Q4

2018

Good progress in a challenging environment

- Net sales amounted to SEK 34,425m (32,580). Sales growth was 2.5%, driven by price increases and mix improvements across most business areas.
- Operating income amounted to SEK 1,963m (2,065), corresponding to a margin of 5.7% (6.3). Four business areas achieved above 6% margin.
- Excluding a non-recurring item of SEK +71m relating to the completion of the French antitrust proceeding, operating income amounted to SEK 1,892m, corresponding to a margin of 5.5% (6.3).
- Positive earnings contribution from volume/price/mix across all business areas partly offset higher input costs and currency headwinds.
- Major Appliances North America faced higher cost inflation from tariffs and a decline in sales to private label.
- Operating cash flow after investments amounted to SEK 3,163m (2,078).
- Income for the period decreased to SEK 1,575m (2,002), and earnings per share was SEK 5.48 (6.97).
- The Board proposes a dividend for 2018 of SEK 8.50 (8.30) per share, to be paid in two installments.
- The Board has announced the intention to prepare a separation and listing of the Professional Products business area.

Financial overview

SEKM	Q4 2018	Q4 2017	Change, %	2018	2017	Change, %
Net sales	34,425	32,580	6	124,129	120,771	3
Sales growth, %[1]	2.5	5.4		1.7	0.5	
Organic growth, %	2.7	4.0		1.3	-0.4	
Acquisitions, %	0.5	1.9		0.7	1.4	
Divestments, %	-0.7	-0.5		-0.3	-0.4	
Changes in exchange rates, %	3.1	-4.7		1.1	0.2	
Operating income[2]	1,963	2,065	-5	5,310	7,407	-28
Operating margin, %	5.7	6.3		4.3	6.1	
Income after financial items	1,832	2,001	-8	4,887	6,966	-30
Income for the period	1,575	2,002	-21	3,805	5,745	-34
Earnings per share, SEK[3]	5.48	6.97		13.24	19.99	
Operating cash flow after investments	3,163	2,078		3,649	6,877	
Return on net assets, %	–	–		22.7	36.0	

[1] Change in net sales adjusted for currency translation effects.
[2] Operating income in the fourth quarter of 2018 includes a non-recurring item of SEK 71m relating the French Competition Authority investigation that was concluded in the quarter and impacts Major Appliances EMEA. Excluding this item, operating income amounted to SEK 1,892m corresponding to a margin of 5.5% (6.3). Operating income in the full year of 2018 includes non-recurring items of SEK -1,343m. Excluding these items, operating income amounted to SEK 6,653m corresponding to a margin of 5.4% (6.1) see pages 12 and 21.
[3] Basic.

For definitions, see pages 29-30.

President and CEO Jonas Samuelson's comment

I am pleased with our performance in 2018 in the face of challenging conditions. Our focus on innovation to improve the consumer experience and our high cost efficiency are key competitive assets. Combined with price increases, these factors had a positive impact on our earnings, but could not fully compensate for strong headwinds, primarily from raw materials and currency. Underlying operating income in 2018 was SEK 6,653m, corresponding to a margin of 5.4%. Sales growth was 1.7%, driven mainly by price increases and mix improvements across most business areas.

In 2018, EMEA reported strong organic sales growth and solid underlying earnings, fueled by innovative products under premium brands. Our North American operation was significantly impacted by increased raw material costs and U.S. trade tariffs as well as lower private label volumes, partly mitigated by cost-based price increases. Latin America showed high organic sales growth and improved earnings. Asia/Pacific had strong growth in Southeast Asia, while Home Care & SDA was in a product transition phase. Finally, Professional Products continued its profitable growth journey.

In the fourth quarter sales growth was 2.5%, supported by most business areas. Underlying operating margin was 5.5% and four business areas had a margin above 6%.

The overall demand trend across most markets in 2018 is expected to continue in 2019 but the visibility is impacted by increased uncertainties in the world. We anticipate market demand for appliances in Europe to be slightly positive, while in North America and Latin America to be flat to slightly negative. The positive demand trend is expected to continue in Southeast Asia and be flat in Australia.

In addition to the price increases achieved in 2018, we have started 2019 by implementing already announced price increases in key markets. This is expected to offset the significant external headwinds we face, despite the recent positive development on raw materials. We estimate the negative year-over-year impact from raw materials, tariffs and currency to be approximately SEK 2.0-2.4 bn in 2019. We are continuing to invest in product innovations and automation to support further profitable growth and expect capital expenditures to be about SEK 7 billion in 2019.

In 2019, Electrolux turns 100 and we are now taking the next step to accelerate profitable growth. We will do this by becoming sharper and even more focused on developing our consumer value proposition in terms of experience innovation, ownership solutions and the way we go to market. By transferring Home Care & SDA into our four regional business areas, we are ensuring a more unified approach to our interactions with consumers in each market, with brand storytelling and product design. As announced yesterday, the intention is to prepare a separation of Professional Products. This would allow our professional operation to focus on its own distinct opportunities and continue its profitable growth journey as a standalone, listed company.

I am confident that we are well positioned with the right business focus in this challenging cost environment to continue to deliver shareholder value. Electrolux financial targets will remain unchanged following a separation of Professional Products. Our journey towards profitable growth continues in 2019 and beyond.

Outlook 2019

Market outlook, units year-over-year[1)]	**FY 2019**	**Market outlook, units year-over-year[1)]**	**FY 2019**
Europe	Slightly positive	Southeast Asia	Positive
North America	Flat to slightly negative	Australia	Flat
Latin America	Flat to slightly negative		

[1)] Electrolux estimates for industry shipments of core appliances.

Business outlook[2)], year-over-year	**Q1 2019**	**FY 2019**
Volume/price/mix	Favorable	Favorable
Raw material costs and trade tariffs	Increase of SEK 0.5-0.6bn	Increase of SEK 1.7-2.1bn
Net cost efficiency[3)]	Unfavorable	Unfavorable
Currency effect[4)]	SEK -350m	SEK -300m
Capital expenditures	Increase	SEK ~7bn

[2)] Business outlook range: Favorable - Neutral - Unfavorable.

[3)] Efficiencies in variable costs (excl. raw materials and trade tariffs) and structural costs.

[4)] Impact on operating income for the full year 2019, whereof currency transaction effects of SEK -300m and currency translation effects of SEK 0m. The calculation is based on currency rates as per Janaury 22, 2019.

Note: Business outlook in the above table excludes non-recurring items.

Summary of the fourth quarter

SEKM	Q4 2018	Q4 2017	Change, %	Full year 2018	Full year 2017	Change, %
Net sales	34,425	32,580	6	124,129	120,771	3
Operating income						
Major Appliances Europe, Middle East and Africa	1,040	969	7	2,220	2,764	-20
Major Appliances North America	180	447	-60	972	2,757	-65
Major Appliances Latin America	286	218	31	464	425	9
Major Appliances Asia/Pacific	160	215	-26	648	750	-14
Home Care & SDA	205	214	-4	398	431	-8
Professional Products	294	276	7	1,134	1,054	8
Other, Common Group costs, etc.	-201	-273	26	-527	-775	32
Total Group	1,963	2,065	-5	5,310	7,407	-28
Operating margin, %	5.7	6.3		4.3	6.1	
Operating margin excl. non-recurring items, %[1]	5.5	6.3		5.4	6.1	

[1] The non-recurring items of SEK 71m in the fourth quarter of 2018 refers to Major Appliances EMEA, see pages 4 and 12. For information on non-recurring items in the full year of 2018, see page 21.

Net sales

Sales for the Electrolux Group increased by 2.5% in the quarter, excluding currency translation effects. The organic growth was 2.7%, driven by higher prices and improved mix. Acquisitions and divestments had an impact of 0.5% and -0.7%, respectively.

Sales for Major Appliances EMEA increased, mainly due to mix improvements. Cost-based price increases and improved mix resulted in higher sales for Major Appliances Latin America. Major Appliances Asia/Pacific continued to report strong growth in Southeast Asia, while sales in Australia declined. Home Care & SDA had strong growth in the cordless vacuum cleaner category. Professional Products had positive sales contribution from volume/price/mix.

Major Appliances North America's sales decline was primarily related to lower sales volumes of products under private label, partly mitigated by cost-based price increases.

Operating income

Operating income declined to SEK 1,963m (2,065), corresponding to a margin of 5.7% (6.3).

Operating income includes a reversal of a provision of SEK 71m relating to the completion of the French antitrust proceeding. Excluding this non-recurring item, operating income amounted to SEK 1,892m, corresponding to a margin of 5.5% (6.3). All business areas had positive earnings contribution from volume/price/mix. However, this could not fully compensate for increased costs for raw materials, trade tariffs and currency headwinds.

Operating income for Major Appliances Latin America improved as a result of price increases, mix improvements and higher cost efficiency. Professional Products' performance remained solid. Operating income for Major Appliances EMEA, excluding non-recurring items, was on par with last year despite strong headwinds. Home Care & SDA's earnings were in line with last year.

Operating income declined significantly for Major Appliances North America, primarily due to lower volumes, increased costs for raw material and trade tariffs. Major Appliances Asia/Pacific's earnings also declined, mainly due to currency headwind.

Effects of changes in exchange rates

Changes in exchange rates had a negative year-over-year impact of SEK 290m. The impact of transaction effects was SEK -352m and refers primarily to the operations in Latin America but also to operations in Australia and Europe. Translation effects amounted to SEK 62m.

Financial net

Net financial items for the fourth quarter amounted to SEK –131m (–64). The increase is mainly related to higher interest costs in Latin America.

Income for the period

Income for the period amounted to SEK 1,575m (2,002), corresponding to SEK 5.48 (6.97) in earnings per share.

Full year of 2018

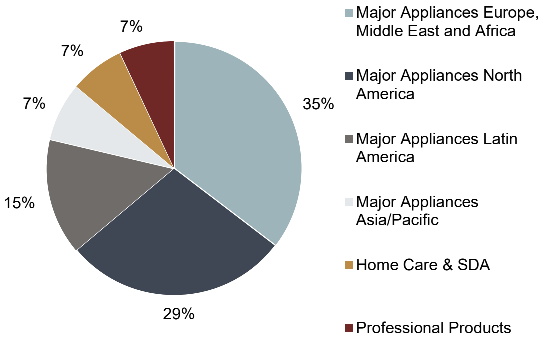
Sales growth for the Electrolux Group was 1.7% in the full year, excluding currency translation effects. Organic growth was 1.3% and contribution from acquisitions and divestments was 0.7% and -0.3%, respectively.

Operating income amounted to SEK 5,310m (7,407), corresponding to a margin of 4.3% (6.1). In the full year non-recurring items amounted to SEK -1,343m, see page 21. Excluding these non-recurring items, operating income amounted to SEK 6,653m, corresponding to a margin of 5.4% (6.1).

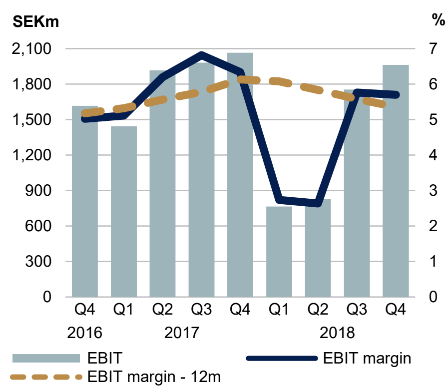
Income for the period amounted to SEK 3,805m (5,745), corresponding to SEK 13.24 (19.99) in earnings per share.

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

SHARE OF SALES BY BUSINESS AREA IN THE FOURTH QUARTER OF 2018



OPERATING INCOME AND MARGIN

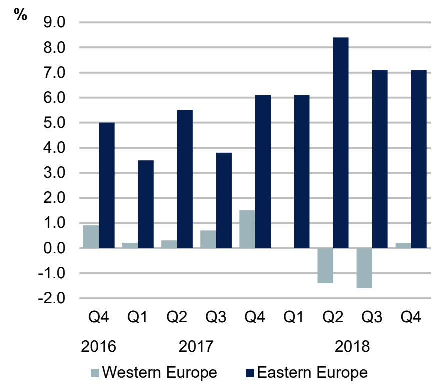


The EBIT margin - 12m is excluding non-recurring items, see pages 21 and 28.

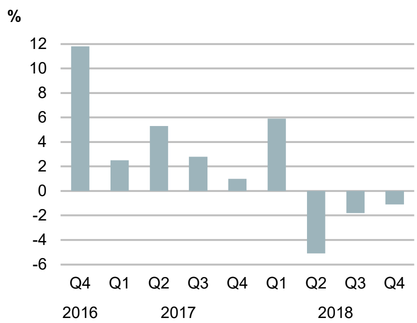
Market overview

The market in Europe increased driven by Eastern Europe, while Western Europe was stable. In the U.S., the market demand declined. For more information about the markets, please see the Business areas section below.

INDUSTRY SHIPMENTS OF CORE APPLIANCES IN EUROPE*



INDUSTRY SHIPMENTS OF CORE APPLIANCES IN THE U.S.*



*Units year-over-year, %

Sources: Europe: Electrolux estimate, US: AHAM. For definitions see pages 4 and 5. For other markets, there are no comprehensive market statistics.

Business areas

Major Appliances Europe, Middle East and Africa (EMEA)

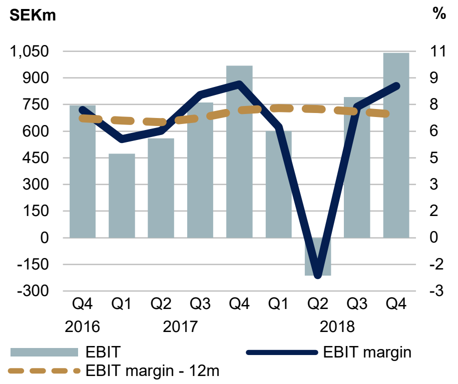
In the fourth quarter, overall market demand in Europe increased by 2% year-over-year. This continued to be driven by strong growth of 7% in Eastern Europe, while demand in Western Europe was stable.

Electrolux operations in EMEA reported organic sales growth of 3.8% for the quarter. Product mix improvements and higher sales volumes in the focus areas laundry and built-in kitchen products contributed positively and resulted in market share gains under premium brands.

As previously announced, operating income includes a reversal of a provision of SEK 71m relating to the French Competition Authority investigation that was concluded in the quarter and is the difference between the actual fine and the provision set in the second quarter.

Excluding this non-recurring item, operating income was on par with last year. Strong organic contribution from volume/price/mix offset higher costs for raw material, currency headwind and investments in innovation and marketing.

OPERATING INCOME AND MARGIN



The EBIT margin - 12m is excluding non-recurring items, see page 21 and 28.

Industry shipments of core appliances in Europe, units, year-over-year,%*	Q4 2018	Q4 2017	Full year 2018	Full year 2017
Western Europe	0	2	-1	1
Eastern Europe (excluding Turkey)	7	6	7	5
Total Europe	2	3	1	2
SEKM				
Net sales	12,176	11,214	42,732	38,524
Organic growth,%	3.8	3.8	5.3	0.6
Acquisitions,%	0.4	2.8	1.0	2.1
Operating income	1,040	969	2,220	2,764
Operating margin,%	8.5	8.6	5.2	7.2
Operating margin excl. non-recurring items, %1)	8.0	8.6	6.9	7.2

* Source: Electrolux estimates.
Core appliances include: Refrigerators, Freezers, Washing machines, Tumble dryers, Free-standing Cookers, Built-in Ovens, Built-in Hobs, Hoods and Dishwashers.

1) For information on non-recurring items, see pages 12 and 21.

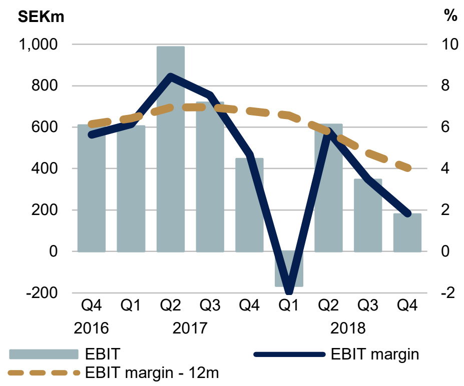
Major Appliances North America

During the quarter, market demand for core appliances in the U.S. declined by 1% year-over-year. Market demand for all major appliances, including microwave ovens and home-comfort products, improved by 3%.

Electrolux operations in North America reported an organic sales decline of 5.3% for the quarter. This was primarily related to lower sales of products under private label. Sears, a major private label customer, filed in October for restructuring under Chapter 11. Cost-based price increases contributed positively to sales, although these had a somewhat negative impact on sales volumes in the quarter.

Operating income declined significantly year-over-year, mainly due to lower sales volumes and increased costs for raw material and trade tariffs. Price increases had a positive earnings impact. Last year's earnings were positively impacted by higher cost savings.

OPERATING INCOME AND MARGIN



The EBIT margin - 12m is excluding non-recurring items, see page 21 and 28.

Industry shipments of appliances in the U.S., units, year-over-year, %*	Q4 2018	Q4 2017	Full year 2018	Full year 2017
Core appliances	-1	1	-1	3
Microwave ovens and home-comfort products	15	13	2	14
Total Major Appliances	3	4	0	6
SEKM				
Net sales	9,812	9,563	38,875	40,656
Organic growth, %	-5.3	-4.2	-6.2	-6.1
Operating income	180	447	972	2,757
Operating margin, %	1.8	4.7	2.5	6.8
Operating margin excl. non-recurring items, %1)	1.8	4.7	4.0	6.8

1) For information on non-recurring items, se page 21.

* Source: Core appliances includes AHAM 6 (Washers, Dryers, Dishwashers, Refrigerators, Freezers, Ranges and Ovens) and Cooktops.

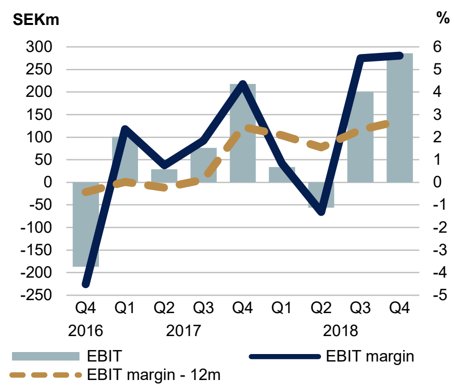
Major Appliances Latin America

In the fourth quarter, consumer demand for core appliances in Brazil is estimated to have slightly decreased due to uncertainties in the political and economic environment. In Argentina the market declined significantly after currency devaluation. Consumer demand in Chile is, however, estimated to have increased in the quarter.

Electrolux operations in Latin America had organic sales growth of 12.3%. Cost-based price increases and mix improvements in Brazil contributed positively to sales. However, price increases continued to have a negative impact on sales volumes.

Operating income improved year-over-year. In addition to price increases and mix improvements, strong focus on cost-efficiency supported the results. Higher costs for raw materials and currency headwinds continued to negatively impact earnings.

OPERATING INCOME AND MARGIN



SEKM	Q4 2018	Q4 2017	Full year 2018	Full year 2017
Net sales	5,098	5,012	17,076	17,302
Organic growth, %	12.3	29.9	9.8	7.9
Operating income	286	218	464	425
Operating margin, %	5.6	4.3	2.7	2.5

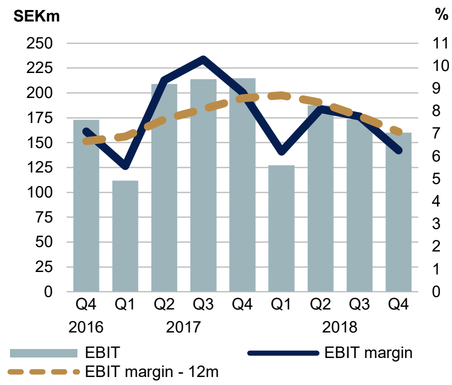
Major Appliances Asia/Pacific

In the fourth quarter, market demand for appliances in Southeast Asia continued to increase, while the demand in Australia declined year-over-year. The softer Australian market was mainly related to a slower property market.

Electrolux organic sales growth was 1.5%. Growth in Southeast Asia continued to be strong, especially in laundry, which contributed to a more favorable mix. The price increases implemented in Australia to mitigate increased costs related to currency headwinds impacted sales volumes negatively.

Operating income declined year-over-year. Price increases and mix improvements could not fully offset the currency headwind and lower volumes the business area faced in Australia, as well as higher raw material costs.

OPERATING INCOME AND MARGIN



SEKM	Q4 2018	Q4 2017	Full year 2018	Full year 2017
Net sales	2,555	2,437	9,165	8,759
Organic growth, %	1.5	9.9	3.7	5.6
Acquisitions, %	—	—	—	0.7
Operating income	160	215	648	750
Operating margin, %	6.2	8.8	7.1	8.6

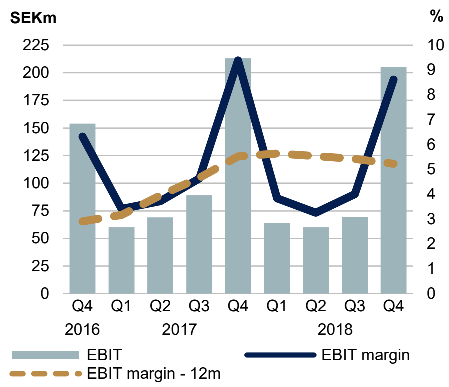
Home Care & Small Domestic Appliances

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

Organic sales increased by 13.9% in the quarter. This was mainly related to mix improvements from strong growth in the cordless category, partly driven by the new premium cordless vacuum cleaner, launched in September. The business area gained market share in the corded category in Europe. The divestment of the commercial and central vacuum-cleaner businesses in North America in the previous quarter had a negative impact on sales by -10.7%.

Operating income was in line with last year. Mix improvements contributed positively. The business area is still in a product transition phase with higher investments in product launches. Currency headwind and higher raw material costs impacted earnings negatively.

OPERATING INCOME AND MARGIN



SEKM	Q4 2018	Q4 2017	Full year 2018	Full year 2017
Net sales	2,380	2,269	7,616	7,808
Organic growth, %	13.9	-8.1	-1.1	-4.2
Acquisitions, %	—	8.0	0.7	4.7
Divestments, %	-10.7	-6.4	-5.4	-6.6
Operating income	205	214	398	431
Operating margin, %	8.6	9.4	5.2	5.5

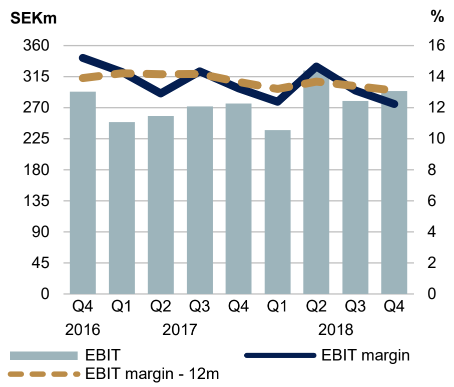
Professional Products

Overall market demand for professional food-service and laundry equipment improved across most regions in the fourth quarter.

Organic growth was 4.7%. This was related to higher sales in the laundry and beverage segments as well as improved contribution from price and customer care sales. The acquired companies Schneidereit GmbH and SPM Drink Systems had a positive impact of 6.2% on sales, see page 27.

The operating income improved slightly. Price increases and mix improvements offset increased costs for raw materials as well as investments in customer care business and in R&D for product launches. The decline in operating margin is accounted for by the 2018 acquired businesses that have a dilutive impact on margin.

OPERATING INCOME AND MARGIN



SEKM	Q4 2018	Q4 2017	Full year 2018	Full year 2017
Net sales	2,405	2,085	8,666	7,723
Organic growth, %	4.7	2.8	3.5	5.6
Acquisitions, %	6.2	6.3	4.7	6.6
Operating income	294	276	1,134	1,054
Operating margin, %	12.2	13.2	13.1	13.7

Cash flow

Operating cash flow after investments amounted to SEK 3,163m (2,078) in the quarter. The increase relates primarily to a positive contribution from working capital.

The acquisiton in the quarter of SPM Drink Systems had a negative impact of SEK 449m, see page 27.

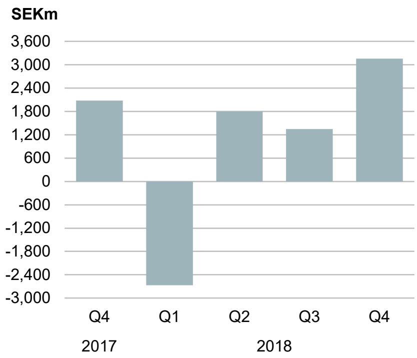
The second of two installments for the 2017 dividend payment of SEK 8.30 per share was distributed to shareholders during the quarter and the cash flow was impacted by SEK -1,193m.

Operating cash flow after investments for the full year of 2018 amounted to SEK 3,649m (6,877). The decline was due to lower earnings, higher investments and lower cash flow from working capital, primarily due to timing effects.

Acquisitions of operations had a negative impact of SEK 902m on the total cash flow for the full year of 2018, while divestments had a positive impact of SEK 293m in the year. For more information on acquisitions and divestments, see page 27.

The 2017 dividend payment impacted cash flow by SEK -2,385m during the full year of 2018.

OPERATING CASH FLOW AFTER INVESTMENTS



SEKM	Q4 2018	Q4 2017	Full year 2018	Full year 2017
Operating income adjusted for non-cash items[1]	2,954	3,021	10,547	11,405
Change in operating assets and liabilities	2,516	1,156	-1,000	267
Operating cash flow	**5,470**	**4,177**	**9,547**	**11,672**
Investments in tangible and intangible assets	-2,422	-2,158	-5,629	-4,857
Changes in other investments	115	59	-269	62
Operating cash flow after investments	**3,163**	**2,078**	**3,649**	**6,877**
Acquisitions and divestments of operations	-463	-11	-609	-3,405
Operating cash flow after structural changes	**2,701**	**2,067**	**3,041**	**3,472**
Financial items paid, net[2]	-167	-57	-361	-227
Taxes paid	-465	-445	-1,140	-1,421
Cash flow from operations and investments	**2,069**	**1,565**	**1,540**	**1,824**
Dividend	-1,193	-1,077	-2,385	-2,155
Share-based payments	8	5	-210	-483
Total cash flow, excluding changes in loans and short-term investments	**884**	**493**	**-1,056**	**-814**

1) Operating income adjusted for depreciation, amortization and other non-cash items.

2) For the period January 1 to December 31, 2018: interests and similar items received SEK 192m (199), interests and similar items paid SEK -551m (–357) and other financial items paid/received SEK –2m (–69).

Financial position

Net debt

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

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

In the fourth quarter long-term borrowings in the amount of approximately SEK 380m were amortized. During 2019, long-term borrowings amounting to approximately SEK 2,400m will mature.

Liquid funds as of December 31, 2018, amounted to SEK 12,249m, an increase of SEK 275m compared to SEK 11,974m as of December 31, 2017.

Working capital and net assets

Working capital as of December 31, 2018, amounted to SEK –16,848m (–15,873), corresponding to –13.5% (–13.4) of annualized net sales. Operating working capital amounted to SEK 3,789m (4,288), corresponding to 3.0% (3.6) of annualized net sales, see page 23.

Average net assets for 2018 amounted to SEK 23,381m (20,572), corresponding to 18.8% (17.0) of annualized net sales. Net assets as of December 31, 2018, amounted to SEK 23,574m (20,678).

Return on net assets was 22.7% (36.0), and return on equity was 18.2% (31.9).

Net debt

SEKM	Dec.31, 2018	Dec. 31, 2017
Short-term loans	1,429	990
Short-term part of long-term loans	2,355	1,501
Trade receivables with recourse	168	204
Short-term borrowings	**3,952**	**2,695**
Financial derivative liabilities	81	228
Accrued interest expenses and prepaid interest income	28	27
Total short-term borrowings	**4,062**	**2,950**
Long-term borrowings	**6,198**	**6,587**
Total borrowings[1]	**10,260**	**9,537**
Cash and cash equivalents	11,697	11,289
Short-term investments	176	358
Financial derivative assets	132	85
Prepaid interest expenses and accrued interest income	243	242
Liquid funds[2]	**12,249**	**11,974**
Financial net debt	**-1,989**	**-2,437**
Net provisions for post-employment benefits	3,814	2,634
Net debt	**1,825**	**197**
Net debt/equity ratio	0.08	0.01
Total equity	21,749	20,480
Equity per share, SEK	75.67	71.26
Return on equity, %	18.2	31.9
Equity/assets ratio, %	25.6	26.4

[1] Whereof interest-bearing liabilities amounting to SEK 9,982m as of December 31, 2018 and SEK 9,078m as of December 31, 2017.
[2] Electrolux has an unused committed back-up multicurrency revolving credit facility of EUR 1,000m, approximately SEK 10,300m, expiring in 2023.

Other items

Asbestos litigation in the U.S.

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

As of December 31, 2018, the Group had a total of 3,460 (3,372) cases pending, representing approximately 3,502 (approximately 3,435) plaintiffs. During the fourth quarter of 2018, 334 new cases with 334 plaintiffs were filed and 263 pending cases with approximately 263 plaintiffs were resolved.

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.

Risks and uncertainty factors

As an international group with a wide geographic spread, Electrolux is exposed to a number of business and financial risks. The business risks can be divided into strategic, operational and legal risks. The financial risks are related to such factors as exchange rates, interest rates, liquidity, the giving of credit and financial instruments.

Risk management in Electrolux aims to identify, control and reduce risks. Risks, risk management and risk exposure are described in more detail in the 2017 Annual Report,
www.electroluxgroup.com/annualreport2017

Innovation targeting outstanding consumer experiences

Electrolux focuses on bringing innovations to consumers that enhance experiences in the areas of great tasting food, perfect care for clothes, and healthy wellbeing in their homes. This is done with a strong focus on environmental sustainability. Innovation is the key driver for long term profitable growth and margin improvement.

Creating front-load leadership in Southeast Asia

Electrolux has the last ten years significantly strengthened its position within front-loaded washing machines in Southeast Asia. This profitable segment is strategically important for Electrolux. Sales have increased with a CAGR of about 15% between 2008 -2018 and operating margin has improved considerably. Also, the market position has improved significantly and Electrolux is today a market leader in front-load washers in Southeast Asia.

Behind this strong performance was a strategy to adapt the products to specific regional consumer needs, based on deep consumer insight. Many consumers found it difficult to wash certain Asian garments, as Hijab and Batik, without causing damage to the fabrics. An additional challenge was the limited power supply in markets like Indonesia resulting in limited usage of "Hot Wash" programs and hence consumers were not satisfied with the washing performance. Product development therefore focused on solving those problems delivering great washing performance also with cold water programs. The effects on sales were enhanced by a strong brand, as well as by effective marketing and distribution. Shopping insights were used to differentiate the products in-store; focusing on a few, targeted messages and creating a premium feel for the brand and the products. The strong market execution continued in this profitable segment in 2018 fueled by new product launches.

Electrolux brand boost

Electrolux is creating brand desirability for profitable growth. The Group has three main brands in AEG, Electrolux and Frigidaire that are all well-established. These brands accounts for 80% of gross operating income. Clear understanding of target groups for the main brands enables focused R&D and marketing. More than 90% of marketing, design and R&D support are allocated to these brands. To maximize the contribution from these brands Electrolux focuses on selected key, high-margin products and categories, and seeks partnerships with preferred key trade partners.

High brand awareness is important. Today consumers do more research before entering the actual purchase process, therefore it is increasingly important to be one of the brands under consideration. Brands must therefore be well known and appeal to distinct consumer groups. A strong brand drives profitable growth as shortlisted brands sell more products at higher prices.

In 2016 and 2017, AEG and Frigidaire were revitalized, which resulted in clearer brand propositions and a focused and relevant offering to the consumers. This was done in close cooperation with preferred partners enabling efficient marketing, delivery and sales. The Electrolux brand is now being sharpening in a similar way as AEG and Frigidaire were revitalized. New products of the latest in taste, care and wellbeing will be launched during 2019. The new product ranges are built on a human-centric Scandinavian design with a professional edge. Electrolux wants to be the most desirable and most sustainable brand in the home.

Examples of innovations during 2018

January 11	New appliances to be launched in North America as Frigidaire celebrates 100 years of innovation
March 5	Electrolux connected steam oven with built-in camera makes its market debut
March 26	Electrolux launches Pure i9 robotic vacuum in the United States
April 10	Electrolux launches its first open innovation factory
August 21	Electrolux launches groundbreaking cordless vacuum cleaner
August 29	Electrolux showcases innovative solutions at IFA in Berlin
November 6	Electrolux and Karma introduce a smart fridge to reduce food waste

For more information, see www.electroluxgroup.com

Events during and after the quarter

Events during the fourth quarter of 2018

October 2. Electrolux strengthens its professional beverage offering by acquiring SPM Drink Systems
Electrolux has acquired SPM Drink Systems, an Italian leading manufacturer of professional dispensers of frozen and hot beverages and soft ice-cream, as part of the strategy to increase its presence in the hospitality industry.

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

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

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

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

November 20. Electrolux tops new Swedish sustainability ranking
Electrolux has been named number 1 in the Swedish ranking Sustainable Companies 2018, in the category consumer goods, sharing the top spot with clothing retail company H&M. This new ranking, developed by the Swedish newspapers Dagens Industri and Aktuell Hållbarhet together with Lund University, measures how well Swedish listed companies work with sustainability.

December 6. French antitrust proceeding concluded
The French Competition Authority (FCA) has completed the previously communicated investigation regarding an alleged breach of antitrust rules in France by Electrolux and other appliance manufacturers during 2006 to 2009.

The FCA has decided on a fine of MEUR 48, which is below the provision of MEUR 54 (MSEK 564) set by Electrolux and reported as a non-recurring item in the second quarter of 2018. This decision follows a settlement that was reached earlier this year between the FCA and Electrolux.

The difference between the actual fine and the provision will be reported as an adjustment of the non-recurring item reported in the second quarter. This adjustment will positively impact the result of Electrolux business area Major Appliances Europe, Middle East and Africa in the fourth quarter.

As previously communicated by Electrolux in a press release on February 7, 2018, the FCA is also conducting another investigation affecting Electrolux. The company has not yet been informed of any conclusions regarding this investigation.

For more information, visit www.electroluxgroup.com

Events after the fourth quarter of 2018

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

"We are committed to investing in U.S. manufacturing and launching new Frigidaire kitchen products. By appropriately right sizing our business for a changing market, we can invest in the growth areas and drive profitability," said Alan Shaw, Head of Electrolux Major Appliances North America.

As previously announced, Electrolux is increasing its level of capital expenditure investments to drive targeted growth during the coming three to four years, particularly in North America and Latin America. Investments will be focused for product excellence, automation and innovation. As part of this plan, Electrolux in 2018 announced investments to modernize and expand its facilities in Springfield (cooking products) and Anderson, South Carolina (refrigeration products).

In light of changing market dynamics, increased raw material costs and current trade policy, the Springfield, Tennessee investment, estimated at USD 250 million, is now designed for product development, flexibility and competitiveness.

As Electrolux reinitiates the project and consolidates into Springfield, the company will also cease production at its Memphis, Tennessee facility. Production at the facility is expected to continue through 2020. The company will take a restructuring charge related to this of approximately SEK 800 million in the first quarter of 2019. This charge is not included in the estimated investment cost.

"We are very committed to supporting our Memphis teammates and are announcing these changes two years in advance to provide transition time," said Shaw.

The Springfield, Tennessee expansion will be complete and production will begin during the fourth quarter 2020. The Anderson, South Carolina expansion will be complete and production will begin during 2019.

The increased global use of modular product platforms has also contributed to a decision to cease manufacturing of refrigerators at Electrolux factory in Santiago, Chile, to improve efficiency and sharpen the local product offering. The facility will continue to produce laundry and cooking products, which today make up the majority of its output. The company will take a restructuring charge related to the closure of the refrigeration production line of approximately SEK 225 million in the first quarter of 2019.

The charges will be reported as non-recurring items in the results for the first quarter of 2019, affecting the business areas Major Appliances North America and Major Appliances Latin America. The Q1 interim report will be published on April 26, 2019.

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

Section continues on the following page.

Events after the quarter cont.

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

Electrolux Board of Directors believes that such a split has the potential to create substantial shareholder value over time, given that the two businesses have different end markets, customers and success drivers. A split will enable both companies to focus on their respective opportunities to drive profitable growth, with distinct strategies for innovation and customer focus, as well as a high level of capital efficiency. The separation costs are expected to be relatively low.

Electrolux Professional is a leading provider of food service, beverage and laundry solutions to a wide range of customers, from restaurants and hotels to healthcare and other service facilities. It is a global operation with business in EMEA, North America and APAC. Its market is characterized by high demands on quality and efficient solutions, which requires offering a full set of best-in-class products, superior customer care as well as innovation and investments in connectivity.

The Electrolux Group's core consumer business offers household appliances under a range of well-established brands including Electrolux, Frigidaire and AEG. It holds leading market positions in targeted areas. Electrolux has a strong track record and emphasis on innovation for outstanding consumer experiences. Its market is characterized by increased consumer power, sustainability, digitalization, a growing middle class driving demand and industry consolidation.

"Electrolux Professional is the only supplier in the professional appliances space with a full and integrated offer of solutions under one brand. As such, it has significant potential for long-term value creation as an agile stand-alone company, which can pursue growth through market consolidation and innovation," said Staffan Bohman, Chairman of the Board of Directors of AB Electrolux. "Electrolux believes its core consumer business also stands to benefit both in terms of growth and margins from a sharpened focus on consumer experience innovation, the aftermarket and emerging markets. Electrolux financial targets will remain unchanged following a separation of Electrolux Professional."

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

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

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

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

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

The Electrolux Board of Directors yesterday announced an intention to separate and list the Professional Products business area.

"During the past years we have made many improvements in terms of focusing Electrolux brands and product offering on consumer experience innovation. We've increased the speed of digital transformation and made significant investments in modularization and automation. These changes have resulted in a substantial improvement of our performance in 2017 and 2018," said Jonas Samuelson, President and CEO of Electrolux.

"As Electrolux now becomes even more focused on the consumer business, we have tremendous opportunities to drive profitable growth. We will do this by accelerating innovation in our key experience areas, developing our aftermarket presence through a world-class ownership solutions offering and leveraging the continued digital evolution of the marketplace. With four consumer-focused business areas and strong global capabilities both in the front and back end of our operations, we are organizing ourselves to deliver in these areas. Electrolux financial targets will remain unchanged following a separation of Professional Products."

The changes announced today are effective immediately. Electrolux will publish its first quarterly report based on the updated business area structure on April 26, 2019. Proforma figures showing the performance of the merged business areas will be made available through a press release prior to the quarterly report.

For more information, visit www.electroluxgroup.com

Annual General Meeting 2019

Electrolux Annual General Meeting will be held on April 10, 2019 at Stockholm Waterfront Congress Centre, Nils Ericsons Plan 4, Stockholm, Sweden.

Proposed dividend

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

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

Proposal for resolution on acquisition of own shares

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

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

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

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

Nomination Committee

The Electrolux Nomination Committee comprises Johan Forssell (Chairman), Investor AB, Kaj Thorén, Alecta, Marianne Nilsson, Swedbank Robur funds, and Carine Smith Ihenacho, Norges Bank Investment Management. The committee also includes Staffan Bohman and Fredrik Persson, Chairman and Member, respectively, of the Electrolux Board.

The Nomination Committee will prepare proposals for the Annual General Meeting regarding Chairman of the Annual General Meeting, Board members, Chairman of the Board, remuneration for Board members, Auditor, Auditor's fees and, to the extent deemed necessary, proposal regarding amendments of the current instruction for the Nomination Committee.

In January 2019, Elextrolux Nomination Committee's proposal for election of board members was presented

In preparation for the Annual General Meeting, the Nomination Committee proposed the re-election of all board members except Bert Nordberg, who has declined re-election. Staffan Bohman was proposed to be re-elected as Chairman of the Board of Directors, and Petra Hedengran, Hasse Johansson, Ulla Litzén, Fredrik Persson, David Porter, Jonas Samuelson, Ulrika Saxon and Kai Wärn as Board Members.

For more information, visit www.electroluxgroup.com

Parent Company AB Electrolux

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

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

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

The income statement and balance sheet for the Parent Company are presented on page 24.

Stockholm, February 1, 2019

AB Electrolux (publ)
556009-4178

Board of Directors

The report has not been audited or reviewed by external auditors.

Consolidated statement of comprehensive income

SEKM	Q4 2018	Q4 2017	Full year 2018	Full year 2017
Net sales	34,425	32,580	124,129	120,771
Cost of goods sold	-27,836	-25,829	-100,908	-95,222
Gross operating income	**6,589**	**6,752**	**23,221**	**25,549**
Selling expenses	-3,629	-3,406	-12,986	-12,897
Administrative expenses	-1,289	-1,446	-5,101	-5,550
Other operating income/expenses	293	166	177	305
Operating income	**1,963**	**2,065**	**5,310**	**7,407**
Financial items, net	-131	-64	-423	-441
Income after financial items	**1,832**	**2,001**	**4,887**	**6,966**
Taxes	-257	1	-1,081	-1,221
Income for the period	**1,575**	**2,002**	**3,805**	**5,745**
Items that will not be reclassified to income for the period:				
Remeasurement of provisions for post-employment benefits	-848	248	-448	1,229
Income tax relating to items that will not be reclassified	224	-170	128	-440
	-625	**78**	**-319**	**789**
Items that may be reclassified subsequently to income for the period:				
Available-for-sale instruments	—	1	—	1
Cash flow hedges	32	10	-2	95
Exchange-rate differences on translation of foreign operations	6	196	203	-1,224
Income tax relating to items that may be reclassified	20	-13	23	-17
	58	**194**	**224**	**-1,145**
Other comprehensive income, net of tax	**-567**	**272**	**-95**	**-356**
Total comprehensive income for the period	**1,008**	**2,274**	**3,710**	**5,389**
Income for the period attributable to:				
Equity holders of the Parent Company	1,575	2,002	3,805	5,745
Non-controlling interests	0	0	0	0
Total	**1,575**	**2,002**	**3,805**	**5,745**
Total comprehensive income for the period attributable to:				
Equity holders of the Parent Company	1,008	2,273	3,710	5,390
Non-controlling interests	0	1	0	-1
Total	**1,008**	**2,274**	**3,710**	**5,389**
Earnings per share				
Basic, SEK	5.48	6.97	13.24	19.99
Diluted, SEK	5.45	6.92	13.14	19.88
Average number of shares[1]				
Basic, million	287.4	287.4	287.4	287.4
Diluted, million	289.3	289.3	289.5	289.0

[1] Average number of shares excluding shares held by Electrolux.

Consolidated balance sheet

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

Change in consolidated equity

SEKM	Dec. 31, 2018	Dec. 31, 2017
Opening balance	20,480	17,738
Change in accounting principles	-18	-126
Total comprehensive income for the period	3,710	5,389
Share-based payments	-35	-356
Dividend to equity holders of the Parent Company	-2,385	-2,155
Dividend to non-controlling interests	0	0
Acquisition of non-controlling interests	-3	-11
Total transactions with equity holders	-2,424	-2,522
Closing balance	21,749	20,480

Consolidated cash flow statement

SEKM	Q4 2018	Q4 2017	Full year 2018	Full year 2017
Operations				
Operating income	1,963	2,065	5,310	7,407
Depreciation and amortization	1,083	1,013	4,150	3,977
Other non-cash items	-92	-57	1,088	21
Financial items paid, net[1]	-167	-57	-361	-227
Taxes paid	-465	-445	-1,140	-1,421
Cash flow from operations, excluding change in operating assets and liabilities	2,322	2,519	9,046	9,757
Change in operating assets and liabilities				
Change in inventories	1,843	1,704	-1,619	-1,377
Change in trade receivables	-1,657	-1,195	-582	-1,992
Change in accounts payable	2,054	350	2,317	3,418
Change in other operating assets, liabilities and provisions	277	297	-1,116	218
Cash flow from change in operating assets and liabilities	2,516	1,156	-1,000	267
Cash flow from operations	4,839	3,675	8,046	10,024
Investments				
Acquisitions of operations	-471	-11	-902	-3,405
Divestments of operations	8	—	293	—
Capital expenditure in property, plant and equipment	-2,106	-1,691	-4,650	-3,892
Capital expenditure in product development	-119	-148	-416	-418
Capital expenditure in software	-197	-141	-563	-369
Other	115	-119	-269	-116
Cash flow from investments	-2,770	-2,110	-6,506	-8,200
Cash flow from operations and investments	2,069	1,565	1,540	1,824
Financing				
Change in short-term investments	4	-206	193	539
Change in short-term borrowings	329	385	951	-386
New long-term borrowings	2	—	1,736	1,002
Amortization of long-term borrowings	-376	-503	-1,531	-1,695
Dividend	-1,193	-1,077	-2,385	-2,155
Share-based payments	8	5	-210	-483
Cash flow from financing	-1,227	-1,396	-1,245	-3,178
Total cash flow	842	169	295	-1,354
Cash and cash equivalents at beginning of period	10,874	11,084	11,289	12,756
Exchange-rate differences referring to cash and cash equivalents	-19	36	113	-113
Cash and cash equivalents at end of period	11,697	11,289	11,697	11,289

[1] For the period January 1 to December 31, 2018: interests and similar items received SEK 192m (199), interests and similar items paid SEK -551m (–357) and other financial items paid/received SEK -2m (–69).

Key ratios

SEKM unless otherwise stated	Q4 2018	Q4 2017	Full year 2018	Full year 2017
Net sales	34,425	32,580	124,129	120,771
Organic growth, %	2.7	4.0	1.3	-0.4
EBITA	2,205	2,290	6,282	8,327
EBITA margin, %	6.4	7.0	5.1	6.9
Operating income	1,963	2,065	5,310	7,407
Operating margin, %	5.7	6.3	4.3	6.1
Operating margin excl. non-recurring items, %[1)]	5.5	6.3	5.4	6.1
Income after financial items	1,832	2,001	4,887	6,966
Income for the period	1,575	2,002	3,805	5,745
Capital expenditure, property, plant and equipment	-2,106	-1,691	-4,650	-3,892
Operating cash flow after investments	3,163	2,078	3,649	6,877
Earnings per share, SEK[2)]	5.48	6.97	13.24	19.99
Equity per share, SEK	75.67	71.26	75.67	71.26
Capital-turnover rate, times/year	—	—	5.3	5.9
Return on net assets, %	—	—	22.7	36.0
Return on equity, %	—	—	18.2	31.9
Net debt	1,825	197	1,825	197
Net debt/equity ratio	0.08	0.01	0.08	0.01
Average number of shares excluding shares owned by Electrolux, million	287.4	287.4	287.4	287.4
Average number of employees	53,497	57,579	54,419	55,692

[1)] Non-recurring items of SEK -1,343m in the full year of 2018 include SEK -596m in Major Appliances North America in the first quarter and SEK -818m in Major Appliances EMEA in the second quarter and SEK 71m in Major Appliances EMEA in the fourth quarter. For information on non-recurring items, see page 21.
[2)] Basic.

For definitions, see pages 29-30.

Shares

Number of shares	A-shares	B-shares	Shares, total	Shares held by Electrolux	Shares held by other shareholders
Number of shares as of January 1, 2018	8,192,539	300,727,769	308,920,308	21,522,858	287,397,450
Number of shares as of September 30, 2018	**8,192,539**	**300,727,769**	**308,920,308**	**21,522,858**	**287,397,450**
As % of total number of shares				7.0%	

Exchange rates

SEK	Dec. 31, 2018		Dec. 31, 2017	
Exchange rate	Average	End of period	Average	End of period
ARS	0.3087	0.2373	0.5176	0.4729
AUD	6.50	6.34	6.53	6.41
BRL	2.39	2.32	2.66	2.48
CAD	6.71	6.59	6.57	6.55
CHF	8.91	9.15	8.67	8.41
CLP	0.0136	0.0129	0.0131	0.0134
CNY	1.31	1.30	1.26	1.26
EUR	10.26	10.28	9.64	9.84
GBP	11.57	11.38	11.03	11.09
HUF	0.0321	0.0320	0.0312	0.0317
MXN	0.4517	0.4556	0.4499	0.4160
RUB	0.1392	0.1292	0.1463	0.1419
THB	0.2691	0.2754	0.2517	0.2516
USD	8.70	8.97	8.54	8.21

Net sales and operating income by business area

SEKM	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Full year 2018	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Full year 2017
Major Appliances Europe, Middle East and Africa										
Net sales	9,640	10,167	10,749	12,176	42,732	8,539	9,304	9,465	11,214	38,524
Sales growth, %	10.1	4.4	6.3	4.1	6.0	-1.8	4.3	1.4	6.6	2.7
EBITA	678	-143	851	1,099	2,484	551	636	830	1,048	3,065
EBITA margin, %	7.0	-1.4	7.9	9.0	5.8	6.5	6.8	8.8	9.3	8.0
Operating income	602	-214	792	1,040	2,220	474	561	761	969	2,764
Operating margin, %	6.2	-2.1	7.4	8.5	5.2	5.6	6.0	8.0	8.6	7.2
Major Appliances North America										
Net sales	8,564	10,549	9,949	9,812	38,875	9,850	11,699	9,544	9,563	40,656
Sales growth, %	-5.1	-9.7	-3.9	-5.3	-6.2	-7.0	-2.4	-10.8	-4.2	-6.1
EBITA	-147	634	368	206	1,062	628	1,009	742	467	2,847
EBITA margin, %	-1.7	6.0	3.7	2.1	2.7	6.4	8.6	7.8	4.9	7.0
Operating income	-167	612	347	180	972	605	987	719	447	2,757
Operating margin, %	-1.9	5.8	3.5	1.8	2.5	6.1	8.4	7.5	4.7	6.8
Major Appliances Latin America										
Net sales	4,064	4,274	3,640	5,098	17,076	4,301	3,857	4,132	5,012	17,302
Sales growth, %	6.4	20.7	0.5	12.3	9.8	-2.5	-2.5	7.4	29.9	7.9
EBITA	92	0	252	335	679	155	74	125	272	626
EBITA margin, %	2.3	0.0	6.9	6.6	4.0	3.6	1.9	3.0	5.4	3.6
Operating income	34	-56	200	286	464	101	29	77	218	425
Operating margin, %	0.8	-1.3	5.5	5.6	2.7	2.4	0.8	1.9	4.3	2.5
Major Appliances Asia/Pacific										
Net sales	2,055	2,317	2,238	2,555	9,165	2,010	2,232	2,081	2,437	8,759
Sales growth, %	7.6	2.8	3.8	1.5	3.7	9.4	7.8	-1.1	9.9	6.3
EBITA	141	204	191	176	713	123	220	226	227	796
EBITA margin, %	6.9	8.8	8.6	6.9	7.8	6.1	9.9	10.9	9.3	9.1
Operating income	127	187	174	160	648	112	209	214	215	750
Operating margin, %	6.2	8.1	7.8	6.2	7.1	5.6	9.4	10.3	8.8	8.6
Home Care & SDA										
Net sales	1,665	1,838	1,733	2,380	7,616	1,759	1,857	1,922	2,269	7,808
Sales growth, %	-3.8	-2.6	-13.6	2.1	-4.3	-12.5	-3.3	-1.1	-6.0	-5.8
EBITA	92	89	97	232	510	70	94	114	240	518
EBITA margin, %	5.5	4.8	5.6	9.8	6.7	4.0	5.1	5.9	10.6	6.6
Operating income	64	60	69	205	398	60	69	89	214	431
Operating margin, %	3.8	3.3	4.0	8.6	5.2	3.4	3.7	4.6	9.4	5.5
Professional Products										
Net sales	1,917	2,209	2,135	2,405	8,666	1,742	1,999	1,897	2,085	7,723
Sales growth, %	8.5	6.7	6.7	11.0	8.2	8.0	14.6	17.9	9.1	12.2
EBITA	245	331	293	310	1,179	250	268	286	288	1,092
EBITA margin,%	12.8	15.0	13.7	12.9	13.6	14.3	13.4	15.1	13.8	14.1
Operating income	237	324	280	294	1,134	249	258	272	276	1,054
Operating margin, %	12.4	14.7	13.1	12.2	13.1	14.3	12.9	14.3	13.2	13.7
Common Group costs, etc.	-133	-86	-107	-201	-527	-159	-194	-150	-273	-775
Total Group										
Net sales	27,906	31,354	30,444	34,425	124,129	28,201	30,948	29,042	32,580	120,771
Sales growth, %	3.3	0.7	0.7	2.5	1.7	-3.2	1.2	-1.7	5.4	0.5
EBITA	1,011	1,075	1,991	2,205	6,282	1,666	2,152	2,219	2,290	8,327
EBITA margin, %	3.6	3.4	6.5	6.4	5.1	5.9	7.0	7.6	7.0	6.9
Operating income	764	827	1,756	1,963	5,310	1,442	1,919	1,981	2,065	7,407
Operating margin, %	2.7	2.6	5.8	5.7	4.3	5.1	6.2	6.8	6.3	6.1
Income after financial items	672	748	1,634	1,832	4,887	1,340	1,730	1,895	2,001	6,966
Income for the period	551	517	1,162	1,575	3,805	1,012	1,291	1,440	2,002	5,745
Earnings per share, SEK[1]	1.92	1.80	4.04	5.48	13.24	3.52	4.49	5.01	6.97	19.99

[1] Basic, based on average number of shares excluding shares held by Electrolux.

Restatement effects from new business area structure

As of January 1, 2019, the major appliances organization in Middle East and Africa (MEA), which has previously been part of Major Appliances Europe, Middle East and Africa (EMEA), is included in Major Appliances Asia/Pacific (APAC). Restated financial information for 2018 for the business areas Major Appliances Europe and Major Appliances APAC & MEA are presented below.

	Q1 2018				Q2 2018				Q3 2018			
SEKM	Net sales	Operating income	Operating margin, %	Net assets	Net sales	Operating income	Operating margin, %	Net assets	Net sales	Operating income	Operating margin, %	Net assets
Major Appliances EMEA												
Reported	9,640	602	6.2	4,915	10,167	-214	-2.1	4,250	10,749	792	7.4	3,950
Adjustment for MEA	-681	-32	—	-3,229	-899	-46	—	-3,128	-812	-91	—	-3,095
Major Appliances Europe	**8,959**	**569**	**6.4**	**1,687**	**9,268**	**-260**	**-2.8**	**1,122**	**9,936**	**702**	**7.1**	**855**
Major Appliances Asia/Pacific												
Reported	2,055	127	6.2	1,939	2,317	187	8.1	1,884	2,238	174	7.8	1,896
Adjustment for MEA	681	32	—	3,229	899	46	—	3,128	812	91	—	3,095
Major Appliances Asia Pacific, Middle East & Africa	**2,737**	**160**	**5.8**	**5,167**	**3,215**	**234**	**7.3**	**5,012**	**3,051**	**264**	**8.7**	**4,991**

	Q4 2018				Full Year 2018			
SEKM	Net sales	Operating income	Operating margin, %	Net assets	Net sales	Operating income	Operating margin, %	Net assets
Major Appliances EMEA								
Reported	12,176	1,040	8.5	3,392	42,732	2,220	5.2	3,392
Adjustment for MEA	-882	-99	—	-3,150	-3,275	-268	—	-3,150
Major Appliances Europe	**11,294**	**941**	**8.3**	**242**	**39,458**	**1,952**	**4.9**	**242**
Major Appliances Asia/Pacific								
Reported	2,555	160	6.2	1,971	9,165	648	7.1	1,971
Adjustment for MEA	882	99	—	3,150	3,275	268	—	3,150
Major Appliances Asia Pacific, Middle East & Africa	**3,437**	**259**	**7.5**	**5,122**	**12,439**	**916**	**7.4**	**5,122**

Non-recurring items by business area

SEKM	Q1 2018[1]	Q2 2018[2]	Q3 2018	Q4 2018[3]	Full year 2018	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Full year 2017
Major Appliances Europe, Middle East and Africa	—	-818	—	71	-747	—	—	—	—	—
Major Appliances North America	-596	—	—	—	-596	—	—	—	—	—
Major Appliances Latin America	—	—	—	—	—	—	—	—	—	—
Major Appliances Asia/Pacific	—	—	—	—	—	—	—	—	—	—
Home Care & SDA	—	—	—	—	—	—	—	—	—	—
Professional Products	—	—	—	—	—	—	—	—	—	—
Common Group costs, etc.	—	—	—	—	—	—	—	—	—	—
Total Group	**-596**	**-818**	—	71	-1,343	—	—	—	—	—

1) The non-recurring item of SEK -596m in the first quarter of 2018 refers to the consolidation of freezer production in North America. The cost is included in Cost of goods sold and consists of write down of fixed assets and provision for severance cost and other cost related to the project.

2) The non-recurring items of SEK -818m in the second quarter of 2018 refer to Major Appliances EMEA. These include a provision of SEK 564m for a fine relating to an investigation by the French Competition Authority and a provision of SEK 254m relating to an unfavourable court ruling in France. These costs are included in other operating income/expenses.

3) The non-recurring item of SEK 71m in the fourth quarter of 2018 refers to Major Appliances EMEA and relates to the French Competition Authority investigation that was concluded in the quarter and is the difference between the actual fine and the provision set in the second quarter. This income is included in other operating income/expenses.

Operating income excl. non-recurring items

SEKM	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Full year 2018	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Full year 2017
Major Appliances Europe, Middle East and Africa										
Operating income excl. non-recurring items	602	604	792	969	2,967	474	561	761	969	2,764
Operating margin excl. non-recurring items, %	6.2	5.9	7.4	8.0	6.9	5.6	6.0	8.0	8.6	7.2
Major Appliances North America										
Operating income excl. non-recurring items	429	612	347	180	1,568	605	987	719	447	2,757
Operating margin excl. non-recurring items, %	5.0	5.8	3.5	1.8	4.0	6.1	8.4	7.5	4.7	6.8
Total Group										
Operating income excl. non-recurring items	1,360	1,645	1,756	1,892	6,653	1,442	1,919	1,981	2,065	7,407
Operating margin excl. non-recurring items, %	4.9	5.2	5.8	5.5	5.4	5.1	6.2	6.8	6.3	6.1

Net sales by business area

SEKM	Q4 2018	Q4 2017	Full year 2018	Full year 2017
Major Appliances Europe, Middle East and Africa	12,176	11,214	42,732	38,524
Major Appliances North America	9,812	9,563	38,875	40,656
Major Appliances Latin America	5,098	5,012	17,076	17,302
Major Appliances Asia/Pacific	2,555	2,437	9,165	8,759
Home Care & SDA	2,380	2,269	7,616	7,808
Professional Products	2,405	2,085	8,666	7,723
Total	34,425	32,580	124,129	120,771

Change in net sales by business area

Year-over-year, %	Q4 2018	Q4 2018 In local currencies	Full year 2018	Full year 2018 In local currencies
Major Appliances Europe, Middle East and Africa	9	4	11	6
Major Appliances North America	3	-5	-4	-6
Major Appliances Latin America	2	12	-1	10
Major Appliances Asia/Pacific	5	1	5	4
Home Care & SDA	5	2	-2	-4
Professional Products	15	11	12	8
Total change	6	2	3	2

Operating income by business area

SEKM	Q4 2018	Q4 2017	Full year 2018	Full year 2017
Major Appliances Europe, Middle East and Africa	1,040	969	2,220	2,764
Margin, %	8.5	8.6	5.2	7.2
Major Appliances North America	180	447	972	2,757
Margin, %	1.8	4.7	2.5	6.8
Major Appliances Latin America	286	218	464	425
Margin, %	5.6	4.3	2.7	2.5
Major Appliances Asia/Pacific	160	215	648	750
Margin, %	6.2	8.8	7.1	8.6
Home Care & SDA	205	214	398	431
Margin, %	8.6	9.4	5.2	5.5
Professional Products	294	276	1,134	1,054
Margin, %	12.2	13.2	13.1	13.7
Common Group costs, etc.	-201	-273	-527	-775
Operating income	1,963	2,065	5,310	7,407
Margin, %	5.7	6.3	4.3	6.1

Change in operating income by business area

Year-over-year, %	Q4 2018	Q4 2018 In local currencies	Full year 2018	Full year 2018 In local currencies
Major Appliances Europe, Middle East and Africa	7	4	-20	-23
Major Appliances North America	-60	-63	-65	-65
Major Appliances Latin America	31	66	9	47
Major Appliances Asia/Pacific	-26	-29	-14	-16
Home Care & SDA	-4	-9	-8	-7
Professional Products	7	3	8	3
Total change	-5	-7	-28	-30

Working capital and net assets

SEKM	Dec. 31, 2018	% of annualized net sales	Dec. 31, 2017	% of annualized net sales
Inventories	16,750	13.5	14,655	12.4
Trade receivables	21,482	17.3	20,747	17.5
Accounts payable	-34,443	-27.7	-31,114	-26,3
Operating working capital	**3,789**	**3.0**	**4,288**	**3.6**
Provisions	-7,565		-7,823	
Prepaid and accrued income and expenses	-11,745		-11,038	
Taxes and other assets and liabilities	-1,327		-1,300	
Working capital	**-16,848**	**-13.5**	**-15,873**	**-13.4**
Property, plant and equipment	21,088		19,192	
Goodwill	8,239		7,628	
Other non-current assets	5,516		4,749	
Deferred tax assets and liabilities	5,580		4,981	
Net assets	**23,574**	**19.0**	**20,678**	**17.5**
Annualized net sales, calculated at end of period exchange rates	124,399		118,464	
Average net assets	**23,381**	**18.8**	**20,572**	**17.0**
Annualized net sales, calculated at average exchange rates	124,129		120,771	

Net assets by business area

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

[1] Includes common functions and tax items.

Parent Company income statement

SEKM	Q4 2018	Q4 2017	Full year 2018	Full year 2017
Net sales	11,068	9,898	38,911	35,168
Cost of goods sold	-9,597	-8,585	-33,560	-30,034
Gross operating income	1,471	1,313	5,351	5,134
Selling expenses	-940	-829	-3,247	-2,967
Administrative expenses	-166	-269	-1,410	-1,795
Other operating income	0	1	0	1
Other operating expenses	-239	-105	-804	-105
Operating income	126	111	-110	268
Financial income	4,968	1,924	7,967	7,142
Financial expenses	-202	-120	-695	-855
Financial items, net	4,766	1,804	7,272	6,287
Income after financial items	4,892	1,915	7,162	6,555
Appropriations	59	11	-1,743	182
Income before taxes	4,951	1,926	5,419	6,737
Taxes	-101	-61	69	-201
Income for the period	4,850	1,865	5,488	6,536

Parent Company balance sheet

SEKM	Dec. 31, 2018	Dec. 31, 2017
Assets		
Non-current assets	38,254	35,596
Current assets	33,157	28,267
Total assets	71,411	63,863
Equity and liabilities		
Restricted equity	5,437	5,068
Non-restricted equity	22,078	19,364
Total equity	27,515	24,432
Untaxed reserves	442	444
Provisions	1,133	1,229
Non-current liabilities	5,735	6,181
Current liabilities	36,586	31,577
Total equity and liabilities	71,411	63,863

Notes

Note 1 Accounting principles

Electrolux applies International Financial Reporting Standards (IFRS) as adopted by the European Union. This report has been prepared in accordance with IAS 34, Interim Financial Reporting, ÅRL (the Swedish Annual Accounts Act) and RFR 2 'Accounting for legal entities' issued by the Swedish Financial Reporting Board.

Electrolux interim reports contain a condensed set of financial statements. For the Group this chiefly means that the disclosures are limited compared to the consolidated financial statements presented in the annual report. For the Parent Company this means that the financial statements in general are presented in condensed versions and with limited disclosures compared to the annual report.

The accounting policies adopted are consistent with those followed in the preparation of the Group's Annual Report 2017, except for the adoption of new standards effective as of January 1, 2018. The Group's accounting principles are described in Note 1 in the Annual Report 2017, including transition effects and accounting principles related to IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments, which are applied by Electrolux from January 1, 2018. Changes have been made to the 2017 restatement for IFRS 15 presented in the Annual Report 2017. The changes only impact trade receivables, accounts payable and other current liabilities in the balance sheet.

Preparations for new accounting standards

During 2018, Electrolux preparatory work related to new accounting standards to be applied after 2018 has covered IFRS 16 Leases. Extensive preparatory work has been performed throughout the group in order to implement IFRS 16. Work has comprised assessing the full impact of IFRS 16, identifying and reviewing lease contracts, designing processes and implementing a common system solution for the group in order to fulfill the accounting and reporting requirements, as well as collecting and analyzing lease contract data. The general impact of IFRS 16, the outcome of the preparatory work and the preliminary effects from applying the standard are described below.

IFRS 16 Leases

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

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

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

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

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

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

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

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

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

Note 2 Disaggregation of revenue

Electrolux manufactures and sells appliances mainly in the wholesale market to customers being retailers. Electrolux products include refrigerators, dishwashers, washing machines, cookers, vacuum cleaners, air conditioners and small domestic appliances. Major Appliances and Home Care & SDA focus on the consumer market and Professional Products on professional users. Sales of products are revenue recognized at a point in time, when control of the products has transferred.

Revenue from services related to installation of products, repairs or maintenance service is recognized when control is transferred being over the time the service is provided. Sales of services are not material in relation to Electrolux total net sales. Product and geography are considered important attributes when disaggregating Electrolux revenue. Therefore, the table below presents net sales related to Major Appliances, Home Care & SDA and Professional Products per geographical region.

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

Note 3 Fair values and carrying amounts of financial assets and liabilities

	Dec. 31, 2018		Dec. 31, 2017	
SEKM	Fair value	Carrying amount	Fair value	Carrying amount
Per category				
Financial assets at fair value through profit and loss	560	560	–	–
Financial assets measured at amortized cost	33,180	33,180	–	–
Financial assets at fair value through profit and loss (IAS 39)	–	–	3,305	3,305
Available for sale (IAS 39)[1)]	–	–	20	20
Loans and receivables (IAS 39)	–	–	23,858	23,858
Cash	–	–	5,707	5,707
Total financial assets	**33,740**	**33,740**	**32,890**	**32,890**
Financial liabilities at fair value through profit and loss	102	102	251	251
Financial liabilities measured at amortized cost	44,650	44,593	40,432	40,350
Total financial liabilities	**44,752**	**44,695**	**40,683**	**40,601**

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

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 counterparties, i.e., if a counterparty will default, assets and liabilities will be netted. Derivatives are presented gross in the balance sheet.

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, 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 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 December 31, 2018, the fair value for Level 1 financial assets was SEK 4,154m (3,239) and for financial liabilities SEK 0m (0).

Level 2: Inputs other than quoted prices included in Level 1 that are observable for assets or liabilities either directly or indirectly. At December 31, 2018, the fair value of Level 2 financial assets was SEK 139m (87) and financial liabilities SEK 102m (251).

Level 3: Inputs for the assets or liabilities that are not entirely based on observable market data. Electrolux has no material financial assets or liabilities qualifying for Level 3.

Note 4 Pledged assets and contingent assets and liabilities

SEKM	Dec. 31, 2018	Dec. 31, 2017
Group		
Pledged assets	6	6
Contingent liabilities	1,015	1,187
Parent Company		
Pledged assets	—	—
Contingent liabilities	1,534	1,497

For more information on contingent liabilities, see Note 25 in the Annual Report 2017.

Contingent assets

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

Note 5 Acquisitions and divestments of operations

Acquisitions

Acquisition of Schneidereit GmbH

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

The acquisition enables Electrolux to develop its offering within the professional laundry business and supports the long-term profitable growth in Europe. Schneidereit adds a complementary business model, enabling Electrolux to help provide great experiences to an even wider customer base while exploring functional sales which is an interesting growth area in the industry for professional products.

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

The consideration consists of a cash payment of EUR 32.8m and a deferred part of EUR 3.6m. The cash payment is equivalent to SEK 331m and a cash flow effect of SEK -303m excluding acquired cash and cash equivalents.

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

The operations are included in business area Professional Products.

Acquisition of SPM Drink Systems

On October 2, 2018, Electrolux announced and completed the acquisition of SPM Drink Systems, an Italian leading manufacturer of professional dispensers of frozen and hot beverages and soft ice-cream. The acquired operations had combined net sales in 2017 of approximately EUR 30 million, and 110 employees. The company's headquarters and main manufacturing facilities are based in Spilamberto, Modena, Italy.

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

The acquired business is included in Electrolux consolidated accounts from October 1, 2018, contributing to net sales and operating income (including amortization of surplus values) by EUR 3.7m and EUR -665k respectively, approximately SEK 38m and SEK -7m respectively.

The operations are included in business area Professional Products.

Transaction costs

Transaction costs related to the acquisitions described above amount to SEK 11.5m and have been expensed as incurred during the acquisition process in 2017 (SEK 4m) and 2018 (SEK 7.5m). The costs have been reported in the business area's operating income.

Cash flow related to acquisitions of operations

Total cash flow related to acquisitions of operations amounts to SEK -902m. In addition to the cash flow effects from the acquisitions of Schneidereit GmbH of SEK 303m and SPM Drink Systems of SEK 449m, the cash flow related to acquisitions includes payments of deferred considerations totaling SEK 144m. The deferred considerations relate to the acquisitions of Kwikot in 2017 (SEK 125m), Vintec in 2016 (SEK 15m) and Veetsan in 2015 (SEK 4m). Acquisitions of minority shares amounted to SEK 3m and other acquisitions of operations amounted to SEK 3m.

Divestments

Divestments of Beam and Sanitaire in North America

On August 8, 2018, Electrolux announced the divestments of its U.S.-based commercial and central vacuum cleaner businesses in North America, including the brands Sanitaire and BEAM. Total gross consideration was USD 37m (SEK 320m) resulting in a capital gain of USD 24m (SEK 205m) and a cash flow effect of USD 34m (SEK 293m, whereof SEK 285m in the third quarter and SEK 8m in the fourth quarter). Transaction costs incurred amount to SEK 17m. Furthermore, rationalization activities and additional asset write-downs triggered by the divestments amount to USD 14m (SEK 115m) and have been recognized in the income statement. The divested operations had combined revenues in 2017 of around USD 70m.

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

Operations by business area yearly

SEKM	2014	2015	2016	2017[1]	2018
Major Appliances Europe, Middle East and Africa					
Net sales	34,438	37,179	37,844	38,524	42,732
Operating income	232	2,167	2,546	2,764	2,220
Margin, %	0.7	5.8	6.7	7.2	5.2
Major Appliances North America					
Net sales	34,141	43,053	43,402	40,656	38,875
Operating income	1,714	1,580	2,671	2,757	972
Margin, %	5.0	3.7	6.2	6.8	2.5
Major Appliances Latin America					
Net sales	20,041	18,546	15,419	17,302	17,076
Operating income	1,069	463	-68	425	464
Margin, %	5.3	2.5	-0.4	2.5	2.7
Major Appliances Asia/Pacific					
Net sales	8,803	9,229	9,380	8,759	9,165
Operating income	438	364	626	750	648
Margin, %	5.0	3.9	6.7	8.6	7.1
Home Care & SDA					
Net sales	8,678	8,958	8,183	7,808	7,616
Operating income	200	–63	238	431	398
Margin, %	2.3	–0.7	2.9	5.5	5.2
Professional Products					
Net sales	6,041	6,546	6,865	7,723	8,666
Operating income	671	862	954	1,054	1,134
Margin, %	11.1	13.2	13.9	13.7	13.1
Other					
Net sales	1	—	—	—	—
Common Group cost, etc.	–743	–2,632	-693	-775	-527
Total Group					
Net sales	112,143	123,511	121,093	120,771	124,129
Operating income	3,581	2,741	6,274	7,407	5,310
Margin, %	3.2	2.2	5.2	6.1	4.3

[1] 2017 is restated due to IFRS15.

Non-recurring items in operating income[1]	2014	2015	2016	2017	2018
Major Appliances Europe, Middle East and Africa	–1,212	—	—	—	-747
Major Appliances North America	–39[2]	–158[2]	—	—	-596
Major Appliances Latin America	–10	—	—	—	—
Major Appliances Asia/Pacific	–10	—	—	—	—
Home Care & SDA	—	–190	—	—	—
Professional Products	—	—	—	—	—
Common Group cost	–77[2]	–1,901[2]	—	—	—
Total Group	**–1,348**	**–2,249**	**—**	**—**	**-1,343**

[1] For more information, see Note 7 in the annual reports.

[2] Refers to costs related to the not completed acquisition of GE Appliances. Costs for preparatory integration work of SEK 39m for 2014 and SEK 158m for 2015 have been charged to operating income for Major Appliances North America. Common Group cost includes transaction costs of SEK 110m for 2014 and SEK 408m for 2015 and a termination fee paid to General Electric in December 2015 of USD 175m, corresponding to SEK 1,493m. In total, costs of SEK 2,059m related to GE Appliances were charged to operating income in 2015 of which SEK 63m in the first quarter, SEK 195m in the second quarter, SEK 142m in the third quarter and SEK 1,659m in the fourth quarter.

Five-year review

SEKM unless otherwise stated	2014	2015	2016	2017[1]	2018
Net sales	112,143	123,511	121,093	120,771	124,129
Organic growth, %	1.1	2.2	-1.1	-0.4	1.3
Operating income	3,581	2,741	6,274	7,407	5,310
Operating margin, %	3.2	2.2	5.2	6.1	4.3
Income after financial items	2,997	2,101	5,581	6,966	4,887
Income for the period	2,242	1,568	4,493	5,745	3,805
Non-recurring items[2]	–1,348	-2,249	—	—	-1,343
Capital expenditure, property, plant and equipment	–3,006	–3,027	-2,830	-3,892	-4,650
Operating cash flow after investments	6,631	6,745	9,140	6,877	3,649
Earnings per share, SEK	7.83	5.45	15.64	19.99	13.24
Equity per share, SEK	57.52	52.21	61.72	71.26	75.67
Dividend per share, SEK	6.50	6.50	7.50	8.30	8.50[3]
Capital-turnover rate, times/year	4.5	5.0	5.8	5.9	5.3
Return on net assets, %	14.2	11.0	29.9	36.0	22.7
Return on equity, %	15.7	9.9	29.4	31.9	18.2
Net debt	9,631	6,407	360	197	1,825
Net debt/equity ratio	0.58	0.43	0.02	0.01	0.08
Average number of shares excluding shares owned by Electrolux, million	286.3	287.1	287.4	287.4	287.4
Average number of employees	60,038	58,265	55,400	55,692	54,419

[1] 2017 is restated due to IFRS15.
[2] For more information, see table on pages 21 and 28 and Note 7 in the annual reports.
[3] Proposed by the Board.

Financial goals over a business cycle
The financial goals set by Electrolux aim to strengthen the Group's leading, global position in the industry and to assist in generating a healthy total yield for Electrolux shareholders. The objective is growth with consistent profitability.

Financial goals
- Operating margin of at least 6%
- Capital turnover-rate of at least 4 times
- Return on net assets >20%
- Average annual growth of at least 4%

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. On the following page 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.

Definitions (continued)

Growth measures

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

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

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

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

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

Profitability measures

EBITA
Operating income excluding amortization of intangible assets.

EBITA margin
EBITA expressed as a percentage of net sales.

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

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

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

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

Capital measures

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

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

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

Share-based measures

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

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

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

Capital indicators

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

Operating working capital
Inventories and trade receivables less accounts payable.

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

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

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

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

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

Financial net debt
Total borrowings less liquid funds.

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

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

Other measures

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

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

1) See table Net debt on page 9.
2) For more information, see note 7 in the Annual Report 2017.

Shareholders' information

President and CEO Jonas Samuelson's comments on the fourth quarter results 2018
Today's press release is available on the Electrolux website
www.electroluxgroup.com/ir

Telephone conference 09.00 CET
A telephone conference is held at 09.00 CET today, February 1. The conference will be chaired by Jonas Samuelson, President and CEO of Electrolux. Mr. Samuelson will be accompanied by Therese Friberg, CFO.

Details for participation by telephone are as follows:
Participants in Sweden should call +46 8 566 426 62
Participants in UK/Europe should call +44 203 008 9806
Participants in US should call +1 855 831 5945

Slide presentation for download:
www.electroluxgroup.com/ir

Link to webcast:
www.electroluxgroup.com/q4-2018

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Calendar 2019

Annual Report 2018	Week 10
Capital Markets Day	March 27
AGM	April 10
Interim report January - March	April 26
Interim report January - June	July 18
Interim report January - September	October 25

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Shape living for the better
Electrolux shapes living for the better by reinventing taste, care and wellbeing experiences, making life more enjoyable and sustainable for millions of people. As a leading global appliance company, we place the consumer at the heart of everything we do. Through our brands, including Electrolux, AEG, and Frigidaire, we sell more than 60 million household and professional products in more than 150 markets every year. In 2018, Electrolux had sales of SEK 124 billion and employed 54,000 people around the world. For more information, go to www.electroluxgroup.com
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