6 years (0.8). The calculation of the average interest-fixing period includes the effect of interest-rate swaps used to manage the interest-rate risk of the debt portfolio. The average interest rate for the total borrowings was 2.1% (2.0) at year end.

The fair value of the interest-bearing borrowings was SEK 9,143m. The fair value including swap transactions used to manage the interest fixing was approximately SEK 9,144m.

Changes in long-term interest-bearing liabilities

		Cash Flow		Non Cash flow		
	Opening Balance	Amortization	New debt	Acquisitions	Revaluation	Closing Balance
Long-term borrowings incl. short-term part	8,451	–1,695	1,002	437	–107	8,088
Derivatives	—	—	—	—	–1	–1
Total	**8,451**	**–1,695**	**1,002**	**437**	**–108**	**8,087**

All amounts in SEKm unless otherwise stated

Cont. Note 18

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

Borrowings

Issue/maturity date	Description of loan	Interest rate, %	Currency	Nominal value (in currency)	Carrying amount, December 31 2017	Carrying amount, December 31 2016
Bond loans[1]						
2012–2018	Euro MTN Program	2.910	SEK	270	–	270
2012–2018	Euro MTN Program	Floating	SEK	730	–	730
2013–2020	Euro MTN Program	3.440	SEK	170	170	170
2013–2020	Euro MTN Program	Floating	SEK	830	830	830
2013–2018	Euro MTN Program	Floating	SEK	600	–	600
2013–2018	Euro MTN Program	2.875	SEK	400	–	399
2014–2019	Euro MTN Program	Floating	SEK	750	750	750
2014–2019	Euro MTN Program	2.340	SEK	250	250	250
2014–2019	Euro MTN Program	1.000	EUR	100	982	952
2017–2024	Euro MTN Program	Floating	SEK	350	350	–
Total bond loans					3,332	4,951
Other long-term loans[1]						
1996–2036	Fixed rate loans in Germany	7.870	EUR	39	381	369
2013–2021	Amortizing long term bank loan in Sweden, long part	Floating	SEK	769	769	1,000
2015–2021	Long-term bank loans in Sweden	Floating	USD	170	1,392	1,537
2017–2026	Amortizing long term bank loan in Sweden	Floating	USD	75	616	–
Other long-term loans					97	95
Total other long-term loans					3,255	3,001
Long-term borrowings					6,587	7,952
Short-term part of long-term loans[2]						
2012–2017	Euro MTN Program	2.625	SEK	100	–	99
2012–2017	Euro MTN Program	Floating	SEK	400	–	400
2012–2018	Euro MTN Program	2.910	SEK	270	270	–
2013–2018	Euro MTN Program	Floating	SEK	600	600	–
2013–2018	Euro MTN Program	2.875	SEK	400	400	–
2013–2021	Amortizing long term bank loan in Sweden, short part	Floating	SEK	231	231	–
Total short-term part of long-term loans					1,501	499
Other short-term loans						
	Short-term bank loans in Egypt	Floating	EGP	450	208	187
	Short-term bank loans in Brazil	Floating	BRR	25	61	396
	Short-term bank loans in Chile	Floating	CLP	15,878	212	164
	Other bank borrowings and commercial papers				509	327
Total other short-term loans					990	1,074
Trade receivables with recourse					204	234
Short-term borrowings					2,695	1,807
Fair value of derivative liabilities					228	419
Accrued interest expenses and prepaid interest income					27	24
Total borrowings					9,537	10,202

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

Short-term borrowings pertain mainly to countries with capital restrictions. The average maturity of the Group's long-term borrowings including long-term borrowings with maturities within 12 months was 2.4 years (2.7), at the end of 2017. The table below presents the repayment schedule of long-term borrowings.

Repayment schedule of long-term borrowings, December 31

	2018	2019	2020	2021	2022	2023–	Total
Debenture and bond loans	–	1,982	1,000	0	0	350	3,332
Bank and other loans	–	405	408	1,645	100	697	3,255
Short-term part of long-term loans	1,501	–	–	–	–	–	1,501
Total	1,501	2,387	1,408	1,645	100	1,047	8,088

All amounts in SEKm unless otherwise stated

Cont. **Note 18**

Other interest-bearing investments

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

Commercial flows

The table below shows the forecasted transaction flows, imports and exports, for the 12-month period of 2018 and hedges at year-end 2017.

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 2017 amounted to SEK –107m (–241). At year-end 2017, the unrealized fair value of forward contracts for hedging of forecasted transaction flows amounted to SEK –12m (87).

Forecasted transaction flows and hedges

	AUD	BRL	CAD	CHF	CLP	CNY	EUR	GBP	THB	USD	Other	Total
Inflow of currency, long position	2,762	2,004	2,429	1,669	1,027	414	5,031	3,120	2,137	3,703	6,823	31,118
Outflow of currency, short position	–123	0	0	0	0	–1,855	–9,683	0	–3,171	–14,579	–1,707	–31,118
Gross transaction flow	2,639	2,004	2,429	1,669	1,027	–1,441	–4,653	3,120	–1,034	–10,876	5,116	—
Hedges	–680	–639	–244	–167	–143	1,106	199	–193	–137	1,656	–758	—
Net transaction flow	1,959	1,365	2,185	1,502	884	–335	–4,454	2,927	–1,170	–9,220	4,357	—

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.

Maturity profile of financial liabilities and derivatives – undiscounted cash flows

	≤ 1 year	> 1 year < 2 years	> 2 years < 5 years	> 5 years	Total
Loans	–2,614	–2,519	–3,283	–1,098	–9,514
Net settled derivatives	–1	–1	—	1	–1
Gross settled derivatives	–159	—	—	—	–159
whereof outflow	–20,667	—	—	—	–20,667
whereof inflow	20,508	1	—	—	20,509
Accounts payable	–31,272	—	—	—	–31,272
Financial guarantees	–1,039	—	—	—	–1,039
Total	**–35,085**	**–2,520**	**–3,283**	**–1,097**	**–41,985**

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

	2017				2016			
	Gain/loss in profit and loss	Gain/loss in OCI	Income	Expense	Gain/loss in profit and loss	Gain/loss in OCI	Income	Expense
Recognized in operating income								
Financial assets and liabilities at fair value through profit and loss	–107	—	—	—	–241	—	—	—
Loans and receivables	197	—	—	—	–348	—	—	—
Total net gain/loss, income and expense	**90**	—	—	—	**–589**	—	—	—
Recognized in financial items								
Financial assets and liabilities at fair value through profit and loss	216	58	—	–9	186	–82	11	—
Loans and receivables	–286	—	190	—	–206	—	119	—
Available-for-sale financial assets	–104	1	—	—	–56	42	—	—
Other financial liabilities	130	—	—	–638	–120	—	—	–587
Total net gain/loss, income and expense	**–44**	**59**	**190**	**–647**	**–196**	**–40**	**130**	**–587**

All amounts in SEKm unless otherwise stated

Cont. Note 18

Fair value and carrying amount on financial assets and liabilities

	2017[1]	2016[1]
	Carrying amount	Carrying amount
Financial assets		
Financial assets	**212**	**288**
Financial assets at fair value through profit and loss	192	165
Available-for-sale	20	123
Trade receivables	**20,945**	**19,408**
Loans and receivables	20,945	19,408
Derivatives	**87**	**103**
Short-term investments	**358**	**905**
Financial assets at fair value through profit and loss	164	904
Loans and receivables	194	1
Cash and cash equivalents	**11,289**	**12,756**
Financial assets at fair value through profit and loss	2,863	5,468
Loans and receivables	2,719	1,368
Cash	5,707	5,920
Total financial assets	**32,891**	**33,460**
Financial liabilities		
Long-term borrowings	**6,587**	**7,952**
Financial liabilities measured at amortized cost	6,587	7,952
Financial liabilities measured at amortized cost for which fair value hedge accounting is applied	–	–
Accounts payable	**31,272**	**28,283**
Financial liabilities at amortized cost	31,272	28,283
Short-term borrowings	**2,491**	**1,573**
Financial liabilities measured at amortized cost	2,491	1,573
Financial liabilities measured at amortized cost for which fair value hedge accounting is applied	–	–
Derivatives	**251**	**432**
Total financial liabilities	**40,601**	**38,240**

1) Carrying amount equals fair value except for long and short-term borrowings where the fair value is SEK 66m (78), respectively SEK 16m (0) higher than the carrying amount.

Fair value estimation

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

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

Level 1: Quoted prices in active markets for identical assets or liabilities. At year-end 2017, the fair value for level 1 financial assets was SEK 3,239m (6,660) and for the total 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 2017, the fair value for level 2 financial assets was SEK 87m (103) and for the total financial liabilities SEK 251m (432).

Level 3: Inputs for the assets or liabilities that are not entirely based on observable market date. Electrolux has no financial assets or liabilities qualifying for level 3.

Note 19 Assets pledged for liabilities to credit institutions

	Group December 31		Parent Company December 31	
	2017	2016	**2017**	2016
Real-estate mortgages	–	–	–	–
Other	6	6	–	–
Total	6	6	–	–

All amounts in SEKm unless otherwise stated

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

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

Share capital

As per December 31, 2017, 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

	Quota value
Share capital, December 31, 2016	
8,192,539 Class A shares, quota value SEK 5	41
300,727,769 Class B shares, quota value SEK 5	1,504
Total	1,545
Share capital, December 31, 2017	
8,192,539 Class A shares, quota value SEK 5	41
300,727,769 Class B shares, quota value SEK 5	1,504
Total	1,545

Number of shares

	Owned by Electrolux	Owned by other shareholders	Total
Shares, December 31, 2016			
Class A shares	–	8,192,539	8,192,539
Class B shares	21,522,858	279,204,911	300,727,769
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, 2017			
Class A shares	–	8,192,539	8,192,539
Class B shares	21,522,858	279,204,911	300,727,769

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

	2017	2016
Income for the period attributable to equity holders of the Parent Company	5,745	4,494
Earnings per share		
Basic, SEK	19.99	15.64
Diluted, SEK	19.88	15.55
Average number of shares, million		
Basic	287.4	287.4
Diluted	289.0	289.0

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

The average number of shares during the year has been 287,397,450 (287,397,450) and the average number of diluted shares has been 289,020,186 (288,991,920).

Note 21 Untaxed reserves, Parent Company

	December 31, 2017	Appropriations	December 31, 2016
Accumulated depreciation in excess of plan			
Brands	357	42	315
Licenses	20	–27	47
Machinery and equipment	43	42	1
Buildings	0	0	–
Other	24	–9	33
Total	**444**	**48**	**396**
Group contributions		–230	
Total appropriations		**–182**	

All amounts in SEKm unless otherwise stated

Note 22 Post-employment benefits

Post-employment benefits

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

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

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

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

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

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

USA

The number of pension plans in the U.S. has been significantly reduced over the years through plan consolidation. The defined benefit plans are closed for future accruals and employees are offered defined contribution plans. Pensions in payment are not generally subject to indexation. Funding position is reassessed every year with a target to restore the funding level over seven years. Surplus in the fund can be used to take a contribution holiday and refunds are taxed at 50%. Post-retirement healthcare benefits are also provided for in the U.S. 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 is offered to employees born after 1978. Electrolux has chosen to fund the pension obligation by a pension foundation. The foundation's Board of Directors consists of an equal number of members from Group staff functions and representatives from the company. There is no funding requirement for an ITP pension foundation. Benefits are paid directly by the company and, in case of surplus, the company can reimburse itself for the current and the previous year's pension cost and/or take a contribution holiday.

Germany

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

Switzerland

There are three pension plans 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, 2017

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

Information by country December, 31, 2016

	USA	USA Medical	UK	Sweden	Germany	Switzer-land	Other	Total
Amounts included in the balance sheet								
Present value of funded and unfunded obligations	9,466	2,126	6,579	3,342	3,730	3,341	1,150	29,734
Fair value of plan assets (after change in asset ceiling)	–8,321	–1,878	–6,247	–2,699	–3,067	–3,017	–336	–25,565
Total (surplus)/deficit	1,145	248	332	643	663	324	814	4,169
Whereof reported as								
Pension plan assets	—	—	—	—	—	—	—	345
Provisions for post-employment benefit plans	—	—	—	—	—	—	—	4,514
Total funding level for all pension plans, %	88	88	95	81	82	90	29	86
Average duration of the obligation, years	10.7	10.5	16.0	16.3	14.5	13.6	—	13.4
Amounts included in the income statement								
Service cost[4]	58	—	–66	126	21	54	11	204
Net interest cost	42	12	11	14	24	1	12	116
Remeasurements (gain)/loss	–15	–67	48	104	61	63	42	236
Total expense (gain) for defined benefit plans	85	–55	–7	244	106	118	65	556
Expenses for defined contribution plans								507
Amounts included in the cash flow statement								
Contributions by the employer	—	–38	–58	—	–568	–35	–14	–713
Reimbursement	—	—	—	—	—	—	—	—
Benefits paid by the employer	–18	—	—	–112	–147	—	–37	–314
Major assumptions for the valuation of the liability								
Longevity, years[2]								
Male	21.3	21.3	22	23.0	19.8	22.3	—	21.9
Female	23.4	23.4	24.4	24.8	23.5	24.3	—	24.2
Inflation, %[3]	3	7	3.25	1.5	1.8	1	—	2.42
Discount rate, %	3.9	3.9	2.8	2.6	1.8	0.6	—	2.79

[1] Includes a total gain of SEK 237m related to plan amendments in Switzerland and the U.S.
[2] Expressed as the average life expectancy of a 65 years old person in number of years.
[3] General inflation impacting salary and pensions increase. For USA Medical, the number refers to the inflation of healthcare benefits.
[4] Includes special events amounting to a gain of SEK 75m in the UK.

All amounts in SEKm unless otherwise stated

Cont. Note 22

Reconciliation of change in present value of funded and unfunded obligations

	2017	2016
Opening balance, January 1	29,734	28,669
Current service cost	255	278
Special events	–232	–75
Interest expense	764	852
Remeasurement arising from changes in financial assumptions	851	1,296
Remeasurement from changes in demographic assumptions	–275	–218
Remeasurement from experience	–76	–15
Contributions by plan participants	43	46
Benefits paid	–1,526	–1,564
Exchange differences	–1,138	483
Settlements and other	–22	–18
Closing balance, December 31	28,378	29,734

Reconciliation of change in the fair value of plan assets

	2017	2016
Opening balance, January 1	25,565	24,160
Interest income[1]	673	736
Return on plan assets, excluding amounts included in interest[1]	1,832	824
Effect of asset ceiling	–79	3
Net contribution by employer	368	1,027
Contribution by plan participants	43	46
Benefits paid	–1,526	–1,564
Exchange differences	–1,071	343
Settlements and other	–61	–10
Closing balance, December 31	25,744	25,565

[1] The actual return on plan assets amounts to a gain of SEK 2,505m (1,560).

Risks

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

Investment strategy and risk management

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

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

Sensitivity analysis on defined benefit obligation

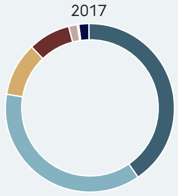
	USA	USA Medical	UK	Sweden	Germany	Switzerland	Other	Total
Longevity +1 year	277	102	327	126	134	101	9	1,076
Inflation +0.5%[1]	37	95	224	329	253	36	38	1,012
Discount rate +1%	–746	–166	–1,005	–540	–491	–366	–95	–3,409
Discount rate –1%	888	196	1,301	698	623	453	112	4,271

[1] The inflation change feeds through to other inflation-dependant assumptions, i.e., pension increases and salary growth.

In 2018, the Group expects to pay a total of SEK 386m in contributions to the pension funds and as payments of benefits directly to the employees.

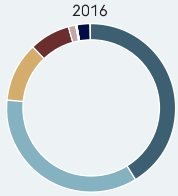
MARKET VALUE OF PLAN ASSETS BY CATEGORY

2017



- Fixed income, SEK 10,453m
- Equity, SEK 9,603m
- Hedge funds, SEK 2,633m
- Real estate, SEK 2,109m
- Infrastructure, SEK 377m
- Private equity, SEK 79m
- Cash, SEK 490m

2016



- Fixed income, SEK 10,586m
- Equity, SEK 9,052m
- Hedge funds, SEK 2,896m
- Real estate, SEK 1,998m
- Infrastructure, SEK 340m
- Private equity, SEK 81m
- Cash, SEK 612m

All amounts in SEKm unless otherwise stated

Cont. **Note 22**

	December 31	
Market value of plan assets without quoted prices	**2017**	2016
Fixed income	63	83
Real estate	2,107	1,998
Infrastructure	377	340
Private equity	79	81

The Swedish pension foundation carries plan assets at a fair value of SEK 200m related to property used by Electrolux.

Governance

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

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

Parent Company

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

- The pension liability calculated according to Swedish accounting principles does not take into account future salary increases.
- The discount rate used in the Swedish calculations is set by the Swedish Pension Foundation (PRI) and was for 2017 4.0% (4.0). The rate is the same for all companies in Sweden.
- Changes in the discount rate and other actuarial assumptions are recognized immediately in the profit or loss and the balance sheet.
- Deficit must be either immediately settled in cash or recognized as a liability in the balance sheet.
- Surplus cannot be recognized as an asset, but may in some cases be refunded to the company to offset pension costs.

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

	Funded	Unfunded	Total
Opening balance, January 1, 2016	**1,562**	**420**	**1,982**
Current service cost	45	26	71
Interest cost	63	17	80
Benefits paid	–73	–23	–96
Closing balance, December 31, 2016	**1,597**	**440**	**2,037**
Current service cost	64	9	73
Interest cost	65	18	83
Benefits paid	–75	–29	–104
Closing balance, December 31, 2017	**1,651**	**438**	**2,089**

Change in fair value of plan assets

	Funded
Opening balance, January 1, 2016	**2,114**
Actual return on plan assets	181
Contributions and compensation to/from the fund	–
Closing balance, December 31, 2016	**2,295**
Actual return on plan assets	175
Contributions and compensation to/from the fund	–73
Closing balance, December 31, 2017	**2,397**

Amounts recognized in the balance sheet

	December 31	
	2017	2016
Present value of pension obligations	–2,089	–2,037
Fair value of plan assets	2,397	2,295
Surplus/deficit	**308**	**258**
Limitation on assets in accordance with Swedish accounting principles	–746	–698
Net provisions for pension obligations	**–438**	**–440**
Whereof reported as provisions for pensions	–438	–440

Amounts recognized in the income statement

	2017	2016
Current service cost	73	71
Interest cost	83	80
Total expenses for defined benefit pension plans	**156**	**151**
Insurance premiums	102	85
Total expenses for defined contribution plans	**102**	**85**
Special employer's contribution tax	31	48
Cost for credit insurance FPG	2	2
Total pension expenses	**291**	**286**
Compensation from the pension fund	–73	–
Total recognized pension expenses	**218**	**286**

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, 2017, to SEK 2,830m (2,714m) and the pension commitments to SEK 1,934m (1,878). The Swedish Group companies recorded a liability to the pension fund as per December 31, 2017, in the amount of SEK 0m (0). Contributions to the pension foundation during 2017 amounted to SEK 0m (0). Contributions from the pension foundation during 2017 amounted to SEK 88m (0).

All amounts in SEKm unless otherwise stated

Note 23 Other provisions

	Group					Parent Company			
	Provisions for restructuring	Warranty commitments	Claims	Other	Total	Provisions for restructuring	Warranty commitments	Other	Total
Opening balance, January 1, 2016	1,968	1,623	1,635	2,831	8,057	572	407	46	1,025
Provisions made	28	1,432	373	1,382	3,215	20	423	37	480
Provisions used	-395	-1,232	-493	-1,120	-3,240	-135	-396	-29	-560
Unused amounts reversed	—	-64	—	-285	-349	—	—	—	—
Exchange-rate differences	66	53	100	142	361	15	6	—	21
Closing balance, December 31, 2016	1,667	1,812	1,615	2,950	8,044	472	440	54	966
Of which current provisions	446	947	306	553	2,252	315	85	—	400
Of which non-current provisions	1,221	865	1,309	2,397	5,792	157	355	54	566
Opening balance, January 1, 2017	1,667	1,812	1,615	2,950	8,044	472	440	54	966
Acquisitions of operations	12	128	—	343	483	—	—	—	—
Provisions made	—	1,404	394	1,319	3,117	4	407	20	431
Provisions used	-373	-1,360	-519	-848	-3,100	-148	-432	-26	-606
Unused amounts reversed	-34	-44	—	-348	-426	-14	—	—	-14
Exchange-rate differences	18	-25	-128	-160	-295	8	6	—	14
Closing balance, December 31, 2017	1,290	1,915	1,362	3,256	7,823	322	421	48	791
Of which current provisions	303	932	274	561	2,070	220	82	—	302
Of which non-current provisions	987	983	1,088	2,695	5,753	102	339	48	489

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

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

Restructuring provisions are recognized when the Group has both adopted a detailed formal plan for the restructuring and has, either started the plan implementation, or communicated its main features to those affected by the restructuring. Provisions for restructuring represent the expected costs to be incurred as a consequence of the Group's decision to close some factories, rationalize production and reduce personnel, both for newly acquired and previously owned companies. The amounts are based on management's best estimates and are adjusted when changes to these estimates are known. The larger part of the restructuring provisions as per December 31, 2017, will be consumed in 2018 and 2019.

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, none of which is material to the Group. 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	
	2017	2016	2017	2016
Accrued holiday pay	1,057	1,044	213	209
Other accrued payroll costs	1,726	1,715	315	337
Accrued interest expenses	27	24	25	22
Prepaid income	262	275	6	—
Other accrued expenses	9,057	8,845	738	855
Other operating liabilities	3,583	3,824	—	—
Total	15,712	15,727	1,297	1,423

Other accrued expenses include accruals for fees, advertising and sales promotion, bonuses, extended warranty, and other items. Other operating liabilities include VAT and other items.

All amounts in SEKm unless otherwise stated

Note 25 Contingent liabilities

	Group December 31		Parent Company December 31	
	2017	2016	2017	2016
Guarantees and other commitments				
On behalf of subsidiaries	–	–	1,009	979
On behalf of external counterparties	1,039	1,167	477	614
Employee benefits in excess of reported liabilities	148	144	11	18
Total	1,187	1,311	1,497	1,611

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, 2017, the Group had a total of 3,372 (3,233) cases pending, representing approximately 3,435 (approximately 3,296) plaintiffs. During 2017, 1,313 new cases with 1,313 plaintiffs were filed and 1,174 pending cases with approximately 1,174 plaintiffs were resolved.

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

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

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

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

In October 2013, Electrolux became subject of an investigation by the French Competition Authority regarding a possible violation of antitrust rules. The Authority has thereafter decided to conduct two separate investigations. In one of the investigations, the Authority has in February 2018 informed Electrolux that it intends to issue a Statement of Objections in March 2018 alleging that Electrolux and other appliance manufacturers have coordinated their prices of large domestic appliances in France during the period September 2006 to April 2009. A Statement of Objections is a formal step in an investigation whereby the Competition Authority informs the concerned parties of its preliminary conclusions. The Statement of Objections does not prejudge the final outcome of the case. As for the other investigation, which is still ongoing, the Authority has so far not communicated any conclusions. Given the nature of these investigations, 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 has 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. If the preliminary tariff rate is determined as final, it could have a one-time cost to Electrolux of up to USD 70m in 2018. This preliminary tariff rate is significantly higher than it would have been if the DOC had considered actual data for the period. It is Electrolux position that the DOC set this preliminary tariff rate by improperly citing, as the basis for this decision, a failure on behalf of Electrolux to submit the data in a timely manner. A decision on the final established rate is expected to be issued during March, 2018. Electrolux intends to vigorously contest any decision which is not based on actual data and, if necessary, submit an appeal.

Note 26 Acquired and divested operations

	2017					2016
Acquired operations	Anova	Grindmaster-Cecilware	Kwikot	Best	Total	Vintec
Consideration:						
Cash paid for acquisitions made during the year	870	838	1,632	109	3,449	134
Deferred consideration	263	0	139	–	402	39
Total consideration	1,133	838	1,771	109	3,851	173
Recognized amounts of assets acquired and liabilities assumed:						
Total net assets acquired	92	308	531	129	1,060	64
Assumed net debt	–57	–149	–207	–20	–433	–
Goodwill	1,098	679	1,447	–	3,224	109
Total	1,133	838	1,771	109	3,851	173

Payments for acquisitions:	2017	2016
Cash paid for acquisitions made during the year	3,449	134
Cash and cash equivalents in acquired operations	–61	–
Cash paid related to deferred consideration from acquisitions made in earlier years	6	26
Payments for acquisition of non-controlling interest in CTI SA and Somela SA, Chile	11	–
Total paid	3,405	160

All amounts in SEKm unless otherwise stated

Cont. Note 26

Acquisitions in 2017

Grindmaster-Cecilware

On February 28, 2017, Electrolux completed the acquisition of the U.S. based Grindmaster-Cecilware business by acquiring 100% of the business via a purchase of all shares in the parent company of the Grindmaster-Cecilware Group in a cash transaction. The acquisition broadens Electrolux offering in its food service business and will accelerate the growth of the Professional Products business area by increasing access to the U.S. market.

Grindmaster-Cecilware is a leading U.S. based manufacturer of hot, cold and frozen beverage dispensing equipment, including coffee machines. Grindmaster-Cecilware had net sales in excess of USD 65m in 2016 and approximately 200 employees. The company is based in Louisville, Kentucky and has manufacturing facilities in Louisville and in Rayong, Thailand.

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

Net sales and operating income in the acquired business during the period January 1, 2017, up until the date the acquisition was completed amounted to USD 11.8m and USD 1.3m respectively, approximately SEK 106m and SEK 12m respectively.

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

Kwikot Group

In November 2016, Electrolux announced the agreement to acquire South Africa's leading water heater producer Kwikot Group (Kwikot Proprietary Limited and its affiliates). On March 1, 2017, following regulatory approval, Electrolux acquired all shares in Kwikot Pty Ltd, the parent company in the Kwikot Group, via a cash transfer. The acquisition broadens Electrolux home comfort product range and offers a strong platform for growth opportunities in Africa. The acquisition significantly strengthens Electrolux presence in South Africa.

Kwikot is based in Johannesburg where it also has production and its main warehouse. In the financial year ending June 30, 2016, Kwikot Group had sales of approximately ZAR 1.13 billion (approximately SEK 730m), and an operating profit margin of more than 20%. The company has about 800 employees.

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

Net sales and operating income in the acquired business during the period, January 1, 2017, up until the date the acquisition was completed amounted to ZAR 168m and ZAR 30m respectively, approximately SEK 112m and SEK 20m respectively.

The Kwikot business is included in Electrolux consolidated accounts from March 1, 2017. For the period from the acquisition date until the end of the reporting period the acquired business has contributed to net sales and operating income (including amortization of surplus values) by ZAR 933m and ZAR 116m respectively, approximately SEK 600m and SEK 75m respectively.

The operations are included in business area Major Appliances EMEA.

Anova

On April 4 Electrolux completed the acquisition of the U.S. based smart kitchen appliance company, Anova. The agreement to acquire the company was announced on February 6, 2017. Anova is a U.S. based provider of the Anova Precision Cooker, an innovative connected device for sous vide cooking that enables restaurant-quality results in the home.

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

Net sales in 2016 amounted to around USD 40m. The company has approximately 70 employees and contractors globally and is headquartered in San Francisco, California. Sales are primarily carried out online – directly to consumer and through major retailers.

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

Net sales and operating income in the acquired business during the period January 1, 2017, up until the date the acquisition was completed, amounted to USD 4.8m and USD –4.0m respectively, approximately SEK 43m and SEK –36m respectively.

The Anova business is included in Electrolux consolidated accounts from April 4, 2017. For the period from the acquisition date until the end of the reporting period the acquired business has contributed to net sales and operating income (including amortization of surplus values) by USD 45.5m and USD –2.4m respectively, approximately SEK 389m and SEK –21m respectively.

Best Group

On August 10, Electrolux completed the acquisition of the European kitchen hoods company Best. The agreement to acquire the company was announced on July 7, 2017. Best is a European manufacturer of innovative and well-designed kitchen hoods. The acquisition will reinforce Electrolux capabilities for design, R&D and manufacturing of kitchen hoods.

Net sales in 2016 amounted to EUR 42m (around SEK 400m). The Best Group has approximately 450 employees, primarily at manufacturing sites in Cerreto d'Esi (central Italy) and Zabrze (southern Poland).

Net sales and operating income in the acquired business during the period January 1, 2017, up until the date the acquisition was completed, amounted to EUR 19m and EUR –2.7m respectively, approximately SEK 185m and SEK –26m respectively.

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

The operations are included in business area Major Appliances EMEA.

Transaction costs

Transaction costs for the acquisitions described above amounts to SEK 70m and have been expensed as incurred whereof SEK 16m in 2016 and SEK 54m in 2017. The costs have been reported in operating income by business area.

Acquisition in 2016

Vintec

In August 2016, Electrolux completed the acquisition of the Australian and Singapore based Vintec business. Vintec supplies a wide range of wine cabinets throughout the Asian region. The annual sales of the business amounts to approximately AUD 21m. Consideration paid in 2016 amounts to AUD 20.7m (SEK 134m). If certain criteria are met, an additional consideration, including a hold-back amount, of up to AUD 5.5m may be paid during the period of 2 years after completion. In 2017 an additional consideration of AUD 0.9m (SEK 5.8m) was paid.

Divested operations

	2017	2016
Divested operations		
Eureka business, USA	–	336
Total cash received for divestments	–	336

No divestments were made in 2017. In December 2016, Electrolux signed an agreement to divest the North American vacuum cleaner brand Eureka and related assets for a gross consideration of USD 40m (SEK 343m). The divested business accounted for an annual net sales of approximately USD 60m. The divestment was completed in December 2016. Transaction costs incurred amount to SEK 19m, whereof SEK 7m were paid in 2016.

All amounts in SEKm unless otherwise stated

Note 27 Employees and remuneration

Employees and employee benefits

In 2017, the average number of employees was 55,692 (55,400), of which 35,774 (35,584) were men and 19,948 (19,816) women.

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

Average number of employees, by geographical area

	Group	
	2017	2016
Europe	21,258	20,991
North America	9,755	10,064
Latin America	15,975	16,218
Asia/Pacific	5,223	4,872
Rest of world	3,481	3,255
Total	55,692	55,400

Salaries, other remuneration and employer contributions

	2017			2016		
	Salaries and remuneration	Employer contributions	Total	Salaries and remuneration	Employer contributions	Total
Parent Company	1,174	583	1,757	931	478	1,409
whereof pension costs[1)]		209	209		178	178
Subsidiaries	15,296	3,311	18,607	14,955	3,011	17,966
whereof pension costs		399	399		533	533
Total Group	**16,470**	**3,894**	**20,364**	**15,886**	**3,489**	**19,375**
whereof pension costs		608	608		711	711

1) Includes SEK 6m (4), referring to the President's predecessors according to local GAAP.

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

	2017			2016		
	Board members and senior managers[1)]	Other employees	Total	Board members and senior managers[1)]	Other employees	Total
Parent Company	66	1,108	1,174	72	859	931
Other	281	15,015	15,296	251	14,704	14,955
Total Group	**347**	**16,123**	**16,470**	**323**	**15,563**	**15,886**

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

Of the Board members in the Group, 108 were men and 16 women, of whom 8 men and 4 women in the Parent Company. According to the definition of Senior managers in the Swedish Annual Accounts Act, the number of Senior managers in the Group consisted of 152 men and 55 women, of whom 5 men and 1 woman in the Parent Company. The total pension cost for Board members and senior managers in the Group amounted to SEK 34m (35).

Compensation to the Board of Directors

The Annual General Meeting (AGM) determines the total 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 2017 refers to one fourth of the compensation authorized by the AGM in 2016, and three fourths of the compensation authorized by the AGM in 2017. Total compensation paid in cash in 2017 amounted to SEK 7.5m, of which SEK 6.5m referred to ordinary compensation and SEK 1.0m to committee work.

Compensation to Board members 2017

´000 SEK	Ordinary compensation	Compensation for committee work	Total compensation
Ronnie Leten, Chairman	2,064	90	2,154
Kai Wärn	435	–	435
Petra Hedengran	575	306	881
Hasse Johansson	575	143	718
Ulla Litzén	575	250	825
Bert Nordberg	575	–	575
Fredrik Persson	575	112	687
David Porter	575	–	575
Jonas Samuelson, President	–	–	–
Ulrica Saxon	575	90	665
Bo Rothtzén	–	–	–
Gunilla Brandt	–	–	–
Ulf Carlsson	–	–	–
Total compensation 2017	6,524	991	7,515

Remuneration Committee

For information on the Remuneration Committee, see the Corporate Governance Report on page 153.

Remuneration guidelines for Group Management

The AGM in 2017 approved the proposed remuneration guidelines. These guidelines are described below.

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

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

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

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

Since 2004, Electrolux has long-term performance-share programs for senior managers of the Group. The maximum number of participants has varied during the years between 160–260. For further information, see page 125.

Remuneration and terms of employment for the President

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 2017 has been set at SEK 10.6m.

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.

All amounts in SEKm unless otherwise stated

Cont. Note 27

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 durng the 12 months severance period. Severance pay is applicable if the employment is terminated by the company. It is also applicable if the employment is terminated by the President provided serious breach of contract on the company's behalf or if there has been a major change in ownership structure in combination with changes in management and changed individual accountability.

Pensions for the President

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

The capital value of pension commitments for the President in 2017, prior Presidents, and survivors is SEK 236m (227), whereof SEK 22m (18) relates to the President.

Remuneration and terms of employment for other members of Group Management

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 2017 was 4.27% (2.95).

Variable salary in 2017 is based on financial targets on business area and Group level. Variable salary for business area heads varies between a minimum (no pay-out) and a maximum of 100% of annual base salary, which is also the cap. Group Management members in the USA have a maximum of up to 150% of annual base salary.

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

Costs for extraordinary arrangements during 2017 amounts to approximately SEK 3.2m. Costs for extraordinary arrangements which have not yet been paid out are currently estimated to approximately SEK 3.2m.

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 durng the 12 months severance period. Severance pay is applicable if the employment is terminated by the company. It is also applicable if the employment is terminated by the Group Management member provided serious breach of contract on the company's behalf or if there has been a major change in ownership structure in combination with changes in management and changed individual accountability.

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

Pensions for other members of Group Management

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

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

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

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

The pensionable salary is calculated as the current fixed salary including vacation pay plus the average variable salary for the last three years. Accrued capital is subject to a real rate of return of 3.5% per year. For other members of Group Management, employed in Sweden before 2012, the retirement age is 60.

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 2015, 2016 and 2017

The Annual General Meeting in 2017 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 2015, 2016 and 2017 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. Performance outcome of the three financial objectives will be determined by the Board after the expiry of the one-year performance period.

For the 2015, 2016 and 2017 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 2015, 2016 and 2017 program covers 210 to 260 senior managers and key employees in almost 30 countries. Participants in the 2017 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.

If performance is between minimum and maximum, the total cost for the 2017 performance-share program over a three-year period is estimated at SEK 197m, including costs for employer contributions. If the maximum level is attained, the cost is estimated at a maximum of SEK 393m. The distribution of shares under this program will result in an estimated maximum increase of 0.66% in the number of outstanding shares.

For 2017, LTI programs resulted in a cost of SEK 115m (including a cost of SEK 27m in employer contribution) compared to a cost of SEK 86m in 2016 (including a cost of SEK 23m in employer contribution). The total provision for employer contribution in the balance sheet amounted to SEK 55m (63).

Repurchased shares for LTI programs

The Annual General Meeting in 2016 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 2014 program, but this mandate has not been used by the company.

Allocation of shares for the 2014 program

The 2014 performance-share program met 70.9% of the maximum performance and performance shares were allocated during 2017 to the participants according to the terms and conditions of the 2014 share program.

All amounts in SEKm unless otherwise stated

Cont. Note 27

Remuneration to Group Management

'000 SEK unless otherwise stated	2017 Annual fixed salary[1]	2017 Variable salary[2]	2017 Long-term PSP (cost)[3]	2017 Other remuner-ation[4]	2017 Total pension contri-bution	2017 Social contri-bution	2016 Annual fixed salary[1]	2016 Variable salary[2]	2016 Long-term PSP (cost)[3]	2016 Other remuner-ation[4]	2016 Total pension contri-bution	2016 Social contri-bution
President and CEO[5]	10,849	8,480	7,508	3	3,710	7,331	10,435	7,333	8,295	11,558	3,780	3,998
of which Jonas Samuelson	10,849	8,480	7,508	3	3,710	7,331	9,239	7,333	4,350	1	3,208	3,302
of which Keith McLoughlin	–	–	–	–	–	–	1,196	–	3,945	11,557	572	696
Other members of Group Management	49,572	43,512	24,101	25,443	13,792	21,608	52,995	44,076	17,216	22,528	17,525	17,416
Total	**60,421**	**51,992**	**31,609**	**25,446**	**17,502**	**28,939**	**63,430**	**51,409**	**25,511**	**34,086**	**21,305**	**21,414**

1) The annual fixed salary includes vacation salary, paid vacation days and salary deductions for company car.
2) Variable salary earned 2017 and to be paid in 2018, and variable salary earned 2016 and paid in 2017.
3) Cost for share-based incentive programs are accounted for according to IFRS 2, Share-based payments. If the expected cost of the program is reduced, the previous recorded cost is reversed and an income is recorded in the income statement. The cost includes social contribution cost for the program.
4) Includes allowances and other benefits such as gross-up of tax, housing and company car, severance pay, pay for non-compete undertaking and costs for extraordinary arrangements.
5) Remuneration in 2017 refers only to Jonas Samuelson. In 2016 remuneration refers to Jonas Samuelson as from February 1, 2016 and to Keith McLoughlin up to January 31, 2016.

Number of potential shares per category and year

	Maximum number of B shares[1]			Maximum value, SEK[2) 3)]		
	2017	2016	2015	**2017**	2016	2015
President	45,809	51,515	52,404	10,600,000	10,000,000	11,547,000
Other members of Group Management	17,239	21,547	19,545	3,989,000	4,183,000	4,307,000
Other senior managers, cat. D	10,212	10,795	9,637	2,363,000	2,095,000	2,124,000
Other senior managers, cat. C	5,301	5,816	5,206	1,227,000	1,129,000	1,147,000
Other senior managers, cat. B[4]	3,797	–	–	879,000	–	–
Other senior managers, cat. A	2,562	3,021	2,788	593,000	586,000	614,000

1) Each value is converted into a number of shares. The number of shares is based on a share price of SEK 220.36 for 2015, and SEK 194.12 for 2016, and SEK 231,40 for 2017 calculated as 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. The recalculated weighted average fair value of shares at grant for all the programs is SEK 214.97 per share.
2) Total maximum value for all participants at grant is SEK 285m for the 2015 performance-share program, SEK 296m for the 2016 program and SEK 330m for the 2017 program.
3) The share allocation for the 2015 program will be at 21% of maximum. For the 2016 program, share allocation will be at 75% of maximum. For the 2017 program 90% of maximum will be allocated.
4) New category introduced 2017.

Performance-share program 2017

	Financial objectives			Allocation of shares		
	Minimum	Maximum	Actual	Outcome, %	Weight, %	Alloca-tion, %
Organic sales growth, %	0.0	1.0	–0.4	0	10	0.0
Earnings per share, SEK	14.5	18.0	19.8[1]	100	40	40.0
Return on net assets, %	26.0	32.5	41.1[1]	100	50	50.0
Total allocation						**90.0**

1) Including adjustments for acquisitions and divestments.

Note 28 Fees to auditors

PricewaterhouseCoopers (PwC) is appointed auditor for the period until the 2018 Annual General Meeting.

	Group		Parent Company	
	2017	2016	**2017**	2016
PwC				
Audit fees[1]	41	40	8	9
Audit-related fees[2]	2	1	2	1
Tax fees[3]	1	4	–	–
All other fees[4]	10	4	9	1
Total fees to PwC[5]	**54**	**49**	**19**	**11**
Audit fees to other audit firms	2	–	–	–
Total fees to auditors	**56**	**49**	**19**	**11**

1) Audit fees consist of fees for the annual audit-services engagement and other audit services, which are those services that only the external auditors reasonably can provide, and include the Company audit; statutory audits; comfort letters and consents; and attest services.
2) Audit-related fees consist of fees for assurance and related services that are reasonably related to the performance of the audit or review of the Company's financial statements or that are traditionally performed by the external auditors, and include consultations concerning financial accounting and reporting standards; internal control reviews; employee benefit plan audits as well as review of interim reports.
3) Tax fees include fees for tax-compliance services, including the preparation of original and amended tax returns and claims for refund; tax consultations; tax advice related to mergers and acquisitions; transfer pricing; requests for rulings or technical advice from tax authorities; tax-planning services; and expatriate-tax planning and services.
4) All other fees include fees for transaction support services, financial advisory and other services.
5) Of Audit-related fees, SEK 2m pertains to PwC Sweden, of tax fees, SEK 0m pertains to PwC Sweden and of all other fees, SEK 9m pertains to PwC Sweden.

All amounts in SEKm unless otherwise stated

Note 29 Shares and participations

Associated companies

Participations in associated companies amounted to SEK 337m (210). During the year, Electrolux sold its 39.3% of Sidème, France, with a capital gain of SEK 6m. Electrolux 50% participation in Gångaren 13 Holding AB, Sweden, with a carrying amount of SEK 190m (194), remained unchanged during the year. Gångaren 13 Holding AB is a real estate company owning the corporate head office in Sweden.

In connection with the acquisition of the South African Kwikot Group Electrolux obtained 3 associated companies, SYR Africa, 50%, Shalamuka Kwikot, 49%, and Kwikot Solar, 50% with a total carrying amount of ZAR 53m approximately SEK 35m. SYR Africa supplies Kwikot with valves and has Kwikot as its sole customer. Shalamuka Kwikot and Kwikot Solar presently carry out marginal business activities only.

In November 2017 Electrolux acquired 49% in the Belgian company Next-Tech BVBA/SPRL with a carrying amount of EUR 11.3m approximately SEK 112m. Next-Tech designs and sells software and hardware solutions for domestic kitchen retailers.

All associated companies are unlisted.

Companies classified as assets available for sale

Electrolux holds 2.6% (2.7) of the shares in Videocon Industries Ltd., India, with a carrying amount of SEK 20m (123).

Group companies

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

Subsidiaries		Holding, %
Major Group companies		
Argentina	Frimetal S.A	99.79
Australia	Electrolux Home Products Pty. Ltd	100
Austria	Electrolux Austria GmbH	100
Belgium	Electrolux Home Products Corporation N.V.	100
Brazil	Electrolux do Brasil S.A.	100
Canada	Electrolux Canada Corp.	100
Chile	CTI S.A.	99.79
China	Electrolux (Hangzhou) Domestic Appliances Co. Ltd	100
	Electrolux (China) Home Appliance Co. Ltd	100
Denmark	Electrolux Home Products Denmark A/S	100
Egypt	Electrolux Egypt for Home Appliances S.A.E.	99.96
Finland	Oy Electrolux Ab	100
France	Electrolux France SAS	100
	Electrolux Home Products France SAS	100
	Electrolux Professionnel SAS	100
Germany	Electrolux Deutschland GmbH	100
	Electrolux Rothenburg GmbH Factory and Development	100
	Electrolux Professional GmbH	100
Hungary	Electrolux Lehel Kft	100
Italy	Electrolux Appliances S.p.A.	100
	Electrolux Professional S.p.A.	100
	Electrolux Italia S.p.A.	100
Mexico	Electrolux de Mexico, S.A. de C.V.	100
The Netherlands	Electrolux Associated Company B.V.	100
	Electrolux Home Products (Nederland) B.V.	100
Norway	Electrolux Home Products Norway AS	100
Poland	Electrolux Poland Spolka z.o.o.	100
Russia	LLC Electrolux Rus	100
Singapore	Electrolux SEA Pte Ltd	100
South Africa	Kwikot (Pty) Ltd.	100
Spain	Electrolux España, S.A.U.	100
Sweden	Electrolux Laundry Systems Sweden AB	100
	Electrolux HemProdukter AB	100
	Electrolux Appliances AB	100
Switzerland	Electrolux AG	100
	Electrolux Professional AG	100
Thailand	Electrolux Thailand Co. Ltd.	100
Ukraine	DC Electrolux LLC	100
United Kingdom	Electrolux Plc	100
	Electrolux Professional Ltd.	100
USA	Electrolux Home Products, Inc.	100
	Electrolux North America, Inc.	100
	Electrolux Professional Inc.	100

All amounts in SEKm unless otherwise stated

Note 30 Definitions

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

Computation of average amounts and annualized income statement measures

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

Growth measures

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

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

Acquired growth
Change in net sales less organic growth. Acquired growth relates to net sales reported by acquired operations within 12 months after the acquisition date.

Profitability measures

Operating margin (EBIT margin)
Operating income (EBIT) 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
Income for the period attributable to equity holders of the Parent Company divided by the average number of shares excluding shares held by Electrolux.

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

Capital indicators

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

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

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

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

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

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

Financial net debt
Total borrowings less liquid funds.

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

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

Other measures

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

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

[1] See table Net debt on page 112.

All amounts in SEKm unless otherwise stated

Note 31 Proposed distribution of earnings

	'000 SEK
The Board of Directors proposes that income for the period and retained earnings be distributed as follows:	19,364,149
A dividend to the shareholders of SEK 8.30 per share[1], totaling	2,385,399
To be carried forward	16,978,750
Total	**19,364,149**

[1] Calculated on the number of outstanding shares as per February 15, 2018.

The Board of Directors has proposed that the Annual General Meeting 2018 resolves on a dividend to the shareholders of SEK 8.30 per share to be paid in two installments. The record date for the first installment of SEK 4.15 per share is proposed to be Monday April 9, 2018 and the record date for the second installment of SEK 4.15 per share is proposed to be Tuesday October 9, 2018. On account hereof, the Board of Directors hereby makes the following statement according to Chapter 18 Section 4 of the Swedish Companies Act.

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

It is the Board of Directors' assessment that after distribution of the proposed dividend, the equity of the Company and the Group will be sufficient with respect to the kind, extent, and risks of the operations. The Board of Directors has hereby considered, among other things, the Company's and the Group's historical development, the budgeted development and the state of the market. If financial instruments currently valued at actual 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 92,710 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 15, 2018
AB ELECTROLUX (PUBL)
556009-4178

Ronnie Leten
Chairman of the Board of Directors

Jonas Samuelson
Board member and President and Chief Executive Officer

Petra Hedengran
Board member

Hasse Johansson
Board member

Ulla Litzén
Board member

Bert Nordberg
Board member

Fredrik Persson
Board member

David Porter
Board member

Ulrika Saxon
Board member

Kai Wärn
Board member

Gunilla Brandt
Board member, employee representative

Ulf Carlsson
Board member, employee representative

Bo Rothzén
Board member, employee representative

Auditors' report

To the general meeting of the shareholders of AB Electrolux (publ), corporate identity number 556009-4178

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of AB Electrolux (publ) for the year 2017. The annual accounts and consolidated accounts of the company are included on pages 69–133 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 2017 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 2017 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Our opinions in this report on the the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of my (our) knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

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

Our audit approach

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we considered areas where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the home appliances industry in which the Group operates.

The financial statements of the Electrolux Group consists of some 200 reporting units operating in 55 countries all over the world. The operations are managed and monitored through the Business areas – Major Appliances EMEA, Major Appliances North America, Major Appliances Latin America, Major Appliances Asia Pacific, Home Care & SDA and Professional Products. We have therefore scoped our audit procedures for the reporting units within each Business area, taking into account control environment and business processes at the individual reporting unit level but also by assessing business performance reviews and management oversight and follow-up activities on Business area level.

In establishing the overall group audit strategy and plan, we determined the type of work that needed to be performed at the reporting units in scope by component auditors. For the most significant entities we required a full audit on their complete financial reporting, for others we required specified audit procedures for the most significant profit and loss and/or balance sheet accounts depending on the nature of operations conducted at the reporting unit.

The group consolidation, financial statement disclosures and a number of complex transactions were audited by the Group engagement team. These include pensions, tax provisions and impairment of goodwill.

In addition, we have applied a centralized Group audit approach with respect to the Electrolux Control System (ECS), where key processes and controls are documented and tested by management and quality assured by internal audit (MA&SA), all of which is evidenced in a global internal control tool. The Group engagement team performed own internal control testing at Electrolux's shared service center in Krakow, Poland. The result from the centralized testing regarding ECS and centralized IT systems was shared with local auditors. Local teams was then instructed how to carry out their audit procedures based on the shared information.

The reporting units in scope for the Group audit procedures represent approximately 75 percentage of Group net sales. In addition, the Group audit team have carried out analytical procedures on Business area level to include also smaller reporting units. Local statutory audit procedures are conducted for all companies in the Group subject to statutory audit requirements by law.

Our audit is carried out continuously during the year. In connection with the issuance of the interim reports for the third quarter, we report our observations to Group management, Business area management and the Audit Committee. At year-end, we also report our main observations to the entire Board of Directors. For the third quarter, we issue a public interim review report.

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

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.

Key audit matter	How our audit addressed the Key audit matter
Revenue recognition Revenue is an important measure in terms of business follow-up and execution on the Electrolux Group strategies. Revenue also represents a significant line item in the Group consolidated income statement and amounted to SEK 122 billion in 2017. In our audit of revenue recognition correct cut-off is considered a matter of high importance. The vast majority of the Group's revenue consist of straight-forward product sales where revenue is recognized when the significant risks and rewards connected with ownership of goods have been transferred to the buyer. Within the Business area Major Appliances EMEA, the business set-up is slightly complex with one Swedish entity acting as a buying/selling hub for the European business where most of the European products flow through. Refer to the Annual Report Note 4 – Net sales and operating income.	Our audit included a combination of testing of internal controls over financial reporting with respect to revenue recognition including procedures relating to business reviews performed by the different Business areas, analytical procedures and detailed tests of significant new customer contracts. Different contracts may contain different delivery terms that need to be considered in terms of revenue recognition. Our audit also included detailed tests of proof of delivery to confirm that risk had been transferred to the customer as well as data analytics relating to manual and automated journal entries to ascertain reporting in the correct period. We have in our audit had special focus on revenue recognition within the Business area Major Appliances EMEA considering the inter-company transactions implied by the business set-up. Based on our work, we had no material observations for the overall audit on Electrolux's accounting for revenue recognition.
Valuation of accounts receivable – risk of credit losses Electrolux has a concentration of credit exposure on a number of major customers, mainly in the U.S., Latin America and Europe. Some of these major customers are facing difficult business conditions. In order to avoid significant credit losses, proper monitoring and management of credit risk is key. Accounts receivables is a significant item in the Group financial statements amounting to SEK 20,9 billion as of December 31, 2017 and provisions for impairment of receivables is an area which is influenced by management's estimates and judgment. The provision for impairment of receivables amounted to SEK 801 million (whereof new provisions amounted to SEK 212 million) as at December 31, 2017 and actual credit losses for 2017 amounted to SEK 152 million. Refer to the Annual Report Note 2 Financial risk management and Note 17 – Trade receivables.	Our audit incorporated the following activities; • Assessing and updating our understanding of internal controls over financial reporting with respect to credit risk; • Assessment of the Group's credit policy outlining authority for approving and responsibility to manage credit limits; • Inquiries with Electrolux's Credit management team in order to understand and assess governance and follow-up/monitoring of key customers through the Electrolux Rating Model (ERM); • Analytical procedures and inquiries with Business area controllers and credit controllers; • Detailed testing and assessment of accruals for bad debts to ensure these are in line with IFRS, with a focus on significant new provisions. We had a particular focus in our audit on how Electrolux manage credit risk for key customers. We also assessed and challenged management's assumptions and adherence to Group accounting policies with respect to provisions for impairment of receivables. Based on our work, we had no material observations for the overall audit on Electrolux's level of provision for impairment of accounts receivables as at December 31, 2017.
Accounting for business combinations and valuation of associated goodwill and intangible assets In 2017, Electrolux completed four acquisitions with a total consideration of SEK 3,851 million. Accounting for business combinations requires significant judgments and estimates by management to determine the fair value of acquired assets and assumed liabilities. Subsequent to the acquisitions any goodwill or intangible assets with indefinite useful life, originating from the acquisitions needs to be assessed by management annually for any potential impairment. These impairment assessments require management's estimates and judgments in determining the group's cash generating units as well as future revenues, operating profits, working capital, capital expenditures and discount rates for these units. Refer to the Annual Report Note 13 – Goodwill and other intangible assets and Note 26 – Acquired and divested operations.	In our audit we have performed a number of procedures in order to verify that the accounting treatment of new acquisitions are in accordance with generally accepted accounting principles and that impairment test have been performed for goodwill and other intangible assets with an indefinite use of life, in accordance with generally accepted methods. Our audit procedures included, but were not limited to: • Review of purchase price allocations for significant acquisitions to verify fair values assigned to acquired assets and assumed liabilities; • Analysing key assumptions made in the impairment tests for goodwill and other intangible assets with indefinite useful lives, and • Evaluation of the sensitivity of the key assumptions applied. Based on our work, we had no material observations for the overall audit of the accounting for business combinations and valuation of associated goodwill and intangible assets.

Other information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1–68 134–137 and 165–168. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

A further description of our responsibility for the audit of the annual accounts and consolidated accounts is available on Revisorsnämndens website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor's report.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of AB Electrolux (publ) for the year 2017 and the proposed appropriations of the company's profit or loss.

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

Basis for Opinions

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

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

Responsibilities of the Board of Directors and the Managing Director

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

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

A further description of our responsibility for the audit of the administration is available on Revisorsnämndens website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor's report.

PricewaterhouseCoopers AB, Stockholm, was appointed auditor of AB Electrolux by the general meeting of the shareholders on the 26 March 2014 and has been the company's auditor since the 18 April 2002.

Stockholm February 16, 2018

PricewaterhouseCoopers AB

Peter Nyllinge
Authorized Public Accountant
Partner in Charge

Camilla Samuelsson
Authorized Public Accountant

All amounts in SEKm unless otherwise stated

Eleven-year review

SEKM	2007	2008	2009	2010	2011
Net sales and income					
Net sales	104,732	104,792	109,132	106,326	101,598
Organic growth, %	4.0	–0.9	–4.8	1.5	0.2
Depreciation and amortization	2,738	3,010	3,442	3,328	3,173
Items affecting comparability [2]	–362	–355	–1,561	–1,064	–138
Operating income	4,475	1,188	3,761	5,430	3,017
Income after financial items	4,035	653	3,484	5,306	2,780
Income for the period	2,925	366	2,607	3,997	2,064
Cash flow					
Cash flow from operations	5,346	4,949	8,297	7,680	5,399
Cash flow from investments	–4,069	–3,755	–2,967	–4,474	–10,049
of which capital expenditure in property, plant and equipment	–3,430	–3,158	–2,223	–3,221	–3,163
Cash flow from operations and investments	1,277	1,194	5,330	3,206	–4,650
Cash flow from operations and investments excluding acquisitions and divestments of operations	1,277	1,228	5,326	3,199	906
Dividend, redemption and repurchase of shares	–6,708	–1,187	69	–1,120	–1,850
Capital expenditure in property, plant and equipment as % of net sales	3.3	3.0	2.0	3.0	3.1
Margins [3]					
Operating margin, %	4.6	1.5	4.9	6.1	3.1
Income after financial items as % of net sales	4.2	1.0	4.6	6.0	2.9
Financial position					
Total assets	66,089	73,323	72,696	73,521	76,384
Net assets	20,743	20,941	19,506	19,904	27,011
Working capital	–2,129	–5,131	–5,154	–5,902	–5,180
Trade receivables	20,379	20,734	20,173	19,346	19,226
Inventories	12,398	12,680	10,050	11,130	11,957
Accounts payable	14,788	15,681	16,031	17,283	18,490
Total equity	16,040	16,385	18,841	20,613	20,644
Interest-bearing liabilities	11,163	13,946	14,022	12,096	14,206
Provisions for post-employment benefits, net					
Net debt	4,703	4,556	665	–709	6,367
Data per share					
Income for the period, SEK	10.41	1.29	9.18	14.04	7.25
Equity, SEK	57	58	66	72	73
Dividend, SEK [4]	4.25	—	4.00	6.50	6.50
Trading price of B-shares at year-end, SEK	108.50	66.75	167.50	191.00	109.70
Key ratios					
Return on equity, %	20.3	2.4	14.9	20.6	10.4
Return on net assets, %	21.7	5.8	19.4	27.8	13.7
Net assets as % of net sales [5]	18.6	18.1	17.1	18.2	23.8
Trade receivables as % of net sales [5]	18.3	17.9	17.7	17.7	17.0
Inventories as % of net sales [5]	11.1	11.0	8.8	10.2	10.5
Net debt/equity ratio	0.29	0.28	0.04	–0.03	0.31
Interest coverage ratio	7.49	1.86	7.54	12.64	5.84
Dividend as % of total equity	7.5	—	6.0	9.0	9.0
Other data					
Average number of employees	56,898	55,177	50,633	51,544	52,916
Salaries and remuneration	12,612	12,662	13,162	12,678	13,137
Number of shareholders	52,700	52,600	52,000	57,200	58,800
Average number of shares after buy-backs, million	281.0	283.1	284.0	284.6	284.7
Shares at year end after buy-backs, million	281.6	283.6	284.4	284.7	284.7

[1] Amounts for 2012 have been restated where applicable as a consequence of the amended standard for pension accounting, IAS 19 Employee Benefits.
[2] As of 2015 the accounting concept of Items affecting comparability is no longer in use.
[3] Items affecting comparability are excluded for the years 2005 to 2013. 2014 has been restated.
[4] 2017: Proposed by the Board.
[5] Annualized net sales, calculated at end of period exchange rates, 2017: 128,367 (2016: 127,490).

All amounts in SEKm unless otherwise stated

2012 [1]	2013	2014	2015	2016	2017	Compound annual growth rate, % 5 years	10 years
109,994	109,151	112,143	123,511	121,093	122,060	2.1	1.5
5.5	4.5	1.1	2.2	–1.1	–0.4		
3,251	3,356	3,671	3,936	3,934	3,977		
–1,032	–2,475	–1,199	—	—	—		
4,000	1,580	3,581	2,741	6,274	7,407	13.1	5.2
3,154	904	2,997	2,101	5,581	6,966	17.2	5.6
2,365	672	2,242	1,568	4,493	5,745	19.4	7.0
7,080	4,455	7,822	8,267	10,165	10,024	7.2	6.9
–4,702	–4,734	–3,759	–3,403	–2,557	–8,200		
–4,090	–3,535	–3,006	–3,027	–2,830	–3,892	–1.0	1.3
2,378	–279	4,063	4,864	7,608	1,824		
2,542	–74	4,132	4,955	7,432	5,229		
–1,868	–1,860	–1,861	–1,870	–1,868	–2,155		
3.7	3.2	2.7	2.5	2.3	3.2		
4.6	3.7	3.2	2.2	5.2	6.1		
3.8	3.1	2.7	1.7	4.6	5.7		
75,194	76,001	85,688	83,471	85,848	89,679	3.6	3.1
25,890	24,961	26,099	21,412	18,098	20,793	–4.3	0.0
–6,505	–5,800	–8,377	–12,234	–14,966	–15,721		
18,288	19,441	20,663	17,745	19,408	20,945	2.8	0.3
12,963	12,154	14,324	14,179	13,418	14,632	2.5	1.7
20,590	20,607	25,705	26,467	28,283	31,272	8.7	7.8
15,726	14,308	16,468	15,005	17,738	20,596	5.5	2.5
13,088	14,905	14,703	13,097	10,202	9,537	–6.1	–1.6
4,479	2,980	4,763	4,509	4,169	2,634		
10,164	10,653	9,631	6,407	360	197	–54.6	–27.2
8.26	2.35	7.83	5.45	15.64	19.99	19.3	6.7
55	50	57.52	52.21	61.72	71.66	5.4	2.3
6.50	6.50	6.50	6.50	7.50	8.30		
170.50	168.50	228.80	205.20	226.30	264.30	9.2	9.3
14.4	4.4	15.7	9.9	29.4	31.7		
14.8	5.8	14.2	11.0	29.9	35.8		
22.5	21.8	20.4	17.3	14.2	16.2		
15.9	17.0	16.2	14.3	15.2	16.3		
11.3	10.6	11.2	11.5	10.5	11.4		
0.65	0.74	0.58	0.43	0.02	0.01		
2.72	2.11	5.16	3.75	3.75	12.16		
11.8	13.0	11.3	12.4	10.5	10.5		
59,478	60,754	60,038	58,265	55,400	55,692	–1.3	–0.2
13,785	13,521	14,278	15,858	15,886	16,470	3.6	2.7
51,800	51,500	46,500	45,485	48,939	45,295	–2.6	–1.5
285.9	286.2	286.3	287.1	287.4	287.4		
286.1	286.2	286.3	287.4	287.4	287.4		

All amounts in SEKm unless otherwise stated

Operations by business area yearly

SEKM	2013	2014	2015	2016	2017
Major Appliances Europe, Middle East and Africa					
Net sales	33,436	34,438	37,179	37,844	38,524
Operating income	–481	232	2,167	2,546	2,764
Margin, %	–1.4	0.7	5.8	6.7	7.2
Major Appliances North America					
Net sales	31,864	34,141	43,053	43,402	40,656
Operating income	2,136	1,714	1,580	2,671	2,757
Margin, %	6.7	5.0	3.7	6.2	6.8
Major Appliances Latin America					
Net sales	20,695	20,041	18,546	15,419	17,302
Operating income	979	1,069	463	–68	425
Margin, %	4.7	5.3	2.5	–0.4	2.5
Major Appliances Asia/Pacific					
Net sales	8,653	8,803	9,229	9,380	10,048
Operating income	116	438	364	626	750
Margin, %	1.3	5.0	3.9	6.7	7.5
Home Care & SDA					
Net sales	8,952	8,678	8,958	8,183	7,808
Operating income	309	200	–63	238	431
Margin, %	3.5	2.3	–0.7	2.9	5.5
Professional Products					
Net sales	5,550	6,041	6,546	6,865	7,723
Operating income	510	671	862	954	1,054
Margin, %	9.2	11.1	13.2	13.9	13.7
Other					
Net sales	1	1	–	–	–
Operating income, common Group costs, etc.	–1,989	–743	–2,632	–693	–775
Total Group					
Net sales	109,151	112,143	123,511	121,093	122,060
Operating income	1,580	3,581	2,741	6,274	7,407
Margin, %	1.4	3.2	2.2	5.2	6.1

1) Electrolux applies the amended standard for pension accounting, IAS 19 Employee Benefits, as of January 1, 2013. Reported figures for 2012 have been restated to enable comparison.

Material profit or loss items in operating income[1]	2013	2014	2015	2016	2017
Major Appliances Europe, Middle East and Africa	–828	–1,212	–	–	–
Major Appliances North America	–	–39[2]	–158[2]	–	–
Major Appliances Latin America	–	–10	–	–	–
Major Appliances Asia/Pacific	–351	–10	–	–	–
Home Care & SDA	–82	–	–190	–	–
Professional Products	–	–	–	–	–
Common Group cost	–1,214	–77[2]	–1,901[2]	–	–
Total Group	**–2,475**	**–1,348**	**–2,249**	**–**	–

1) For more information, see Note 7.
2) Refers to costs related to the not completed acquisition of GE Appliances. Costs for preparatory integration work of SEK 39m for 2014 and SEK 158m for 2015 have been charged to operating income for Major Appliances North America. Common Group cost includes transaction costs of SEK 110m for 2014 and SEK 408m for 2015 and a termination fee paid to General Electric in December 2015 of USD 175m, corresponding to SEK 1,493m. In total, costs of SEK 2,059m related to GE Appliances were charged to operating income in 2015 of which SEK 63m in the first quarter, SEK 195m in the second quarter, SEK 142m in the third quarter and SEK 1,659m in the fourth quarter.

All amounts in SEKm unless otherwise stated

Quarterly information

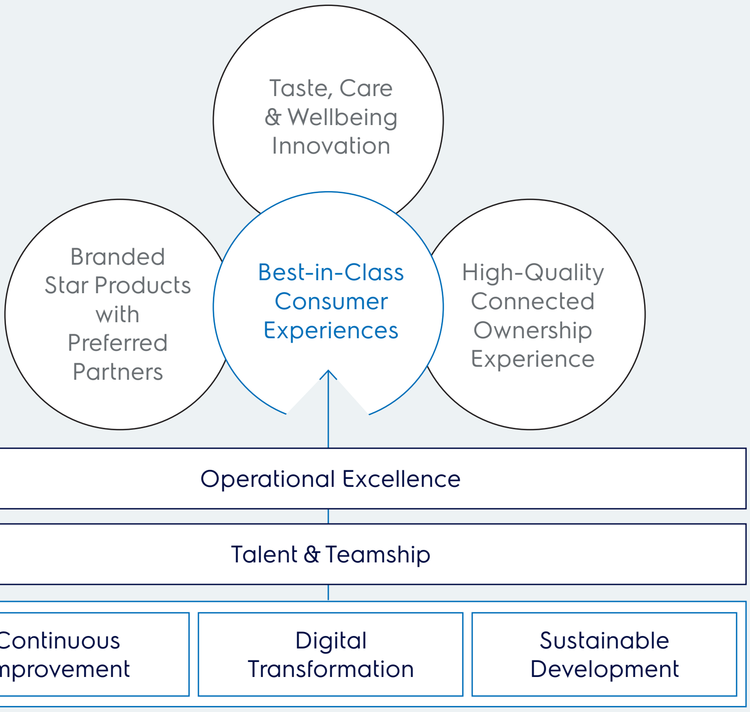
Net sales and income by business area per quarter

SEKM	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Full year 2017	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Full year 2016
Major Appliances Europe, Middle East and Africa										
Net sales	8,830	9,356	9,422	10,914	38,524	9,001	8,897	9,579	10,367	37,844
Operating income	558	576	749	882	2,764	553	567	680	746	2,546
Margin, %	6.3	6.2	7.9	8.1	7.2	6.1	6.4	7.1	7.2	6.7
Major Appliances North America										
Net sales	9,850	11,699	9,544	9,563	40,656	9,937	11,450	11,189	10,826	43,402
Operating income	605	987	719	447	2,757	495	742	824	610	2,671
Margin, %	6.1	8.4	7.5	4.7	6.8	5.0	6.5	7.4	5.6	6.2
Major Appliances Latin America										
Net sales	4,301	3,857	4,132	5,012	17,302	3,643	3,659	3,968	4,149	15,419
Operating income	101	29	77	218	425	31	69	19	–187	–68
Margin, %	2.4	0.8	1.9	4.3	2.5	0.9	1.9	0.5	–4.5	–0.4
Major Appliances Asia/Pacific										
Net sales	2,374	2,713	2,415	2,547	10,048	2,022	2,407	2,515	2,436	9,380
Operating income	112	209	214	215	750	95	150	208	173	626
Margin, %	4.7	7.7	8.9	8.5	7.5	4.7	6.2	8.3	7.1	6.7
Home Care & SDA										
Net sales	1,786	1,878	1,898	2,245	7,808	1,927	1,858	1,960	2,438	8,183
Operating income	70	77	80	205	431	44	6	34	154	238
Margin, %	3.9	4.1	4.2	9.1	5.5	2.3	0.3	1.7	6.3	2.9
Professional Products										
Net sales	1,742	1,999	1,897	2,085	7,723	1,584	1,712	1,641	1,928	6,865
Operating income	249	258	272	276	1,054	205	222	234	293	954
Margin, %	14.3	12.9	14.3	13.2	13.7	12.9	13.0	14.3	15.2	13.9
Other										
Operating income, common group costs, etc.	–159	–194	–150	–273	–775	–155	–192	–173	–173	–693
Total Group										
Net sales	28,883	31,502	29,309	32,366	122,060	28,114	29,983	30,852	32,144	121,093
Operating income	1,536	1,942	1,960	1,969	7,407	1,268	1,564	1,826	1,616	6,274
Margin, %	5.3	6.2	6.7	6.1	6.1	4.5	5.2	5.9	5.0	5.2
Income after financial items	1,434	1,753	1,874	1,905	6,966	1,163	1,448	1,725	1,245	5,581
Income for the period	1,083	1,308	1,424	1,930	5,745	875	1,079	1,267	1,272	4,493
Earnings per share, SEK [1]	3.77	4.55	4.96	6.72	19.99	3.04	3.75	4.41	4.43	15.64
Number of shares after buy-backs, million	287.4	287.4	287.4	287.4	287.4	287.4	287.4	287.4	287.4	287.4
Average number of shares after buy-backs, million	287.4	287.4	287.4	287.4	287.4	287.4	287.4	287.4	287.4	287.4

[1] Basic, based on average number of shares, excluding shares owned by Electrolux.

Sustainability reporting 2017

Electrolux is a global leader in household and professional appliances for kitchen and laundry. The company mission is to reinvent taste, care and wellbeing experiences for more enjoyable and sustainable living around the world.



Business model

To achieve the Electrolux Purpose – to shape living for the better – and drive profitable growth, Electrolux uses a business model that focuses on delivering best-in-class consumer experiences in taste, care and wellbeing.

The objective is to create a steady stream of consumer-relevant innovations under strong brands in key experience areas. Electrolux focuses on enabling great-tasting food, great care for clothes and healthy wellbeing in your home.

With over 60 million home appliances sold annually, Electrolux has long recognized the impact the company has on the environment and in society.

Sustainable development is defined as a transformational driver in the business model as the company recognizes the growing importance of sustainability performance and reputation. This includes impacts from Electrolux business operations and products on the planet and society. Electrolux has made significant progress on sustainability in recent years and is acknowledged as a sustainability leader.

ELECTROLUX — A LEADER IN THE HOUSEHOLD DURABLES INDUSTRY

MEMBER OF Dow Jones Sustainability Indices In Collaboration with RobecoSAM

ROBECOSAM Sustainability Award Gold Class 2018

Corporate Responsibility Prime rated by oekom research

CDP A LIST 2017 CLIMATE

The Group's sustainability performance strengthens relations with investors. In 2017, and for the eleventh consecutive year, Electrolux was recognized as a leader in the household durables industry in the prestigious Dow Jones Sustainability Index (DJSI). Electrolux thereby ranks among the top 10% of the world's 2,500 largest companies for social and environmental performance. Additionally, Electrolux has received recognition from other indexes and organizations, including RobecoSAM, CDP and oekom Prime. Electrolux is included in the Climate A List by CDP.

Electrolux in a changing world

The world in which Electrolux operates is constantly changing. Demographic trends are increasing pressure on resources, rapid technological development requires new business approaches, and climate and resource concerns are influencing decision making at all levels. Such global megatrends create challenges for the business – but also bring about business opportunities.

Demographics

Global demographic trends – such as population growth, the growing middle class, an aging population and urbanization – are increasing the demand for home appliances, which puts more pressure on natural resources. In the next 15 years, another billion people are expected to buy their first refrigerator.

Implications for Electrolux:
- Significant growth potential in emerging markets.
- Continued need to improve the environmental performance of products.
- Growing importance of the elderly consumer group and the increasing number of smaller households.
- Potential for new business models, e.g. shared ownership.

Climate and resources

The need to reduce greenhouse gas emissions, and adapt to a changing climate and resource limitations, will drive manufacturers toward 'circular business' models that promote resource efficiency, cleaner chemistry and waste reduction.

Implications for Electrolux:
- Continued need to improve the environmental performance of products.
- Pressure to reduce water consumption in areas with water scarcity.
- Competition for some metals and minerals.
- Growing importance of the circular economy.
- Expectations to go beyond chemical legislation.

Technology

New technologies are scaled rapidly and globally, with purchasing decisions increasingly influenced by online information and social media. The Internet of Things (IoT) promises to connect billions of products in the near future.

Implications for Electrolux:
- Greater consumer empowerment and awareness requires transparency and sustainable business practices.
- Digitalization will drive the next wave of operational efficiency, including closer integration with suppliers.
- Connectivity offers opportunities for new business models that result in better resource efficiency.
- IoT enables a lifelong relationship between producers and consumers, but requires high standards of data security and privacy.

Materiality

Material issues are topics that reflect the most significant economic, environmental and social impacts.

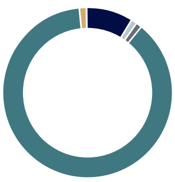
The materiality process aims to identify and understand the topics that are important to stakeholders, as well as to the Group's business strategy. It is an important way of evaluating the ability to create and sustain value.

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

The material issues have been expressed as nine promises in the Group's sustainability framework – For the Better – defined by the 2020 sustainability goals for Electrolux, and supported by key performance indicators (KPIs) (see For the Better, page 140).

The correlation between the UN Sustainable Development Goals and Electrolux sustainability framework shows that the Group's materiality analysis reflects societal priorities.

AVERAGE CO_2 IMPACT DURING THE LIFETIME OF AN APPLIANCE*



Recycling	1%
Materials	9%
Manufacturing	1%
Transportation	1%
Product usage	88%

The product life cycle perspective give guidance for how to best reduce environmental impact by indicating the degree of impact in raw-material extraction, manufacturing, transportation, use and end-of-life treatment. The most significant environmental impact for Electrolux is carbon emissions as a result of energy consumption when products are used. Electrolux is aiming to halve the lifecycle climate impact of its products by 2020 relative to 2005 levels. If successful, this will avoid approximately 25 million tonnes of CO_2- equivalents in emissions.

* Calculated as the average of eleven different appliances.

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.

Better solutions	Better operations	Better society
Improve product performance and efficiency	Ensure the best health and safety	Solutions for healthy and sustainable living for more people
Make better use of resources	Achieve more with less	Be a force for good
Eliminate harmful materials	Respect human rights and ethical principles	Improve supply chain sustainability
50% Carbon Reduction Target		

Better solutions

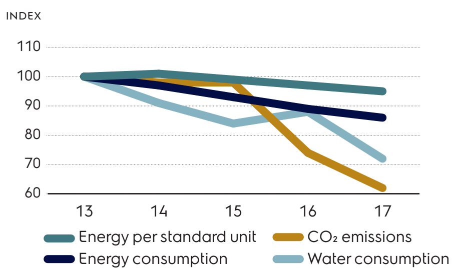
Meeting the growing global market for household appliances without increasing environmental impact requires us to improve product efficiency even further and to use resources more efficiently.

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 2017, products with leading environmental performances represented 19% of products sold and 28% of gross profit. One example launched in 2017 is the Green&Clean Rack Type dishwasher for professional kitchens - that uses just a glass of water per rack and offers the lowest running costs in the industry.

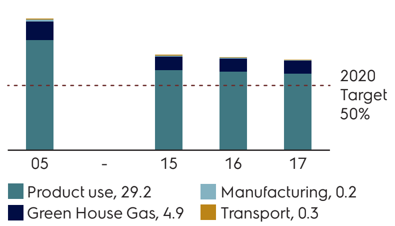
Make better use of resources
Materials used in household appliances comprise primarily of steel, plastic and electronic components. One of the ways of contributing to greater resource efficiency is to increase the use of recycled materials and support initiatives for product recycling. In 2017, Electrolux increased activities in all business areas to reach our target of 20,000 tonnes of recycled plastics by 2020.

Eliminate harmful materials
Electrolux has a robust approach to choosing materials for its products, and protecting human health and the environment. The Group continues to implement a common process for chemical management. New scientific findings and stakeholder requirements are used to regularly update the Group's restricted materials list.

OPERATIONAL RESOURCE EFFICIENCY



HALVING THE GROUP'S CLIMATE IMPACT, MILLION TONNES CO_2



Better operations

With 56,000 employees worldwide and operations in more than 58 countries, Electrolux influences people's daily life around the world. The Group works continuously to be more resource efficient and become a safer and more ethical company.

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 and water use in the Group's operations around the world. In 2017, Electrolux reduced its energy consumption by 2.4% and CO_2 emissions by 17.5% compared to 2016.

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 and since 2005, the incident rate has been reduced significantly by 82%. The global incident rate (TCIR) was 0.58 in 2017.

The estimated cost reduction was more than SEK 340m in 2017, compared with 2005, based on historical data.

Always act ethically and respect human rights

Electrolux continues to build an ethical, trusted company, where everyone impacted by the Group's operations can feel confident that their rights are respected. Electrolux has a global ethics program encompassing both training and a whistle-blowing system – the Electrolux Ethics Helpline, and in 2017, 186 Helpline reports were made. As part of the group approach to human rights, two local human rights assessments were conducted.

Better society

As a global company, Electrolux affects millions of people — customers, suppliers and local communities. Electrolux strives to make a difference in society by helping all stakeholders throughout the value chain to become more sustainable, and by promoting a positive impact in the communities in which the Group operates.

Solutions for healthy and sustainable living for more people

Electrolux makes efficient appliances accessible to more people, creating opportunities for a better life for everyone. As a global company, Electrolux can contribute to a faster transfer of technology to new growing markets. Resource-efficient solutions improve the lives of people and minimize environmental impacts.

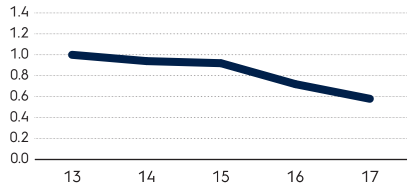
Be a force for good

As a world-leader in kitchen appliances, the Group's community investment activities focus on food — in cooperation with employees and local stakeholders. Actions are facilitated through the Electrolux Food Foundation, and the Feed the Planet partnership together with the World Association of Chefs' Societies (Worldchefs) and the world's largest youth organization AIESEC. Several local and two global projects were active in 2017.

Improve sustainability in the supply chain

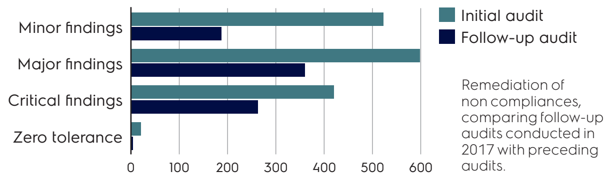
Regardless of where the Group's products and components are manufactured, it must be done with respect for people and care for the environment. As part of its responsible sourcing efforts, Electrolux carried out 387 supplier audits in 2017, and over 650 employees from more than 300 suppliers received training in the Electrolux Code of Conduct and other relevant sustainability issues. Electrolux uses its purchasing power to improve logistics by engaging in collaborative solutions.

INCIDENT RATE[1)]



[1)] Per 200,000 working hours.

RESPONSIBLE SOURCING AUDIT FINDINGS



Remediation of non compliances, comparing follow-up audits conducted in 2017 with preceding audits.

Managing sustainability – Risks and Opportunities

Governance

The Group's sustainability framework – For the Better – is directly overseen by the Group Management and the Sector Management teams that have been engaged in the development of the priorities and objectives for the nine promises.

Group management has also adopted policies regarding the Environment, Code of Conduct, and Corruption and Bribery, while the Board of Directors has approved the Code of Ethics.

Each business sector is responsible for contributing to the fulfilment of the Group's sustainability targets under the nine promises and several of the KPIs are broken down and monitored at sector level.

Reference groups and steering groups with Group Management and senior management participation are in place for various programs, e.g. 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 regularly reported to Group Management and they feed the materiality process.

Key sustainability governance responsibilities:

- Management Assurance and Special Assignments (MASA) 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 anticorruption program.
- Each Sector'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 and implementation programs, and manages the Responsible Sourcing program.
- The global Ethics Helpline (whistleblower function) and an ethics program is overseen by the Ethics & Human Rights Steering Group.

Aspect	Environment	Social, Labor and Human Rights	Anti-corruption
Policies	Environmental policy Workplace Code of Conduct	Workplace Code of Conduct Workplace Standards	Code of Ethics Policy on Corruption and Bribery
Key areas	• Product design	• Child and forced labor	• Conflict of interest
	• Efficiency in operations	• Health & safety, working hours, compensation	• Bribes or other improper benefits
	• Influencing legislation	• Discrimination and harassment	• Business partners and customers
	• Environmental management systems	• Freedom of association, collective bargaining	• Political contributions

The full text of Electrolux policies is available at www.electroluxgroup.com/en/category/sustainability/codes-and-policies

Environment

From an entire product life cycle perspective, Electrolux has a relatively large environmental impact – including energy consumption, use of materials and chemicals. Generally, the most significant impacts occurs during a product's use phase and the Group's strategy is to improve product performance.

The Electrolux Environmental Policy outlines how Electrolux aims to improve environmental performance in production and product use, as well as how to design products for disposal. Requirements in the Group's operations and in supply chain are described in the Workplace Standard. All Electrolux factories with more than 50 people are required to be ISO 14001 certified.

Group requirements on suppliers are described in the Code of Conduct and Workplace Standard. Compliance is mandatory when evaluating potential and existing suppliers. The Group's major OEM and ODM suppliers must measure and monitor their energy and water use and report them through the energy reporting standard and the WWF's Water Risk Filter respectively.

Electrolux responds to the annual CDP Climate Change and Water questionnaires, and was included in the Climate Change A-list, and scored as A- in CDP Water in 2017.

Electrolux products are affected by legislation including energy consumption, producer responsibility, and management of hazardous substances. Some customers have requirements that go beyond legislation. The main environmental risks are related to regulatory and customer requirements (see pages 144–145). Not meeting requirements could results 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 setting targets in the product development plans.

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.

The Group's programs to reduce operational resource consumption and to introduce more recycled materials in products are generating cost savings.

In 2017, Electrolux submitted an application for Science Based Targets in line with the Paris agreement, COP 21.

Social, Labor and Human Rights

Electrolux is built on trust, which means that all actions and decisions must be governed by principles of ethics, integrity, and respect for people and care for the environment – no matter where the Group operates in the world.

Consumers are increasingly making purchasing decisions based on manufacturer trust, and how companies 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 as we handle increasing amounts of personal data, and corruption.

The Workplace Code of Conduct and the Code of Ethics are the basis for the work with social, labor and human rights. The Workplace Standard is based on the Workplace Code of Conduct, and guides efforts to assess, manage and mitigate the risks of non-compliance throughout the value chain. The Workplace Code of Conduct reflects the corporate responsibility to respect human rights and constitutes the Group's human rights policy.

Electrolux is monitoring performance and managing risks through internal and external audits, an annual self-assessment process for manufacturing units, local human rights assessments, education, the Ethics Helpline, management-labor dialogue, as well as health and safety committees. Risks in the supply chain are addressed through audits and training efforts as part of the Responsible Sourcing program.

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

During 2016, a methodology to identify and assess human rights impacts was developed and conducted at Group level.

Six issues and three business processes constitute the Group's salient human rights issues. The methodology is in line with the UN Guiding Principles on Business and Human Rights, and emerging practices for human rights impact assessments.

In 2017, local human rights impact assessments were conducted in Egypt and Thailand. The assessments span the Group's entire activities in the country, including risks at suppliers and customers.

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, means that Electrolux is exposed to corruption and bribery related risks. These risks may arise in several phases of the value chain, such as in purchasing and sales.

Electrolux has zero tolerance for corruption and works continuously to raise awareness among employees in order to minimize the risk for corruption. Measures against corruption are included in the Group Policy on Corruption and Bribery, 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 2017, 186 reports were received out of which 19 reports in the area of business integrity were investigated. 'Business integrity' includes allegations related to corruption, fraud, theft, internal control and anti-trust.

In addition to the Policy on Corruption and Bribery, Electrolux has launched 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 (which 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.

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 risks and impacts, and how they are managed its degree of influence along its value chain, and the value it creates for the company and the society.

Product development

Close collaboration between Design, Marketing and R&D enables new products to offer best-in-class consumer experiences.

The ambition is to develop solutions with leading environmental performance. Timely innovation is key to meeting forthcoming legal requirements and market demands. The focus is on energy, water- and material efficiency, as well as chemical use in appliances.

Risks

- Not meeting regulatory or market requirements.
- Not meeting consumer expectations.

How impacts are managed

- Continuously improve product efficiency.
- Increase use of recycled materials.
- Eliminate harmful materials.
- Integrate future requirements into product development plans.

Ability to influence - **High**

Generating value

Products with leading environmental performance deliver customer value in line with the business strategy, while reducing negative impact on the environment.

Suppliers

Electrolux relies on several thousand first tier suppliers, many in emerging markets. The focus is on safeguarding Electrolux standards, and developing supplier capacity to improve sustainability performance.

Risks

- Be connected 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.
- Climate impact assessments of key suppliers.
- Conduct auditing to safeguard standards.
- Hold training and drive improvement programs.

Ability to influence - **Medium**

Generating value

Enforcing Electrolux standards supports human rights and raises environmental, labor and economic standards, particularly in emerging markets. This also builds trust and a resilient supply chain, while reducing business and reputational risks.

Electrolux operations

Electrolux has 53 factories and sales in 150 markets, with approximately 56,000 employees. 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

- Environmental management systems and efficiency programs.
- Ensure the best conditions for health and safety.
- Governance systems and training to enforce sustainability policies.
- Climate impact assessments of operations.
- Support local community programs.

Ability to influence - **High**

Generating value

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

Transport

Addressing transportation is part of a life cycle approach to the Group's overall impacts. Electrolux emits more CO_2 transporting its goods than it emits through the total energy used in Group operations.

Approximately 300,000 tonnes are emitted 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

- Collaborative solutions to mitigate logistics-related impacts.
- Promoting efficient modes of transport.

Ability to influence - **Medium**

Generating value

Helping to create a more sustainable transport industry strengthens the Group's brand reputation. Transport is included in the Electrolux carbon target. It also supports suppliers in their work to improve their environmental and labor standards.

Sales

Electrolux sells more than 60 million products in over 150 markets every year, primarily through retailers. Energy and performance labeling, and sustainability communication allows us to raise consumer efficiency awareness.

Risks

- Failure to effectively inform consumers.
- 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.
- Third party endorsement of products, e.g. best-in-test.
- Communicating on themes such as food storage, reducing food waste, caring for clothes and textiles.
- 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 our Green range demonstrate, an efficient product offering is a profitable strategy.

Consumer use

As the main environmental impacts of Electrolux products occur during their use, product energy and water efficiency is a top priority.

Greater use of connected products in the future will help improve optimal product use.

Risks

- Not meeting expectations on product performance.
- Consumers not using products in an optimal way.
- Product safety.
- Data privacy for users of connected products.

How impacts are managed

- Continuously improve product performance and efficiency.
- Prepare for increased data privacy regulation.
- Product safety governance and procedures.
- Increased development and sales of connected products.

Ability to influence - **Medium**

Generating value

Appliances deliver social benefits that many take for granted – such as food conservation, hygiene standards, freeing up time from household chores, and facilitating equal opportunities – which are particularly important in emerging markets. Providing efficient products, raising consumer awareness and increasing appliance connectivity can help counter rising global CO_2 emissions, while reducing food waste and the wear of clothes.

End-of-life

Legislation on appliance recycling is being introduced in more markets. On average, materials account for approximately 10% of a product's lifecycle impact, and Electrolux market research indicates that it is a top priority for consumers.

In Europe, the region with the most comprehensive producer responsibility legislation, 80% of the materials from collected end-of-life large appliances must be recovered.

Risks

- Expectations on producers to take responsibility beyond legislation.
- Waste of resources due to a lack of recycling.
- Illegal trade of discarded products and recycled materials.

How impacts are managed

- Establishing more circular business by using recycled materials.
- Eliminating harmful materials to enable higher quality recycled materials and decrease environmental impact.
- Promoting proper recycling as part of producer 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 is based on GRI, G4 and developed to fulfill the requirements in the Swedish Annual Accounts Act. For more detailed information on Electrolux and sustainability, please read the Sustainability Report at www.electroluxgroup.com/sustainability

Sustainability reporting and information

Electrolux Sustainability routines and systems for information and communication aim at providing key stakeholders with accurate, relevant and timely information concerning the targets and results of the Group's sustainability framework, called For the Better.

The sustainability reporting section in this report is based on GRI, G4 and 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 ten principles of the UN Global Compact. Unless otherwise indicated, standard disclosures include all operations that can potentially affect Group performance for the calendar year 2017.

Sustainability information is shared regularly in the form of:

- Electrolux Sustainability Report, including
  - United Nations Global Compact Communication on Progress
  - United Nations Guiding Principles Reporting Framework
- Sustainability in Brief
- Mandatory reporting regarding transparency in the supply chain
- Press releases
- Meetings with key stakeholders worldwide
- Questionnaires from investors and analysts
- Annual submission to CDP for climate and water

Reports, policies and press releases are available at www.electroluxgroup.com

Stockholm, February 15, 2018

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 2017 on pages 138–146 and that it has been prepared in accordance with the Annual Accounts Act.

The scope of the audit

Our examination has been conducted in accordance with FAR's auditing standard RevR 12 The auditor's opinion regarding the statutory sustainability report. This means that our examination of the statutory sustainability report is substantially different and less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

Opinion

A statutory sustainability report has been prepared.

Stockholm February 16, 2018

PricewaterhouseCoopers AB

Peter Nyllinge Authorized public accountant Partner in Charge	Camilla Samuelsson Authorized public accountant

Above: The new PURED9 Green vacuum cleaner helps create a clean home and a heightened sense of wellbeing. Furthermore, it is produced from 70% reclaimed plastics and has best-in-class energy efficiency.

For more detailed information on Electrolux and sustainability, please read the Sustainability Report at: www.electroluxgroup.com/sustainability

Corporate governance report 2017

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 risk management and transparent internal and external reporting.

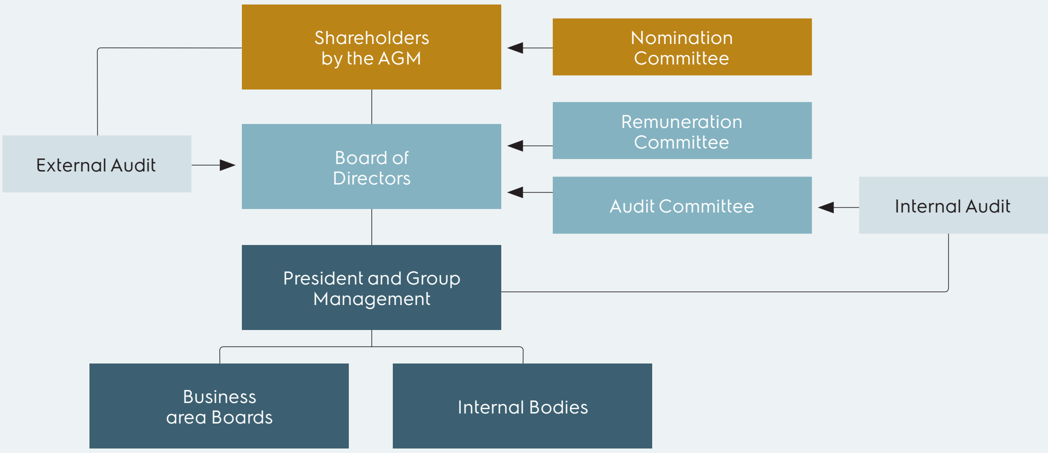
The Electrolux Group comprises 153 companies with sales in more than 150 countries. The parent company of the Group is AB Electrolux, a public Swedish limited liability company. The company's shares are listed on Nasdaq Stockholm.

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.

Below is Electrolux formal governance structure.

This corporate governance report has been drawn up as a part of Electrolux application of the Code. Electrolux does not report any deviations from the Code in 2017. 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 2017.

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.
- Electrolux Code of Ethics, Policy on Corruption and Bribery and Workplace Code of Conduct.

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, Anova, Frigidaire, Westinghouse and Zanussi, we sell more than 60 million household and professional products in more than 150 markets every year. In 2017, Electrolux had sales of SEK 122 billion and employed 56,000 people around the world. For more information, go to www.electroluxgroup.com.

AB Electrolux (publ) is registered under number 556009-4178 with the Swedish Companies Registration Office. The registered office of the Board of Directors is in Stockholm, Sweden. The address of the Group headquarters is S:t Göransgatan 143, SE-105 45 Stockholm, Sweden.

Highlights 2017

- Re-election of Ronnie Leten as Chairman of the Board and election of Kai Wärn as new Board member.
- Performance-based, long-term incentive program for senior management.
- Continued focus on global ethics program and Group framework for human rights.

Shares and shareholders

The Electrolux share is listed on Nasdaq Stockholm. At year-end 2017, Electrolux had 45,295 shareholders according to Euroclear Sweden AB. Of the total share capital, 44% was owned by Swedish institutions and mutual funds, 51% by foreign investors and 5% by Swedish private investors, see below. Investor AB is the largest shareholder, holding 15.5% of the share capital and 29.96% of the voting rights. The ten largest shareholders accounted for 38.2% of the share capital and 49.3% of the voting rights in the company.

Voting rights

The share capital of Electrolux consists of Class A shares and Class B shares. One A share entitles the holder to one vote and one B-share to one-tenth of a vote. Both A shares and B shares entitle the holders to the same proportion of assets and earnings and carry equal rights in terms of dividends. Owners of A shares can request to convert their A shares into B shares. Conversion reduces the total number of votes in the company. As of December 31, 2017, 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 March 2017 decided to adopt the Board's proposed dividend of SEK 7.50 per share for 2016 which, in accordance with the Board's proposal, was paid out in two equal installments. The Board of Directors proposes a dividend for 2017 of SEK 8.30 per share to be paid in two equal installments, for a total dividend payment of approximately SEK 2,385m.

Shareholders meeting

General Meetings of shareholders

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

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

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

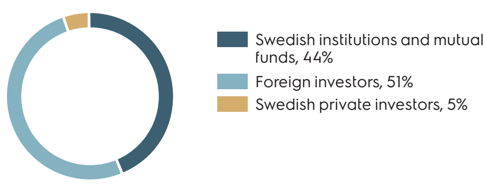
Individual shareholders requesting that a specific issue be included in the agenda of a shareholders' meeting can normally request the Electrolux Board to do so. The last date for making such a request for the respective meeting will be published on the Group's website.

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

Annual General Meeting 2017

The 2017 AGM was held at the Stockholm Waterfront Congress Centre in Stockholm, Sweden, on March 23, 2017. 1,128 shareholders representing a total of 48.4% of the share capital and 61.3% of the votes were represented at the AGM. The President's speech was broadcasted live via the Group's website and is also available on www.electroluxgroup.com/corporate-governance, together with the minutes. The meeting was held in Swedish, with simultaneous interpretation into English. All Board members, as well as the Group's auditor in charge, were present at the meeting.

OWNERSHIP STRUCTURE



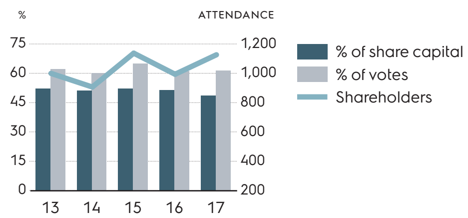
Source: Euroclear Sweden and Holdings as per December 31, 2017.

The foreign ownership has increased to 51% at year-end 2017 from 46% at year-end 2016.

Foreign investors are not always recorded in the share register. Foreign banks and other custodians may be registered for one or several customers' shares, and the actual owners are then usually not displayed in the register. For additional information regarding the ownership structure, see above.

The information on ownership structure is updated quarterly on the Group's website; www.electroluxgroup.com/corporate-governance.

ATTENDANCE AT AGMS 2013–2017



1,128 shareholders representing a total of 48.4% of the share capital and 61.3% of the votes were present at the 2017 AGM.

Decisions at the Annual General Meeting 2017 included:
- Dividend payment of SEK 7.50 per share for fiscal year 2016 to be paid out in two equal installments of SEK 3.75 per share.
- Election of, Kai Wärn as new Board member and re-election of the Board members Hasse Johansson, Petra Hedengran, Ronnie Leten, Ulla Litzén, Bert Nordberg, Fredrik Persson, David Porter, Jonas Samuelson and Ulrika Saxon.
- Re-election of Ronnie Leten as Chairman of the Board.
- Remuneration to the Board members.
- Approval of remuneration guidelines for Electrolux Group Management.
- Performance-based, long-term incentive program for 2017 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 2015.

Annual General Meeting 2018

The next AGM of Electrolux will be held on Thursday, April 5, 2018, at Stockholm Waterfront Congress Centre in Stockholm, Sweden.

For additional information on the next AGM and how to register attendance, see page 165.

Nomination Committee

Nomination Committee

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

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

The Nomination Committee is assisted in preparing proposals for auditor by the company's Audit Committee and the Nomination Committee's proposal is to include the Audit Committee's recommendation on the election of auditor.

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 2017

The Nomination Committee for the AGM 2017 was comprised of six members. Johan Forssell of Investor AB led the Nomination Committee's work.

For the proposal for the AGM 2017, 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 Kai Wärn as new Board member and re-election of Ronnie Leten as Chairman of the Board. After the election at the AGM 2017, three out of nine Board members elected at the shareholders' meeting are women (in this calculation, the President and CEO has not been included in the total number of Board members). A report regarding the work of the Nomination Committee was included in the the Nomination Committee's explanatory statement that was published before the AGM 2017. Further information regarding the Nomination Committee and its work can be found on the Group's website; www.electroluxgroup.com/corporate-governance.

Nomination Committee for the AGM 2018

The Nomination Committee for the AGM 2018 is based on the ownership structure as of August 31, 2017, and was announced in a press release on September 27, 2017.

The Nomination Committee's members are:
- Johan Forssell, Investor AB, Chairman
- Kaj Thorén, Alecta
- Marianne Nilsson, Swedbank Robur Funds
- Carine Smith Ihenacho, Norges Bank Investment Management
- Ronnie Leten, Chairman of Electrolux
- Fredrik Persson, Board member of Electrolux

Shareholders wishing to submit proposals to the Nomination Committee should send an e-mail to nominationcommittee@electrolux.com.

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

The Nomination Committee's tasks include preparing a proposal for the next AGM regarding:
- Chairman of the AGM.
- Board members.
- Chairman of the Board.
- Remuneration to Board members.
- Remuneration for committee work.
- Amendments of instructions for the Nomination Committee, if deemed necessary.
- Auditors and auditors' fees, when these matters are to be decided by the following AGM.

Board of Directors

The Board of Directors

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

Composition of the Board

The Electrolux Board is comprised of ten members without deputies, who are elected by the AGM, and three members with deputies, who are appointed by the Swedish employee organizations in accordance with Swedish labor law.

The AGM elects the Chairman of the Board. Directly after the AGM, the Board holds a meeting for formal constitution at which the members of the Committees of the Board are elected, among other things. The Chairman of the Board of Electrolux is Ronnie Leten.

All current members of the Board, except for the President and CEO, are non-executive members. Two of the ten Board members are not Swedish citizens.

For additional information regarding the Board of Directors, see pages 158–159. The information is updated regularly at the Group's website; www.electroluxgroup.com.

Independence

The Board is considered to be in compliance with relevant requirements for independence. The assessment of each Board member's independence is presented in the table on page 158.

All Directors except for Petra Hedengran and Jonas Samuelson have been considered independent. Petra Hedengran has been considered independent in relation to the company and the administration of the company, but not in relation to major shareholders of Electrolux. Jonas Samuelson has been considered independent in relation to major shareholders of Electrolux but not, in his capacity as President and CEO, in relation to the company and the administration of the company.

Jonas Samuelson has no major shareholdings, nor is he a part-owner in companies having significant business relations with Electrolux. Jonas Samuelson is the only member of Group Management with a seat on the Board.

The Board's tasks

One of the main tasks of the Board is to manage the Group's operations in such a manner as to assure the owners that their interests in terms of a long-term profitable growth and value creation are being met in the best possible manner. The Board's work is governed by rules and regulations including the Swedish Companies Act, the Articles of Association, the Code and the working procedures established by the Board. The Articles of Association of Electrolux are available on the Group's website; www.electroluxgroup.com/corporate-governance.

Working procedures and Board meetings

The Board determines its working procedures each year and reviews these procedures as required. The working procedures describe the Chairman's specific role and tasks, as well as the responsibilities delegated to the committees appointed by the Board.

In accordance with the procedures and the Code, the Chairman shall among other things:

- Organize and distribute the Board's work.
- Ensure that the Board discharges its duties and has relevant knowledge of the company.
- Secure the efficient functioning of the Board.
- Ensure that the Board's decisions are implemented efficiently.
- Ensure that the Board evaluates its work annually.

The working procedures for the Board also include detailed instructions to the President and other corporate functions regarding issues requiring the Board's approval. Among other things, these instructions specify the maximum amounts that various decision-making functions within the Group are authorized to approve as regards credit limits, capital expenditure and other expenditure.

The working procedures stipulate that the meeting for the formal constitution of the Board shall be held directly after the AGM. Decisions at this statutory meeting include the election of members of the Commttees 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 2017

During the year, the Board held ten meetings. All meetings except one were held in Stockholm, Sweden. The attendance of each Board member at these meetings is shown in the table on page 158.

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.

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

- Main goals.
- Strategic orientation.
- Essential issues related to financing, investments, acquisitions and divestments.
- Follow-up and control of operations, communication and organization, including evaluation of the Group's operational management.
- Appointment of and, if necessary, dismissal of the President.
- Overall responsibility for establishing an effective system of internal control and risk management as well as a satisfactory process for monitoring the company's compliance with relevant laws and other regulations as well as internal policies

Remuneration to the Board of Directors 2015–2017 (applicable as from the respective AGM)

SEK	2017	2016	2015
Chairman of the Board	2,075,000	2,030,000	2,000,000
Deputy Chairman of the Board	–	–	640,000
Board member	580,000	560,000	550,000
Chairman of the Audit Committee	250,000	250,000	250,000
Member of the Audit Committee	120,000	95,000	95,000
Chairman of the Remuneration Committee	125,000	120,000	120,000
Member of the Remuneration Committee	75,000	60,000	60,000

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 below.

Major issues addressed by the Board during 2017

- Dividend payment for the fiscal year 2016.
- Adapting Electrolux strategy and business model to global industry drivers such as digitalization, consolidation, increased consumer power, sustainability and a growing middleclass.
- Acquisition to broaden Electrolux offering in existing and new segments and markets:
  - Kwikot Group, a leading water heater company in South Africa
  - Grindmaster-Cecilware, a U.S. based manufacturer of beverage products
  - Anova, a U.S. fast-growing smart kitchen appliance company
  - Best, European kitchen hoods company
  - Continental brand in Latin America
- Increased investments in manufacturing for further growth and increased cost efficiency mainly in North America and Latin America.
- Continued actions to restore profitability within the business areas Home Care & SDA and Major Appliances Latin America.

Ensuring quality in financial reporting

The working procedures determined annually by the Board include detailed instructions on the type of financial reports and similar information which are to be submitted to the Board. In addition to the full-year report, interim reports and the annual report, the Board reviews and evaluates comprehensive financial information regarding the Group as a whole and the entities within the Group.

The Board also reviews, primarily through the Board's Audit Committee, the most important accounting principles applied by the Group in financial reporting, as well as major changes in these principles. The tasks of the Audit Committee also include reviewing reports regarding internal control and financial reporting processes, as well as internal audit reports submitted by the Group's internal audit function, Management Assurance & Special Assignments.

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 evalution of the Board is each year initiated and lead by the Chairman of the Board. Evaluation tools include questionnaires and discussions.

In 2017, 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 evalutations was presented for the Nomination Committee by the Chairman of the Board.

Remuneration to Board members

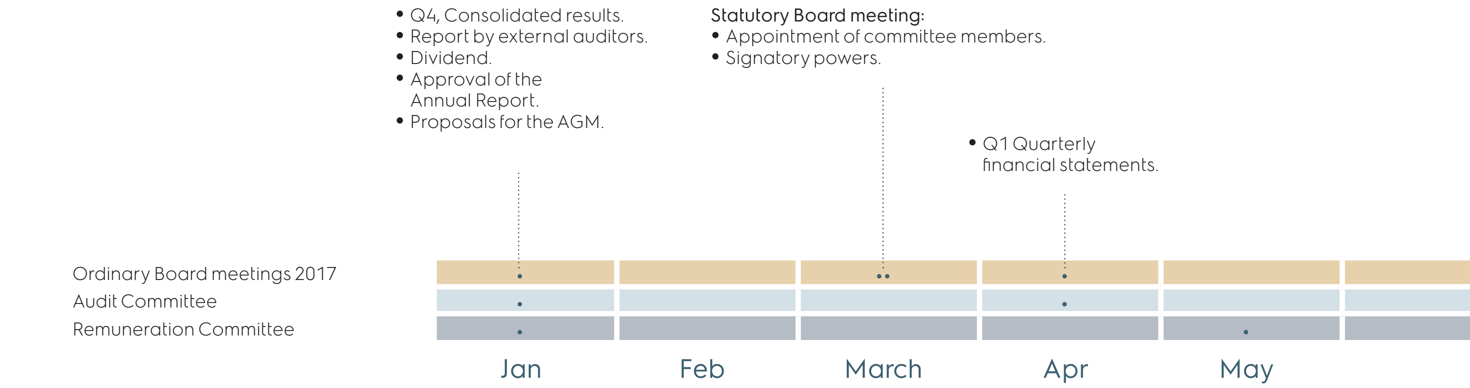
Remuneration to Board members is determined by the AGM and distributed to the Board members who are not employed by Electrolux. The remuneration to the Chairman and the Board members was revised during 2017, see page 151.

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 2017



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 is comprised of three Board members: Petra Hedengran (Chairman), Ronnie Leten and Ulrika Saxon. At least two meetings are convened annually. Additional meetings are held as needed.

In 2017, the Remuneration Committee held two meetings. The attendance of each Board member at these meetings is shown in the table on page 158. 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 2018. The Head of Human Resources and Organizational Development participated in the meetings and was responsible for meeting preparations.

Audit Committee

The main task of the Audit Committee is to oversee the processes of Electrolux financial reporting and internal control in order to secure the quality of the Group's external reporting. The Audit Committee is also tasked with supporting the Nomination Committee with proposals when electing external auditors.

The Audit Committee has as from the AGM 2017 consisted of three Board members: Ulla Litzén (Chairman), 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.

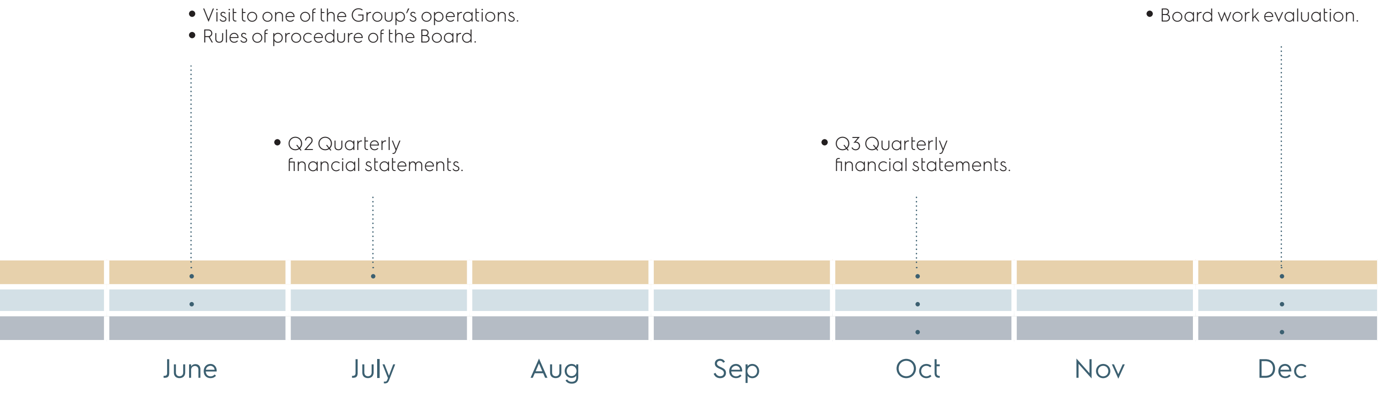
In 2017, the Audit Committee held five meetings. The attendance of each Board member at these meetings is shown in the table on page 158. Electrolux managers have also had regular contacts with the Committee Chairman between meetings regarding specific issues. The Group's Chief Financial Officer and the Head of Internal Audit have participated in the Audit Committee meetings. The General Counsel serves as secretary at 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 internal audit function Management Assurance & Special Assignments as regards to organization, recruiting, budgets, plans, results and audit reports.
- To review certain credit limits.
- To keep informed of the external audit and the quality control performed by the Supervisory Board of Public Accountants and to evaluate the work of the external auditors.
- To inform the Board of the outcome of the external audit and explain how the audit contributed to the reliability of the financial reporting as well as the role of the Committee in this process.
- To review, and when appropriate, preapprove the external auditors' engagements in other tasks than audit services.
- To evaluate the objectivity and independence of the external auditors.
- To support the Nomination Committee with proposals when electing external auditors.



External Audit

External auditors

The AGM in 2014 re-elected PricewaterhouseCoopers AB (PwC) as the Group's external auditors for a four-year period, until the AGM in 2018. Authorized Public Accountant Peter Nyllinge is the auditor in charge of Electrolux.

PwC provides an audit opinion regarding AB Electrolux, the financial statements of its subsidiaries, the consolidated financial statements for the Electrolux Group and the administration of AB Electrolux. The auditors also conduct a review of the report for the third 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 and as required by IFAC GAAS, including issuance of audit opinions for the various legal entities.

For additional information on the Group's auditors, see below. For details regarding fees paid to the auditors and their non-audit assignments in the Group, see below and Note 28.

Internal Audit

Internal control and risk management

The internal audit function, Management Assurance & Special Assignments, 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 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 page 162. For additional information on risk management, see Note 1, Note 2 and Note 18.

Auditors

PricewaterhouseCoopers AB

Peter Nyllinge
Born 1966. Authorized Public Accountant. Partner in Charge.
Other audit assignments: Skandinaviska Enskilda Banken and Fagerhult.
Holdings in AB Electrolux: 0 shares.

Camilla Samuelsson
Born 1968. Authorized Public Accountant.
Holdings in AB Electrolux: 0 shares.

Holdings in AB Electrolux as of December 31, 2017 and includes holdings of related natural and legal persons, when applicable.

Fees to auditors

SEKM	2017	2016	2015
PwC			
Audit fees	41	40	42
Audit-related fees	2	1	2
Tax fees	1	4	3
All other fees	10	4	21
Total fees to PwC	**54**	**49**	**68**
Audit fees to other audit firms	2	–	–
Total fees to auditors	**56**	**49**	**68**

For details regarding fees paid to the auditors and their non-audit assignments in the Group, see Note 28.

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 Best-in-Class Consumer Experiences. By creating desirable solutions and great experiences that enrich peoples' daily lives and the health of the planet, Electrolux want to be a driving force in defining enjoyable and sustainable living. Focus is to invest in innovations that are most relevant for creating the best consumer experience to make great tasting food, the best care for clothes and to increase well-being in the home.

Targeted growth and optimization of the product portfolio to the most profitable product categories and products with distinct consumer benefits, will strengthen the presence of Electrolux in the product categories and channels where the Group is most competitive. In addition to organic growth, Electrolux sees a potential to grow through acquisitions. This is supported by a strong foundation of Operational Excellence and Talent & Teamship, as well as three important transformational drivers; Continues improvement, 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 2017, Electrolux most resource-efficient products represented 19% of products sold and 28% 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. All employee actions must be governed by the principles of ethics, integrity and respect, when they interact with customers and colleagues around the globe. Key policies in this context include the Electrolux Code of Ethics, the Electrolux Workplace Code of Conduct and the Electrolux Policy on Corruption and Bribery.

In 2017, Electrolux maintained the position as industry leader in the Household Durables category in the Dow Jones Sustainability World Index. RobecoSAM publishes the Dow Jones Sustainability Indices (DJSI), which evaluate the performance of the world's leading companies in sustainability – from each industry on a global and regional level, respectively. The evaluation is based on criteria such as corporate governance, risk management, branding, climate change mitigation, supply chain standards and labor practices.

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. The highest number of reports in 2017 related to discrimination and harassment, such as the use of abusive language or disrespectful behavior.

In line with the UN Guiding Principles on Business and Human Rights, a Group level human rights risk assessment was conducted in 2016. In 2017, a framework was developed for local human rights risk assessments, which was launched in Egypt and Thailand. The framework focuses on identifying the risk of harming people, as a direct or indirect result of our operations, and includes corruption risks as well as opportunities to increase local positive impacts.

Read more about Electrolux sustainability work: www.electroluxgroup.com/sustainability.

Electrolux as a tax payer

One important aspect of Electrolux company purpose – Shape living for the better – is to act as a good corporate citizen and taxpayer wherever Electrolux operates.

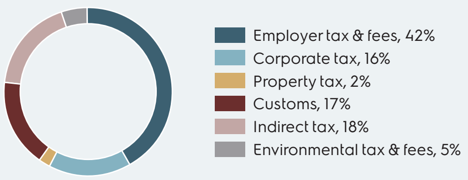
Electrolux plays an important role in contributing to public finances in all jurisdictions where the Group operates. The Group has 56,000 employees in about 60 countries and about 50 manufacturing facilities across five continents.

Of Electrolux total tax contribution, as defined in the below chart, corporate tax represented approximately 16% in 2017. 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 2017 amounted to approximately SEK 7.8bn whereof approximately half related to emerging markets.

Electrolux most transparent contribution to public finances around the world is corporate income taxes, see note 10. Corporate income taxes amounted to SEK 1,221m in 2017, representing a global effective tax rate of the Group of 17.5%. Approximately 40% of the total corporate income taxes in 2017 related to the Group's activities in emerging markets.

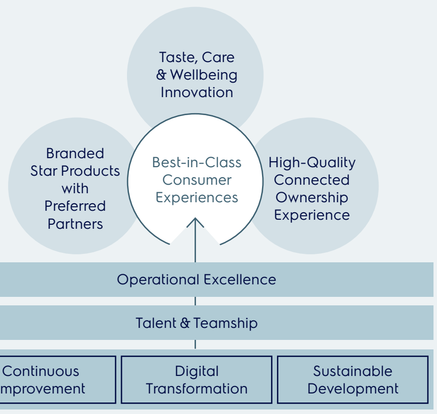
For more information on Electrolux tax policy, see www.electroluxgroup.com.

ELECTROLUX TOTAL TAXES 2017



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.

- Growth of at least 4% annually.
- Operating margin of at least 6%.
- Capital turnover-rate of at least 4.
- Return on net assets >20%.



Risk assessment

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

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

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

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

The purpose of the internal audit function, Management Assurance & Special Assignments, 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 page 162.

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 risk management and transparent internal and external reporting.

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

Electrolux operations are organized into six business areas. Within Major Appliances, the business areas are geographically defined, while the business areas Home Care & SDA and Professional Products are global. There are six group staff units that support all business areas: Finance, Legal Affairs, Human Resources and Organizational Development, Marketing and Branding, Global Operations and Communications.
There are a number of internal bodies which are forums that are preparatory and decision-making in their respective areas, see chart below. Each body includes representatives from concerned functions.

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

President and Group Management

President and Group Management

Group Management includes the President, the six 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.

A dynamic management team with in-depth knowledge of the conditions in the various markets is crucial to drive profitable growth. 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 during 2017

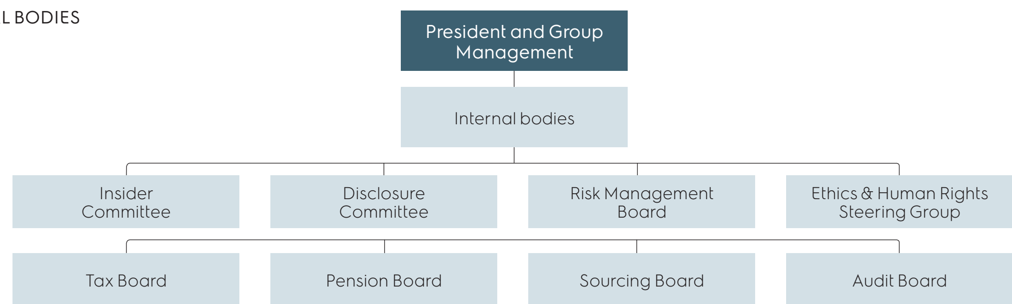
Ricardo Cons was appointed Head of Major Appliances Latin Americas as from February 1, 2017.

Mikael Östman was appointed General Counsel as from January 1, 2017. He succeded Cecilia Vieweg who retired from the company.

Lars Hygrell was appointed Chief Marketing Officer as from May 1, 2017. He succeeded MaryKay Kopf who decided to leave her position.

For details regarding members of Group Management, see pages 160–161
The information is updated regularly at the Group's website; www.electroluxgroup.com.

INTERNAL BODIES



Major issues addressed by the President and Group Management in 2017

- Appointment of new Group management members.
- Electrolux strategic framework – Shape living for the better
- Focus on taste, care and wellbeing innovation areas to provide Best-in-Class consumer experience.
- Program to improve quality and the ownership experience for consumers.
- Product portfolio management to focus on star products and exiting unprofitable product categories.
- Continues improvement to achieve a competitive cost structure.
- Modularization, automation and digitalization within manufacturing.
- Increased investments in manufacturing for further growth and increased cost efficiency mainly in North America and Latin America.
- Digitalization such as connected appliances and digital commerce.
- Acquisition to broaden Electrolux offering in existing and new segments and markets:
  - Kwikot Group, a leading water heater company in South Africa
  - Grindmaster-Cecilware, a U.S. based manufacturer of beverage products
  - Anova, a U.S. fast-growing smart kitchen appliance company
  - Best, European kitchen hoods company
  - Continental brand in Latin America
- Continued actions to restore profitability within the business areas Home Care & SDA and Major Appliances Latin America.

Business Area Boards

Business areas

The business area heads are comprised of 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 Chief Financial Officer. 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:

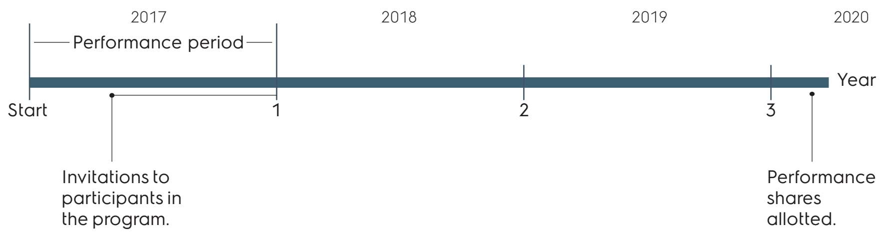
- Fixed compensation.
- Variable compensation.
- Other benefits such as pension and insurance.

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 2017 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 2017



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) organic sales growth, for the 2017 financial year. Allotment of performance shares, if any, to the participants will be made in 2020.

Board of Directors and Auditors

RONNIE LETEN

Chairman
Born 1956. Belgium. M.Sc. Applied Econ. Elected 2012. Member of the Electrolux Remuneration Committee.

Other assignments: Board Member of AB SKF and F Intressenter 3 AB.

Previous positions: Various senior positions within the Atlas Copco Group including president and CEO of Atlas Copco AB. Plant Manager of Tenneco Automotive Inc, Belgium. Various positions within General Biscuits.

Holdings in AB Electrolux: 10,000 B-shares.

JONAS SAMUELSON

President and CEO

Born 1968. Sweden. M.Sc. Econ. Elected 2016.

Other assignments: Board Member of Polygon 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: 25,068 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 Alfa Laval 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.

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: 3,500 B-shares.

BERT NORDBERG

Born 1956. Sweden. Engineer. Elected 2013.

Other assignments: Chairman of the Board of Vestas Wind Systems A/S. Board Member of Svenska Cellulosa Aktiebolaget SCA, Axis Communications AB, Essity AB and Saab Group.

Previous positions: Chairman, President and CEO of Sony Mobile Communications AB. Various leading positions within the Ericsson Group. Various positions within Data General Corporation and Digital Equipment Corporation.

Holdings in AB Electrolux: 3,000 B-shares.

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 Skyllbergs Bruk AB, Calix Group AB, DevPort AB, Klippan Group 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.

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.

THE BOARD'S REMUNERATION DURING 2017, MEETING ATTENDANCE AND INDEPENDENCE

	Total remuneration 2017, '000 SEK	Board meeting attendance[1]	Remuneration Committee attendance	Audit Committee attendance	Independence[2]
Ronnie Leten	2,154	10/10	2/2		Yes
Petra Hedengran	881	8/10	2/2	5/5	No
Hasse Johansson	718	10/10			Yes
Ulla Litzén	825	9/10		5/5	Yes
Bert Nordberg	575	10/10			Yes
Fredrik Persson	687	9/10		5/5	Yes
David Porter	575	9/10			Yes
Jonas Samuelson	–	10/10			No
Ulrika Saxon	665	10/10	2/2		Yes
Kai Wärn	435	7/10			Yes

[1] Kai Wärn was appointed new Board member at the AGM in March 2017.
[2] For further information about the independence assessment, see page 151.

Holdings in AB Electrolux are stated as of December 31, 2017 and includes holdings of related natural and legal persons, when applicable.

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), ICC Sweden and Nasdaq Stockholm AB's Listing Committee. Board Member of Hufvudstaden 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.

ULRIKA SAXON

Born 1966. Sweden. Studies in Economics at the Stockholm School of Economics. Elected 2011. Member of the Electrolux Remuneration Committee.

Other assignments: President and CEO of Bonnier Growth Media and member of Bonnier AB group management. Board Member of Svensk Filmindustri, Adlibris, KIT Media, FLX and Refunder.

Previous positions: Senior positions with various companies within the Bonnier Group including CEO of Bonnier Magazines. Senior positions within marketing and media strategy consultancy.

Holdings in AB Electrolux: 2,000 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.

SECRETARY OF THE BOARD

MIKAEL ÖSTMAN
Born 1967. M. of Laws and B.Sc. Econ. General Counsel of AB Electrolux.

Secretary of the Electrolux Board since 2017.

Holdings in AB Electrolux: 7,951 B shares.

COMMITTEES OF THE BOARD OF DIRECTORS

Remuneration Committee
Petra Hedengran (Chairman), Ronnie Leten and Ulrika Saxon.

Audit Committee
Ulla Litzén (Chairman), Petra Hedengran and Fredrik Persson.

AUDITORS

PricewaterhouseCoopers AB

PETER NYLLINGE
Born 1966. Authorized Public Accountant. Partner in Charge.

Other audit assignments: Skandinaviska Enskilda Banken and Fagerhult.

Holdings in AB Electrolux: 0 shares.

CAMILLA SAMUELSSON
Born 1968. Authorized Public Accountant.

Holdings in AB Electrolux: 0 shares.

At the Annual General Meeting in 2014, PricewaterhouseCoopers AB (PwC) was re-elected as auditors for a four-year period until the Annual General Meeting in 2018.

EMPLOYEE REPRESENTATIVES

GUNILLA BRANDT
Born 1953. Representative of the Federation of Salaried Employees in Industry and Services. Elected 2006.

Board meeting attendance: 10/10

Holdings in AB Electrolux: 0 shares.

ULF CARLSSON
Born 1958. Representative of the Swedish Confederation of Trade Unions. Elected 2001.

Board meeting attendance: 9/10

Holdings in AB Electrolux: 0 shares.

BO ROTHZÉN
Born 1963. Representative of the Swedish Confederation of Trade Unions. Elected 2017.

Board meeting attendance: 7/10

Holdings in AB Electrolux: 0 shares.

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.

PETER FERM
Born 1965. Representative of the Federation of Salaried Employees in Industry and Services. Elected 2014.

Holdings in AB Electrolux: 0 shares.

JOACHIM NORD
Born 1966. Representative of the Federation of Salaried Employees in Industry and Services. Elected 2018.

Holdings in AB Electrolux: 0 shares.

Group Management

1 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.

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: 25,068 B-shares.

2 DANIEL (DAN) ARLER
Head of Major Appliances Europe, Middle East and Africa (EMEA) and Executive Vice President

Born 1969. The Netherlands. B.Sc. in Marketing. In Group Management since 2016 and employed since 2002.

Previous positions: Various senior positions within Electrolux including General Manager of Electrolux Japan and Senior Vice President Product Line Kitchen Electrolux Major Appliances EMEA. Management positions in Europe Stanley Works Europe and the Whirlpool Corporation.

Holdings in AB Electrolux: 8,785 B-shares.

3 JAN BROCKMANN
Chief Operations Officer

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 management positions within Volkswagen Group. Project Manager in Roland Berger Strategy Consultants GmbH. Management positions within Valeo Group.

Holdings in AB Electrolux: 8,789 B-shares.

4 RICARDO CONS
Head of Major Appliances Latin America and Executive Vice President of AB Electrolux

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.

5 LARS HYGRELL
Chief Marketing Officer, Senior Vice President

Born 1964. Sweden. Master of Industrial Engineering and Management. In Group Management since 2017 and employed since 2009.

Previous positions: Various senior positions within Electrolux including Vice President of Marketing and Brands for Major Appliances EMEA and Vice President Global Brand Management. Various positions within marketing for Saab Automobile and General Motors Europe.

Holdings in AB Electrolux: 4,425 B-shares.

6 ANNA OHLSSON-LEIJON
Chief Financial Officer

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: Various 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: 4,629 B-shares.

Holdings in AB Electrolux are stated as of December 31, 2017 and includes holdings of related natural and legal persons, when applicable.

7 KENNETH L. NG
Head of Major Appliances Asia/Pacific, Executive Vice President

Born 1962. USA. MBA Marketing and B.S.in Marketing & Computer Applications and Information Systems. In Group Management and employed since 2015.

Previous positions: CEO and President of Lixil Corp in Greater China. President of American Standard Asia Pacific (Lixil Corp subsidiary). China CEO of Decorative Paints, within ICI/ Akzo Nobel. Various management positions in Philips Electronics in Asia Pacific, China and Australia/New Zealand.

Holdings in AB Electrolux: 0 shares.

8 OLA NILSSON
Head of Home Care & Small Domestic Appliances, Executive Vice President

Born 1969. Sweden. M. Sc. in International Business Administration. In Group Management since 2016 and employed since 1994.

Previous positions: Various senior positions within Electrolux including Senior Vice President, Product Line Laundry Major Appliances EMEA and President Small Appliances Asia Pacific.

Holdings in AB Electrolux: 4,377 B-shares

9 ALAN SHAW
Head of Major Appliances North America and Executive Vice President

Born 1963. USA. B.S. in Economics and Political science, M.B.A. in Marketing. In Group Management and employed since 2016.

Previous positions: Executive Vice President at Husqvarna AB. President and Chief Executive Officer at Char-Broil LLC. President and Chief Executive Officer at Murray Group. Various senior management positions in Asia-Pacific and North America at Whirlpool. Marketing Director at a Whirlpool JV, Consul, in Brazil. Product management positions at Whirlpool Corporation.

Holdings in AB Electrolux: 0 shares.

10 LARS WORSØE PETERSEN
Head of Human Resources and Organizational Development, Senior Vice President

Born 1958. Denmark. M.Econ. 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: 17,155 B-shares.

11 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: 26,141 B-shares.

12 MIKAEL ÖSTMAN
General Counsel, Senior Vice President

Born 1967. Sweden. M. of Laws and B.Sc. Econ. In Group Management since 2017 and employed since 2002.

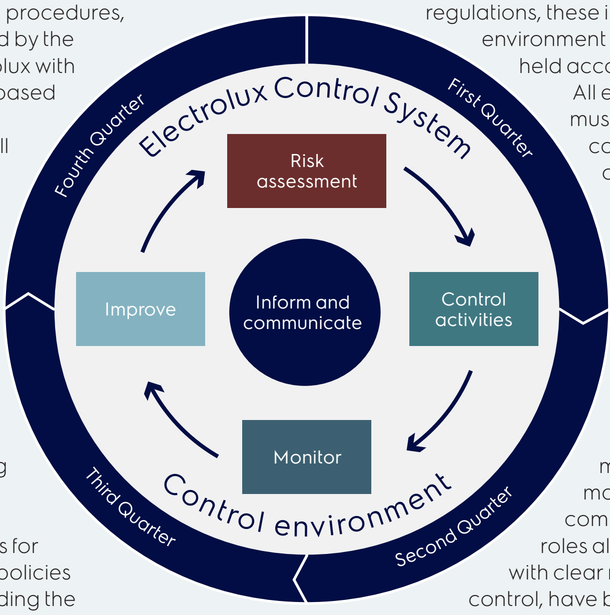
Previous positions: Various senior positions within Electrolux including Head of Electrolux Corporate Legal Department and Head of Electrolux Legal Affairs Europe. Corporate Counsel at Telia Mobile AB. Lawyer at Advokatfirman Vinge. Law Clerk with the Stockholm District Court.

Holdings in AB Electrolux: 7,951 B-shares.

Internal control over financial reporting

The Electrolux Control System (ECS) has been developed to ensure accurate and reliable financial reporting and preparation of financial statements in accordance with applicable laws and regulations, generally accepted accounting principles and other requirements for listed companies. The ECS adds value through clarified roles and responsibilities, improved process efficiency, increased risk awareness and improved decision support.

The ECS is based on the Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The five components of this framework are control environment, risk assessment, control activities, monitor and improve and inform and communicate.



Control environment

The foundation for the ECS is the control environment, which determines the individual and collective behavior within the Group. It is defined by policies and procedures, 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 148. 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 instructions for delegation of authority, manuals, policies and procedures, and codes, including the Electrolux Code of Ethics, the Electrolux Workplace Code of Conduct, and the Electrolux Policy on Corruption and Bribery, as well as in policies for information, finance and credit, 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 160–161.

The ECS Program Office, a department within the 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

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 .

Credit Policy
Rules for customer assessment and credit risk that clarify responsibilities and are the framework for credit decisions.

Delegation of Authority Document
Details the approval rights, with monetary, volume or other appropriate limits, e.g., approval of credit limits and credit notes.

Internal Control Policy
Details responsibility for internal controls. Controls should address the Minimum Internal Control Requirements (MICR) within every applicable process, for example "Order to Cash".

Workplace Code of Conduct
Minimum standards in the area of environment, health and safety, labor standards and human rights. The Workplace Code of Conduct is mandatory for Electrolux units as well as suppliers.

Risk assessment

Risk assessment

Risk assessment includes identifying risks of not fulfilling the fundamental criteria, i.e., completeness, accuracy, valuation and reporting for significant accounts in the financial reporting for the Group as well as risk of loss or misappropriation of assets.

At the beginning of each calendar year, the ECS Program Office performs a global risk assessment to determine the reporting units, data centers and processes in scope for the ECS activities. Within the Electrolux Group, a number of different processes generating transactions that end up in significant accounts in the financial reporting have been identified. All larger reporting units perform the ECS activities. These larger units cover approximately 81% of the net sales and 69% of the net assets of the Group.

The ECS has been rolled out to almost all of the smaller units within the Group. The scope for smaller units is limited in terms of monitoring as management is not formally required to test the controls.

Control activities

Control activities

Control activities mitigate the risks identified and ensure accurate and reliable financial reporting as well as process efficiency.

Control activities include both general and detailed controls aimed at preventing, detecting and correcting errors and irregularities. In the ECS, the following types of controls are implemented, documented and tested:

- Manual and application controls — to secure that key risks related to financial reporting within processes are controlled.
- IT general controls — to secure the IT environment for key applications.
- Entity-wide controls — to secure and enhance the control environment.

Monitor

Improve

Monitor and Improve

Monitor and test of control activities is performed periodically to ensure that risks are properly mitigated.

The effectiveness of control activities is monitored continuously at four levels: Group, business area, reporting unit, and process. Monitoring involves both formal and informal procedures applied by management, process owners and control operators, including reviews of results in comparison with budgets and plans, analytical procedures, and key-performance indicators.

Within the ECS, management is responsible for testing key controls. Management testers who are independent of the control operator perform these activities. The Group's Internal Audit function 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 test results from the larger reporting units are presented to the external auditors who assess the results of the testing performed by management and the Internal Audit function and determine to what extent they can rely upon the work within the ECS for Group audit and statutory audit purposes.

The Audit Committee reviews reports regarding internal control and processes for financial reporting. The Group's Internal Audit function proactively proposes improvements to the control environment. The head of the Internal Audit function has dual reporting lines: To the President and the Audit Committee for assurance activities, and to the CFO for other activities.

Inform and communicate

Inform and communicate

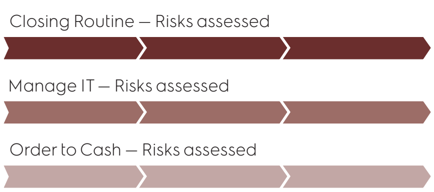
Inform and communicate within the Electrolux Group regarding risks and controls contributes to ensuring that the right business decisions are made.

Guidelines for financial reporting are communicated to employees, e.g., by ensuring that all manuals, policies and codes are published and accessible through the Group-wide intranet as well as information related to the ECS.

To inform and communicate is a central element of the ECS and is performed continuously during the year. Management, process owners and control operators in general are responsible for informing and communicating the results within the ECS.

The status of the ECS activities is followed up continuously through status calls between the ECS Program Office and coordinators in the sectors. Information about the status of the ECS is provided periodically to Sector and Group Management, the Audit Board and the Audit Committee.

RISK ASSESSMENT — EXAMPLE



CONTROL ACTIVITIES — EXAMPLE

Process	Risk assessed	Control activity
Closing Routine	Risk of incorrect financial reporting.	Reconciliation between general ledger and accounts receivable sub-ledger is performed, documented and approved.
Manage IT	Risk of unauthorized/incorrect changes in the IT environment.	All changes in the IT environment are authorized, tested, verified and finally approved.
Order to Cash	Risk of not receiving payment from customers in due time.	Customers' payments are monitored and outstanding payments are followed up.
Order to Cash	Risk of incurring bad debt.	Application automatically blocks sales orders/deliveries when the credit limit is exceeded.

Financial reporting and information

Electrolux routines and systems for information and communication aim at providing the market with relevant, reliable, correct and vital information concerning the development of the Group and its financial position. Specifically for purposes of considering the materiality of information, including financial reporting, relating to Electrolux and ensuring timely communication to the market, a Disclosure Committee has been formed.

Electrolux has an information policy meeting the requirements for a listed company.

Financial information is issued regularly in the form of:

- Full-year reports and interim reports, published as press releases.
- The Annual Report.
- Press releases on all matters which could 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 and in conjunction with the release of important news.
- Meetings with financial analysts and investors in Sweden and worldwide.

All reports, presentations and press releases are published simultaneously at www.electroluxgroup.com/ir.

Stockholm, February 15, 2018

AB Electrolux (publ)
The Board of Directors

Auditor's report on the Corporate Governance Statement

To the general meeting of the shareholders in AB Electrolux (publ), corporate identity number 556009-4178

Engagement and responsibility
It is the board of directors who is responsible for the corporate governance statement for the year 2017 on pages 148–164 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 16, 2018

PricewaterhouseCoopers AB

Peter Nyllinge Authorized Public Accountant Partner in Charge	Camilla Samuelsson Authorized Public Accountant

Factors affecting forward-looking statements

This annual report contains "forward-looking" statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. Such statements include, among others, the financial goals and targets of Electrolux for future periods and future business and financial plans. These statements are based on current expectations and are subject to risks and uncertainties that could cause actual results to differ materially due to a variety of factors. These factors include, but may not be limited to the following; consumer demand and market conditions in the geographical areas and industries in which Electrolux operates, effects of currency fluctuations, competitive pressures to reduce prices, significant loss of business from major retailers, the success in developing new products and marketing initiatives, developments in product liability litigation, progress in achieving operational and capital efficiency goals, the success in identifying growth opportunities and acquisition candidates and the integration of these opportunities with existing businesses, progress in achieving structural and supply-chain reorganization goals.

Annual General Meeting

The Annual General Meeting will be held at 5 pm on Thursday, April 5, 2018, 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 28, 2018, and
- give notice of intent to participate, to Electrolux on Wednesday, March 28, 2018, at the latest.

Notice of participation
Notice of intent to participate can be given
- on the Group's website; www.electroluxgroup.com/agm2018
- 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/agm2018.

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 28, 2018, shareholders should contact their bank or trustee well in advance of that date.

Dividend
The Board of Directors proposes a dividend for 2017 of SEK 8.30 per share, for a total dividend payment of approximately SEK 2,385m (2,155). The proposed dividend corresponds to approximately 42% of income for the period. The dividend is proposed to be paid in two equal installments, the first with the record date Monday, April 9, 2018, and the second with the record date Tuesday October 9, 2018. The first installment is estimated to be paid on Thursday, April 12, 2018 and the second installment on Friday, October 12, 2018.

DATES REGARDING THE AGM 2018

2017	2018			
September	February	March	April	October
27 Nomination Committee appointed for AGM 2018	27 Proposals from Nomination Committee presented 27 Notice to AGM published	28 Deadline for notice of intent to participate in AGM and registration in share register	5 AGM 2018 9 Proposed record date for the first installment of the dividend payment 12 Estimated date for payment of first installment of dividend	9 Proposed record date for the second installment of the dividend payment 12 Estimated date for payment of second installment of dividend

History

Shape living for the better — for nearly 100 years

Electrolux has shaped living for the better for hundreds of millions of consumers around the world for nearly a hundred years. It started already in 1908, when Electrolux founder Axel Wenner-Gren spotted a huge American vacuum cleaner in a store window in Vienna, and realized that if he could develop a smaller and lighter vacuum cleaner, he could improve the lives of millions of people.

Axel Wenner-Gren's vision was realized with the Lux I in 1912, and he founded Electrolux a few years later in 1919. The first real breakthrough came in 1921 when Model V was launched. This was an extraordinary light, efficient and convenient cleaner, with runners so that it could be easily pulled on all types of surfaces. Model V became an instant success, and Electrolux quickly became synonymous with healthier and more hygienic homes.

Wenner-Gren's ambitions didn't stop there. Cooling and preserving food was a big problem for most households and an innovative solution was presented to Wenner-Gren in 1925 by two scientists at the Royal Institute of Technology in Stockholm; the absorption refrigerator. Again, Wenner-Gren saw the potential and invested in the technology. In 1931, Electrolux launched the first air-cooled absorption refrigerator, which could be run on electricity or gas. Several million units were sold around the world before the war.

Since these early days, Electrolux has pioneered many innovations. The examples range from dust indicators on vacuum cleaners, to extremely energy-efficient refrigerators, ovens which suggest the best cooking mode, to the world's first robotic vacuum cleaner.

With innovations like these, Electrolux will continue to shape living for the better for many years to come.

1901	1919	1921	1926	1951	1962	1984
AB Lux was founded	Cooperation between AB Lux and Axel Wenner-Gren. Aktiebolaget Elektrolux was established	Production begins of Model V - the first easy-to-use cleaner for household use	Electrolux launches its' first refrigerator - the D-fridge	Launch of Electrolux first washing machine	Electrolux first major acquisition - Elektro Helios - to be followed by hundreds more	Italian appliance manufacturer Zanussi is acquired, making Electrolux the leader in household appliances for consumers and professionals

Opposite, Lux I launched 1912, together with Electrolux PURE i9, our latest robotic vacuum cleaner. Above, a typical refrigerator from the 1950s. Below left, the Anova connected precision cooker, and to the right the D-fridge, the first absorption refrigerator, launched in 1926.

The founder of Electrolux, Axel Wenner-Gren, was a visionary who understood how to develop products for the future. The innovations he introduced transformed homes around the world.

1986
Electrolux acquires the third largest appliance company in the U.S., White Consolidated, with brands such as Frigidaire, Kelvinator and Westinghouse

1994
German appliance manufacturer AEG is acquired

1996
Acquisition of Refripar becomes the foundation for rapid growth in Brazil

2001
Launch of the world's first robotic vacuum cleaner. Acquisition of operations in Australia

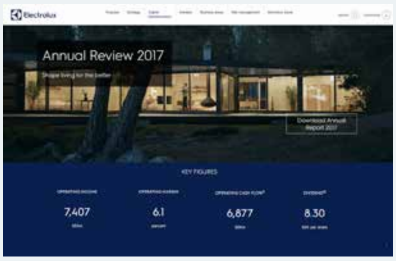
2011
Appliances manufacturers Olympic Group in Egypt and CTI in Chile are acquired

2016–2017
Electrolux made several acquisitions to strengthen the product offering and drive growth in new markets and segments in North America, South Africa, Europe and Latin America

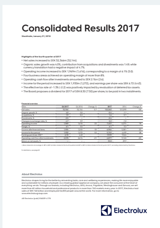
Events and reports

The Electrolux website electroluxgroup.com/ir contains additional and updated information about such items as the Electrolux share and corporate governance as well as a platform for financial statistics.

Electrolux Annual Report 2017
electroluxgroup.com/annualreport2017



Electrolux annual review 2017
electroluxgroup.com/annualreview2017



Electrolux interim reports
electroluxgroup.com/ir

Electrolux sustainability report (GRI)
electroluxgroup.com/sustainabilityreport2017

Financial reports and major events in 2018

31 Jan	5 Apr	27 Apr	18 Jul	26 Oct
Consolidated report	Annual General Meeting	Interim report January–March	Interim report January–June	Interim report January–September

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