



# Electrolux Annual Report 2016



We want to deliver  
Best in Class Consumer Experiences  
by making it possible to make  
great tasting food through our  
professional expertise















We want to deliver  
Best in Class Consumer Experiences  
by making it possible to  
care for your clothes to keep  
them new for longer



We want to deliver  
Best in Class Consumer Experiences  
by making it possible to achieve  
healthy wellbeing in your home







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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 75–137. The Annual Report is published in Swedish and English.

Sustainability priorities are integrated throughout the report. The most important areas are summarized on pages 36–37. The full Electrolux Sustainability Report is included in the online Annual Report published on [www.electroluxgroup.com/annualreport2016](http://www.electroluxgroup.com/annualreport2016). More information: [www.electroluxgroup.com/en/category/sustainability/](http://www.electroluxgroup.com/en/category/sustainability/)



Ovens and Cooktops



Dish Washers



Professional Products



Vacuum Cleaners





AIR CONDITIONERS



REFRIGERATORS

## The Electrolux vision

We will be the best appliance company in the world, as measured by our customers, employees, shareholders and planet.

### 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.

**60**

MILLION PRODUCTS SOLD ANNUALLY

**150**

COUNTRIES

**121**

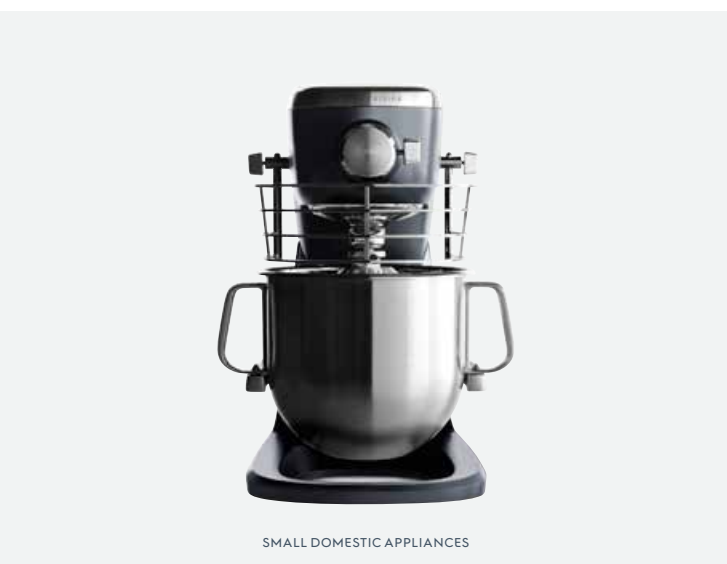
BILLION SEK IN SALES

**55,400**

EMPLOYEES



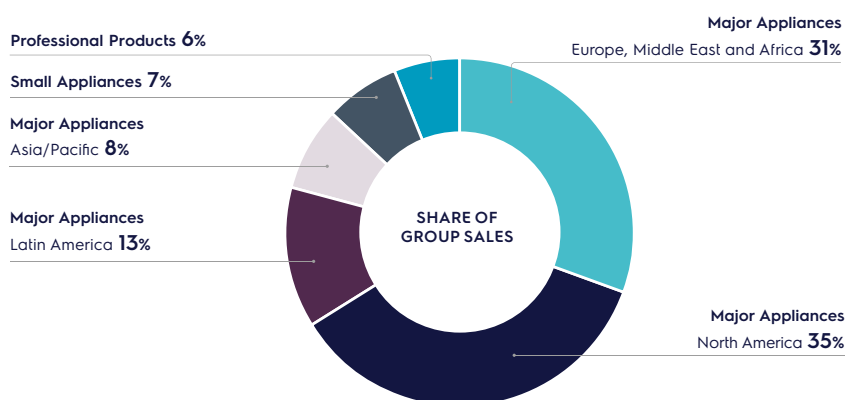
WASHING MACHINES



SMALL DOMESTIC APPLIANCES



## Business areas



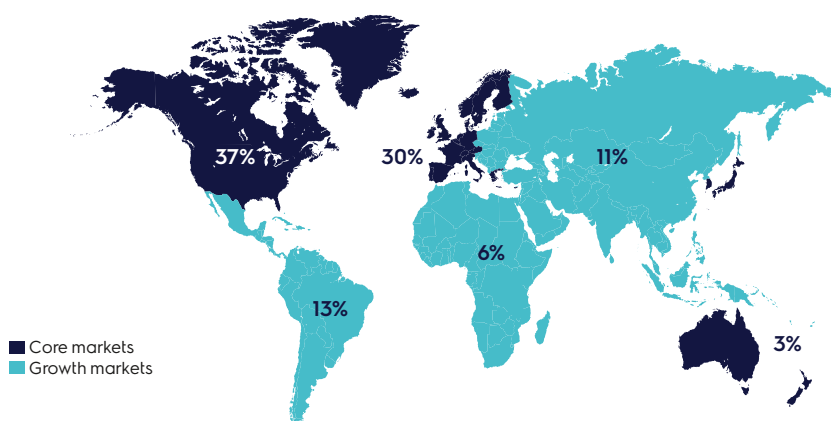
**KITCHEN** Electrolux sells cookers, hobs, ovens, hoods, microwave ovens, refrigerators, freezers and dishwashers for households and professional kitchens throughout the world. Electrolux is a leader in kitchen appliances and new functionalities are continuously being developed.

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

**SMALL APPLIANCES** Electrolux vacuum cleaners, small domestic appliances and accessories are sold to consumers worldwide. Electrolux has a strong, global distribution network and an attractive product offering.

**HOME CARE AND SERVICES** include the rapidly growing areas of air-conditioning equipment, water heaters and heat pumps, as well as consumables, accessories and service.

## Sales by region



KITCHEN



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

LAUNDRY



18% share of Group sales of which 2% professional products

SMALL APPLIANCES



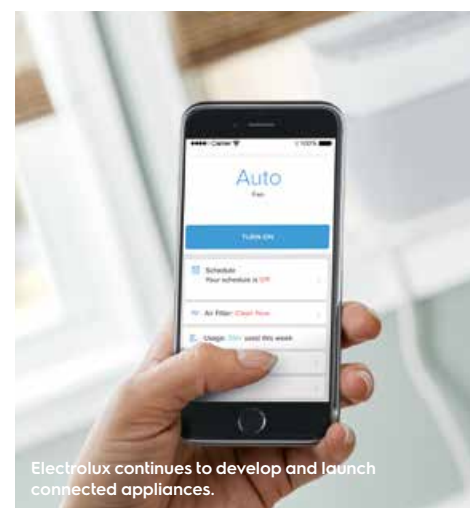
7% share of Group sales

HOME CARE AND SERVICES



11% share of Group sales





## In brief

- Four of six business areas achieved an operating margin above 6%.
- Continued good earnings development for Major Appliances EMEA.
- Weak market demand in Latin America impacted earnings in the region.
- Operating margin improved to 5.2% (2.2).
- Strong operating cash flow after investments.

## For the better

Electrolux sustainability framework

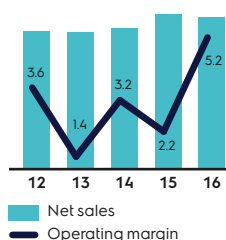
**BETTER SOLUTIONS** Wherever we are in the world, Electrolux products enable consumers to live better lives while saving energy, water and resources.

**BETTER OPERATIONS** We constantly challenge ourselves to improve, making Electrolux safe efficient and ethical.

**BETTER SOCIETY** Wherever we are in the world, Electrolux empowers consumers and suppliers, and supports local communities.

Electrolux has been recognized by the Dow Jones Sustainability Index as the industry leader for 10 consecutive years. Electrolux is a signatory of the UN Global Compact.

## Margin improvement



**NET SALES** were impacted by lower sales volumes. Active product portfolio management to exit from unprofitable product categories and continued weak market demand in Latin America impacted sales.

**OPERATING MARGIN** improved to 5.2%. Four of six business areas reached an operating margin above 6%. Increased efficiency and product-mix improvement contributed to the positive earnings trend.

**THE OPERATING CASH FLOW** amounted to SEK 9.1bn. The main contributor to this strong cash flow is the earnings development and a positive cash flow from operating assets and liabilities.

OPERATING INCOME

**6,274**  
SEKm

OPERATING MARGIN

**5.2**  
percent

OPERATING CASH FLOW<sup>1)</sup>

**9,140**  
SEKm

DIVIDEND<sup>2)</sup>

**7.50**  
SEK per share

<sup>1)</sup> after investments <sup>2)</sup> proposed by the Board

# Significantly improved profitability

Electrolux strategy is to drive profitable growth by creating best-in-class consumer experiences based on innovation and operational excellence. A key priority for the year has been to improve the profitability of the Group. As a result, the Group reached an operating margin of 5.2% in 2016, with four of our six business areas above the 6% Group target. Important drivers behind this positive development were strong commitment to operational improvement paired with a firm focus on the most profitable product categories with distinct consumer benefits.

## Performance in 2016

Electrolux operating income more than doubled compared to the previous year and amounted to SEK 6.3 billion. We generated a strong cash flow of above SEK 9 billion.

Our Major Appliances EMEA business area continued to improve the product mix through launches of innovative products and increased cost efficiencies which contributed to a record strong operating margin of 6.7%. During the fall, we introduced a major launch of new products within the AEG premium brand, which has been well received among customers. As part of our strategy to further grow the offering in the Middle East/Africa we announced, in late 2016, an agreement to acquire Kwikot, a leading water heater company in South Africa. This acquisition fits well with the strategy to strengthen our expertise within the home comfort area and will add to our overall market reach in Southern Africa.

In North America, profitability increased significantly to an operating margin of 6.2%, mainly driven by improved operational efficiencies. Sales volumes of core appliances under own brands, such as Frigidaire, increased, whereas private label sales decreased. Market demand for core appliances in the US has continued to show good growth and increased by more than 6% in 2016. We expect market demand for appliances in North America to remain solid and to increase also in 2017.

Continued good profitability in Australia and increased demand for our products in Southeast Asia contributed to an improved operating margin in Asia/Pacific. During the year, we acquired the Australia/Singapore based company Vintec which supplies a wide range of climate-controlled wine cabinets throughout the region. Vintec has a good strategic fit with our major appliances product offering within the taste area.

Declining markets in Latin America continued to impact our operations negatively. To mitigate difficult market

conditions, we are implementing extensive actions to structurally reduce costs and improve profitability. We have recently seen some slightly positive macro indicators in the region.

Professional Products showed organic growth of 4% with improving operating results reaching a strong 13.9% in the year. Part of Electrolux strategy is to continue to grow this profitable business and targeted investments in new products and channels paid off during the year.

## New name and scope:

### Home Care & Small Domestic Appliances

Activities to restore profitability in Small Appliances made good progress during the year. As of 2017, the business area also has the operational responsibility for developing the global offering for 'healthy well-being within the home' covering floor care, air care and water care. To reflect these changes we have renamed the business area Home Care & Small Domestic Appliances.

## Strategic points going forward

With key areas of the operations delivering good and continuously improving results, and the right actions being initiated where needed, Electrolux has a good momentum. In 2017 and beyond, we will continue to launch new innovative products and services, with the goal to provide best-in-class consumer experiences. We focus on innovations that give consumers better opportunities to make great tasting food for family and friends, to take care of their clothes so they feel new and fresh for longer and to create a clean and healthy indoor environment. In 2016, we launched strong products with clear consumer benefits, such as multifunction ovens with steam functions at more attainable price points, washing machines with unprecedented clothes care capabilities and connected air-conditioners.

OPERATING MARGIN

**5.2%**

3.9% 2015<sup>3)</sup>

CASH FLOW, SEK BN<sup>1)</sup>

**9.1**

8.8 2015<sup>3)</sup>

CAPITAL TURNOVER-RATE

**5.8x**

5.0 2015

DIVIDEND, SEK<sup>2)</sup>

**7.50**

6.50 2015

<sup>1)</sup> After investments.

<sup>2)</sup> Proposed by the Board.

<sup>3)</sup> Excluding costs of approximately SEK 2 billion related to the not completed acquisition of GE Appliances in 2015.





The ongoing digitalization of society affects virtually all areas of Electrolux operations. Mobile solutions and ubiquitous Internet access make it possible to interact with consumers in new ways. Digitalization also provides opportunities to develop smart connected products, as well as making operations more effective. To make sure that we are at the forefront of this development, Electrolux activities focus on five core areas: connected appliances, digital productivity, digital supply chain, digital manufacturing of modularized products and the total 360° experience of purchasing and using our products. The acquisition of the fast growing smart connected kitchen appliance company Anova, announced in the first quarter of 2017, will help us further accelerate this transformation.

#### **Sustainability is an important part of the strategy**

Being a leader in sustainability is part of our strategy. We are convinced that we can grow profitably while contributing to society by making smarter, more resource-efficient and sustainably manufactured solutions for more people around the world. In 2016, we broadened our approach to sustainability with our initiative For the Better, which aims to focus our sustainability work around Better Solutions, Better Operations and Better Society. Electrolux is, since 15 years, a signatory of the UN Global Compact, and we are recognized as industry leader in the prestigious Dow Jones Sustainability Index.

#### **Well positioned**

Electrolux is well positioned to achieve its targets and visions and I would like to thank our employees and stakeholders for their important contributions throughout the year. Through continued development of innovative products and services in combination with cost productivity and stability in operations, we will continue to focus on improving our profitability towards our 6% operating margin target. Our strong balance sheet and cash flow support our strategy to drive profitably growth. The Board's proposal to increase the dividend for 2016 to SEK 7.50 per share also reflects the focus on shareholder value creation.

Stockholm, February 2017

Jonas Samuelson  
President and Chief Executive Officer

# Vision

Electrolux is a leading global, appliance manufacturer, commanding strong positions worldwide, and is the only supplier that offers complete solutions for both consumers and professional users. The Group's vision is to be the best appliance company in the world as measured by our customers, employees, shareholders and planet.

## Vision

The Electrolux vision is to be the best appliance company in the world as measured by our customers, employees, shareholders and planet.

**CUSTOMERS** — Electrolux focuses on creating the industry's best consumer experiences for the products and services offered. The number of product launches has increased in recent years and demand for more innovative products has grown.

**EMPLOYEES** — Outstanding teams and the best talents play a crucial role in Electrolux achieving the Group's vision and targets. Teamship is the Electrolux way of working to create high-performing teams that create continuous improvements and drive learning in a large, global and multicultural company.

**SHAREHOLDERS** — Through the combination of continuous growth, improved profitability and a small but efficient capital base, Electrolux shareholders will receive a high total return.

**PLANET** — Sustainability leadership is crucial to realizing the Electrolux strategy. The objective is to steadily improve at meeting people's needs and enhancing their daily lives in a sustainable way.

## Targets

The financial targets set by Electrolux aim to strengthen the Group's leading, global position in the industry and assist in generating a healthy total return for Electrolux shareholders, see pages 14 and 15.

## Strategy

The Electrolux strategy is based on four pillars:

- profitable growth
- experience-based innovation
- operational excellence
- talent and teamship

Electrolux strategy is to drive profitable growth by creating best-in-class consumer experiences supported by a strong focus on innovation, operational excellence and talent and teamship.

To create best-in-class consumer experiences means focusing innovations on what consumers can achieve through the Group's products and solutions. Work aims to strengthen the overall experience of the Electrolux offering — before, during and after the purchase of the product. On the basis of sustainable profitability and efficient capital utilization, Electrolux strives to grow profitably by reaching more consumers around the world with solutions that improve their daily lives and experiences.

## Values

The Electrolux guiding business principles in combination with a strong set of values form the core of the Group's operations. The Group's work in this area is also covered in the Corporate Governance Report and the Sustainability Report, which are available at [www.electroluxgroup.com](http://www.electroluxgroup.com).

## SUSTAINABILITY LEADERSHIP

Electrolux has been identified as a global leader in responding to climate change by CDP, the international not-for-profit organization that drives sustainable economies. Electrolux is among an exclusive group of companies worldwide that have been awarded a position on the CDP's Climate A List for 2016.





# The Electrolux vision

WHO WE WANT TO BE

The Electrolux vision is to be the best appliance company in the world as measured by our customers, employees, shareholders and planet.

## Targets

WHAT WE WANT TO ACHIEVE



PAGES  
14–15

## Strategy

HOW WE WANT TO DO IT



PAGES  
16–33

## Values

THE BASIS FOR OUR WORK

<b>Core values</b>	Passion for innovation	Customer obsession	Drive for results
<b>Foundation</b>	Respect and diversity	Ethics and integrity	Safety and environment

PAGES  
34–35



# Targets

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

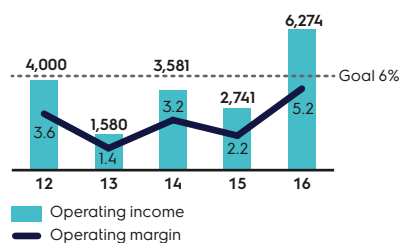
## Operating margin

Electrolux is focused on achieving sustainable profitability in all business areas, with high priority on securing an operating margin of at least 6% over the 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 SEK 5.2% (3.9)<sup>1)</sup>. Operating income improved across most business areas, although earnings for the operations in Latin America were impacted by continued weak market demand. Four of six business areas achieved an operating margin above 6%. Increased efficiency and product-mix improvements contributed to the positive earnings trend. Actions to improve profitability in Small Appliances intensified and the Eureka brand in the US was divested.

<sup>1)</sup> Excluding costs of SEK 2,059m related to the not completed acquisition of GE Appliances.

OPERATING MARGIN, %



GOAL

6%

RESULT 2016

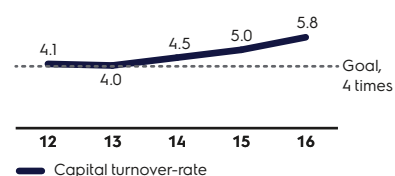
5.2%

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

**The capital turnover-rate** increased to 5.8 times (5.0) in 2016. The Group's ongoing activities to operationally and structurally reduce working capital and increase efficiency within operations contributed to this favorable development.

CAPITAL TURNOVER-RATE, TIMES



GOAL

4x

RESULT 2016

5.8x



Over the past ten years, Electrolux shareholders have received an average annual total return of approximately 10%. 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 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 6% should yield a minimum return on net assets of at least 20%. Further potential for value creation is possible if Electrolux can increase sales

while retaining this profitability level. All business areas have to achieve a sustainable profitability level before investments are made in targeted profitable growth. The objective is an average annual sales growth of 4%.

## 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 29.9% (11.0). Average net assets and working capital declined during the year. Average net assets were reduced to SEK 20,957m (24,848), corresponding to 17.3% (20.1) of net sales. Working capital declined to SEK -14,966m (-12,234), corresponding to -11.7% (-9.9) of net sales.

## Sales growth

All business areas have to achieve a sustainable profitability level before investments are made in targeted profitable growth. 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.

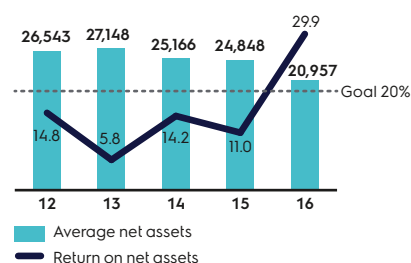
**Net sales** amounted to SEK 121,093m (123,511), corresponding to organic sales decline of 1.1%. Active product portfolio management to exit from unprofitable product categories, weak market demand in Latin America and lower sales under private labels in North America impacted sales during the year. Acquisitions had an impact on sales of 0.1%.

## Sustainability

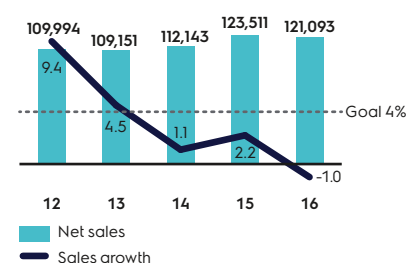
Sustainability leadership is crucial to realizing the Electrolux strategy for profitable growth. The objective is to steadily improve at meeting people's needs and enhancing their daily lives in a sustainable way. In 2016, the most resource-efficient Electrolux products represented 20% of products sold and 28% of gross profit.

Electrolux can best contribute to re-mediating the climate change issue through efficient products. The absolute majority of CO<sub>2</sub> impact during the life-time of an appliance is from product use. Through more efficient products and operations the Group aims to cut the CO<sub>2</sub> impact by 50% by 2020 relative to 2005 levels. As of 2016, 14 million tonnes have been cut, representing about half of the target.

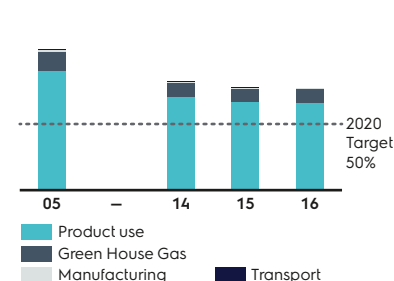
RETURN ON NET ASSETS, %



SALES GROWTH, %



HALVING THE CLIMATE IMPACT, MILLION TONNE'S CO<sub>2</sub>



GOAL

RESULT 2016

20% 29.9%

GOAL

RESULT 2016

4% -1.0%

GOAL 2020

RESULT 2016

-50% -27%



Great tasting food







Strategic  
priorities



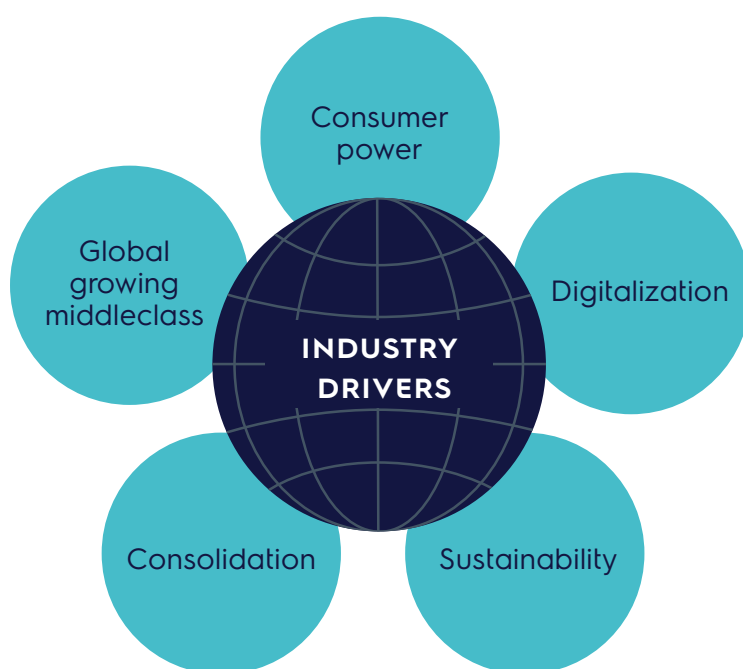
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#### **GREAT TASTING FOOD**

Electrolux products help consumers to achieve a culinary experience, and to cook healthy and nutritious food for family and friends. Some examples include the Electrolux steam ovens and induction hobbs. A continuous dialog with professional chefs and the development of new solutions for restaurants and hotels across the globe have provided valuable insight that has been transferred to other parts of the Group.

# Global trends that affect the industry

The increasing pace of change in the global market for household appliances stems from a number of trends such as increased consumer power, digitalization, sustainability, consolidation and a growing middle class. These changes are placing demands on investments and economies of scale, but also open up major opportunities.



For simplification purposes, 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 2016, demand for appliances increased in mature markets such as North America, Europe and Australia as well as in growth markets in Southeast Asia and China. Although demand continued to decrease in Latin America a general increase in global demand for appliances was noted.

Growth markets have increased their global share of demand. In 2016, the demand in growth markets represented about 70% of the total market volume compared with 50% in the year of 2000. Growth markets accounted for about 30% of Electrolux sales for the year, and the objective is to increase this share.

## Trends

The increasing pace of change in the global market stems from a number of trends that influence volumes and the types of products that are in demand.

- **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.

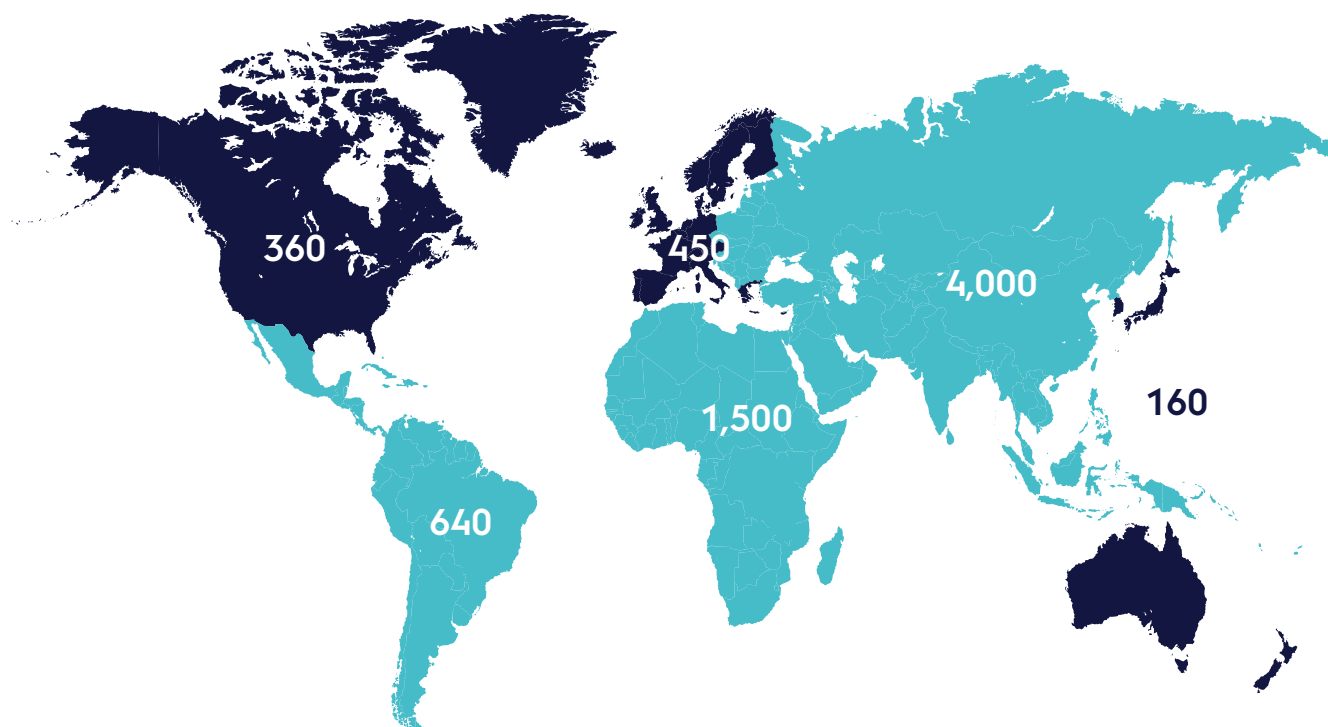
- **SUSTAINABILITY** is becoming more important for customers and consumers as well as authorities, who demand that manufacturers develop and offer sustainable products. This trend has been apparent for a number of years but development is now accelerating at varying paces in the different regions.

- **A GLOBAL MIDDLE CLASS IS EXPANDING** 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.

## GLOBAL POPULATION

Million



# 13%

Population in  
Electrolux core markets

Western Europe,  
North America, Australia,  
New Zealand, Japan

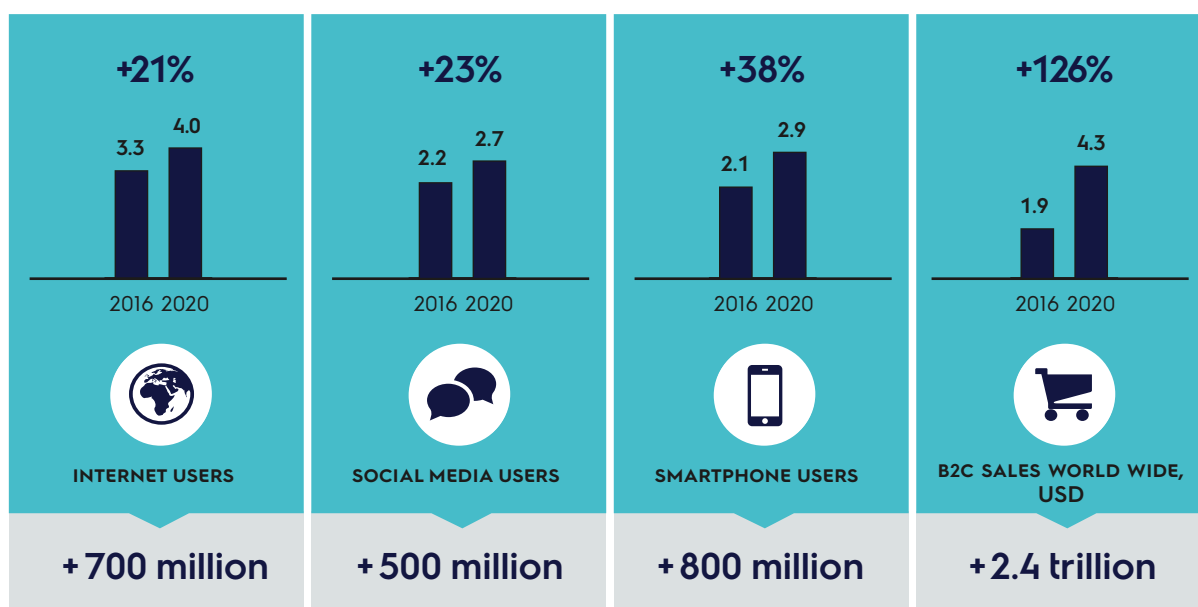
# 87%

Population in  
Electrolux growth markets

Africa, Middle East,  
Eastern Europe, Latin America,  
Southeast Asia, China

## THE PACE OF DIGITAL GROWTH CONTINUES TO ACCELERATE

Worldwide Digital Indicators



Source: Emarketer and Electrolux estimates.



### Competitive advantages for Electrolux

The largest manufacturers of appliances in the world – Bosch-Siemens, Electrolux, Haier Group, LG Electronics, Midea, Samsung and Whirlpool, – accounted for more than half of global sales in 2016. In recent years, manufacturers from Asia have increased their market shares.

Electrolux has a number of key competitive advantages in the face of such intense competition.

**A STRONG GLOBAL POSITION AND 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. Strong global brands also contribute to the profitable growth of the Group.

**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 the mass-market segment. 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. 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.

**ELECTROLUX 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 part-

nerships 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 has expanded its offering in small domestic appliances. Through its global presence, Electrolux identifies major potential to grow in adjacent product categories such as air-conditioning equipment and water heaters.

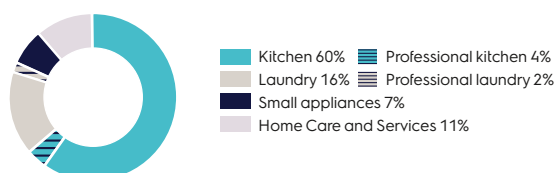
**CONSUMER INSIGHT** has for many years been the focus of all product development within the Group. By performing an extensive number of interviews and home visits as well as the Group's usability labs, Electrolux gains knowledge of consumer behavior in the use of various household appliances and the 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.

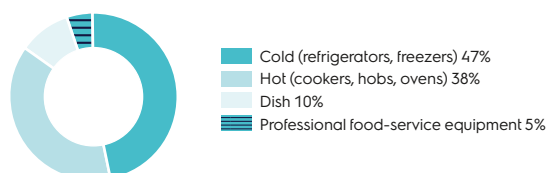
**A LEADING POSITION IN SUSTAINABILITY** makes it possible for Electrolux to develop and manufacture smarter, more accessible and resource-efficient solutions that meet the increasing requirements of consumers, customers and other stakeholders in the market. Developing these products creates a great 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 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 targets and vision. Electrolux has a strong corporate culture that originates from the founder of the company, Axel Wenner-Gren. A passion for innovation, customer obsession and drive for results are at the core of all work at Electrolux. Dedicated employees, with diverse backgrounds working on a global basis, create the innovative culture necessary for Electrolux to be successful.

SHARE OF GROUP SALES



KITCHEN PRODUCT CATEGORIES





### Competitive advantages of Electrolux

- Global presence
- Consumer insight
- Design
- Strong brands
- Professional expertise
- An extensive product range
- Employees and culture
- A leading position in sustainability

### Strong global positions

- Kitchen appliances
- Kitchen solutions for the world's best chefs
- Front-load washing machines
- Vacuum cleaners
- Efficient appliances for both professionals and consumers



# Business model for profitable growth

To achieve profitable growth, Electrolux uses a business model which focuses on creating best-in-class consumer experiences.

## Best-in-class consumer experiences

The Electrolux business model focuses on creating best-in-class consumer experiences. Work in the Group targets three crucial areas: relevant experience-based innovation, optimization of the product portfolio and quality. At the same time, a number of transformation drivers are crucial to achieve these goals. Possibly the most significant of these is the digital transformation, with great potential both to enable best-in-class consumer experiences and drive results through operational excellence. In addition to this, continuous improvements will be implemented to increase the effectiveness of Electrolux operations and processes. These efforts will all be carried out in a sustainable way, an area which is becoming more and more important for the Group to retain its competitive advantage in the market.

## Experience-based innovation

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. A key factor is the transfer of know-how from the Group's professional business operations to consumer products. Over a number of years, the Group has progressively increased investment in R&D.

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.

Efforts to provide consumers with the best possible owner experience are central to the process. Quality is a prerequisite for best-in-class consumer experience and long-term consumer brand loyalty. The Group has long-term goals to continue to enhance quality.

## Best customer experience and Star Products

Electrolux continues to increase its focus on its Star Products for targeted profitable growth. Electrolux Star Products include the most relevant innovations for making great tasting food, the best care for clothes and increased well-being in the home.



In 2016 Electrolux initiated a "Committed to Quality" program to reinforce the quality focus across Electrolux operations around the world. Quality is a prerequisite for best-in-class consumer experience and long-term consumer brand loyalty.



Electrolux myPRO professional washing machine for small businesses.



## Strategy

HOW WE WANT TO DO IT



### Acquisitions

To broaden the product offering and create a strong platform for growth acquisitions are an integrated part of Electrolux growth strategy. In 2016, Electrolux made two acquisitions. Vintec, an Australia and Singapore-based company which supplies a wide range of climate-controlled wine cabinets throughout the Asia Pacific region was acquired. An agreement was also made to acquire South Africa's leading water-heater producer Kwikot Group.

### Operational excellence

Electrolux ensures a competitive cost structure by focusing on continuous efficiency improvements in variable product costs as well as fixed costs. Striving to minimize complexity and make work practices simpler is the foundation of a stable and focused organization. An extensive modularization program is ongoing that lowers product costs and the product development spend through digitalization and standardized global modular platforms for new products.

### Talent and teamship

Outstanding teams and the best talents play a crucial role in Electrolux achieving the Group's vision and targets. Teamship is the Electrolux way of working to build high-performing teams that create continuous improvements and foster learning in a large, global and multicultural company.

### Digitalization

Digitalization affects major 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. Overall, digitalization enables substantial opportunities for streamlining operations and continuous interaction with consumers.

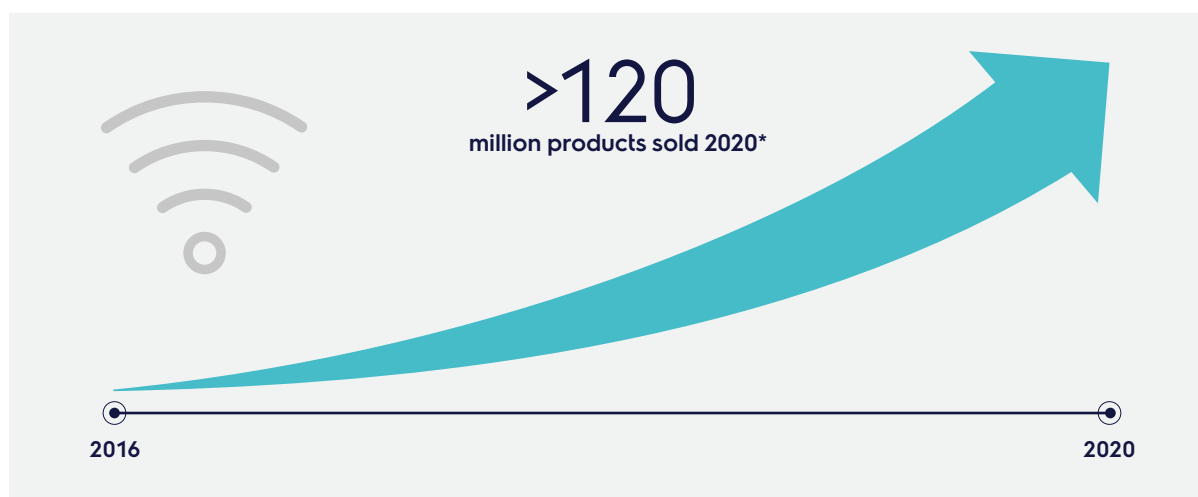
### Continuous improvement

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.

### Sustainability

Sustainability leadership is crucial to realizing the Electrolux strategy. The objective is to continuously improve at meeting people's needs and enhancing their daily lives in a sustainable way. The Group's sustainability priorities target nine main areas that combined contribute to: Better solutions, Better operations and Better society. Read more on page 36.

### THE MARKET FOR CONNECTED APPLIANCES IS TAKING OFF

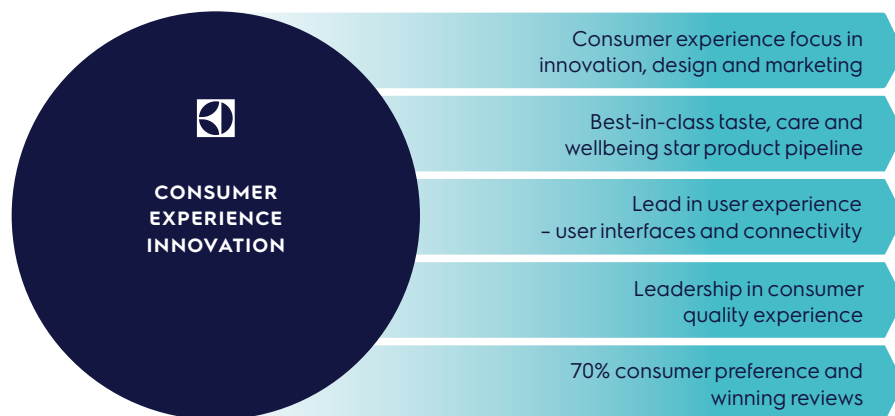


Source: Electrolux estimates

\*Estimated annual sales of connected appliances world-wide 2020.

# Experience innovation

The Electrolux Group's efforts in innovation have a distinct focus on the consumer's experience. The aim is to create best-in-class experience for consumers.



All product development at Electrolux aims to give consumers the best possible experience and results when using Electrolux products. A key factor is the transfer of know-how from the Group's professional business operations to consumer products. Over a number of years, the Group has progressively increased investment in R&D.

Electrolux gains knowledge of consumer behavior by performing an extensive number of interviews and home visits to obtain information on the use of various household appliances and the needs that exist. In order for a new product to be launched, at least 70% of the consumers in a test group must have expressed a preference for the product over similar alternatives in the market.

## Key areas of innovation to strengthen the brand

Product development has been divided into three main areas to offer best-in-class consumer experiences: great tasting food, care for clothes and healthy well-being in the home.

**GREAT TASTING FOOD** Electrolux products help consumers to achieve a culinary experience, and cook healthy and nutritious food for family and friends. Some examples include the Electrolux Combi steam ovens and the blast chiller that brings the cook-and-chill technique of professionals to consumers. A continuous dialog with professional chefs and the development of new solutions for restaurants and hotels across the globe have provided valuable insight that has been conveyed to other parts of the Group. Collaboration with professional users includes a partnership with the World Association of Chefs' Societies (Worldchefs).

**CARE FOR YOUR CLOTHES** Electrolux helps consumers to take care of their clothes so they feel new and clean for longer. A common problem is avoiding using the washing



All product development in the Group is based on in-depth consumer insight.



We are looking for new ideas  
that inspire people around the world to enjoy tastier,  
healthier, and more sustainable home cooking in the future.

machine or tumble dryer for certain garments, however, Electrolux has solutions to make it possible to use its products without having to worry about the outcome. 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 and the semi-professional Electrolux myPRO washing machine for smaller companies, see page 22.

**HEALTHY WELL-BEING** 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 cleaners. One example of innovative solutions in this area is the Frigidaire Cool Connect in North America, the Group's first connected air conditioner.

#### Products for different regions

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. The modularization program continued to be successful during 2016.

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 US, Brazil, Egypt and China.

#### Close consumer dialog to strengthen the brand

Electrolux develops solutions to engage with consumers throughout the purchase and usage process. The aim is to establish an intimate dialog with consumers and strengthen the overall owner experience of the Electrolux offering. The Group's "360° Consumer Experience" process focuses on consumers and on creating the best consumer experience of Electrolux at different stages, from exploring various alternatives, visiting websites and choosing products at retailers to installing and using the products. Throughout the design and launch process Electrolux has engaged with consumers, kitchen manufacturers and retailers with the aim to create the best Brand Experience.

A new product-range and visual identity were introduced under the AEG brand at the IFA trade show in Berlin in September 2016. One example of an innovative marketing activity during the year was Tasteology for the AEG brand. Tasteology is an on-line documentary. Through five episodes consumers can be inspired to Take Taste Further.

Consumer decisions regarding the purchase of household appliances are increasingly based on visits to websites, blogs and the use of social media. This means that the Group's websites are some of the most important tools for informing customers. Online sales are expected to increase considerably in line with increased Internet usage. This trend will affect how appliance companies meet their customers' new purchasing patterns in the various markets.

### Connected appliances

New technology opens possibilities for new solutions. During 2016, approximately 6 million connected appliances are estimated to have been sold world-wide. It has been predicted that the annual sales figure for 2020 will be around 120 million. Besides simplifying and improving the usage of products, the connection will strengthen communication with the consumer after the purchase and could provide options to upgrade the software. Connected appliances are therefore a significant area for continued innovation efforts at Electrolux.

During 2016, the Group launched a new series of washing machines under the AEG brand, where the consumer can get advice, through an app, on which programs and washing powder should be used on different types of clothes and stains. The program can then be sent directly to the connected washing machine.

The Group continues to develop and launch connected products in all major product areas. Electrolux has joined the Open Connectivity Foundation (OCF), a broad collaboration project to continue to drive towards unified standards for developing open source code for connected products. Electrolux has also joined Google's Early Access Program for the Brillo operating system and the Weave communication protocol for the "Internet of Things", with the aim of developing connected household appliances for smart homes.

### Further increases in product 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 at Electrolux Quality

Management System, whose focus lies on consumers' experience of Electrolux quality.

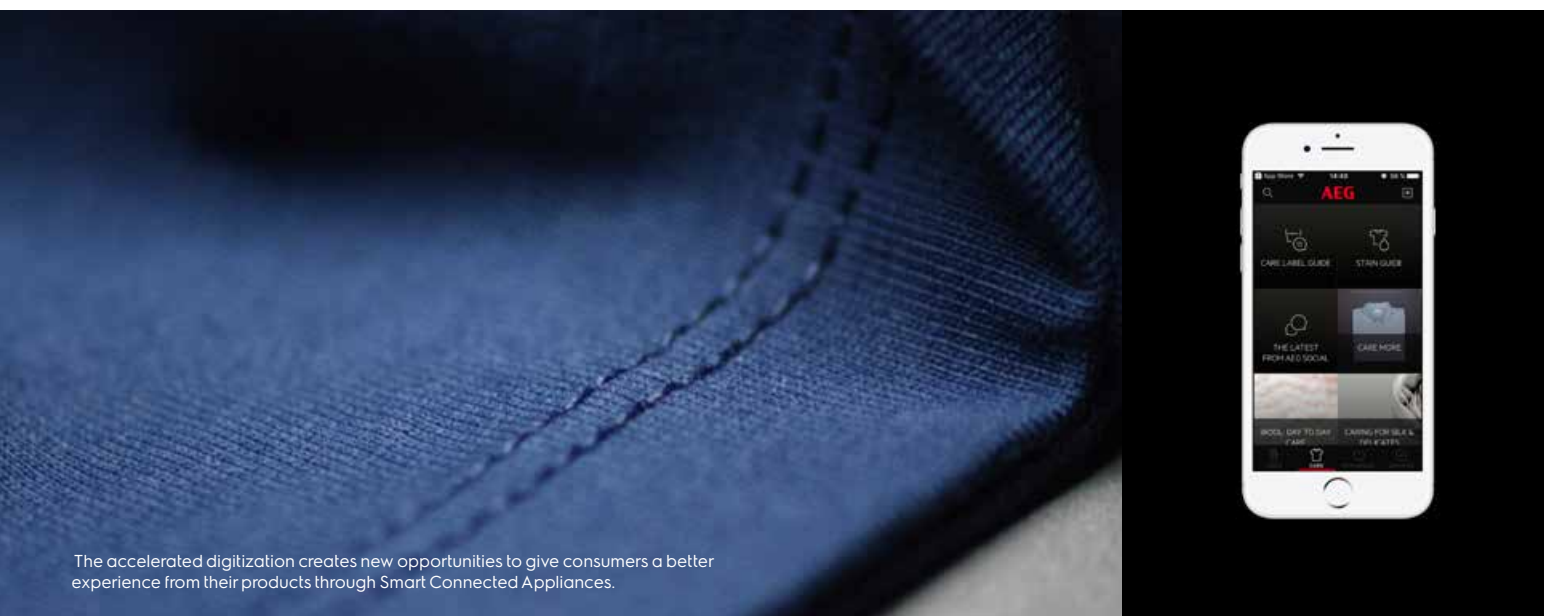
### Investments in service and aftermarket

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.

### Sustainability

The most significant environmental impact for the Group is energy and water consumption during the usage of products. Accordingly, Electrolux places great importance 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.

A key approach to meeting increasing demand for energy and cost-efficient household appliances from a growing middle class in growth markets is to implement modularization and global product platforms, which enable a rapid spread of innovations to new markets.



The accelerated digitization creates new opportunities to give consumers a better experience from their products through Smart Connected Appliances.





#### Discover the Electrolux Life

Retailers across Australia “Discovered The Electrolux Life” at evening presentations of the new cooking and refrigeration ranges in Brisbane, Sydney and Melbourne.

#### Product innovation – Steam ovens

A connected Electrolux steam oven with an integrated camera can bring the cooking experience to a new level, and help consumers cook great tasting food for family and friends.

#### Closer to the customer through social media channels

Electrolux aims to establish an intimate dialog with consumers as decisions regarding the purchase of household appliances are increasingly based on visits to websites, blogs and the use of social media.



# Operational excellence

Electrolux ensures a competitive cost structure by focusing on continuous efficiency improvements in variable product costs as well as structural costs. Striving to minimize complexity and make work practices simpler is the foundation of a stable and focused organization.

For over a decade, Electrolux has gradually restructured its production through a program for optimizing the manufacturing footprint. About one-third of the Group's manufacturing has been moved, primarily from Western Europe and North America, to new production centers. Electrolux has closed some 20 plants, reduced manufacturing at many others and opened new production centers, mainly in low-cost areas. These new production centers have been established both to reduce costs and to support strategic growth markets in Asia, Latin America, Eastern Europe and Northern Africa.

In 2016, about 65% of total manufacturing by Electrolux was carried out in low-cost areas, compared with about 30% in 2004. These Group-wide restructuring programs have now been completed.

Efforts to optimize operations have now entered a new phase, with a focus on modernization, automation and adjustments to existing plants to ensure a competitive cost structure. 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.









The drive to make operations more efficient concerns both variable and fixed product costs.

## Variable product costs

A number of programs aimed at enhancing efficiency are ongoing within the Group with the aim of reducing the variable product costs every year. These variable costs include materials, direct and indirect payroll costs, logistics and warranty costs. Efforts focused on global coordination of procurement and the Electrolux Manufacturing System (EMS) to reduce manufacturing costs continue with full force. At the same time, the Group has implemented a number of new initiatives to increase efficiency and reduce costs even more, for instance, a cost excellence program is in operation to promote quicker and more effective processes. Increased automation and digital processes for closer collaboration with Electrolux suppliers will help to reduce costs, improve product quality and develop new products.

The EMS, which was launched in 2005, has been implemented at all production units and work in this program stepped up during the year. The program focuses on continuous improvements in terms of product quality, costs, inventory optimization, occupational health and environmental impact. The EMS continued to make a positive contribution in 2016. Manufacturing costs have declined significantly since 2011 and energy use per appliance unit produced has decreased 42% since 2005. Targets are set

## FOOTPRINT OPTIMIZATION 2004 UNTIL TODAY

	2004		TODAY	
<b>PLANTS</b>	35		21 closures 6 factories downsized 10 new factories 10 acquired factories	34 
<b>TOTAL CAPACITY</b> M UNITS	46.2		Total capacity up by 6.3 million units	52.5 
<b>SHARE OF LCC CAPACITY</b> %	28		Approximately 35% of production moved	64 
<b>CAPACITY UTILIZATION</b> %	77		10,000-employee reduction 7,000 new employees hired	63 

to continuously reduce resource use and waste through the Green Spirit program, an integral part of the Electrolux Manufacturing System. Improved energy efficiency lowers annual energy costs by more than SEK 425m a year, and means a reduction in emissions of 293,000 tonnes of CO<sub>2</sub> compared with 2005. The Green Spirit program aims to improve energy efficiency by more than 50% by 2020 as part of the target of reducing the CO<sub>2</sub> impact by 50% by 2020.

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 our supply base. During 2016, additional resources were provided to the program in Southeast Asia and an extensive internet-based supplier training initiative was carried out in six countries in the region.

#### Modularization

An extensive modularization program is ongoing that lowers product costs and the product development spend through standardized global modular platforms for new products. In 2015, a new phase in these efforts was implemented called Modularization 2.0, which has continued in 2016. This entails expansion of the project from its initial focus of reducing product complexity and savings on the direct cost of materials, to improvements in five primary areas:

**AUTOMATION.** To a greater extent, new products are designed to allow a higher degree of automation in their manufacture.

**DIGITALIZATION.** Digitalized processes with supplier and retailers increases flexibility, reduces lead times and improves delivery reliability.

**INCREASED PACE OF INNOVATION.** Modularization unlocks resources for investment in product development.

**QUICKER TIME TO MARKET FOR NEW PRODUCTS.** 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%.

**REDUCED MATERIAL AND PAYROLL EXPENSES.** Through an increasing number of products 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.

Modularization leads to increased flexibility by allowing customization of products at late stages of production, supported by a more digitalized purchasing process and implementation of a system to enable better communication with suppliers and retailers. Modularization is driven by a global team of mixed nationalities with experience from various key positions at Electrolux.

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

#### Structural costs

The Group strives to continuously reduce its structural costs. For this purpose, and through an improved way of working, a higher resource efficiency and increased usage of digital tools and processes, the Electrolux Continuous Improvement

### PRODUCTIVITY BENEFITS AND CONSUMER ORIENTED FLEXIBILITY

#### DESIGN FOR ASSEMBLY

Product cost savings on direct material and labor through design for assembly



#### MODULARIZED PRODUCTS

Modularized products allow optimized manufacturing setup with more automation and innovation enhancement



#### LATE CUSTOMIZATION

Late customization allows more manufacturing flexibility, faster delivery to customer



Program (ECIP) was launched during the year. The objective is to reduce structural costs by up to 0.5% of net sales on an annual basis.

Efficiency within sales and administration is driven by items including shared IT systems and service centers for finance and accounting. Legal entities are reviewed and merged continuously to create shared infrastructures for all regions.

### Capital efficiency

For a number of years, Electrolux has worked intensively to reduce tied-up capital in the Group. In addition to Group-wide measures to streamline and optimize manufacturing, each business area is working on reducing working capital to release resources that can instead be invested in growth activities. The work focuses primarily on the areas: trade receivables, accounts payable and inventory. The working capital program has resulted in an increase in the capital-turnover rate and a reduction in working capital.

### Product life cycle

The product life cycle perspective guides the Group in reducing its 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 operations is energy and water consumption when products are used. Accordingly, improving efficiency of products during design and development of products is a top priority. The impact from manufacturing and transportation is significantly smaller, but is still addressed.

### Resource efficiency

Electrolux is committed to sustainable growth and, accordingly, efficient use of resources comprises a key component of this. Through the Green Spirit program, which is an integral part of the Electrolux Manufacturing System, targets are set to continuously reduce the use of resources.

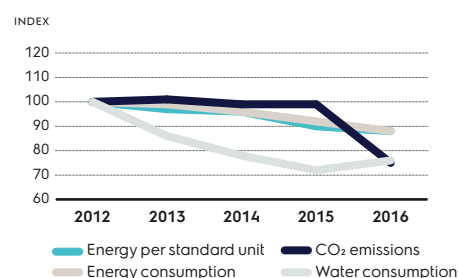
Materials used in household appliances comprise primarily steel, plastic and electronic components. Savings in materials are achieved by optimizing the use of input materials, without compromising product performance and quality. Electrolux is phasing out chemicals of concern and is working proactively to identify potentially hazardous material. New scientific findings and stakeholder requirements are used to regularly update the restricted materials list (RML).

The aim is to increase the proportion of recycled materials in new products. Up to 70% recycled plastic is used in selected vacuum-cleaner models. Energy use and CO<sub>2</sub> emissions have high priority, and Electrolux has targets for absolute and relative reductions. The average energy consumption per unit produced in comparable plants has decreased by 19% during the last five years. Electrolux target is a 20% improvement in energy efficiency by 2020 compared with 2015.

For society as a whole, over 25% of global CO<sub>2</sub> emissions derives from the transport sector. Electrolux has set a target to improve the CO<sub>2</sub> efficiency of transportation in core markets by 15% by 2020.

Water shortages are 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 mapped water-related risks associated with Group plants. As a result, the Group is implementing water management system controls to improve water efficiency in manufacturing by 5% each year in areas where water shortages prevail.

### OPERATIONAL RESOURCE EFFICIENCY

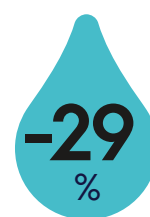


### ENERGY CONSUMPTION



The average energy consumption per unit produced in comparable plants has decreased by 19% during the last five years.

### WATER CONSUMPTION

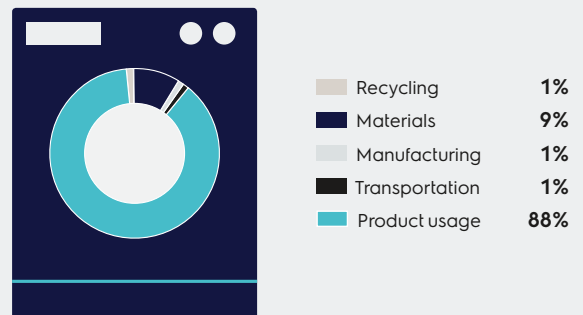


The average water consumption per unit produced in comparable plants has decreased by 29% during the last five years.



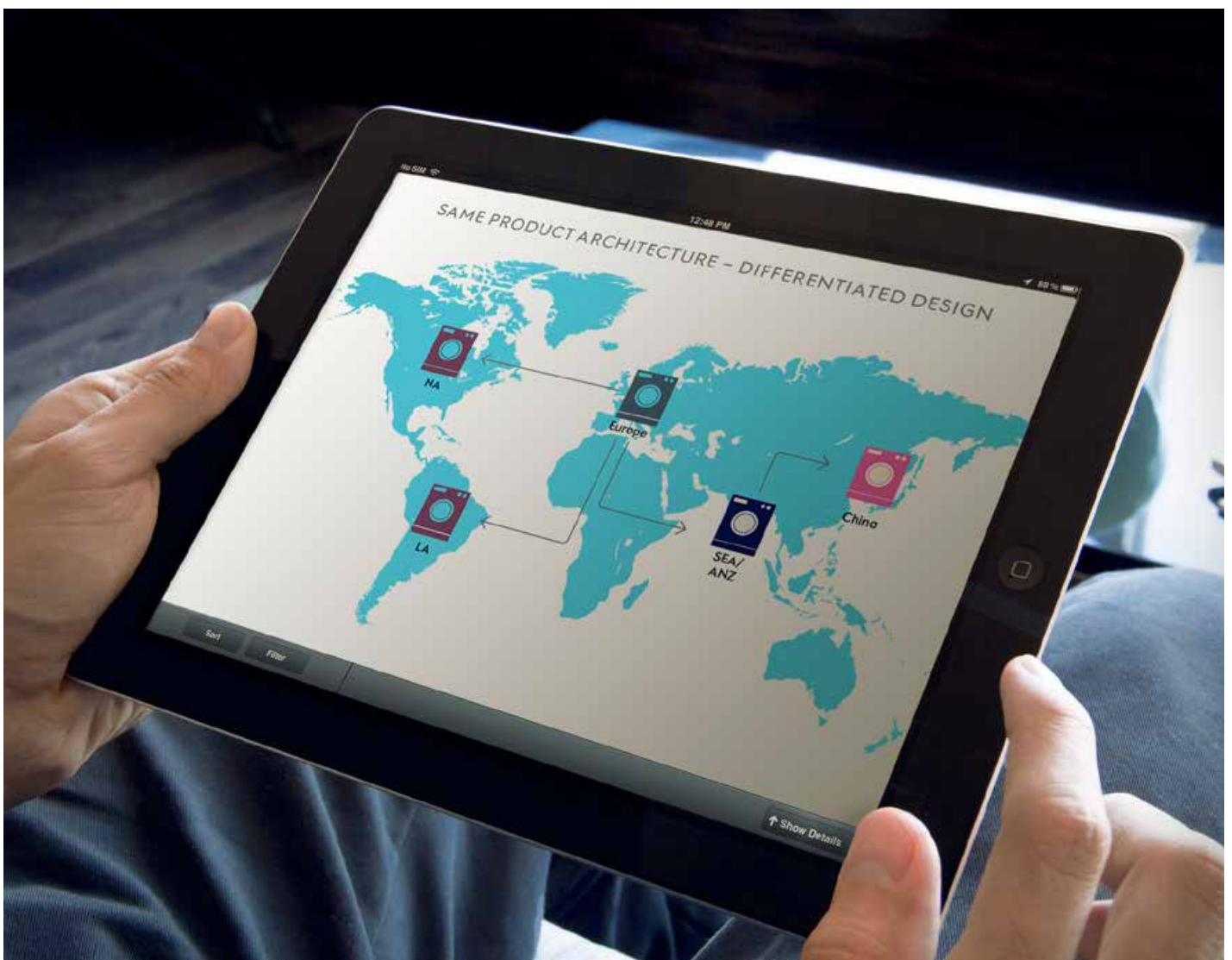


### Average CO<sub>2</sub> impact during the lifetime of an appliance\*



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<sub>2</sub>-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 2016, 14 million tonnes have been cut.

\* Calculated as the average of eleven different appliances.

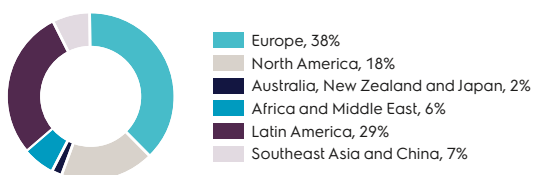


# Talent and teamship

Outstanding teams and talents play a crucial role in Electrolux achieving the Group's vision and targets. Teamship is the Electrolux way of working to build high-performing teams that create continuous improvement and drive learning in a large, global and multicultural company.



EMPLOYEES BY GEOGRAPHIC AREA 2016





## 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

Consumer Care Award, Design Award, EMS Best Practice Award,  
Invention Award, Leadership Award, Marketing Excellence Award,  
Product Award, Purchasing Award, Sales Award,  
Sustainability Award, Quality Award

Electrolux presents an annual Supplier Award  
at a separate event.

Electrolux offers opportunities to pursue a career in a global multicultural company with a strong focus on innovation, quality, design and sustainability. The founder Axel Wenner-Gren's success was built on proximity to customers and the ability to identify new business opportunities. The spirit of innovation that began with Wenner-Gren still characterizes the company today and forms in combination with a strong set of common values and ways of working, the core of the Group's operations.

### Talent

Electrolux strives to become a high performing learning organization with the right people in the right jobs. The Group places substantial focus on talent management to attract, recruit, develop and retain excellent talents with diverse backgrounds. With clear targets and coaching on performance, employees are encouraged to contribute to the Group's success. Providing growth and learning opportunities ensures the competencies needed to reach Group goals as well as personal ambitions.

### Teamship

Employees who work together as a team are fundamental for Electrolux to launch new, innovative products, meet operational excellence and grow profitable. Teamship is the Electrolux way of working to become a high-performing learning organization. Teamship means an efficient way of working through aligned goals, collaboration, transparency and engagement. During 2016, interactive Teamship workshops were run with employees from different functions with 93% participation, creating awareness around Teamship and leveraging the power of working as ONE Electrolux.

### Leadership

Great and trusted leaders with a focus on both people and business results play a decisive role in the successful execution of the strategy. To ensure good internal access to future leaders, a structured process is applied to identify and develop employees for their next career move.

Electrolux employee engagement survey, EES, regarding leadership development showed an excellent performance across the globe and a consistent improvement of the leadership index, which has increased from 75% three years ago to 81% in 2016.

A global training program, Connecting for Performance, was run 2015/2016 to support all managers in translating the overall group strategy to team strategy priorities while engaging teams in execution. For senior leaders Electrolux offers a Leadership program building the execution and leadership capabilities needed to successfully implement the strategy in a sustainable way.

### Engagement

Electrolux evaluates and develops the engagement of people through the 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, 93% of employees took part in the survey compared with 87% in 2015.

The results of the survey are used to develop and improve how business operations are managed. It is primarily run through action plans set up in cooperation between Electrolux leaders and employees.

Read more about working at Electrolux at:  
[www.electroluxgroup.com/careers](http://www.electroluxgroup.com/careers).

# Our values

The Group's employees are guided by a strong corporate culture and a common set of core values: Passion for Innovation, Customer Obsession and Drive for Results.

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## CORE VALUES

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### Passion for Innovation

Innovation is key to our success. We are constantly looking for new opportunities and new ways to go forward. We are always open to better ways of doing things. We are not afraid of taking risks. An innovation may be anything new that is of value to the customer.



### Customer Obsession

The wants, wishes and views of our customers guide our every action. We are interested in our customers and continuously aim to learn more about them and their needs. We keep our promises to our customers, and we capture insights about and anticipate our customers' future needs. We strive to create added value for customers in all aspects of our work, ultimately aiming to deliver the best customer experience.



### Drive for Results

We strive for a visible, measurable benefit from everything we do. Working hard is significant – it also means doing the right things. We focus on the essentials and always aim for direct, simple, informal and lean ways of working.

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## FOUNDATION

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### Ethics and Integrity

- We are transparent, honest and fair in all relations, both internally and externally.
- We challenge the behavior and values of others – when their actions conflict with our code of business ethics.



### Safety and Environment

- We pursue and promote actions that contribute to a safe and sustainable environment.
- We are willing to compromise short-term results at individual units to achieve sustainable Group results.



### Respect and Diversity

- We are a team with diverse disciplines, functions, cultures and organizations.
- We promptly address any conflict or situation that may involve disrespectful behavior.
- We treat all individuals with kindness and fairness.



## Our culture

Electrolux aims to drive a culture enabling the right behaviors for a high performing and learning organization. The Group's values and foundation govern all of us in everything we do and, perhaps most importantly, how we engage with each other and our surroundings. The components of our foundation can be applied to a variety of areas, from our relationships with colleagues to the manner in which Electrolux conducts business in its various markets.

## Ethics, integrity and human rights

Wherever Electrolux operates in the world, the company applies the same high standards and principles of conduct. Respect, diversity, integrity, ethics, safety and environment — the elements that make up the Electrolux foundation — 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. A wide range of key people and decision makers was identified to highlight the most important risks within human rights and a governance framework for continued efforts in this area was established. Training programs in the Code of Conduct continued and at year-end, almost 3,000 additional employees had taken part in the training.

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 2016 related to discrimination and harassment.

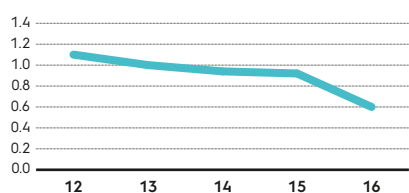
## Health and safety

In 2016, implementation of the global health and safety management system continued, which aims to promote an even stronger safety culture. During the year, the total incident rate in the company (TCIR) decreased to 0.6. Approximately 72% of plants achieved a level of less than 1.0. Since 2012, the incident rate has declined by 49%. The Group aims to reduce the incident rate to less than 0,5% in 2020.

The focus of Electrolux 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 increased well-being in the home.

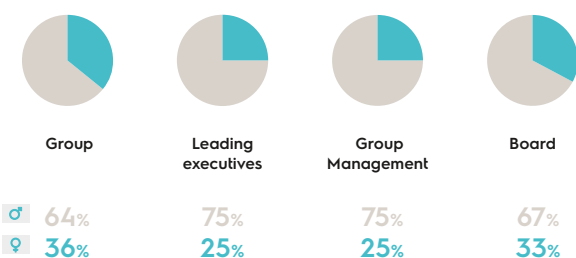


### INCIDENT RATE<sup>1)</sup>



<sup>1)</sup> Per 200,000 working hours.

### GENDER DISTRIBUTION 2016



# Sustainability

Being a leader in sustainability is part of the Group's strategy. Electrolux can grow profitably while contributing to society by making smarter, more resource-efficient and sustainably manufactured solutions for more people around the world.



Join us in making a change  
**For the Better**

By 2020 we aim to have cut  
our carbon footprint in half.

Group sustainability priorities are the result of a dialog with internal and external stakeholders. Emerging issues are continuously monitored, and the impact on business performance is being assessed. Stakeholders' expectations are identified, compiled and evaluated to help shape the basis for future priorities. As a signatory to the UN Global Compact, the Group is committed to promoting the ten principles covering human rights, labor standards, the environment and anti-corruption across its value chain.

## Better solutions

The global market for household appliances is growing. Meeting this demand without a corresponding increase in environmental impact requires more effective use of resources such as raw materials, water and energy.

### Improve product performance and efficiency

Electrolux offers several ranges of resource-efficient products. In 2016, these products represented 20% of products sold and 28% of gross profit. One example is a new series of washing machines under the AEG brand with new technology, that makes washing gentler to clothes and reduces energy consumption further.

### Make better use of resources

Materials used in household appliances comprise primarily steel, plastic and electronic components. One of the ways of contributing to greater resource efficiency is to increase the usage of recycled materials and support initiatives for recycling of products. In 2016, Electrolux used over 22% more recycled plastics than in 2015.

### Eliminate harmful materials

Consumers should be reassured that Electrolux has a robust approach to choosing materials for its products, protecting human health and the environment. Electrolux continues to implement a common process for chemical management. New scientific findings and stakeholder requirements are used to regularly update the restricted materials list.

## Better operations

Electrolux influences people's daily life across the world. Efforts are constantly made to be more resource efficient and become a more safe and ethical company.

### Ensure the best health and safety

Electrolux has a responsibility for every employee and an effective health and safety program is a top priority. The Group's global incident rate (TCIR) was 0.6 in 2016, see page 35. Since 2005, the incident rate has been reduced by 83%. The estimated cost reduction was more than SEK 300m in 2016, compared with 2005, based on historical data.

### Achieve more with less

Efficient use of resources reduces environmental impact and has benefits in terms of cost savings. The Green Spirit program, a part of the Electrolux Manufacturing System, has the objective to continuously reduce energy and water consumption. In 2015, Electrolux set a 2020-target to improve energy efficiency by 20% compared to 2015. In addition, a new climate target was established this year: by 2020 half of the energy should come from renewable sources. In 2016, Electrolux reduced the energy consumption by 4% and the CO<sub>2</sub> emissions by 89,000 tonnes compared to 2015.

### Respect human rights and ethical principles

Across the world, Electrolux operations are based on a shared foundation: respect, diversity, integrity, ethics, safety and the environment. The Group has a global ethics program encompassing both training and a whistle-blowing system – the Electrolux Ethics Helpline. In 2015, a new group wide training program for the Code of Conduct was launched, and by the end of 2016 12,000 employees had participated in on-line training program.

## Better society

As a global company, Electrolux affects millions of people – customers, suppliers and local communities. Electrolux strives to create a positive impact by collaborating to meet local needs and promote improvements.

### Offer sustainable solutions to all

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 keep the environmental impact low. The new refrigeration range launched in Australia under the Westinghouse brand is an example of a global platform for energy-efficient products intended for the mass market.

### Be a force for good

Through the Group's global reach and local presence, there are opportunities to make a positive difference, benefiting the local communities, Electrolux employees and the business. In 2016, the Group set up the Electrolux Food Foundation, and entered into the "Feed the Planet" partnership with the World Association of Chefs' Societies (Worldchefs) and the world's largest student organization AIESEC, in order to develop and promote Electrolux employees' initiatives in the area of sustainability and food.

### Improve supply chain sustainability

Regardless of where the Group's products and components are manufactured, it is done with respect for people and the environment. As part of our responsible sourcing efforts, Electrolux carried out 471 supplier audits in 2016, and 223 staff members from 189 suppliers received training in the Electrolux Code of Conduct and other relevant sustainability issues. Launched in 2016, a supplier on-line program in five languages increases reach and training opportunities.



# History



1912 Lux I

2016 Electrolux UltraSilencer Zen

## 1901

AB Lux was founded.

## 1919

Cooperation between AB Lux and Axel Wenner-Gren. Aktiebolaget Elektrolux was established.

## 1928

Elektrolux is listed on the London Stock Exchange and on the Stockholm Stock Exchange in 1930.

## 1957

The spelling of the Group's name is changed throughout the world from Elektrolux to Electrolux.

## 1984

Italian appliance manufacturer Zanussi is acquired, making Electrolux the leader in household appliances for consumers and professionals.



*ElectroLux*

*Electrolux*







The founder of Electrolux, Axel Wenner-Gren, was a visionary who understood how to develop products for the future. Read the stories below about how Axel Wenner-Grens' innovations transformed homes around the world.

**Innovation** is, and will always be, the driving force at Electrolux. The company's founder, Axel Wenner-Gren, was a visionary who developed products for the future. He underlined Passion for Innovation, Customer Obsession, and Drive for Results, and these comprise the core values of Electrolux operations still today.

**Importance of Design** — The atmosphere in the showroom was different. The crowd was still and gathered around the latest addition to the Electrolux collection: the Model XXX vacuum cleaner. The model designed by the internationally renowned industrial designer Lurelle Guild, was one of the first vacuum cleaners to be created with aesthetic appeal. As cars and trains had become streamlined, Wenner-Gren saw the value in bringing a similar sleek elegance to household appliances. In fact, he had personally tracked down the foremost industrial designers, so that life for Electrolux customers would not only be cleaner and easier, but also more attractive. Looking at the Modell XXX vacuum cleaner, Wenner-Gren said to Guild: "You have given Electrolux products attractive design and perfect form."

**Passion for Innovation** — "This task is not an easy one, but one that will transform homes around the world." Next to Wenner-Gren and his team was a basic prototype of an absorption refrigerator created by two young engineers, Baltzar von Platen and Carl Munters. Wenner-Gren believed that absorption refrigeration technology, creating cold through heat using water, had immense potential but needed to be developed further. "But the problem with this technology is that not all households have running water and every home from China to America will need a refrigeration machine." Wenner-Gren paused, and looked at each member of the team. "That is why we are going to cool with air, because we all have access to that." In 2016, Electrolux launched new refrigerators featuring the very best professional technology to create optimal air humidity and preserve fresh food for longer.



2016 My AEG App



Model XXX vacuum cleaner



Electrolux refrigerator

## 1986

Electrolux acquires the third largest appliance company in the US, White Consolidated, with brands such as Frigidaire, Kelvinator and Westinghouse.

## 1994

Appliance manufacturer AEG is acquired.

## 2001

The household appliance division of Australian company Email is acquired.

## 2011

Appliance manufacturers Olympic Group in Egypt and CTI in Chile are acquired. The share of the Group's sales in growth markets increases rapidly.

## 2016

In 2016 Electrolux signed an agreement to acquire South Africa's leading water heater producer Kwikot Group. The acquisition broadens Electrolux home comfort product range and offers a strong platform for growth opportunities in Africa.





Care for your clothes



## Markets and Business areas

---

### **CARE FOR YOUR CLOTHES**

Electrolux helps consumers to take care of their clothes so they feel new and clean for longer. A common problem is avoiding using the washing machine or tumble dryer for certain garments, however, Electrolux has solutions to make it possible to use its products without having to worry about the outcome. 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 and the semi-professional myPRO washing machine for smaller companies.

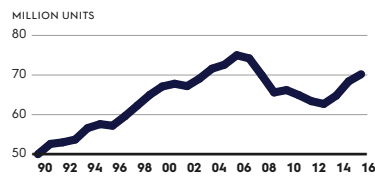
# Market overview

## Core markets

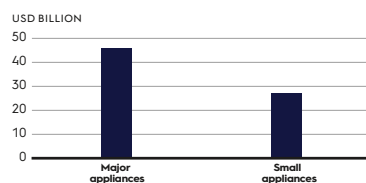
### Western Europe

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. During 2016, markets showed continued positive demand enabling growth in areas such as compact, energy-efficient and built-in kitchen products.

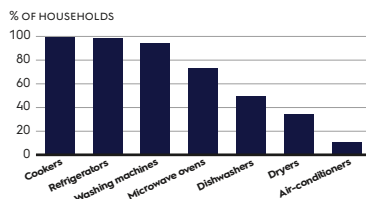
MARKET DEMAND FOR MAJOR APPLIANCES



MARKET VALUE



PRODUCT PENETRATION



#### Electrolux major competitors

Miele • B/S/H • Whirlpool • Samsung  
• LG Electronics • Arcelik

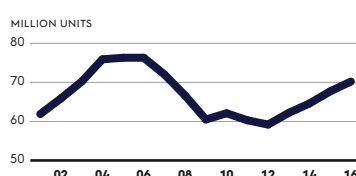
#### Euro Area

Population:	445 million
Average number of persons per household:	2.3
Urban population:	78%
Estimated GDP growth 2017:	1.5%

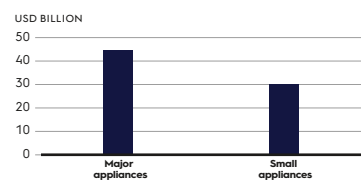
### North America

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 is comprised of several domestic and global manufacturers. Four major retailers sell 70% of the appliances on the market. The recovery in the housing sector generates opportunities for growth in the coming years. In 2016, market demand remained positive.

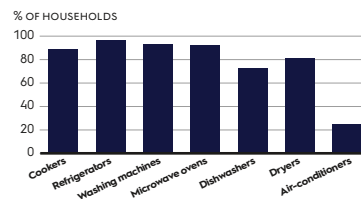
MARKET DEMAND FOR MAJOR APPLIANCES



MARKET VALUE



PRODUCT PENETRATION



#### Electrolux major competitors

Whirlpool • Haier • LG Electronics  
• Samsung

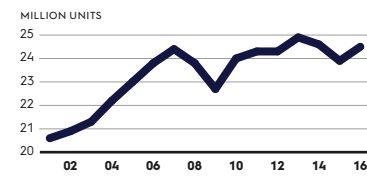
#### North America

Population:	360 million
Average number of persons per household:	2.6
Urban population:	83%
Estimated GDP growth 2017:	2.2%

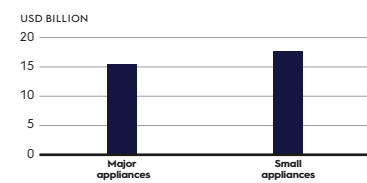
### Australia, New Zealand and Japan

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. Competition between manufacturers from Asia and Europe is intense in the region.

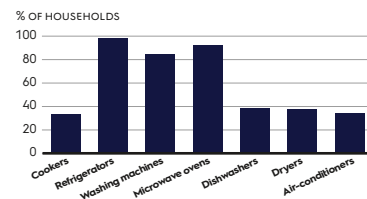
MARKET DEMAND FOR MAJOR APPLIANCES



MARKET VALUE



PRODUCT PENETRATION



#### Electrolux major competitors

Haier • Samsung • LG Electronics  
• Panasonic

#### Australia, New Zealand and Japan

Population:	155 million
Average number of persons per household:	2.5
Urban population:	93%
Estimated GDP growth 2017:	1.4%

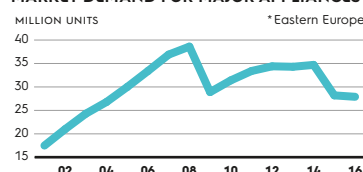


## Growth markets

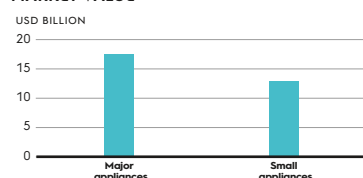
### Africa, Middle East and Eastern Europe

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 increasing household purchasing power. The Middle East offers a base for regional manufacturing but is impacted by political uncertainty.

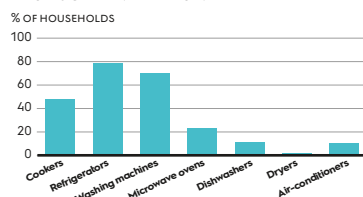
MARKET DEMAND FOR MAJOR APPLIANCES\*



MARKET VALUE



PRODUCT PENETRATION



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

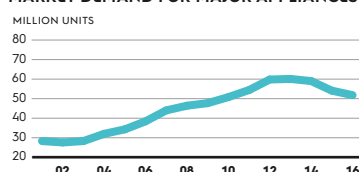
#### Africa and Middle East

Population:	1,480 million
Average number of persons per household:	4.8
Urban population:	46%
Estimated GDP growth 2017:	3.1%

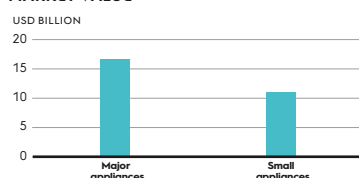
### Latin America

Brazil is the largest appliance market in the region where the two largest manufacturers accounts for a large share of the market. Despite the economic slowdown in the region, there exists 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.

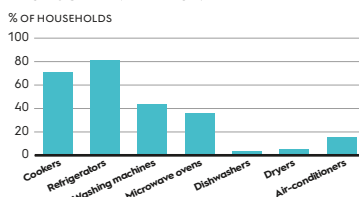
MARKET DEMAND FOR MAJOR APPLIANCES



MARKET VALUE



PRODUCT PENETRATION



**Electrolux major competitors**  
Whirlpool • LG Electronics • Samsung  
• Daewoo

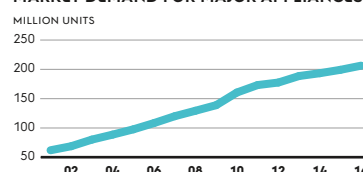
#### Latin America

Population:	640 million
Average number of persons per household:	2.8
Urban population:	79%
Estimated GDP growth 2017:	1.2%

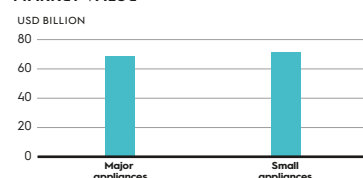
### Southeast Asia and China

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 the domestic manufacturers dominate in China. 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.

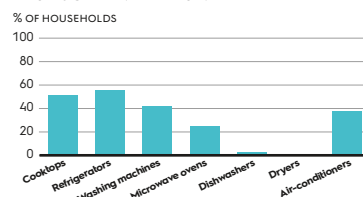
MARKET DEMAND FOR MAJOR APPLIANCES



MARKET VALUE



PRODUCT PENETRATION



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

#### Southeast Asia and China

Population:	4,050 million
Average number of persons per household:	3.8
Urban population:	44%
Estimated GDP growth 2017:	6.7%

Sources: World Bank, OECD and Electrolux estimates.

# Electrolux market data

## 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 2016



SHARE OF SALES IN THE REGION 2016



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

#### Consumer brands

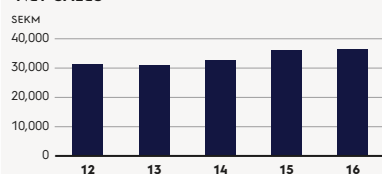


#### Electrolux market shares

16% core appliances  
11% floor care

**Professional:** Leadership position with a stronger 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 core appliances. Focus is on strengthening and investing in the Frigidaire brand and growth in new channels such as the builder-channel and online. Key focus areas are broadening the range of professional products as well as the offering for global food chains.

SHARE OF GROUP SALES 2016



SHARE OF SALES IN THE REGION 2016



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

#### Consumer brands

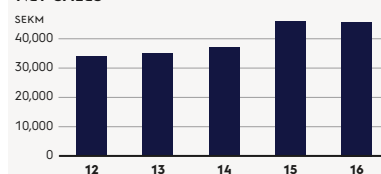


#### Electrolux market shares

18% core appliances  
5% floor care

**Professional:** Historically strong presence in laundry equipment and a growing presence in the food service industry and in the chain business for professional products.

#### NET SALES



Net sales in North America have been impacted by growth in the market, launches of new products and new distribution channels.

### Australia, New Zealand and Japan



#### Electrolux priorities

Further strengthening of positions in Australia and New Zealand through the launch of new, innovative products such as the new Westinghouse cooking range but also products with features such as high energy and water efficiency. Prioritization of compact, user-friendly and quiet household appliances in Japan and South Korea continues.

SHARE OF GROUP SALES 2016



SHARE OF SALES IN THE REGION 2016



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

#### Consumer brands

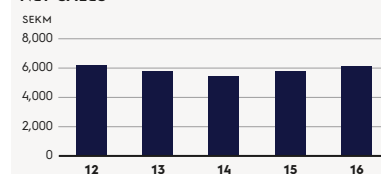


#### Electrolux market shares in Australia

39% core appliances  
7% 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.

## 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 all product categories in parallel with economic recovery but also growing prosperity, especially 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 2016



SHARE OF SALES IN THE REGION 2016



■ Major appliances, 84%  
■ Small appliances, 9%  
■ Professional food-service and laundry equipment, 7%

### Latin America



#### Electrolux priorities

Although parts of the region have experienced tough market conditions recently, there are considerable growth opportunities in the longer term. By monitoring the development in Brazil and Argentina closely, and focusing on cost control and efficiency, the Group can capitalize on opportunities when the purchasing power of households recovers and consumer demand turns positive again.

SHARE OF GROUP SALES 2016



SHARE OF SALES IN THE REGION 2016



■ Major appliances, 94%  
■ Small appliances, 6%

### 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 2016



SHARE OF SALES IN THE REGION 2016



■ Major appliances, 69%  
■ Small appliances, 22%  
■ Professional food-service and laundry equipment, 9%

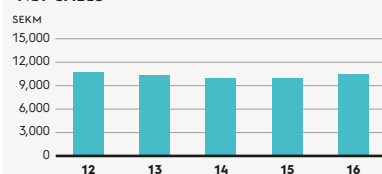
#### Consumer brands



#### Electrolux market shares

**15%** core appliances, Eastern Europe  
**3%** core appliances, Middle East and Africa  
**10%** floor care, Eastern Europe  
**Professional:** Leadership position with a stronger recognition in the institutional/hotel segments.

#### NET SALES



Electrolux has a potential for growth in parallel with growing markets in Eastern Europe, the Middle East and Africa.

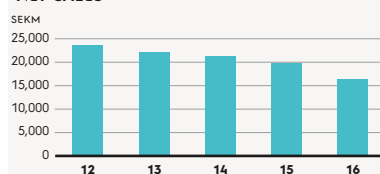
#### Consumer brands



#### Electrolux market shares

Leading positions in major appliances in Brazil, Chile and Argentina.  
**38%** floor care  
**Professional:** Growing presence of Professional Products in the region.

#### NET SALES



Weak market conditions primarily in Brazil impacted sales negatively in 2015 and 2016. Net sales in Latin America have previously increased organically over the years due to a strong product offering, market growth and acquisitions.

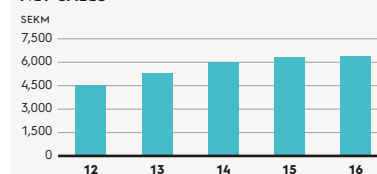
#### Consumer brands



#### Electrolux market shares in Southeast Asia

**5%** core appliances  
**24%** floor care  
**Professional:** Reference player with stronger recognition in the hotel segments.

#### NET SALES



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

# Major Appliances EMEA

The European market grew during the year. Electrolux earnings continued to improve as a result of clear focus on the most profitable product categories in combination with increased cost-efficiency.

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



EMEA comprises the Group's largest market and Electrolux has a broad offering under its three main brands: Electrolux, AEG and Zanussi. In many countries and segments, the Group has strong market positions with a particularly strong position in kitchen appliances, such as cookers, hobs and built-in appliances.

The total European appliance market grew by 3% in 2016, demand increased in most markets.

Intense competition between a large number of manufacturers, brands and retailers resulted in continued price pressure in the market.

In the Middle East and Africa, the Group holds a smaller position with considerable potential. 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.

## Growth and innovation

Major appliances EMEA posted organic sales growth of 3.5% for the year. Sales increased in several key markets in Western Europe and Eastern Europe. Focus remained strong on the most profitable product categories and the Group continued to capture market shares in the premium segment. In November, Electrolux signed an agreement to acquire South Africa's leading manufacturer of water heaters, the Kwikot Group. The acquisition means Electrolux broadens its offering in the Home Comfort product range and creates excellent prerequisites for continued growth in Africa.

During the year, two new, innovative product ranges were launched under the AEG brand. The Mastery Range of kitchen products includes a complete range of innovative kitchen products such as an oven that asks how you would like your meat cooked and a dishwasher that gently lifts the lower basket to facilitate loading. The new range of washing machines and tumble dryers focuses on gentle treatment of clothing.

## Operational excellence

During the year, the ongoing initiatives to increase efficiency within operations and manufacturing continued. In addition, the Electrolux Continuous Improvements Program was initiated, which comprises a cross-functional approach to raise customer value and reduce costs, thereby leading to increased cost-efficiency in many areas. A project in Germany that led to improvement of the process from order to cash is one such example.

The washing machine plant in Egypt implemented a streamlining project under the Electrolux Management System, which resulted in a 25% productivity increase in parallel with improved quality and safety.

The Spares Excellence Program was implemented during the year with the objective of reducing the spare parts quantities held in Europe by 40% by 2020.

Other focus areas during the year included activities to increase automation and improve safety in manufacturing.

## SHARE OF NET SALES

31%

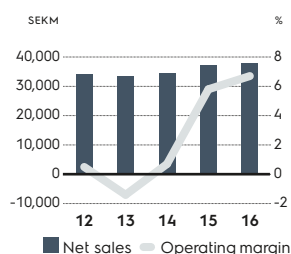
## ORGANIC GROWTH

3.5%

## MARKET POSITION

- Core appliances 16% in Western Europe
- Core appliances 15% in Eastern Europe
- Core appliances 3% Middle East and Africa

## NET SALES AND OPERATING MARGIN



## COMMENTS ON PERFORMANCE

Major Appliances EMEA reported organic sales growth of 3.5% in 2016. This growth was mainly a result of increased sales volumes and an improved product mix, which offset continued price pressure.

Operating income and margin improved significantly, mainly as a result of product mix improvements, increased cost efficiency and higher sales volumes.

## PRIORITIES MOVING FORWARD

- Continued focus on the most profitable product categories
- Reduce complexity and increase speed to market
- Increase efficiency through continuous improvements





### AEG Mastery Range

In 2016, two new, innovative product ranges were launched under the AEG brand; The Mastery Range of kitchen products and a range of washing machines and tumble dryers. It includes a dishwasher that gently lifts the lower basket to facilitate loading and a hands-free hood that automatically adjusts to cooking activity on the cooker. Part of the new laundry range has a no fading guarantee for up to 50 washes.



### Perfect result with Electrolux Sous-vide oven

Sous-vide cooking has been used in professional kitchens for years and Electrolux has applied the concept to its steam ovens for consumers. Sous-vide cooking means cooking food under vacuum and the raw food is vacuum-sealed in plastic bags. The food can be cooked for longer than normal cooking times. This means that the food is cooked evenly without overcooking while maintaining almost all of the original juices and flavors providing a great taste experience.



MARKET DEMAND FOR MAJOR APPLIANCES  
2016 COMPARED TO 2015



Western  
Europe



Eastern  
Europe



Egypt

ELECTROLUX  
MARKETS EMEA



AVERAGE NUMBER  
OF EMPLOYEES 2016

20,216

# Major Appliances North America

Demand for appliances grew in North America during the year. Electrolux sales of own brands increased, while sales under private labels declined. Operating income improved, driven by increased operational efficiency and lower costs for raw materials.

Alan Shaw, Head of Major Appliances North America



Electrolux has a strong offering in the US and Canada, particularly for such kitchen appliances as cookers, refrigerators and freezers. The appliances are predominantly sold under the Frigidaire brand in several price segments and under the Electrolux brand in the mass premium segment. The Group also sells appliances under private labels.

High product penetration and low population growth means the majority of North American appliance sales are for replacement products. In 2016, the market was also characterized by competition between several national and global manufacturers. Global competition continued to intensify and an increasing number of international manufacturers began offering full-range appliance product lines.

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.

Demand for appliances increased by 6% in North America in 2016, driven by an improved macroeconomic climate and rising housing starts.

## Growth and innovation

Electrolux sales decreased by 0.9%. Sales increased under own brands while sales under private labels declined.

During the year, key focus was on strengthening the Frigidaire family of brands. New dishwashers were launched under the brand, that included features such as more intuitive, user friendly control panels. Operations in North America also successfully launched an award-winning front-load washing machine and dryer under the Electrolux brand.

Electrolux prioritized increasing sales through new channels, online and through contract sales to the construction industry. Contract sales have increased in line with rising housing starts and house sales.

## Operational excellence

Programs to enhance efficiency and improve product quality were prioritized during the year.

The streamlining program to further increase efficiency and lower production costs continued at the cooker plant in Memphis, Tennessee, the refrigerator plant in Anderson, South Carolina and the freezer plant in St Cloud, Minnesota. The implemented measures led to increased cost efficiency and favorably impacted the positive earnings trend.

Electrolux took actions to improve product quality by strengthening product design and supplier components. As a result of these efforts, during the year, overall quality improved.

## SHARE OF NET SALES

35%

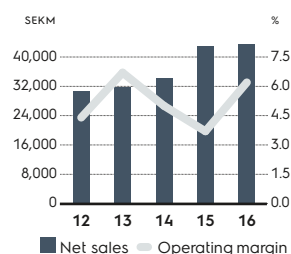
## ORGANIC GROWTH

-0.9%

## MARKET POSITION

- Core appliances 18%

## NET SALES AND OPERATING MARGIN



## COMMENTS ON PERFORMANCE

Major Appliances North America reported an organic sales decline of 0.9%, driven by lower sales under private labels and price pressure in the market. Sales volumes of core appliances under own brands grew.

Operating income increased significantly, mainly as a result of improved efficiency in operations and manufacturing as well as lower costs for raw materials.

## PRIORITIES MOVING FORWARD

- Launch of consumer-driven innovation and high quality products
- Focus on increased cost efficiency
- Expansion of selected sales channels



## Frigidaire Professional

**Frigidaire Professional** is a complete range of appliances with a professional-inspired look and performance, designed to fit in a standard kitchen. This brand is positioned between the Frigidaire Gallery and the mass premium segment of Electrolux.



## Award-winning Electrolux front load laundry

An award-winning front load laundry line under the Electrolux brand was introduced during the year. 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. It is also an example of a new product leveraging global modular design.

## Frigidaire First

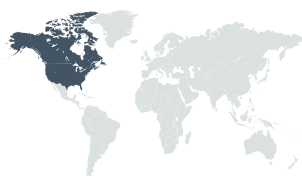
Products under the Frigidaire brand account for the majority of Electrolux total sales in North America. Therefore, it is of highest importance that Electrolux innovations address the Frigidaire consumers' need to have great results, quickly, each time they use their appliances. Product innovations focus on benefits that save time, that support the family's daily routine, and that deliver fresh food, great tasting meals, and clean dishes and clothes.

MARKET DEMAND FOR MAJOR APPLIANCES  
2016 COMPARED TO 2015



North America

ELECTROLUX  
MARKETS NORTH AMERICA



AVERAGE NUMBER  
OF EMPLOYEES 2016

14,838

# Major Appliances Latin America

Weak macroeconomic conditions in Brazil led to a significant fall in market demand for appliances. However, Electrolux continued to implement an extensive action program to adapt costs to the prevailing market situation.

Ricardo Cons, Head of Major Appliances Latin America



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 and accounted for about 60% of Electrolux sales. 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 Latin American market offers excellent opportunities for long-term growth in pace with an expanding middle class. The market is dominated by a few large manufacturers and the degree of consolidation is also high among retailers. These factors contribute to strengthening the potential of established manufacturers in the region. Brazil accounts for about 50% of the total market.

The market in Latin America continued to trend weakly in 2016 and has gradually declined over the past two years. Weak macroeconomic conditions in Brazil led

to a significant year-on-year fall in market demand for appliances. Demand also declined in Argentina.

## Growth and innovation

The weak market impacted Electrolux sales volumes and sales decreased by 10.8%. Extensive savings measures were taken to adapt cost levels to the weak market. Prices were also raised to mitigate negative currency effects. During the first six months of 2016, the USD strengthen against many Latin American currencies, resulting in increased costs for imports of input materials and finished products.

In 2016, Major Appliances Latin America focused strongly on sustaining the market position while reducing the product costs. The Brazilian operations have been a standard bearer in the Group in terms of testing and adapting products to meet consumers' preferences. New products are tested before being launched in the market to clearly identify consumer preference for the Electrolux product compared with similar market alternatives. Some

innovative products were launched during the year, including a new range of no frost refrigerators in Chile and Argentina and washing machines in Brazil. An intensive portfolio management focus has been initiated to stabilize operations and restore profitability.

## Operational excellence

An extensive cost-reduction program was implemented across all units in Latin America to adjust costs to the prevailing market situation. This included actions such as capacity reductions at the region's seven production units. The Electrolux Manufacturing System (EMS) with a strong focus on increased automation was implemented to counter the reduced capacity utilization and increase manufacturing efficiency in Brazil. The program also focuses on reduced use of resources, improved product quality, costs, inventory optimization, occupational health and environmental impact.

## SHARE OF NET SALES

13%

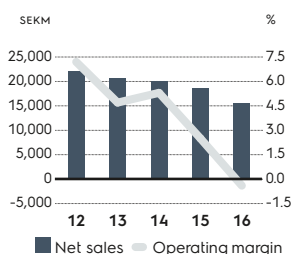
## ORGANIC GROWTH

-10.8%

## MARKET POSITION

- Electrolux holds strong positions in major markets in Latin America, such as Brazil, Chile and Argentina

## NET SALES AND OPERATING MARGIN



## COMMENTS ON PERFORMANCE

Major Appliances in Latin America continued to be impacted by weakening market conditions and organic sales declined by 10.8% in 2016.

Operating income deteriorated. Cost measures to adapt to lower demand, structurally reduce costs and mitigate under-absorption of fixed costs in production were being undertaken.

## PRIORITIES MOVING FORWARD

- Measures to adapt to lower demand and mitigate underabsorption of fixed costs in production
- Expand best-in-class products and services offering
- Continue to build on the strong position in the region





### Electrolux connectivity stove

The new and first Electrolux stove to offer connectivity, making it more practical and interactive for consumers to use. It has a Food Sensor technology, the only one in the market, which automatically turns off the gas when meat has been cooked, and includes the I-kitchen App that allows consumers to adjust and control the stove remotely.



### Electrolux Washing Machine with direct drive eco motor

Electrolux new washing machine is designed to consumers who need a high capacity machine, aimed at the Andean market to reinforce Electrolux presence in this category. Electrolux has adapted its technologies in order to meet consumers' needs. The washing machine is equipped with a "Fast Cycle" which allows washing, rinsing and spinning in only 17 minutes. It is equipped with the Eco Motor, a direct drive engine which saves energy when compared to a traditional machine. It is silent and has a plush filter which removes bacteria during the cycle.

MARKET DEMAND FOR MAJOR APPLIANCES  
2016 COMPARED TO 2015

ELECTROLUX  
MARKETS LATIN AMERICA

AVERAGE NUMBER  
OF EMPLOYEES 2016



Brazil and  
Argentina



10,459

# Major Appliances Asia/Pacific

Sales of Electrolux appliances increased over the year due to rising demand in Southeast Asia and Australia where the Group holds market-leading positions. Operating income and margin improved.

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



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

Overall market demand for core appliances in Australia, Southeast Asia and China is estimated to have increased during 2016.

## Growth and innovation

Major Appliances Asia/Pacific reported an organic sales growth of 1.3%, largely due to increased sales in Southeast Asia. The trend was stable for Electrolux in the important Australian market.

In Australia, a new range of kitchen appliances was introduced under the Electrolux brand using the campaign theme "Discover the Electrolux life", in parallel with continued marketing of the broad appliance product range launched in 2015 under the Westinghouse brand.

The review of the product offering and marketing strategy with the aim of improving possibilities for profitable growth continued in China. A new range of ovens and cookers was launched under the AEG brand during the latter part of the year.

During the year, the acquisition of Vintec was completed, a company based in Australia and Singapore with a leading position in wine cabinets in Australia and several other Asian markets. Vintec made a positive impact of 0.5% on sales.

## Operational excellence

The production unit in Orange, Australia was closed during the year and the transfer of production to Rayong in Thailand completed. In addition, the cold technology center for freezers and refrigerators research and development for Asia/Pacific and global platforms was relocated from Orange in Australia to Sussega in Italy. The regional distribution center for the Southeast Asian market in Singapore was moved to Thailand, which will generate cost savings and efficiency enhancements through its proximity to the Rayong plant. A number of activities were carried out over the year to highlight the importance of a quality focus across all parts of the operations.

## SHARE OF NET SALES

8%

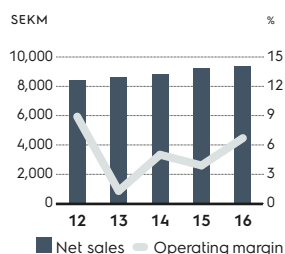
## ORGANIC GROWTH

1.3%

## MARKET POSITION

- Core appliances 39% in Australia
- Small but growing market share in Southeast Asia

## NET SALES AND OPERATING MARGIN



## COMMENTS ON PERFORMANCE

Organic sales increased by 1.3%. Sales in Australia and New Zealand increased mainly as a result of an improved mix development. Sales in Southeast Asia also improved as a result of higher sales volumes across most product categories.

Operating income and margin improved primarily due to increased cost efficiency and a favorable earnings trend in Australia and Southeast Asia.

## PRIORITIES MOVING FORWARD

- Strengthen the leading positions in Australia and New Zealand
- Grow profitably in Asia
- Improve prerequisites for growth in China



## The Electrolux Life

Retailers across Australia "Discovered The Electrolux Life" at evening presentations of the new cooking and refrigeration ranges in Brisbane, Sydney and Melbourne. The highlight was the guests' meals assembled and cooked by chefs and restaurateurs using the new Electrolux induction cooktops and ovens and the freshest ingredients delivered from the new Electrolux FreshPlus™ refrigerator range.



## Westinghouse range of appliances

The Westinghouse brand is the major Electrolux brand in Australia. New ranges of cooking and refrigeration appliances under the Westinghouse brand were launched. This was one of the largest launches in Australia in recent years. These new appliances are designed to meet the demands of today's family life, including clever functions such as fridges that are really big on space so that everything fits in and ovens that have a steam-assist function and clean themselves.



## AEG launch in China

A new range of ovens and cookers was launched under the AEG brand in China during the year. AEG appliances are designed to deliver highly intuitive cooking experiences. One example is Sous-Vide cooking to create restaurant-quality gastronomic delights at home.



MARKET DEMAND FOR MAJOR APPLIANCES  
2016 COMPARED TO 2015



Australia



Southeast  
Asia



China

ELECTROLUX  
MARKETS ASIA/PACIFIC



AVERAGE NUMBER  
OF EMPLOYEES 2016

3,493

# Small Appliances

As of January 2017, the business area name is Home Care & SDA.

Electrolux is one of the world's largest vacuum-cleaner manufacturers and the only global company in the industry. In 2016, extensive measures were taken to improve the competitiveness of the business area. This included focusing strongly on the most profitable categories and exiting from unprofitable business segments.

Ola Nilsson, Head of Small Appliances



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. Product development is focused on innovative and energy-efficient vacuum cleaners in the upper-price segments. A global range of premium small domestic appliances has been developed and launched, and product development is focused on innovative, high performance kitchen appliances.

In Europe, most products are sold under the Electrolux brand, which is complemented with the AEG brand. In North America, Electrolux has divested its vacuum cleaner brand Eureka. This is part of the process to improve the global competitiveness of the business area. Sales in North America are also under the Electrolux brand in the more premium segments. Sales in Latin America and Asia are predominantly under the Electrolux brand.

Market demand for corded vacuum cleaners in Europe declined while

demand for cordless vacuum cleaners increased significantly. Demand for corded vacuum cleaners in North America also increased.

## Growth and innovation

Organic sales declined by 8.2%. This is a result of the action program to improve profitability including reduced sales activities such as active product portfolio management and exiting unprofitable product categories and markets. The sales trend was also impacted by weak markets.

However, sales increased in Europe and Asia/Pacific. Marketing activities focused primarily on a number of premium products such as the UltraOne, UltraSilencer Zen, UltraFlex and Ergorapido vacuum cleaners. UltraSilencer Zen is one of the market's quietest vacuum cleaner. The premium products UltraFlex and Ergorapido were launched in South Korea with great success.

As of 2017, the business area has the global responsibility to develop the

Electrolux offering around – healthy wellbeing in your home – to create best-in-class consumer experience in wellbeing, and grow the Electrolux presence in floor care, air care and water care. Accordingly, the business area's name has changed to Home Care & SDA.

## Operational excellence

During the year a new and focused strategy were introduced to improve the customer offering with a clear focus on quality. Another key area during the year was reducing complexity and concentrating operations on the most profitable product categories.

For the third consecutive year, capacity was increased at the manufacturing unit in Jászberény in Hungary to meet increased demand for vacuum cleaners in Europe, Middle East and Africa. The plant produced over 3 million vacuum cleaners in 2016. Over the last three years, volumes have grown by more than 40%.

## SHARE OF NET SALES

7%

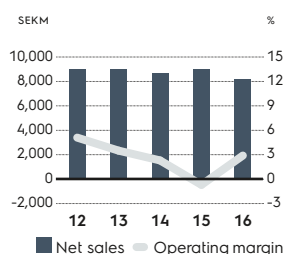
## ORGANIC GROWTH

-8.2%

## MARKET POSITION

- Leading positions in EMEA, Latin America and parts of Asia/Pacific

## NET SALES AND OPERATING MARGIN



## COMMENTS ON PERFORMANCE

Electrolux organic sales declined by 8.2% as a result of active product portfolio management and exiting unprofitable product categories and markets.

Operating income clearly improved. The program to restore profitability intensified during the year. A positive price/mix trend impacted earnings, mainly due to a favorable sales trend in the premium segment in Europe.

## PRIORITIES MOVING FORWARD

- Focus on delivering best-in-class consumer experience through defined product categories in wellbeing, taste and care
- Reduce complexity and increase manufacturing efficiencies
- Cost control
- Continue to launch innovative products





## Electrolux UltraSilencer Zen

UltraSilencer Zen is one of the most silent vacuum cleaner on the market. This vacuum cleaner is as powerful as previous ranges and has the same energy and dust pick-up grades and even better dust reemission. The UltraSilencer Zen is produced at the Group's factory in Hungary.

## Electrolux Ergorapido

Since the launch of Ergorapido in 2004, more than 10 million units have been sold globally, making it the Group's best-selling vacuum-cleaner platform ever. This cordless vacuum cleaner has made great success in Asian markets like South Korea.



## Electrolux Masterpiece Collection

Small Domestic Appliances, such as coffee makers, espresso machines, blenders, irons, toasters, kettles and food processors, is a growing global market segment. Electrolux continues to develop products in these categories, for example, the Electrolux Masterpiece Collection, an exclusive range that use technology from the Group's Professional operations.



MARKET DEMAND FOR VACUUM CLEANERS  
2016 COMPARED TO 2015



Europe



North  
America

ELECTROLUX  
MARKETS SMALL APPLIANCES



AVERAGE NUMBER  
OF EMPLOYEES 2016

2,348

# Professional Products

Electrolux commands a premium global position in food-service equipment and laundry solutions for professional users. Sales increased during the year with particularly strong growth in Western Europe, the US and Japan.

Alberto Zanata, Head of Professional Products



North America represents slightly more than 35% and Europe 25% of the global market demand for professional food and laundry products.

Of sales of Electrolux professional products, about 60% are from food-service equipment and 40% from laundry solutions. About 70% of sales are generated in Europe and almost 10% in North America. Other key markets include Japan, China, the Middle East and Africa and Southeast Asia.

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 installations in a number of growth markets. Food-service equipment is sold mainly under the Electrolux brand, but also under regional brands, such as Zanussi.

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

Overall market demand for professional food-service and professional laundry equipment improved during the year. Demand in Electrolux core markets in Western Europe increased slightly. The US and Japan also posted year-over-year growth.

## Growth and innovation

Sales of Electrolux laundry and food-service equipment increased during the year with particularly strong growth in Western Europe, the US and Japan. The organic sales growth were 4.4%. A strong product offering in both professional food-service and laundry equipment contributed to the favorable sales trend in the majority of markets. Investment continued in product development, new segments and markets.

In North America, operations under the Kelvinator brand, which offers professional refrigeration and freezing equipment, were transferred from Major Appliances North America to Professional Products. Kelvinator contributed a sales increase of 1.3%.

The Group continued to launch and develop products with strong sustain-

ability profiles. Energy efficiency has a high priority in the development of professional equipment. Several key launches were conducted during the year. The Electrolux Barrier dishwasher is specially designed for fire stations and is used to efficiently remove hazardous substances from firefighters' equipment such as masks, helmets, boots and hoses. The Evolution/Hyvolution Barrier washing machines are hyper-efficient and meet extremely stringent hygiene requirements such as those in healthcare. Electrolux lagoon Advanced Care is an environmentally friendly solution for washing sensitive textiles such as wool. It was introduced in Europe in 2015 and in the Middle East and Asia in 2016.

## Operational excellence

To ensure the continued competitiveness of the cost structure, initiatives to streamline operations were ongoing throughout the year with the objective of reducing complexity and simplifying work procedures. The global customer care program to improve service levels on products continued during the year.

## SHARE OF NET SALES

6%

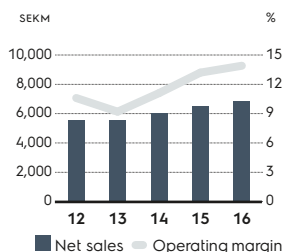
## ORGANIC GROWTH

4.4%

## MARKET POSITION

- Leadership position in Europe
- Global presence
- Growing share in emerging markets and in North America

## NET SALES AND OPERATING MARGIN



## COMMENTS ON PERFORMANCE

Professional Products reported organic sales growth of 4.4% in 2016. Sales increased in several markets. A strong product offering in both food-service and laundry equipment contributed to the positive sales trend in most markets.

Operating income and margin improved compared to the previous year. Higher sales volumes had a positive impact on operating income.

## PRIORITIES MOVING FORWARD

- Expand in growth markets and in new segments
- Grow in the restaurant-chain business
- Invest further in product innovation and customer care



## Electrolux Thermaline range

The Thermaline cooking range is designed to meet the needs of the most demanding heavy-duty kitchens in the world. It combines state-of-the-art technologies, superior productivity and cutting-edge design with the highest quality standards for high-productivity professional kitchens. Electrolux works continuously to develop sustainable solutions to help customers boost taste and at the same time strengthen energy efficiency, save water and reduce CO<sub>2</sub> emissions.

## Electrolux SpeedLight

Three years of development and tested in 330,000 cycles, the flexible high speed cooker, is being introduced to the market in early 2017. The unique combination of three heating elements enables cafes and fast food restaurants to serve panini, pizza, hamburger, croissant, pie or other snacks three times faster than with a conventional oven. Fully connected and easy to operate.



## Electrolux lagoon® Advanced Care goes East

Following the commercial launch in Europe in 2015, the sustainable solution for cleaning delicate and wool garments was successfully introduced in Asia during 2016.

MARKET DEMAND FOR PROFESSIONAL PRODUCTS  
2016 COMPARED TO 2015



Europe



Asia



North  
America



MEA

ELECTROLUX  
MARKETS PROFESSIONAL PRODUCTS



AVERAGE NUMBER  
OF EMPLOYEES 2016

2,767



Electrolux



Achieve healthy wellbeing  
in your home





The Electrolux share/  
Risk management

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#### HEALTHY WELL-BEING

Consumers 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 cleaners. One example of innovative solutions in this area is the Electrolux air-conditioner that uses smart technology and can be monitored remotely via an app on your mobile device.

# The Electrolux share

In 2016, the Electrolux Group showed good performance in most business areas with increased operating results, driven by continued demand growth in core markets and improved cost efficiency. Cash flow generation was also strong. The Electrolux share showed a positive development with a total return of 14%. This was mainly due to better than expected operational improvement within several business areas as well as a continued positive outlook for 2017.

The Electrolux B share increased by 10% in 2016, outperforming the broader Swedish market index, OMX Stockholm, which increased by 6% during the same period. During the year, Electrolux showed continued good earnings growth benefitting from operational improvement in most business areas and increased productivity and cost efficiencies.

The share price development was positive throughout the first half of the year until the summer, when signs of temporary weakness in appliance demand and worries of increased price pressure in the US created uncertainty around the outlook of the market. This resulted in a negative reaction by the capital markets and the share price declined somewhat. Following the third quarter earnings results, the share price increased by almost 8% by year-end, mainly driven by good operational progress and a positive market outlook for 2017.

## Total return

The opening price for the Electrolux B share in 2016 was SEK 201.00. The highest closing price was SEK 239.60 on July 19. The lowest closing price was SEK 173.10 on February 11. The closing price for the B share at year-end 2016 was SEK 226.30, which was 10% higher compared to 2015.

Total shareholder return during the year was 14%. Over the past ten years, the average total return on an investment in Electrolux B shares has been 10% annually. The corresponding figure for the OMX Stockholm Return Index was 7%.

## 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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Year-end trading price, B shares, SEK	108.50	66.75	167.50	191.00	109.70	170.50	168.50	228.80	205.20	226.30
Highest trading price, B shares, SEK	190.00	106.00	184.10	194.70	195.60	179.00	192.70	231.10	282.80	239.60
Lowest trading price, B shares, SEK	102.00	53.50	57.50	142.50	95.30	111.50	153.70	135.30	193.10	173.10
Change in price during the year, %	-7	-38	151	14	-43	55	-1	36	-10	10
Equity per share, SEK	57	58	66	72	73	55	50	58	52	62
Trading price/equity, %	191	116	253	264	151	310	338	398	393	367
Dividend, SEK	4.25	0	4.00	6.50	6.50	6.50	6.50	6.50	6.50	7.50 <sup>1)</sup>
Dividend as % of net income <sup>2) 3)</sup>	36	0	29	39	86	57	66	58	49	48
Dividend yield, % <sup>4)</sup>	3.9	0	2.4	3.4	5.9	3.8	3.9	2.8	3.2	3.3
Earnings per share, SEK	10.41	1.29	9.18	14.04	7.25	8.26	2.35	7.83	5.45	15.64
Earnings per share, SEK <sup>3)</sup>	11.66	2.32	13.56	16.65	7.55	11.36	9.81	11.30	5.45	15.64
Cash flow, SEK <sup>5)</sup>	4.54	4.22	29.16	26.98	18.97	24.74	15.57	27.35	28.76	35.37
EBIT multiple <sup>6)</sup>	7.9	19.8	12.8	10.8	13.4	14.6	38.8	22.4	25.5	11.2
EBIT multiple <sup>3) 6)</sup>	7.3	15.2	9.1	9.1	12.8	11.6	15.1	16.8	25.5	11.2
P/E ratio <sup>7)</sup>	10.4	51.7	18.2	13.6	15.1	20.6	71.7	29.2	37.7	14.5
P/E ratio <sup>3) 7)</sup>	9.3	28.8	12.4	11.5	14.5	15.0	17.2	20.2	37.7	14.5
Number of shareholders	52,700	52,600	52,000	57,200	58,800	51,800	51,500	46,500	45,500	48,900

<sup>1)</sup> Proposed by the Board.

<sup>2)</sup> Dividend as percentage of income for the period.

<sup>3)</sup> Excluding items affecting comparability until 2014. As of 2015, the accounting practice of items affecting comparability for restructuring charges is no longer used.

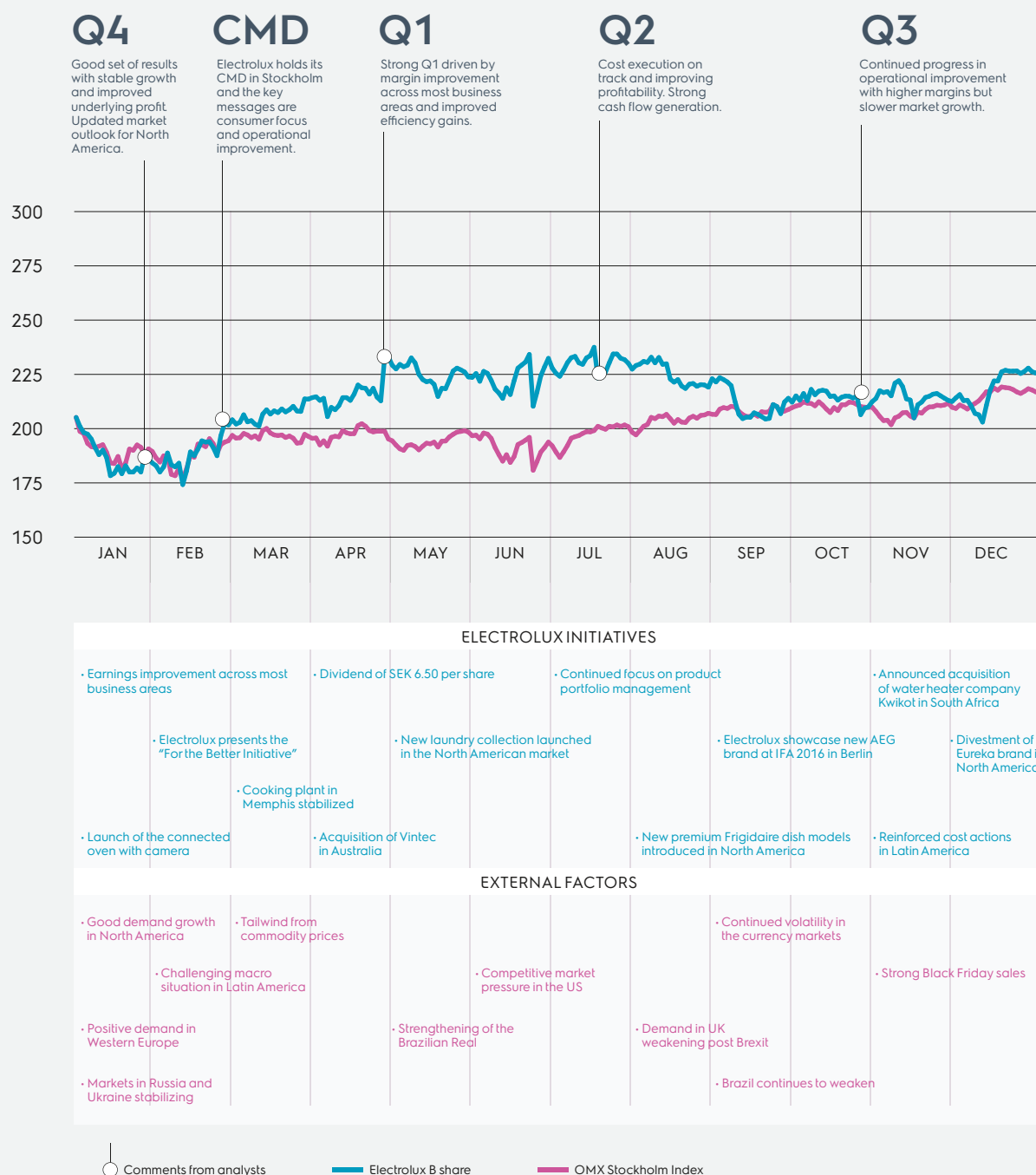
<sup>4)</sup> Dividend per share divided by trading price at year-end.

<sup>5)</sup> Cash flow from operations less capital expenditure, divided by the average number of shares after buy-backs.

<sup>6)</sup> Market capitalization excluding buy-backs, plus net borrowings and non-controlling interests, divided by operating income.

<sup>7)</sup> Trading price in relation to earnings per share.

# Performance of the Electrolux share during the year



## Recommendations from analysts

	After Q4 2015	After Q1 2016	After Q2 2016	After Q3 2016	After Q4 2016
Buy	38%	53%	50%	59%	59%
Hold	38%	47%	44%	35%	23%
Sell	24%	0%	6%	6%	18%

The Electrolux share is listed on Nasdaq Stockholm. The market capitalization of Electrolux at year-end 2016 was approximately SEK 70bn (63), which corresponded to 1.8% (1.5) 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 2016 of SEK 7.50 per share, equivalent to a total dividend payment of approximately SEK 2,155m. The proposed dividend corresponds to approximately 48% of income for the period. The dividend is proposed to be paid in two equal installments. Based on the share price of Electrolux B shares at the end of 2016, the dividend yield for 2016 was 3.3%.

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, 2016, was owned by Swedish institutions, mutual funds and private investors amounting to 54%. During the year, the proportion of the capital held by foreign owners decreased and amounted to approximately 46% 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 2016, the incentive programs had a minor impact on the dilution of the total number of shares.

### Conversion of shares

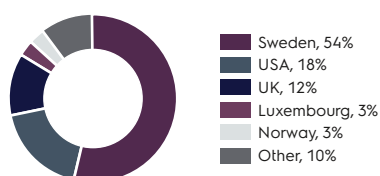
In accordance with the Articles of Association of AB Electrolux, owners of A shares have the right to have such shares converted to B shares. Conversion reduces the total number of votes in the company. In 2016, no Class A shares were converted to Class B shares. The total number of registered shares 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
JP Morgan Asset Management	4.9	3.9
BlackRock, Inc.	4.0	3.2
Alecta Pension Insurance	3.1	3.7
Swedbank Robur Funds	3.0	2.5
Norges Bank Investment Management	2.6	2.1
Nordea Investment Management	2.3	1.8
AMF Insurance & Funds	1.7	1.4
Fiduciary Management Funds	1.7	1.4
Unionen	1.0	0.8
Stichting Pensioenfond ABP	0.9	0.7
Other shareholders	52.3	48.6
<b>External shareholders</b>	<b>93.0</b>	<b>100.0</b>
AB Electrolux	7.0	0.0
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

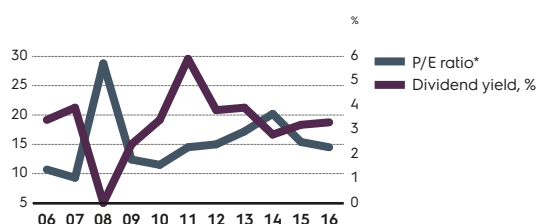
Source: Euroclear Sweden and Holding as of December 31, 2016. The figures are rounded off. Information regarding ownership structure is updated quarterly on [www.electroluxgroup.com](http://www.electroluxgroup.com)

### SHAREHOLDERS BY COUNTRY



As of December 31, 2016, approximately 46% of the total share capital was owned by foreign investors. Source: Euroclear Sweden and Holding as of December 31, 2016.

### P/E RATIO AND DIVIDEND YIELD



At year-end 2016, the P/E ratio for Electrolux B shares was 14.5. The dividend yield was 3.3% based on the Board's proposal for a dividend of SEK 7.50 per share for 2016.  
\* Excluding items affecting comparability until 2014 and costs for GE in 2015.



### Trading in Electrolux B shares

	2016	2015
Number of traded shares, million	292.3	383.4
Value of traded shares, SEKbn	61.6	93.5
Average daily trading volume, million	1.2	1.5
Average daily trading volume (value), SEKm	244	373
Number of issued/cancelled ADRs	1,822.6	2,311.5
Number of ADRs outstanding	813.2	1,752.4

Source: Nasdaq Stockholm, Citi.

### Trading volume

During 2016, 48% of Electrolux B shares were traded outside Nasdaq Stockholm, compared to 40% during 2015. In 2016, the Electrolux share accounted for 1.6% (2.2) of the shares traded on Nasdaq Stockholm, of a total trading turnover of SEK 3,850bn (4,253).

### Share data

Share listing <sup>1)</sup>	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, 2016	SEK 70 billion
GICS code <sup>2)</sup>	25201040
Ticker codes	Reuters ELUXB.ST Bloomberg ELUXB.SS

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

### Market share

%	2016	2015
Nasdaq Stockholm	51.6	60.0
BATS CXE	23.7	25.0
BATS BXE	10.4	6.2
Turquoise	14.3	8.8
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

Source: Electrolux and Nasdaq.

### Average daily trading value of Electrolux shares on Nasdaq Stockholm

SEK thousand	2012	2013	2014	2015	2016
A shares	93	127	146	269	178
B shares	310,501	280,457	311,398	372,570	243,520

In 2016, an average of 1.2 million Electrolux shares were traded daily on Nasdaq Stockholm.

MEMBER OF  
**Dow Jones Sustainability Indices**  
In Collaboration with RobecoSAM

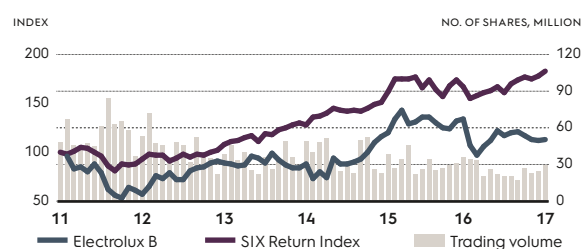
Corporate  
Responsibility  
**Prime**  
rated by  
**oeekom research**

**ROBECOSAM**  
Sustainability Award  
Gold Class 2017

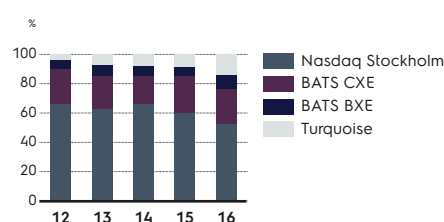
### Electrolux – a leader in the household durables industry

The Group's sustainability performance strengthens relations with investors. In 2016, and for the tenth 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.

### TOTAL RETURN OF ELECTROLUX B SHARES AND TRADING VOLUME ON NASDAQ STOCKHOLM 2011–2016



### TRADING PLATFORMS FOR THE ELECTROLUX SHARE



An increasing portion of Electrolux shares are traded on new trading platforms. Approximately 52% of total trading volume of Electrolux is handled through the Nasdaq Stockholm. BATS has significantly increased its share of total trades in recent years.

# Electrolux and the capital markets

In its communication with the capital markets, Electrolux aims to supply relevant, reliable, accurate and updated information about the Group's development and financial position.



## Electrolux Capital Markets Day 2016

On February 24, 2016, Electrolux held its CMD at the headquarters in Stockholm. More than 100 investors, financial analysts and representatives from media were present to listen to presentations by members of the Group management team, providing a strategic review and overview of the Group's business performance.

## The journey continues

Electrolux President and CEO Jonas Samuelson opened proceedings by introducing new members of the Group management team and speaking of an industry in transition. Two key messages cited by Samuelson included the 'Consumer being in charge' and the 'Digital transformation'. In the context of this industry transition, Electrolux is adjusting the business focus to adapt to the changes in the external environment, at the same time as the overall Group strategy remains.

## Focus on consumer experience and profitability

The presentations highlighted consumer experience, connectivity and digitalization as ongoing trends in the appliance industry. But more importantly, how the impact of these trends is accelerating and what new revenue streams can be generated. Moreover, Jan Brockmann, Electrolux Chief Global Operations Officer, presented an insight into operational efficiency and innovation with modularization 2.0 and automation as key priorities in a new era of internal productivity. In connection with this, Jonas Samuelson reiterated the Group's ambition for all business areas to deliver at least 6% EBIT margin.

## Exciting times ahead

Opportunities were also provided for participants to view first hand some exciting developments in the new AEG range. The products unveiled were enthusiastically received by the audience, which was given the opportunity to interact directly with the products. Samuelson also provided a summary of the day concluding "the focus now is on execution." The strong brand portfolio, strengthened leadership and the creation of a remarkable consumer experience will continue to contribute positively to the Group's execution of its strategy and ambition to consistently reach its financial targets.



DAN ARLER, HEAD OF BUSINESS AREA MAJOR APPLIANCES EMEA

23  
MARCH

The AGM 2017 will take place on March 23, 2017, at Stockholm Waterfront Congress Centre, Stockholm.

More information and documentation from the AGM 2017 is available at [www.electroluxgroup.com/agm2017](http://www.electroluxgroup.com/agm2017)

# Questions in focus by the capital markets

Analysts engage in questions related to the development of the appliance market and the demand in Electrolux core markets. Forecasts of price and mix 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 Electrolux future performance.

## Examples of analyst questions asked at 2016 quarterly telephone conferences

### Can you explain the good performance in Europe?

Demand in almost all Western European markets has shown positive growth for several consecutive quarters, while demand in Eastern Europe has been stabilizing. The Group has strengthened its position in built-in-kitchen and in the laundry categories under its premium brands, driving key consumer experience benefits while maintaining good cost efficiency.

### How do you mitigate currency headwinds?

We sell products in over 150 countries and have approximately SEK 35 billion of annual currency in- and outflows which causes significant swings. In 2016, total negative currency impact was SEK 1,662 million. A significant part of the impact was related to Latin American currencies but also due to the weakening of the British Pound and the depreciation of the Egyptian Pound. Electrolux was able to offset the negative currency effects through price and mix improvements.

### How do you view the pricing environment in North America?

The underlying trend in North America has been stable over the past couple of years, as appliance manufacturers have generally showed a more disciplined pricing strategy. More recently, however, we have seen the price pressure in North America to have increased somewhat compared to last year. This was a result of aggressive promotional activities in combination with extended promotional holiday sales in the US.

### How is your business in China developing?

Our Chinese operations are now stable after repositioning their strategy. We expect to grow organically and improve the business with the introduction of new products and brands with preferred partners, although we are yet a small player in the market. The size of the business is currently at a point where it doesn't have a significant impact on the overall Asia/Pacific business area.

### How is the Brexit outcome affecting your business?

The UK is an important market for us and we are a major player in the UK construction industry. Recently, we have seen parts of the industry signaling a more cautious view as regards the market outlook which may have an impact on demand in the medium to long run. We intend to focus on defending our position and developing our business going forward despite the risk for softer demand and weaker currency development post-Brexit.

### Can you comment on your M&A activities?

Predicting acquisitions is difficult, but we have in recent years worked intensively to develop a good pipeline and are working diligently on various opportunities. In 2016, we acquired the Australian wine cabinet company Vintec in our Asia/Pacific business. During the year we also signed an agreement to acquire the leading water heater company Kwikot in South Africa which will further strengthen our position in MEA, a strategic growth region for Electrolux.

### Can you give an update on your expectations for price and mix?

With new innovative product launches, focus on offering best-in-class consumer experiences, strong brands and an active product portfolio management, we expect to continue to further drive mix improvements across our business areas. Although industry pricing is expected to have an overall negative impact on organic growth, we will offset this by improving the product mix.

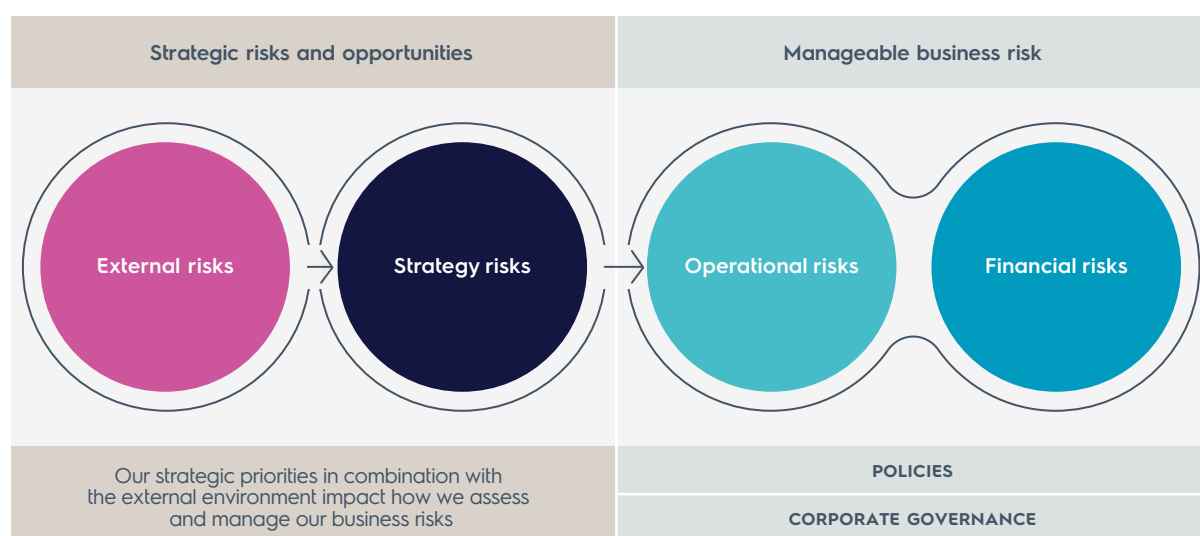
### What will be the key driving areas for your net cost efficiencies?

In general, we have a good run rate of cost achievements over the past several years, with reducing costs through major manufacturing footprint programs which are now in their final phases. Going forward, we expect to improve overall cost efficiency and increase productivity in various areas throughout the Group.

The telephone conferences are available at  
[www.electroluxgroup.com/ir](http://www.electroluxgroup.com/ir).

# Risk management

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.



## Electrolux risk framework

In general, there are two types of risks: Strategy risks and Manageable business risks. The strategy 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. The Group has several processes to manage 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. Example of internal bodies are: Risk Management Board, Insider Committee, Ethics & Human Rights Steering Group, Audit Board and the Tax Board. For more information on Electrolux organizational structure and system for internal control and risk management see the Corporate Governance report.

**EXTERNAL RISK:** Macroeconomic trends, political uncertainties and overall changes in industry dynamics are factors that may impact the appliance industry. The Electrolux board and the business area boards monitor the development in the key markets and proactively assess macroeconomic and political risks but also opportunities that may influence the Group's strategy and operations in those markets.

**STRATEGY RISK:** The Group strategy is affected by both external and internal factors which may create a risk in the execution of the strategy. The Electrolux board and the business area boards continuously revise the strategic framework to ensure it is up to date. The Groups operational units are managing potential execution risks related to the strategic priorities.

**OPERATIONAL RISK:** The Group's ability to improve operational performance and create value for its stakeholders is linked to achieving fast consumer innovation, product portfolio management, strong brands and cost efficient operations. Realizing this potential requires effective and controlled risk management. The Group has internal bodies that proactively monitors and manages 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

## Variation 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.

## 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 keep a disciplined approach in its pricing strategy. In markets with high inflation combined with currency rate fluctuations, Electrolux can choose to carry out price increases to offset potential negative effect.

## Political and macro risk

Political uncertainties and weak macroeconomic conditions may indirectly impact demand for appliances. This has implications for Electrolux business and strategy in regions which carry high political and economic risks. Companies that invest in developing political capabilities and have alternative strategies can sustain their competitive advantage despite operating in risky markets. Consequently, Electrolux takes proactive steps to assess the risks and opportunities in its business environment and manage them accordingly.

## 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 strengthen its sustainability footprint.

## Raw material impact

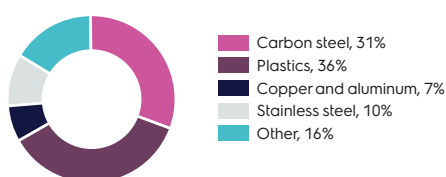
Materials account for a large share of the Group's costs. Electrolux purchases raw materials and components for approximately SEK 45 bn, of which approximately SEK 19 bn referred to the former. Fluctuations in commodity prices impact the Group's input costs and therefore its profitability. In order to mitigate increased input costs related to higher raw material prices, Electrolux 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. For a sensitivity analysis on the impact of raw materials, see below.

### Sensitivity analysis year-end 2016

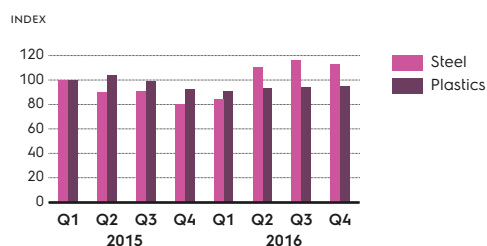
Risk	Change +/-	Pre-tax earnings impact, SEK M
<b>Raw materials<sup>1)</sup></b>		
Carbon steel	10%	600
Stainless steel	10%	200
Plastics	10%	700

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

### RAW MATERIAL EXPOSURE 2016



### TREND FOR STEEL AND PLASTIC PRICES, WEIGHTED MARKET PRICES INDEXED 2016



# Strategy risks

## Profitable growth

To outperform the market and enhance profitability, Electrolux needs to successfully execute initiatives to drive profitable growth. Maintaining a strong position in key core markets in combination with targeted growth in new segments and markets are crucial. The ability to optimize the product portfolio to the most profitable categories is also important. Not being able to do this in a timely manner may affect the ability to grow profitably and bring value to the customers.

## Operational excellence

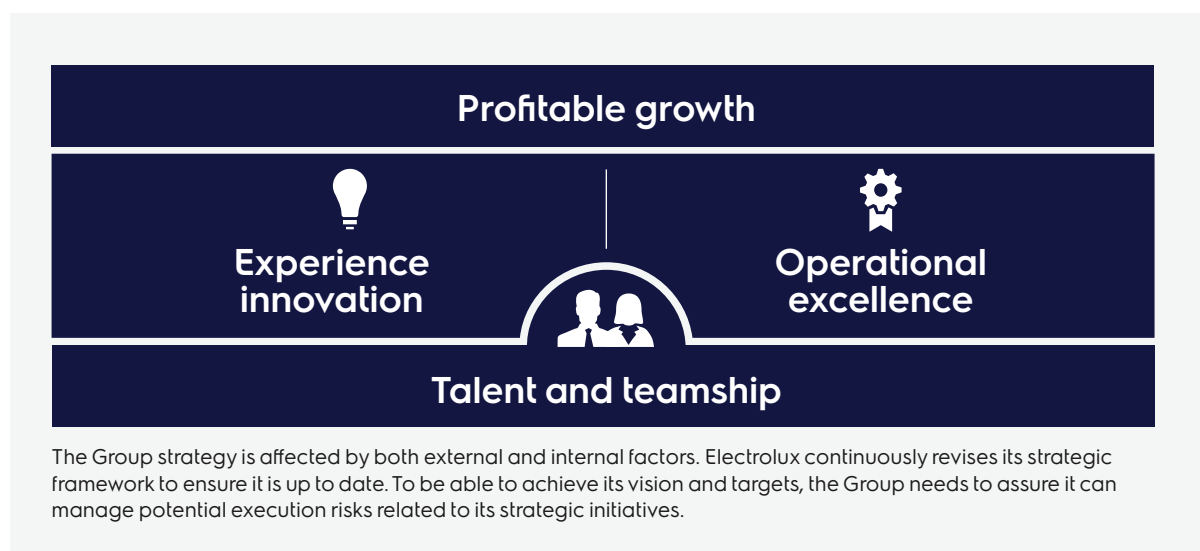
Electrolux ensures a competitive cost structure by focusing on continuous efficiency improvements in its operations. Improving the cost base through lower product costs as well as fixed costs is important to maintain competitiveness in the long term. If projects to optimize operations can not be executed according to plan, reaching the expected cost efficiencies across the Group's business areas may be affected and be at risk.

## Consumer innovation

Electrolux invests in innovations to create best-in-class consumer benefits. Efforts to provide consumers with the best possible experiences are central to the Group's business model. Hence, the Group must ensure it continues to invest in key areas such as innovation, strengthening the core brands and improving quality in order to develop best-in-class products and solutions for the customers.

## Talent and teamship

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. Being a global company, the Group must continue to ensure and nurture a collaborative culture with the organization to support the continued execution and growth of its global businesses.



# Operational risks

## Product portfolio management

Over the past few years, the Group has been working on the optimization of the product portfolio with the aim to strengthen the most profitable product categories and exiting unprofitable products. The work is an important part of the Group's ambition to achieve sustainable profitability and bring value to its customers. A key challenge is to successfully sustain the implementation of such activities. Electrolux has, as part of its strategic priorities, a strong focus on driving an active portfolio management across its business areas in a structured way.

## Manufacturing efficiency

The appliance industry is characterized by intense competitiveness by manufacturers of appliances, and the pace of change in the market has resulted in 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 achieving a competitive advantage in the face of increasing competition. Electrolux focuses on automation, modularization and adjustments to existing plants to ensure an effective cost structure.

## Quality risks

Quality is a fundamental reason for the consumers to choose Electrolux products and a key priority for the Group to successfully execute on its strategy. Electrolux has initiated a "Committed to Quality" program to reinforce a quality focus across Electrolux operations around the world. Quality is a prerequisite for best-in-class consumer experience and long-term consumer brand loyalty.

## 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 the 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.

## Other operational risk

Reputational, regulatory and sustainability risks can potentially impact Electrolux 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. The process to identify material sustainability issues is described in the Sustainability Report, available at [www.electroluxgroup.com](http://www.electroluxgroup.com).

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. In 2016, about 80% of total costs were variable, while 20% were fixed. Electrolux cost structure enables the Group to be flexible and quickly adapt to external risks such as lower market demand or fluctuations in commodity prices. In 2016, Electrolux improved operational efficiency and had lower costs for raw materials.

## ELECTROLUX COST STRUCTURE 2016

SEK bn	
Revenues	121
Direct material	-45
Sourced products	-21
Salaries and other expenses	-49
<b>Operating income</b>	<b>6</b>
Variable cost to sales	76%
Fixed cost to sales	19%
<b>Operating margin</b>	<b>5%</b>

# 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 72m (26).

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

## 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 2016, Standard & Poor's upgraded Electrolux from BBB+ with stable outlook to A- with stable outlook.

## 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 is decreased by ensuring that maturity dates are evenly distributed over time. The net borrowings, total borrowings less liquid funds, excluding seasonal variances, shall be long-term according to the Financial Policy.

## Credit 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 counterpart list has been established, which specifies the maximum permissible exposure in relation to each counterpart. 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.

## Pension commitments

At year-end 2016, Electrolux had commitments for pensions and benefits that amounted to approximately SEK 30bn. Through pension funds, the Group manages pension assets of approximately SEK 26bn. Net provisions for post-employment benefits amounted to SEK 4,169m. Yearly changes in the value of assets and commitments depend primarily on developments in the interest-rate market and on stock exchanges. The Group's pension commitments are managed centrally by Group Treasury.

## 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 72-73.

### Sensitivity analysis year-end 2016

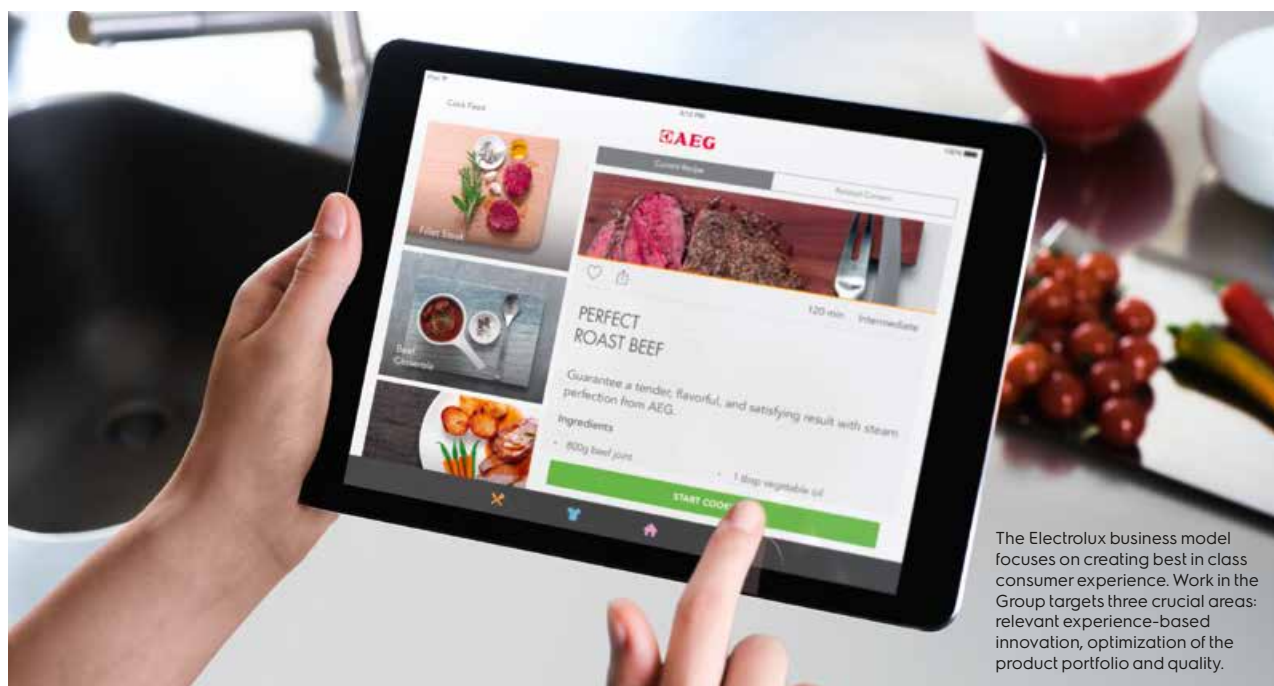
Risk	Change +/-	Pre-tax earnings impact, SEK M
<b>Currency<sup>1)</sup> and interest rates</b>		
EUR to GBP	10%	280
USD to EUR	10%	250
USD to CAD	10%	220
USD to BRL	10%	210
EUR to CHF	10%	160
USD to CLP	10%	130
THB to AUD	10%	130
USD to THB	10%	90
USD to AUD	10%	80
EUR to RUB	10%	70
Translation exposure to SEK <sup>2)</sup>	10%	550
Interest rate	1 percentage point	70

<sup>1)</sup> Includes transaction effects but not translation effects.

<sup>2)</sup> Assuming the Swedish krona appreciates/depreciates against all other currencies.



# More on Risk management



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.

STRATEGY		OPERATIONS	
Implementation of strategy and business model	Page 22–23	Variations in market demand	Page 42–43, 67
Adapting to global trends and digital transformation	Page 18–19	Adapting costs to variations in demand and competition	Page 68–69
Innovation, best in class consumer experience	Page 24–27	Prices on commodities & raw materials	Page 67
Competitiveness of products	Page 25, 28	Exchange-rate exposure	Page 70, 72–73
Growth through acquisitions	Page 23	Ability to supply customer with products in time	Page 29
Implementation of structural measures	Page 28–30	Competitive cost structure	Page 28
Brand reputation, strong brands	Page 20, 24–25	Product quality	Page 22
Management leadership	Page 154–155	Continuous improvement	Page 23
The right people and competences	Page 32–33	Customer exposure	Page 115
FINANCIAL		SUSTAINABILITY*	
Interest-rate risk	Page 106	Reduce environmental footprint	Page 15
Financing risk	Page 106	Health and safety	Page 37
Foreign-exchange risk	Page 106	Managing supply chain	Page 37
Credit risk	Page 107	Ethics and human rights	Page 35
Taxes	Page 110	Use of resources	Page 30
Pension commitments	Page 121	Managing chemicals carefully	Page 37
		Corruption, Code of Conduct	Page 35
		Corporate governance	Page 142
		Internal control	Page 156

\* For more information on Electrolux and sustainability, read the full sustainability report included in the on-line Annual Report 2016. [www.electroluxgroup.com/annualreport2016](http://www.electroluxgroup.com/annualreport2016).

# 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. To some extent, the Group utilizes currency derivatives to hedge a portion of the currency exposure that arises. Every month Group Treasury collects a forecast of the transaction flows for the coming 12 months from all operating units and hedge the part that is invoiced, thereafter the results are transferred to each operating unit. Due to generally long and firm contracts the CNY/USD flow has a longer hedge horizon. It is the business areas' responsibility to manage the FX risk of the forecasted flows through immediate price adjustment and cost reductions. Hedging of forecasted projected currency flows are subject to approval.

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, that is, EUR and USD.

## Sensitivity analysis of currencies

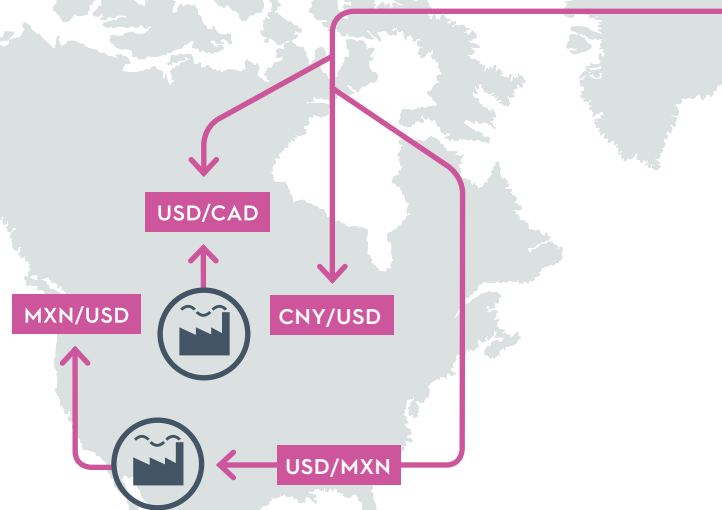
The major currencies for the Electrolux Group are the USD, EUR, BRL, CNY, GBP, AUD and CAD. The key currency pairs and flows are presented in the map together with an explanation of how they impact the Group. In general, income for Electrolux benefits from a weak USD and EUR and from a strong BRL, GBP,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

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

## Currency effects 2016

Currency movements have been volatile throughout 2016. During the year, there have been reinforced fluctuations in several of Electrolux major currencies. Compared with the previous year, changes in exchange rates for the full-year 2016 had a negative impact on operating income. The total currency effect (translation effects and transaction effects) amounted to SEK -1,662m. The net transaction effect was SEK -1,470m and translation effects SEK -192m.

The impact from transactions was mainly attributable to the operations in Latin America and EMEA. In Latin America, the negative currency impact referred to the stronger USD against the BRL year-over-year, although the BRL strengthened against the USD in the latter part of the year. The weakening of the British Pound and the Egyptian Pound had a negative impact on operations in EMEA. The negative impact of currencies on operating income was to some extent mitigated by price increases and mix improvements.



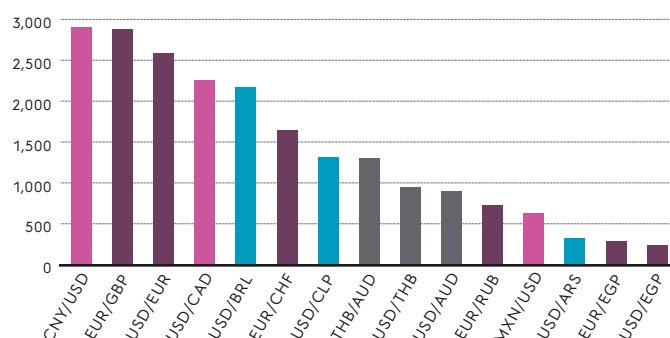
## NORTH AMERICA

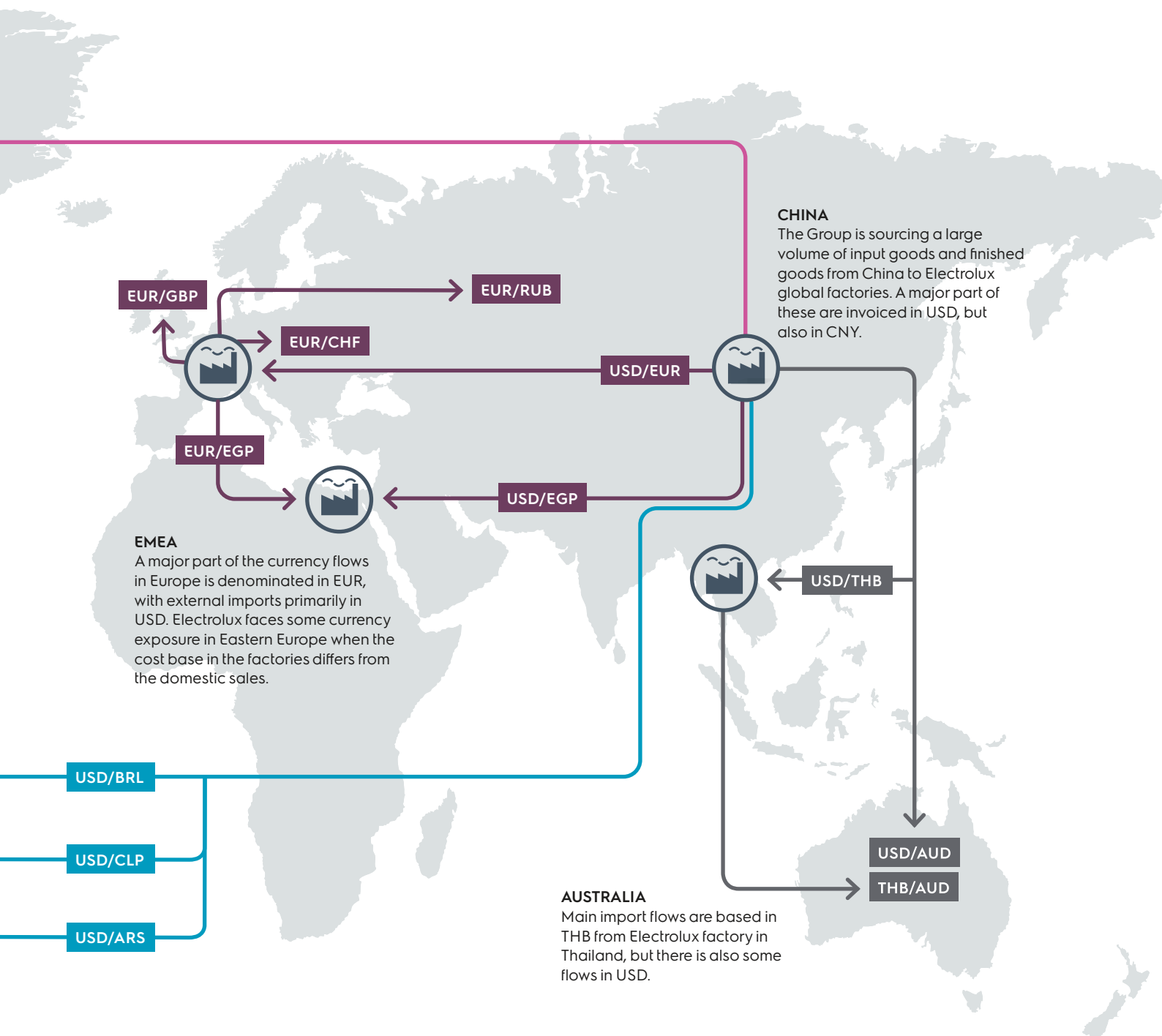
Electrolux is a net importer into the market with flows mainly from China and production conducted in Mexico. In addition to this, the operations in Canada has an exposure to USD as Electrolux imports products into that market.

## LATIN AMERICA

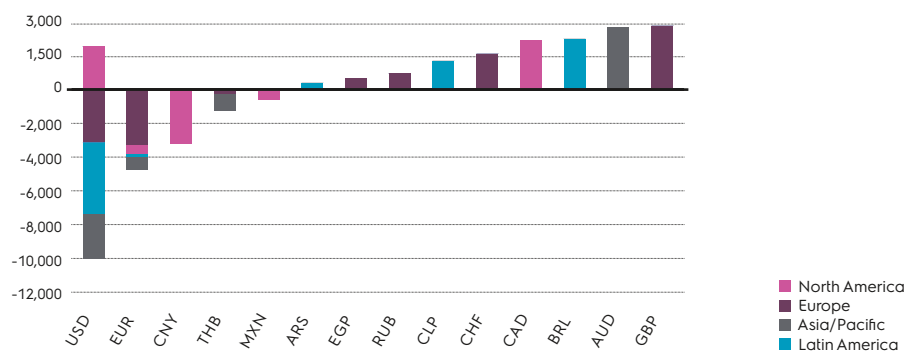
Most of the finished products originate from own factories in the region, while imported input goods such as raw materials and components are to a large extent denominated in USD.

LARGEST CURRENCY FLOWS, FORECAST 2017, SEK M





NET EXPOSURE PER CURRENCY, FORECAST 2017, SEK M





Report by  
the Board of  
Directors  
and Notes

#### MASTERPIECE COLLECTION

The Electrolux Masterpiece Collection® is premium range of small kitchen appliances developed for customers who want to cook restaurant-quality meals at home. It comprises technology based on expertise from some of the world's best professional chefs. The timeless, robust design makes use of materials such as stainless steel and die-casting alloy.





# Report by the Board of Directors

- Net sales amounted to SEK 121,093m (123,511).
- Sales declined by 2.0%. Organic sales declined by 1.1%, currency translation had a negative impact of 1.0% and contributions from acquisitions was 0.1%.
- Organic sales growth for Major Appliances EMEA, Major Appliances Asia/Pacific and Professional Products.
- Improved results across most business areas, although operations in Latin America continued to be impacted by weak market environment.
- Operating income amounted to SEK 6,274m (2,741), corresponding to a margin of 5.2% (2.2).
- Strong operating cash flow after investments of SEK 9,140m (6,745).
- Income for the period was SEK 4,493m (1,568), corresponding to SEK 15.64 (5.45) per share.
- The Board proposes a dividend for 2016 of SEK 7.50 (6.50) per share, to be paid in two installments.

## Key data

SEKM	2016	2015	Change, %
Net sales	121,093	123,511	-2.0
Organic growth, %	-1.1	2.2	
Acquired growth, %	0.1	0.1	
Changes in exchange rates, %	-1.0	7.8	
Operating income	6,274	2,741	129
Margin, %	5.2	2.2 <sup>1)</sup>	
Income after financial items	5,581	2,101	166
Income for the period	4,493	1,568	187
Earnings per share, SEK <sup>2)</sup>	15.64	5.45	
Dividend per share, SEK	7.50 <sup>3)</sup>	6.50	
Operating cash flow after investments <sup>4)</sup>	9,140	6,745	36
Return on net assets, %	29.9	11.0	
Capital turnover-rate, times	5.8	5.0	
Net debt/equity ratio	0.02	0.43	
Return on equity, %	29.4	9.9	
Average number of employees	55,400	58,265	

<sup>1)</sup> Operating income in 2015 included costs of SEK 2,059m related to the not completed acquisition of GE Appliances. Excluding these costs the operating margin was 3.9%.

<sup>2)</sup> Basic, based on an average of 287.4 (287.1) million shares for the full year of 2016, excluding shares held by Electrolux.

<sup>3)</sup> Proposed by the Board of Directors.

<sup>4)</sup> See page 88.

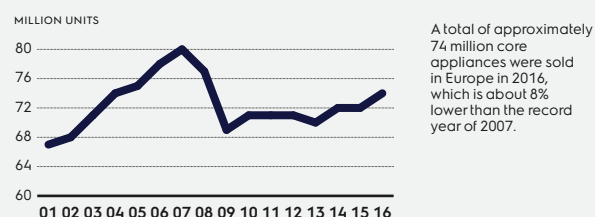
## 2016 in summary

- Organic sales declined by 1.1%, active product portfolio management to exit from unprofitable product categories, weak market demand in Latin America and lower sales under private labels in North America impacted sales.
- Organic sales growth for Major Appliances EMEA, Major Appliances Asia/Pacific and Professional Products.
- Four of six business areas above 6% operating margin.
- Operations in Latin America continued to be impacted by weak market environment.
- Actions to improve profitability in Small Appliances intensified and the Eureka brand in the US was divested.
- Acquisition of the wine cabinet company Vintec in Asia Pacific and agreement to acquire leading water-heater company Kwikot in South Africa.

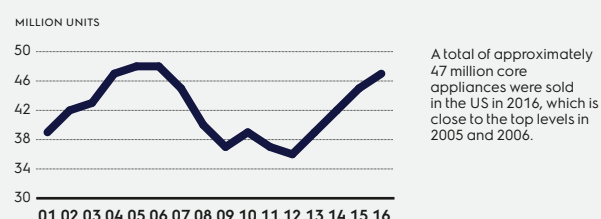
### Market overview

Market demand for core appliances in Europe increased by 3% in 2016. Most markets showed growth and demand in Western Europe increased by 3% and demand in Eastern Europe by 4%. Market demand for core appliances in North America continued to improve and increased by 6%. Market demand for core appliances in Australia, China and Southeast Asia also improved. The weak macro-economic environment in Brazil continued to impact market demand for core appliances, which declined significantly year-over-year. Market demand has deteriorated for two consecutive years. Demand in Argentina also declined.

#### MARKET DEMAND FOR CORE APPLIANCES IN EUROPE



#### MARKET DEMAND FOR CORE APPLIANCES IN THE US



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

### Net sales and operating income

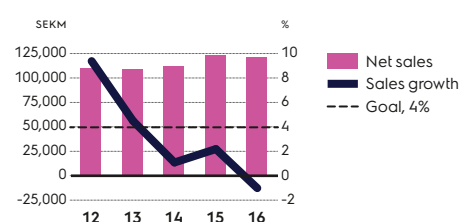
Electrolux sales declined by 2.0%. Organic sales declined by 1.1% and currency translation had a negative impact of 1.0%. Sales increased for Major Appliances EMEA, Major Appliances Asia/Pacific and Professional Products, while weak market trends in Latin America had a negative impact on sales in the region. Lower sales under private labels and price pressure in the market impacted sales in North America. Electrolux actions to improve profitability in Small Appliances and in China included sales reductions to reposition the businesses and exit from unprofitable product categories.

Operating income improved to SEK 6,274m (2,741) corresponding to a margin of 5.2% (2.2). Operating income for 2015 included costs of SEK 2,059m related to the not completed acquisition of GE Appliances. Excluding these costs the margin was 3.9%.

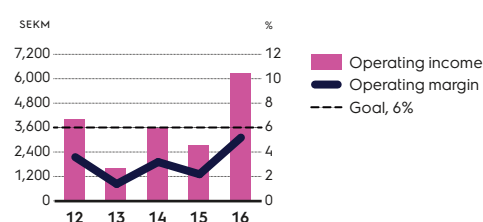
Operating income improved across most business areas, although earnings for the operations in Latin America were impacted by continued weak market demand. Increased efficiency and product-mix improvements contributed to the positive earnings trend. Operating income for Major Appliances EMEA continued to improve. Product-mix improvements, higher cost efficiency and increased sales volumes contributed to the positive earnings trend. Operating income for Major Appliances North America improved, mainly as a result of increased cost efficiency and lower costs for raw materials. Operating income for Major Appliances Asia/Pacific improved, primarily due to increased cost efficiency and a favorable earnings trend in Australia and Southeast Asia. Measures to restore profitability in Small Appliances intensified during the year and operating income improved. Professional Products continued to report a good earnings development.

## Financial goals over a business cycle

### SALES GROWTH



### OPERATING MARGIN



## Financial overview by business area

SEKM	2016	2015	Change, %
<b>Net sales</b>	121,093	123,511	-2.0
<b>Operating income</b>			
Major Appliances Europe, Middle East and Africa	2,546	2,167	17
Major Appliances North America	2,671	1,580	69
Major Appliances Latin America	-68	463	n.m.
Major Appliances Asia/Pacific	626	364	72
Small Appliances	238	-63	n.m.
Professional Products	954	862	11
Common Group costs, etc. <sup>1)</sup>	-693	-2,632	n.m.
<b>Operating income</b>	<b>6,274</b>	<b>2,741</b>	<b>129</b>
Margin, %	5.2	2.2	

<sup>1)</sup> Common Group costs for 2015 include a termination fee of USD 175m (SEK 1,493m) and transaction costs of SEK 408m for the terminated acquisition of GE Appliances, see page 91.

## Launches of new products

Electrolux strategy is to drive profitable growth by creating best-in-class consumer experiences supported by a strong focus on innovation. Electrolux is continuously expanding its product offering. In 2016, new innovative products under the Electrolux brand were introduced in Europe including the PlusSteam combination oven for home baking enthusiasts, the connected CombiSteam Pro Smart oven, and the blast chiller that brings the cook-and-chill technique of professionals to consumers. A new visual identity for the AEG brand and two new product ranges were introduced in Europe: The Mastery Range of kitchen products, offering the world's first responsive kitchen experience, and the New Laundry Range, designed to redefine the perception of fabric care. In North America, an award-winning front-load laundry line under the Electrolux brand was launched. In Australia, new appliances continued to be launched under the major brand Westinghouse. Products under the AEG brand were introduced in China. In Latin America and Asia/Pacific, new products in appliances, vacuum cleaners and small domestic appliances are being launched continuously.

## Strategic initiatives to restore profitability

The program initiated in 2015 to restore profitability and improve the global competitiveness of the business area Small Appliances intensified during the year. As a part of this program, a strategic decision to focus the North American Small Appliances business on its strongest categories was taken in 2016 and the Eureka brand in the US was divested.

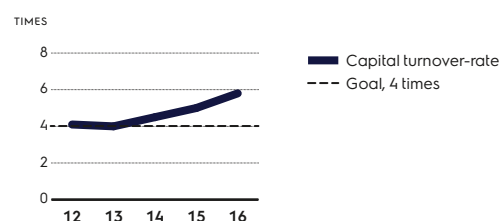
Measures were also taken to restore profitability in China including exiting from unprofitable product categories and sales channels.

The weak market trend in Latin America continued to impact Electrolux earnings in the region. Cost measures to adapt to lower demand and to mitigate under-absorption of fixed costs in production were being undertaken.

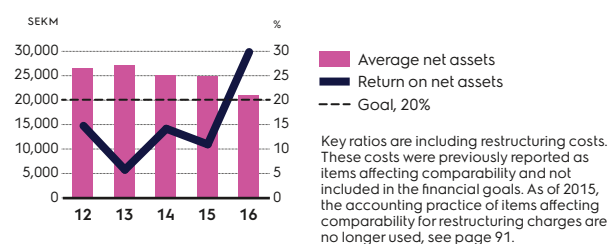
## Acquisitions

To broaden the product offering and create a strong platform for growth acquisitions are an integrated part of Electrolux growth strategy. In 2016, Electrolux made two acquisitions. Vintec, an Australia and Singapore-based company which supplies a wide range of climate-controlled wine cabinets throughout the Asia Pacific region was acquired. An agreement was also made to acquire South Africa's leading water-heater producer Kwikot Group.

## CAPITAL TURNOVER-RATE



## RETURN ON NET ASSETS



# Net sales and income

- Organic sales declined by 1.1%, currency translation had a negative impact of 1.0% and contributions from acquisitions was 0.1%.
- Operating income improved to SEK 6,274m (2,741), corresponding to a margin of 5.2% (2.2).
- Improved performance across most business areas.
- Income for the period was SEK 4,493m (1,568), corresponding to SEK 15.64 (5.45) per share.

## Net sales

Net sales for the Electrolux Group in 2016 amounted to SEK 121,093m (123,511). Organic sales declined by 1.1%, currency translation had a negative impact of 1.0% and contributions from acquisitions amounted to 0.1%. Major Appliances EMEA, Major Appliances Asia/Pacific and Professional Products reported organic sales growth. Weak market environment and lower sales volumes in Latin America impacted sales. Sales for Major Appliances North America were impacted by lower sales under private labels and price pressure. Strategic decisions to reduce sales and exit from unprofitable product categories also had a negative impact.

## Operating income

Operating income for 2016 improved significantly to SEK 6,274m (2,741), corresponding to a margin of 5.2% (2.2). Operating income for 2015 included costs of SEK 2,059m related to the not completed acquisition of GE Appliances. Excluding these costs, the margin for 2015 was 3.9%.

Operating income improved for most business areas. Increased efficiency and product-mix improvements contributed to the positive earnings trend, while soft market demand in Latin America had a negative impact on operating income.

## Effects of changes in exchange rates

Changes in exchange rates had a negative impact of SEK 1,662m on operating income year-over-year. The impact of transaction effects was SEK -1,470m and refers mainly to the operations in EMEA and Latin America. The Egyptian pound which was floated in early November 2016

and the weakening of the British pound had a negative impact on operations in EMEA. In Latin America the negative currency impact referred to a stronger US dollar against several currencies in the region. The negative impact on operating income was to some extent mitigated by mix improvements and price increases. Translation effects amounted to SEK -192m.

## Financial net

Net financial items increased to SEK -693m (-640). The financial net has been impacted by approximately SEK -180m related to the revaluation of financial liabilities in Egypt due to the depreciation of the Egyptian pound.

The financial net for 2015 included costs of SEK 187m for a bridge facility related to the not completed acquisition of GE Appliances.

## Income after financial items

Income after financial items improved to SEK 5,581m (2,101), corresponding to 4.6% (1.7) of net sales.

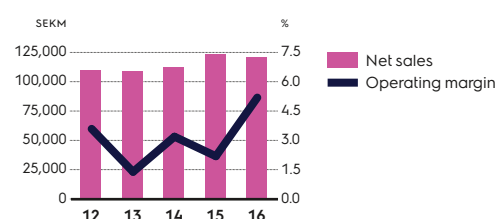
## Income for the period and earnings per share

Income for the period amounted to SEK 4,493m (1,568), corresponding to SEK 15.64 (5.45) in earnings per share before dilution.

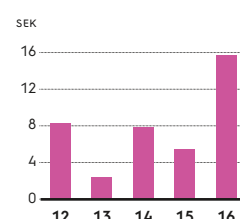
## Taxes

Total taxes for 2016 amounted to SEK -1,088m (-533), corresponding to a tax rate of 19.5% (25.4). The effective tax rate was impacted by a positive revaluation of the deferred tax assets at the end of the year.

## NET SALES AND OPERATING MARGIN



## EARNINGS PER SHARE





# Consolidated income statement

SEKM	NOTE	2016	2015
<b>Net sales</b>	<b>3, 4</b>	<b>121,093</b>	<b>123,511</b>
Cost of goods sold	4, 7	-95,820	-99,913
<b>Gross operating income</b>		<b>25,273</b>	<b>23,598</b>
Selling expenses	4, 7	-13,208	-12,719
Administrative expenses	4, 7	-5,812	-6,019
Other operating income	5	218	67
Other operating expenses	6, 7	-197	-2,186
<b>Operating income</b>	<b>3, 4, 8</b>	<b>6,274</b>	<b>2,741</b>
Financial income	9	109	123
Financial expenses	9	-802	-763
<b>Financial items, net</b>		<b>-693</b>	<b>-640</b>
<b>Income after financial items</b>		<b>5,581</b>	<b>2,101</b>
Taxes	10	-1,088	-533
<b>Income for the period</b>		<b>4,493</b>	<b>1,568</b>
Items that will not be reclassified to income for the period:			
Remeasurement of provisions for post-employment benefits	22	-236	343
Income tax relating to items that will not be reclassified		44	-114
		<b>-192</b>	<b>229</b>
Items that may be reclassified subsequently to income for the period:			
Available- for- sale instruments	11, 29	43	-39
Cash flow hedges	11	-82	-28
Exchange-rate differences on translation of foreign operations	11	328	-1,454
Income tax relating to items that may be reclassified		-20	29
		<b>269</b>	<b>-1,492</b>
<b>Other comprehensive income, net of tax</b>		<b>77</b>	<b>-1,263</b>
<b>Total comprehensive income for the period</b>		<b>4,570</b>	<b>305</b>
Income for the period attributable to:			
Equity holders of the Parent Company		4,494	1,566
Non-controlling interests		-1	2
Total comprehensive income for the period attributable to:			
Equity holders of the Parent Company		4,570	307
Non-controlling interests		0	-2
<b>Earnings per share</b>	<b>20</b>		
For income attributable to the equity holders of the Parent Company:			
Basic, SEK		15.64	5.45
Diluted, SEK		15.55	5.42
<b>Average number of shares</b>	<b>20</b>		
Basic, million		287.4	287.1
Diluted, million		289.0	288.9

# Operations by business area

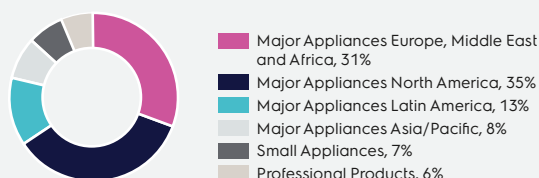
- Organic sales growth for Major Appliances EMEA, Major Appliances Asia/Pacific and for Professional Products.
- Weak market demand in Latin America and strategic decisions to exit unprofitable product categories particularly in Small Appliances and in China impacted sales negatively in 2016.
- Strong recovery of operating income for Major Appliances North America as a result of improved efficiencies within operations and lower costs for raw materials.
- Good earnings development for Major Appliances EMEA, Major Appliances Asia/Pacific and Professional Products.
- Weak macro-economic conditions in Latin America impacted earnings in the region.
- Operating income for Small Appliances improved and measures to restore profitability were intensified.

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, laundrettes, hotels and other professional users.

## SHARE OF SALES BY BUSINESS AREA



## Major business events during 2016 and 2017

### April 11, 2016. Electrolux unveils blast chiller for households and other innovations in taste

A compact blast chiller for domestic use was one of several cooking innovations presented by Electrolux at the Euro-cucina kitchen fair in Milan, Italy. As the chosen supplier to half of Europe's Michelin-star restaurants, Electrolux is uniquely positioned to translate expertise from professional chefs into products that help consumers achieve great-tasting meals at home.

### June 28, 2016. Electrolux acquires wine cabinet company in Asia Pacific

Electrolux has acquired Vintec, an Australia and Singapore-based company, which supplies a wide range of climate-controlled wine cabinets throughout the Asia Pacific region. Vintec has annual sales of more than AUD 22 million (approximately SEK 139 million). About two thirds of sales are in Australia, where Vintec also engages over 9,000 consumers through the Vintec Club. Operations are included in the business area Major Appliances Asia/Pacific.

### September 1, 2016. Electrolux unveils new look and product ranges for AEG brand

Electrolux unveiled a new look for the AEG brand with the launch of two product ranges. The AEG Mastery Range of kitchen products, offering the world's first responsive kitchen experience, and a new laundry range. The AEG Mastery Range is a complete range of appliances with innovative features. The new laundry range offers combinations of washing machines and dryers, promising to keep colors, textures and protecting the fibers in the clothes like never before.

### September 9, 2016. Electrolux celebrates 10 consecutive years as industry leader in sustainability

Electrolux has been named Industry Leader of the Household Durables category in the prestigious Dow Jones Sustainability World Index (DJSI World), for the tenth consecutive year. This year's assessment, published by RobecoSAM, showed a notably big improvement for Electrolux in the area of corporate citizenship and philanthropy.

### September 12, 2016. Electrolux takes action on sustainability and food, supporting UN Global Goals

Electrolux has set up Electrolux Food Foundation with an initial SEK 10 million investment. The Group has also entered a Feed the Planet partnership together with Worldchefs and AIESEC.

### November 10, 2016. Electrolux to acquire leading water-heater company in South Africa

Electrolux has agreed to acquire South Africa's leading water heater producer Kwikot Group (Kwikot Proprietary Limited and its affiliates), for a total enterprise value of ZAR 3.18 billion (approximately SEK 2 billion). The acquisition broadens Electrolux home comfort product range and offers a strong platform for growth opportunities in Africa. The acquisition is subject to regulatory approvals being obtained latest June 30, 2017.

### December 2, 2016. Electrolux to divest the Eureka brand

Electrolux has made a strategic decision to focus its North American Small Appliances business on its strongest categories, as part of a process to improve the global competitiveness of the business area. In line with this decision, Electrolux has divested its North American vacuum-cleaner brand Eureka to Midea Group Co., Ltd.

### February 6, 2017. Electrolux to acquire fast-growing smart kitchen appliance company Anova

Electrolux has agreed to acquire Anova, the 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. Net sales in 2016 amounted to around USD 40 million. The up front cash consideration in the transaction is USD 115 million, with an additional amount of up to USD 135 million depending on future financial performance. 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. The acquisition is subject to regulatory approvals, and is expected to be closed during the first quarter of 2017.

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

## Major Appliances Europe, Middle East and Africa

Market demand in Western Europe increased by 3% and demand increased in most markets, with growth being particularly strong in the Nordic countries, Benelux and Spain. Demand also increased in most markets in Eastern Europe, and demand improved by 4%. The overall market demand in Europe improved by 3% in 2016.

Electrolux operations in EMEA reported organic sales growth of 4% in 2016. This growth was a result of higher sales volumes and an improved product mix. The Group gained market shares under premium brands as a result of a strong focus on the most profitable product categories.

Operating income and margin improved as a result of product-mix improvements, increased cost efficiency

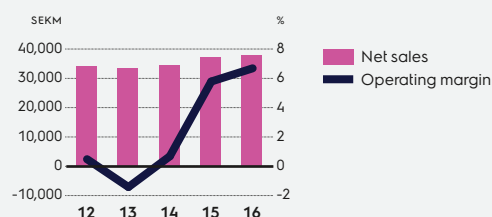
and higher sales volumes. This positive trend in earnings offset continued price pressure and currency headwinds related mainly to the depreciation of the Egyptian pound in November 2016 and the depreciation of the British pound. The depreciation of the Egyptian pound had an impact of SEK -310m, mainly related to the revaluation of balance-sheet items in Egypt.

In the fourth quarter of 2016, Electrolux agreed to acquire South Africa's leading water-heater producer Kwikot Group. The acquisition broadens Electrolux home-comfort product range and offers a strong platform for growth opportunities in Africa.

### KEY FIGURES

SEKM	2016	2015
Net sales	37,844	37,179
Organic growth, %	3.5	4.4
Operating income	2,546	2,167
Operating margin, %	6.7	5.8
Net assets	860	2,420
Return on net assets, %	101.5	48.9
Capital expenditure	1,402	1,163
Average number of employees	20,216	20,767

### NET SALES AND OPERATING MARGIN



## Major Appliances North America

Market demand for core appliances in North America increased by 6% year-over-year in 2016. Market demand for major appliances, including microwave ovens and home-comfort products, such as room air-conditioners, increased by 3%.

Electrolux operations in North America reported an organic sales decline of 1%, driven by lower sales under

private labels and price pressure in the market. Sales volumes of core appliances under own brands grew.

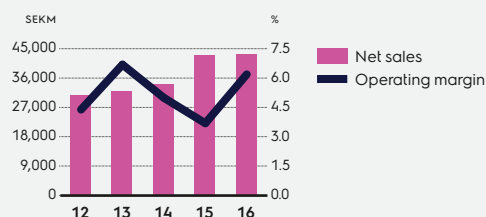
Operating income increased significantly, mainly as a result of improved efficiency in operations as well as lower costs for raw materials.

### KEY FIGURES

SEKM	2016	2015
Net sales	43,402	43,053
Organic growth, % <sup>1)</sup>	-0.9	4.9
Operating income	2,671	1,580
Operating margin, %	6.2	3.7
Net assets	2,700	4,854
Return on net assets, %	75.7	29.0
Capital expenditure	673	913
Average number of employees	14,838	14,923

<sup>1)</sup> 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

In 2016, the weak macro-economic environment in Brazil continued to impact market demand for core appliances, which declined significantly year-over-year. Market demand has deteriorated for two consecutive years. Demand in Argentina also declined.

The weak market trend impacted Electrolux operations in Latin America and organic sales declined by 11% during

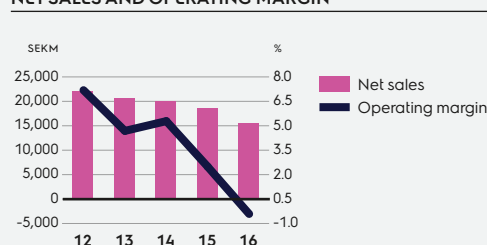
2016. Significantly lower sales volumes and a less favorable mix were somewhat offset by higher prices.

Operating income deteriorated. Cost measures to adapt to lower demand, structurally reduce costs and mitigate under-absorption of fixed costs in production were being undertaken. Price increases have offset currency headwinds in the region.

### KEY FIGURES

SEKM	2016	2015
Net sales	15,419	18,546
Organic growth, %	-10.8	-1.5
Operating income	-68	463
Operating margin, %	-0.4	2.5
Net assets	6,216	5,799
Return on net assets, %	-1.1	6.8
Capital expenditure	600	736
Average number of employees	10,459	12,279

### NET SALES AND OPERATING MARGIN



## Major Appliances Asia/Pacific

Overall market demand for core appliances in Australia, Southeast Asia and China is estimated to have increased during 2016.

Electrolux reported an organic sales growth of 1% in 2016. Sales in Australia and New Zealand increased mainly as a result of an improved mix development. Sales in Southeast Asia also improved as a result of higher sales volumes across most product categories. In China, Electrolux reduced sales to exit unprofitable product categories and

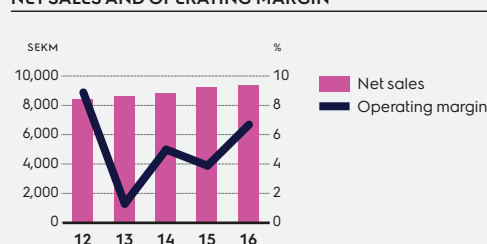
channels. The acquisition of the wine-cabinet company Vintec had a positive impact of 0.5% on sales.

Operating income and margin improved significantly year-over-year, primarily due to a favorable mix development and increased cost efficiency in Australia and New Zealand. The favorable sales growth in Southeast Asia also contributed to earnings.

### KEY FIGURES

SEKM	2016	2015
Net sales	9,380	9,229
Organic growth, %	1.3	-5.1
Acquisitions, %	0.5	0.8
Operating income	626	364
Operating margin, %	6.7	3.9
Net assets	1,842	1,600
Return on net assets, %	34.6	18.1
Capital expenditure	271	340
Average number of employees	3,493	3,874

### NET SALES AND OPERATING MARGIN





## Small Appliances

Market demand for corded vacuum cleaners in Europe is estimated to have declined in 2016, while demand for cordless hand-held vacuum cleaners increased significantly. Demand for corded vacuum cleaners in North America increased.

Electrolux organic sales declined by 8% in 2016. This is in line with the program initiated in 2015 to restore profitability. This program included downsizing of activities and active product-portfolio management and exiting unprofitable product categories. Operations in Europe and Southeast Asia displayed sales growth, while other regions declined.

Operating income improved. Increased efficiency and a favorable product-mix development contributed to earnings in 2016.

### KEY FIGURES

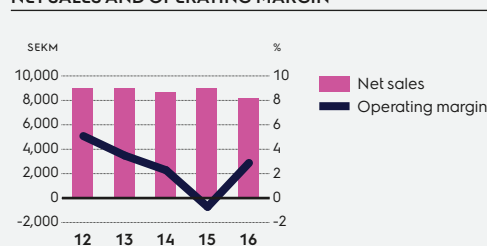
SEKM	2016	2015
Net sales	8,183	8,958
Organic growth, %	-8.2	-3.8
Operating income	238	-63
Operating margin, %	2.9	-0.7
Net assets	796	1,300
Return on net assets, %	18.6	-4.4
Capital expenditure	171	181
Average number of employees	2,348	2,548

As a part of the program to restore profitability, a strategic decision to focus the North American Small Appliances business on its strongest categories was taken in 2016 and the Eureka brand in the US was divested. The net impact of the divestment was offset by costs related to measures to restore profitability.

As of 2017, the business area has the global responsibility to develop the Electrolux offering within - healthy wellbeing in your home- and grow the Electrolux presence in floor care, air care and water care. Therefore, the business area's name will change to Home Care & Small Domestic Appliances. There will be no changes in the financial reporting.

Operating income for 2015 included charges of SEK 190m for the cost-reduction program described above.

### NET SALES AND OPERATING MARGIN



## Professional Products

Overall market demand for professional food-service and professional laundry equipment improved year-over-year. Demand in Electrolux core markets in Western Europe increased slightly. The US and Japan also posted year-over-year growth.

Electrolux organic growth was 4%. Sales of both laundry equipment and food-service equipment increased. Sales grew in several markets and were particularly strong in

Western Europe, the US and Japan. A strong product offering in both food-service and laundry equipment contributed to the positive sales trend in most markets.

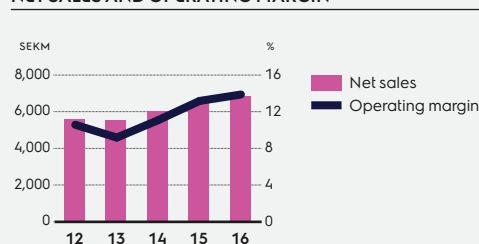
Operating income and margin improved year-over-year. Higher sales volumes had a positive impact on operating income. Investments in product development to strengthen the positions in new segments and markets continued.

### KEY FIGURES

SEKM	2016	2015
Net sales	6,865	6,546
Organic growth, % <sup>1)</sup>	4.4	2.8
Acquisitions, %	0.6	1.2
Operating income	954	862
Operating margin, %	13.9	13.2
Net assets	843	882
Return on net assets, %	108.1	85.7
Capital expenditure	124	99
Average number of employees	2,767	2,625

<sup>1)</sup> 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 24.7% (20.8).
- Return on equity was 29.4% (9.9).
- Return on net assets was 29.9% (11.0).
- Financial net debt decreased to SEK -3,809m (1,898).

## Net assets and working capital

Working capital as of December 31, 2016 amounted to SEK -14,966m (-12,234), corresponding to -11.7% (-9.9) of annualized net sales.

Average net assets were SEK 20,957m (24,848), corresponding to 17.3% (20.1) of annualized net sales.

Return on net assets was 29.9% (11.0).

### Net assets and working capital

SEKM	Dec. 31, 2016	% of annualized net sales	Dec. 31, 2015	% of annualized net sales
Inventories	13,418	10.5	14,179	11.5
Trade receivables	19,408	15.2	17,745	14.3
Accounts payable	-28,283	-22.2	-26,467	-21.4
Provisions	-8,044		-8,057	
Prepaid and accrued income and expenses	-10,732		-9,406	
Taxes and other assets and liabilities	-733		-228	
<b>Working capital</b>	<b>-14,966</b>	<b>-11.7</b>	<b>-12,234</b>	<b>-9.9</b>
Property, plant and equipment	18,725		18,450	
Goodwill	4,742		5,200	
Other non-current assets	4,009		4,752	
Deferred tax assets and liabilities	5,588		5,244	
<b>Net assets</b>	<b>18,098</b>	<b>14.2</b>	<b>21,412</b>	<b>17.3</b>
Annualized net sales <sup>1)</sup>	127,490		123,772	
<b>Average net assets</b>	<b>20,957</b>	<b>17.3</b>	<b>24,848</b>	<b>20.1</b>
Annualized net sales <sup>2)</sup>	121,093		123,511	
Return on net assets, %	29.9		11.0	

<sup>1)</sup> Calculated at end of period exchange rates.

<sup>2)</sup> Calculated at average exchange rates.

## Liquid funds

### Liquidity profile

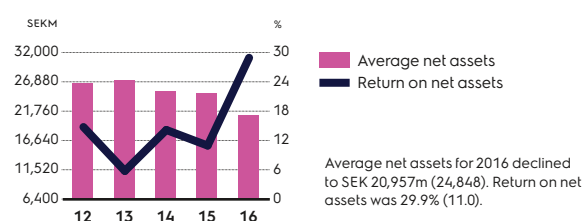
SEKM	Dec. 31, 2016	Dec. 31, 2015
Liquid funds	14,011	11,199
% of annualized net sales <sup>1)</sup>	19.5	17.5
Net liquidity	11,761	6,425
Fixed interest term, days	22	9
Effective annual yield, %	0.9	1.4

<sup>1)</sup> Liquid funds plus back-up credit facilities divided by annualized net sales, see below.

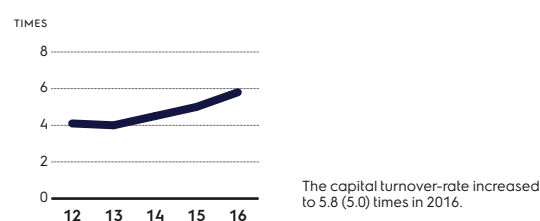
For additional information on the liquidity profile, see Note 18.

Liquid funds as of December 31, 2016, amounted to SEK 14,011m (11,199), excluding back-up credit facilities. Electrolux has one unused committed back-up multicurrency revolving credit facility of EUR 1,000m, approximately SEK 9,600m, maturing 2021 with two extension options of one year each, and one unused committed credit facility of USD 150m, approximately SEK 1,400m, maturing 2017.

### RETURN ON NET ASSETS



### CAPITAL TURNOVER-RATE, TIMES/YEAR



# Consolidated balance sheet

SEKM	NOTE	December 31, 2016	December 31, 2015
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	12	18,725	18,450
Goodwill	13	4,742	5,200
Other intangible assets	13	3,112	3,401
Investments in associates	29	210	209
Deferred tax assets	10	6,168	5,889
Financial assets	18	287	284
Pension plan assets	22	345	397
Other non-current assets	14	400	858
<b>Total non-current assets</b>		<b>33,989</b>	<b>34,688</b>
<b>Current assets</b>			
Inventories	15	13,418	14,179
Trade receivables	17, 18	19,408	17,745
Tax assets		701	730
Derivatives	18	103	149
Other current assets	16	4,568	5,176
Short-term investments	18	905	108
Cash and cash equivalents	18	12,756	10,696
<b>Total current assets</b>		<b>51,859</b>	<b>48,783</b>
<b>Total assets</b>		<b>85,848</b>	<b>83,471</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to equity holders of the Parent Company</b>			
Share capital	20	1,545	1,545
Other paid-in capital	20	2,905	2,905
Other reserves	20	-1,471	-1,739
Retained earnings	20	14,729	12,264
		<b>17,708</b>	<b>14,975</b>
Non-controlling interests		30	30
<b>Total equity</b>		<b>17,738</b>	<b>15,005</b>
<b>Non-current liabilities</b>			
Long-term borrowings	18	7,952	8,323
Deferred tax liabilities	10	580	645
Provisions for post-employment benefits	22	4,514	4,906
Other provisions	23	5,792	5,649
<b>Total non-current liabilities</b>		<b>18,838</b>	<b>19,523</b>
<b>Current liabilities</b>			
Accounts payable	18	28,283	26,467
Tax liabilities		771	813
Other liabilities	24	15,727	14,529
Short-term borrowings	18	1,807	4,504
Derivatives	18	432	222
Other provisions	23	2,252	2,408
<b>Total current liabilities</b>		<b>49,272</b>	<b>48,943</b>
<b>Total liabilities</b>		<b>68,110</b>	<b>68,466</b>
<b>Total equity and liabilities</b>		<b>85,848</b>	<b>83,471</b>

## Net debt

### Net debt

SEKM	Dec. 31, 2016	Dec. 31, 2015
Total borrowings	10,202	13,097
Liquid funds	14,011	11,199
<b>Financial net debt</b>	<b>-3,809</b>	<b>1,898</b>
Net provisions for post-employment benefits	4,169	4,509
<b>Net debt</b>	<b>360</b>	<b>6,407</b>
Net debt/equity ratio	0.02	0.43
<b>Equity</b>	<b>17,738</b>	<b>15,005</b>
Equity per share, SEK	61.72	52.21
Return on equity, %	29.4	9.9
Equity/assets ratio, %	24.7	20.8

As of December 31, 2016, Electrolux had a net cash position of SEK 3,809m compared with a net debt of SEK 1,898m as of December 31, 2015. This is a result of the strong cash flow in 2016. Net provisions for post-employment benefits declined to SEK 4,169m (4,509). In total, net debt decreased to SEK 360m (6,407).

During 2016, SEK 2,669m in long-term borrowings were amortized.

Long-term borrowings as of December 31, 2016, including long-term borrowings with maturities within 12 months, amounted to SEK 8,451m with average maturity of 2.7 years, compared to SEK 11,000m and 2.8 years at the end of 2015.

In 2017, long-term borrowings in the amount of approximately SEK 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 0.8 years (0.8).

At year-end, the average interest rate for the Group's total interest-bearing borrowings was 2.0% (2.7).

### Rating

Electrolux has investment-grade rating from Standard & Poor's. In 2016, the rating was upgraded from BBB+ with a stable outlook to A- with a stable outlook. The A-2 short-term corporate credit rating was affirmed as was the short-term Nordic regional scale rating of K-1.

### Rating

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

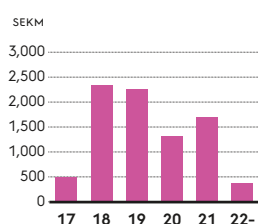
### Net debt/equity and equity/assets ratio

The net debt/equity ratio was 0.02 (0.43). The equity/assets ratio was 24.7% (20.8).

### Equity and return on equity

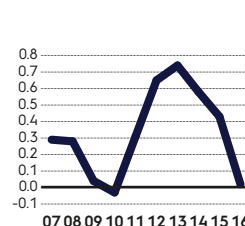
Total equity as of December 31, 2016, amounted to SEK 17,738m (15,005), which corresponds to SEK 61.72 (52.21) per share. Return on equity was 29.4% (9.9).

### LONG-TERM BORROWINGS, BY MATURITY

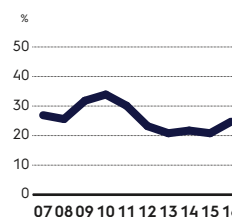


In 2017, long-term borrowings in the amount of approximately SEK 500m will mature. For information on borrowings, see Note 2 and 18.

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



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



<sup>1)</sup> Both ratios were significantly affected from 2012 and onwards by the changed pension accounting from the updated IAS 19 Employee Benefits.



# Changes in consolidated equity

SEKM	Attributable to equity holders of the parent company					Non-controlling interests	Total equity
	Share capital	Other paid-in capital	Other reserves	Retained earnings	Total		
<b>Opening balance, January 1, 2015</b>	<b>1,545</b>	<b>2,905</b>	<b>-251</b>	<b>12,235</b>	<b>16,434</b>	<b>34</b>	<b>16,468</b>
<b>Income for the period</b>	—	—	—	<b>1,566</b>	<b>1,566</b>	<b>2</b>	<b>1,568</b>
Available-for-sale instruments	—	—	-39	—	-39	—	-39
Cash flow hedges	—	—	-28	—	-28	—	-28
Exchange differences on translation of foreign operations	—	—	-1,450	—	-1,450	-4	-1,454
Remeasurement of provisions for post-employment benefits	—	—	—	343	343	—	343
Income tax relating to other comprehensive income	—	—	29	-114	-85	—	-85
<b>Other comprehensive income, net of tax</b>	—	—	<b>-1,488</b>	<b>229</b>	<b>-1,259</b>	<b>-4</b>	<b>-1,263</b>
<b>Total comprehensive income for the period</b>	—	—	<b>-1,488</b>	<b>1,795</b>	<b>307</b>	<b>-2</b>	<b>305</b>
Share-based payment	—	—	—	102	102	—	102
Dividend SEK 6.50 per share	—	—	—	-1,868	-1,868	-2	-1,870
Acquisition of non-controlling interest	—	—	—	—	—	—	—
<b>Total transactions with equity holders</b>	—	—	—	<b>-1,766</b>	<b>-1,766</b>	<b>-2</b>	<b>-1,768</b>
<b>Closing balance, December 31, 2015</b>	<b>1,545</b>	<b>2,905</b>	<b>-1,739</b>	<b>12,264</b>	<b>14,975</b>	<b>30</b>	<b>15,005</b>
<b>Income for the period</b>	—	—	—	<b>4,494</b>	<b>4,494</b>	<b>-1</b>	<b>4,493</b>
Available for sale instruments	—	—	43	—	43	—	43
Cash flow hedges	—	—	-82	—	-82	—	-82
Exchange-rate 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
<b>Other comprehensive income, net of tax</b>	—	—	<b>268</b>	<b>-192</b>	<b>76</b>	<b>1</b>	<b>77</b>
<b>Total comprehensive income for the period</b>	—	—	<b>268</b>	<b>4,302</b>	<b>4,570</b>	<b>0</b>	<b>4,570</b>
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
<b>Total transactions with equity holders</b>	—	—	—	<b>-1,837</b>	<b>-1,837</b>	<b>0</b>	<b>-1,837</b>
<b>Closing balance, December 31, 2016</b>	<b>1,545</b>	<b>2,905</b>	<b>-1,471</b>	<b>14,729</b>	<b>17,708</b>	<b>30</b>	<b>17,738</b>

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

# Cash flow

- Operating cash flow after investments increased to SEK 9,140m (6,745).
- Capital expenditure amounted to SEK 3,390m (3,640).
- R&D costs amounted to 2.6% (2.6) of net sales.

## Operating cash flow after investments

Operating cash flow after investments in 2016 increased and amounted to SEK 9,140m (6,745). The main contributor to this strong cash flow is the favorable earnings trend and a positive cash flow from operating assets and liabilities.

### Cash flow

SEKM	2016	2015
Operating income adjusted for non-cash items <sup>1)</sup>	10,545	7,235
Change in operating assets and liabilities	1,328	2,822
<b>Operating cash flow</b>	<b>11,873</b>	<b>10,057</b>
Investments in tangible and intangible assets	-3,390	-3,640
Changes in other investments	657	328
<b>Operating cash flow after investments</b>	<b>9,140</b>	<b>6,745</b>
Acquisitions and divestments of operations	176	-91
<b>Operating cash flow after structural changes</b>	<b>9,316</b>	<b>6,654</b>
Financial items paid, net <sup>2)</sup>	-514	-513
Taxes paid	-1,194	-1,277
<b>Cash flow from operations and investments</b>	<b>7,608</b>	<b>4,864</b>
Dividend	-1,868	-1,870
Share-based payments	-57	—
<b>Total cash flow, excluding change in loans and short-term investments</b>	<b>5,683</b>	<b>2,994</b>

<sup>1)</sup> Operating income adjusted for depreciation and amortization and other non-cash items.

<sup>2)</sup> For the period January 1 - December 31, 2016. Interests and similar items received SEK 123m (134), interests and similar items paid SEK -345m (-364) and other financial items paid SEK -292m (-283).

## Capital expenditure

Capital expenditure in property, plant and equipment in 2016 amounted to SEK 2,830m (3,027), corresponding to 2.3% (2.5) of net sales. Including investments in product development and computer software, capital expenditure amounted to SEK 3,390m (3,640). Investments in 2016, mainly related to investments within manufacturing facilities for efficiencies and new products.

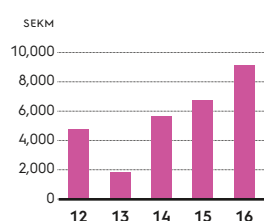
### Capital expenditure by business area

SEKM	2016	2015
<b>Major Appliances</b>		
Europe, Middle East and Africa	1,402	1,163
% of net sales	3.7	3.1
North America	673	913
% of net sales	1.6	2.1
Latin America	600	736
% of net sales	3.9	4.0
Asia/Pacific	271	340
% of net sales	2.9	3.7
<b>Small Appliances</b>	<b>171</b>	<b>181</b>
% of net sales	2.1	2.0
<b>Professional Products</b>	<b>124</b>	<b>99</b>
% of net sales	1.8	1.5
Other	149	208
<b>Total</b>	<b>3,390</b>	<b>3,640</b>
% of net sales	2.8	2.9

## Costs for R&D

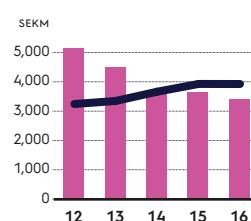
Costs for research and development in 2016, including capitalization of SEK 274m (359), amounted to SEK 3,098m (3,210) corresponding to 2.6% (2.6) of net sales.

### OPERATING CASH FLOW AFTER INVESTMENTS



Operating cash flow after investments increased to SEK 9,140m (6,745).

### CAPITAL EXPENDITURE



Capital expenditure in 2016 including product development and computer software amounted to SEK 3,390m (3,640).

# Consolidated cash flow statement

SEKM	NOTE	2016	2015
<b>Operations</b>			
Operating income		6,274	2,741
Depreciation and amortization		3,934	3,936
Other non-cash items		337	558
Financial items paid, net <sup>1)</sup>		-514	-513
Taxes paid		-1,194	-1,277
<b>Cash flow from operations, excluding change in operating assets and liabilities</b>		<b>8,837</b>	<b>5,445</b>
<b>Change in operating assets and liabilities</b>			
Change in inventories		1,493	-306
Change in trade receivables		-467	1,672
Change in accounts payable		72	1,798
Change in other operating liabilities and provisions		230	-342
<b>Cash flow from change in operating assets and liabilities</b>		<b>1,328</b>	<b>2,822</b>
<b>Cash flow from operations</b>		<b>10,165</b>	<b>8,267</b>
<b>Investments</b>			
Acquisition of operations	26	-160	-91
Divestment of operations	26	336	—
Capital expenditure in property, plant and equipment	12	-2,830	-3,027
Capital expenditure in product development	13	-274	-359
Capital expenditure in computer software	13	-286	-254
Other		657	328
<b>Cash flow from investments</b>		<b>-2,557</b>	<b>-3,403</b>
<b>Cash flow from operations and investments</b>		<b>7,608</b>	<b>4,864</b>
<b>Financing</b>			
Change in short-term investments		-799	-9
Change in short-term borrowings		-31	84
New long-term borrowings	18	—	1,447
Amortization of long-term borrowings	18	-2,669	-2,632
Dividend		-1,868	-1,870
Share-based payments		-57	—
<b>Cash flow from financing</b>		<b>-5,424</b>	<b>-2,980</b>
<b>Total cash flow</b>		<b>2,184</b>	<b>1,884</b>
<b>Cash and cash equivalents at beginning of period</b>		<b>10,696</b>	<b>9,107</b>
Exchange-rate differences referring to cash and cash equivalents		-124	-295
<b>Cash and cash equivalents at end of period</b>		<b>12,756</b>	<b>10,696</b>

<sup>1)</sup> Interests and similar items received SEK 123 m (134), interests and similar items paid SEK -345m (-364) and other financial items paid SEK -292m (-283).

## Other facts

### Management changes in 2016 and 2017

Jonas Samuelson was appointed new President and CEO of Electrolux as of February 1, 2016. He succeeded Keith McLoughlin who retired from the company. Jonas Samuelson was previously Head of the business area Major Appliances EMEA. He has been with Electrolux since 2008.

Daniel Arler succeeded Jonas Samuelson as Head of Major Appliances EMEA. Daniel Adler was previously Senior Vice President of the Kitchen product line within EMEA. He has been with Electrolux since 2002.

Alan Shaw is new head of Major Appliances North America. He succeeded Keith McLoughlin who was acting interim Head of the business area. Alan Shaw's most recent position was President of Husqvarna AB's Consumer Brands division.

Ola Nilsson is new Head of Small Appliances. Ola Nilsson succeeded Henrik Bergström. Ola Nilsson was previously Senior Vice President, Product Line Laundry Major Appliances EMEA. He has been with Electrolux since 1994.

Anna Ohlsson-Leijon is new Chief Financial Officer. She succeeded Tomas Eliasson who left the Group. Anna Ohlsson-Leijon was previously CFO of the business area Major Appliances EMEA. She has been with Electrolux since 2001.

Mikael Östman has been appointed General Counsel as of January 1, 2017. He succeeded Cecilia Vieweg who retired from the Group. Mikael Östman was previously Head of Electrolux Corporate Legal Department. He has been with Electrolux since 2002.

Ricardo Cons is new Head of Major Appliances Latin Americas since February 2017. He succeeded Ruy Hirschheimer who left the Group on October 1, 2016 and has been interim head of the business area since the same date. Ricardo Cons most recent position was with Franke in Brazil.

### Asbestos litigation in the US

Litigation and claims related to asbestos are pending against the Group in the US. 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, 2016, the Group had a total of 3,233 (3,259) cases pending, representing approximately 3,296 (approximately 3,326) plaintiffs. During 2016, 1,300 new cases with 1,300 plaintiffs were filed and 1,326 pending cases with approximately 1,330 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.



### Material profit or loss items in operating income

Over the years, Electrolux has implemented restructuring programs for the purpose of optimizing its manufacturing footprint and reducing costs to improve competitiveness. Restructuring charges related to these programs have been presented separately as items affecting comparability in the income statement. Operating income by business area and selected key ratios have been reported excluding these costs.

These major restructuring programs have come to an end and Electrolux has since 2015 discontinued this accounting practice. For comparability purposes, the financial statements for 2014 have been restated to include restructuring costs. Although there will likely be restructuring programs going forward, these are expected to be much less extensive.

Figures for 2012–2015 in this report are including restructuring costs, see specification below.

### Material profit or loss items in operating income<sup>1)</sup>

SEKM	2012	2013	2014	2015	2016
<b>Major Appliances</b>					
EMEA	-927	-828	-1,212	—	—
North America	-105	—	-39 <sup>2)</sup>	158 <sup>2)</sup>	—
Latin America	—	—	-10	—	—
Asia/Pacific	—	-351	-10	—	—
<b>Small Appliances</b>	—	<b>-82</b>	—	<b>-190<sup>3)</sup></b>	—
<b>Professional Products</b>					
	—	—	—	—	—
<b>Other</b>	—	<b>-1,214</b>	<b>-77<sup>2)</sup></b>	<b>-1,901<sup>2)</sup></b>	—
<b>Total Group</b>	<b>-1,032</b>	<b>-2,475</b>	<b>-1,348</b>	<b>-2,249</b>	—

<sup>1)</sup> Restructuring costs have prior to 2015 been reported as items affecting comparability and not included in operating income by business area and selective key ratios.

<sup>2)</sup> 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.

<sup>3)</sup> Refers to the program to restore profitability in Small Appliances.

# Share capital and ownership

## Share capital and ownership structure

As of December 31, 2016, 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 2016.

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
JP Morgan Asset Management	4.9	3.9
BlackRock, Inc.	4.0	3.2
Alecta Pension Insurance	3.1	3.7
Swedbank Robur Funds	3.0	2.5
Norges Bank Investment Management	2.6	2.1
Nordea Investment Management	2.3	1.8
AMF Insurance & Funds	1.7	1.4
Fiduciary Management Funds	1.7	1.4
Unionen	1.0	0.8
<b>Total, ten largest shareholders</b>	<b>39.8</b>	<b>50.7</b>

Source: Holdings and Euroclear Sweden as of December 31, 2016.

According to Holdings and Euroclear Sweden, there were 48,939 shareholders in AB Electrolux as of December 31, 2016. 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](http://www.electroluxgroup.com)

## Distribution of shareholdings

Shareholding	Ownership, %	Number of shareholders	As % of shareholders
1-1,000	3.3	43,425	88.8
1,001-10,000	4.1	4,784	9.8
10,001-20,000	1.1	232	0.5
20,001-	91.5	487	1.0
<b>Total</b>	<b>100</b>	<b>48,939</b>	<b>100</b>

Source: Holdings and Euroclear Sweden as of December 31, 2016.

## Articles of Association

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

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

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

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

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

## OWNERSHIP STRUCTURE



Swedish institutions and mutual funds, 48%  
Foreign investors, 46%  
Swedish private investors, 6%

At year-end 2016, about 46% of the total share capital was owned by foreign investors.  
Source: Holdings and Euroclear Sweden as of December 31, 2016.

# Distribution of funds to shareholders

## Proposed dividend

The Board of Directors proposes a dividend for 2016 of SEK 7.50 (6.50) per share, for a total dividend payment of approximately SEK 2,155m (1,868). The proposed dividend corresponds to approximately 48% (119) of income for the period. The dividend is proposed to be paid in two equal installments, the first with the record date Monday, March 27, 2017, and the second with the record date Wednesday September 27, 2017. The first installment is estimated to be paid on Thursday, March 30, 2017 and the second installment on Monday, October 2, 2017. The proposed payment periods will facilitate a more efficient cash management.

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.

## Acquisition of own shares

Electrolux has previously, on the basis of authorizations by the AGM, acquired own shares. The purpose of the repurchase programs has been to adapt the Group's capital structure, thus contributing to increased shareholder value and to use these shares to finance potential company acquisitions and as a hedge for the company's share-related incentive programs.

In accordance with the proposal by the Board of Directors, the 2016 AGM decided to authorize the Board for the period until the 2017 AGM to resolve on acquisitions of shares in the company and that the company may acquire as a maximum so many Class B shares that, following each acquisition, the company holds at a maximum 10% of all shares issued by the company.

## Proposal for a renewed mandate on acquisition of own shares

The Board of Directors makes the assessment that it continues to be advantageous for the company to continue 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, thereby contributing to increased shareholder value.

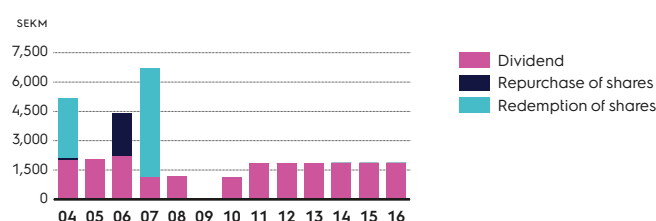
The Board of Directors proposes that the AGM 2017 resolves on a renewed mandate to repurchase own shares equivalent to the previous mandate.

As of December 31, 2016, Electrolux held 21,522,858 Class B shares in Electrolux, corresponding to 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, 2016	8,192,539	300,727,769	308,920,308	21,522,858	287,397,450
<b>Total number of shares as of December 31, 2016</b>	<b>8,192,539</b>	<b>300,727,769</b>	<b>308,920,308</b>	<b>21,522,858</b>	<b>287,397,450</b>
<b>As % of total number of shares</b>	<b>7.0%</b>				

## 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.

# 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 manage 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. The Group has also established internal bodies that manage these risk exposures on a regular basis. Example of internal bodies are: Risk Management Board, Insider Committee, Ethics & Human Rights Steering Group, Audit Board and the Tax Board. Electrolux organizational structure and system for internal control and risk management are included in the Corporate Governance report.

## 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.

### 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 over-capacity. 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 can chose 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 45bn, of which approximately SEK 19bn 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 2016

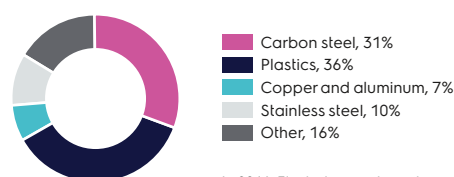
	Change +/-	Pre-tax earnings impact, SEK M
<b>Raw materials<sup>1)</sup></b>		
Carbon Steel	10%	600
Stainless Steel	10%	200
Plastics	10%	700
<b>Currencies<sup>2)</sup> and interest rates</b>		
EUR/GBP	10%	280
USD/EUR	10%	250
USD/CAD	10%	220
USD/BRL	10%	210
EUR/CHF	10%	160
USD/CLP	10%	130
THB/AUD	10%	130
USD/THB	10%	90
USD/AUD	10%	80
EUR/RUB	10%	70
Translation exposure <sup>3)</sup>	10%	550
Interest rate	1 percentage	70

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

<sup>2)</sup> Transactional exposure.

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

## RAW-MATERIALS EXPOSURE 2016



In 2016, Electrolux purchased raw materials for approximately SEK 19 billion. Purchases of steel accounted for the largest cost.

# Employees

## Electrolux corporate culture

Electrolux corporate culture in combination with a strong set of values form the core of the Group's operations.

Leadership at Electrolux in all markets is distinguished by Passion for Innovation, Customer Obsession and Drive for Results. Respect, diversity, integrity, ethics, safety and the environment are at the core of all employee actions when they interact with customers and colleagues around the globe.

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. The majority of the reports during 2016 related to discrimination and harassment.

Electrolux has a number of tools for employees and management including leadership development programs at all levels of management such as the Talent Management program, the Connecting for Performance program, Teamship workshops, the internal Open Labor Market, and the web-based Employee Engagement Survey.

## 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. In 2015, a new Group wide training program for the Electrolux Code of Conduct was launched. In 2016, the educational activities continued throughout the organization.

## Number of employees

The average number of employees decreased in 2016 to 55,400 (58,265), of whom 2,076 (2,027) were in Sweden. At year-end, the total number of employees was 53,889 (55,245).

Salaries and remuneration in 2016 amounted to SEK 15,886m (15,858), of which SEK 1,155m (1,293) 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) 2017. Group Management currently comprises twelve executives. The proposed guidelines for 2017 correspond to the guidelines approved by the AGM in 2016.

The principles shall be applied for employment agreements entered into after the AGM 2017 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.

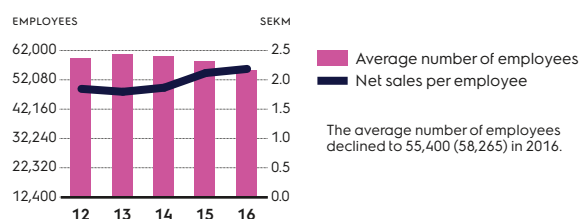
## Variable compensation

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 compensations 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.

## EMPLOYEES





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

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

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 USA may amount up to a maximum of 150% of ABS if the maximum performance level is reached.

STI payments for 2017 are estimated<sup>1)</sup> to range between no payout at minimum level and SEK 64m (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 2017*

The Board of Directors will propose a performance-based long-term share program for 2017 to the AGM 2017. 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) organic sales growth, for the 2017 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 2020. Details of the program will be included in the notice to the AGM 2017.

The costs for the LTI program proposed for 2017 are estimated<sup>1)</sup> to SEK 393m (including social costs) at maximum level.

#### *Extraordinary arrangements*

Other variable compensation may be approved in extraordinary circumstances, under the conditions that such extraordinary arrangement shall, in addition to the target requirements set out above, be made for recruitment or

retention purposes, are agreed on an individual basis, shall never exceed three (3) times the ABS and shall be earned and/or paid out in installments over a minimum period of two (2) years.

Costs for extraordinary arrangements during 2016 amounts to approximately SEK 3.2m. Costs for extraordinary arrangements which have not yet been paid out are currently estimated to approximately SEK 6.5m.

#### **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 provide as a benefit to the individual 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.

<sup>1)</sup> 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 2016**

For the tenth consecutive year, Electrolux has been named Industry Leader in the Household Durables category in the prestigious Dow Jones Sustainability World Index (DJSI World). In this annual assessment, published by RobecoSAM, Electrolux demonstrated a notably big improvement in the area of corporate citizenship and philanthropy.

For more information on Electrolux and sustainability, read the full sustainability report included in the on-line Annual Report.  
[www.electroluxgroup.com/annualreport2016](http://www.electroluxgroup.com/annualreport2016)

## **Environmental activities**

At the end of 2016, Electrolux operated 49 manufacturing facilities in 18 countries. Manufacturing comprises mainly assembly of components made by suppliers. Other processes include metalworking, molding of plastics, painting and enameling.

Chemicals such as lubricants and cleaning fluids are used as process aids. Chemicals used in Group products include insulation materials, paint and enamel. Production processes generate an environmental impact through the use of energy and water, as well as water and air-borne emissions, waste and noise.

Studies of the total environmental impact of the Group's products during their entire lifetime, i.e., from production and use to recycling, indicate that the greatest environmental impact is generated when the products are used. Electrolux aims to develop and actively promote increased sales of products with lower environmental impact.

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

Electrolux operates three plants in Sweden, which account for approximately 1.7% 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 water-borne emissions and noise. No significant non-compliance with Swedish environmental legislation was reported in 2016.

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 2016.

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.

# Parent Company income statement

## Income statement

SEKM	NOTE	2016	2015
<b>Net sales</b>		<b>33,954</b>	<b>33,179</b>
Cost of goods sold		-27,939	-28,005
<b>Gross operating income</b>		<b>6,015</b>	<b>5,174</b>
Selling expenses		-3,763	-3,855
Administrative expenses		-1,711	-1,789
Other operating income	5	—	—
Other operating expenses	6	-2,379	-519
<b>Operating income</b>		<b>-1,838</b>	<b>-989</b>
Financial income	9	4,037	3,830
Financial expenses	9	-86	-702
<b>Financial items, net</b>		<b>3,951</b>	<b>3,128</b>
<b>Income after financial items</b>		<b>2,113</b>	<b>2,139</b>
Appropriations	21	3,298	156
<b>Income before taxes</b>		<b>5,411</b>	<b>2,295</b>
Taxes	10	-1,027	103
<b>Income for the period</b>		<b>4,384</b>	<b>2,398</b>

## Total comprehensive income for the period

SEKM	2016	2015
<b>Income for the period</b>	<b>4,384</b>	<b>2,398</b>
<b>Other comprehensive income</b>		
Available for sale instruments	42	-39
Exchange rate differences	41	-37
Cash flow hedges	5	3
Income tax relating to other comprehensive income	-1	-1
<b>Other comprehensive income, net of tax</b>	<b>87</b>	<b>-74</b>
<b>Total comprehensive income for the period</b>	<b>4,471</b>	<b>2,324</b>

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

Net sales for the Parent Company, AB Electrolux, for the full year 2016 amounted to SEK 33,954m (33,179) of which SEK 27,545m (26,775) referred to sales to Group companies and SEK 6,409m (6,404) to external customers. Income after financial items was SEK 2,113m (2,139), including dividends from subsidiaries in the amount of SEK 3,511m (3,346). Income for the period amounted to SEK 4,384m (2,398).

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 427m (471). Liquid funds at the end of the period amounted to SEK 9,167m, as against SEK 7,346m at the start of the year.

Undistributed earnings in the Parent Company at the end of the period amounted to SEK 15,582m, as against SEK 13,176m at the start of the year. Dividend payment to shareholders for 2015 amounted to SEK 1,868m.

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, 2016	December 31, 2015
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	13	1,246	1,124
Property, plant and equipment	12	108	123
Deferred tax assets		370	1,297
Financial assets	14	32,295	32,670
<b>Total non-current assets</b>		<b>34,019</b>	<b>35,214</b>
<b>Current assets</b>			
Inventories	15	2,594	2,475
Receivables from subsidiaries		11,085	13,056
Trade receivables		1,019	673
Tax-refund claim		—	—
Derivatives with subsidiaries		268	299
Derivatives		90	126
Other receivables		322	200
Prepaid expenses and accrued income		374	384
Short-term investments		904	—
Cash and bank		9,167	7,346
<b>Total current assets</b>		<b>25,823</b>	<b>24,559</b>
<b>Total assets</b>		<b>59,842</b>	<b>59,773</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
<b>Restricted equity</b>			
Share capital	20	1,545	1,545
Statutory reserve		3,017	3,017
Development reserve		226	—
		<b>4,788</b>	<b>4,562</b>
<b>Non-restricted equity</b>			
Retained earnings		11,198	10,778
Income for the period		4,384	2,398
		<b>15,582</b>	<b>13,176</b>
<b>Total equity</b>		<b>20,370</b>	<b>17,738</b>
<b>Untaxed reserves</b>	<b>21</b>	<b>396</b>	<b>450</b>
<b>Provisions</b>			
Provisions for pensions and similar commitments	22	440	420
Other provisions	23	966	1026
<b>Total provisions</b>		<b>1,406</b>	<b>1,446</b>
<b>Non-current liabilities</b>			
Payable to subsidiaries		72	—
Bond loans		4,952	5,417
Other non-current loans		2,537	2,426
<b>Total non-current liabilities</b>		<b>7,561</b>	<b>7,843</b>
<b>Current liabilities</b>			
Payable to subsidiaries		25,699	25,660
Accounts payable		1,523	1,411
Other liabilities		414	428
Short-term borrowings		499	2,677
Derivatives with subsidiaries		183	650
Derivatives		368	215
Accrued expenses and prepaid income	24	1,423	1,255
<b>Total current liabilities</b>		<b>30,109</b>	<b>32,296</b>
<b>Total liabilities and provisions</b>		<b>39,076</b>	<b>41,585</b>
<b>Total liabilities, provisions and equity</b>		<b>59,842</b>	<b>59,773</b>

## Parent Company change in equity

SEKM	Restricted equity			Non-restricted equity		Total equity
	Share capital	Statutory reserve	Development reserve	Fair value reserve	Retained earnings	
<b>Opening balance, January 1, 2015</b>	<b>1,545</b>	<b>3,017</b>	<b>—</b>	<b>-5</b>	<b>12,622</b>	<b>17,179</b>
<b>Income for the period</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>2,398</b>	<b>2,398</b>
Available for sale instruments	—	—	—	-39	—	-39
Exchange rate differences	—	—	—	-37	—	-37
Cash flow hedges	—	—	—	3	—	3
Income tax relating to other comprehensive income	—	—	—	-1	—	-1
<b>Other comprehensive income, net of tax</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>-74</b>	<b>—</b>	<b>-74</b>
<b>Total comprehensive income for the period</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>-74</b>	<b>2,398</b>	<b>2,324</b>
Share-based payment	—	—	—	—	103	103
Dividend SEK 6.50 per share	—	—	—	—	-1,868	-1,868
<b>Total transactions with equity holders</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>-1,765</b>	<b>-1,765</b>
<b>Closing balance, December 31, 2015</b>	<b>1,545</b>	<b>3,017</b>	<b>—</b>	<b>-79</b>	<b>13,255</b>	<b>17,738</b>
<b>Income for the period</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>4,384</b>	<b>4,384</b>
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
<b>Other comprehensive income, net of tax</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>87</b>	<b>—</b>	<b>87</b>
<b>Total comprehensive income for the period</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>87</b>	<b>4,384</b>	<b>4,471</b>
Share-based payment	—	—	—	—	29	29
Development reserve	—	—	226	—	-226	—
Dividend SEK 6.50 per share	—	—	—	—	-1,868	-1,868
<b>Total transactions with equity holders</b>	<b>—</b>	<b>—</b>	<b>226</b>	<b>—</b>	<b>-2,065</b>	<b>-1,839</b>
<b>Closing balance, December 31, 2016</b>	<b>1,545</b>	<b>3,017</b>	<b>226</b>	<b>8</b>	<b>15,574</b>	<b>20,370</b>



# Parent Company cash flow statement

SEKM	2016	2015
<b>Operations</b>		
Income after financial items	2,113	2,139
Depreciation and amortization	326	331
Capital gain/loss included in operating income	2,334	540
Share-based compensation	-34	26
Group contributions	3244	210
Taxes paid	-102	-53
<b>Cash flow from operations, excluding change in operating assets and liabilities</b>	<b>7,881</b>	<b>3,193</b>
<b>Change in operating assets and liabilities</b>		
Change in inventories	-119	-228
Change in trade receivables	-346	-99
Change in current intra-group balances	35	586
Change in other current assets	-76	369
Change in other current liabilities and provisions	379	338
<b>Cash flow from operating assets and liabilities</b>	<b>-127</b>	<b>966</b>
<b>Cash flow from operations</b>	<b>7,754</b>	<b>4,159</b>
<b>Investments</b>		
Change in shares and participations	-2,871	-655
Capital expenditure in intangible assets	-393	-259
Capital expenditure in property, plant and equipment	-34	-212
Other	949	232
<b>Cash flow from investments</b>	<b>-2,349</b>	<b>-894</b>
<b>Total cash flow from operations and investments</b>	<b>5,405</b>	<b>3,265</b>
<b>Financing</b>		
Change in short-term investments	-904	—
Change in short-term borrowings	149	-166
Change in intra-group borrowings	1,679	2,720
New long-term borrowings	—	1,426
Amortization of long-term borrowings	-2,681	-2,595
Dividend	-1,868	-1,868
<b>Cash flow from financing</b>	<b>-3,625</b>	<b>-483</b>
<b>Total cash flow</b>	<b>1,780</b>	<b>2,782</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>7,346</b>	<b>4,601</b>
Exchange-rate differences referring to cash and cash equivalents	41	-37
<b>Cash and cash equivalents at end of period</b>	<b>9,167</b>	<b>7,346</b>

## Notes

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# Notes

## 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 for 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, 2017. The balance sheets and income statements are subject to approval by the Annual General Meeting of shareholders on March 23, 2017.

### 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 for 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 2016, the Group consisted of 148 (146) companies with 209 (216) 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	2016		2015	
	Average	End of period	Average	End of period
Exchange rate				
ARS	0.5813	0.5717	0.9059	0.6481
AUD	6.36	6.54	6.31	6.13
BRL	2.48	2.78	2.57	2.15
CAD	6.46	6.73	6.57	6.06
CHF	8.67	8.90	8.71	8.50
CLP	0.0127	0.0135	0.0129	0.0119
CNY	1.29	1.31	1.34	1.30
EUR	9.45	9.55	9.35	9.19
GBP	11.60	11.16	12.84	12.45
HUF	0.0303	0.0308	0.0302	0.0293
MXN	0.4605	0.4388	0.5298	0.4865
RUB	0.1288	0.1486	0.1375	0.1152
THB	0.2431	0.2532	0.2454	0.2336
USD	8.58	9.06	8.40	8.41

### New or amended accounting standards applied in 2016

The following new, amended or improved standards were applicable from January 1, 2016: IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IFRS 12 Disclosure of Interests in Other Entities, IFRS 14 Regulatory Deferral Accounts, IAS 1 Presentation of Financial Statements, IAS 16 Property, Plant and Equipment, IAS 27 Separate Financial Statements, IAS 28 Investments in Associates and Joint Ventures, IAS 38 Intangible Assets, IAS 41 Agriculture, and Annual Improvements 2012-2014. These new, amended or improved standards did not have any material impact on Electrolux financial

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statements. All of these standards were endorsed by the EU before January 1, 2016, except amendments to IFRS 10, IFRS 12 and IAS 28, which were endorsed in September 2016, and IFRS 14 Regulatory Deferral Accounts, an interim standard which EU has decided not to endorse but to wait for the final standard.

### 

The following new standards and amendments to standards have been issued and are applicable after 2016.

**IFRS 9** Financial Instruments. This standard addresses the classification, measurement, recognition, impairment and de-recognition of financial instruments as well as hedge accounting. The new measurements will mainly lead to administrative changes. The changes in the hedge accounting rules will allow for hedge accounting to be applied to the risk components of non-financial items. Under current rules, this is only applicable to foreign currency risk. This means that Electrolux will be able to apply hedge accounting when hedging commodities with financial derivatives, as a complement to today's bilateral contracts with suppliers. One specific accounting issue relates to the change in how to calculate provisions for bad debts, moving from an "incurred loss model" to an "expected loss model". This will result in an expected loss being provided for on all accounts receivable, including those not overdue. The current assessment is that no material impact is expected from this change. The Group is to finalize the assessment of the full impact of IFRS 9. The mandatory effective date is January 1, 2018, with early application allowed.

**IFRS 15** Revenue from Contracts with Customers. The standard establishes a new framework for revenue recognition and introduces a five-step model to be applied to all contracts with customers in order to establish when and how to recognize revenue. The standard is not expected to have any material impact on revenue recognition for Electrolux type of business which mainly consists of sales of products. Revenue will in practice be recognized at the same moment in time as with current rules but based on a new principal model. Findings so far indicate changes in the timing of revenue recognition for a limited number of service contracts like extended warranty and licensing of brand names as well as reclassification effects between net sales and operating cost lines in the income statement. The Group is finalizing the assessment of the full impact of IFRS 15. The mandatory effective date is January 1, 2018, with early application allowed.

**IFRS 16** Leases. The standard 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. The Group is assessing the full impact of IFRS 16. 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 has not yet been endorsed by the EU.

Amendments to the following standards are not expected to have any material impact on the financial statements of Electrolux: IFRS 2 Share-based Payment; IFRS 4 Insurance Contracts; IAS 7 Statement of Cash Flows; IAS 12 Income Taxes; IAS 40 Investment Property; and Annual Improvements 2014-2016.

### 

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

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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 judgment of the management in making assumptions or estimates regarding the effects of matters that are inherently uncertain.

#### 

Non-current assets, including goodwill, are evaluated for impairment yearly or whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impaired asset is written down to its recoverable amount based on the best

information available. Different methods have been used for this evaluation, depending on the availability of information. When available, market value has been used and impairment charges have been recorded when the information indicated that the carrying amount of an asset was not recoverable. In the majority of cases, however, market value has not been available, and the fair value has been estimated by using the discounted cash-flow method based on expected future results. Differences in the estimation of expected future results and the discount rates used could have resulted in different asset valuations. The yearly impairment testing of goodwill and other intangible assets with indefinite useful lives, including sensitivity analyses performed, has not indicated any impairment. See Note 13 on page 113 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 2016 amounted to SEK 18,725m. The carrying amount for goodwill at year-end 2016 amounted to SEK 4,742m.

#### 

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, 2016, Electrolux had a net amount of SEK 5,588m recognized as deferred tax assets in excess of deferred tax liabilities. As of December 31, 2016, the Group had tax loss carry-forwards and other deductible temporary differences of SEK 9,653m, which have not been included in the computation of deferred tax assets.

#### 

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.

#### 

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 2016, trade receivables, net of provisions for doubtful accounts, amounted to SEK 19,408m. The total provision for doubtful accounts at year-end 2016 was SEK 757m.

#### 

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 2016 was 3.13% in average, which was the same rate used to estimate liabilities at the end of 2015. Sensitivities for the main assumptions are presented in Note 22 on page 121.

#### 

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

## Cont. Note 1

are used as a guideline to minimize these uncertainties. The total provision for restructuring at year-end 2016 was SEK 1,667m.

#### 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, 2016, Electrolux had a provision for warranty commitments amounting to SEK 1,812m. 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.

#### 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. A development reserve is reported for the first time 2016 in accordance with new rules in the Swedish Annual Accounts Act. In accordance with the new rules an amount equal to the capitalized own developed intangible assets during 2016 has been transferred from unrestricted equity to the development reserve within restricted equity.

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.

#### Property, plant and equipment and intangible assets

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.

## 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



## Cont. Note 2

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 128m (105). For more information, see Note 18 on page 116.

**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 116.

**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 2016 long-term interest-bearing borrowings with an average interest fixing period of 0.8 (0.8) years, a one percentage point shift in interest rates would impact the Group's interest expenses by approximately SEK +/-56m (79) in 2016. 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, 2016, the Group's capital was SEK 17,738m (15,005). 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 2016, Standard & Poor's upgraded Electrolux from BBB+ with stable outlook to A- with stable outlook. The A-2 short-term corporate credit rating was affirmed as was the short-term Nordic regional scale rating of K-1.

**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 116.

**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. A new edition of the Financial Policy was approved for immediate application in January 2016 and stipulates 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. The hedging rules prevailing in 2015 continued to affect the result for the first half of 2016, as the currency derivatives set up in 2015 were held to maturity.

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 US 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 116.

**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 US 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 +/- 700m (270), as a static calculation. The model assumes the distribution of earnings and costs effective at year-end 2016 and does not include any dynamic effects, such as changes in competitiveness or consumer behavior arising from such changes in exchange rates.

**Sensitivity analysis of major currencies**

Risk	Change	Profit or loss impact 2016	Profit or loss impact 2015
Currency			
AUD/SEK	-10%	-319	-308
GBP/SEK	-10%	-313	-319
CAD/SEK	-10%	-228	-273
BRL/SEK	-10%	-213	-258
CHF/SEK	-10%	-165	-166
CLP/SEK	-10%	-120	-114
THB/SEK	-10%	99	110
CNY/SEK	-10%	244	296
EUR/SEK	-10%	321	241
USD/SEK	-10%	608	1,014

**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

## Cont. Note 2

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 +/- 3,180m (3,120), as a static calculation at year-end 2016. At year-end 2016, as well as year-end 2015, none of the net investments were currency hedged with financial derivatives.

### 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 2016.

### 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 US, Latin America and Europe. For more information, see Note 17 on page 115.

## 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; Small Appliances and Professional Products. The Major Appliances business areas are geographically defined, while the Small Appliances 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 Small Appliances are producing appliances for the consumer market. Products within Major Appliances comprise mainly of refrigerators, freezers, cookers, dryers, washing machines, dishwashers, room air-conditioners and microwave ovens. Small appliances 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	
	2016	2015	2016	2015
Major Appliances Europe, Middle East and Africa	37,844	37,179	2,546	2,167
Major Appliances North America	43,402	43,053	2,671	1,580
Major Appliances Latin America	15,419	18,546	-68	463
Major Appliances Asia/Pacific	9,380	9,229	626	364
Small Appliances	8,183	8,958	238	-63
Professional Products	6,865	6,546	954	862
	<b>121,093</b>	<b>123,511</b>	<b>6,967</b>	<b>5,373</b>
Common Group costs	—	—	-693	-2,632
<b>Total</b>	<b>121,093</b>	<b>123,511</b>	<b>6,274</b>	<b>2,741</b>
Financial items, net	—	—	-693	-640
<b>Income after financial items</b>	<b>—</b>	<b>—</b>	<b>5,581</b>	<b>2,101</b>

Inter-segment sales exist with the following split:

	2016	2015
Major Appliances Europe, Middle East and Africa	1,143	919
Major Appliances North America	841	1,017
Major Appliances Latin America	1	—
Major Appliances Asia/Pacific	296	329
Professional Products	8	6
<b>Eliminations</b>	<b>2,289</b>	<b>2,271</b>

## Cont. Note 3

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,	
	2016	2015	2016	2015	2016	2015
Major Appliances Europe, Middle East and Africa	21,573	21,746	20,713	19,326	860	2,420
Major Appliances North America	15,163	16,601	12,463	11,747	2,700	4,854
Major Appliances Latin America	12,364	11,692	6,148	5,893	6,216	5,799
Major Appliances Asia/Pacific	5,688	5,422	3,846	3,822	1,842	1,600
Small Appliances	4,181	4,551	3,385	3,251	796	1,300
Professional Products	3,399	3,070	2,556	2,188	843	882
Other <sup>1)</sup>	9,124	8,793	4,283	4,236	4,841	4,557
	<b>71,492</b>	<b>71,875</b>	<b>53,394</b>	<b>50,463</b>	<b>18,098</b>	<b>21,412</b>
Liquid funds	14,011	11,199	—	—	—	—
Total borrowings	—	—	10,202	13,097	—	—
Pension assets and liabilities	345	397	4,514	4,906	—	—
Equity	—	—	17,738	15,005	—	—
<b>Total</b>	<b>85,848</b>	<b>83,471</b>	<b>85,848</b>	<b>83,471</b>	<b>—</b>	<b>—</b>

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

	Depreciation and amortization		Capital expenditure		Cash flow <sup>1)</sup>	
	2016	2015	2016	2015	2016	2015
Major Appliances Europe, Middle East and Africa	1,343	1,474	1,402	1,163	2,936	4,249
Major Appliances North America	1,136	1,046	673	913	4,980	3,325
Major Appliances Latin America	607	560	600	736	263	198
Major Appliances Asia/Pacific	295	271	271	340	665	862
Small Appliances	206	257	171	181	521	-38
Professional Products	112	111	124	99	1,061	977
Other <sup>2)</sup>	235	216	149	208	-1,110	-2,919
Financial items	—	—	—	—	-514	-513
Taxes paid	—	—	—	—	-1,194	-1,277
<b>Total</b>	<b>3,934</b>	<b>3,935</b>	<b>3,390</b>	<b>3,640</b>	<b>7,608</b>	<b>4,864</b>

<sup>1)</sup> Cash flow from operations and investments.

<sup>2)</sup> Includes Group functions.

## Geographical information

	Net sales <sup>1)</sup>	
	2016	2015
USA	41,821	41,654
Brazil	9,988	11,941
Germany	6,516	6,512
Sweden (country of domicile)	5,294	4,426
Australia	4,858	4,734
France	4,141	4,031
United Kingdom	4,121	4,177
Canada	3,910	4,313
Italy	3,822	3,642
Switzerland	3,203	4,343
Other	33,419	33,738
<b>Total</b>	<b>121,093</b>	<b>123,511</b>

<sup>1)</sup> 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 1,457m (1,462). Tangible and non-tangible fixed assets located in all other countries amounted to SEK 25,123m (25,590). Individually, material countries in this aspect are Italy with SEK 2,980m (2,884), USA with SEK 5,838m (5,884) and Brazil with SEK 2,145m (1,675), respectively.

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

## 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 1,621m (1,607). The Group's net sales in Sweden amounted to SEK 5,294m (4,426). Exports from Sweden during the year amounted to SEK 30,312m (31,156), of which SEK 27,363m (27,518) 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 48,617m (51,982) and sourced products amounting to SEK 16,628m (17,289). The depreciation and amortization charge for the year amounted to SEK 3,934m (3,936). Costs for research and development amounted to SEK 3,098m (2,851).

Government grants relating to expenses have been deducted in the related expenses by SEK 98m (99). 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 2016, amounted to SEK 1,049m (1,039).

The Group's operating income includes net exchange-rate differences in the amount of SEK 32m (-708). The Group's Swedish factories accounted for 1.7% (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	
	2016	2015	2016	2015
Gain on sale of property, plant and equipment	41	67	—	—
Gain on sale of operations	164	—	—	—
Other	13	—	—	—
<b>Total</b>	<b>218</b>	<b>67</b>	<b>—</b>	<b>—</b>

## Note 6 Other operating expenses

	Group		Parent Company	
	2016	2015	2016	2015
Loss on sale of property, plant and equipment	-56	-37	—	-1
Loss on sale of operations and shares	—	—	-37	-8
Impairment	—	—	-2,342	-510
Terminated acquisition	—	-2,059	—	—
Other	-141	-90	—	—
<b>Total</b>	<b>-197</b>	<b>-2,186</b>	<b>-2,379</b>	<b>-519</b>

## Note 7 Material profit or loss items in operating income

	Group	
	2016	2015
<b>Material profit or loss items by item</b>		
Terminated acquisition of GE Appliances	—	-2,059
Cost saving program Small Appliances	—	-190
<b>Total</b>	<b>—</b>	<b>-2,249</b>

### Material profit or loss items by function in the income statement

	Group	
	2016	2015
Cost of goods sold	—	-130
Selling expenses	—	-37
Administrative expenses	—	-23
Other operating income and other operating expenses	—	-2,059
<b>Total</b>	<b>—</b>	<b>-2,249</b>

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 December 2015, Small Appliances operations announced and recognized a cost saving program. During 2015, costs were incurred in connection with the intention to acquire GE Appliances. The agreement was terminated by GE in December 2015.

## 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
2017	1,076
2018–2021	2,625
2022–	526
<b>Total</b>	<b>4,227</b>

Expenses in 2016 for rental payments (minimum leasing fees) amounted to SEK 1,191m (869). Among the Group's operating leases there are neither material contingent expenses, nor restrictions.

## Note 9 Financial income and financial expenses

	Group		Parent Company	
	2016	2015	2016	2015
<b>Financial income</b>				
Interest income				
from subsidiaries	–	–	465	421
from others	109	123	51	37
Dividends from subsidiaries	–	–	3,511	3,346
Other financial income	–	–	10	26
<b>Total financial income</b>	<b>109</b>	<b>123</b>	<b>4,037</b>	<b>3,830</b>
<b>Financial expenses</b>				
Interest expenses				
to subsidiaries	–	–	–52	–80
to others	–314	–357	–239	–247
Exchange-rate differences, net	–224	–2	324	–134
Pension interest expenses, net	–116	–123	–	–
Other financial expenses	–148	–281	–119	–241
<b>Total financial expenses</b>	<b>–802</b>	<b>–763</b>	<b>–86</b>	<b>–702</b>

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 116.

## Note 10 Taxes

	Group		Parent Company	
	2016	2015	2016	2015
Current taxes	–995	–1,252	–101	–53
Deferred taxes	–93	719	–926	156
<b>Taxes included in income for the period</b>	<b>–1,088</b>	<b>–533</b>	<b>–1,027</b>	<b>103</b>
Taxes related to OCI	24	–85	–1	–1
<b>Taxes included in total comprehensive income</b>	<b>–1,064</b>	<b>–618</b>	<b>–1,028</b>	<b>102</b>

Deferred taxes in 2016 include an effect of SEK –28m (10) due to changes in tax rates. The consolidated accounts include deferred tax liabilities of SEK 87m (99) related to untaxed reserves in the Parent Company.

### Theoretical and actual tax rates

%	2016	2015
Theoretical tax rate	28.4	28.9
Non-taxable/non-deductible income statement items, net	–0.2	3.0
Non-recognized tax losses carried forward	0.7	7.3
Utilized non-recognized tax losses carried forward	–1.8	–3.5
Deferred taxes	–9.8	–17.3
Withholding tax	2.9	3.7
Other	–0.7	3.3
<b>Actual tax rate</b>	<b>19.5</b>	<b>25.4</b>

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, 2016, the Group had tax loss carry-forwards and other deductible temporary differences of SEK 9,653m (10,868), 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, 2016
2017	126
2018	187
2019	229
2020	182
2021	15
2022–	3,162
Without time limit	5,752
<b>Total</b>	<b>9,653</b>



## 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 depreciation	Provision for pension	Provision for restructuring	Other provisions	Inventories	Recognized unused tax losses	Accrued expenses and prepaid income	Other	Total deferred tax assets and liabilities	Set-off tax	Net deferred tax assets and liabilities
<b>Opening balance, January 1, 2015</b>	<b>-221</b>	<b>1,280</b>	<b>573</b>	<b>1,077</b>	<b>-247</b>	<b>955</b>	<b>507</b>	<b>740</b>	<b>4,664</b>	<b>-</b>	<b>4,664</b>
Recognized in total comprehensive income	-53	-79	-74	172	8	225	72	334	605	-	605
Exchange-rate differences	-21	28	-28	-49	-33	79	10	-11	-25	-	-25
<b>Closing balance, December 31, 2015</b>	<b>-295</b>	<b>1,229</b>	<b>471</b>	<b>1,200</b>	<b>-272</b>	<b>1,259</b>	<b>589</b>	<b>1,063</b>	<b>5,244</b>	<b>-</b>	<b>5,244</b>
Of which deferred tax assets	338	1,233	471	1,343	220	1,259	614	1,512	6,990	-1,101	5,889
Of which deferred tax liabilities	-633	-4	-	-143	-492	-	-25	-449	-1,746	1,101	-645
<b>Opening balance, January 1, 2016</b>	<b>-295</b>	<b>1,229</b>	<b>471</b>	<b>1,200</b>	<b>-272</b>	<b>1,259</b>	<b>589</b>	<b>1,063</b>	<b>5,244</b>	<b>-</b>	<b>5,244</b>
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
<b>Closing balance, December 31, 2016</b>	<b>-515</b>	<b>1,423</b>	<b>398</b>	<b>1,445</b>	<b>-156</b>	<b>1,005</b>	<b>635</b>	<b>1,353</b>	<b>5,588</b>	<b>-</b>	<b>5,588</b>
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

Other deferred tax assets include tax credits related to the production of energy-efficient appliances amounting to SEK 895m (499) and to foreign tax credits in US of SEK 248m (506).

## Note 11 Other comprehensive income

	Group	
	2016	2015
<b>Items that will not be reclassified to income for the period:</b>		
<b>Remeasurement of provisions for post-employment benefits</b>		
Opening balance, January 1	-148	-377
Gain/loss taken to other comprehensive income	-236	343
Income tax relating to items that will not be reclassified	44	-114
<b>Closing balance, December 31</b>	<b>-340</b>	<b>-148</b>
<b>Items that may be reclassified subsequently to income for the period:</b>		
<b>Available-for-sale instruments</b>		
Opening balance, January 1	-43	-4
Gain/loss taken to other comprehensive income	-18	-39
Transferred to profit and loss	61	-
<b>Closing balance, December 31</b>	<b>0</b>	<b>-43</b>
<b>Cash flow hedges</b>		
Opening balance, January 1	-19	9
Gain/loss taken to other comprehensive income	-101	-19
Transferred to profit and loss on sale	19	-9
<b>Closing balance, December 31</b>	<b>-101</b>	<b>-19</b>
<b>Exchange differences on translation of foreign operations</b>		
Opening balance, January 1	-1,600	-146
Translation differences	328	-1,454
<b>Closing balance, December 31</b>	<b>-1,272</b>	<b>-1,600</b>
Income tax relating to items that may be reclassified	-20	29
<b>Other comprehensive income, net of tax</b>	<b>77</b>	<b>-1,263</b>

Income taxes related to items of other comprehensive income were SEK 44m (-114) for remeasurement of provisions for post-employment benefits and SEK -20m (29) for financial instruments for cash flow hedging.

## Note 12 Property, plant and equipment

Group	Land and land improvements	Buildings	Machinery and technical installations	Other equipment	Plants under construction and advances	Total
<b>Acquisition costs</b>						
Opening balance, January 1, 2015	1,350	9,533	35,121	2,152	4,011	52,167
Acquired during the year	12	137	800	153	1,924	3,026
Acquisition of operations	—	—	3	2	—	5
Transfer of work in progress and advances	104	214	2,296	283	-2,897	—
Sales, scrapping, etc.	-38	-279	-2,045	-92	—	-2,454
Exchange-rate differences	-21	-210	-715	-80	39	-987
Closing balance, December 31, 2015	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
<b>Accumulated depreciation</b>						
Opening balance, January 1, 2015	198	4,220	26,785	1,593	437	33,233
Depreciation for the year	27	315	2,396	223	—	2,961
Transfer of work in progress and advances	2	-114	-24	116	20	—
Sales, scrapping, etc.	-34	-276	-1,967	64	-169	-2,382
Impairment	—	—	48	1	—	49
Exchange-rate differences	6	-88	-429	-60	17	-554
Closing balance, December 31, 2015	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
Net carrying amount, December 31, 2015	1,208	5,338	8,651	481	2,772	18,450
Net carrying amount, December 31, 2016	1,194	5,493	9,858	508	1,672	18,725

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 2016 was SEK 13m (0) on buildings and land, and SEK 20m (49) on machinery and other equipment and SEK 96m (0) 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
<b>Acquisition costs</b>						
Opening balance, January 1, 2015	4	57	695	393	37	1,186
Acquired during the year	—	—	20	179	13	212
Transfer of work in progress and advances	—	—	11	5	-16	0
Sales, scrapping, discontinued operations etc.	—	—	-4	-178	—	-182
Exchange-rate differences	—	—	-2	-2	—	-4
Closing balance, December 31, 2015	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, etc.	—	—	—	-19	—	-19
Exchange-rate differences	—	—	2	2	—	4
Closing balance, December 31, 2016	4	57	729	392	49	1,231
<b>Accumulated depreciation</b>						
Opening balance, January 1, 2015	4	56	657	323	—	1,040
Depreciation for the year	—	1	36	23	—	60
Sales, scrapping, discontinued operations etc.	—	—	-3	-6	—	-9
Exchange-rate differences	—	—	-1	-1	—	-2
Closing balance, December 31, 2015	4	57	689	339	—	1,089
Depreciation for the year	—	—	35	16	—	51
Sales, scrapping, etc.	—	—	—	-19	—	-19
Exchange-rate differences	—	—	1	1	—	2
Closing balance, December 31, 2016	4	57	725	337	—	1,123
Net carrying amount, December 31, 2015	—	—	31	58	34	123
Net carrying amount, December 31, 2016	—	—	4	55	49	108

## 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 expenses

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.

### Computer software

Acquired computer software licenses 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 with the exception for the development costs of the Group's common business system, which amortization is based on the usage and go-live dates of the entities and continues over useful life. The applied principle gives an amortization period of approximately 10 years for the system.

### 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 114. 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, 2016, had a total carrying value of SEK 4,742m. The allocation, for impairment-testing purposes, on cash-generating units of the significant amounts is shown in the table below. The carrying value of the goodwill in Major Appliances Europe, Middle East and Africa was negatively affected by the devaluation of the Egyptian pound in 2016.

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 three periods. The forecast for the last quarter of the current year is period one. The annual plan for the upcoming year is period two. The third period is calculated by using the growth rates determined on an individual cash-generating unit and applied to the annual plan for period two. The forecasts are approved by Group Management. 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 third period is used as the base for the fourth period and onwards in perpetuity. The discount rates used are, among other things, based on the individual countries' inflation, interest rates and country risk. Since the impairment test in 2015 a couple of procedures have been changed. The weighting of the pre-tax discount rates has changed from share of net assets to share of net sales. The weighting of cost of capital less growth is now individually assigned to each cash-generating unit. The pre-tax discount rates used in 2016 were for the main part within a range of 7.3 (7.1) to 15.3 (15.9) %. For the calculation of the in-perpetuity value, Gordon's growth model is used. According to Gordon's model, the terminal value of a growing cash flow is calculated as the starting cash flow divided by cost of capital less the growth rate. Cost of capital less growth is within the range of 2.7 to 8.7 %.

Sensitivity analyses have been carried out based on a reduction of the operating margin by 0.5 percentage points (equivalent to a reduction in budgeted operating income of approximately 10 percent) 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

	2016			2015		
	Goodwill	Electrolux trademark	Discount rate, %	Goodwill	Electrolux trademark	Discount rate, %
Major Appliances Europe, Middle East and Africa	1,089	—	9.8	1,883	—	15.9
Major Appliances North America	498	410	7.3	462	410	7.1
Major Appliances Latin America	1,186	—	15.3	1,124	—	14.5
Major Appliances Asia/Pacific	1,563	—	10.1	1,360	—	8.2
Other	406	—	9-9.4	371	—	9.8-11.1
<b>Total</b>	<b>4,742</b>	<b>410</b>		<b>5,200</b>	<b>410</b>	

**Goodwill and other intangible assets**

	Goodwill	Group Other intangible assets				Parent Company Trademarks, computer software, etc.
		Product develop- ment	Computer software	Other	Total other intangible assets	
Acquisition costs						
Opening balance, January 1, 2015	5,350	3,162	3,362	2,119	8,643	2,555
Acquired during the year	—	—	240	57	297	64
Acquisition of operations	140	—	—	-26	-26	—
Internally developed	—	359	14	—	373	195
Reclassification	—	—	-1	1	—	—
Fully amortized	—	-326	-38	-157	-521	—
Write-off	—	-16	-13	-1	-30	—
Exchange-rate differences	-290	-171	1	-121	-291	-7
Closing balance, December 31, 2015	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
Accumulated amortization						
Opening balance, January 1, 2015	—	2,065	1,890	810	4,765	1,414
Amortization for the year	—	349	467	159	975	271
Fully amortized	—	-326	-38	-157	-521	—
Write-off	—	7	—	—	7	—
Exchange-rate differences	—	-116	-3	-63	-182	-2
Closing balance, December 31, 2015	—	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
Carrying amount, December 31, 2015	5,200	1,029	1,249	1,123	3,401	1,124
Carrying amount, December 31, 2016	4,742	953	1,154	1,005	3,112	1,246

Included in the item Other are trademarks of SEK 553m (570) and customer relationships etc. amounting to SEK 452m (553). Amortization of intangible assets is included within Cost of goods sold with SEK 431m (410), Administrative expenses with SEK 343m (401) and Selling expenses with SEK 151m (164) in the income statement. Electrolux did not capitalize any borrowing costs during 2016 or 2015.

## Note 14 Other non-current assets

	Group December 31,		Parent Company December 31,	
	2016	2015	2016	2015
Shares in subsidiaries	—	—	28,396	27,853
Participations in other companies	—	—	327	339
Long-term receivables in subsidiaries	—	—	3,559	4,465
Other receivables	400	858	13	13
<b>Total</b>	<b>400</b>	<b>858</b>	<b>32,295</b>	<b>32,670</b>

## Note 15 Inventories

	Group December 31,		Parent Company December 31,	
	2016	2015	2016	2015
Raw materials	3,276	3,438	19	20
Products in progress	257	303	1	1
Finished products	9,874	10,417	2,574	2,454
Advances to suppliers	11	21	—	—
<b>Total</b>	<b>13,418</b>	<b>14,179</b>	<b>2,594</b>	<b>2,475</b>

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

The cost of inventories recognized as expense and included in Cost of goods sold amounted to SEK 83,463m (86,589) for the Group.

Write-downs due to obsolescence amounted to SEK 390m and reversals of previous write-downs amounted to SEK 349m 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,	
	2016	2015
Miscellaneous short-term receivables	3,199	3,697
Provisions for doubtful accounts	-28	-49
Prepaid expenses and accrued income	1,147	1,274
Prepaid interest expenses and accrued interest income	250	254
<b>Total</b>	<b>4,568</b>	<b>5,176</b>

Miscellaneous short-term receivables include VAT and other items.

## Note 17 Trade receivables

	2016	2015
Trade receivables	20,165	18,245
Provisions for impairment of receivables	-757	-500
<b>Trade receivables, net</b>	<b>19,408</b>	<b>17,745</b>
Provisions in relation to trade receivables, %	3.8	2.7

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

	2016	2015
<b>Provisions, January 1</b>	<b>-500</b>	<b>-619</b>
Acquisition of operations	—	-2
New provisions	-345	-78
Actual credit losses	110	164
Exchange-rate differences and other changes	-22	35
<b>Provisions, December 31</b>	<b>-757</b>	<b>-500</b>

The fair value of trade receivables equals their carrying amount as the impact of discounting is not significant. Electrolux has a significant credit exposure on a number of major customers, primarily in the US, Latin America and Europe. Receivables concentrated to customers with credit limits amounting to SEK 300m or more represent 32.0% (29.0) of the total trade receivables. The creation and usage of provisions for impaired receivables have been included in selling expenses in the income statement. The increase in new provision is mainly related to the increased credit risk within the private label business.

### Timing analysis of trade receivables past due

	2016	2015
Trade receivables not overdue	19,227	16,865
Less than 2 months overdue	150	636
2-6 months overdue	31	244
6-12 months overdue	—	—
More than 1 year overdue	—	—
Total trade receivables past due but not impaired	181	880
Impaired trade receivables	757	500
<b>Total trade receivables</b>	<b>20,165</b>	<b>18,245</b>
Past due, including impaired, in relation to trade receivables, %	4.7	7.6



## 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 2016, the Group's financial net debt amounted to SEK -3,809m (1,898). The table below presents how the Group calculates net debt and what it consists of.

#### Net debt

	December 31,	
	2016	2015
Short-term loans	1,074	1,498
Short-term part of long-term loans	499	2,677
Trade receivables with recourse	234	328
<b>Short-term borrowings</b>	<b>1,807</b>	<b>4,503</b>
Financial derivative liabilities	419	215
Accrued interest expenses and prepaid interest income	24	55
<b>Total short-term borrowings</b>	<b>2,250</b>	<b>4,773</b>
<b>Long-term borrowings</b>	<b>7,952</b>	<b>8,323</b>
<b>Total borrowings</b>	<b>10,202</b>	<b>13,096</b>
Cash and cash equivalents	12,756	10,696
Short-term investments	905	108
Financial derivative assets	100	141
Prepaid interest expenses and accrued interest income	250	254
<b>Liquid funds</b>	<b>14,011</b>	<b>11,199</b>
<b>Financial net debt</b>	<b>-3,809</b>	<b>1,898</b>
Net provision for post-employment benefits	4,169	4,509
<b>Net debt</b>	<b>360</b>	<b>6,407</b>
Revolving credit facility (EUR 1,000m, USD 150m) <sup>1)</sup>	10,912	10,517

<sup>1)</sup> The facilities are not included in net borrowings, but can be used for short-term and long-term funding.

### Liquid funds

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

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

#### Liquidity profile

	December 31,	
	2016	2015
Cash and cash equivalents	12,756	10,696
Short-term investments	905	108
Financial derivative assets	100	141
Prepaid interest expenses and accrued interest income	250	254
<b>Liquid funds</b>	<b>14,011</b>	<b>11,199</b>
% of annualized net sales <sup>1)</sup>	19.5	17.5
<b>Net liquidity</b>	<b>11,761</b>	<b>6,425</b>
Fixed interest term, days	22	9
Effective yield, % (average per annum)	0.9	1.4

<sup>1)</sup> Liquid funds plus unused revolving credit facilities of EUR 1,000m and USD 150m divided by annualized net sales.

For 2016, liquid funds, including unused revolving credit facilities of EUR 1,000m and USD 150m, amounted to 19.5% (17.5) 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 2016, SEK 2,669m of long-term borrowings matured or were amortized. These maturities were not refinanced.

At year-end 2016, the Group's total interest-bearing liabilities amounted to SEK 9,525m (12,498), of which SEK 8,451m (11,000) referred to long-term borrowings including maturities within 12 months. Long-term borrowings with maturities within 12 months amounted to SEK 499m (2,677). 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 7,988m (10,520), is taken up at the parent company level. Electrolux also has an unused committed multicurrency revolving credit facility of EUR 1,000m maturing 2021 and an unused bilateral credit facility of USD 150m maturing 2017. These facilities can be used as either long-term or short-term back-up facilities. 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 2016, the average interest-fixing period for long-term borrowings was 0.8 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 2.0% (2.7) at year end.

The fair value of the interest-bearing borrowings was SEK 9,603m.

## Cont. Note 18

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

**Borrowings**

					Carrying amount, December 31,	
Issue/maturity date	Description of loan	Interest rate, %	Currency	Nominal value (in currency)	2016	2015
<b>Bond loans<sup>1)</sup></b>						
2012-2017	Euro MTN Program	2.625	SEK	100	—	100
2012-2017	Euro MTN Program	Floating	SEK	400	—	400
2012-2018	Euro MTN Program	2.910	SEK	270	270	270
2012-2018	Euro MTN Program	Floating	SEK	730	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	600
2013-2018	Euro MTN Program	2.875	SEK	400	399	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	952	918
<b>Total bond loans</b>					<b>4,951</b>	<b>5,417</b>
<b>Other long-term loans<sup>1)</sup></b>						
1996-2036	Fixed rate loans in Germany	7.870	EUR	39	369	355
2013-2021	Long-term bank loans in Sweden	Floating	SEK	1,000	1,000	1,000
2015-2021	Long-term bank loans in Sweden	Floating	USD	170	1,537	1,426
Other long-term loans					95	125
<b>Total other long-term loans</b>					<b>3,001</b>	<b>2,906</b>
<b>Long-term borrowings</b>					<b>7,952</b>	<b>8,323</b>
<b>Short-term part of long-term loans<sup>2)</sup></b>						
2008-2016	Euro MTN Program	Floating	USD	100	—	841
2011-2016	Euro MTN Program	Floating	SEK	769	—	769
2011-2016	Euro MTN Program	4.500	SEK	1,067	—	1,067
2012-2017	Euro MTN Program	2.625	SEK	100	99	—
2012-2017	Euro MTN Program	Floating	SEK	400	400	—
<b>Total short-term part of long-term loans</b>					<b>499</b>	<b>2,677</b>
<b>Other short-term loans</b>						
	Short-term bank loans in Egypt	Floating	EGP	335	187	359
	Short-term bank loans in Brazil	Floating	BRR	234	396	503
	Other bank borrowings and commercial papers				491	636
<b>Total other short-term loans</b>					<b>1,074</b>	<b>1,498</b>
<b>Trade receivables with recourse</b>					<b>234</b>	<b>328</b>
<b>Short-term borrowings</b>					<b>1,807</b>	<b>4,503</b>
<b>Fair value of derivative liabilities</b>					<b>419</b>	<b>215</b>
<b>Accrued interest expenses and prepaid interest income</b>					<b>24</b>	<b>55</b>
<b>Total borrowings</b>					<b>10,202</b>	<b>13,096</b>

<sup>1)</sup> The interest-rate fixing profile of the borrowings has been adjusted with interest-rate swaps.

<sup>2)</sup> Long-term borrowings with maturities within 12 months are classified as short-term borrowings in the Group's balance sheet.

Short-term borrowings pertain mainly to countries with capital restrictions. The average maturity of the Group's long-term borrowings including long-term borrowings with maturities within 12 months was 2.7 years (2.8), at the end of 2016. The table below presents the repayment schedule of long-term borrowings.

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

	2017	2018	2019	2020	2021	2022—	Total
Debenture and bond loans	—	1,999	1,952	1,000	—	—	4,951
Bank and other loans	—	326	308	308	1,690	369	3,001
Short-term part of long-term loans	499	—	—	—	—	—	499
<b>Total</b>	<b>499</b>	<b>2,325</b>	<b>2,260</b>	<b>1,308</b>	<b>1,690</b>	<b>369</b>	<b>8,451</b>

## Cont. Note 18

**Other interest-bearing investments**

Interest-bearing receivables from customer financing amounting to SEK 0m (98) 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 2017 and hedges at year-end 2016.

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 2016 amounted to SEK -241m (192). At year-end 2016, the unrealized fair value of forward contracts for hedging of forecasted transaction flows amounted to SEK 87m (-18).

**Forecasted transaction flows and hedges**

	AUD	BRL	CAD	CHF	CLP	CNY	EUR	GBP	THB	USD	Other	Total
Inflow of currency, long position	2,829	1,895	2,036	1,557	1,179	244	6,357	3,247	1,067	5,136	10,457	36,006
Outflow of currency, short position	-112	—	—	—	—	-2,981	-10,825	—	-2,210	-13,111	-6,766	-36,006
Gross transaction flow	2,717	1,895	2,036	1,557	1,179	-2,737	-4,468	3,247	-1,143	-7,975	3,691	—

**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	-3,398	-2,481	-3,083	-369	-9,331
Net settled derivatives	—	—	—	—	—
Gross settled derivatives	-234	1	—	—	-233
whereof outflow	-27,421	-89	—	—	-27,510
whereof inflow	27,187	90	—	—	27,277
Accounts payable	-28,283	—	—	—	-28,283
Financial guarantees	-1,167	—	—	—	-1,167
<b>Total</b>	<b>-33,082</b>	<b>-2,480</b>	<b>-3,083</b>	<b>-369</b>	<b>-39,014</b>

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

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

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

	2016				2015			
	Gain/loss in profit and loss	Gain/loss in OCI	Income	Expense	Gain/loss in profit and loss	Gain/loss in OCI	Income	Expense
<b>Recognized in operating income</b>								
Financial assets and liabilities at fair value through profit and loss	-241	—	—	—	192	—	—	—
Loans and receivables	-348	—	—	—	-516	—	—	—
<b>Total net gain/loss, income and expense</b>	<b>-589</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>-324</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Recognized in financial items</b>								
Financial assets and liabilities at fair value through profit and loss	186	-82	11	—	-273	-28	—	5
Loans and receivables	-206	—	119	—	222	—	89	—
Available-for-sale financial assets	-56	42	—	—	—	-39	—	—
Other financial liabilities	-120	—	—	-587	-1	—	—	-654
<b>Total net gain/loss, income and expense</b>	<b>-196</b>	<b>-40</b>	<b>130</b>	<b>-587</b>	<b>-52</b>	<b>-67</b>	<b>89</b>	<b>-649</b>

Cont. Note 18

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

	2016 <sup>1)</sup>	2015 <sup>1)</sup>
	Carrying amount	Carrying amount
<b>Financial assets</b>		
<b>Financial assets</b>	<b>288</b>	<b>284</b>
Financial assets at fair value through profit and loss	165	147
Available-for-sale	123	137
<b>Trade receivables</b>	<b>19,408</b>	<b>17,745</b>
Loans and receivables	19,408	17,745
<b>Derivatives</b>	<b>103</b>	<b>149</b>
<b>Short-term investments</b>	<b>905</b>	<b>108</b>
Financial assets at fair value through profit and loss	904	105
Loans and receivables	1	3
<b>Cash and cash equivalents</b>	<b>12,756</b>	<b>10,696</b>
Financial assets at fair value through profit and loss	5,468	3,237
Loans and receivables	1,368	1,011
Cash	5,920	6,448
<b>Total financial assets</b>	<b>33,460</b>	<b>28,982</b>
<b>Financial liabilities</b>		
<b>Long-term borrowings</b>	<b>7,952</b>	<b>8,323</b>
Financial liabilities measured at amortized cost	7,952	8,323
Financial liabilities measured at amortized cost for which fair value hedge accounting is applied	—	—
<b>Accounts payable</b>	<b>28,283</b>	<b>26,467</b>
Financial liabilities at amortized cost	28,283	26,467
<b>Short-term borrowings</b>	<b>1,573</b>	<b>4,175</b>
Financial liabilities measured at amortized cost	1,573	3,972
Financial liabilities measured at amortized cost for which fair value hedge accounting is applied	—	203
<b>Derivatives</b>	<b>432</b>	<b>222</b>
<b>Total financial liabilities</b>	<b>38,240</b>	<b>39,187</b>

<sup>1)</sup> Carrying amount equals fair value except for long and short-term borrowings where the fair value is SEK 78m (138), respectively SEK 0m (47) 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 2016, the fair value for level 1 financial assets was SEK 6,660m (3,626) 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 2016, the fair value for level 2 financial assets was SEK 103m (148) and for the total financial liabilities SEK 432 (220).

Level 3: Inputs for the assets or liabilities that are not entirely based on observable market data. 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,	
	2016	2015	2016	2015
Real-estate mortgages	—	21	—	—
Other	6	6	—	—
<b>Total</b>	<b>6</b>	<b>27</b>	<b>—</b>	<b>—</b>

## 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, 2016, 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
<b>Share capital, December 31, 2015</b>	
8,192,539 Class A shares, quota value SEK 5	41
300,727,769 Class B shares, quota value SEK 5	1,504
<b>Total</b>	<b>1,545</b>
<b>Share capital, December 31, 2016</b>	
8,192,539 Class A shares, quota value SEK 5	41
300,727,769 Class B shares, quota value SEK 5	1,504
<b>Total</b>	<b>1,545</b>

### Number of shares

	Owned by Electrolux	Owned by other share- holders	Total
<b>Shares, December 31, 2015</b>			
Class A shares	—	8,192,539	8,192,539
Class B shares	21,522,858	279,204,911	300,727,769
<b>Conversion of Class A shares into Class B shares</b>			
Class A shares	—	—	—
Class B shares	—	—	—
<b>Sold shares</b>			
Class A shares	—	—	—
Class B shares	—	—	—
<b>Shares, December 31, 2016</b>			
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: Cash-flow 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

	2016	2015
Income for the period attributable to equity holders of the Parent Company	4,494	1,566
<b>Earnings per share</b>		
Basic, SEK	15.64	5.45
Diluted, SEK	15.55	5.42
<b>Average number of shares, million</b>		
Basic	287.4	287.1
Diluted	289.0	288.9

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 (287,148,906) and the average number of diluted shares has been 288,991,920 (288,873,593).

### Proposed distribution of earnings

The Board of Directors proposes that income for the period and retained earnings, totaling SEK 15,581,866 thousand, is to be distributed through dividend to the shareholders of SEK 7.50 per share, totaling SEK 2,155,481 thousand, and to be carried forward SEK 13,426,385 thousand.

## Note 21 Untaxed reserves, Parent Company

	December 31, 2016	Appropriations	December 31, 2015
<b>Accumulated depreciation in excess of plan</b>			
Brands	315	19	296
Licenses	47	-25	72
Machinery and equipment	1	-7	8
Buildings	—	—	—
Other	33	-41	74
<b>Total</b>	<b>396</b>	<b>-54</b>	<b>450</b>
Group contributions		-3,244	
<b>Total appropriations</b>		<b>-3,298</b>	



## Note 22 Post-employment benefits

### Post-employment benefits

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

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

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

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 US has been significantly reduced over the years through plan consolidation. The major plan covers 90% of the total obligation in the US. This plan is based on final salary and closed for new entrants. 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 US. 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.

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

**Information by country December, 31, 2016**

	USA	USA Medical	UK	Sweden	Germany	Switzerland	Other	Total
<b>Amounts included in the balance sheet</b>								
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
<b>Amounts included in the income statement</b>								
Service cost <sup>1)</sup>	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
<b>Amounts included in the cash-flow statement</b>								
Contributions by the employer	—	-38	-58	—	-568	-35	-14	-713
Reimbursement	—	—	—	—	—	—	—	—
Benefits paid by the employer	-18	—	—	-112	-147	—	-37	-314
<b>Major assumptions for the valuation of the liability</b>								
Longevity, years <sup>2)</sup>								
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, % <sup>3)</sup>	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

**Information by country December, 31, 2015**

	USA	USA Medical	UK	Sweden	Germany	Switzerland	Other	Total
<b>Amounts included in the balance sheet</b>								
Present value of funded and unfunded obligations	9,075	2,087	6,644	3,110	3,573	3,112	1,068	28,669
Fair value of plan assets (after change in asset ceiling)	-8,078	-1,787	-6,204	-2,565	-2,342	-2,884	-300	-24,160
Total (surplus)/deficit	997	300	440	545	1,231	228	768	4,509
Whereof reported as								
Pension plan assets	—	—	—	—	—	—	—	397
Provisions for post-employment benefit plans	—	—	—	—	—	—	—	4,906
Total funding level for all pension plans, %	89	86	93	82	66	93	28	84
Average duration of the obligation, years	10.5	10.6	16.4	15.8	14.6	12.7	—	13.3
<b>Amounts included in the income statement</b>								
Service cost <sup>4)</sup>	66	—	-48	168	20	54	12	272
Net interest cost	35	14	14	20	26	1	13	123
Remeasurements (gain)/loss	-24	-31	128	-572	109	59	-12	-343
Total expense (gain) for defined benefit plans	77	-17	94	-384	155	114	13	52
Expenses for defined contribution plans								496
<b>Amounts included in the cash-flow statement</b>								
Contributions by the employer	—	-37	-24	—	-1	-39	-13	-114
Reimbursement	—	—	—	81	—	—	—	81
Benefits paid by the employer	-15	—	—	-115	-145	—	-48	-323
<b>Major assumptions for the valuation of the liability</b>								
Longevity, years <sup>2)</sup>								
Male	21.2	21.2	22.3	23.0	19.8	21.6	—	21.5
Female	23.4	23.4	24.6	24.8	23.5	24.1	—	24
Inflation, % <sup>3)</sup>	3.0	7.0	3.0	1.5	1.8	1.0	—	2.38
Discount rate, %	4.1	4.1	3.6	2.9	2.0	0.6	—	3.13

<sup>1)</sup> Includes special events amounting to a gain of SEK 75m in the UK.<sup>2)</sup> Expressed as the average life expectancy of a 65 years old person in number of years.<sup>3)</sup> General inflation impacting salary and pensions increase. For USA Medical, the number refers to the inflation of healthcare benefits.<sup>4)</sup> Includes special events amounting to a gain of SEK 78m in various countries.

## Cont. Note 22

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

	2016	2015
<b>Opening balance, January 1</b>	<b>28,669</b>	<b>28,541</b>
Current service cost	278	346
Special events	-75	-74
Interest expense	852	888
Remeasurement arising from changes in financial assumptions	1,296	-143
Remeasurement from changes in demographic assumptions	-218	-56
Remeasurement from experience	-15	-231
Contributions by plan participants	46	50
Benefits paid	-1,564	-1,563
Exchange differences	483	1,092
Settlements and other	-18	-181
<b>Closing balance, December 31</b>	<b>29,734</b>	<b>28,669</b>

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

	2016	2015
<b>Opening balance, January 1</b>	<b>24,160</b>	<b>23,778</b>
Interest income <sup>1)</sup>	736	765
Return on plan assets, excluding amounts included in interest <sup>1)</sup>	824	-71
Effect of asset ceiling	3	-16
Net contribution by employer	1,027	356
Contribution by plan participants	46	50
Benefits paid	-1,564	-1,563
Exchange differences	343	1,041
Settlements and other	-10	-180
<b>Closing balance, December 31</b>	<b>25,565</b>	<b>24,160</b>

<sup>1)</sup> The actual return on plan assets amounts to a gain of SEK 1,560m (694).

**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.

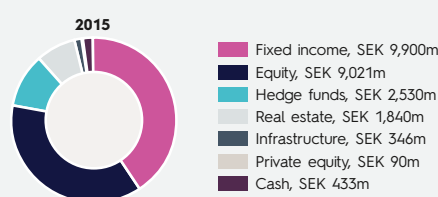
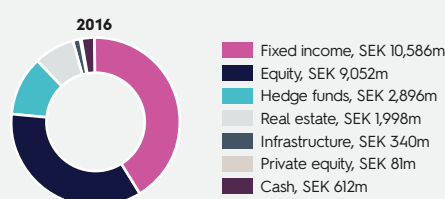
**Sensitivity analysis on defined benefit obligation**

	USA	USA Medical	UK	Sweden	Germany	Switzerland	Other	Total
Longevity +1 year	318	123	281	110	132	127	9	1,100
Inflation +0.5% <sup>1)</sup>	44	118	167	295	252	36	42	954
Discount rate +1%	-919	-205	-947	-482	-492	-420	-103	-3,568
Discount rate -1%	1,072	236	1,223	624	625	485	121	4,386

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

In 2017, the Group expects to pay a total of SEK 365m in contributions to the pension funds and as payments of benefits directly to the employees.

## MARKET VALUE OF PLAN ASSETS BY CATEGORY



Market value of plan assets without quoted prices	December 31,	
	2016	2015
Fixed income	83	93
Real estate	1,998	1,840
Infrastructure	340	346
Private equity	81	90

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 2016 4.0% (3.7). 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
<b>Opening balance, January 1, 2015</b>	<b>1,527</b>	<b>429</b>	<b>1,956</b>
Current service cost	49	4	53
Interest cost	57	16	73
Benefits paid	-71	-29	-100
<b>Closing balance, December 31, 2015</b>	<b>1,562</b>	<b>420</b>	<b>1,982</b>
Current service cost	45	26	71
Interest cost	63	17	80
Benefits paid	-73	-23	-96
<b>Closing balance, December 31, 2016</b>	<b>1,597</b>	<b>440</b>	<b>2,037</b>

## Change in fair value of plan assets

	Funded
<b>Opening balance, January 1, 2015</b>	<b>2,128</b>
Actual return on plan assets	54
Contributions and compensation to/from the fund	-68
<b>Closing balance, December 31, 2015</b>	<b>2,114</b>
Actual return on plan assets	181
Contributions and compensation to/from the fund	-
<b>Closing balance, December 31, 2016</b>	<b>2,295</b>

Cont. Note 22

**Amounts recognized in the balance sheet**

	December 31,	
	2016	2015
Present value of pension obligations	-2,037	-1,982
Fair value of plan assets	2,295	2,114
<b>Surplus/deficit</b>	<b>258</b>	<b>132</b>
Limitation on assets in accordance with Swedish accounting principles	-698	-552
<b>Net provisions for pension obligations</b>	<b>-440</b>	<b>-420</b>
Whereof reported as provisions for pensions	-440	-420

**Amounts recognized in the income statement**

	2016	2015
Current service cost	71	53
Interest cost	80	73
<b>Total expenses for defined benefit pension plans</b>	<b>151</b>	<b>126</b>
Insurance premiums	85	87
<b>Total expenses for defined contribution plans</b>	<b>85</b>	<b>87</b>
Special employer's contribution tax	48	28
Cost for credit insurance FPG	2	2
<b>Total pension expenses</b>	<b>286</b>	<b>243</b>
Compensation from the pension fund	—	-68
<b>Total recognized pension expenses</b>	<b>286</b>	<b>175</b>

**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, 2016, to SEK 2,714m (2,501m) and the pension commitments to SEK 1,878m (1,846). The Swedish Group companies recorded a liability to the pension fund as per December 31, 2016, in the amount of SEK 0m (0). Contributions to the pension foundation during 2016 amounted to SEK 0m (0). Contributions from the pension foundation during 2016 amounted to SEK 0m (81).

**Note 23 Other provisions**

	Group					Parent Company			
	Provisions for restructuring	Warranty commitments	Claims	Other	Total	Provisions for restructuring	Warranty commitments	Other	Total
<b>Opening balance, January 1, 2015</b>	<b>2,848</b>	<b>1,601</b>	<b>1,451</b>	<b>2,548</b>	<b>8,448</b>	<b>725</b>	<b>406</b>	<b>64</b>	<b>1,195</b>
Provisions made	106	1,182	509	1,796	3,593	50	281	8	339
Provisions used	-934	-1,099	-412	-1,254	-3,699	-187	-275	-25	-487
Unused amounts reversed	-6	-22	—	-170	-198	—	—	-1	-1
Exchange-rate differences	-46	-39	87	-89	-87	-16	-5	—	-21
<b>Closing balance, December 31, 2015</b>	<b>1,968</b>	<b>1,623</b>	<b>1,635</b>	<b>2,831</b>	<b>8,057</b>	<b>572</b>	<b>407</b>	<b>46</b>	<b>1,025</b>
Of which current provisions	602	855	307	644	2,408	418	77	—	495
Of which non-current provisions	1,366	768	1,328	2,187	5,649	154	330	46	530
<b>Opening balance, January 1, 2016</b>	<b>1,968</b>	<b>1,623</b>	<b>1,635</b>	<b>2,831</b>	<b>8,057</b>	<b>572</b>	<b>407</b>	<b>46</b>	<b>1,025</b>
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
<b>Closing balance, December 31, 2016</b>	<b>1,667</b>	<b>1,812</b>	<b>1,615</b>	<b>2,950</b>	<b>8,044</b>	<b>472</b>	<b>440</b>	<b>54</b>	<b>966</b>
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

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, 2016, will be consumed in 2017 and 2018.

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,	
	2016	2015	2016	2015
Accrued holiday pay	1,044	909	209	190
Other accrued payroll costs	1,715	1,312	337	198
Accrued interest expenses	24	55	22	51
Prepaid income	275	279	—	—
Other accrued expenses	8,845	8,180	855	816
Other operating liabilities	3,824	3,794	—	—
<b>Total</b>	<b>15,727</b>	<b>14,529</b>	<b>1,423</b>	<b>1,255</b>

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.

## Note 25 Contingent liabilities

	Group December 31,		Parent Company December 31,	
	2016	2015	2016	2015
<b>Guarantees and other commitments</b>				
On behalf of subsidiaries	—	—	979	940
On behalf of external counterparties	1,167	1,188	614	660
Employee benefits in excess of reported liabilities	144	124	18	15
<b>Total</b>	<b>1,311</b>	<b>1,312</b>	<b>1,611</b>	<b>1,615</b>

A large part of the guarantees and other commitments on behalf of external counterparties, is related to US 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 US. 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, 2016, the Group had a total of 3,233 (3,259) cases pending, representing approximately 3,296 (approximately 3,326) plaintiffs. During 2016, 1,300 new cases with 1,300 plaintiffs were filed and 1,326 pending cases with approximately 1,330 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, the Group became the subject of an investigation by the French Competition Authority regarding a possible violation of antitrust rules. It is too early to assess if and to what extent the investigation may affect the Group's financial position.

## Note 26 Acquired and divested operations

### Acquired operations

	2016	2015
<b>Acquired operations</b>		
BeefEater barbecue business, Australia	—	12
Veetsan Commercial Machinery Co, China	26	79
Vintec business, Australia and Singapore	134	—
<b>Total cash paid for acquisitions</b>	<b>160</b>	<b>91</b>

In June 2016, Electrolux signed an agreement to acquire 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. About two thirds of the sales are in Australia. The acquisition was completed in August 2016. 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 2015, Electrolux acquired the Chinese company Shanghai Veetsan Commercial Machinery Co Ltd, operating in the professional dishwasher segment. The acquisition was completed in May 2015. Consideration paid in 2015 amounts to CNY 58m (SEK 79m). In 2016, an additional consideration of CNY 19.6m (SEK 26m) was paid.

In 2014, Electrolux acquired the BeefEater barbecue business situated in Australia. The final consideration of AUD 2m (SEK 12m) was paid in 2015.

### Divested operations

	2016	2015
<b>Divested operations</b>		
Eureka business, USA	336	—
<b>Total cash received for divestments</b>	<b>336</b>	<b>—</b>

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. The divestment resulted in a capital gain of USD 19m (SEK 164m). Rationalization activities and additional asset write-downs triggered by the divestment were identified and recognized in the 2016 income statement amounting to USD 7m (SEK 57m). Future cash payments in 2017 and 2018, related to Electrolux commitments in the agreement with the buyer, are estimated to USD 4m.

## Note 27 Employees and remuneration

### Employees and employee benefits

In 2016, the average number of employees was 55,400 (58,265), of which 35,584 (38,105) were men and 19,816 (20,160) women.

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

### Average number of employees, by geographical area

	Group	
	2016	2015
Europe	20,991	20,548
North America	10,064	9,933
Latin America	16,218	18,325
Asia/Pacific	4,872	5,241
Rest of world	3,255	4,218
<b>Total</b>	<b>55,400</b>	<b>58,265</b>

### Salaries, other remuneration and employer contributions

	2016			2015		
	Salaries and remuneration	Employer contributions	Total	Salaries and remuneration	Employer contributions	Total
Parent Company	931	478	1,409	1,078	562	1,640
whereof pension costs <sup>1)</sup>		178	178		213	213
Subsidiaries	14,955	3,011	17,966	14,780	2,839	17,619
whereof pension costs		533	533		555	555
<b>Total Group</b>	<b>15,886</b>	<b>3,489</b>	<b>19,375</b>	<b>15,858</b>	<b>3,401</b>	<b>19,259</b>
whereof pension costs		711	711		768	768

<sup>1)</sup> Includes SEK 4m (3), referring to the President's predecessors according to local GAAP.

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

	2016			2015		
	Board members and senior managers <sup>1)</sup>	Other employees	Total	Board members and senior managers <sup>1)</sup>	Other employees	Total
Parent Company	72	859	931	51	1,027	1,078
Other	251	14,704	14,955	244	14,536	14,780
<b>Total Group</b>	<b>323</b>	<b>15,563</b>	<b>15,886</b>	<b>295</b>	<b>15,563</b>	<b>15,858</b>

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

Of the Board members in the Group, 110 were men and 22 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 157 men and 56 women, of whom 3 men and 2 women in the Parent Company. The total pension cost for Board members and senior managers in the Group amounted to 35m (33).

### 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, Deputy 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 2016 refers to one fourth of the compensation authorized by the AGM in 2015, and three fourths of the compensation authorized by the AGM in 2016. Total compensation paid in cash in 2016 amounted to SEK 6.5m, of which SEK 5.9m referred to ordinary compensation and SEK 0.6m to committee work.

### Compensation to Board members 2016

'000 SEK	Ordinary compensation	Compensation for committee work	Total compensation
Ronnie Leten, Chairman	2,022	40	2,062
Torben Ballegaard Sørensen (up to AGM 2016)	160	83	243
Lorna Davis (up to AGM 2016)	137	20	157
Petra Hedengran	558	112	670
Hasse Johansson	558	63	621
Ulla Litzén	420	167	587
Bert Nordberg	558	—	558
Fredrik Persson	558	95	653
David Porter	420	—	420
Jonas Samuelson, President	—	—	—
Ulrika Saxon	558	20	578
Ola Bertilsson	—	—	—
Gunilla Brandt	—	—	—
Ulf Carlsson	—	—	—
<b>Total compensation 2016</b>	<b>5,949</b>	<b>600</b>	<b>6,549</b>

## Remuneration Committee

For information on the Remuneration Committee, see the Corporate Governance Report on page 147.

## Remuneration guidelines for Group Management

The AGM in 2016 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 – 250. For further information, see page 129.

## Compensation and terms of employment for the President

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

For the current President, who was appointed as of February 1, 2016, the annualized base salary has been set at SEK 10m.

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

The President participates in the Group's long-term performance based share programs. For further information on these programs, see page 129.

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

The previous President's employment with the Group ended January 31, 2016. He will remain participant in 2014 and 2015 LTI programs and has been provided an allowance for health care. Aggregated cost for this is estimated to USD 1.2m. After the end of his employment he will support Electrolux in North America on a consultancy basis for two years. The payment for these consultancy services amounts to USD 2m per year.

## 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 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 2016, prior Presidents, and survivors is SEK 227m (323).

## Compensation and terms of employment for other members of Group Management

Like the President, other members of Group Management receive a compensation 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 2016 was 2.95% (4.5).

Variable salary in 2016 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 2016 amounts to approximately SEK 3.2m. Costs for extraordinary arrangements which have not yet been paid out are currently estimated to approximately SEK 6.5m.

The members of Group Management participate in the Group's long-term performance based share programs. For further information on these programs, see page 129.

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

For members of Group Management employed outside of Sweden, varying fringe benefits, such as car, and conditions 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 retains 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. One member was covered by a closed supplementary plan in which contributions equal 35% of the pensionable salary. The member was also entitled to individual additional contributions.

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. The retirement age for other members of Group Management is 60 for Group Management members employed in Sweden before 2012.

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

Cont. Note 27

**Compensation paid to Group Management**

	2016					2015				
	Annual fixed salary <sup>1)</sup>	Variable salary paid 2016 <sup>2)</sup>	Total salary	Long-term PSP (value of shares awarded)	Other remuneration <sup>3)</sup>	Annual fixed salary <sup>1)</sup>	Variable salary paid 2015 <sup>2)</sup>	Total salary	Long-term PSP (value of shares awarded)	Other remuneration <sup>3)</sup>
'000 SEK unless otherwise stated										
President and CEO <sup>4)</sup>	10,435	4,903	15,338	2,636	11,558	11,862	8,847	20,709	11,604	13,198
of which Jonas Samuelson	9,239	—	9,239	—	1	—	—	—	—	—
of which Keith McLoughlin	1,196	4,903	6,099	2,636	11,557	11,862	8,847	20,709	11,604	13,198
Other members of Group Management <sup>5)</sup>	52,995	18,823	71,818	8,573	10,879	51,257	27,788	79,045	41,194	36,774
<b>Total</b>	<b>63,430</b>	<b>23,726</b>	<b>87,156</b>	<b>11,209</b>	<b>22,437</b>	<b>63,119</b>	<b>36,635</b>	<b>99,754</b>	<b>52,798</b>	<b>49,972</b>

<sup>1)</sup> The annual fixed salary includes vacation salary, paid vacation days and travel allowance.<sup>2)</sup> The actual variable salary paid in a year refers to the previous year's performance.<sup>3)</sup> Includes conditional variable compensation, allowances and other benefits as gross-up of tax, housing and company car, severance pay and costs for extraordinary arrangements.<sup>4)</sup> Includes remuneration paid in 2016 to Jonas Samuelson as from February 1, 2016 and to Keith McLoughlin up to January 31, 2016.<sup>5)</sup> Other members of Group Management comprised of 10 people end of 2015 and 11 end of 2016.**Compensation cost incurred for Group Management**

	2016						2015					
	Annual fixed salary	Variable salary incurred 2016 but paid 2017	Long-term PSP (cost) <sup>1)</sup>	Other remuneration <sup>2)</sup>	Total pension contribution	Social contribution	Annual fixed salary	Variable salary incurred 2015 but paid 2016	Long-term PSP (cost) <sup>1)</sup>	Other remuneration <sup>2)</sup>	Total pension contribution	Social contribution
'000 SEK unless otherwise stated												
President and CEO <sup>3)</sup>	10,435	7,333	8,295	11,558	3,780	3,998	11,862	4,804	6,192	13,667	6,724	8,207
of which Jonas Samuelson	9,239	7,333	4,350	1	3,208	3,302	—	—	—	—	—	—
of which Keith McLoughlin	1,196	—	3,945	11,557	572	696	11,862	4,804	6,192	13,667	6,724	8,207
Other members of Group Management	52,995	44,076	17,216	22,528	17,525	17,416	51,257	18,739	18,418	46,914	21,702	24,725
<b>Total</b>	<b>63,430</b>	<b>51,409</b>	<b>25,511</b>	<b>34,086</b>	<b>21,305</b>	<b>21,414</b>	<b>63,119</b>	<b>23,543</b>	<b>24,610</b>	<b>60,581</b>	<b>28,426</b>	<b>32,932</b>

<sup>1)</sup> Cost for share-based incentive programs are accounted for according to IFRS 2. Share-based payments. If the expected cost of the program is reduced, the previous recorded cost is reversed and an income is recorded in the income statement. The cost includes social contribution cost for the program.<sup>2)</sup> Includes conditional variable compensation, allowances and other benefits as gross-up of tax, housing and company car, severance pay, pay for non-compete undertaking and costs for extraordinary arrangements.<sup>3)</sup> Includes remuneration in 2016 to Jonas Samuelson as from February 1, 2016 and to Keith McLoughlin up to January 31, 2016.**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 2014, 2015 and 2016**

The Annual General Meeting in 2016 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 2014, 2015 and 2016 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.

For the 2014, 2015 and 2016 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 2014, 2015 and 2016 program covers 200 to 220 senior managers and key employees in about 20 countries. Participants in the program comprise five groups, i.e., the President, other members of Group Management, and three groups of other senior managers. All programs comprise Class B shares.

If performance is between minimum and maximum, the total cost for the 2016 performance-share program over a three-year period is estimated at SEK 160m, including costs for employer contributions. If the maximum level is attained, the cost is estimated at a maximum of SEK 319m. The distribution of shares under this program will result in an estimated maximum increase of 0.67% in the number of outstanding shares.

For 2016, LTI programs resulted in a cost of SEK 86m (including a cost of SEK 23m in employer contribution) compared to a cost of SEK 94m in 2015 (including a cost of SEK 20m in employer contribution). The total provision for employer contribution in the balance sheet amounted to SEK 63m (46).

**Repurchased shares for LTI programs**

Electrolux has on the basis of authorizations by the Annual General Meetings acquired own shares as a hedge for the company's share related incentive programs. The Annual General Meeting in 2015 resolved that the company shall be entitled to transfer B shares in the company for the purpose of covering costs, including social security charges, that may arise as a result of the 2013 program, but this mandate has not been used by the company.

**Allocation of shares for the 2013 program**

The 2013 performance-share program met 30% of the maximum performance and performance shares were allocated during 2016 to the participants according to the terms and conditions of the 2013 share program.

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

	Maximum number of B shares <sup>1)</sup>			Maximum value, SEK <sup>2) 3)</sup>		
	2016	2015	2014	2016	2015	2014
President	51,515	52,404	54,981	10,000,000	11,547,000	7,745,000
Other members of Group Management	21,547	19,545	22,411	4,183,000	4,307,000	3,157,000
Other senior managers, cat. C	10,795	9,637	13,545	2,095,000	2,124,000	1,908,000
Other senior managers, cat. B	5,816	5,206	7,309	1,129,000	1,147,000	1,029,000
Other senior managers, cat. A	3,021	2,788	3,792	586,000	614,000	534,000

<sup>1)</sup> Each value is converted into a number of shares. The number of shares is based on a share price of SEK 140.86 for 2014 and SEK 220.36 for 2015, and SEK 194.12 for 2016 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 183.96 per share.

<sup>2)</sup> Total maximum value for all participants at grant is SEK 228m for the 2014 performance-share program, SEK 285m for the 2015 program and SEK 296m for the 2016 program.

<sup>3)</sup> The share allocation for the 2014 program will be at 70.9% of maximum. For the 2015 program, share allocation will be at 21% of maximum. For the 2016 program 75% of maximum will be allocated.

**Performance-share program 2016**

	Financial objectives			Allocation of shares		
	Minimum	Maximum	Actual	Outcome, %	Weight, %	Allocation, %
Organic sales growth, %	1.0	2.0	-1.1	0	25	0
Earnings per share, SEK	10.8	15.6	15.6	100	25	25
Return on net assets, %	19.6	22.6	29.9	100	50	50
<b>Total allocation</b>						<b>75</b>

**Note 28 Fees to auditors**

PricewaterhouseCoopers (PwC) is appointed auditor for the period until the 2018 Annual General Meeting.

	Group		Parent Company	
	2016	2015	2016	2015
<b>PwC</b>				
Audit fees <sup>1)</sup>	40	42	9	10
Audit-related fees <sup>2)</sup>	1	2	1	—
Tax fees <sup>3)</sup>	4	3	—	—
All other fees <sup>4)</sup>	4	21	1	2
<b>Total fees to PwC</b>	<b>49</b>	<b>68</b>	<b>11</b>	<b>12</b>
Audit fees to other audit firms	—	—	—	—
<b>Total fees to auditors</b>	<b>49</b>	<b>68</b>	<b>11</b>	<b>12</b>

<sup>1)</sup> Audit fees consist of fees for the annual audit-services engagement and other audit services, which are those services that only the external auditors reasonably can provide, and include the Company audit; statutory audits; comfort letters and consents; and attest services.

<sup>2)</sup> Audit-related fees consist of fees for assurance and related services that are reasonably related to the performance of the audit 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.

<sup>3)</sup> 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.

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



## Note 29 Shares and participations

### Associated companies

Participations in associated companies amounted to SEK 210m (209). Electrolux owns 39.3% of Sidème, France, with a carrying amount SEK 16m (15) and 50% of Gångaren 13 Holding AB, Sweden, with a carrying amount of SEK 194m (195). Gångaren 13 Holding AB is a real estate company owning the corporate head office in Sweden. Both companies are unlisted and the respective Electrolux participation remained unchanged during the year.

### Companies classified as assets available for sale

Electrolux holds 2.7% (2.7) of the shares in Videocon Industries Ltd., India, with a carrying amount of SEK 123m (137).

### Group companies

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

Subsidiaries		Holding, %
<b>Major Group companies</b>		
Argentina	Frimetal S.A	99.51
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.	99.51
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
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

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

Working capital

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

Net assets

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

Total borrowings

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

Total short-term borrowings

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

Interest-bearing liabilities

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

Financial net debt

Total borrowings less liquid funds.

Net provision for post-employment benefits

Provisions for post-employment benefits less pension plan assets.

Net debt

Financial net debt 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.

<sup>1)</sup> See table Net debt on page 116.

# Proposed distribution of earnings

	'000 SEK
The Board of Directors proposes that income for the period and retained earnings be distributed as follows:	15,581,866
A dividend to the shareholders of SEK 7.50 per share <sup>1)</sup> , totaling	2,155,481
To be carried forward	13,426,385
<b>Total</b>	<b>15,581,866</b>

<sup>1)</sup> Calculated on the number of outstanding shares as per February 15, 2017.

The Board of Directors has proposed that the Annual General Meeting 2017 resolves on a dividend to the shareholders of SEK 7.50 per share to be paid in two installments. The record date for the first installment of SEK 3.75 per share is proposed to be Monday March 27, 2017 and the record date for the second installment of SEK 3.75 per share is proposed to be Wednesday September 27, 2017. 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 73,714 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, 2017  
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

Ola Bertilsson  
Board member,  
employee representative

Gunilla Brandt  
Board member,  
employee representative

Ulf Carlsson  
Board member,  
employee representative

# Auditors' report

To the general meeting of the shareholders of AB Electrolux (publ),  
corporate identity number 556009-4178

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## 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 2016. The annual accounts and consolidated accounts of the company are included on pages 75-133 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 2016 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 2016 and its 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.

### 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.

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 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 Asia Pacific, Major Appliances Latin America, Small Appliances

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 Group 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 regularly performs own internal control testing at Electrolux's shared service center in Krakow, Poland. We in the Group engagement team share comfort with respect to ECS and centralized IT systems with local auditors and instruct local teams to carry out their audit procedures based on this comfort.

The reporting units in scope for the Group audit procedures represent approximately 75% of Group net sales. In addition, we have carried out analytical procedures on Business Area level to capture also smaller reporting units, and 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 and year-end, 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
<p><b>Revenue recognition</b></p> <p>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 121 billion in 2016. In our audit of revenue recognition correct cut-off is considered a matter of high importance.</p> <p>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.</p> <p>Refer to the Annual Report Note 4 – Net sales and operating income.</p>	<p>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. 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.</p> <p>Based on our work, we had no material observations for the overall audit on Electrolux's accounting for revenue recognition.</p>
<p><b>Valuation of accounts receivable – risk of credit losses</b></p> <p>Electrolux has a concentration of credit exposure on a number of major customers, mainly in the US, 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 receivable is a significant item in the Group financial statements amounting to SEK 19.4 billion as of December 31, 2016 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 757 million (whereof new provisions amounted to SEK 345 million) as at December 31, 2016 and actual credit losses for 2016 amounted to SEK 110 million.</p> <p>Refer to the Annual Report Note 2 Financial risk management and Note 17 – Trade receivables.</p>	<p>Our audit incorporated the following activities;</p> <ul style="list-style-type: none"><li>• Assessing and updating our understanding of internal controls over financial reporting with respect to credit risk;</li><li>• Assessment of the Group's credit policy outlining authority for approving and responsibility to manage credit limits;</li><li>• 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);</li><li>• Analytical procedures and inquiries with Business Area controllers and credit controllers;</li><li>• Detailed testing and assessment of accruals for bad debts to ensure these are in line with IFRS, with a focus on significant new provisions.</li></ul> <p>We had a particular focus in our audit on how Electrolux manage credit risk for key customers with respect to credit insurance and procedures for credit management. We also assessed and challenged management's assumptions and adherence to Group accounting policies with respect to provisions for impairment of receivables.</p> <p>Based on our work, we had no material observations for the overall audit on Electrolux's level of provision for impairment of accounts receivable as at December 31, 2016.</p>
<p><b>Goodwill impairment test – Latin America</b></p> <p>The carrying value of goodwill as of December 31, 2016 amounted to SEK 4.7 billion. The annual impairment test was performed as of September 30, 2016. Management has performed the test based on value-in-use calculated with a discounted cash-flow model with a three year projection period and a terminal value based on Gordon's formula. Business Area is considered the lowest level of cash-generating units on which goodwill can be tested.</p> <p>During the year operations in Business Area Major Appliances Latin America have been negatively impacted by a weak market environment. There has i.e. been especially important for 2016 to test the carrying value of goodwill for this cash-generating unit. The carrying value of goodwill for Business Area Major Appliances Latin America amounted to SEK 1.2 billion as at December 31, 2016.</p> <p>No impairment charge has been recorded against goodwill in 2016.</p> <p>Refer to the Annual Report Note 13 – Goodwill and other intangible assets.</p>	<p>In our audit we have performed a number of procedures in order to verify that the goodwill impairment tests are performed based on generally accepted methods, mathematically correct and based on reasonable assumptions. Our audit approach incorporated involving PwC valuation specialists and to:</p> <ul style="list-style-type: none"><li>• Test valuation models used;</li><li>• Benchmark Group discount rate with our own and investment bank analysts' views;</li><li>• Assess the discount rates for Business Areas based on individual country inflation, interest rate and risk;</li><li>• Assess the underlying three year forecast and long-term growth rate per Business Area for reasonableness;</li></ul> <p>Our audit procedures also covered a sensitivity analysis around long-term growth rate and discount rate to test the extent of change in those assumptions that would be required for the goodwill in Latin America to be impaired.</p> <p>Based on our work, we had no material observations for the overall audit on Electrolux's impairment test of goodwill for Latin America.</p>



#### **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 1–74 and pages 138–141. 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/rn/showdocument/documents/rev\\_dok/revisors\\_ansvar.pdf](http://www.revisorsinspektionen.se/rn/showdocument/documents/rev_dok/revisors_ansvar.pdf). 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 2016 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/rn/showdocument/documents/rev\\_dok/revisors\\_ansvar.pdf](http://www.revisorsinspektionen.se/rn/showdocument/documents/rev_dok/revisors_ansvar.pdf). This description is part of the auditor's report.

Stockholm, February 17, 2017

PricewaterhouseCoopers AB

Peter Nyllinge  
Authorized Public Accountant  
Partner in Charge

Anna Rosendal  
Authorized Public Accountant

# Eleven-year review

SEKM	2006	2007	2008	2009	2010
<b>Net sales and income</b>					
Net sales	103,848	104,732	104,792	109,132	106,326
Organic growth, %	3.3	4.0	-0.9	-4.8	1.5
Depreciation and amortization	2,758	2,738	3,010	3,442	3,328
Items affecting comparability <sup>2)</sup>	-542	-362	-355	-1,561	-1,064
Operating income	4,033	4,475	1,188	3,761	5,430
Income after financial items	3,825	4,035	653	3,484	5,306
Income for the period	2,648	2,925	366	2,607	3,997
<b>Cash flow</b>					
Cash flow from operations	4,560	5,346	4,949	8,297	7,680
Cash flow from investments	-2,386	-4,069	-3,755	-2,967	-4,474
of which capital expenditure in property, plant and equipment	-3,152	-3,430	-3,158	-2,223	-3,221
Cash flow from operations and investments	2,174	1,277	1,194	5,330	3,206
Cash flow from operations and investments excluding acquisitions and divestments of operations	1,110	1,277	1,228	5,326	3,199
Dividend, redemption and repurchase of shares	-4,416	-6,708	-1,187	69	-1,120
Capital expenditure in property, plant and equipment as % of net sales	3.0	3.3	3.0	2.0	3.0
<b>Margins <sup>3)</sup></b>					
Operating margin, %	4.4	4.6	1.5	4.9	6.1
Income after financial items as % of net sales	4.2	4.2	1.0	4.6	6.0
<b>Financial position</b>					
Total assets	66,049	66,089	73,323	72,696	73,521
Net assets	18,140	20,743	20,941	19,506	19,904
Working capital	-2,613	-2,129	-5,131	-5,154	-5,902
Trade receivables	20,905	20,379	20,734	20,173	19,346
Inventories	12,041	12,398	12,680	10,050	11,130
Accounts payable	15,320	14,788	15,681	16,031	17,283
Total equity	13,194	16,040	16,385	18,841	20,613
Interest-bearing liabilities	7,495	11,163	13,946	14,022	12,096
Provisions for post-employment benefits, net					
Net debt	-304	4,703	4,556	665	-709
<b>Data per share</b>					
Income for the period, SEK	9.17	10.41	1.29	9.18	14.04
Equity, SEK	47	57	58	66	72
Dividend, SEK <sup>4)</sup>	4.00	4.25	—	4.00	6.50
Trading price of B-shares at year-end, SEK	137.00	108.50	66.75	167.50	191.00
<b>Key ratios</b>					
Return on equity, %	18.7	20.3	2.4	14.9	20.6
Return on net assets, %	23.2	21.7	5.8	19.4	27.8
Net assets as % of net sales <sup>5)</sup>	16.5	18.6	18.1	17.1	18.2
Trade receivables as % of net sales <sup>5)</sup>	19.1	18.3	17.9	17.7	17.7
Inventories as % of net sales <sup>5)</sup>	11.0	11.1	11.0	8.8	10.2
Net debt/equity ratio	-0.02	0.29	0.28	0.04	-0.03
Interest coverage ratio	6.13	7.49	1.86	7.54	12.64
Dividend as % of total equity	8.5	7.5	—	6.0	9.0
<b>Other data</b>					
Average number of employees	55,471	56,898	55,177	50,633	51,544
Salaries and remuneration	12,849	12,612	12,662	13,162	12,678
Number of shareholders	59,500	52,700	52,600	52,000	57,200
Average number of shares after buy-backs, million	288.8	281.0	283.1	284.0	284.6
Shares at year end after buy-backs, million	278.9	281.6	283.6	284.4	284.7

<sup>1)</sup> Amounts for 2012 have been restated where applicable as a consequence of the amended standard for pension accounting, IAS 19 Employee Benefits.

<sup>2)</sup> As of 2015 the accounting concept of Items affecting comparability is no longer in use.

<sup>3)</sup> Items affecting comparability are excluded for the years 2005 to 2013. 2014 has been restated.

<sup>4)</sup> 2016: Proposed by the Board.

<sup>5)</sup> Annualized net sales, calculated at end of period exchange rates, 2016: 127,490 (2015: 123,772).

	2011	2012 <sup>1)</sup>	2013	2014	2015	2016	Compound annual growth rate, %	
							5 years	10 years
	101,598	109,994	109,151	112,143	123,511	121,093	3.6	1.5
	0.2%	5.5	4.5	1.1	2.2	-1.1		
	3,173	3,251	3,356	3,671	3,936	3,934		
	-138	-1,032	-2,475	-1,199	—	—		
	3,017	4,000	1,580	3,581	2,741	6,274	15.8	4.5
	2,780	3,154	904	2,997	2,101	5,581	15.0	3.9
	2,064	2,365	672	2,242	1,568	4,493	16.8	5.4
	5,399	7,080	4,455	7,822	8,267	10,165	13.5	8.3
	-10,049	-4,702	-4,734	-3,759	-3,403	-2,557		
	-3,163	-4,090	-3,535	-3,006	-3,027	-2,830	-2.2	-1.1
	-4,650	2,378	-279	4,063	4,864	7,608		
	906	2,542	-74	4,132	4,955	7,432		
	-1,850	-1,868	-1,860	-1,861	-1,870	-1,868		
	3.1	3.7	3.2	2.7	2.5	2.3		
	3.1	4.6	3.7	3.2	2.2	5.2		
	2.9	3.8	3.1	2.7	1.7	4.6		
	76,384	75,194	76,001	85,688	83,471	85,848	2.4	2.7
	27,011	25,890	24,961	26,099	21,412	18,098	-7.7	0.0
	-5,180	-6,505	-5,800	-8,377	-12,234	-14,966		
	19,226	18,288	19,441	20,663	17,745	19,408	0.2	-0.7
	11,957	12,963	12,154	14,324	14,179	13,418	2.3	1.1
	18,490	20,590	20,607	25,705	26,467	28,283	8.9	6.3
	20,644	15,726	14,308	16,468	15,005	17,738	-3.0	3.0
	14,206	13,088	14,905	14,703	13,097	10,202	-6.4	3.1
		4,479	2,980	4,763	4,509	4,169		
	6,367	10,164	10,653	9,631	6,407	360	-43.7	—
	7.25	8.26	2.35	7.83	5.45	15.64	16.6	5.5
	73	55	50	57.52	52.21	61.72	-3.2	2.8
	6.50	6.50	6.50	6.50	6.50	7.50		
	109.70	170.50	168.50	228.80	205.20	226.30	15.6	5.1
	10.4	14.4	4.4	15.7	9.9	29.4		
	13.7	14.8	5.8	14.2	11.0	29.9		
	23.8	22.5	21.8	20.4	17.3	14.2		
	17.0	15.9	17.0	16.2	14.3	15.2		
	10.5	11.3	10.6	11.2	11.5	10.5		
	0.31	0.65	0.74	0.58	0.43	0.02		
	5.84	2.72	2.11	5.16	3.75	3.75		
	9.0	11.8	13.0	11.3	12.4	10.5		
	52,916	59,478	60,754	60,038	58,265	55,400	0.9	0.0
	13,137	13,785	13,521	14,278	15,858	15,886	3.9	2.1
	58,800	51,800	51,500	46,500	45,485	48,939	-3.6	-1.9
	284.7	285.9	286.2	286.3	287.1	287.4		
	284.7	286.1	286.2	286.3	287.4	287.4		

# Operations by business area yearly

SEKM	2012 <sup>1)</sup>	2013	2014	2015	2016
<b>Major Appliances Europe, Middle East and Africa</b>					
Net sales	34,278	33,436	34,438	37,179	37,844
Operating income	178	-481	232	2,167	2,546
Margin, %	0.5	-1.4	0.7	5.8	6.7
<b>Major Appliances North America</b>					
Net sales	30,684	31,864	34,141	43,053	43,402
Operating income	1,347	2,136	1,714	1,580	2,671
Margin, %	4.4	6.7	5.0	3.7	6.2
<b>Major Appliances Latin America</b>					
Net sales	22,044	20,695	20,041	18,546	15,419
Operating income	1,590	979	1,069	463	-68
Margin, %	7.2	4.7	5.3	2.5	-0.4
<b>Major Appliances Asia/Pacific</b>					
Net sales	8,405	8,653	8,803	9,229	9,380
Operating income	746	116	438	364	626
Margin, %	8.9	1.3	5.0	3.9	6.7
<b>Small Appliances</b>					
Net sales	9,011	8,952	8,678	8,958	8,183
Operating income	461	309	200	-63	238
Margin, %	5.1	3.5	2.3	-0.7	2.9
<b>Professional Products</b>					
Net sales	5,571	5,550	6,041	6,546	6,865
Operating income	588	510	671	862	954
Margin, %	10.6	9.2	11.1	13.2	13.9
<b>Other</b>					
Net sales	1	1	1	-	-
Operating income, common Group costs, etc.	-910	-1,989	-743	-2,632	-693
<b>Total Group</b>					
Net sales	109,994	109,151	112,143	123,511	121,093
Operating income	4,000	1,580	3,581	2,741	6,274
Margin, %	3.6	1.4	3.2	2.2	5.2

<sup>1)</sup> 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 <sup>1)</sup>	2012	2013	2014	2015	2016
Major Appliances Europe, Middle East and Africa	-927	-828	-1,212	-	-
Major Appliances North America	-105	-	-39 <sup>2)</sup>	-158 <sup>2)</sup>	-
Major Appliances Latin America	-	-	-10	-	-
Major Appliances Asia/Pacific	-	-351	-10	-	-
Small Appliances	-	-82	-	-190	-
Professional Products	-	-	-	-	-
Common Group cost	-	-1,214	-77 <sup>2)</sup>	-1,901 <sup>2)</sup>	-
<b>Total Group</b>	<b>-1,032</b>	<b>-2,475</b>	<b>-1,348</b>	<b>-2,249</b>	<b>-</b>

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

<sup>2)</sup> Refers to costs related to the not completed acquisition of GE Appliances. Costs for preparatory integration work of SEK 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.



# Quarterly information

## Net sales and income by business area per quarter

SEKM	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Full year 2016	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Full year 2015
<b>Major Appliances Europe, Middle East and Africa</b>										
Net sales	9,001	8,897	9,579	10,367	37,844	8,608	8,699	9,540	10,332	37,179
Operating income	553	567	680	746	2,546	371	426	605	765	2,167
Margin, %	6.1	6.4	7.1	7.2	6.7	4.3	4.9	6.3	7.4	5.8
<b>Major Appliances North America</b>										
Net sales	9,937	11,450	11,189	10,826	43,402	9,313	11,717	11,610	10,413	43,053
Operating income	495	742	824	610	2,671	-57	401	743	493	1,580
Margin, %	5.0	6.5	7.4	5.6	6.2	-0.6	3.4	6.4	4.7	3.7
<b>Major Appliances Latin America</b>										
Net sales	3,643	3,659	3,968	4,149	15,419	5,261	4,476	4,190	4,619	18,546
Operating income	31	69	19	-187	-68	177	107	110	69	463
Margin, %	0.9	1.9	0.5	-4.5	-0.4	3.4	2.4	2.6	1.5	2.5
<b>Major Appliances Asia/Pacific</b>										
Net sales	2,022	2,407	2,515	2,436	9,380	2,241	2,576	2,192	2,220	9,229
Operating income	95	150	208	173	626	52	135	54	123	364
Margin, %	4.7	6.2	8.3	7.1	6.7	2.3	5.2	2.5	5.5	3.9
<b>Small Appliances</b>										
Net sales	1,927	1,858	1,960	2,438	8,183	2,139	2,198	2,169	2,452	8,958
Operating income	44	6	34	154	238	-8	-4	41	-92	-63
Margin, %	2.3	0.3	1.7	6.3	2.9	-0.4	-0.2	1.9	-3.8	-0.7
<b>Professional Products</b>										
Net sales	1,584	1,712	1,641	1,928	6,865	1,525	1,689	1,574	1,758	6,546
Operating income	205	222	234	293	954	170	220	212	260	862
Margin, %	12.9	13.0	14.3	15.2	13.9	11.1	13.0	13.5	14.8	13.2
<b>Other</b>										
Operating income, common group costs, etc.	-155	-192	-173	-173	-693	-189	-364	-259	-1,820	-2,632
<b>Total Group</b>										
Net sales	28,114	29,983	30,852	32,144	121,093	29,087	31,355	31,275	31,794	123,511
Operating income	1,268	1,564	1,826	1,616	6,274	516	921	1,506	-202	2,741
Margin, %	4.5	5.2	5.9	5.0	5.2	1.8	2.9	4.8	-0.6	2.2
Income after financial items	1,163	1,448	1,725	1,245	5,581	450	815	1,361	-525	2,101
Income for the period	875	1,079	1,267	1,272	4,493	339	608	1,014	-393	1,568
Earnings per share, SEK <sup>1)</sup>	3.04	3.75	4.41	4.43	15.64	1.18	2.12	3.53	-1.38	5.45
<b>Number of shares after buy-backs, million</b>										
	287.4	287.4	287.4	287.4	287.4	287.4	287.4	287.4	287.4	287.4
<b>Average number of shares after buy-backs, million</b>										
	287.4	287.4	287.4	287.4	287.4	286.6	287.4	287.4	287.4	287.1

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

# Corporate governance report 2016

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.

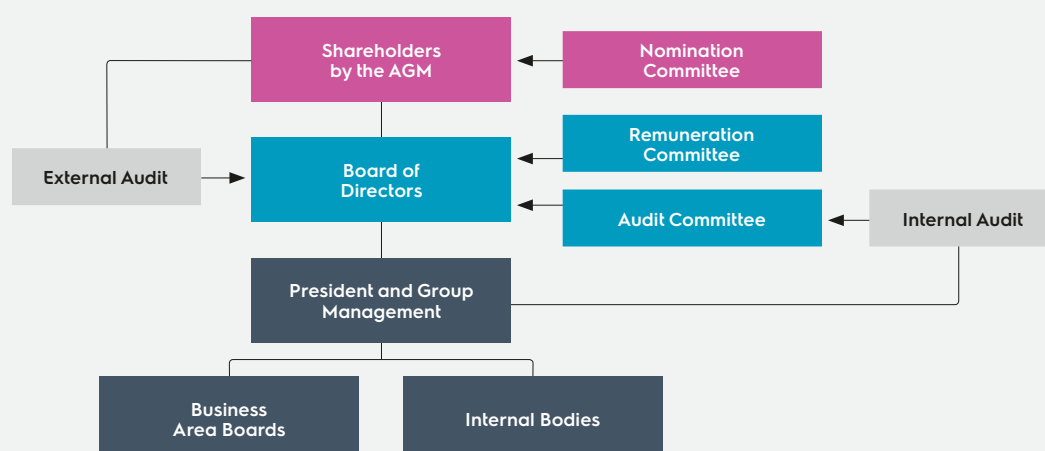
The Electrolux Group is comprised of 148 companies with operations in more than 150 countries. The parent company of the Group is AB Electrolux, a public Swedish limited liability company. The company's shares are listed on Nasdaq Stockholm.

The governance of Electrolux is based on the Swedish Companies Act, the rule book for issuers at Nasdaq Stockholm 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 admini-

strates the Code: [www.corporategovernanceboard.se](http://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 2016. 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 2016.

## Governance structure



### Major external regulations

- Swedish Companies Act.
- Rule book for issuers at Nasdaq Stockholm.
- 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 is a global leader in household appliances and appliances for professional use, selling more than 60 million products to customers in more than 150 markets every year. The company makes thoughtfully designed, innovative solutions based on extensive consumer research, meeting the desires of today's consumers and professionals. Electrolux products include refrigerators, dishwashers, washing machines, cookers, air-conditioners and small appliances such as vacuum cleaners, all sold under esteemed brands like Electrolux, AEG, Zanussi and Frigidaire. In 2016, Electrolux had sales of SEK 121 billion and about 55,000 employees.

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 2016

- Re-election of Ronnie Leten as Chairman of the Board and election of Ulla Litzén, David Porter and Jonas Samuelson as new Board members.
- 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 2016, Electrolux had 48,939 shareholders according to Holdings and Euroclear Sweden AB. Of the total share capital, 48% was owned by Swedish institutions and mutual funds, 46% by foreign investors and 6% 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 39.8% of the share capital and 50.7% 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, 2016, the total number of registered shares in the company amounted to 308,920,308 shares, of which 8,192,539 were Class A shares and 300,727,769 were Class B shares. The total number of votes in the company was 38,265,316. Class B shares represented 78.6% of the voting rights and 97.3% of the share capital.

### Dividend policy

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

The Annual General Meeting (AGM) in April 2016 decided to adopt the Board's proposed dividend of SEK 6.50 per share for 2015. The Board of Directors proposes a dividend for 2016 of SEK 7.50 per share to be paid in two equal installments, for a total dividend payment of approximately SEK 2,155m.

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

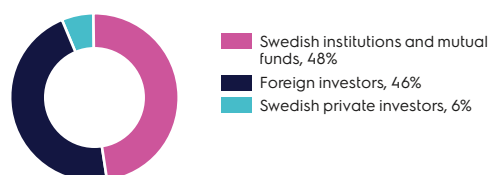
Individual shareholders requesting that a specific issue be included in the agenda of a shareholders' meeting can normally request the Electrolux Board to do so. The last date for making such a request for the respective meeting will be published on the Group's website.

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

### Annual General Meeting 2016

The 2016 AGM was held at the Stockholm Waterfront Congress Centre in Stockholm, Sweden, on April 6, 2016. 995 shareholders representing a total of 51.4% of the share capital and 60.9% of the votes were represented

### OWNERSHIP STRUCTURE



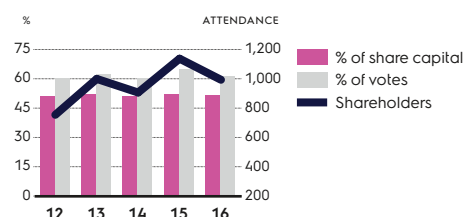
Source: Euroclear Sweden and Holdings as per December 31, 2016.

The foreign ownership has decreased to 46% at year-end 2016 from 52% at year-end 2015.

Foreign investors are not always recorded in the share register. Foreign banks and other custodians may be registered for one or several customers' shares, and the actual owners are then usually not displayed in the register. For additional information regarding the ownership structure, see above.

The information on ownership structure is updated quarterly on the Group's website; [www.electroluxgroup.com/corporate-governance](http://www.electroluxgroup.com/corporate-governance).

### ATTENDANCE AT AGMS 2012-2016



995 shareholders representing a total of 51.4% of the share capital and 60.9% of the votes were present at the 2016 AGM.

at the AGM. The President's speech was broadcasted live via the Group's website and is also available on [www.electroluxgroup.com/corporate-governance](http://www.electroluxgroup.com/corporate-governance), together with the minutes. The meeting was held in Swedish, with simultaneous interpretation into English. All Board members, as well as the Group's auditor in charge, were present at the meeting.

#### Decisions at the Annual General Meeting 2016 included:

- Dividend payment of SEK 6.50 per share for fiscal year 2015.
- Election of Ulla Litzén, David Porter and Jonas Samuelson as new Board members and re-election of the Board members Hasse Johansson, Petra Hedengran, Ronnie Leten, Bert Nordberg, Fredrik Persson 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 2016 covering up to 250 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 2014.

#### Annual General Meeting 2017

The next AGM of Electrolux will be held on Thursday, March 23, 2017, at Stockholm Waterfront Congress Centre in Stockholm, Sweden.

For additional information on the next AGM and how to register attendance, see page 159.

#### 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 2016

The Nomination Committee for the AGM 2016 was comprised of six members. Johan Forssell of Investor AB led the Nomination Committee's work.

For the proposal for the AGM 2016, 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 also considered that a breadth and variety as regards age, nationality, gender, educational background, experience, competence and term of office is represented among the Board members.

The Nomination Committee proposed Ulla Litzén, David Porter and Jonas Samuelson as new Board members and re-election of Ronnie Leten as Chairman of the Board. After the election at the AGM 2016, three out of eight 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 2016. Further information regarding the Nomination Committee and its work can be found on the Group's website; [www.electroluxgroup.com/corporate-governance](http://www.electroluxgroup.com/corporate-governance).

#### Nomination Committee for the AGM 2017

The Nomination Committee for the AGM 2017 is based on the ownership structure as of August 31, 2016, and was announced in a press release on September 21, 2016.

The Nomination Committee's members are:

- Johan Forssell, Investor AB, Chairman
- Marianne Nilsson, Swedbank Robur funds
- Kaj Thorén, Alecta
- John Hernander, Nordea 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](mailto: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 nine members without deputies, who are elected by the AGM, and three members with deputies, who are appointed by the Swedish employee organizations in accordance with Swedish labor law.

The AGM elects the Chairman of the Board. Directly after the AGM, the Board holds a meeting for formal constitution at which the members of the Committees of the Board are elected, among other things. The Chairman of the Board of Electrolux is Ronnie Leten.

All current members of the Board, except for the President and CEO, are non-executive members. Two of the nine Board members are not Swedish citizens.

For additional information regarding the Board of Directors, see pages 152–153. The information is updated regularly at the Group's website; [www.electroluxgroup.com](http://www.electroluxgroup.com).

### Independence

The Board is considered to be in compliance with relevant requirements for independence. The assessment of each Board member's independence is presented in the table on page 152.

All Directors except for Petra Hedengran and Jonas Samuelson have been considered independent. Petra Hedengran has been considered independent in relation to the company and the administration of the company, but not in relation to major shareholders of Electrolux. Jonas Samuelson has been considered independent in relation to major shareholders of Electrolux but not, in his capacity as President and CEO, in relation to the company and the administration of the company.

Jonas Samuelson has no major shareholdings, nor is he a part-owner in companies having significant business relations with Electrolux. Jonas Samuelson is the only member of Group Management with a seat on the Board.

### The Board's tasks

One of the main tasks of the Board is to manage the Group's operations in such a manner as to assure the owners that their interests in terms of a long-term profitable growth and value creation are being met in the best possible manner. The Board's work is governed by rules and regulations including the Swedish Companies Act, the Articles of Association, the Code and the working procedures established by the Board. The Articles of Association of Electrolux are available on the Group's website; [www.electroluxgroup.com/corporate-governance](http://www.electroluxgroup.com/corporate-governance).

### Working procedures and Board meetings

The Board determines its working procedures each year and reviews these procedures as required. The working procedures describe the Chairman's specific role and tasks, as well as the responsibilities delegated to the committees appointed by the Board.

In accordance with the procedures and the Code, the Chairman shall among other things:

- Organize and distribute the Board's work.
- Ensure that the Board discharges its duties and has relevant knowledge of the company.
- Secure the efficient functioning of the Board.
- Ensure that the Board's decisions are implemented efficiently.
- Ensure that the Board evaluates its work annually.

The working procedures for the Board also include detailed instructions to the President and other corporate functions regarding issues requiring the Board's approval. Among other things, these instructions specify the maximum amounts that various decision-making functions within the Group are authorized to approve as regards credit limits, capital expenditure and other expenditure.

The working procedures stipulate that the meeting for the formal constitution of the Board shall be held directly after the AGM. Decisions at this statutory meeting include the election of members of the Committees of the Board and authorization to sign on behalf of the company. In addition to the statutory Board meeting, the Board normally holds seven other ordinary meetings during the year. Four of these meetings are held in conjunction with the publication of the Group's full-year report and interim reports. One or two meetings are held in connection with visits to Group operations. Additional meetings, including telephone conferences, are held when necessary.

### The Board's work in 2016

During the year, the Board held nine 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 152.

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

### 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.
- Important policies.

### Remuneration to the Board of Directors 2014–2016 (applicable as from the respective AGM)

SEK	2016	2015	2014
Chairman of the Board	2,030,000	2,000,000	1,800,000
Deputy Chairman of the Board	—	640,000	625,000
Board member	560,000	550,000	540,000
Chairman of the Audit Committee	250,000	250,000	200,000
Member of the Audit Committee	95,000	95,000	90,000
Chairman of the Remuneration Committee	120,000	120,000	120,000
Member of the Remuneration Committee	60,000	60,000	60,000



for the forthcoming quarters, as presented by the President. The meetings also deal with investments and the establishment of new operations, as well as acquisitions and divestments. The Board decides on all investments exceeding SEK 100m and receives reports on all investments exceeding SEK 25m.

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

#### Major issues addressed by the Board during 2016

- Dividend payment for the fiscal year 2015.
- Adapting Electrolux strategy for profitable growth to global industry drivers such as digitalization, consolidation, increased consumer power, sustainability and a growing middleclass.
- Accelerating efforts to capitalize on the Group's global strength and scope including modularization, automation and digitalization.
- Agreement to acquire Kwikot Group, a leading water heater company in South Africa, and acquisition of the Vintec business, a wine cabinet business based in Asia Pacific.
- Actions to improve efficiency including actions to restore profitability within the business area Small Appliances and actions to adapt the cost structure to lower market demand in Latin America.
- Divestment of the North American vacuum cleaner brand Eureka and most of the assets related to the brand.

#### 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 evaluation of the Board is each year initiated and lead by the Chairman of the Board. Evaluation tools include questionnaires and discussions.

In 2016, all Board members responded to written questionnaires. As part of the evaluation process, the Chairman also had individual discussions with Board members. The evaluations were discussed at a Board meeting.

The result of the evaluations was presented for the Nomination Committee by the Chairman of the Board.

#### Remuneration to Board members

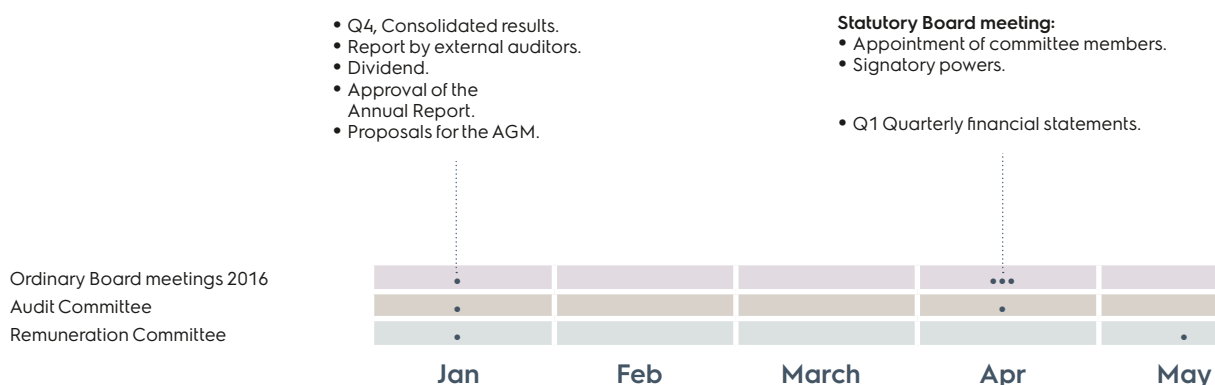
Remuneration to Board members is determined by the AGM and distributed to the Board members who are not employed by Electrolux. The remuneration to the Chairman and the Board members was revised during 2016, see page 145.

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 2016



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 2016, the Remuneration Committee held four meetings. The attendance of each Board member at these meetings is shown in the table on page 152. Significant issues addressed include preparation of a proposal for the remuneration to the new President and CEO, 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 2017. 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 2016 comprised of four Board members: Ulla Litzén (Chairman), Petra Hedengran, Fredrik Persson and Hasse Johansson. As from January 1, 2017, the Audit Committee is composed 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 2016, the Audit Committee held five meetings. The attendance of each Board member at these meetings is shown in the table on page 152. 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 or another in-house 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:

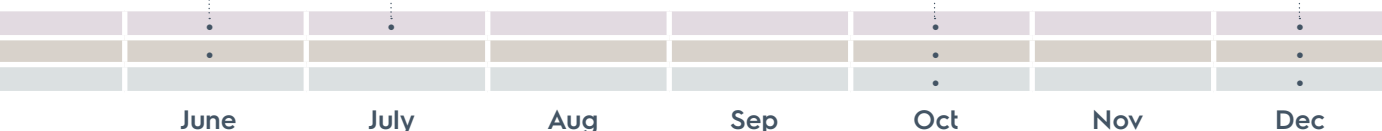
- To review the financial reporting.
- To monitor the effectiveness of the internal control, including risk management, concerning the financial reporting.
- To follow up the activities of the internal audit function Management Assurance & Special Assignments as regards to organization, recruiting, budgets, 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.

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

• Q2 Quarterly financial statements.

• Q3 Quarterly financial statements.

- Board work evaluation.



#### 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 156. 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.

#### Anna Rosendal

Born 1975. Authorized Public Accountant. Holdings in AB Electrolux: 0 shares.

Holdings in AB Electrolux as of December 31, 2016 and includes holdings of related natural and legal persons, when applicable.

#### Fees to auditors

SEKM	2016	2015	2014
<b>PwC</b>			
Audit fees	40	42	38
Audit-related fees	1	2	2
Tax fees	4	3	5
All other fees	4	21	26
<b>Total fees to PwC</b>	<b>49</b>	<b>68</b>	<b>71</b>
Audit fees to other audit firms	—	—	—
<b>Total fees to auditors</b>	<b>49</b>	<b>68</b>	<b>71</b>

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 customer focus

The Electrolux vision is to be the best appliance company in the world as measured by customers, employees, shareholders and our planet. Electrolux focuses on creating the industry's best consumer experiences for the products and services offered. Through profitable growth, innovative products under strong brands, operational excellence, and dedicated employees Electrolux creates the conditions to reach its vision.

Electrolux focus is on strengthening the position in its core markets and increasing the share of sales in growth markets. The strategy is to achieve this through an increased speed of innovative products to the market and targeted growth in new segments, distribution channels and product categories. In addition to organic growth, Electrolux sees a potential to grow through acquisitions. Electrolux objective is to grow with consistent profitability, see the financial goals below.

Dedicated employees with diverse backgrounds and a position of leadership in sustainability are necessary for Electrolux to implement its strategy and achieve its goals. The objective is to develop smarter, more accessible, resource-efficient solutions.

### A sustainable business

Sustainability leadership is crucial to realizing the Electrolux strategy for long-term profitable growth. The objective is to steadily improve at meeting people's needs and enhancing their daily lives in a sustainable way. In 2016, Electrolux most resource-efficient products represented 20% 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. Values such as respect, diversity, integrity, ethics, safety and sustainability are at the core of all employee actions 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 2016, 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 majority of the reported cases during 2016 related to discrimination and harassment.

In line with the UN Guiding Principles on Business and Human Rights, a Group level human rights risk assessment was conducted in 2016. The next steps include taking mitigating actions and conducting local risk assessments. Educational activities relating to Electrolux Workplace Code of Conduct, which was updated in 2014, have taken place throughout the organization in 2015 and 2016.

Read more about Electrolux sustainability work on [www.electroluxgroup.com/sustainability](http://www.electroluxgroup.com/sustainability).

### Electrolux as a tax payer

One important aspect for Electrolux of being the best appliance company in the world is to act as a good corporate citizen and taxpayer wherever Electrolux operates.

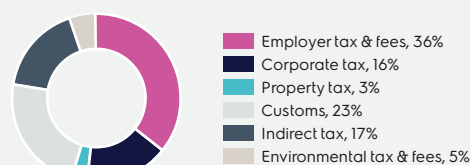
Electrolux plays an important role in contributing to public finances in all jurisdictions where the Group operates. The Group has 55,000 employees in about 60 countries and about 50 manufacturing facilities across five continents.

Of Electrolux total tax contribution, as defined in the below chart, corporate tax represented approximately 16% in 2016. 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 2016 amounted to approximately SEK 7bn whereof more than 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 1,088m in 2016, representing a global effective tax rate of the Group of 19.5%. Approximately 40% of the total corporate income taxes in 2016 related to the Group's activities in emerging markets.

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

### ELECTROLUX TOTAL TAXES 2016



### Financial targets

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 consistent profitability.

- Growth of at least 4% annually.
- Operating margin of at least 6%.
- Capital turnover-rate of at least 4.
- Return on net assets of at least 20%.

### Electrolux vision

The Electrolux vision is to be the best appliance company in the world as measured by customers, employees, shareholders and our planet.

### Strategy

#### Profitable growth

Experience  
Innovation

Operational  
Excellence

#### Talent and Teamship

### Values

#### Core values

Passion for  
Innovation

Customer  
Obsession

Drive for  
Results

#### Foundation

Respect  
and Diversity

Ethics  
and Integrity

Safety and  
Environment

## 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.

The Group has established internal bodies to manage these risk exposures, see chart below.

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 148.

## 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 Small

Appliances (as of January 2017, the name of this business area is changed to Home Care & Small Domestic Appliances) 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. Each body includes representatives from concerned functions and in most cases the President and CEO, see chart below.

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

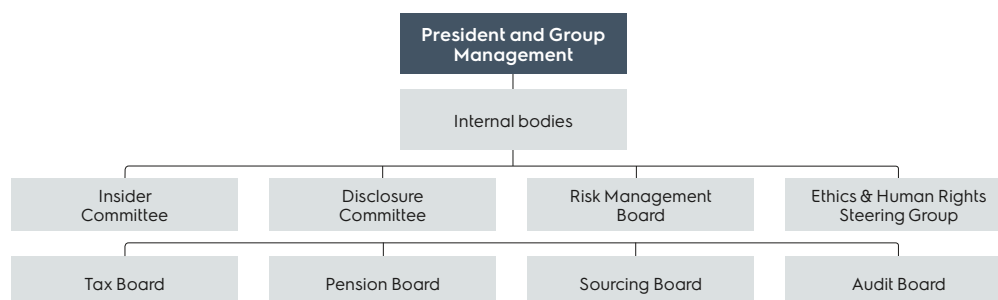
President is appointed by and receives instructions from the Board. The President, in turn, appoints other members of Group Management and is responsible for the ongoing management of the Group in accordance with the Board's guidelines and instructions. Group Management holds monthly meetings to review 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 in various sectors.

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. A formal structure for collaboration throughout the production-creation process between R&D, design and marketing functions has for example been established.

## INTERNAL BODIES





## Changes in Group management during 2016 and 2017

Jonas Samuelson was appointed President and Chief Executive Officer as from February 1, 2016. He succeeded Keith McLoughlin who retired from the company.

Daniel Arler succeeded Jonas Samuelson in his role as Head of Major Appliances Europe, Middle East and Africa as from February 1, 2016. Alan Shaw was appointed Head of Major North America as from February 1, 2016.

Anna Ohlsson-Leijon was appointed Chief Financial Officer as from April 1, 2016. She succeeded Tomas Eliasson who left the Group. Ola Nilsson was appointed Head of Small Appliances as from April 1, 2016. He succeeded Henrik Bergström.

Ruy Hirschheimer left the company on October 1, 2016. Ricardo Cons was appointed Interim Head of Major Appliances Latin Americas as from October 1, 2016 and as from February 1, 2017 he was appointed Head of Major Appliances Latin Americas.

Mikael Östman was appointed General Counsel as from January 1, 2017. He succeeded Cecilia Vieweg who retired from the company.

For details regarding members of Group Management, see pages 154–155. The information is updated regularly at the Group's website; [www.electroluxgroup.com](http://www.electroluxgroup.com).

### Major issues addressed by the President and Group Management in 2016

- Electrolux business model for profitable growth.
- Appointment of new Group management members.
- Focus on experience based innovation areas to provide Best-in-class consumer experience.
- Program to improve quality and the ownership experience for consumers.
- Improving efficiency within production through modularization, automation and digitalization.
- Digitalization for continuous interaction with customers such as connected appliances and digital commerce.
- Agreement to acquire Kwikot Group, a leading water heater company in South Africa, and acquisition of the Vintec business, a wine cabinet business based in Asia Pacific.
- Measures to restore profitability for Small Appliances, including active product portfolio management and exiting unprofitable product categories.
- Divestment of the North American vacuum cleaner brand Eureka and most of the assets related to the brand.
- Improving efficiency within production in North America.
- Actions to structurally reduce costs in Latin America to adapt to the weak market situation.

## 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:

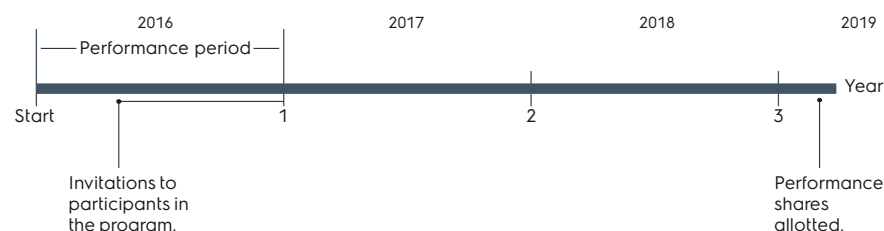
- Fixed compensation.
- Variable compensation.
- Other benefits such as pension and insurance.

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 2016 decided on a long-term share program for up to 250 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 2016



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 2016 financial year. Allotment of performance shares, if any, to the participants will be made in 2019.

# Board of Directors and Auditors



**RONNIE LETEN**  
**Chairman**  
 Born 1956. Belgium. M.Sc. Applied Econ.  
 Elected 2012. Member of the Electrolux Remuneration Committee.  
 President and CEO of Atlas Copco AB since 2009.  
 Board member of Atlas Copco AB.  
 Previous positions: Various leading positions within the Atlas Copco Group, 1997–2009 and 1985–1995. Plant Manager of Tenneco Automotive Inc, Belgium, 1995–1997. Various positions within General Biscuits, 1979–1985.  
 Holdings in AB Electrolux: 10,000 B-shares.



**JONAS SAMUELSON**  
 Born 1968. Sweden. M.Sc. Econ.  
 Elected 2016.  
 President and CEO of AB Electrolux since 2016.  
 Board Member of Polygon AB.  
 Previous positions: Senior positions within Electrolux: Head of the business area Major Appliances Europe, Middle East and Africa and Executive Vice President of AB Electrolux, 2011–2016, Chief Operations Officer Major Appliances, 2011. Chief Financial Officer 2008–2011. Chief Financial Officer and Executive Vice President of Munters AB 2005–2008. Various positions within General Motors, mainly in the U.S., 1996–1999 and 2001–2005, and Saab Automobile AB 1993–1995 and 1999–2001.  
 Holdings in AB Electrolux: 17,216 B shares.

**ULLA LITZÉN**  
 Born 1956. Sweden. B.Sc. Econ. and M.B.A.  
 Elected 2016. Chairman of the Electrolux Audit committee.  
 Board Member of Alfa Laval AB, Boliden AB, Husqvarna AB, NCC AB and Ratos AB.  
 Previous positions: President of W Capital Management AB, wholly-owned by the Wallenberg Foundations, 2001–2005. Managing Director and member of Group Management of Investor AB 1996–2001. Responsible for Core Holdings 1999–2000. President of Investor Scandinavia AB, 1996–1998.  
 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.  
 General Counsel and member of Group Management of Investor AB since 2007.  
 Board Member of 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, 2002–2007. General Counsel of ABB Financial Services, Nordic Region, 1998–2002. Corporate Counsel at ABB Financial Services, 1991–1998. Law Clerk with the Stockholm District Court, 1990–1991. Associate at Gunnar Lindh Advokatbyrå, 1988–1990.  
 Holdings in AB Electrolux: 2,500 B-shares.



**BERT NORDBERG**  
 Born 1956. Sweden. Engineer.  
 Elected 2013.  
 Chairman of the Board of Vestas Wind Systems A/S. Board Member of Svenska Cellulosa AB SCA, Axis AB and Saab AB.  
 Previous positions: Chairman, President and CEO of Sony Mobile Communications AB, 2009–2012. Various leading positions within the Ericsson Group, 1996–2009. Various positions within Data General Corporation and Digital Equipment Corporation 1985–1996.  
 Holdings in AB Electrolux: 3,000 B-shares.



**HASSE JOHANSSON**  
 Born 1949. Sweden. M. Sc. in Electrical Engineering.  
 Elected 2008.  
 Chairman of the Board of Dynamate Industrial Services AB, Lindholmen Science Park AB and Vicura AB. Board Member of Fouriertransform AB, Skyllbergs Bruk AB, Calix Group AB, Klippan Group AB, RISE Research Institutes of Sweden AB and SP Sveriges Tekniska Forskningsinstitut AB (SP Technical Research Institute of Sweden).  
 Previous positions: Executive Vice President and Head of R&D of Scania CV AB, 2001–2009. Founder of Mecel AB (part of Delphi Corporation). Senior management positions within Delphi Corporation, 1990–2001.  
 Holdings in AB Electrolux: 4,000 B-shares.

## THE BOARD'S REMUNERATION DURING 2016, MEETING ATTENDANCE AND INDEPENDENCE

	Total remuneration 2016, '000 SEK	Board meeting attendance <sup>1)</sup>	Remuneration Committee attendance <sup>1)</sup>	Audit Committee attendance <sup>1)</sup>	Independence <sup>2)</sup>
Ronnie Leten	2,062	9/9	4/4		Yes
Petra Hedengran	670	9/9	4/4	4/5	No
Hasse Johansson	621	9/9		4/5	Yes
Ulla Litzén	587	5/9		4/5	Yes
Bert Nordberg	558	8/9			Yes
Fredrik Persson	653	9/9		5/5	Yes
David Porter	420	6/9			Yes
Jonas Samuelson	—	6/9			No
Ulrika Saxon	578	9/9	3/4		Yes

<sup>1)</sup> Ulla Litzén, David Porter and Jonas Samuelson were appointed new Board members at the AGM in April 2016. Directly after the AGM, Ulla Litzén was appointed Chairman of the Audit Committee, Petra Hedengran member of the Audit Committee and Ulrika Saxon member of the Remuneration Committee.

<sup>2)</sup> For further information about the independence assessment, see page 145.

Holdings in AB Electrolux are stated as of December 31, 2016 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.

Board Chairman of the Swedish Trade Federation.

Deputy Chairman of ICC Sweden and the Confederation of Swedish Enterprise.

Board Member of Hufvudstaden AB, Ahlström Capital Oy and Nasdaq Stockholm AB's Listing Committee.

Previous positions: President and CEO of Axel Johnson AB, 2007–2015. Executive Vice-President and Chief Financial Officer of Axel Johnson AB, 2000–2007. Head of Research of Aros Securities AB, 1998–2000. Various positions within ABB Financial Services AB, 1992–1998.

Holdings in AB Electrolux: 3,000 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: 5,814 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.

##### ANNA ROSENDAL

Born 1975. 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.

#### ULRIKA SAXON

Born 1966. Sweden. Studies in Economics at the Stockholm School of Economics.

Elected 2011. Member of the Electrolux Remuneration Committee.

President and CEO of Bonnier Growth Media since 2012 and member of Bonnier AB group management since 2009.

Board Member of Svensk Filmindustri, Nordic Cinema Group, United Screens, KIT Media, FLX and Refunder.

Previous positions: Senior positions with various companies within the Bonnier Group since 1998; CEO of Bonnier Tidskrifter, 2005–2012, Executive Director of Bonnier Magazines, 2009–2012, Executive Director of Bonnier Entertainment, 2011, and CEO of Bonzoo Media, 2002–2005. Senior positions within marketing and media strategy consultancy 1991–1998.

Holdings in AB Electrolux: 1,000 B-shares.



#### DAVID PORTER

Born 1965. USA. Bachelor's degree, Finance.

Elected 2016.

Head of Microsoft Stores, Corporate Vice President, Microsoft Corp. since 2009.

Previous positions: Head of Worldwide Product Distribution at DreamWorks Animation SKG 2007–2009. Various positions within WalMart Stores, Inc. 1984–2007.

Holdings in AB Electrolux: 0 shares.



#### EMPLOYEE REPRESENTATIVES



##### OLA BERTILSSON

Born 1955. Representative of the Swedish Confederation of Trade Unions.

Elected 2006.

Board meeting attendance: 9/9

Holdings in AB Electrolux: 0 shares.

##### GUNILLA BRANDT

Born 1953. Representative of the Federation of Salaried Employees in Industry and Services.

Elected 2006.

Board meeting attendance: 8/9

Holdings in AB Electrolux: 0 shares.

##### ULF CARLSSON

Born 1958. Representative of the Swedish Confederation of Trade Unions.

Elected 2001.

Board meeting attendance: 9/9

Holdings in AB Electrolux: 0 shares.

#### EMPLOYEE REPRESENTATIVES, DEPUTY MEMBERS



##### BO ROTHZÉN

Born 1963. Representative of the Swedish Confederation of Trade Unions.

Elected 2012.

Holdings in AB Electrolux: 0 shares.

##### RICHARD DELLNER

Born 1953. Representative of the Federation of Salaried Employees in Industry and Services.

Elected 2013.

Holdings in AB Electrolux: 500 B shares.

##### PETER FERM

Born 1965. Representative of the Federation of Salaried Employees in Industry and Services.

Elected 2014.

Holdings in AB Electrolux: 0 shares.



# Group Management



**5 JONAS SAMUELSON**  
President and Chief Executive Officer

Born 1968. Sweden. M. Sc. in Business Administration and Economics. In Group Management since 2008.

Business development and finance positions within General Motors in USA, 1996–1999. Treasurer and Director of Commercial Finance and Business Support in Saab Automobile AB, 1999–2001. Senior management positions within controlling and finance in General Motors North America, 2001–2005. Chief Financial Officer of Munters AB, 2005–2008. Chief Financial Officer of AB Electrolux, 2008–2011 as well as Chief Operations Officer and Head of Global Operations Major Appliances during 2011. Head of Major Appliances Europe, Middle East and Africa and Executive Vice President of AB Electrolux, 2011. President and CEO of AB Electrolux, 2016.

Board Member of Polygon AB.

Holdings in AB Electrolux: 17,216 B-shares.

**12 DANIEL (DAN) ARLER**  
Head of Major Appliances Europe, Middle East and Africa (EMEA) and Executive Vice President of AB Electrolux

Born 1969. The Netherlands. B.Sc. in Marketing. In Group Management since 2016.

Management positions at Whirlpool Corporation in Europe, 1993–1999. Management positions at Stanley Works Europe, 1999–2002. European Brand & Marketing Director at Electrolux, 2002–2004. Head of Asia Pacific Laundry Product Line 2004–2006. General Manager Electrolux Japan 2006–2008. Management positions in Electrolux Major Appliances EMEA, including SVP Product Line Kitchen, 2009–2016. Head of Major Appliances EMEA and Executive Vice President of AB Electrolux, 2016.

Holdings in AB Electrolux: 8,803 B-shares.

**9 JAN BROCKMANN**  
Chief Operations Officer

Born 1966. Germany. M. Sc. in Mechanical Engineering, M.B.A. In Group Management since 2011.

Management positions within Valeo Group, 1994–1999. Project Manager in Roland Berger Strategy Consultants GmbH, 2000–2001. Senior management positions within Volkswagen Group, 2001–2010. Head of R&D, Electrolux Major Appliances, 2010. Group Chief Technology Officer, 2011. Since 2015 Chief Operations Officer, heading R&D, purchasing, manufacturing, design, quality and other areas.

Holdings in AB Electrolux: 2,390 B-shares.

**1 RICARDO CONS**  
Head of Major Appliances Latin America and Executive Vice President of AB Electrolux

Born 1967. Brazil. Bachelor in Financial Administration and Marketing, MBA in Team Management. Member of Group Management since 2016.

Various positions in Volvo Brazil, 1986 – 1997. Management positions at Electrolux Brazil, including CEO Small Appliances, Sales and Marketing Director Major Appliances, 1997–2011. Management positions at Franke in Brazil, 2011–2016. Interim Head of Electrolux Major Appliances Latin America since 2016 and Head of Electrolux Major Appliances Latin America and Executive Vice President of AB Electrolux since 2017.

Holdings in AB Electrolux: 0 shares.

**3 MARYKAY KOPF**  
Chief Marketing Officer, Senior Vice President

Born 1965. USA. B.S. Finance, M.B.A. In Group Management since 2011.

Senior management positions within DuPont in North America, Europe, Middle East and Africa, and globally, 1991–2003. Vice President Marketing, Electrolux Major Appliances North America, 2003. Group Chief Marketing Officer, 2011.

Board member of World Kitchen, LLC.

Holdings in AB Electrolux: 23,544 B-shares.

**3 ANNA OHLSSON-LEIJON**  
Chief Financial Officer

Born 1968. Sweden. B. Sc. in Business Administration and Economics. In Group Management since 2016.

Various positions within PricewaterhouseCoopers, 1993–2000. Chief Financial Officer of Kimoda, 2000. Director of Project Management at Electrolux, 2001. Director, Electrolux Internal Audit, 2003. Head of Electrolux Internal Audit, 2005. Electrolux Group Treasurer, 2008. Head of Electrolux Corporate Control & Services, 2011. CFO of Electrolux Major Appliances EMEA, 2013. Chief Financial Officer of AB Electrolux, 2016.

Board member of Munksjö Oyj.

Holdings in AB Electrolux: 1,232 B-shares.

Holdings in AB Electrolux are stated as of December 31, 2016 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 since 2015.

Senior management positions in Philips Electronics in Asia Pacific, China and Australia/New Zealand, 1999-2004. China CEO of Decorative Paints, within Imperial Chemicals Industries/Akzo Nobel, 2004-2008. President of American Standard Asia Pacific (Lixil Corp subsidiary) 2008-2012, CEO and President of Lixil Corp in Greater China, 2013-2015. Head of Electrolux Major Appliances Asia/Pacific and Executive Vice President of AB Electrolux, 2015.

Holdings in AB Electrolux: 0 shares.

**8 OLA NILSSON**

Head of Small Appliances, Executive Vice President

Born 1969. Sweden. M. Sc. in International Business Administration. In Group Management since 2016.

Positions in various Electrolux Group functions 1994-1998. CFO and later Managing Director, Small Appliances Australia, 1999-2002. Marketing and general management positions within Small Appliances in Stockholm, 2003-2008. President Small Appliances Asia Pacific, 2008-2012. Senior Vice President, Product Line Laundry Major Appliances EMEA, 2012-2016. Head of Small Appliances and Executive Vice President of AB Electrolux, 2016.

Holdings in AB Electrolux: 0 shares

**9 ALAN SHAW**

Head of Major Appliances North America and Executive Vice President of AB Electrolux

Born 1963. USA. B.S. in Economics and Political science, M.B.A. in Marketing. In Group Management since 2016.

Product management positions at Whirlpool Corporation, 1987-1991. Marketing Director at a Whirlpool JV, Consul, in Brazil, 1991-1994. Various senior management positions in Asia-Pacific and North America at Whirlpool, 1994-2003. President and Chief Executive Officer at Murray Group, 2003-2005. President and Chief Executive Officer at Char-Broil LLC, 2005-2013. Executive Vice President at Husqvarna AB, 2013-2015. Head of Major Appliances North America and Executive Vice President of AB Electrolux, 2016.

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.

Head of Human Resources Electrolux in Denmark, 1994. Vice President Human Resources within Electrolux Major Appliances Europe, 1999-2000. Head of Electrolux Holding A/S in Denmark, 2000-2002. Head of Human Resources for Electrolux Major Appliances North America, 2002-2005. Head of Group Staff Human Resources at Husqvarna AB, 2005-2011. Rejoined Electrolux as Head of Group Staff Human Resources and Organizational Development, 2011.

Holdings in AB Electrolux: 12,920 B-shares.

**11 ALBERTO ZANATA**

Head of Professional Products, Executive Vice President

Born 1960. Italy. University degree in Electrical Engineering with Business Administration. In Group Management since 2009.

Senior management positions in Electrolux Professional Products

within factory management, marketing, product management and business development, 1989-2002. Head of Professional Products in North America, 2003-2008. Head of Professional Products and Executive Vice President of AB Electrolux, 2009.

Holdings in AB Electrolux: 20,514 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.

Law Clerk with the Stockholm District Court 1996-1997. Lawyer at Advokatfirman Vinge 1997-2000. Corporate Counsel at Telia Mobile AB 2000-2002. Corporate Counsel AB Electrolux 2002-2006. Head of Electrolux Legal Affairs Europe 2006-2010. Head of Electrolux Corporate Legal Department 2010-2016. General Counsel and Senior Vice President of AB Electrolux, 2017, with the responsibility for legal, intellectual property, risk management and security matters.

Holdings in AB Electrolux: 5,814 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.

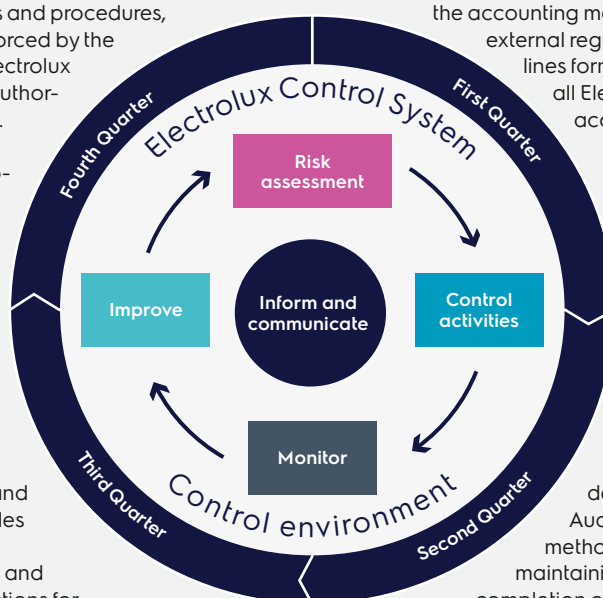
The Electrolux Board has overall responsibility for establishing an effective system of internal control. Responsibility for maintaining effective internal controls is delegated to the President. The governance structure of the Group is described on page 142. Specifically for financial reporting, the 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 154–155.

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

#### 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

Closing Routine – Risks assessed



Manage IT – Risks assessed



Order to Cash – Risks assessed



#### CONTROL ACTIVITIES – EXAMPLE

Process	Risk assessed	Control activity
Closing Routine	Risk of incorrect financial reporting.	Reconciliation between general ledger and accounts receivable sub-ledger is performed, documented and approved.
Manage IT	Risk of unauthorized/incorrect changes in the IT environment	All changes in the IT environment are authorized, tested, verified and finally approved.
Order to Cash	Risk of not receiving payment from customers in due time.	Customers' payments are monitored and outstanding payments are followed up.
Order to Cash	Risk of incurring bad debt	Application automatically blocks sales orders/deliveries when the credit limit is exceeded.

## Financial reporting and information

Electrolux routines and systems for information and communication aim at providing the market with relevant, reliable, correct and vital information concerning the development of the Group and its financial position. Specifically for purposes of considering the materiality of information, including financial reporting, relating to Electrolux and ensuring timely communication to the market, 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 materially affect 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](http://www.electroluxgroup.com/ir).

Stockholm, February 15, 2017

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, 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 2016 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 17, 2017

PricewaterhouseCoopers AB

Peter Nyllinge  
Authorized Public Accountant  
Partner in Charge

Anna Rosendal  
Authorized Public  
Accountant

## Factors affecting forward-looking statements

This annual report contains "forward-looking" statements within the meaning of the US 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, March 23, 2017, 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 Friday, March 17, 2017, and
- give notice of intent to participate, to Electrolux on Friday, March 17, 2017, at the latest.

## Notice of participation

Notice of intent to participate can be given

- on the Group's website;  
[www.electroluxgroup.com/agm2017](http://www.electroluxgroup.com/agm2017)
- 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/agm2017](http://www.electroluxgroup.com/agm2017).

## 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 Friday, March 17, 2017, shareholders should contact their bank or trustee well in advance of that date.

## Dividend

The Board of Directors proposes a dividend for 2016 of SEK 7.50 per share, for a total dividend payment of approximately SEK 2,155m (1,868). The proposed dividend corresponds to approximately 48% of income for the period. The dividend is proposed to be paid in two equal installments, the first with the record date Monday, March 27, 2017, and the second with the record date Wednesday September 27, 2017. The first installment is estimated to be paid on Thursday, March 30, 2017 and the second installment on Monday, October 2, 2017.

## DATES REGARDING THE AGM 2017

2016	2017			
September	February	March	September	October
21 Nomination Committee appointed for AGM 2017	10 Proposals from Nomination Committee presented 14 Notice to AGM published	17 Deadline for notice of intent to participate in AGM and registration in share register 23 AGM 2017 27 Proposed record date for the first installment of the dividend payment 30 Estimated date for payment of first installment of dividend	27 Proposed record date for the second installment of the dividend payment	2 Estimated date for payment of second installment of dividend

## Events and reports

The Electrolux website [electroluxgroup.com/ir](http://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. The platform allows visitors to view graphic detailing of Electrolux development on an annual or quarterly basis.



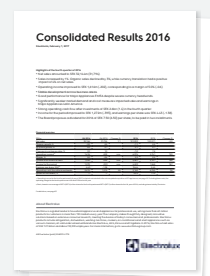
Electrolux Annual Report 2016



Electrolux annual report  
[electroluxgroup.com/annualreport2016](http://electroluxgroup.com/annualreport2016)



Electrolux sustainability reports (GRI)  
[electroluxgroup.com/sustainability](http://electroluxgroup.com/sustainability)



Electrolux interim reports  
[electroluxgroup.com/ir](http://electroluxgroup.com/ir)

### Financial reports and major events in 2017



Consolidated report



Annual General Meeting



Interim report January–March



Interim report January–June



Interim report January–September

Electrolux subscription service can be accessed at  
[electroluxgroup.com/subscribe](http://electroluxgroup.com/subscribe)

Investor Relations Tel. +46 8 738 60 87 | [ir@electrolux.se](mailto:ir@electrolux.se) | [electroluxgroup.com/ir](http://electroluxgroup.com/ir)





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

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



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**Telephone:** +46 8 738 60 00 **Website:** [www.electroluxgroup.com](http://www.electroluxgroup.com)

**On the web:**  
[www.electroluxgroup.com/annualreport2016](http://www.electroluxgroup.com/annualreport2016)