Electrolux
Annual Report 2014

Electrolux vision is to be the best appliance company as measured by our customers

Customer value is based on the products and the services Electrolux provides. Innovative products, closely based on the Group's professional expertise, are launched at an increasing pace across the globe.

Cover: In 2014, Electrolux Grand Cuisine and Poggenpohl partnered and launched The Fourth Wall – a home kitchen that combines Poggenpohl's design innovation with Electrolux Grand Cuisine.

Electrolux vision is to be the best appliance company as measured by our employees

Growth, innovation and operational excellence always begin with people. Dedicated employees from diverse backgrounds play a crucial role in creating an innovative corporate culture.

Electrolux vision is to be the best appliance company as measured by our shareholders

The combination of continuous growth, high profitability, a stable cashflow, and an optimal capital base generates a high total return for shareholders. Over the past ten years, the average annual total return on the Electrolux share has been 17%, while the average annual SIX index return has been 12%.

Electrolux offering

Electrolux is a global leader in home appliances, based on deep consumer insight and developed in close collaboration with professional users. We offer thoughtfully designed, innovative and sustainable solutions for households and businesses, with products such as refrigerators, dishwashers, washing machines, cookers, vacuum cleaners, air conditioners and small domestic appliances. Under esteemed brands including Electrolux, AEG, Zanussi, Frigidaire and Electrolux Grand Cuisine, the Group sells more than 50 million products to customers in more than 150 countries every year. In 2014, Electrolux had sales of SEK 112 billion and about 60,000 employees.

Kitchen

Electrolux sells cookers, hobs, ovens, hoods, microwave ovens, refrigerators, freezers and dishwashers for households and professional kitchens throughout the world. Electrolux is a leader in kitchen appliances and new functions are continuously being developed that facilitate food preparation, storage and dishwashing.

Laundry

Washing machines and tumble dryers are the core of the Electrolux product offering for washing and garment care. Demand is driven by innovations and a growing preference for capacity, user-friendliness and resource efficiency.

Small appliances

Electrolux vacuum cleaners, small domestic appliances and accessories are sold to consumers worldwide. A strong, global distribution network and an attractive product offering based on global product development represent key competitive advantages.

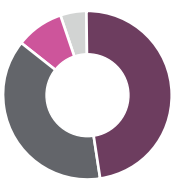
Adjacent product categories

Adjacent product categories include the rapidly growing areas of air-conditioning equipment, water heaters and heat pumps, as well as consumables, accessories and service.

SHARE OF GROUP SALES

Kitchen 61%
Professional kitchen 3%
Laundry 16%
Professional laundry 2%
Small appliances 8%
Adjacent product categories 10%

KITCHEN PRODUCT CATEGORIES



Cold (refrigerators, freezers)
Hot (cookers, hobs, ovens)
Dish
Professional food-service equipment

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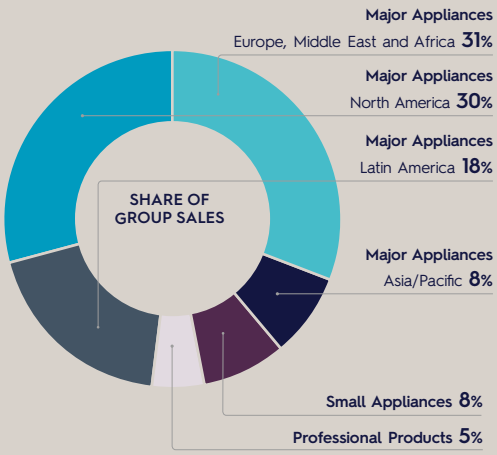
The Annual Report for AB Electrolux (publ), 556009-4178, consists of the Report by the Board of Directors and Notes to the financial statements, pages 71–131.
The Annual Report is published in Swedish and English.

Sustainability priorities are integrated throughout the report. The most important areas are summarized on pages 30–31. The full Electrolux Sustainability Report is included in the on-line annual report published on www.electroluxgroup.com/annualreport2014.

2014 Summary

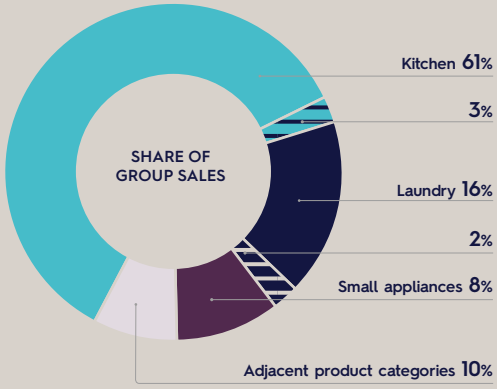
- Organic sales growth of 1.1%.
- Agreement to acquire GE Appliances.
- Operating income improved by 18%, excluding items affecting comparability.
- Strong recovey in operating income for Major Appliances EMEA.
- The Board proposes a dividend of SEK 6.50 per share.

Business areas



The Group's products are sold in more than 150 countries. The largest of these are in Europe and North America. Electrolux is expanding its presence in growth markets, such as Latin America, Africa, the Middle East and Asia.

Products



Professional kitchen 3%
Professional laundry 2%

Electrolux is the only appliance manufacturer in the industry to offer complete solutions for both consumers and professionals. The focus is on innovative and energy-efficient products in the premium segments.

Results improved

Organic sales growth

+1.1%

Most business areas showed mix improvements during 2014 as a result of launches of new products and strong focus on the most profitable product categories and sales channels. Price increases also contributed to the organic sales growth.

Operating margin

4.3%

Operating income improved, excluding items affecting comparability, and amounted to SEK 4,780m corresponding to a margin of 4.3%. Operating income for Major Appliances EMEA showed strong earnings recovery in 2014 as a result of structural cost savings and mix improvements.

Price increases in several regions, overall cost savings and ongoing global initiatives to reduce complexity and improve competitiveness within manufacturing contributed to the favorable development of operating income.

Electrolux and GE Appliances

In September 2014, Electrolux signed an agreement to acquire GE Appliances, one of the leading manufacturers of kitchen and laundry equipment in the US. The acquisition is expected to be completed in 2015. The coordination of the Electrolux Group's and GE Appliances' operations is expected to create a stable growth platform for the North American market.

Performance in relation to Electrolux financial goals

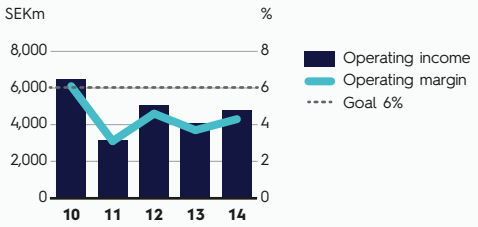
The financial goals set by Electrolux aim to strengthen the Group's leading, global position in the industry and assist in generating a healthy total return for Electrolux shareholders.

Financial goals over a business cycle*

Operating margin

6%

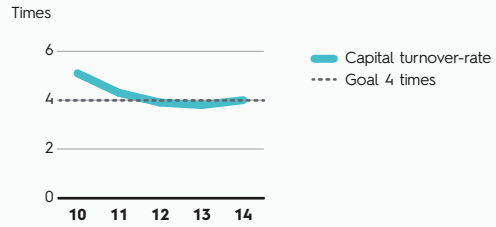
OF AT LEAST 6%



Capital turnover-rate

4x

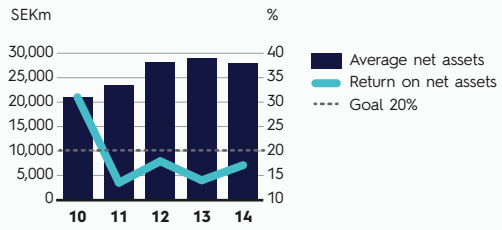
OF AT LEAST 4 TIMES



Return on net assets

20%

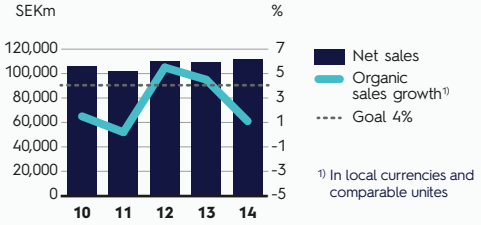
OF AT LEAST 20%



Average growth

4%

OF AT LEAST 4% ANNUALLY



1) In local currencies and comparable unites

*Financial goals are excluding items affecting comparability.

Increased results in challenging markets

2014 was a good year for Electrolux. In challenging markets, operating income increased by 18 percent to SEK 4.8 billion and the EBIT margin rose to 4.3 percent from 3.7 percent in 2013. We generated a good cash flow of SEK 6.6 billion during the year, corresponding to a cash conversion of 140 percent. The earnings improvement is primarily the result of the strong operational recovery in Europe.

Our vision, mission and strategy
In 2014, we took yet another step towards the achievement of our vision to be the best appliance company in the world as measured by our customers, employees and shareholders. Our mission – our financial goals – is to reach an EBIT margin of six percent with an asset turnover of four times, leading to a return on net assets in excess of 20 percent. Combined with four percent organic growth over a business cycle we aim to generate significant value for our stakeholders. Growth can also be achieved through acquisitions. Although we did not accomplish all our financial goals, we saw a good operational and financial recovery. Our strategy to reach our vision and financial goals is being described in this report and is based on four strategic pillars; profitable growth, innovation, operational excellence and people and leadership.

Earnings recovery
The initiatives to restore profitability in our operations in Europe have shown good results. Cost savings combined with higher production efficiency and an active product portfolio management resulted in significant improvement in operating income. The European market appears to have stabilized and we expect a market growth of 1–2 percent in 2015.

Markets in Latin America and Asia/Pacific were challenging during the year with weak demand and currency headwinds. It is therefore encouraging to see that we managed to defend earnings through price and mix improvement and timely actions to take out costs. The impact of these measures was particularly evident in the latter part of the year.

In North America, our operations were negatively impacted by the major transition required to meet new energy standards affecting refrigeration and freezers. The new cooking plant in Memphis is still being ramped up, which also had an adverse impact on cost efficiency. We expect the transition process for refrigeration and freezers to continue in the first half of 2015. From a demand perspective, the North American market is solid and we expect continued market growth in the range of 3–5 percent in 2015.

Small Appliances continued to launch new products on a global scale. Part of the vacuum cleaners offering was renewed and two high-end ranges within small domestic appliances were introduced. Our Professional Products operations demonstrated a solid, positive trend throughout the year. In early 2015, we announced the acquisition of a professional dishwasher producer in China.

Launches of new products continued
We continue to expand our offering of new, innovative products. In 2014 steams ovens with sous-vide function were introduced in Europe. In Latin America, we renewed our washing machines, refrigerators and cookers offering. In North America, several new products were introduced. When developing new products, our focus is not only on design and features but also on consumers' requirements in relation to energy and water efficiency. During the year, we took an important step in the area of connected products, joining the AllSeen Alliance as a premier member. Electrolux is investing in this technology, which involves appliances communicating with each other, consumers and other devices.

For most of our business areas, the product mix improved during the year, despite many markets being characterized by low or negative volume growth. With the rolling out of new product launches also in 2015, we believe there is good potential for continued mix improvements.

Manufacturing footprint program in its final stage
The manufacturing footprint program launched in 2004 is now in its final stage. The aim of the program is to increase the Group's competitiveness, among other, through moving production from high-cost regions to low-cost regions. Today, almost 70 percent of our manufacturing takes place in low-cost countries compared with 25 percent ten years ago.

Restructuring measures during the year included a review of our operations in Italy, where we reached an agreement with Italian authorities and union representatives aimed at improving efficiencies. We also initiated consultations with employee representatives regarding production at two plants, one in Sweden and one in Switzerland. A decision was taken to cease production at the plant in Switzerland. In North America, the cooking plant in L'Assomption, Quebec ceased production and manufacturing is now being concentrated to the new, large-scale plant in Memphis, Tennessee. In Asia/Pacific, we are in the process of transferring production from Australia to Thailand. All of these measures will also contribute to securing an efficient production base in the future.

Although there will likely be restructuring programs going forward, we expect these to be much less extensive.

Acquisition of GE Appliances announced in September
One of the milestones in 2014 was the agreement to acquire GE Appliances. The acquisition is the largest in Electrolux history of almost 100 years. GE Appliances is one of the premium manufacturers of kitchen and laundry products in the US, with annual sales of around USD 5.7 billion. We expect the transaction to close in 2015. Significant cost synergies have been identified, which will be realized within three to four years following the closing of the transaction. The acquisition of GE Appliances will enable Electrolux to grow not only in North America, but will strengthen our presence and capabilities on a global scale.

Important role in the area of sustainability
Electrolux is a global company with sales in more than 150 countries. We are also a large employer and thus have an important role to play with respect to environmental and social responsibilities. Our active work in these fields has been recognized and, among other, Electrolux has been named industry leader in the prestigious Dow Jones Sustainability Index. Achievements in the year include an update of the Electrolux Workplace Code of Conduct. Electrolux is a signatory of UN Global Compact.

Well positioned ahead of 2015
2014 was also a good year for our shareholders. Electrolux share price increased by 36 percent and significantly outperformed Nasdaq Stockholm. Over the past ten years, the annual average total return of the Electrolux share has been 17 percent.

The operational and financial improvement would not have been achievable without the strong contribution of our 60,000 employees around the globe. I would like to thank all of them for their efforts during the year and I feel confident that we will be able to continue to excel also in 2015.

The Group is well positioned to continue to grow profitably in 2015, with a focus on further increasing shareholder value. We expect to close the pending acquisition of GE Appliances during the year, which will contribute strongly to the achievement of the Group's vision of being the best appliance company in the world as measured by our customers, employees and shareholders.

Stockholm, February 2015
Keith McLoughlin
President and Chief Executive Officer

Electrolux vision

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

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

Customers — Customers' perception of Electrolux is based on the products the Group sells and the service it provides. The pace of innovation and the number of product launches have increased in recent years, while the demands placed on products have become more rigorous. A new product is only launched if at least 70% of the consumers in a test group have expressed a preference for the product above similar alternatives in the market.

Employees — One of the key tools for Electrolux for measuring employee satisfaction is the Employee Engagement Survey (EES), which gauges such factors as motivation and engagement among employees.

Shareholders — Through the combination of continuous growth, high profitability and a small but efficient capital base, Electrolux shareholders are to receive a total return well above the cost of capital.

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 assist in generating a healthy total return for Electrolux shareholders. To read more, see pages 14–15.

Strategy
The Electrolux strategy is based on four pillars: Profitable growth, Innovation, Operational excellence and People and leadership. The focus is on strengthening the position in Electrolux core markets and increasing the share of sales in growth markets. This will be achieved by increasing the speed of bringing innovative products to the market and growth in new segments, distribution channels and product categories. In addition to organic growth, Electrolux sees a potential to grow through acquisitions. Electrolux is leveraging its global strength and scope to increase efficiency and lower the cost base by coordinating global operations, optimizing the manufacturing footprint and reducing complexity. Dedicated employees with diverse backgrounds and a position of leadership in sustainability are necessary for Electrolux to implement its strategy and achieve its goals. The objective is to develop smarter, more accessible, resource-efficient solutions that meet peoples' needs and improve their everyday lives and contribute to a sustainable development — the Electrolux Purpose.

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

Electrolux vision

WHO WE WANT TO BE

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

Mission – financial goals

WHAT WE WANT TO ACHIEVE

6%	4x	20%	4%
Operating margin of at least 6%	**Capital turnover-rate** of at least 4 times	**Return on net assets** of at least 20%	**Average growth** of at least 4% annually

p. 14–15

Strategy

HOW WE WANT TO DO IT

Profitable growth	Innovation	Operational excellence
	Products and services Brand and design Sustainability	

People and leadership

p. 18–37

Values

THE BASE FOR OUR WORK

Core values	Passion for Innovation	Customer Obsession	Drive for Results
Foundation	Respect and Diversity	Ethics and Integrity	Safety and Sustainability

p. 38–39

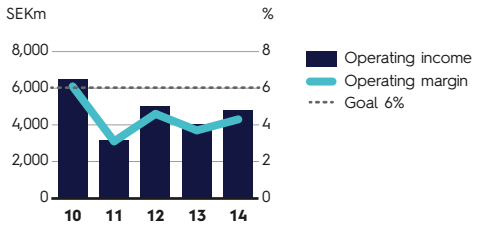
Mission – financial goals

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

Operating margin of at least 6%

Electrolux can achieve a high level of profitability by maintaining its focus on innovative products and offerings, strong brands and enhanced efficiency. In 2014, the Electrolux Green Range, the most energy-efficient products, represented 13% of products sold and 25% of gross profit. The Group's operating margin increased to 4.3%, excluding items affecting comparability.

Operating margin

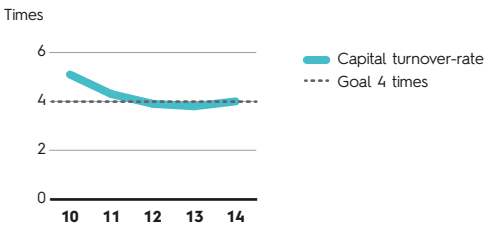


GOAL	RESULT 2014
>6%	4.3%

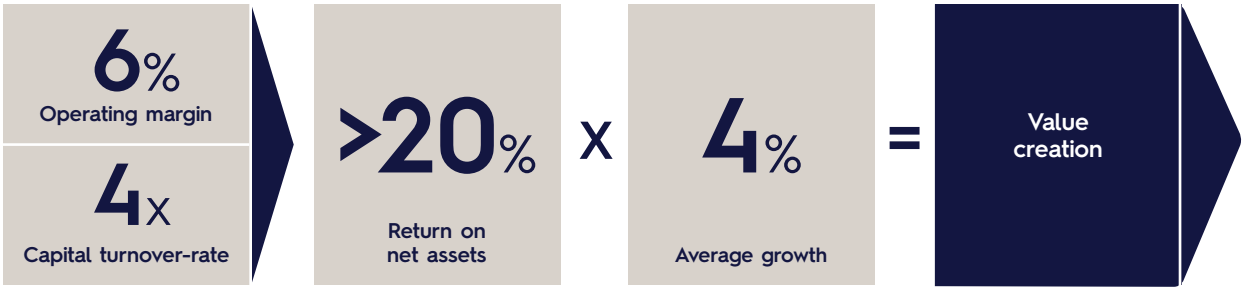
Capital turnover-rate of at least 4 times

Electrolux strives for an optimal capital structure in relation to the Group's goals for profitability and growth. In recent years, efforts to reduce working capital have been intensified. This has resulted in a lower level of structural working capital. Reducing the amount of capital tied up in operations creates opportunities for rapid and profitable growth. The capital turnover-rate was 4.0 times in 2014.

Capital turnover-rate



GOAL	RESULT 2014
>4x	4.0x

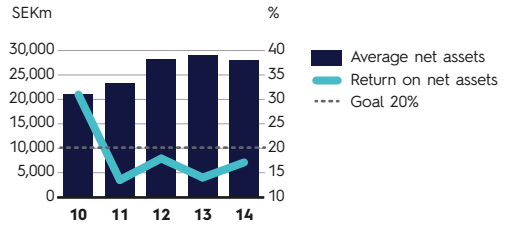


Over the past ten years, Electrolux shareholders have received an average, annual total return of approximately 17%. The Group's capacity to create healthy cash flow and to enhance operational efficiency represent strong contributing factors to this value creation. There is further potential for profitability by raising margins. According to the strategy, innovative products are to contribute to higher profitability and a margin of not less than 6%. A capital turnover-rate of at least four times combined with an operating margin of 6% should yield a minimum return of 20%. Further potential for value creation is possible if Electrolux can increase sales while retaining this profitability level. The objective is annual organic growth of 4%.

Return on net assets of at least 20%

Focusing on growth with sustained profitability and a small but effective capital base enables Electrolux to achieve a high long-term return on capital. With an operating margin that achieves the target of 6% and a capital turnover-rate of at least four times, Electrolux would achieve a return on net assets (RONA) of at least 20%. The figure reported for 2014 was 17%.

Return on net assets

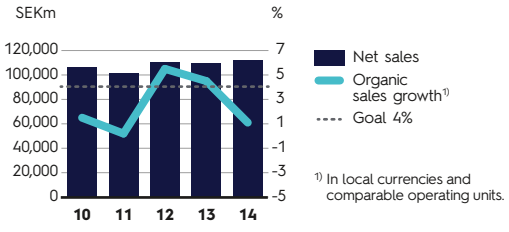


GOAL	RESULT 2014
>20%	17%

Average growth of at least 4% annually

In order to reach the growth goal, the Group continues to strengthen its positions in the premium segment, expand in profitable high-growth product categories, develop service and aftermarket operations and increase the offering of resource-efficient products. Organic growth is complemented by acquisitions to allow more rapid implementation of the growth strategy. During the year, an agreement was signed to acquire the US appliance producer GE Appliances from General Electric, the largest acquisition in the history of Electrolux, see page 87. Sales rose by 2.7% in 2014. The organic sales growth was 1.1%, currencies had a positive impact of 1.6%.

Sales growth



1) In local currencies and comparable operating units.

GOAL	RESULT 2014
>4%	1.1%

Financial goals over a business cycle, excluding items affecting comparability.

Strategic development

Strategy

The Electrolux strategy remains consistent Through profitable growth, innovative products, strong brands, operational excellence and dedicated employees, the Group will achieve its vision to be the best appliance company in the world.

Profitable growth
To outperform market growth and enhance profitability, the focus is on increasing the share of sales in emerging markets and strengthening the position in the Group's core markets. Acquisitions are an integrated part of the growth strategy. Focus is on the global premium segment, expanding in profitable high-growth product categories, developing service and aftermarket operations and reducing complexity and costs in manufacturing.

Innovation
A key factor in the Electrolux consumer-oriented product-development process is the close collaboration between marketing, R&D and design, as is the transfer of know-how from the professional business to consumer products. Over a number of years, the Group has progressively increased investment in R&D. Sustainability is a core element of the strategy, and sustainable innovation is one of the Group's four prioritized areas for product development. At least one-third of the product-development spend is related to sustainability.

Operational excellence
The Group's manufacturing footprint is continuously adapted and the operations are streamlined to increase productivity. About 70% of the Group's household appliances are currently manufactured in low-cost areas. Vacuum cleaners, microwave ovens and small domestic appliances are mainly produced in low-cost areas. Global optimization of production and modularization unlocks resources for investment in product development, design and marketing.

People and leadership
An innovative corporate culture with dedicated employees from diverse backgrounds provides Electrolux with the right foundation to develop successful products for consumers across the globe. It is important to contribute to sustainable development for current and future generations in a rapidly evolving world. Strong, committed managers play a decisive role in the successful execution of the strategy.

Customer value is based on the products and the services that Electrolux provides.

Electrolux develops solutions that facilitate the everyday lives of consumers.

Innovative products, closely based on the Group's professional expertise, are launched at an increasing pace across the globe.

Macro drivers

New economies	Changing lifestages	Neo urbanization	Climate change	Constrained resources	Breakthrough technologies

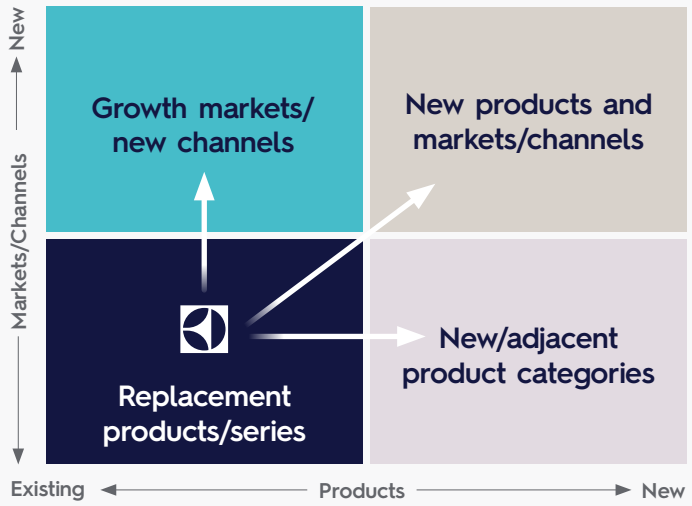
Electrolux competitive advantages

Glocal presence	Consumer insight	Design	Professional legacy	Scandinavian heritage	Wide product range	People and culture	Sustainability leadership

The global market for household appliances is changing in pace with the emergence of an affluent middle class, which is happening in parallel with increasing awareness of climate change and limited natural resources. Strength factors, such as a global presence, consumer insight, a wide product range and sustainability leadership, enable Electrolux to offer new solutions that meet the consumer requirements of today and tomorrow.

Profitable growth

To outperform market growth and further enhance profitability, Electrolux is implementing a number of strategic initiatives. The focus is on increasing the share of sales in growth regions, strengthening the position in the Group's core markets and in the global premium segment, expanding in profitable high-growth product categories, developing service and aftermarket operations and reducing complexity and costs in manufacturing. In addition to organic growth, Electrolux also sees the potential to increase the pace of growth by way of acquisitions. In September 2014, Electrolux signed an agreement to acquire GE Appliances, one of the leading appliance manufacturers in the US.



The global major appliance market is very fragmented and Electrolux sees the potential to increase the pace of growth by way of acquisitions. Acquisitions are an integrated part of the growth strategy. In September 2014, Electrolux signed an agreement to acquire GE Appliances, one of the leading appliance manufacturers in the US. Completion of the transaction is mainly subject to regulatory approvals. The acquisition is expected to close during 2015.

Replacement products/series
As an element of strengthening market positions, Electrolux is accelerating product innovation and, in parallel, reducing the time to market for products. In North America, a number of innovative products was launched under the Frigidaire and Electrolux brands in 2014. Focus on sustainability opens opportunities for new products. In Europe, one example is the ÖKOKombi washer/dryer under the AEG brand, which utilizes heat-pump technology to reduce water and energy usage by up to 40%.

Growth markets/new sales channels
A significant portion of the Group's growth is in emerging markets, such as Southeast Asia, Latin America and China. A key part of this expansion is through resource-efficient products. During the year, the launch of new kitchen and laundry products continued in China. In Latin America and Asia/Pacific, new appliances, vacuum cleaners and small domestic appliances are being launched continuously. In 2014, emerging markets accounted for about 35% of Group sales.

New products and markets/channels
Electrolux is continuously expanding its product offering. Examples from 2014 include the launch of new steam ovens with a sous-vide function and induction hobs using new technology in Europe. BeefEater Barbecues was acquired in Australia, which boosted the Group's barbecue offering, a key segment in kitchen products in Australia.

New/adjacent product categories
Adjacent product categories, such as air care, water heaters, accessories and small domestic appliances, have substantial growth potential. The Group's offerings in these product categories have increased substantially in recent years.

Electrolux product development focuses on a number of areas aimed at contributing to the culinary dining experience. Key is the transfer of know-how and experience from the Group's professional business to consumer products.

Market overview

The global market for household appliances is changing, including the rapid emergence of an affluent middle class in densely populated growth markets. Electrolux aims at increasing the growth markets' share of sales, while continuing to strengthen its position in core markets.

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

In addition to the growing middle class and the underlying economic growth, the market is driven by a number of macroeconomic factors that influence volumes and the types of products that are in demand. Factors such as increased competition for natural resources and awareness of climate changes mean that a growing number of consumers are demanding energy and resource-efficient products. Households also tend to be smaller, in terms of both living space and the number of individuals, and many consumers have decreasing time for household chores while access to information about products and services is increasing, not least over the Internet

Intense competition

Manufacturers and retailers of household appliances are becoming fewer, larger and more international. The five largest manufacturers of appliances in the world – Whirlpool, Electrolux, Haier, Bosch-Siemens and LG Electronics – accounted for almost half of global sales in 2014. In recent years, manufacturers from Asia have increased their market shares. To maintain competitiveness, Electrolux will continue to leverage the global economies of scale. Focus is being directed to developing innovative products marketed under strong brands. Despite increasingly intense competition, Electrolux strengthened its positions in several key product segments in 2014.

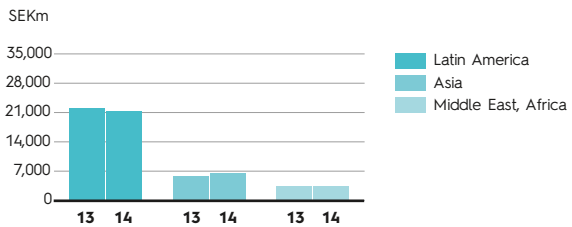
Global growth

Between 2009 and 2014, global demand for appliances increased significantly, particularly due to strong growth in Asia. In parallel, demand in the Group's mature core markets declined. In 2014, the demand in growth markets represented about 70% of the total market volume for appliances compared with 65% in 2009. Demand in growth markets declined during the year, after many years of vigorous growth, primarily due to weaker markets in Latin America and China. Market demand for appliances in North America continued to show healthy growth and demand in the European markets stabilized somewhat after several years of weak markets.

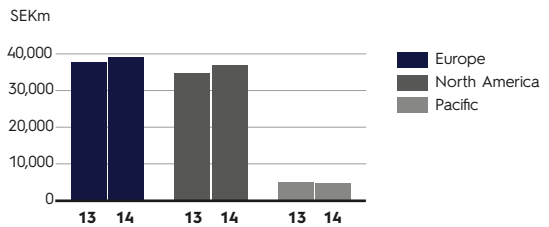
In 2014, growth markets accounted for about 35% of Electrolux sales and the objective is to increase this share significantly moving forward.

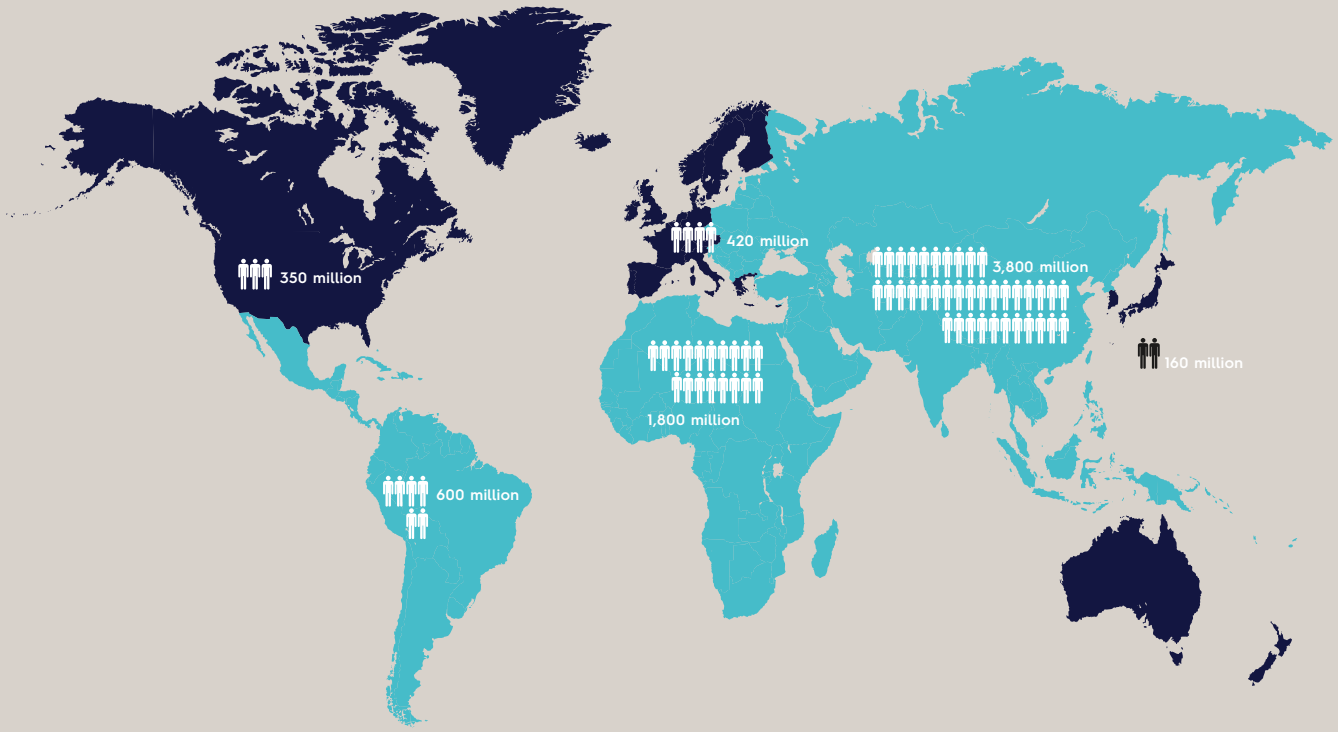
During the year, Electrolux signed an agreement to acquire GE Appliances, one of the leading manufacturers of kitchen and laundry equipment in the US. The acquisition is expected to be completed in 2015. More than 90% of GE Appliances' sales is in North America and the coordination of the Electrolux Group's and GE Appliances' operations is expected to create a stable growth platform for the North American market. The acquisition is expected to provide Electrolux with the size and strength needed to increase the rate of investment in product development and global growth. Completion of the transaction is mainly subject to regulatory approvals. The acquisition is expected to close during 2015.

Electrolux net sales in growth markets



Electrolux net sales in mature markets





Global population

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

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

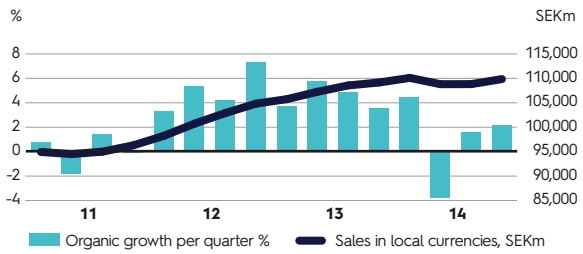
100 million people

Increasing global demand for major appliances, million units

Between 2009 and 2014, the global market demand for core appliances increased significantly, mainly due to strong growth in emerging markets particularly in Asia. Electrolux strategy is to capitalize on this increased demand in growth markets.

Source: Electrolux estimates.

Electrolux organic growth



Global competition

Bosch-Simens	Haier
LG Electronics	Whirlpool
Midea	Samsung

Innovation

The Electrolux process for consumer-driven product development enables accelerated development of products that are preferred by increasing numbers of consumers. The collaboration between marketing, R&D and design is a key factor.

Goals

-30%
Reduce the time from innovation to launch by 30%

-20%
Reduce the number of product varieties by 20% as a result of modularization

+50%
Increase investment in innovation by 50%

All product development in the Group is based on in-depth consumer insight. By performing an extensive number of interviews and home visits, Electrolux gains knowledge of consumer behavior in the use of various household appliances and the needs that exist. Based on this information, Electrolux can develop solutions that facilitate the everyday lives of consumers. The culinary expertise has also been increased in the Group to enable it to create more innovative products for food preparation and food preservation. Key to the above efforts is the transfer of know-how and experience from the Group's professional business to consumer products. Product development focuses on a number of areas aimed at contributing to the culinary dining experience, a simpler and healthier lifestyle and resource-efficient solutions for the home.

Accelerated product development
The process for consumer-driven product development is used for all new products. Close collaboration between the Group's marketing, R&D and design functions increases consumer insight and market knowledge, thereby enabling products to reach the market quicker and ensuring that these products are preferred by more consumers.

Each sector of the Group has teams working with these functions. The process also facilitates sales via new channels, establishment in new markets and ventures into entirely new product categories. In order for a new product to be launched, at least 70% of the consumers in a test group must have expressed a preference for the product over similar alternatives in the market. If this requirement is not met, the product is sent back to the product development team to be reworked.

More research and development
Over the last few years, Electrolux has gradually increased investment in R&D, which has led to further improvement in product quality and has reduced costs for warranty spend. Since 2009, warranty costs have decreased significantly, essentially, by an amount corresponding to the increase in R&D costs, and the sum of these two cost items for the entire period was about 5% of net sales. The aim is for this trend to continue. The increased investment in new technology is focused on the development of intuitive and user-friendly control panels as well as solutions with less environmental impact.

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

A Green Range performance indicator for the most efficient products in main markets allows comparability of environmentally leading products against the total range. A key challenge is to meet increasing demand for energy and cost-efficient household appliances by transferring innovation rapidly from the premium to the mass-market segment.

Cooking with steam

Cooking with steam has long been a key method used in the best restaurants, and it is now spreading to private households. Electrolux has a broad and innovative range of steam ovens for use in the home. In 2014, a new app was launched, the AEG Let's Taste app for Android and iOS, that allows consumers to remotely control the temperature, time and other functions of their ovens. A camera inside the oven sends images of the dish being prepared to a smartphone or tablet device.

Climate smart Green Range

Electrolux offers a Green Range of the most efficient products to meet the increasing demand for energy and cost-efficient appliances. In 2014, the Green Range represented 13% of products sold and 25% of gross profit. A key challenge is to rapidly transfer innovation from the premium to the mass-market segment.

Global Green Range

13%

Consumer products with the best environmental performance accounted for 13% of total sold units

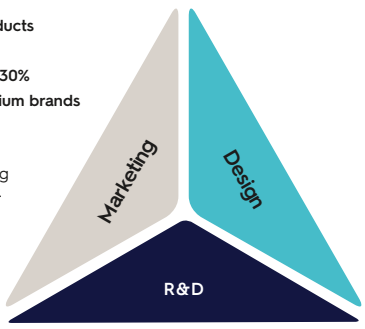
25%

and 25% of gross profit

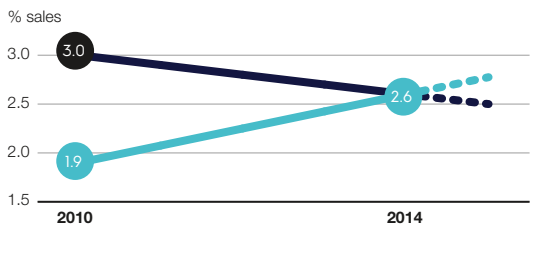
Innovation Triangle

1. **Develop best-in-class products**
2. **70% Preference Rule**
3. **Reduce Time to Market by 30%**
4. **Continue investing in premium brands**

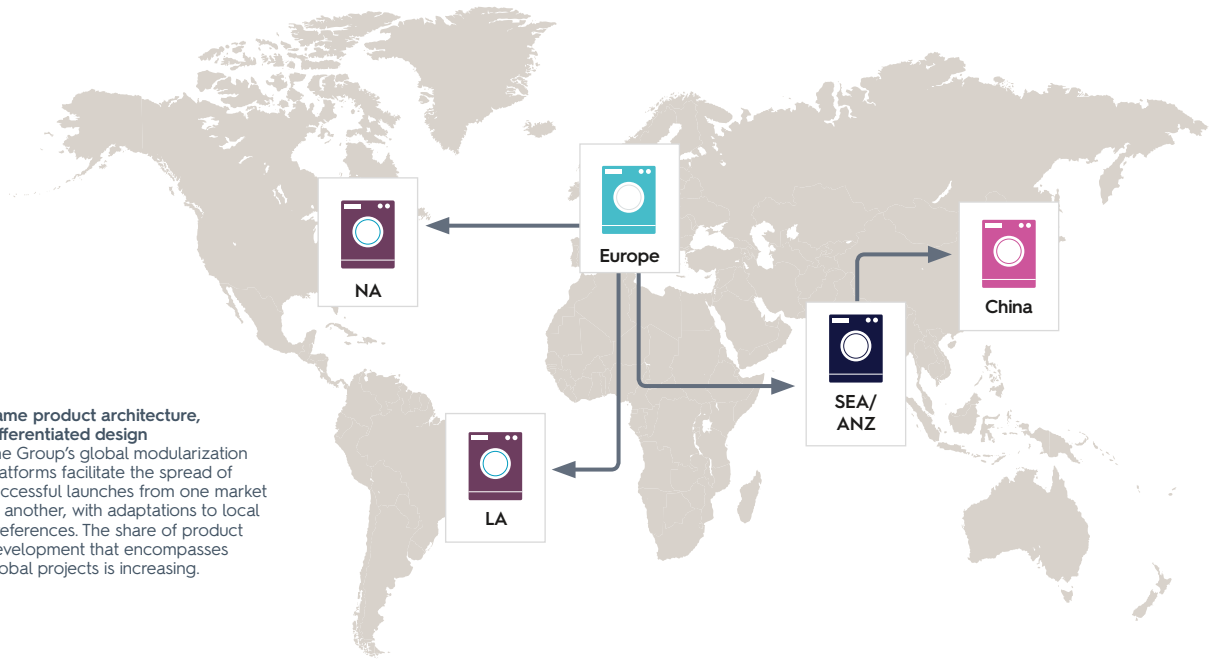
Close cooperation between R&D, Design and Marketing is increasing the pace of launching relevant products in the market.



R&D costs compared with warranty costs



Increased investment in R&D has led to reduced warranty spend.



Same product architecture, differentiated design
The Group's global modularization platforms facilitate the spread of successful launches from one market to another, with adaptations to local preferences. The share of product development that encompasses global projects is increasing.

Strong global positions

Electrolux kitchen products account for almost two-thirds of the Group's sales and the company holds strong positions in all major categories of kitchen appliances and commands significant global market shares. Electrolux aims at developing market-leading products in various categories and regions by focusing on innovation and cost efficiency. The strongest global position currently held is for cookers, enabling, for example, the Electrolux cooking solutions for the world's best chefs and restaurants to be leveraged when developing consumer appliances. The Group has strengthened the leading position in built-in appliances in recent years through extensive product launches and partnerships with kitchen manufacturers. Other strong positions held by the Group include the market for front-load washing machines and dishwashers, which are segments with low penetration in most markets. Electrolux provides restaurants and industrial kitchens with complete solutions for cookers, ovens, refrigerators, freezers and dishwashers. The strongest position is held in Europe, where about half of all Michelin-starred restaurants uses kitchen equipment from Electrolux.

Electrolux also commands a strong global position in vacuum cleaners and is growing rapidly in the area of small domestic appliances by utilizing global economies of scale. The global market for small domestic appliances is significantly larger than the vacuum-cleaner market and shows significantly faster growth.

Among adjacent product categories, Electrolux identifies major global potential for air-conditioning equipment and water heaters.

To build increased consumer awareness of the value of efficient appliances, Electrolux focuses on efficiency and other sustainability benefits in its global marketing. Market surveys in Australia, Brazil, France, China, Germany and the US have shown that two-thirds of consumers ranked environmental impact as one of the three key factors when purchasing household appliances.

Products for various segments and regions

The share of product development that encompasses global projects is increasing. The objective is to further increase the level of differentiation for new product launches in the premium segment and concurrently be able to profitably compete in the mass-market segment. Brand differentiation, rapid product development and efficient production are required to reach consumers with products in the mass-market segment. The Group's global modular platforms facilitate the spread of successful launches from one market to another, with adaptations to local preferences. The platforms also support the company's objective of offering more resource-efficient products to more consumers worldwide. The modularization program was further expanded in 2014.

Electrolux also has a number of development centers for household appliances throughout the world, focusing on such rapidly growing areas as induction and steam.

New technology also opens opportunities for new solutions, such as connected kitchen and laundry appliances. During the year, Electrolux joined the AllSeen Alliance, the broadest collaboration project for developing an open source code for connected products.

Investments in service and aftermarket

Electrolux offers efficient service, rapid upgrades and a broad range of accessories and consumables. The Group strives to offer the market's best service. Well-functioning service activities have the advantage of increasing customer satisfaction and presenting opportunities for profitable aftermarket sales. The long-term objective is to increase the share of a product's sales value that comprises service, consumables and sales of accessories to a minimum of 10%.

Electrolux Design Lab 2014

The winner of the Electrolux Design Lab 2014 was Future Hunter-Gatherer. The design concept projects a hologram enabling users to play a game. They can gather food by fishing or hunting, or they can collect food from nature. Information on the food collected is then transmitted to the local grocery store, which in turn delivers the products to the user's door. The winning concept was created by Pan Wang from China. The purpose of Electrolux Design Lab is to stimulate and activate design students globally by inviting them to present breakthrough ideas for future household environments. For more information www.electroluxdesignlab.com.

The Electrolux Awards

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

The following awards are presented at The Electrolux Awards Day

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

Supplier Award

At a separate event Electrolux presents an annual Supplier Award

Brand and design

A growing middle class leads to increasing demand for products with innovative design under well-known, global brands. The launch of new, innovative consumer products in the premium segment is supported by a strong link to the Group's expertise in professional products.

Design awards In 2014, Electrolux received several prestigious design awards, such as Red dot design, iF design, Good Design Australia, Plus X Award and Green Product Award.

The Group focuses on eight strategic brands, including AEG, Electrolux, Eureka, Frigidaire, Electrolux Grand Cuisine, Molteni, Westinghouse and Zanussi. Tradition and a strong focus on design and quality have ensured AEG a leading position in appliances in Germany, Austria and the Benelux countries. Electrolux is a leading brand in large parts of Europe and Latin America. In North America, Frigidaire is the Group's brand for appliances in the mass-market segment. In addition to these strategic brands, there is a large number of smaller, regional and local brands. The aim is to reduce the number of brands over time.

With the acquisition of GE Appliances, which is expected to be completed in 2015, the Group will further add to its number of strategic brands through licenses. These will be an ideal complement to the Group's existing brands in North America.

Numerous launches of new, innovative appliances and small domestic appliances, such as vacuum cleaners, in recent years, have gradually strengthened the Group's position in the global premium segment. Products including steam ovens, new, energy-efficient washing machines and a complete range of small domestic appliances in the premium segment were launched during the year.

Close consumer dialog to strengthen the brand

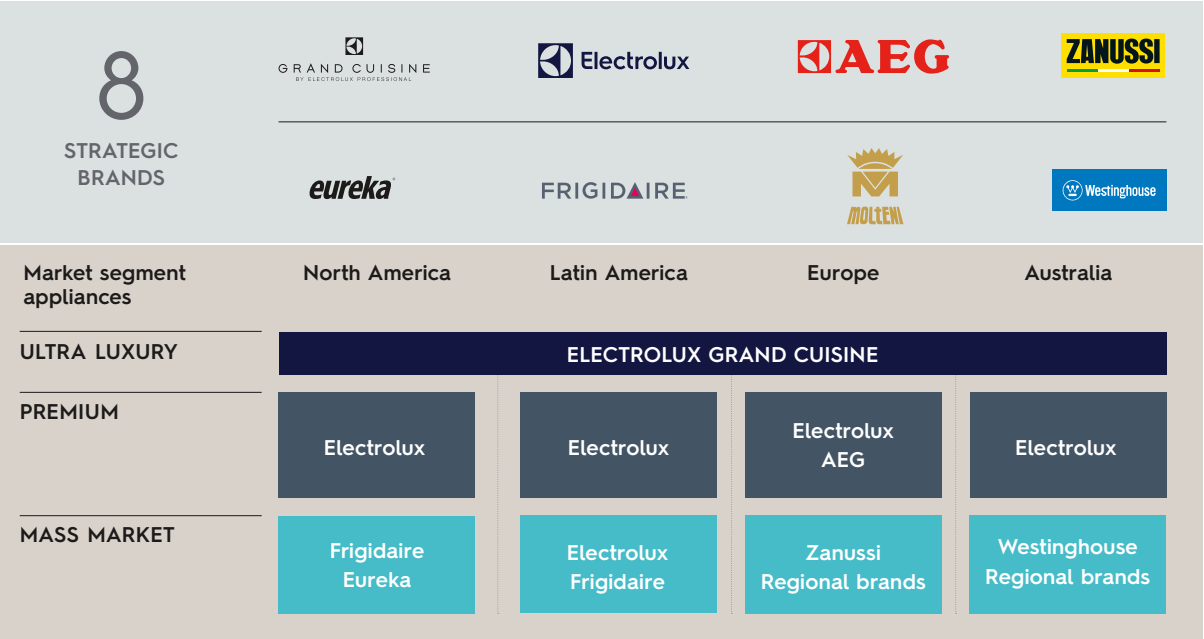
Electrolux develops solutions to create contact with, and engage consumers throughout the purchase and usage process. The aim is to establish an intimate dialog with consumers and strengthen the overall experience of the Electrolux offering. The Group's "360° Consumer Experience" process focuses on consumers and creating exceptional experiences of Electrolux at different stages, from the process of considering various product options, visiting websites and choosing products at retailers to installation and use. Engaging and innovative marketing activities during the year included participation by Electrolux in the Taste Festival across Europe and the social media campaign "Now You're Cooking" for small appliances.

Consumer decisions regarding the purchase of household appliances are increasingly based on visits to various websites, blogs and use of social media. This means that the Group's websites are some of the most important tools for convincing customers. A new platform was launched during the year that will further enhance the customer experience and user-friendliness of the computer, tablet and smartphone channels.

Clear connection to professional cooking

The Group's innovative and efficient solutions for professional users are often used to improve the technology and performance of products for consumers. Some examples are the Electrolux Inspiration Range and the Electrolux Grand Cuisine brand, which offer professional food-service equipment for home use. A continuous dialog with professional chefs and the development of new solutions for restaurants and hotels across the globe have provided valuable insight that has been conveyed to other parts of the Group and further strengthens the Electrolux brand. The collaboration with professional users was strengthened again in 2014 through a partnership with the World Association of Chefs' Societies (Worldchefs).

The distinct Scandinavian heritage plays a key role in shaping the Group's design activities and in the development of new and sustainable appliances. Design is a central part of the Innovation Triangle, whereby the close collaboration between design, R&D and marketing enables new products to reach the market at a faster pace and ensures that these products are preferred by more consumers.



Global and strong strategic brands are to increase value. Investments will be made in premium brands in all markets. Electrolux aims to reach more consumer segments with strategic brands and with products preferred by more consumers.

Sustainability

Sustainability leadership is crucial to realizing Electrolux strategy. The objective is to develop smarter, more accessible, resource-efficient solutions that meet people's needs and improve their lives.

Sustainability priorities target three areas

Products, services and markets

to sustainably provide resource-efficient products and services that are accessible to more people around the world

PRIORITIES

- Product efficiency
- Deliver efficient products to a growing middle class
- Eliminating hazardous substances
- Material efficiency

People and operations

to engage employees in continuausly improving operations for the safety of people, integrity of the company and the good of the environment

PRIORITIES

- Health and safety
- Operational efficiency
- Ethical business
- Human and labor rights

Stakeholders and society

to connect with stakeholders across the value chain and build trust to achieve successful sustainability outcomes

PRIORITIES

- Responsible sourcing
- Social investment

Sustainability is a core element of being the best appliance company in the world. Emerging issues are continuously monitored and the impact on business performance is being assessed. External and internal stakeholder expectations are identified, compiled and evaluated to help shape the basis for future priorities. In 2014, further steps were taken to develop this materiality process. The results are illustrated above.

Electrolux Sustainability Report 2014 including a description of the analysis to identify the most relevant and material sustainability aspects, such as acro drivers and stakeholder impact, is available at www.electroluxgroup.com/annualreport2014.

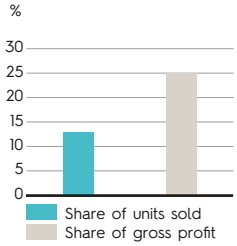
Products, services and markets

The Group's most significant environmental impact is carbon-dioxide emissions deriving from generating electricity during the usage of products. To build increased consumer awareness of the value of efficient appliances, Electrolux focuses on efficiency and other sustainability benefits in marketing across the Group.

Sustainability is one of four prioritized areas in product development. At least one-third of the product development spend is environmentally related. Electrolux offers a Green Range of the most efficient products to meet the increasing demand for energy and cost-efficient appliances. In 2014, the Green Range represented 13% of products sold and 25% of gross profit.

The Group's 2020 objective is to eliminate all high-impact greenhouse gases.

Global Green Range



Consumer products with the best environmental performance accounted for 13% of total sold units and 25% of gross profit.

People and operations

The Electrolux Foundation, the Group's principle of conduct, covers three areas: Respect and Diversity, Ethics and Integrity, and Safety and Sustainability. These principles govern the Group's operations.

Sustainability targets are set relative to the Group's objective to grow its business by at least 4% per year. Efficient use of resources has the dual benefit of cost savings and sustainability advantages. Through the Green Spirit program, which is an integral part of the Electrolux Manufacturing System, objectives are set to continuously reduce resource consumption and waste.

Electrolux work towards the 2015 target to reduce energy consumption by 15% compared to 2011, in relative terms, continues and is on track. In 2014, energy consumption was reduced by 5.1% compared to 2013.

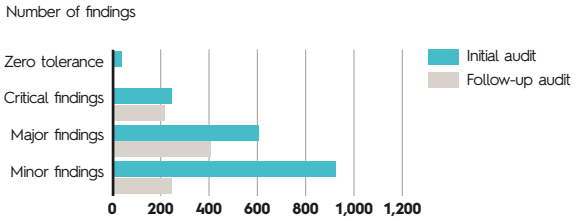
In 2014, the Electrolux Workplace Code of Conduct was updated to align with the UN Guiding Principles on Business and Human Rights. Educational activities throughout the organization will follow in 2015. Electrolux has a global Ethics Program, encompassing both ethics training and a whistleblowing system – the Electrolux Ethics Helpline.

Stakeholders and society

Electrolux endeavors to be a responsible, open and honest societal partner. As a signatory of the UN Global Compact, Electrolux is committed to promoting the ten principles covering human rights, labor standards, environment and anti-corruption along its value chain.

As part of the company's responsible sourcing initiatives, Electrolux carried out 361 supplier audits in 2014.

Responsible sourcing

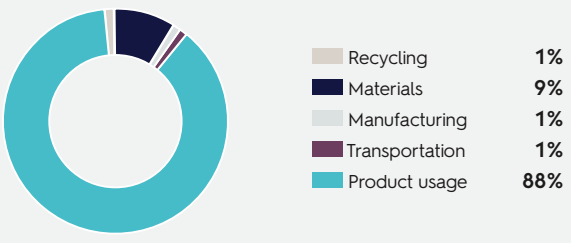


Cutting CO_2 impact

-50%

Electrolux is cutting its CO_2 impact by 50% by 2020 relative to 2005 production levels. Approximately 25 million tonnes will be cut in emissions deriving from product use, use of greenhouse gases, in production and transportation.

Average CO_2 impact during the lifetime of an appliance*



*Calculated as the average of eleven different appliances.

In 2014, and for the eight consecutive year, Electrolux was recognized as leader of its industry sector in the prestigious Dow Jones Sustainability World Index. Sustainability leadership requires a clear vision, strong organizational alignment and global commitment.

Operational excellence

Operational excellence is a prerequisite for sustainable profitability. Electrolux is leveraging its global strength and scale to increase efficiency and lower the cost base.

Electrolux continuously strives for operational excellence by optimizing production, leveraging its global scale and strength, reducing tied-up capital, improving efficiency within sales and administration as well as work to become more resource efficient.

Competitive manufacturing

Since 2004, Electrolux has gradually restructured its production through a program for optimizing the manufacturing footprint. The production program is expected to be completed in 2016. About one-third of the Group's manufacturing has been moved, primarily from Western Europe and North America, to new production centers. About 20 plants have been closed, several plants have been downsized and new production centers have been opened, mainly in low-cost areas, see page 35. These new production centers have been established both to reduce costs and to support strategic growth markets in Asia, Mexico, Latin America, Eastern Europe and Northern Africa. In 2014, about 70% of the manufacturing was carried out in low-cost areas, compared with 28% in 2004. In 2014, total capacity utilization exceeded 60% and, when the manufacturing footprint project is completed, utilization will be increasing with an ability to temporarily increase production to meet demand peaks.

In 2014, refrigerator production was concentrated in the Asia/Pacific region to Rayong in Thailand. The cooking plant in L'Assomption, Quebec, Canada, was closed and production transferred to the new plant in Memphis, Tennessee, in the US. In Europe, discussions were initiated with employee representatives regarding production in Mariestad, Sweden, and in Schwanden, Switzerland. A decision was taken to cease Electrolux production at the plant in Schwanden. In addition, a number of structural measures was implemented to reduce overhead costs, primarily within Major Appliances Europe, Middle East and Africa.

A number of programs aimed at enhancing efficiency is ongoing within the Group. The Electrolux Manufacturing System (EMS), which was launched in 2005, has been implemented at all production units. The program focuses on continuous improvements in terms of product quality, costs, inventory optimization, occupational safety and environmental impact.

The EMS continued to make a positive contribution during the year. The manufacturing cost per manufactured unit for major appliances has declined significantly since 2010 and, since 2005, energy use per unit produced has decreased by 42%. Through the Green Spirit program, which is an integral part of the Electrolux Manufacturing System, targets are set to continuously reduce resource use and waste. Improved energy efficiency lowers energy costs by more than SEK 375m a year, and means a reduction in emissions by 200,000 tons of carbon-dioxide compared with 2005. The Green Spirit program aims to reduce energy usage by more than 50% by 2020, as a part of the 50% CO_2 target.

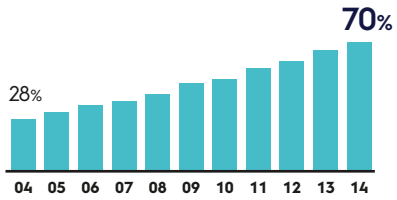
Economies of scale in global operations

The major activities to leverage and benefit from the scale of the Group are:

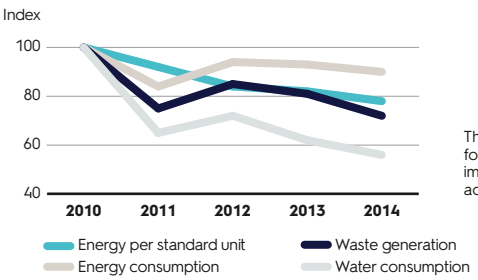
- Coordinated purhasing for raw materials, components and finished products. The global purchasing function coordinates and administers more than 60% of all purchasing.
- Faster and more efficient processes for product development through global, cross-border units for product development, design and marketing.
- Lower product development and product costs by using standardized global modular platforms for new products. The target is to reduce time-to-market by 30% and reduce the number of variants by 20%.

In 2014, the efficiency initiatives continued, while modularization accelerated and now covers more product groups. Modularization has led to a greater efficency not only in product development and marketing but also in production, since fewer production platforms are required. The next step in modularization is to create a more efficient way to automate and configure products.

Proportion of production in low-cost areas



Operational resource efficiency



The figures for 2012 are impacted by acquisitions.

Scandinavian heritage plays a key role in shaping the Group's design activities and in the development of new and sustainable appliances. Design is a central part of the Innovation Triangle, whereby the close collaboration between design, R&D and marketing enables new products to reach the market at a faster pace and ensures that these products are preferred by more consumers.

Capital efficiency

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

The structure of Group capital expenditure has also changed over the last five years to more expansionary investments and fewer maintenance investments. Investments in product development have more than doubled and investments in plants have been reduced.

Efficient sales and administration

Efficiency within sales and administration is driven by items including shared IT systems and service centers for finance and accounting. Efficient, shared processes are being developed for the launch of new products. Legal entities are reviewed and merged continuously to create shared infrastructures for all regions.

Resource efficiency

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

The materials used in household appliances comprise, primarily, steel, plastic and electronic components. Savings in materials are achieved by optimizing the use of materials and their weight, without compromising product performance and quality.

Electrolux is phasing out chemicals of concern. New scientific findings and stakeholder requirements are used to update the Restricted Materials List (RML).

The aim is to increase the proportion of recycled materials in new products. Up to 70% post-consumer recycled plastic is used in selected vacuum-cleaner models.

Energy use and carbon-dioxide emissions have high priority, and Electrolux has targets for absolute and relative reductions. The average energy consumption per unit produced in comparable plants has decreased by 22% during the last five years.

For society as a whole, over 25% of global carbon-dioxide emissions derives from the transportation sector. Electrolux has set a target for its main markets to annually reduce emissions by 3%. Water shortages are a major problem in many regions. Electrolux has a long-term commitment to help improve management of limited water resources. Two years ahead of schedule, in 2012, the Group achieved the 2014 goal of a 20% reduction in water consumption in operations.

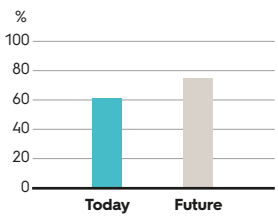
Together with World Wildlife Fund, Electrolux mapped water-related risks associated with Group factories. As a result, new and more stringent targets are set for factories in water-stressed areas.

Product life cycle

The product life-cycle approach guides the Group in reducing its environmental impact by indicating the degree of impact in the production of raw materials, manufacturing, transportation, use and end-of-life treatment.

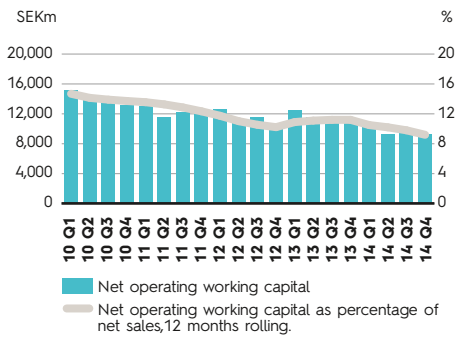
The most significant environmental impact for Electrolux is energy and water consumption when products are used. Accordingly, the design and development of products with increased efficiency is a top priority. The impacts from manufacturing and transport are significantly smaller, but still addressed.

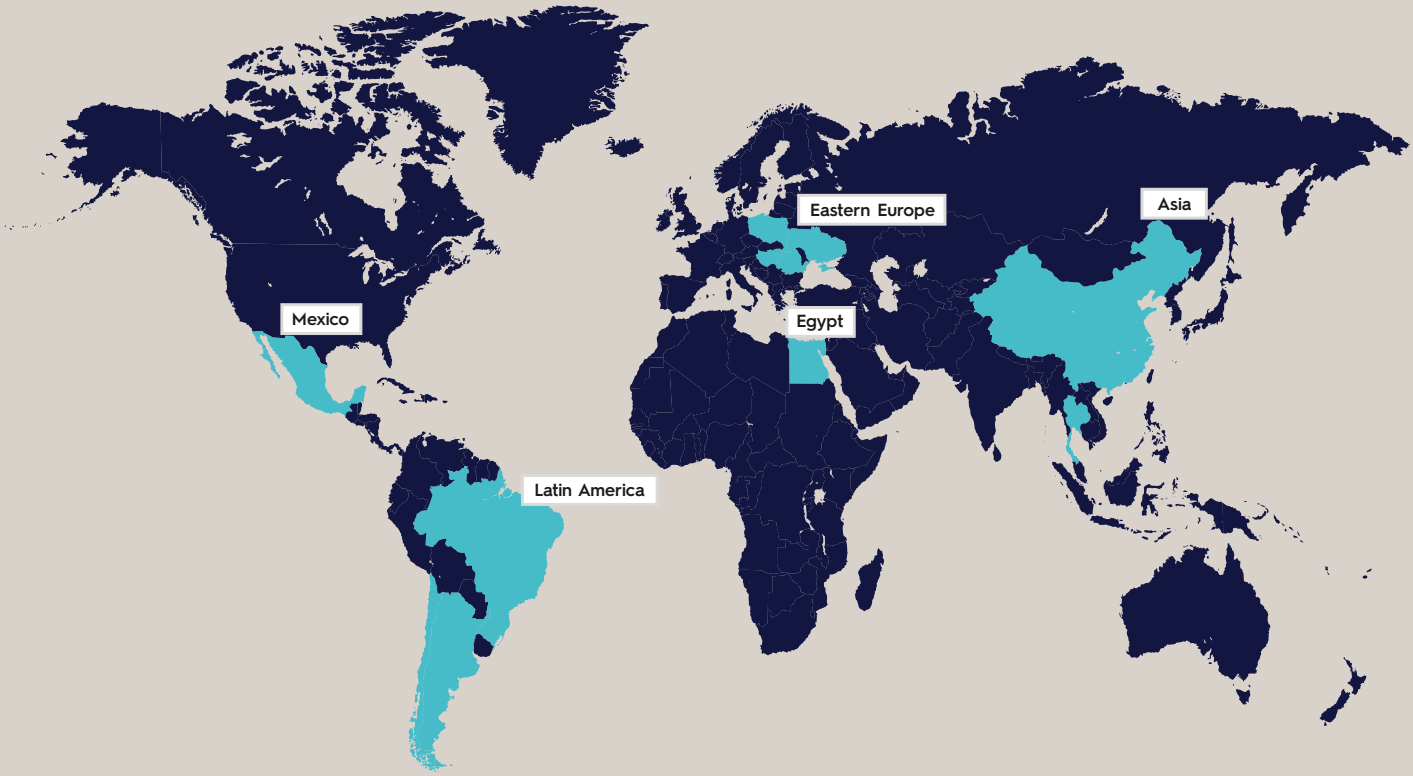
Capacity utilisation in manufacturing



Electrolux total capacity utilization today is above 60% and when the manufacturing footprint project is finalized it will be enhanced with an ability to temporarily increase to meet demand peaks.

Net operating working capital





Since 2004, the Group is gradually restructuring its production through a thoroughly planned manufacturing footprint program that is planned to be finalized by 2016. About one third of the Group's manufacturing has been moved, primarily from Western Europe and North America, to new production centers. These new production centers have been established both to reduce costs and to support strategic growth markets in Asia, Mexico, Latin America, Eastern Europe and Northern Africa.

Profitable growth in all segments

People and leadership

Dedicated employees with diverse backgrounds play a crucial role in creating the innovative corporate culture necessary for Electrolux to be successful and reach the targets. The Electrolux leadership model clearly acknowledges that the path to success begins with people.

Dedicated employees and outstanding leaders play a crucial role in Electrolux achieving the Group's targets and vision. A strong set of values forms the foundation for all operations. In addition, employees are driven by a desire to improve people's lives and contribute to sustainable development – the Electrolux Purpose.

An innovative corporate culture

An innovative corporate culture with dedicated employees from diverse backgrounds provides Electrolux with the right competencies and creativity to develop successful consumer relevant appliances across the globe. At the same time, it is important to contribute to sustainable development for current and future generations in a world that is evolving at an increasingly rapid pace.

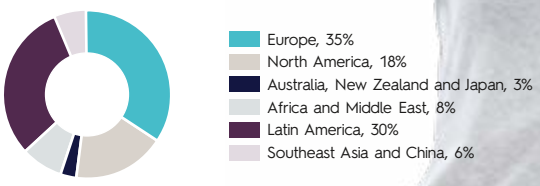
The spirit of innovation that began with Electrolux founder Axel Wenner-Gren still characterizes the company today. Wenner-Gren's success was built on proximity to consumers and the ability to identify new business opportunities. These factors in combination with a strong set of values form the core of the Group's operations. Employee passion for innovation, consumer insight and motivation to achieve results set Electrolux apart.

Strong, committed managers play a decisive role in the successful execution of the strategy. The Group's leadership model clearly states that leaders at Electrolux have the responsibility to be both business and people leaders. In 2014, implementation continued of the global training program called Coaching for Performance with the goal of developing leaders and employees. The program is crucial to efforts within Electrolux to build a feedback culture.

Recognition as the best appliance company by our employees is an important vision for Electrolux and the Electrolux Employee Engagement Survey (EES) is a key tool for measuring this. In the EES, employees evaluate various aspects of the Group's corporate culture, such as leadership, teamwork and employee commitment. During 2014, both production and non-production employee responses were included in the survey results for the first time. Having Group-wide participation and feedback in this way allows Electrolux to assess its performance internally and externally against other high-performing organizations. The results of the survey are used to improve business operations. The EES is a key tool in becoming a high-performing learning organization.

Electrolux offers opportunities to pursue a career in a global company with a strong focus on quality, innovation, design and sustainability.

Employees by geographic area 2014



Ethics, integrity and human rights
Wherever Electrolux operates in the world, the company applies the same high standards and principles of conduct Respect, diversity, integrity, ethics, safety and sustainability – the elements that make up the Electrolux foundation – are taken into account by employees during their meetings with customers and colleagues around the globe.

Electrolux continued to intensify its efforts regarding human rights during the year.

Electrolux has a global Ethics Program, encompassing both ethics training and a whistleblowing system – the Electrolux Ethics Helpline. Through the Ethics Helpline, employees can report suspected misconduct in local languages. Reports may be submitted anonymously if legally permitted. The majority of the reports during 2014 related to discrimination and harassment.

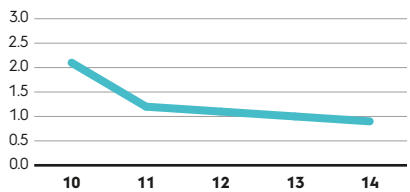
The Electrolux Purpose is shared through a program, which aims to further increase employee understanding of the value the company generates beyond financial and market objectives. The program contributes to increasing employee commitment and clarifying the values Electrolux creates for society and the environment. So far, some 4,200 employees have participated in workshops about The Electrolux Purpose.

An updated version of the Electrolux Code of Conduct was introduced during the year to better reflect the UN Guiding Principles on Business and Human Rights and the Group's own human rights risk assessment. Educational activities throughout the organization will follow in 2015.

Health and safety
In 2014, implementation continued of the global health and safety management system, which aims at promoting an even stronger safety culture. The total recordable incident rate (TCIR) was 0.9. Approximately 76% of the plants achieved a level of less than 1.0. Since 2010, the incident rate has declined by a full 57%. The Group aims at reducing the incident rate by a further 5% in 2015.

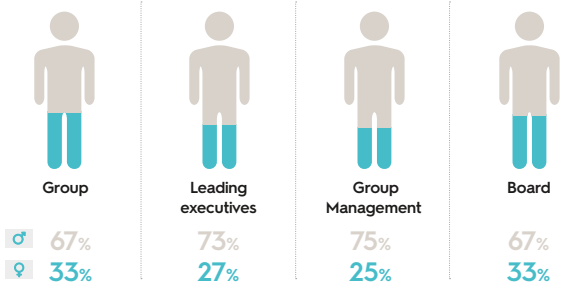
Read more about working at Electrolux at:
www.electroluxgroup.com/careers.

Incident rate[1)]



[1)] Per 200,000 working hours.

Gender distribution 2014



Our values

Respect and Diversity, Ethics and Integrity, and Safety and Sustainability form the foundation of the Electrolux corporate culture. Three core values clearly distinguish Electrolux: Passion for Innovation, Customer Obsession and Drive for Results.

Foundation
Our foundation governs all of us in everything we do and, perhaps most importantly, how we engage with each other and our surroundings. The components of our foundation can be applied to a variety of areas, from our relationships with colleagues to the manner in which Electrolux conducts business in emerging economies.

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

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

Safety and Sustainability
- We seek and encourage actions that contribute to a safe and sustainable environment.
- We are willing to compromise short-term results at individual units to achieve sustainable Group results.

Passion for Innovation

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

Customer Obsession

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

Drive for Results

We strive for a visible, measurable benefit from everything we do. We do not confuse efforts with results, and value matters more to us than mere volumes. We focus on the essential and aim at simple, informal, lean and direct ways of doing things.

Markets and Business areas

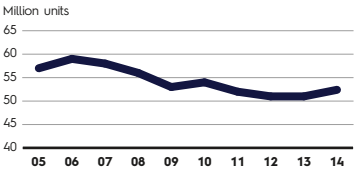
Market information

Core markets

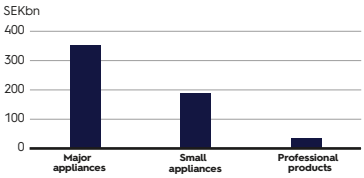
Western Europe

The market is characterized by widely varying consumer patterns between countries and the large number of manufacturers, brands and retailers has led to overcapacity and price pressure. The expected macroeconomic recovery has been muted and is limiting growth but signs of consolidation are taking place with positive implications for the industry. Current demand enables growth in areas such as compact, energy-efficient and user-friendly products with good design.

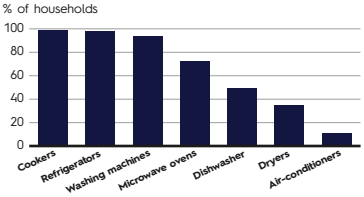
Market demand for major appliances



Market value



Product penetration



Electrolux competitors
Miele • Bosch-Siemens • Indesit • Whirlpool • Samsung • LG Electronics • Arcelik • Dyson • Ali Group • Rational • Primus

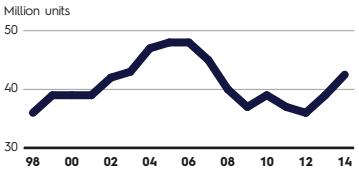
Western Europe

Population:	**418 million**
Average number of persons per household:	**2.3**
Urban population:	**78%**
Estimated real GDP growth 2014:	**–0.8%**

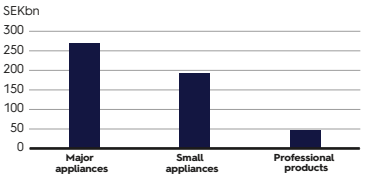
North America

A mature, homogenous market with high penetration that is dominated by replacement products. Large homes allow space for many household appliances, including large appliances. The market is comprised of three manufacturers: Electrolux, Whirlpool and General Electric. Four major retailers sell 70% of appliances. The recovery in the housing sector generates opportunities for healthy growth in the coming years. Demand growth for appliances is expected to continue in 2015.

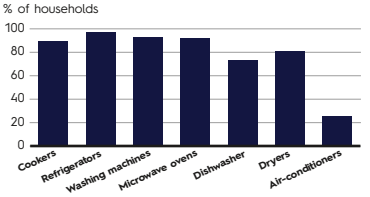
Market demand for core appliances



Market value



Product penetration



Electrolux competitors
Whirlpool • General Electric • LG Electronics Samsung • Dyson • TTI Group (Dirt Devil, Vax and Hoover) • Bissel • ITW

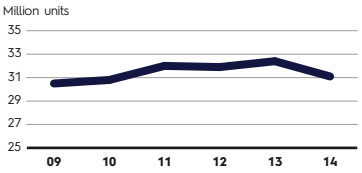
North America

Population:	**358 million**
Average number of persons per household:	**2.6**
Urban population:	**83%**
Estimated real GDP growth 2014:	**2.2%**

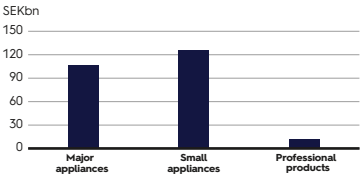
Australia, New Zealand and Japan

Japan is the world's third-largest single market and is dominated by major domestic manufacturers and retailers. Small living spaces have led to consumers demanding compact products, such as hand-held vacuum cleaners. Penetration is high in Australia and New Zealand and demand is primarily driven by design and innovations as well as water and energy efficiency. Competition between manufacturers from Asia and Europe is intense.

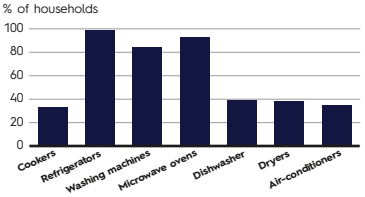
Market demand for major appliances



Market value



Product penetration



Electrolux competitors
Fisher & Paykel • Samsung • LG Electronics • Panasonic • Dyson • ITW • Hoshizaki • Alliance

Australia, New Zealand and Japan

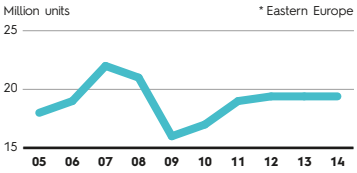
Population:	**155 million**
Average number of persons per household:	**2.5**
Urban population:	**92%**
Estimated real GDP growth 2014:	**0.9%**

Growth markets

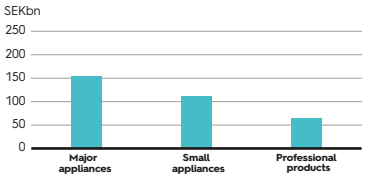
Africa, Middle East and Eastern Europe

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

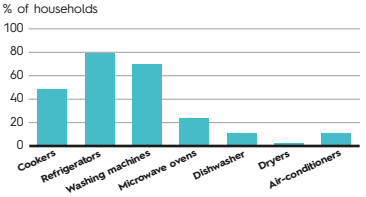
Market* demand for core appliances



Market value



Product penetration



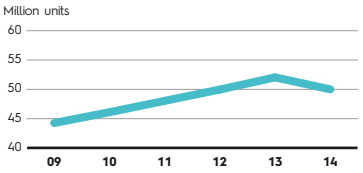
Electrolux competitors
Bosch-Siemens • Indesit • Whirlpool • Samsung • LG Electronics • Arcelik • Dyson Ali Group • Rational

Africa, Middle East	
Population:	**1,393 million**
Average number of persons per household:	**5.9**
Urban population:	**45%**
Estimated real GDP growth 2014:	**1.9%**

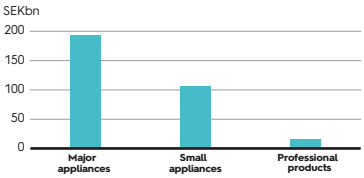
Latin America

Growth is driven by a growing middle class, which primarily demands basic cookers, refrigerators and washing machines. Brazil accounts for about half of total sales in the region and the two largest manufacturers (Electrolux and Whirlpool) accounted for about 70% of the appliances market. Despite the economic slowdown in the region, there exists considerable growth potential for appliances, especially in low-penetrated categories and growing interest for energy and water efficiency.

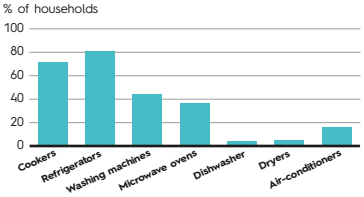
Market demand for major appliances



Market value



Product penetration



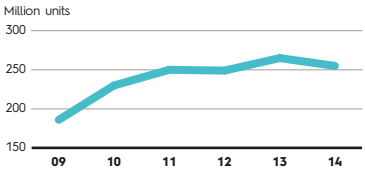
Electrolux competitors
Whirlpool • LG Electronics • Samsung • Daewoo • SEB Group • Black & Decker • Philips • ITW

Latin America	
Population:	**622 million**
Average number of persons per household:	**3.7**
Urban population:	**79%**
Estimated real GDP growth 2014:	**1.9%**

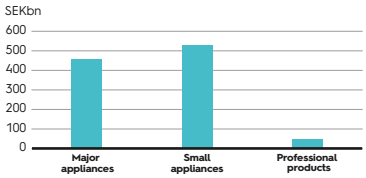
Southeast Asia and China

The market is characterized by economic growth, rapid urbanization, small living spaces and a rapidly expanding middle class. China is the world's largest market for household appliances, in terms of volume. The domestic manufacturers Haier Group and Midea dominate in China. Similar to other growth markets, consumers prioritize refrigerators, washing machines and air-conditioners as prosperity rises. Energy-efficient products are growing in popularity.

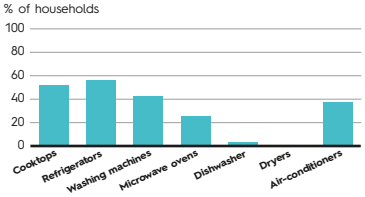
Market demand for major appliances



Market value



Product penetration



Electrolux competitors
LG Electronics • Panasonic • Haier Group • Sanyo • Midea • Samsung • Dyson • Gree • Manitowoc • ITW • Sailstar • Image

Southeast Asia and China	
Population:	**3,800 million**
Average number of persons per household:	**3.8**
Urban population:	**44%**
Estimated real GDP growth 2014:	**7.0%**

Sources: World Bank and Electrolux estimates.

Electrolux market data

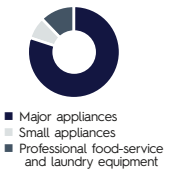
Core markets

Western Europe

Electrolux priorities
Increased focus on the strongest product categories and brands, meaning Electrolux, AEG and Zanussi. Continued emphasis on innovation, often drawing inspiration from the Group's professional expertise and increased focus on connected appliances. Examples of growing segments are built-in appliances and energy-efficient products. Greater priority assigned to small domestic appliances.

Share of Group sales 2014

Share of sales in the region 2014

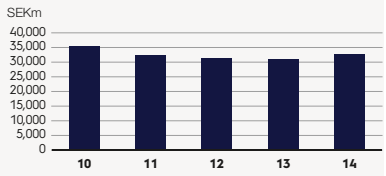


Consumer brands

Electrolux AEG ZANUSSI ZANUSSI PROFESSIONAL

Electrolux market shares
14% core appliances
11% floor care
Professional: leadership position with a stronger recognition in the institutional/hotel segments for professional products.

Net sales



Net sales in Western Europe have during several years been impacted by the weak market demand particularly in core markets in Southern Europe.

North America

Electrolux priorities
Broadened product ranges and launches of new, innovative products. Adapting to new energy efficiency requirements for refrigeration and freezers with a new line of cold products. Growth by developing new customers and distribution channels and continuation of effective marketing campaigns. Increased focus on professional products and a strong offering for global food chains.

Share of Group sales 2014

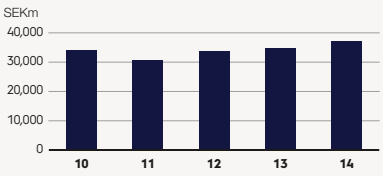
Share of sales in the region 2014

Consumer brands

Electrolux FRIGIDAIRE eureka

Electrolux market shares
20% core appliances
15% floor care
Professional: historically strong presence in laundry equipment and a growing presence in the food service industry and in the chain business for professional products.

Net sales



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

Australia, New Zealand and Japan

Electrolux priorities
Further strengthening of positions in Australia and New Zealand by launching new, innovative products with features such as high energy and water efficiency. Continued prioritization of compact, user-friendly and quiet household appliances in Japan and South Korea.

Share of Group sales 2014

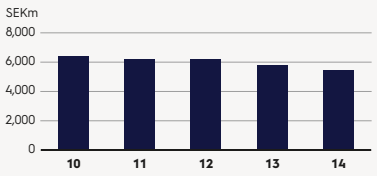
Share of sales in the region 2014

Consumer brands

Electrolux simpson Westinghouse

Electrolux market shares in Australia
37% core appliances
14% floor care
Professional: historically strong position in both laundry equipment and food-service equipment for professional use.

Net sales



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

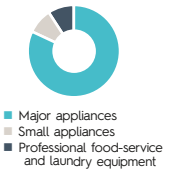
Growth markets

Africa, Middle East and Eastern Europe

Electrolux priorities
Increased focus on the strongest product categories and brands in Eastern Europe. Grow profitably in all product categories in parallel with growing prosperity in Africa. New product launches in the air-conditioner segment yield further growth opportunities in Europe, North Africa and the Middle East.

Share of Group sales 2014

Share of sales in the region 2014

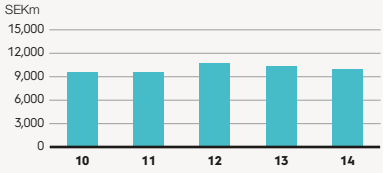


Consumer brands

Electrolux AEG ZANUSSI ZANUSSI PROFESSIONAL

Electrolux market shares in Eastern Europe
11% core appliances
10% floor care
Professional: leadership position with a stronger recognition in the institutional/hotel segments for professional products.

Net sales



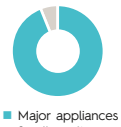
Electrolux has a huge potential for growth in parallell with growing markets in Eastern Europe, Middle East and Africa.

Latin America

Electrolux priorities
By developing the product range and cooperating closely with the market-leading retail chains, the Group can capitalize on opportunities as the purchasing power of households quickly increases. The emphasis is primarily on the upper-price segments. By investing further in production capacity and distribution, Electrolux can expand in several countries.

Share of Group sales 2014

Share of sales in the region 2014

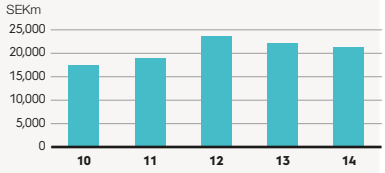


Consumer brands

Electrolux FRIGIDAIRE

Electrolux market shares
Leading positions in major appliances in Brazil, Chile and Argentina.
44% floor care
Professional: growing presence of Professional Products in the region.

Net sales



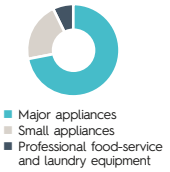
Net sales in Latin America have increased organically over the years due to a strong product offering, market growth and the acquisition of CTI in Chile in 2011.

Southeast Asia and China

Electrolux priorities
A rapidly growing middle class demands premium products. Major efforts to market a broad range of appliances targeting the Chinese premium segment, with functions adapted to this market. Focus on products for professional users in the laundry and food-service segments. Launch products in the rapidly growing market for compact vacuum cleaners and small domestic appliances.

Share of Group sales 2014

Share of sales in the region 2014

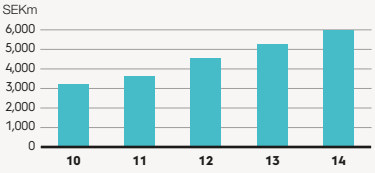


Consumer brands

Electrolux

Electrolux market shares in Southeast Asia
5% core appliances
24% floor care
Professional: reference player with stronger recognition in the hotel segments for professional products.

Net sales



Electrolux sales in Southeast Asia and China are growing. The Group's market-leading position in front-load washing machines has been leveraged to expand the business to kitchen appliances.

MAJOR APPLIANCES

Europe, Middle East and Africa

Focus on the strongest product categories, brands and sales channels combined with complexity and cost reductions results in significant earnings improvement and a long-term competitive business model.

Jonas Samuelson, Head of Major Appliances Europe, Middle East and Africa

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

Demand for appliances has been in decline for several years in Western Europe but stabilized in 2014. For some time, the market in Western Europe has been characterized by overcapacity and price pressure. One of the key reasons for this is that it is a fragmented market with a large number of manufacturers, brands and retailers.

Africa and the Middle East comprise a large number of countries with significant differences in terms of wealth and degree of urbanization. However, a common theme is that demand for appliances rises in parallel with growing prosperity. Electrolux has a focused growth strategy targeting primarily Egypt, Saudi Arabia and the Lower Gulf countries.

Growth and innovation

During the past two years, Electrolux has focused its innovation and marketing activities in Europe on its premium brands, Electrolux and AEG in the strongest product categories, primarily built-in kitchen appliances, with a particular focus on cooking products, as well as premium laundry products.

The built-in product ranges have been renewed, with launches of innovative products leveraging our 90 years of expertise in professional appliances, particularly focused in the areas of combi-steam ovens, where Electrolux is the market leader, and in induction cooking. A new range of laundry products, including washers, dryers and combination washer/dryers has been introduced, combining unparalleled clothes care with class-leading energy efficiencies. Growth and mix improvements in these product categories have been key contributors to the earnings improvement in 2014.

Connected products comprise another key trend this year. At the IFA trade show, Electrolux showcased a revolutionary connected-oven, see page 25.

As consumers rely increasingly on digital touch points for information and purchasing of appliances in addition to the traditional retail channels, the importance of strong brands and consistent and compelling communication in all consumer interaction points is increasing. Hence, focus has been increased on the premium brands Electrolux and AEG, in the key touch points of digital and in-store communication.

Operational excellence

During the year, the program of extensive refocusing of operations on the strongest and most profitable product categories, brands and sales channels has allowed substantial cost reductions in other areas of the business.

Significant savings measures to reduce complexity in the administrative and sales operations were implemented during the year. Activities to increase production competitiveness continued. A comprehensive agreement to improve the competitiveness of the operations in Italy was reached with social partners. A laundry factory in France was divested. Discussions were initiated with employee representatives regarding production at two plants one in Sweden and one in Switzerland and a decision was taken to cease production at the plant in Switzerland.

SHARE OF NET SALES 2014

31%

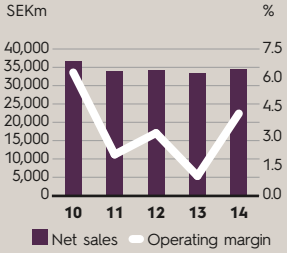
SHARE OF OPERATING INCOME

30%

MARKET POSITION

- Core appliances 14% in Western Europe
- Core appliances 11% in Eastern Europe
- A leading position in markets in Northern Africa and the Middle East

NET SALES AND OPERATING MARGIN



COMMENTS ON PERFORMANCE

Operating income improved significantly as a result of the ongoing structural measures to reduce costs and increase efficiency as well as product mix improvements.

Active product portfolio management and a strong focus on the most profitable product categories improved the product mix.

PRIORITIES MOVING FORWARD

- Consumer relevant innovation in the strongest product categories and brands
- Reduce complexity and increase speed to market
- Further improved cost and manufacturing competitiveness

Fourth Wall: A kitchen without boundaries

Electrolux Grand Cuisine and Poggenpohl have introduced a pioneering concept kitchen: **the Fourth Wall**. It is a kitchen without boundaries, where gastronomy, creativity and interior design come together to inspire. It is a kitchen where professional cooking meets luxury living. The concept aims to elevate both brands to a position that is perceived as being more premium and luxury by emphasizing culinary leadership.

Cooking with steam

Electrolux has a broad and innovative range of steam ovens on the market. Having worked with the best chefs in the world for over 90 years, Electrolux is convinced that steam is the future of cooking. Innovative CombiSteam ovens have been launched in Europe under the Electrolux and AEG brands.

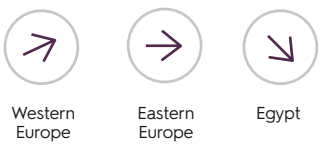
AEG Maxi Sense Hob

With the **AEG Maxi Sense Hob**, it is possible to use up to three pots and pans simultaneously on the large FreeZone induction cooking area and an additional two on the power zones, with individual control of the temperature. Pots and pans can be freely moved around the cooker when preparing food.

AEG ProTex dryer

The AEG ProTex dryer is fitted with the revolutionary AbsoluteCare technology, marking the first time sensitive garments like wool and silk can be dried with no shrinkage compared to line drying. It has been awarded the Apparel Care Blue label from Woolmark, the world's most respected authority on wool care. Additionally, heat pump technology achieves up to 70% energy savings compared to traditional condense dryers.

Market demand for major appliances 2014 compared to 2013



Electrolux markets

Average number of employees 2014

21,729

MAJOR APPLIANCES

North America

The US appliance market posted continued growth in 2014. The Group continued to increase sales in the region by launching new, innovative products in several price segments and under several brands. During the year, Electrolux signed an agreement to acquire GE Appliances, one of the leading appliance manufacturers in the US.

Jack Truong, Head of Major Appliances North America

Electrolux commands a strong position in the US and Canada, particularly for kitchen appliances such as cookers, refrigerators and freezers. The appliances are predominantly sold under the Frigidaire brand in several price segments and under the Electrolux brand in the premium segment. The Group increased sales in North America as a result of product launches and increased investments in marketing.

A high degree of product penetration combined with relatively low population growth has resulted in replacement products dominating the market. The market is also more uniform than most other markets and consolidation is relatively high among manufacturers and retailers. The three largest manufacturers of appliances in the US account for a major part of the market and about 70% of appliances are sold via the four major retailers, Sears, Lowe's, Home Depot and Best Buy. In 2014, Electrolux strengthened its position with Home Depot, which became a new distribution channel for the Group in 2012.

Growth and innovation

The appliance market continued to grow and posted growth of about 6% during the year. Growth is closely linked to an improved housing market. During the next few years, growth in housing construction is expected to be particularly strong for single-family homes. Another interesting trend is that the premium segment is growing in pace with the aging population, where the Group has a strong and broad product offering through its Electrolux brand.

During the year, a considerable number of innovative products was launched including a range of new refrigerators and freezers adapted to meet new US energy standards. A comprehensive transition of products was made to comply with the new energy requirements.

Other launches included Frigidaire gallery brand double-wall ovens and a 2-in-1 classic slate freezer under the Frigidaire brand as well as a stainless steel dishwasher with IQ-touch controls and an induction cook-top under the Electrolux brand.

In September 2014, Electrolux signed an agreement to acquire GE Appliances from General Electric, one of the leading manufacturers of kitchen and laundry products in the US. The coordination of the Electrolux Group's and GE Appliances' operations is expected to create a stable growth platform for the North American market. GE Appliances has an offering that complements the Frigidaire and the Electrolux brand portfolio in North America. The transaction is subject to regulatory approvals and is expected to close in 2015.

Operational excellence

During the year, the production of cooking products was concentrated to the new plant in Memphis, Tennessee in the US and cooking production was discontinued in L'Assomption, Quebec in Canada. The new plant has an efficient manufacturing process utilizing the latest technology.

SHARE OF NET SALES

30%

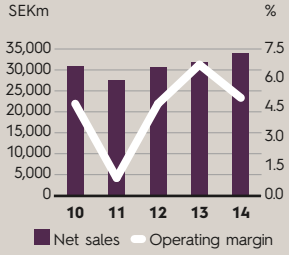
SHARE OF OPERATING INCOME

36%

MARKET POSITION

- Core appliances 20%

NET SALES AND OPERATING MARGIN



COMMENTS ON PERFORMANCE

Major Appliances showed an organic growth of 2% in 2014 as a result of an improved product mix which mitigated lower sales volumes. Costs related to the comprehensive transition of refrigerators and freezers to comply with the new energy requirements had a negative impact on operating income. In addition, the new cooking facility in Memphis, Tennessee, is still being ramped up, which also impacted operating income.

PRIORITIES MOVING FORWARD

- Launching consumer-driven innovation and improving the product mix
- Focusing on increased cost efficiency
- Growing in new consumer segments and new sales channels

Electrolux Double Wall Oven

During the year, innovative double-wall ovens were produced at the new cooking appliance facility in Memphis, Tennessee. The facility produces ovens using the latest technology that leverages the know-how that Electrolux has gained from its professional products expertise, including such features as Perfect-Taste Temp Probe and Perfect Turkey.

Frigidaire Custom Flex Freezer

The new **Frigidaire Custom Flex Top Freezer** with flexible storage possibilities is manufactured in North America using modularization and product innovation that were developed in the Electrolux manufacturing facility in Thailand.

Market demand for major appliances 2014 compared to 2013

↗

North America

Electrolux markets

Average number of employees 2014

14,918

MAJOR APPLIANCES

Latin America

Electrolux holds a strong position in several Latin American countries, and has long-established relationships with the major retailers and a far-reaching distribution network, which provide a solid platform for profitable growth in the region.

Ruy Hirschheimer, Head of Major Appliances Latin America

Electrolux operations in Latin America trended favorably despite a weakening market growth. The Electrolux brand occupies a strong position through its innovative products and close collaboration with market-leading retail chains. Brazil is the Group's largest market in the region and accounted for about 70% of Electrolux sales. In Brazil, Electrolux is the market leader in a large number of product categories.

Growth and innovation

The Latin American market is dominated by a few large manufacturers. In Brazil, Electrolux holds a leading position in appliances. Import duties and logistical costs mean that the bulk of products are produced domestically. The trend of consolidation is also high among retailers. Together, these factors contribute to strengthening the potential of established manufacturers in the region. Brazil accounts for about 50% of the total market. Other major markets include Chile, Mexico and Argentina.

During the year, most Latin American currencies continued to weaken against the USD, resulting in increased costs for imports of semi-finished and finished products. Price increases mitigated the negative currency impact.

The Latin American appliance market has grown for a number of years. The reason for this has been the rising purchasing power of households, which primarily demand more basic cookers, refrigerators and washing machines. In addition, demand for products in the upper-price segments has increased among the rapidly emerging middle class. However, in 2014 demand weakened.

Electrolux is continuing to expand in Latin America through substantial investments in product development, production capacity and distribution. In 2014, the bulk of the product offering in larger-capacity washing machines and refrigerators and cookers was renewed. Smaller capacity refrigerators, portable air-conditioning devices and larger capacity ovens were launched to further strengthen market shares in new product categories. During the year, Electrolux expanded its service offering by, for example, establishing a service center in Bogotá, Colombia.

Operational excellence

Production efficiency was further enhanced through increased coordination and benchmarking between the production facilities in Santiago in Chile, Rosario in Argentina and São Carlos in Brazil utilizing, for example, the framework for the Electrolux Manufacturing System (EMS). Moreover, a program for more efficient and sustainable use of resources was introduced at all units in Latin America.

SHARE OF NET SALES

18%

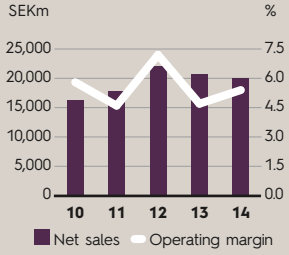
SHARE OF OPERATING INCOME

23%

MARKET POSITION

- Electrolux has the number one position in Chile and leading positions in Brazil and Argentina.

NET SALES AND OPERATING MARGIN



COMMENTS ON PERFORMANCE

Major Appliances Latin America showed an organic sales growth of 3% in 2014, driven by higher sales prices and a favorable product mix.

Operating income improved year-over-year. Price increases have offset continued currency headwinds and a high rate of inflation and measures have been taken to adjust the cost base to lower demand.

PRIORITIES MOVING FORWARD

- Expanding best-in-class products and services offering
- Continuing to build on the strong position in Brazil
- Increasing growth in other markets

New Electrolux minibar

Electrolux has launched the world's first minibar with a smoked glass door that allows full visibility of the products stored inside – all packaged in an elegant, innovative and sophisticated design. The minibar is practical and ideal for displaying products to guests.

Electrolux bottom freezer

The new interactive refrigerator and freezer from Electrolux has two unique applications – Healthy Living and Cookbook, which include a complete nutritional program and more than 650 gourmet recipes for various occasions. All of this has been created to promote healthy cooking and creativity in the kitchens among consumers.

Market demand for major appliances 2014 compared to 2013

↘

Brazil

Electrolux markets

Average number of employees 2014

13,096

MAJOR APPLIANCES

Asia/Pacific

Electrolux has market-leading positions in Australia and New Zealand and is expanding in growth markets in Southeast Asia and China. New product offerings adapted to meet an expanding middle class in these growth markets comprise a key element of the growth strategy.

Gunilla Nordström, Head of Major Appliances Asia/Pacific

About half of Electrolux appliances sales in the Asia/Pacific region is in Australia, where the Group is the market leader. The Electrolux brand is positioned in the premium segment with a focus on innovation, energy and water efficiency, and design. The Group's Westinghouse and Simpson brands command strong positions in the mass-market segment. Key competitors comprise Fisher & Paykel, Samsung and LG Electronics. The market softened slightly in 2014, and the Group's sales volumes declined. Water and energy efficiency are key drivers in the hot and dry Australian climate. Electrolux dishwashers and front-load washing machines are well adapted to these conditions and have significant market shares.

Growth and innovation

During the year, Electrolux acquired Australian BeefEater Barbecues, which has a strong, established position in the barbecue segment in Australia. A considerable amount of cooking is done outdoors and the acquisition complements and strengthens the Electrolux offering and position in this segment. Electrolux sees substantial growth potential in the barbecue segment, since it accounts for almost one quarter of the cooking-products market in Australia.

Growth in the appliance market in Southeast Asia has been strong in recent years, but demand declined in 2014. Electrolux sales has showed strong grown in the region and market shares have increased.

Electrolux has a strong offering of premium products, for example, energy-efficient front-load washing machines and built-in appliances for the kitchen, such as gas hobs with burners that are especially adapted for stir frying. Premium products are in demand by a rapidly growing middle class. Demand is also increasing for energy-efficient products. Refrigerators from the newly opened plant in Thailand further strengthened Electrolux position in Southeast Asia during the year.

China is the world's largest market for household appliances, measured by volume and, in the last few years, the growth rate in the region has been high. In 2014, market demand declined year-over-year. The Electrolux market share of the Chinese market is relatively low, but sales has grown by an average of about 35% per year since 2009. Electrolux is focusing its offering on premium products for the rapidly growing middle class in major cities in China and has a complete range of kitchen and laundry appliances, which has been especially developed for Chinese consumers.

Efficient manufacturing

To further streamline and consolidate manufacturing, production is transferred from Orange, Australia, to the plant opened in 2013 in Rayong, Thailand. The plant is at the center of the Group's global development of refrigerators and plays a crucial role in efforts to achieve profitable growth in the Asia/Pacific market.

SHARE OF NET SALES

8%

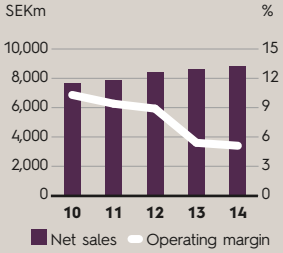
SHARE OF OPERATING INCOME

9%

MARKET POSITION

- Core appliances 37% in Australia.
- Small but growing market share in Southeast Asia

NET SALES AND OPERATING MARGIN



COMMENTS ON PERFORMANCE

Electrolux showed a slight organic growth in 2014. Sales volumes continued to increase in growth markets, while sales in Australia declined.

Operating income was impacted by a negative country mix and unfavorable currency development, while higher prices and enhanced cost structure contributed to earnings.

PRIORITIES MOVING FORWARD

- Strengthen the leading position in Australia and New Zealand
- Grow profitably in Asia
- Increase market share in China

BeefEater

The acquisition of Australian BeefEater Barbecues strengthens the Electrolux offering and positions the company in the key barbecue segment, which accounts for almost one-quarter of the cooking products market in Australia.

Electrolux NutriFresh Fridge

The Electrolux **NutriFresh Fridge** is produced at the new plant in Rayong, Thailand. The fridge is developed to meet Asian consumer needs for optimal storage of vegetables.

Electrolux Time Manager Washer

Front-load washing machines is a growing segment in Southeast Asia. In 2014, the Electrolux Time Manager washing machine was named a winner at the Successful Design Awards, a competition that recognizes successful designs in the Chinese market

Market demand for major appliances 2014 compared to 2013

↘ Australia

↘ Southeast Asia

↘ China

Electrolux markets

Average number of employees 2014

3,792

Small Appliances

Electrolux is one of the world's largest vacuum-cleaner manufacturers and the only global company in the industry. Within the small domestic appliances segment, the Group has a rapidly growing business with an ever broader product portfolio. A large number of new products was launched worldwide in 2014.

Henrik Bergström, Head of Small Appliances

In the vacuum-cleaner segment, the Group holds leading positions in the largest markets, and has a particularly strong presence in the premium vacuum cleaner and rechargeable, hand-held vacuum-cleaner segments. Product development is focused on innovative and energy-efficient vacuum cleaners in the upper-price segments. The Group is continuing to capture market shares in small domestic appliances through developing and launching a number of new product ranges.

In Europe, most products are sold under the Electrolux brand, which is complemented with the AEG brand. In North America, the Eureka brand dominates the vacuum-cleaner segment, complemented by Electrolux in the more exclusive segments. Sales in Latin America and Asia are predominantly under the Electrolux brand.

Growth and innovation

Total sales declined slightly, primarily due to lower vacuum cleaner sales in North America and Europe. Sales growth continued in Asia, while the pace of growth softened in Latin America year-on-year. Sales of small domestic appliances, and accessories and spare parts continued to increase and posted healthy growth in several regions. During the year, a substantial number of new vacuum cleaners and small domestic appliances was launched.

In Europe, new regulations for the energy labeling of vacuum cleaners were introduced by the EU following initiatives promoted by Electrolux, among others. The Group renewed its entire range of vacuum cleaners launching products that meet the highest requirements in terms of energy efficiency, dust pick-up, noise levels and air emissions.

The bagless vacuum-cleaner segment is expanding rapidly. About 50% of the market in Europe comprises bagless vacuum cleaners and the corresponding figure for Asia is 70%. The premium bagless vacuum cleaner Electrolux UltraFlex was launched in a number of markets in Europe and Asia during the year.

The third generation of the battery-powered hand-held vacuum cleaner Ergorapido was launched worldwide in 2014. It is the Group's best-selling vacuum-cleaner platform ever, with over 10 million units sold.

During the year, the Expressionist Collection was launched. This is a new family of small domestic appliances elegantly designed in stainless steel and intended to match premium major appliances under the Electrolux brand. The range includes items such as coffee makers, kettles and toasters.

The Masterpiece Collection was launched at the end of the year. This exclusive range of small domestic appliances incorporates design elements, learnings and technology from the Group's Professional Products operations.

Operational excellence

During the year, investments continued in increased production capacity in Juarez, Mexico. In total, capacity has increased by about 80% in 2013 and 2014. The plant primarily produces vacuum cleaners for the North American market.

The continued efforts to lower the direct cost of materials in production led to substantial savings at all production facilities.

Continued focus on capital efficiency led to working capital remaining at the low level reached in 2013.

SHARE OF NET SALES

8%

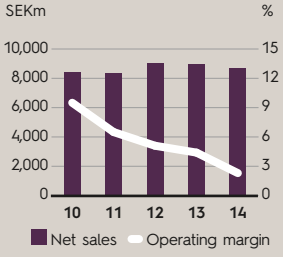
SHARE OF OPERATING INCOME

4%

MARKET POSITION

- Leading positions in Europe, North America and Latin America

NET SALES AND OPERATING MARGIN



COMMENTS ON PERFORMANCE

Operating income declined year-over-year, primarily as a result of lower sales volumes and price pressure. Moreover, earnings were negatively impacted by currency effects, primarily in Latin America. To an extent, this was mitigated by product mix enhancements in several regions.

PRIORITIES MOVING FORWARD

- Continue launches of new, innovative products in vacuum cleaners and small domestic appliances
- Accelerate profitable growth, with particular focus on Asia and EMEA
- Restore profitability in North America and Latin America.

Electrolux Masterpiece Collection

The Electrolux Masterpiece Collection was launched at the end of the year, comprising an exclusive range of small domestic appliances that use technology from the Group's Professional Products operations. For example, the blender and food processors are tilted ten degrees to achieve the maximum blending effect.

10 million Electrolux Ergorapido Vacuums

Since the launch of **Ergorapido** in 2004, more than 10 million units have been sold globally, making it the Group's best-selling vacuum-cleaner platform ever.

Electrolux Ultraflex Vacuum

The bagless **UltraFlex** is the latest premium vacuum cleaner from Electrolux. More and more consumers prefer bagless vacuum cleaners and the trend is growing. In Europe, this category commands more than 50% of the market, while it is close to 70% in Asia.

Market demand for vacuum cleaners 2014 compared to 2013

Europe ↗

North America ↘

Electrolux markets

Average number of employees 2014

2,614

Professional Products

Electrolux offers food-service equipment and laundry solutions for professional users. Resource-efficient products and an extensive service network give the Group a strong global position. During the year, Electrolux continued to grow by focusing on expanding in growth regions and in new, profitable markets and business segments.

Alberto Zanata, Head of Professional Products

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

Of the Group's professional products sales, approximately two thirds are from food-service equipment and one third from laundry equipment. About 60% of sales is generated in Europe and almost 10% in North America. Other key markets include Japan, China, Turkey, the Middle East and Africa.

Electrolux has a strong position in the European food-service market, in particular in the institutional (hospital, staff canteens, schools) and hospitality (restaurants, catering and hotels) segments. The Group is also a leading player in complete installations in a number of growth regions. Food-service equipment is sold mainly under the Electrolux brand, but also under regional brands, such as Zanussi. Examples of laundry equipment customers include hospital and hotel laundries. Electrolux also supplies products for apartment-building laundries in Scandinavia and for launderettes, mainly in North America.

Growth and innovation

During the year, Professional Products continued to grow by focusing on expanding in growth regions and in new, profitable markets and business segments, such as the growing market for fast-food chains. Examples of products developed for chains and new segments are the Electrolux high-speed panini grill and the Electrolux myPRO range of professional washers and dryers for small businesses.

The Group continued to develop intelligently designed and high-performing products with strong sustainability profiles. Innovation in the laundry sector is strongly linked to lower costs by reducing the consumption of energy, water and laundry detergent without compromising on washing and rinsing results. Electrolux professional washing machines and tumble-dryers are among the most energy and water-efficient in the market. Energy efficiency has a high priority in the development of professional food-service equipment.

Some key launches during the year included Electrolux Thermaline Modular range, a further development of the modular system for professional cooking. In Asia, a specially developed dishwasher for the Asian market was launched, which tolerates high temperatures, high humidity, power failures and variations in water pressure.

Solutions arising from the development of professional products often benefit the consumer market. Electrolux Grand Cuisine, the first and only professional cooking system designed for homes in the ultra-luxury segment, comprises a clear example of this.

Collaboration with professional users was strengthened in 2014 through a partnership with the World Association of Chefs' Societies (Worldchefs).

Operational excellence

An Excellence Program is in place to achieve the highest possible standards of quality and effective cost control. The aim of the program is to make Electrolux the industry benchmark from the perspective of innovation, quality, distribution lead time and customer support. Examples include shorter distribution times for Modular Cooking, the development of new dishwashers for further growth in Asia and customer contracts in new growth segments.

SHARE OF NET SALES

5%

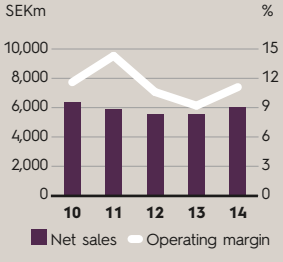
SHARE OF OPERATING INCOME

14%

MARKET POSITION

- Leadership position in Europe
- Global presence
- Growing share in emerging markets

NET SALES AND OPERATING MARGIN



COMMENTS ON PERFORMANCE

Professional Products showed an organic growth of more than 5% in 2014. Sales grew both in traditional markets and in growth markets.

Operating income and margin improved, mainly as a result of higher sales volumes, higher prices and enhanced cost structure.

PRIORITIES MOVING FORWARD

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

Electrolux myPRO range

The new **myPRO** range of professional washers and dryers was developed by Electrolux in response to the needs of small businesses, such as beauty salons, fitness centers and small hotels. These customers will benefit from the range's performance – in terms of speed, reliability and sustainability – and from its longer lifetime.

Electrolux Thermaline range

The **Thermaline** cooking range is designed to meet the needs of the most demanding heavy-duty kitchens in the world. It combines state-of-the-art technologies, superior productivity and cutting-edge design with the highest quality standards for high-productivity professional kitchens. The new modular line launched in 2014 strengthens the competitive position of Electrolux in the market for professional cooking ranges.

Market demand for professional products 2014 compared to 2013

Europe | Emerging markets | North America

Electrolux markets

Average number of employees 2014

2,582

The Electrolux share and Risk management

The Electrolux share

In 2014, the Electrolux Group delivered positive organic growth and increased operating income while strengthening the cash flow. The Electrolux share showed strong performance with a total return of 42%. This was to a large extent driven by the Group's operational recovery but also thanks to the positive reactions from the announced acquisition of GE Appliances.

The Electrolux B share increased by 36% in 2014, outperforming the broader Swedish market index, Affärsvärlden General Index, which rose by 10% over the same period. The performance reflects an operational recovery in the Group's European operations, but also to most other business areas performing well. Towards the latter part of the year, the share price benefitted from expectations of lower costs for raw materials in 2015 compared with 2014.

During the year, Electrolux performed better than the market expectations in terms of profitability and cash-flow generation. Furthermore, the share price reacted positively on the announcement of the acquisition of GE Appliances in September.

Following a negative share price reaction in connection with the announcement of the results for the fourth quarter of 2013 in late January, the share price performance was positive when announcing results for the first, second and third quarters of 2014.

Total return

The opening price for the Electrolux B share in 2014 was SEK 168.50. The highest closing price was SEK 231.10 on December 29. The lowest closing price was SEK 135.30 on February 4. The closing price for the B share at year-end 2014 was SEK 228.80, which was 36% higher than at year-end 2013.

Total shareholder return during the year was 42%. Over the past ten years, the average total return on an investment in Electrolux B shares has been 17% annually. The corresponding figure for the SIX Return Index was 12%.

Share volatility

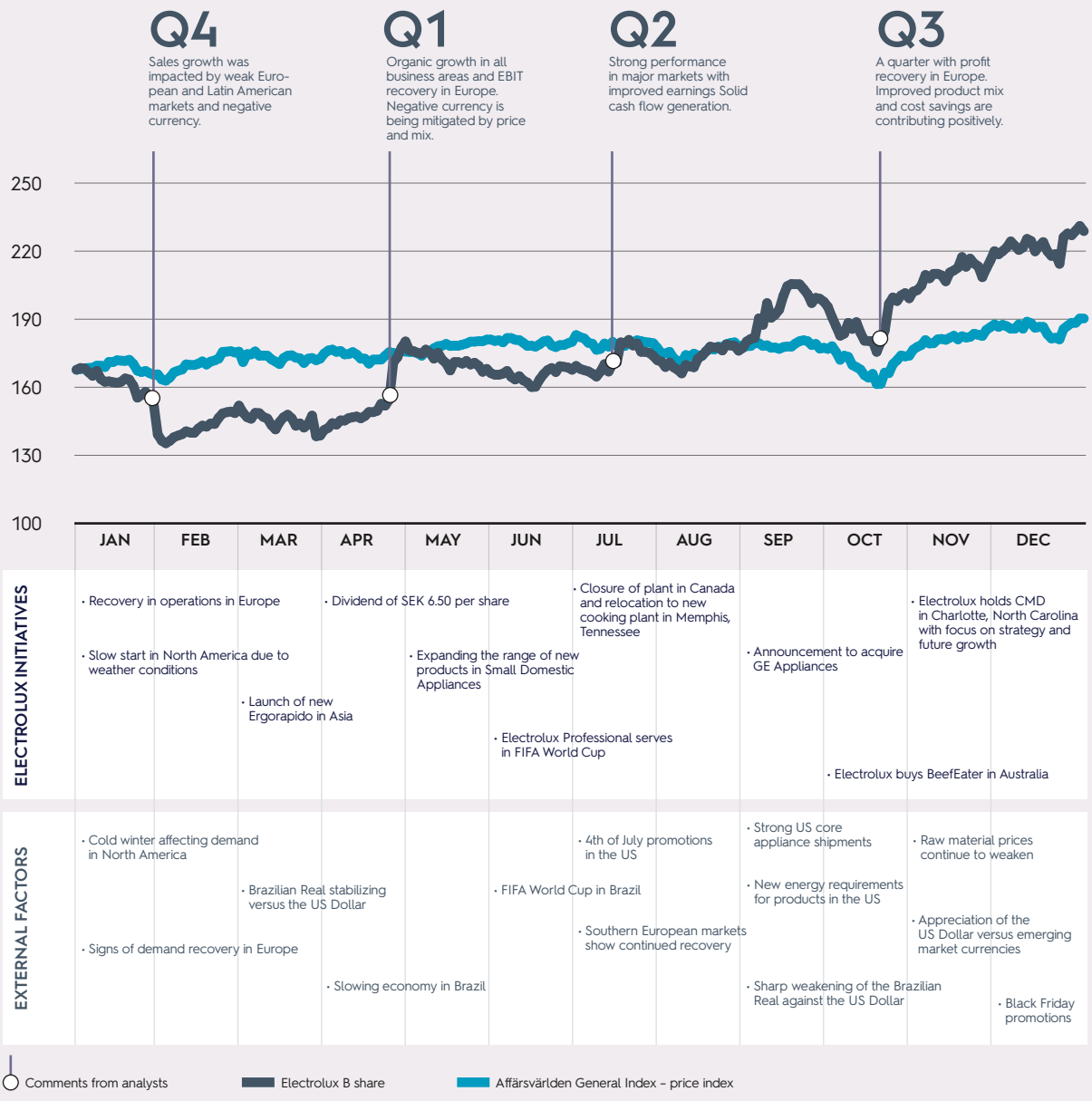
Over the past years, the Electrolux share has shown a volatility of about 40% (daily values), compared with an average volatility of 25% for Nasdaq Stockholm. The beta value of the Electrolux B shares over the past five years is 1.39. A beta value of more than 1 indicates that the share's sensitivity to market fluctuations is above average.

Data per share

	2005	2006[9]	2007[9]	2008	2009	2010	2011	2012	2013	2014
Year-end trading price, B shares, SEK[1]	89.50	116.90	108.50	66.75	167.50	191.00	109.70	170.50	168.50	228.80
Year-end trading price, B shares, SEK	206.50	137.00	108.50	66.75	167.50	191.00	109.70	170.50	168.50	228.80
Highest trading price, B shares, SEK	90.50	119.00	190.00	106.00	184.10	194.70	195.60	179.00	192.70	231.10
Lowest trading price, B shares, SEK	62.00	78.50	102.00	53.50	57.50	142.50	95.30	111.50	153.70	135.30
Change in price during the year, %	36	31[9]	–7	–38	151	14	–43	55	–1	36
Equity per share, SEK	88	47	57	58	66	72	73	55	50	58
Trading price/equity, %	234	247[1]	191	116	253	264	151	310	338	398
Dividend, SEK	7.50	4.00	4.25	0	4.00	6.50	6.50	6.50	6.50	6.50[2]
Dividend as % of net income[3] [4]	47	37	36	0	29	39	86	57	66	58
Dividend yield, %[5]	3.6	3.4[1]	3.9	0	2.4	3.4	5.9	3.8	3.9	2.8
Earnings per share, SEK	6.05	9.17	10.41	1.29	9.18	14.04	7.25	8.26	2.35	7.83
Earnings per share, SEK[4]	15.82	10.89	11.66	2.32	13.56	16.65	7.55	11.36	9.81	11.30
Cash flow, SEK[6]	2.45	7.53	4.54	4.22	29.16	26.98	18.97	24.74	15.57	27.35
EBIT multiple[7]	16.1	8.0[1]	7.9	19.8	12.8	10.8	13.4	14.6	38.8	22.4
EBIT multiple[4] [7]	9.1	7.1[1]	7.3	15.2	9.1	9.1	12.8	11.6	15.1	16.8
P/E ratio[8]	34.1	12.7[1]	10.4	51.7	18.2	13.6	15.1	20.6	71.7	29.2
P/E ratio[4] [8]	13.1	10.7[1]	9.3	28.8	12.4	11.5	14.5	15.0	17.2	20.2
Number of shareholders	60,900	59,500	52,700	52,600	52,000	57,200	58,800	51,800	51,500	46,500

[1] Adjusted for distribution of Husqvarna in June 2006, and for redemption in January 2007.
[2] Proposed by the Board.
[3] Dividend as percentage of income for the period.
[4] Excluding items affecting comparability.
[5] Dividend per share divided by trading price at year-end.
[6] Cash flow from operations less capital expenditures, divided by the average number of shares after buy-backs.
[7] Market capitalization excluding buy-backs, plus net borrowings and non-controlling interests, divided by operating income.
[8] Trading price in relation to earnings per share.
[9] Continuing operations.

Performance of the Electrolux share during the year



Recommendations from analysts

	After Q4 2013	After Q1 2014	After Q2 2014	After Q3 2014	After Q4 2014
Buy	22%	43%	46%	31%	36%
Hold	67%	36%	38%	69%	43%
Sell	11%	21%	15%	0%	21%

The performance of the Electrolux share price showed strength throughout 2014 despite high market expectations. Positive product mix, higher profitability and cost savings mitigated weak demand and currency fluctuations in emerging markets, which resulted in the share price outperforming the Swedish market index during the year.

The Electrolux share is listed on Nasdaq Stockholm. The market capitalization of Electrolux at year-end 2014 was approximately SEK 71 bn (51), which corresponded to 2.1% (1.7) of the total value of Nasdaq Stockholm. The company's outstanding shares are divided into A shares and B shares. A shares entitle the holder to one vote while B shares entitle the holder to one-tenth of a vote.

Dividend

The Board of Directors proposes a dividend for 2014 of SEK 6.50 per share, equivalent to a total dividend payment of approximately SEK 1,861m. The proposed dividend corresponds to approximately 57% of income for the period, excluding items affecting comparability. Based on the share price of Electrolux B shares at the end of 2014, the dividend yield for 2014 was 2.8%.

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

Ownership structure

The majority of the total share capital as of December 31, 2014, was owned by Swedish institutions, mutual funds and private investors amounting to 51%. During the year, the proportion of the capital held by foreign owners increased and amounted to approximately 49% (42) at the end of the year. The volume of shares traded by foreign owners has a significant effect on share liquidity. Foreign investors are not always recorded in the share register as foreign banks and other custodians may be registered for one or several customers' shares, why the actual owners are then usually not displayed in the register.

Share-based incentive programs

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

At year-end 2014, the incentive programs had no effect on the dilution of the total number of shares.

Conversion of shares

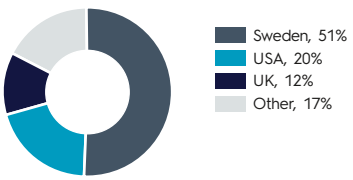
In accordance with the Articles of Association of AB Electrolux, owners of A shares have the right to have such shares converted to B shares. Conversion reduces the total number of votes in the company. In 2014, no Class A shares were converted to Class B shares. The total number of registered shares in the company amounts to 308,920,308 shares, of which 8,192,539 are A shares and 300,727,769 are B shares.

Major shareholders

	Share capital, %	Voting rights, %
Investor AB	15.5	29.9
JP Morgan Asset Management	5.0	4.0
Nordea Investment Management	4.5	3.6
Alecta Pension Fund	3.4	3.9
Swedbank Robur Funds	2.1	1.7
Norges Bank Investment Management	2.0	1.6
Government of Singapore	1.7	1.4
SHB Funds	1.4	1.2
AMF Insurance & Funds	1.1	0.9
Unionen	1.0	0.8
Danske Invest Funds	0.7	0.6
Other shareholders	54.3	50.4
External shareholders	**92.7**	**100.0**
AB Electrolux	7.3	0.0
Total	**100.0**	**100.0**

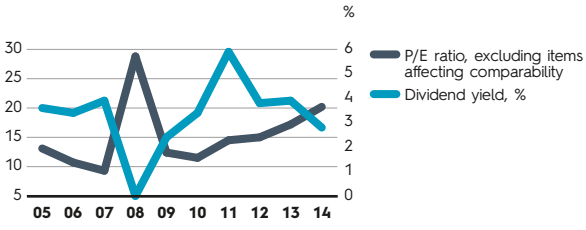
Source: Euroclear Sweden and SIS Ägarservice as of December 30, 2014. Information regarding ownership structure is updated quarterly on www.electroluxgroup.com/ownership.

Shareholders by country



As of December 30, 2014, approximately 49% of the total share capital was owned by foreign investors.
Source: Euroclear Sweden as of December 30, 2014.

P/E ratio and dividend yield



At year-end 2014, the P/E ratio for Electrolux B shares was 20.2, excluding items affecting comparability. The dividend yield was 2.8% based on the Board's proposal for a dividend of SEK 6.50 per share for 2014.

Trading in Electrolux B shares

	2013	**2014**
Number of traded shares, million	414.5	449,7
Value of traded shares, SEKbn	70.1	77.5
Average daily trading volume, million	1.6	1.8
Average daily trading volume (value), SEKm	280	311
Number of issued/cancelled ADRs	3,141,700	616,042
Number of ADRs outstanding	828,300	569,897

Source: Nasdaq Stockholm, Citi.

Trading volume

During 2014, 55% of Electrolux B shares were traded outside Nasdaq Stockholm, compared to 56% during 2013. In 2014, the Electrolux share accounted for 2.3% (2.4) of the shares traded on Nasdaq Stockholm, of a total trading turnover of SEK 3,321 bn (2,938).

Share data

Share listing[1]	Stockholm
Number of shares	308,920,308
of which A shares	8,192,539
of which B shares	300,727,769
Quota value	SEK 5
Market capitalization at December 31, 2014	SEK 71 bn
GICS code[2]	25201040
Ticker codes	Reuters ELUXb.ST
	Bloomberg ELUXB SS

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

Market share

	2013	**2014**
Nasdaq Stockholm	44.5	44.8
BATS Chi-X	21.5	38.8
BOAT	24.0	5.4
Turqouise	5.1	5.4
Burgundy	1.2	0.3
Other	3.7	5.3
Total	**100.0**	**100.0**

Source: Fidessa.

Average daily trading value of Electrolux shares on Nasdaq Stockholm

SEK thousand	2010	2011	2012	2013	**2014**
A shares	148	109	93	127	146
B shares	435,958	357,075	310,501	280,457	311,398

In 2014, an average of 1.8 million Electrolux shares were traded daily on Nasdaq Stockholm.

MEMBER OF Dow Jones Sustainability Indices In Collaboration with RobecoSAM

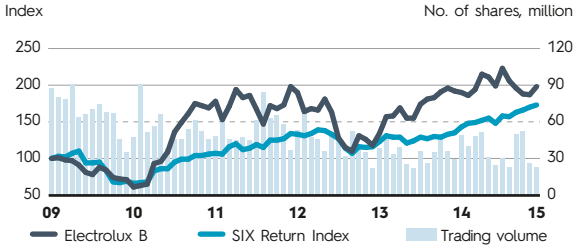
Corporate Responsibility Prime rated by oekom research

ROBECOSAM Sustainability Award Industry Leader 2014

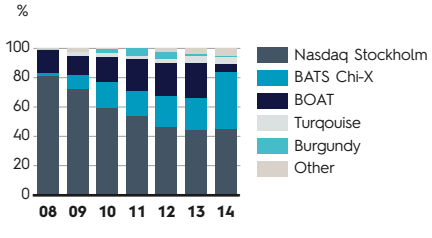
Electrolux – a leader in the consumer durables industry

The Group's sustainability performance help attract and strengthen relations with investors. In 2014 and for the eight consecutive year, Electrolux was recognized as a leader in the consumer durables industry sector in the prestigious Dow Jones Sustainability Index (DJSI). Electrolux thereby ranks among the top 10% of the world's 2,500 largest companies for social and environmental performance. Additionally, Electrolux has received recognition from other indexes and ranking organizations, including RobecoSAM and Oekom.

Total return of Electrolux B shares and trading volume on Nasdaq Stockholm 2009–2014



Trading platforms for the Electrolux share



An increasing portion of Electrolux shares are traded on new trading platforms. Approximately 45% of total trading volume of Electrolux is handled through the Nasdaq Stockholm. BATS has increased its share to the second most traded platform with 39% of total trades.

Electrolux and the capital markets

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

Financial information is supplied continuously in annual and interim reports. Telephone conferences are arranged in connection with the publication of interim reports, at which Group Management presents results followed by a question and answer (Q&A) session, which is simultaneously audio-webcasted on the Group's website.

Electrolux Investor Relations department arranges approximately 300 meetings annually for investors and analysts. Meetings with investors are held at the Group's head office in Stockholm, Sweden, as well as in the form of roadshows, primarily in major financial markets in Europe and the US. Electrolux also interacts daily with the capital markets. Furthermore, Electrolux arranges Capital Markets Days and the Annual General Meeting, providing shareholders and investors with the opportunity to attend presentations and interact with the company. For additional information, please visit the Group's website www.electroluxgroup.com/ir.

Electrolux Capital Markets Day in Charlotte

On November 20, Electrolux hosted its Capital Markets Day in the US. More than 100 investors, analysts and media representatives from Europe and the US gathered at the Electrolux North American Headquarters in Charlotte, North Carolina.

At the event, Electrolux management presented a strategic review and an update of its business and its financial performance. The presentations outlined how Electrolux creates sustainable economic value through a continuous flow of consumer-focused product innovations, modularization and managing the Group's cost structure. Investors, analysts and media were also invited to participate in a site visit at the retail centers of two large US customers. The main highlights from the event were:

Focus on the vision and strategy
Chief Executive Officer Keith McLoughlin presented the company's vision to be the best appliance company in the world, along with milestones on the path toward achieving this goal. Supported by this vision, Electrolux continues to execute its strategy and support the creation of long-term and sustainable economic value and increased return for its stakeholders.

Restoring profitability
The operational recovery in Major Appliances EMEA is progressing well through a combination of active product portfolio management and cost savings. Although productivity initiatives have made a major contribution to earnings improvement, a better mix has also had a positive impact The broader European markets have remained flat since the beginning of the year.

Investing in innovation and building a strong product pipeline
Jan Brockmann, Chief Technology Officer, provided an overview of Electrolux R&D and the innovation pipeline, which he characterized as featuring "increased firepower" thanks, in part, to modularization. He also gave a demonstration of connected oven technology, which provides real consumer benefits.

Growth opportunities in North America
The Electrolux North America team presented an overview of the appliance market and reported that the regulatory approvals and integration planning for the proposed GE Appliances acquisition remain on track.

Alberto Zanata, Head of Professional Products, gave an overview of the strengths and opportunities of the business area with emphasis on how the unit is driving sustainability to get closer to customers and to outstrip the competition.

Frequently asked questions by analysts

Analysts' questions at 2014 quarterly telephone conferences

- Price/Mix, 16%
- North America, 16%
- Currency, 13%
- EBIT Bridge, 11%
- Europe, 9%
- Marketing, brand & logistics, 8%
- Restructuring and cost saving, 8%
- Latin America, 6%
- Asia, 6%
- Other, 7%

Analysts engage in questions related to the development of the appliance market and the demand in Electrolux core markets. Price, mix and future outlook are important topics on which analysts focus in order to gain a better understanding of the operation for which they can base their longer term projections of Electrolux future performance. The telephone conferences from previous quarters are available at www.electroluxgroup.com/ir.

Q How does the demand picture look in your core markets?

During 2014, Electrolux core markets demonstrated a very mixed pattern. Demand for appliances in North America continued to be solid throughout the year, following a very strong recovery in 2013. In Western Europe, market demand was mixed, while markets in Eastern Europe weakened due to the geopolitical uncertainty. The markets in Latin America declined sharply earlier in the year, but demand in Brazil has recently begun to stabilize somewhat The development in Asia/Pacific remained mixed, with a slowdown in growth in China and South East Asia.

Q Could you provide us with an update on your China growth strategy?

At the end of 2013, Electrolux launched a new product range specifically developed for the Chinese consumers. This marked the start of the Group's ambition to drive growth in the premium segment in China. The launch has required investments in marketing and brand to support the growth strategy and to establish the Electrolux brand in key urban markets. Although the Chinese economy slowed in the second half of 2014, Electrolux remains convinced of the long-term potential of the world's largest appliance market and will continue to support its Chinese launch program.

Q What are your specific thoughts on the consolidation of the appliance market in Europe?

The European appliance market is a highly fragmented market where the top five players have a share of less than 60%. It is difficult to predict the short-term implications of the consolidation that is taking place, but generally, a market consolidation is a good thing and could be positive for the appliance industry and Electrolux.

Q What are you doing to restore profitability in Europe?

In response to the prolonged weak market environment and increased competition in Europe, Electrolux has taken initiatives to restore profitability in its European operations. The team has executed its plan by pursuing two things; significant product portfolio management which has led to increased focus on premium and built-in products with enhanced value contribution to the market place; and continuation of the effort to generate savings from the ongoing cost-reduction program. As a result, both actions have helped mitigate what has been a weak market in terms of price and volume.

Q Can you elaborate on the synergies from the GE Appliances acquisition?

The acquisition of GE Appliances is a synergetic deal and the coordination of the Electrolux Group's and GE Appliances' operations is expected to create a stable growth platform for the North American market GE Appliances has an offering that complements our brand portfolio in North America. The deal is expected to be EPS accretive in year one. This means there are substantial cost synergies to be realized over the next few years. The largest part of the synergies is expected to occur in purchasing and sourcing, operations and brands.

Q What is the current trend in North America and can you talk about the performance of Electrolux?

The year started very soft due to negative weather conditions in North America which affected demand for appliances, but market growth picked up quickly thereafter, supported by improving consumer confidence and a gradually stronger housing market The North American appliance market increased by 6% in 2014. During the year, Electrolux was impacted by the transition of new products due to the new energy requirements for refrigerators and freezers by the Department of Energy.

Q Could you give us an update on your restructuring and cost savings program?

Electrolux has been implementing an extensive restructuring program since 2004, resulting in the closure of several plants in high-cost areas. In 2013, additional measures were presented to further adapt capacity to a lower demand situation and increase efficiency in manufacturing. Since then, the Group has taken SEK 2.8bn in charges for a total expected savings of SEK 1.8bn to be fully realized from 2016. The charges for this program were completed in the last quarter of 2014.

Q How do you mitigate currency headwinds?

Electrolux has approximately SEK 45 bn of annual currency in- and outflows. This leads to high exposure to currency risks since the Group operates in over 150 countries. In 2014, the total negative impact from both currency transaction and translation effects to earnings was SEK 1,300m. About one-third of the negative impact was from Latin American currencies, which depreciated against the USD. During the year, Electrolux was able to offset the negative currency effects by price and mix improvements.

Risk management

2014 was characterized by a year of stable development in core markets, while the environment in emerging markets was uncertain with a high level of fluctuations in currencies. Electrolux monitors and manages its exposure to various types of risks in a structured and proactive manner.

In general, there are three types of risks: Operational risks, which are normally managed by the Group's operational units; Financial risks, which are managed by Group Treasury; and Other risks.

Electrolux monitors and minimizes key risks in a structured and proactive manner. Over the years, capacity has been adjusted in response to demand, working capital has undergone structural improvements, the focus on price and mix has intensified and the purchasing process for raw materials has been further streamlined. The major risks and the Group's response in order to manage and minimize them are described below.

Operational risks

The Group's ability to improve profitability and increase shareholder return is based on three elements: innovative products, strong brands and cost-efficient operations. Realizing this potential requires effective and controlled risk management.

Variations in demand

In 2014, market demand for core appliances in North America increased by 6%. Overall market demand in Europe increased by 2%, after several years of soft demand. Demand in Western Europe rose by 2%, while Eastern Europe was unchanged. The market in Eastern Europe was impacted by the uncertainty in Russia and Ukraine by the end of the year. Market demand in Australia, South East Asia and China declined. Demand for appliances in Brazil and most other Latin American markets also declined.

In times of weak markets and decline of demand for the Group's products, decisive actions and savings packages throughout the Group have proven that Electrolux can quickly adjust its cost structure.

Price competition

A number of the markets served by Electrolux are experiencing strong price competition. This is particularly severe in the low-cost segments and in product categories with a great deal of overcapacity. In 2014, pressure on prices continued to be evident in some of the Group's major markets. Some sales promotions continued to be evident in the North American market, at the same time as prices continued to be under pressure in Europe, although at a lower level than in the previous year. In Latin America, higher inflation combined

Sensitivity analysis year-end 2014

Risk	Change	Pre-tax earnings impact, SEKm
Raw materials		
Steel	10%	+/– 800
Plastics	10%	+/– 600
Currencies[1] and interest rates		
USD/SEK	–10%	1,100
EUR/SEK	–10%	200
BRL/SEK	–10%	–520
GBP/SEK	–10%	–260
CAD/SEK	–10%	–260
AUD/SEK	–10%	–250
Interest rate	1 percentage point	+/– 40

[1] Includes translation and transaction effects.

Understanding Electrolux cost structure 2014

SEK bn	
Revenues	112
Direct material	–47
Sourced products	–17
Salaries and general expenses	–43
Operating earnings	**5**
Variable cost to sales	77%
Fixed cost to sales	19%
Operating earnings to sales	**4%**

with currency fluctuations resulted in Electrolux carrying out several price increases to offset the negative effect. Price pressure in Australia increased towards the end of the year.

Exposure to customers and suppliers
The uncertain market conditions in some of Electrolux major markets in 2014 impacted the Group's customers, who experienced difficult trading conditions, but this did not result in any major increases in credit losses for Electrolux.

Electrolux has a comprehensive process for evaluating credits and monitoring the financial situation of customers. Authority for approving and responsibility to manage credit limits are regulated by the Group's credit policy. A global credit insurance program is in place for many countries to reduce credit risk.

Raw materials and components represent the largest cost item
Materials account for a large share of the Group's costs. In 2014, Electrolux purchased raw materials and components for approximately SEK 47bn, of which approximately SEK 18bn referred to the former. The Group's exposure to raw materials comprises mainly steel, plastics, copper and aluminum.

Market prices for raw materials was under pressure during the year. Steel prices declined through the year, while prices for plastics weakened towards the end of the year. Electrolux utilizes bilateral contracts to manage risks related to steel prices. Some raw materials are purchased at market prices. The total cost of raw materials in 2014 was somewhat lower than in 2013.

Restructuring for competitive production
A large share of the Group's production has been moved from high-cost to low-cost areas. Restructuring is a complex process that requires managing a number of different activities and risks. Increased costs related to relocation of production can affect income in specific quarters. When relocating, Electrolux is also dependent on the capacity of suppliers for cost-efficient delivery of components and semi-finished goods.

In 2014, the ongoing restructuring program to adapt capacity and reduce overhead costs continued. In total, restructuring charges of SEK 2.8bn have been taken during 2013-2014. This program was finalized at the end of the year. The annual savings are estimated to approximately SEK 1.8bn as of 2016.

Financial risks and commitments
The Group's financial risks are regulated in accordance with the financial policy that has been adopted by the Electrolux Board of Directors. Management of these risks is centralized to Group Treasury and is mainly based on financial instruments. Additional details regarding accounting principles, risk management and risk exposure are given in Notes 1, 2 and 18.

Financing risk and interest-rate risks
For long-term borrowings, the Group's goal is to have an average maturity of at least two years, an even spread of maturities and an average fixed-interest period of one to three years. At year-end 2014, the Group's long-term borrowings, including long-term borrowings with maturities within 12 months, amounted to SEK 12,123m with an average maturity of 2.8 years. Loans are raised primarily in USD, EUR and SEK. The average interest rate at year-end for the total borrowings was 2.4%. The average fixed-interest period for long-term borrowings was 1.2 years. Long-term loans with maturities within 12 months amount to SEK 2,595m. Liquid funds on December 31, 2014, amounted to SEK 9,835m.

Since 2010, Electrolux has an unused committed multicurrency revolving credit facility of SEK 3,400m maturing in 2017 as well as an unused multicurrency revolving credit facility of EUR 500m maturing in 2018. These two facilities can be used as either long-term or short-term back-up facilities.

On the basis of the volume of loans and the interest-rate periods in 2014, a change of 1 percentage point in interest rates would affect Group income in the amount of +/– SEK 40m. For additional information on loans, see Notes 2 and 18.

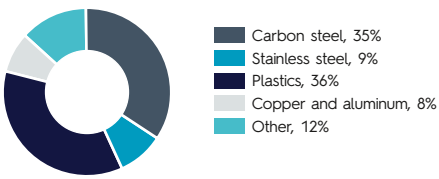
Pension commitments
At year-end 2014, Electrolux had commitments for pensions and benefits that amounted to approximately SEK 29bn. Through pension funds, the Group manages pension assets of approximately SEK 24bn. At year-end, approximately 34% of these assets were invested in equities, 44% in bonds, and 22% in other assets. Net provisions for post-employment benefits amounted to SEK 5,162m.

Yearly changes in the value of assets and commitments depend primarily on developments in the interest-rate market and on stock exchanges. Other factors that affect pension commitments include revised assumptions regarding average life expectancy and healthcare costs.

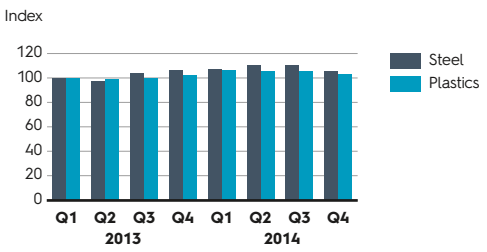
Costs for pensions and benefits are recognized in the income statement for 2014 in the amount of SEK 754m. In the interest of accurate control and cost-effective management, the Group's pension commitments are managed centrally by Group Treasury. Electrolux uses interest-rate derivatives to hedge parts of the risks related to pensions. For additional information, see Note 22.

Other risks
Reputational, regulatory and sustainability risks can potentially impact Electrolux ability to successfully conduct business. There are a number of processes in place to control these risks such as internal and supplier auditing, environmental management and certification, the Ethics program and the safety management system. The regulatory environment is monitored in order to be prepared for changes that impact the business. The process to identify material sustainability issues is described in the Sustainability Report available at www.electroluxgroup.com.

Raw material exposure 2014



Trend for steel and plastics prices, weighted market prices indexed



Exchange-rate exposure at Electrolux

Exchange-rate exposure
The global presence of Electrolux, with manufacturing and sales in a number of countries, offsets exchange-rate effects to a certain degree. The principal exchange-rate effect arises from transaction flows; when purchasing and/or production are/is carried out in one currency and sales occur in another currency. The Group utilizes currency derivatives to hedge a portion of the currency exposure that arises. The business areas within Electrolux usually have a hedging horizon of between three and eight months of forecast flows. Hedging horizons outside this period are subject to approval from Group Treasury. It is mainly business areas in emerging markets that have a shorter hedging horizon. The business areas are permitted to hedge forecast flows from 60% to 80%. The usual effect of currency hedging is that currency movements that occur today have, to a certain degree, a delayed effect Electrolux is also affected by translation effects when the Group's sales and operating income are translated into SEK. The translation exposure is primarily related to currencies in those regions where the Group's most substantial operations exist, that is, EUR and USD.

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

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

Currency effects 2014
Compared with the previous year, changes in exchange rates for the full-year 2014 had a negative impact on operating income. The total currency effect (translation effects, transaction effects and net hedges) amounted to approximately SEK –1,298m. The net transaction effect was SEK –1,394m and translation effects SEK +97m.

The impact from transaction was mainly attributable to the operations in Latin America and the strengthening of the USD against the BRL. The weakening of several currencies in emerging markets also impacted operations in Asia/Pacific and Europe, the Middle East and Africa.

North America
The principal currency pairs for the North American operations are the USD/CAD and MXN/USD. A significant portion of production is conducted in Mexico and the products are subsequently sold in USD. Accordingly, a weak MXN versus the USD is positive for the Group. With the closure of production in Canada, Electrolux is now a net importer into this market. Hence, a strong CAD versus the USD is positive for the Group, since the imported products are expensed in USD.

Latin America
The principal currency pair for the Latin American operations is the USD/BRL. Purchases of raw materials and components are to a large extent priced in USD. The products are then sold in BRL. A weak BRL compared with the USD is negative for the Group.

Principal currency pairs Electrolux

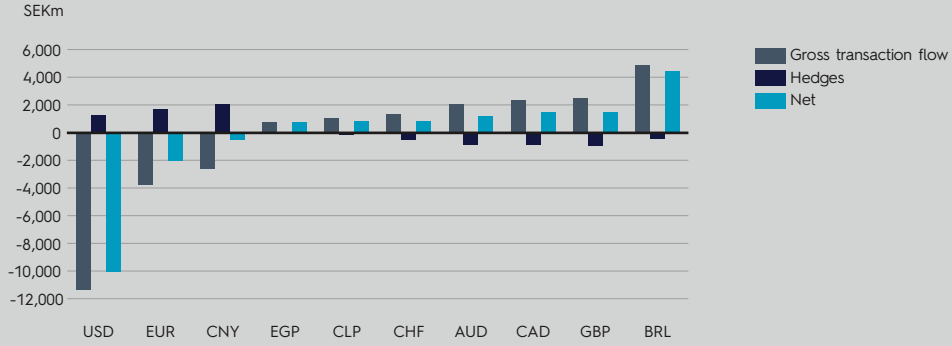
(transaction effects)

Europe
The principal currency in Europe is the EUR. A weak EUR has a positive net effect on Group income, because European operations have greater expenses in EUR than sales in EUR. A majority of the purchases of raw materials and components is denominated in EUR, as are significant production costs.

Asia/Pacific
The principal currency pairs for the business in the Asia/Pacific region is the USD/AUD and CNY/USD. Purchases of raw materials and components are to a certain extent priced in USD and the products are subsequently sold in AUD. A strong AUD compared with the USD is positive for the Group. Some purchases from China are denominated in CNY and sold in USD. Accordingly, a weak CNY versus USD has a positive effect on the Group.

Main translation effects: USD/SEK, EUR/SEK.

Foreign-exchange transaction exposures, forecast 2015



Report by the Board of Directors and Notes

Report by the Board of Directors

- Net sales amounted to SEK 112,143m (109,151).
- Sales increased by 2.7%, of which organic growth was 1.1%. Currencies had a positive impact of 1.6%.
- Sales growth in most business areas.
- Agreement to acquire GE Appliances in North America.
- Operating income improved to SEK 4,780m (4,055), corresponding to a margin of 4.3% (3.7), excluding items affecting comparability.
- Strong performance for Major Appliances EMEA, Major Appliances Latin America and Professional Products.
- The restructuring program to reduce overhead costs and improve manufacturing footprint progressed according to plan.
- Strong cash flow from operations after investments of SEK 6,631m (2,412).
- Income for the period was SEK 2,242m (672), corresponding to SEK 7.83 (2.35) per share.
- The Board of Directors proposes a dividend for 2014 of SEK 6.50 (6.50) per share.

Key data

SEKm	2013	**2014**	Change, %
Net sales	109,151	112,143	3
Operating income	1,580	3,581	127
Margin, %	1.4	3.2	
Income after financial items	904	2,997	232
Income for the period	672	2,242	234
Earnings per share, SEK[1)]	2.35	7.83	
Dividend per share, SEK	6.50	6.50[2)]	
Net debt/equity ratio	0.74	0.58	
Return on equity, %	4.4	15.7	
Average number of employees	60,754	60,038	
Excluding items affecting comparability			
Items affecting comparability	–2,475	–1,199	
Operating income	4,055	4,780	18
Margin, %	3.7	4.3	
Income after financial items	3,379	4,196	24
Income for the period	2,809	3,238	15
Earnings per share, SEK[1)]	9.81	11.30	
Return on net assets, %	14.0	17.1	

[1)] Basic, based on an average of 286.3 (286.2) million shares for the full year 2014, excluding shares held by Electrolux.
[2)] Proposed by the Board of Directors.

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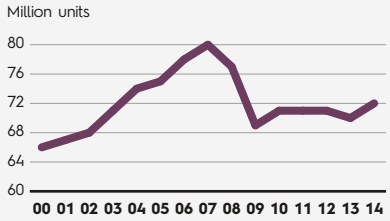
2014 in summary

- Organic growth of 1.1%, as a result of mix improvements and net price changes.
- Agreement to acquire GE Appliances.
- Operating income improved by 18%, excluding items affecting comparability.
- Strong recovery in operating income for Major Appliances EMEA.

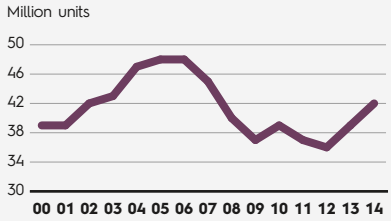
Market overview
In 2014, market demand for core appliances in North America increased by 6% year-over-year. Overall market demand in Europe increased by 2%, after several years of soft demand. Demand in Western Europe rose by 2%, while Eastern Europe was unchanged. The market in Eastern Europe was impacted by the uncertainty in Russia and the Ukraine by the end of the year. Market demand in Australia, Southeast Asia and China declined. Demand for appliances in Brazil and most other Latin American markets also declined.

Market demand for core appliances in Europe



A total of approximately 72 million core appliances were sold in Europe in 2014, which is about 10% lower than the record year of 2007.

Market demand for core appliances in the US



A total of approximately 42 million core appliances were sold in the US in 2014, corresponding to the level of 2002 and about 13% lower than the top levels in 2005 and 2006.

Sources: US: AHAM. Europe: GfK. For other markets there are no comprehensive market statistics.

Net sales and operating income
Electrolux sales increased by 2.7% of which 1.1% was organic growth and 1.6% referred to changes in exchange rates. The organic growth was mainly a result of mix improvements and price increases. Most business areas showed mix improvements in 2014, a result of launches of new products and strong focus on the most profitable product categories and sales channels.

Operating income for Major Appliances EMEA showed strong earnings recovery in 2014 as a result of structural costs savings and mix improvements. Major Appliances Latin America and Professional Products also increased results. Weak markets and lower volumes impacted earnings for Small Appliances and Major Appliances Asia/Pacific. Earnings for Major Appliances North America were negatively impacted by cost increases related to the transition of products to comply with new energy requirements and the ramp up of the new cooking plant in Memphis, Tennessee in the US.

Price increases in several regions, overall cost savings and the ongoing global initiatives to reduce complexity and improve competitiveness within manufacturing contributed to the favorable development of operating income in 2014.

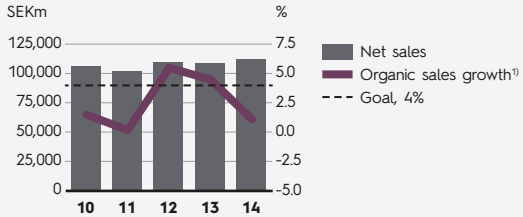
Financial goals over a business cycle
The financial goals set by Electrolux aim to strengthen the Group's leading, global position in the industry and assist in generating a healthy total yield for Electrolux shareholders.

The organic sales growth in 2014 was 1.1%, operating margin reached 4.3%, the capital turnover-rate was 4.0 and the return on net assets was 17.1%, excluding items affecting comparability.

Structural changes in 2014
In 2014, Electrolux continued the work to reduce overhead costs and increase production competitiveness, these actions

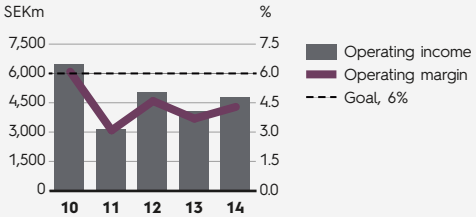
Financial goals over a business cycle

Sales growth



1) In comparable currencies.

Operating margin



Key ratios are excluding items affecting comparability.

Financial overview

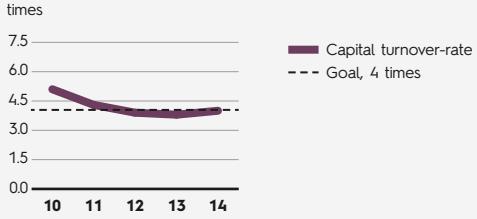
SEKm	2013	**2014**	Change, %
Net sales	109,151	112,143	2.7
Change in net sales, %, whereof			
Organic growth	–	–	1.1
Changes in exchange rates	–	–	1.6
Operating income			
Major Appliances Europe, Middle East and Africa	347	1,444	316
Major Appliances North America	2,136	1,714	-20
Major Appliances Latin America	979	1,079	10
Major Appliances Asia/Pacific	467	448	-4
Small Appliances	391	200	-49
Professional Products	510	671	32
Common Group costs, etc.	-775	-776	0
Operating income excluding items affecting comparability	**4,055**	**4,780**	**18**
Margin, %	3.7	4.3	
Items affecting comparability	-2,475	-1,199	
Operating income	**1,580**	**3,581**	**127**
Margin, %	1.4	3.2	

related mainly to Major Appliances EMEA but also to other business areas and Group staff. In 2014, SEK 1.2 billion was reported as items affecting comparability within operating income, see page 86.

Acquisition of GE Appliances
In September 2014, Electrolux announced it has entered into an agreement to acquire the appliance business of General Electric ("GE Appliances"), one of the premier manufacturers of kitchen and laundry products in the US, for a cash consideration of USD 3.3 billion. The acquisition enhances Electrolux position as a global player in home appliances, offering an unparalleled opportunity to invest in innovation and growth, which will benefit consumers, retailers, employees and shareholders. Completion of the transaction is mainly subject to regulatory approvals. The acquisition is expected to close during 2015, see page 87.

Launches of new products
Electrolux is continuously expanding its product offering. Examples from 2014 include the launch of new steam ovens with a sous-vide function and induction hobs using new technology in Europe. BeefEater Barbecues was acquired in Australia, which increased the Group's barbecue offering, a key segment in kitchen products in Australia. In North America, a number of innovative products were launched under the Frigidaire and Electrolux brands. During the year, the launch of new kitchen and laundry products continued in China. In Latin America and Asia/Pacific, new products in appliances, vacuum cleaners and small domestic appliances are being launched continuously.

Capital turnover-rate



Return on net assets

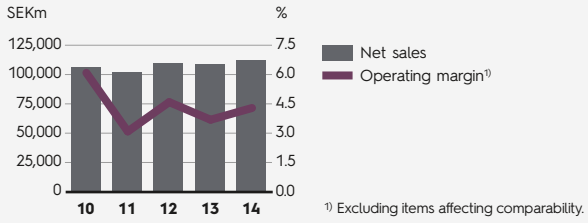
Key ratios are excluding items affecting comparability.

Net sales and income

- Sales increased by 2.7%, of which organic growth was 1.1%. Currencies had a positive impact of 1.6%.
- Operating income increased to SEK 4,780m (4,055), corresponding to a margin of 4.3% (3.7), excluding items affecting comparability.
- Measures to reduce costs were implemented, and SEK 1,199m was charged to operating income within items affecting comparability.
- Negative impact from currencies by SEK –1,298m.
- Income for the period amounted to SEK 2,242m (672) and earnings per share to SEK 7.83 (2.35).

Net sales
Net sales for the Electrolux Group in 2014 amounted to SEK 112,143m, as against SEK 109,151m in the previous year. The organic sales growth was 1.1%, while currencies had an impact of 1.6%. Organic sales grew for Major Appliances North America, Latin America and Asia/Pacific and for Professional Products. The product mix improved and prices increased in several regions while sales volumes declined. 2014 was a year with a strong focus on the most profitable products and sales channels, which improved the mix.

Net sales and operating margin



1) Excluding items affecting comparability.

Operating income
Operating income for 2014 increased to SEK 3,581m (1,580), corresponding to a margin of 3.2% (1.4).

In 2014, measures were implemented to improve manufacturing footprint and reduce costs, particularly in Europe. A total of SEK –1,199m was charged to operating income within items affecting comparability, see page 86.

Operating income for 2014, excluding items affecting comparability, increased to SEK 4,780m (4,055), corresponding to a margin of 4.3% (3.7).

Operating income for Major Appliances EMEA contributed strongly to the improvement in results for 2014. Earnings improved significantly as a result of the ongoing structural actions to reduce costs and enhance efficiency as well as product mix improvements.

Cost savings and the ongoing global initiatives to reduce complexity and improve competitiveness within manufacturing made a contribution to operating income as well as an improved product mix.

Effects of changes in exchange rates
Changes in exchange rates had a negative impact year-over-year on operating income of SEK –1,298m. Operations in Latin America, Asia/Pacific, Europe, Middle East and Africa were impacted by a stronger USD and Euro against local currencies. The negative impact on operating income was to a large extent mitigated by price increases and mix improvements.

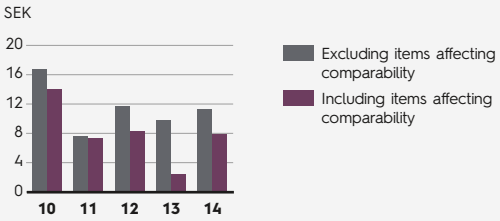
Financial net
Net financial items declined to SEK –584m (–676).

Income after financial items
Income after financial items increased to SEK 2,997m (904), corresponding to 2.7% (0.8) of net sales.

Taxes
Total taxes in 2014 amounted to SEK –755m (–232), corresponding to a tax rate of 25.2% (25.7).

Income for the period and earnings per share
Income for the period amounted to SEK 2,242m (672), corresponding to SEK 7.83 (2.35) in earnings per share before dilution and SEK 11.30 (9.81), excluding items affecting comparability.

Earnings per share



Consolidated income statement

SEKm	Note	2013	2014
Net sales	3, 4	**109,151**	**112,143**
Cost of goods sold	4	–87,892	–90,488
Gross operating income[1]		**21,259**	**21,655**
Selling expenses	4	–11,564	–11,600
Administrative expenses	4	–5,646	–5,378
Other operating income	5	35	176
Other operating expenses	6	–29	–73
Items affecting comparability	3, 7	–2,475	–1,199
Operating income	3, 4, 8	**1,580**	**3,581**
Financial income	9	138	136
Financial expenses	9	–814	–720
Financial items, net		**–676**	**–584**
Income after financial items		**904**	**2,997**
Taxes	10	–232	–755
Income for the period		**672**	**2,242**
Items that will not be reclassified to income for the period:			
Remeasurement of provisions for post-employment benefits	22	1,851	–1,534
Income tax relating to items that will not be reclassified		–636	808
		1,215	**–726**
Items that may be reclassified subsequently to income for the period:			
Available for sale instruments	11, 29	–69	19
Cash flow hedges	11	41	–30
Exchange-rate differences on translation of foreign operations	11	–1,518	2,428
Income tax relating to other comprehensive income		29	–10
		–1,517	**2,407**
Other comprehensive income, net of tax		**–302**	**1,681**
Total comprehensive income for the period		**370**	**3,923**
Income for the period attributable to:			
Equity holders of the Parent Company		671	2,241
Non-controlling interests in income for the period		1	1
Total comprehensive income for the period attributable to:			
Equity holders of the Parent Company		374	3,922
Non-controlling interests in income for the period		–4	1
Earnings per share	20		
For income attributable to the equity holders of the Parent Company:			
Basic, SEK		2.35	7.83
Diluted, SEK		2.34	7.78
Average number of shares	20		
Basic, million		286.2	286.3
Diluted, million		287.3	288.2

[1] As of 2014, selling and administrative costs in the factories are included in cost of goods sold. This reporting change reduces the reported gross operating income annually by approximately SEK 450m with the corresponding reductions in the line items selling and administrative expenses. The change in calculation has no impact on operating income and previous periods have not been restated.

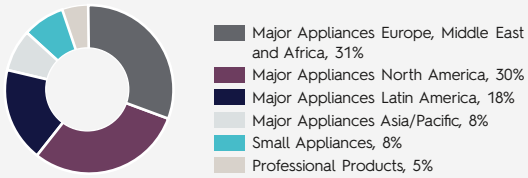
Operations by business area

- Organic sales growth for Major Appliances North America, Latin America and Asia/Pacific and for Professional Products.
- Operating income for Major Appliances EMEA improved significantly.
- New energy requirements and ramp up of a new production facility impacted operating income for Major Appliances North America.
- Weak markets and lower volumes impacted results for Major Appliances Asia/Pacific and Small Appliances.
- Average number of employees decreased to 60,038 (60,754).

The Group's operations include products for consumers as well as professional users. Products for consumers comprise major appliances, i.e., refrigerators, freezers, cookers, dryers, washing machines, dishwashers, room air-conditioners and microwave ovens, floor-care products and small domestic appliances. Professional products comprise food-service equipment for hotels, restaurants and institutions, as well as laundry equipment for apartment-house laundry rooms, launderettes, hotels and other professional users.

In 2014, major appliances accounted for 87% (87) of net sales, professional products for 5% (5) and small appliances for 8% (8).

Share of sales by business area



Major business events during 2014

August 27. Electrolux joins AllSeen Alliance to enable seamlessly connected appliances

Electrolux has joined the AllSeen Alliance, the broadest Internet of Everything open-source project, as a Premier Member. Membership in this collaborative initiative is a key enabler for Electrolux to help realize the promise of this technology and use connectivity to enhance the experience and end result of everyday tasks. For more information, visit www.electroluxgroup.com.

September 8. Electrolux to acquire GE Appliances

Electrolux has entered into an agreement to acquire the appliances business of General Electric ("GE Appliances"), one of the premier manufacturers of kitchen and laundry products in the United States, for a cash consideration of USD 3.3 billion. For more information, see page 87.

October 7. Electrolux acquired BeefEater in Australia

Electrolux acquired the Australian-based barbecue business BeefEater Barbecues, as part of the strategy to grow in this market segment, see page 78.

Major Appliances Europe, Middle East and Africa

Market demand for the overall market for core appliances in Europe increased in 2014 by 2% year-over-year, after several years with weak markets. Demand in Western Europe rose by 2%, while demand in Eastern Europe was unchanged. Demand in Western Europe increased in most regions, growth was particularly strong in the Iberian and the Benelux countries. Demand in Germany, the UK, Italy and France also improved, while demand in the Nordics declined. Market demand in Russia and Ukraine was impacted by the political uncertainty in the latter part of the year.

Electrolux organic sales were unchanged year-over-year. An improved product mix in Europe compensated for continued price pressure and lower sales volumes, particularly in the Middle East and Africa. Active product portfolio management and a strong focus on the most profitable product categories improved the product mix. Sales of products under premium brands, and built-in kitchen products increased.

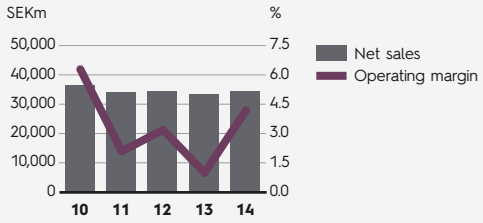
Operating income improved significantly as a result of the ongoing structural actions to reduce costs and enhance efficiency as well as product mix improvements.

During the year, actions were taken to reduce overhead costs and to improve the competitiveness within manufacturing, see page 86.

Key figures

SEKm	2013	**2014**
Net sales	33,436	34,438
Organic growth, %	–0.2	–0.2
Operating income	347	1,444
Operating margin, %	1.0	4.2
Net assets	8,528	6,834
Return on net assets, %	3.8	18.2
Capital expenditure	1,294	977
Average number of employees	23,629	21,729

Net sales and operating margin



Major Appliances North America

Market demand in North America for core appliances increased by 6% in 2014 compared with 2013. Market demand for major appliances including microwave ovens and home-comfort products, such as room air-conditioners, increased by 6% in 2014 year-over year.

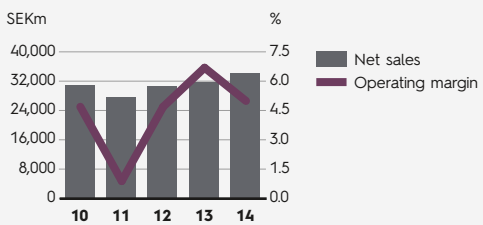
Major Appliances North America showed an organic growth of 2% in 2014, due an improved product mix, which mitigated the lower sales volumes. The favorable market environment, launches of new products and new distribution channels had a positive impact on sales, while new energy requirements in the US impacted sales volumes of refrigerators and freezers. Sales volumes of air-conditioners also declined.

Costs related to the comprehensive transition of refrigerators and freezers to comply with the new energy requirements in the US had a negative impact on operating income. The consolidation of production of cooking products to Memphis, Tennessee in the US, from L'Assomption, Quebec, Canada, was finalized in 2014. Production at the new cooking facility in Memphis is still in a ramp up stage, which impacted operating income negatively. A continued strong focus on premium products improved the product mix which contributed to operating income.

Key figures

SEKm	2013	**2014**
Net sales	31,864	34,141
Organic growth, %	7.6	2.2
Operating income	2,136	1,714
Operating margin, %	6.7	5.0
Net assets	5,280	6,587
Return on net assets, %	40.9	30.8
Capital expenditure	855	853
Average number of employees	12,597	14,918

Net sales and operating margin



Major Appliances Latin America

Market demand for core appliances in Latin America is estimated to have declined in 2014 year-over-year, and demand in Electrolux largest market Brazil declined. A slow-down in the economy and the FIFA World cup in Brazil had an adverse impact on overall demand for appliances in 2014.

Major Appliances Latin America showed an organic sales growth of 3% in 2014 driven by higher sales prices. Although sales volumes declined, Electrolux gained market shares in Brazil. Sales volumes in several other Latin American markets declined due to weak market conditions.

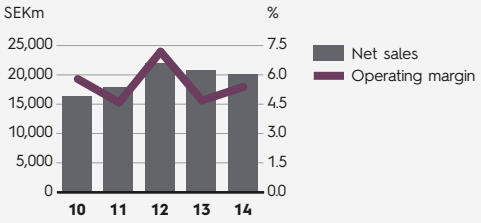
Operating income improved year-over-year, mainly as a result of price increases and measures to adjust the cost base to lower demand.

During the year, the Brazilian real and other Latin American currencies weakened versus the USD. The negative impact from currencies and a high rate of inflation were to a large extent mitigated by price increases.

Key figures

SEKm	2013	**2014**
Net sales	20,695	20,041
Organic growth, %	6.1	2.8
Operating income	979	1,079
Operating margin, %	4.7	5.4
Net assets	6,554	6,913
Return on net assets, %	13.8	16.1
Capital expenditure	742	535
Average number of employees	14,239	13,096

Net sales and operating margin



Major Appliances Asia/Pacific

Market demand for major appliances in Australia, Southeast Asia and China declined in 2014.

Electrolux showed a slight organic sales growth in 2014, due to higher sales volumes in emerging markets particularly in Southeast Asia and due to price increases. The acquisition during the year of BeefEater Barbecues had a positive impact on sales by 0.6%.

Operating income declined mainly due to a negative country mix as sales volumes declined in Australia and increased in emerging markets as Southeast Asia. A negative currency development also impacted earnings, but was to a large extent mitigated by price increases. An improved cost structure and lower marketing spend contributed to operating income.

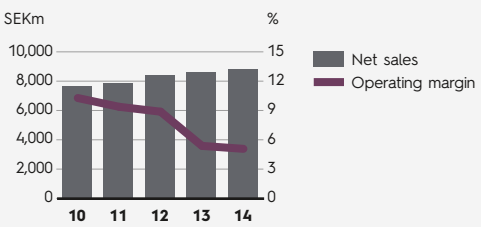
In late August 2014, Electrolux acquired the Australian-based barbecue business BeefEater, as part of the strategy to grow in this market segment. BeefEater Barbecues has annual sales of AUD 17 million, approximately SEK 110m.

The operation was consolidated in the Electrolux Group as of September 30, 2014, based on a preliminary purchase price allocation. Sales and income are included as of October 2014.

Key figures

SEKm	2013	**2014**
Net sales	8,653	8,803
Organic growth, %	10.8	0.4
Operating income	467	448
Operating margin, %	5.4	5.1
Net assets	2,014	2,463
Return on net assets, %	21.0	18.9
Capital expenditure	267	349
Average number of employees	3,719	3,792

Net sales and operating margin



Small Appliances

Market demand for vacuum cleaners in Europe and North America declined in 2014.

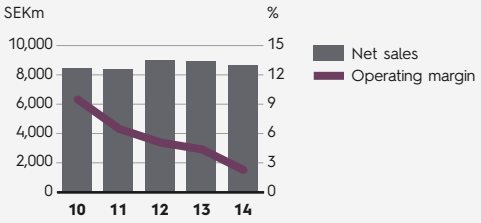
Sales for the operations in Small Appliances declined mainly due to lower sales volumes. Lower sales of upright vacuum cleaners in the US and weak market conditions in Latin America impacted sales in 2014. Sales of small domestic appliances continued to increase year-over-year and displayed good growth in several regions.

Operating income declined, primarily as a result of lower volumes and price pressure. In addition, negative currency development mainly related to Latin America had an adverse impact on the results. This was to some extent mitigated by product mix improvements. Launches of new vacuum cleaners and small domestic appliances in the premium segment in Europe and Asia/Pacific improved the produxt mix in 2014.

Key figures

SEKm	2013	**2014**
Net sales	8,952	8,678
Organic growth, %	4.4	-4.2
Operating income	391	200
Operating margin, %	4.4	2.3
Net assets	1,554	1,468
Return on net assets, %	22.1	12.5
Capital expenditure	225	162
Average number of employees	2,683	2,614

Net sales and operating margin



Professional Products

Overall market demand for professional food-service and professional laundry equipment is estimated to have improved year-over-year. Market demand increased in the Nordic countries and the UK, where Electrolux holds a strong position. Demand in Eastern Europe declined. Demand in the US and emerging markets displayed growth year-over-year.

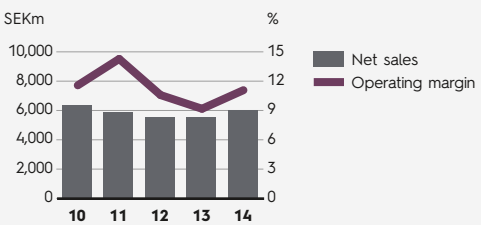
Electrolux showed strong organic growth and the Group gained market shares. Sales growth in Western Europe, which accounts for more than 60% of sales, and growth in emerging markets as Africa and the Middle East were the main contributors to this development. The sales growth in emerging markets is primarily the result of the Group's strategic initiatives to grow in new markets and segments, as well as launches of new products.

Operating income and margin improved as a result of higher sales volumes and price increases. Increased efficiency within operations also contributed to the improvement in operating income.

Key figures

SEKm	2013	**2014**
Net sales	5,550	6,041
Organic growth, %	1.7	5.6
Operating income	510	671
Operating margin, %	9.2	11.1
Net assets	960	919
Return on net assets, %	54.1	70.4
Capital expenditure	76	75
Average number of employees	2,595	2,582

Net sales and operating margin



Financial position

- Equity/assets ratio was 21.7% (20.8).
- Return on equity was 15.7% (4.4).
- Return on net assets, excluding items affecting comparability, increased to 17.1% (14.0).
- Financial net debt decreased to SEK 4,868m (7,673).

Net assets and working capital

Working capital amounted to SEK –8,377m (–5,800), corresponding to –6.6% (–5.1) of net sales.

Net assets and working capital

SEKm	Dec. 31, 2013	% of annualized net sales	**Dec. 31, 2014**	% of annualized net sales
Inventories	12,154	10.6	14,324	11.2
Trade receivables	19,441	17.0	20,663	16.2
Accounts payable	–20,607	–18.0	–25,705	–20.1
Provisions	–7,556		–8,448	
Prepaid and accrued income and expenses	–7,933		–8,495	
Taxes and other assets and liabilities	–1,299		–716	
Working capital	**–5,800**	**–5.1**	**–8,377**	**–6.6**
Property, plant and equipment	17,264		18,934	
Goodwill	4,875		5,350	
Other non-current assets	5,263		5,528	
Deferred tax assets and liabilities	3,359		4,664	
Net assets	**24,961**	**21.8**	**26,099**	**20.4**
Average net assets	27,148	24.9	25,166	22.4
Return on net assets, %	5.8			14.2
Return on net assets, excluding items affecting comparability, %	14.0			17.1

Adjusted for items affecting comparability, i.e., restructuring provisions, average net assets amounted to SEK 27,941m (28,915), corresponding to 24.9% (26.5) of net sales.

Change in net assets

SEKm	Net assets
December 31, 2013	**24,961**
Change in restructuring provisions	36
Write-down of assets	–2,857
Changes in exchange rates	2,413
Capital expenditure	3,006
Depreciation	–3,671
Other changes in fixed assets and working capital, etc.	2,211
December 31, 2014	**26,099**

Liquid funds

Liquidity profile

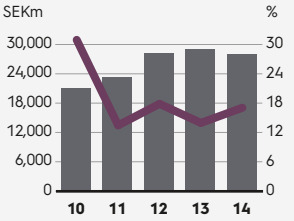
SEKm	Dec. 31, 2013	**Dec. 31, 2014**
Liquid funds	7,232	9,835
% of annualized net sales[1)]	13.2	14.1
Net liquidity	4,262	4,661
Fixed interest term, days	12	11
Effective annual yield, %	1.6	1.3

[1)] Liquid funds plus an unused revolving credit facility of EUR 500m and a committed credit facility of SEK 3,400m divided by annualized net sales.

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

Liquid funds as of December 31, 2014, amounted to SEK 9,835m (7,232), excluding short-term back-up credit facilities. Electrolux has two unused committed back-up facilities. One credit facility of SEK 3,400m maturing in 2017 and one EUR 500m multi-currency revolving credit facility, approximately SEK 4,730m, maturing in 2018.

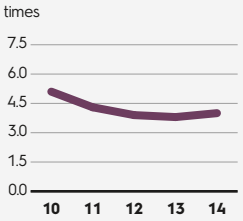
Return on net assets



Net assets as of December 31, 2014, amounted to SEK 27,941m. Return on net assets, increased to 17.1% (14.0).

[1)] Excluding items affecting comparability.

Capital turnover-rate



Capital turnover-rate increased to 4.0 (3.8).

Consolidated balance sheet

SEKm	Note	December 31, 2013	**December 31, 2014**
ASSETS			
Non-current assets			
Property, plant and equipment	12	17,264	18,934
Goodwill	13	4,875	5,350
Other intangible assets	13	4,011	3,878
Investments in associates	29	221	228
Deferred tax assets	10	4,385	5,351
Financial assets	18	279	312
Pension plan assets	22	445	399
Other non-current assets	14	752	1,110
Total non-current assets		**32,232**	**35,562**
Current assets			
Inventories	15	12,154	14,324
Trade receivables	17, 18	19,441	20,663
Tax assets		746	784
Derivatives	18	268	375
Other current assets	16	4,405	4,774
Short-term investments	18	148	99
Cash and cash equivalents	18	6,607	9,107
Total current assets		**43,769**	**50,126**
Total assets		**76,001**	**85,688**
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Parent Company			
Share capital	20	1,545	1,545
Other paid-in capital	20	2,905	2,905
Other reserves	20	–2,658	–251
Retained earnings	20	12,482	12,235
		14,274	**16,434**
Non-controlling interests		34	34
Total equity		**14,308**	**16,468**
Non-current liabilities			
Long-term borrowings	18	11,935	9,529
Deferred tax liabilities	10	1,026	687
Provisions for post-employment benefits	22	3,425	5,162
Other provisions	23	4,522	5,665
Total non-current liabilities		**20,908**	**21,043**
Current liabilities			
Accounts payable	18	20,607	25,705
Tax liabilities		1,331	1,042
Other liabilities	24	12,886	13,531
Short-term borrowings	18	2,733	4,960
Derivatives	18	194	156
Other provisions	23	3,034	2,783
Total current liabilities		**40,785**	**48,177**
Total liabilities		**61,693**	**69,220**
Total equity and liabilities		**76,001**	**85,688**
Pledged assets	19	**69**	**41**
Contingent liabilities	25	**1,458**	**3,739**

Cont **Financial position**

Net debt

Net debt

SEKm	Dec. 31, 2013	**Dec. 31, 2014**
Borrowings	14,905	14,703
Liquid funds	7,232	9,835
Financial net debt	**7,673**	**4,868**
Net provisions for post-employment benefits	2,980	4,763
Net debt	**10,653**	**9,631**
Net debt/equity ratio	0.74	0.58
Equity	**14,308**	**16,468**
Equity per share, SEK	49.99	57.52
Return on equity, %	4.4	15.7
Equity/assets ratio, %	20.8	21.7

The financial net debt decreased by SEK 2,805m as a result of the positive cash flow from operations after investments. Net provision for post-employment benefits increased by SEK 1,783m.

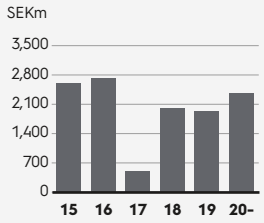
During 2014, SEK 2,254m in long-term borrowings were amortized and new long-term borrowings were raised with SEK 1,952m.

Long-term borrowings as of December 31, 2014, including long-term borrowings with maturities within 12 months, amounted to SEK 12,123m with average maturity of 2.8 years, compared to SEK 12,207m and 3.3 years at the end of 2013. During 2015 and 2016, long-term borrowings in the amount of SEK 5,209m will mature.

The Group's target for long-term borrowings includes an average time to maturity of at least two years, an even spread of maturities, and an average interest-fixing period between one and three years. At year-end, the average interest-fixing period for long-term borrowings was 1.2 year (1.0).

At year-end, the average interest rate for the Group's total interest-bearing borrowings was 2.4% (3.2).

Long-term borrowings, by maturity



In 2015 and 2016, long-term borrowings in the amount of SEK 5,209m will mature. For information on borrowings, see Note 18.

Rating

Electrolux has investment-grade ratings from Standard & Poor's. In 2014, the rating was changed from BBB+ to BBB with a stable outlook.

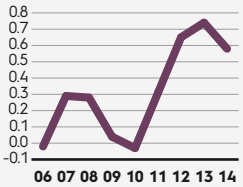
Rating

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

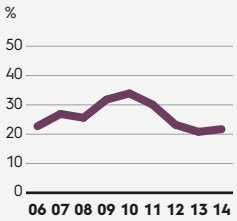
Net debt/equity and equity/assets ratio

The net debt/equity ratio was 0.58 (0.74). The equity/assets ratio increased to 21.7% (20.8).

Net debt/equity ratio[1)]



Equity/assets ratio[1)]



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

Equity and return on equity

Total equity as of December 31, 2014, amounted to SEK 16,468m (14,308), which corresponds to SEK 57.52 (49.99) per share. Return on equity was 15.7% (4.4).

Change in consolidated equity

SEKm	Attributable to equity holders of the company						
	Share capital	Other paid-in capital	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
Opening balance, January 1, 2013	**1,545**	**2,905**	**–1,146**	**12,381**	**15,685**	**41**	**15,726**
Income for the period	**–**	**–**	**–**	**671**	**671**	**1**	**672**
Available for sale instruments	–	–	–69	–	–69	–	–69
Cash flow hedges	–	–	41	–	41	–	41
Exchange differences on translation of foreign operations	–	–	–1,513	–	–1,513	–5	–1,518
Remeasurement of provisions for post-employment benefits	–	–	–	1,851	1,851	–	1,851
Income tax relating to other comprehensive income	–	–	29	–636	–607	–	–607
Other comprehensive income, net of tax	**–**	**–**	**–1,512**	**1,215**	**–297**	**–5**	**–302**
Total comprehensive income for the period	**–**	**–**	**–1,512**	**1,886**	**374**	**–4**	**370**
Share-based payment	–	–	–	77	77	–	77
Dividend SEK 6.50 per share	–	–	–	–1,860	–1,860	–	–1,860
Acquisition of non-controlling interest	–	–	–	–2	–2	–3	–5
Total transactions with equity holders	**–**	**–**	**–**	**–1,785**	**–1,785**	**–3**	**–1,788**
Closing balance, December 31, 2013	**1,545**	**2,905**	**–2,658**	**12,482**	**14,274**	**34**	**14,308**
Income for the period	**–**	**–**	**–**	**2,241**	**2,241**	**1**	**2,242**
Available for sale instruments	–	–	19	–	19	–	19
Cash flow hedges	–	–	–30	–	–30	–	–30
Exchange-rate differences on translation of foreign operations	–	–	2,428	–	2,428	–	2,428
Remeasurement of provisions for post-employment benefits	–	–	–	–1,534	–1,534	–	–1,534
Income tax relating to other comprehensive income	–	–	–10	808	798	–	798
Other comprehensive income, net of tax	**–**	**–**	**2,407**	**–726**	**1,681**	**–**	**1,681**
Total comprehensive income for the period	**–**	**–**	**2,407**	**1,515**	**3,922**	**1**	**3,923**
Share-based payment	–	–	–	99	99	–	99
Dividend SEK 6.50 per share	–	–	–	–1,861	–1,861	–1	–1,862
Acquisition of non-controlling interest	–	–	–	–	–	–	–
Total transactions with equity holders	**–**	**–**	**–**	**–1,762**	**–1,762**	**–1**	**–1,763**
Closing balance, December 31, 2014	**1,545**	**2,905**	**–251**	**12,235**	**16,434**	**34**	**16,468**

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

Cash flow

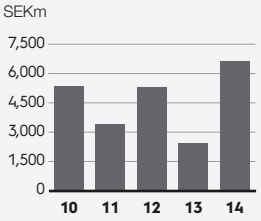
- Operating cash flow after investments increased significantly to SEK 6,631m (2,412).
- Capital expenditure in property, plant and equipment decreased and amounted to SEK 3,006m (3,535).
- R&D costs increased to 2.6% (2.5) of net sales.

Operating cash flow after investments

Operating cash flow after investments in 2014 increased and amounted to SEK 6,631m (2,412). Higher earnings, a significant improvement of the cash flow from working capital and lower capital expenditure impacted the cash flow for 2014. The Group's ongoing activities to operationally and structurally reduce working capital contributed to the favorable development of operating cash flow.

Cash payments for the ongoing restructuring and cost-cutting programs amounted to approximately SEK 1,026m in 2014.

Operating cash flow after investments



Operating cash flow after investments increased to SEK 6,631m (2,412).

Cash flow

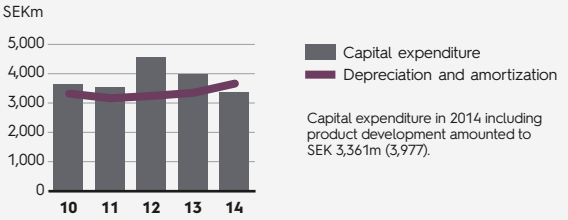
SEKm	2013	**2014**
EBITDA[1]	7,616	8,544
Change in operating assets and liabilities	–675	1,777
Operating cash flow	**6,941**	**10,321**
Investments in fixed assets[2]	–4,529	–3,690
Operating cash flow after investments	**2,412**	**6,631**
Restructuring payments	–603	–1,026
Acquisitions and divestments of operations	–205	–69
Operating cash flow after structural changes	**1,604**	**5,536**
Financial items paid, net	–540	–488
Taxes paid	–1,343	–985
Free cash flow[3]	**–279**	**4,063**
Dividend	–1,860	–1,861
Total cash flow, excluding change in loans and short-term investments	**–2,139**	**2,202**

[1] Operating income excluding items affecting comparability plus depreciation and amortization plus other non-cash items.
[2] Investments excluding acquisitions and divestments of operations.
[3] Cash flow from operations and investments.

Capital expenditure

Capital expenditure in property, plant and equipment in 2014 amounted to SEK 3,006m (3,535). Capital expenditure corresponded to 2.7% (3.2) of net sales. Investments in 2014, mainly related to investments within manufacturing facilities for efficiencies, new products and production capacity.

Capital expenditure



Capital expenditure in 2014 including product development amounted to SEK 3,361m (3,977).

Capital expenditure by business area

SEKm	2013	**2014**
Major Appliances		
Europe, Middle East and Africa	1,294	977
% of net sales	3.9	2.8
North America	855	853
% of net sales	2.7	2.5
Latin America	742	535
% of net sales	3.6	2.7
Asia/Pacific	267	349
% of net sales	3.1	4.0
Small Appliances	**225**	**162**
% of net sales	2.5	1.9
Professional Products	**76**	**75**
% of net sales	1.4	1.2
Other	76	55
Total	**3,535**	**3,006**
% of net sales	3.2	2.7

Costs for R&D

Costs for research and development in 2014, including capitalization of SEK 355m (442), amounted to SEK 2,872m (2,739) corresponding to 2.6% (2.5) of net sales.

For definitions, see Note 30.

Consolidated cash flow statement

SEKm	Note	2013	**2014**
Operations			
Operating income		1,580	3,581
Depreciation and amortization		3,356	3,671
Restructuring provisions		1,855	173
Other non-cash items		222	93
Financial items paid, net		-540	-488
Taxes paid		-1,343	-985
Cash flow from operations, excluding change in operating assets and liabilities		**5,130**	**6,045**
Change in operating assets and liabilities			
Change in inventories		165	-929
Change in trade receivables		-1,932	195
Change in accounts payable		609	3,160
Change in other operating liabilities and provisions		483	-649
Cash flow from change in operating assets and liabilities		**-675**	**1,777**
Cash flow from operations		**4,455**	**7,822**
Investments			
Acquisition of operations	26	-205	-69
Capital expenditure in property, plant and equipment	12	-3,535	-3,006
Capital expenditure in product development	13	-442	-355
Capital expenditure in computer software	13	-514	-290
Other		-38	-39
Cash flow from investments		**-4,734**	**-3,759**
Cash flow from operations and investments		**-279**	**4,063**
Financing			
Change in short-term investments		-25	49
Change in short-term borrowings		1,151	367
New long-term borrowings	18	3,039	1,952
Amortization of long-term borrowings	18	-1,851	-2,254
Dividend		-1,860	-1,861
Sale of shares		—	—
Cash flow from financing		**454**	**-1,747**
Total cash flow		**175**	**2,316**
Cash and cash equivalents at beginning of period		**6,835**	**6,607**
Exchange-rate differences referring to cash and cash equivalents		-403	184
Cash and cash equivalents at end of period		**6,607**	**9,107**

Structural changes

In 2013, Electrolux communicated actions to reduce annual costs by SEK 1.8bn for a charge of SEK 3.4bn. Cost savings will be achieved through manufacturing footprint restructuring as well as through overhead-cost reductions. These actions relate mainly to Major Appliances EMEA, but also to other business areas and Group staff. During 2013 restructuring costs in the amount of SEK 1,6bn were charged to operating income.

The actions to reduce costs continued in 2014 and restructuring provisions amounting to SEK 1.2m were charged to operating income within items affecting comparability. These restructuring costs referred mainly to Major Appliances EMEA and included measures to improve competitiveness within manufacturing. An investigation regarding the competitiveness of the entire Italian manufacturing operations for major appliances, including all four plants was carried out and agreements to improve efficiencies were reached with Italian authorities and social partners. Consultations were initiated with employee representatives regarding the production in Mariestad, Sweden, and Schwanden, Switzerland. These processes also include reviews of potential alternative solutions for the plants. In the fourth quarter of 2014, a decision was taken to cease Electrolux production at the plant in Schwanden.

During 2014 there were also reversals of previous restructuring provisions not utilized.

In total, restructuring costs amounting to SEK 2.8bn of the SEK 3.4bn plan have been charged to operating income within items affecting comparability with annual cost savings of SEK 1.8 bn. This restructuring program has now come to an end. As previously communicated, Electrolux will eliminate the accounting practice of "items affecting comparability". As of 2015, any potential future restructuring charges will be taken directly to earnings.

Items affecting comparability

SEKm	2013	**2014**
Restructuring provisions and write–downs[1)]		
Manufacturing footprint restructuring	-594	-1,173
Program for reduction of overhead costs	-975	-199
Impairment of ERP system	-906	–
Reversal of unused restructuring provisions	–	173
Total	**–2,475**	**–1,199**

[1)] Of the total restructuring measures of SEK 3.7bn for 2013 and 2014 approximately SEK 2.5bn will have a cash-flow impact

Acquisition of GE Appliances

On September 8, 2014, Electrolux announced it has entered into an agreement to acquire the appliance business of General Electric ("GE Appliances"), one of the premier manufacturers of kitchen and laundry products in the United States, for a cash consideration of USD 3.3 billion. The acquisition enhances Electrolux position as a global player in home appliances, offering an unparalleled opportunity to invest in innovation and growth, which will benefit consumers, retailers, employees and shareholders.

Highlights

- Attractive strategic fit in North America.
- Significant synergies, primarily in sourcing and operations.
- Cash consideration of USD 3.3 billion.
- Transaction expected to be EPS accretive from year one.
- Financing is provided by a committed bridge facility and the transaction is not subject to any financing conditions. A rights issue corresponding to approximately 25% of the consideration is planned following completion of the acquisition.
- Completion of the acquisition is mainly subject to regulatory approvals.

GE Appliances

GE Appliances is headquartered in Louisville, Kentucky, and generates more than 90% of its revenue in North America. GE Appliances' product portfolio includes refrigerators, freezers, cooking products, dishwashers, washers, dryers, air-conditioners, water-filtration systems and water heaters. Its revenue split by major product category is approximately 35% cooking, 25% refrigeration, 20% laundry, 10% dishwashers and 10% home comfort (A/C). The company operates its own distribution and logistics network and has nine well-invested manufacturing facilities with 12,000 employees. The acquisition includes a 48.4% shareholding in the Mexican appliance company Mabe. For nearly 30 years, GE Appliances has had a joint venture with Mabe in Mexico where Mabe develops and manufactures portions of GE Appliances' product offering. In 2013, GE Appliances had sales of USD 5.7 billion (SEK 37 billion) and an EBITDA of USD 390 million (SEK 2.5 billion) including share of income from Mabe.

Transaction rationale and synergies

The acquisition of GE Appliances is an important step for Electrolux towards realizing the Group's vision: to be the best appliance company in the world as measured by customers, employees and shareholders. The scale and efficiencies from combining the businesses create a solid financial foundation from which to drive growth in the increasingly global and competitive appliance industry. The Electrolux Group will further strengthen its capacity to invest in innovation and growth. Electrolux has secured the right to the GE Appliances' brands through a long-term license agreement with GE. The transaction is expected to generate annual cost synergies of approximately USD 300 million. One-off implementation costs and capital expenditure are estimated to USD 300 million and USD 50–70 million, respectively. The largest parts of the synergies are expected in sourcing, operations, logistics and brands.

Transaction terms and timing

Electrolux will acquire GE Appliances for a cash consideration of USD 3.3 billion. The deal is structured primarily as an asset transaction. Completion of the transaction is mainly subject to regulatory approvals. The acquisition is expected to close during 2015. As is customary in the United States in certain types of transactions, Electrolux has agreed to pay a termination fee of USD 175 million in certain circumstances involving the failure to obtain regulatory approvals.

Proforma financials 2013, before synergies

USD billion[1)]	Electrolux	GE Appliances incl. 48.4% of Mabe	Combined
Sales	16.8	5.7	22.5
EBITDA	1.1	0.4	1.5
EBITDA margin, %	6.8	6.8	6.8

[1)] Figures in SEK have been converted to USD at an exchange rate of SEK/USD 6.515, the average exchange rate in 2013.

The above figures are for illustrative purposes and do not include any impact from synergies, implementation costs and amortization of surplus values resulting from the purchase-price allocation. The effect of the transaction on Electrolux earnings per share is expected to be accretive from year one. The EBITDA multiple for the full year 2014 is expected to be in the range of 7.0-7.3x. The transaction is expected to contribute positively to cash flow. The financial position of Electrolux, after completion of the planned rights issue, is expected to be consistent with a financial policy to retain an investment grade credit rating.

For more information on the rationale behind the acquisition, as well as financing, please read the full press release and listen to the investor and press telephone conference held on September 8 at www.electroluxgroup.com/ir.

Share capital and ownership

Share capital and ownership structure

As of December 31, 2014, the share capital of AB Electrolux amounted to approximately SEK 1,545m, corresponding to 308,920,308 shares. The share capital of Electrolux consists of Class A shares and Class B shares. An A share entitles the holder to one vote and a B share to one-tenth of a vote. All shares entitle the holder to the same proportion of assets and earnings and carry equal rights in terms of dividends. In accordance with the Swedish Companies Act, the Articles of Association of Electrolux also provide for specific rights of priority for holders of different types of shares, in the event that the company issues new shares or certain other instruments.

According to Electrolux Articles of Association, owners of Class A shares have the right to have such shares converted to Class B shares. The purpose of the conversion clause is to give holders of Class A shares an opportunity to achieve improved liquidity in their shareholdings. Conversion reduces the total number of votes in the company. There were no conversion of shares in 2014.

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

Major shareholders

	Share capital, %	Voting rights, %
Investor AB	15.5	29.9
JP Morgan Asset Management	5.0	4.0
Nordea Investment Management	4.5	3.6
Alecta Pension Fund	3.4	3.9
Swedbank Robur Funds	2.1	1.7
Norges Bank Investment Management	2.0	1.6
Government of Singapore	1.7	1.4
SHB Funds	1.4	1.2
AMF Insurance & Funds	1.1	0.9
Unionen	1.0	0.8
Total, ten largest shareholders	**37.7**	**49.0**
Board of Directors and Group Management, collectively	0.09	0.07

Source: Euroclear Sweden and SIS Ägarservice as of December 30, 2014.

Ownership structure

At year-end 2014, about 49% of the total share capital was owned by foreign investors.

Source: Euroclear Sweden as of December 30, 2014.

According to the register of Euroclear Sweden, there were 46,458 shareholders in AB Electrolux as of December 31, 2014. Investor AB is the largest shareholder, owning 15.5% of the share capital and 29.9% of the voting rights. Information on the shareholder structure is updated quarterly at www.electroluxgroup.com.

Distribution of shareholdings

Shareholding	Ownership, %	Number of shareholders	As % of shareholders
1–1,000	3.2	41,320	88.9%
1,001–10,000	3.7	4,404	9.5%
10,001–20,000	1.0	217	0.5%
20,001–	92.1	517	1.1%
Total	**100**	**46,458**	**100%**

Source: Euroclear Sweden and SIS Ägarservice as of December 30, 2014.

Articles of Association

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

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

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

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

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

Distribution of funds to shareholders

Proposed dividend
The Board of Directors proposes a dividend for 2014 of SEK 6.50 (6.50) per share, for a total dividend payment of approximately SEK 1,861m (1,861). The proposed dividend corresponds to approximately 57% (66) of income for the period, excluding items affecting comparability. Monday, March 30, 2015, is proposed as record date for the dividend.

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

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

In accordance with the proposal by the Board of Directors, the AGM 2014 decided to authorize the Board for the period until the 2015 AGM to resolve on acquisitions of shares in the company and that the company may acquire as a maximum so many Class B shares that, following each acquisition, the company holds at a maximum 10% of all shares issued by the company.

Proposal for a renewed mandate on acquisition of own shares
The Board of Directors makes the assessment that it continues to be advantageous for the company to be able to adapt the company's capital structure, thereby contributing to increased shareholder value, and to continue to be able to use repurchased shares on account of potential company acquisitions and the company's share-related incentive programs.

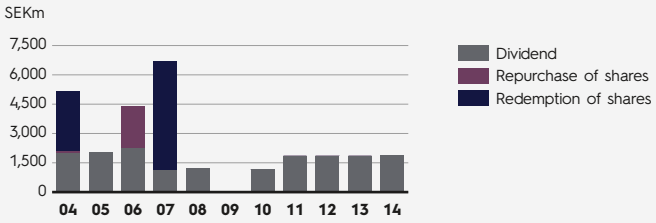
The Board of Directors proposes that the AGM 2015 resolves on a renewed mandate to repurchase own shares equivalent to the previous mandate.

As of December 31, 2014, Electrolux holds 22,599,884 Class B shares in Electrolux, corresponding to 7.3% of the total number of shares in the company.

Number of shares

	Outstanding A shares	Outstanding B shares	Outstanding shares, total	Shares held by Electrolux	Shares held by other shareholders
Number of shares as of January 1, 2014	**8,192,539**	**300,727,769**	**308,920,308**	**22,708,321**	**286,211,987**
Shares alloted to senior managers under the Performance Share Program	–	–	–	-108,437	108,437
Total number of shares as of December 31, 2014	**8,192,539**	**300,727,769**	**308,920,308**	**22,599,884**	**286,320,424**
As % of total number of shares				**7.3%**	

Total distribution to shareholders



Electrolux distribution to shareholders include repurchases and redemptions of shares as well as dividends. In 2006, the Group's outdoor operations, Husqvarna, were distributed to shareholders. No dividend was paid for 2008, as a consequence of the low income for the period and the uncertainty in the market for 2009.

Risks and uncertainty factors

Electrolux ability to increase profitability and shareholder value is based on three elements: innovative products, strong brands and cost-efficient operations. Realizing this potential requires effective and controlled risk management.

Risks in connection with the Group's operations can, in general, be divided into operational risks related to business operations and those related to financial operations. Operational risks are normally managed by the operative units within the Group, and financial risks by the Group's treasury department.

Risks and uncertainty factors

Electrolux operates in competitive markets, most of which are relatively mature. Demand for appliances varies with general business conditions, and price competition is strong in a number of product categories. Electrolux ability to increase profitability and shareholder value is largely dependent on its success in developing innovative products under strong brands and maintaining cost-efficient operations and production. Major factors for maintaining and increasing competitiveness include managing fluctuations in prices for raw materials and components as well as implementing restructuring. In addition to these operative risks, the Group is exposed to risks related to financial operations, e.g., interest risks, financing risks, currency risks and credit risks. The Group's development is strongly affected by external factors, of which the most important in terms of managing risks currently include:

Variations in demand

Demand for appliances is affected by the general business cycle. A deterioration in market conditions may lead to lower sales volumes as well as a shift of demand to low-price products, which generally have lower margins. Utilization of production capacity may also decline in the short term. In 2014, demand for appliances increased in North America and stabilized in Europe after several years of weak demand. Demand in Australia and emerging markets as China and Southeast Asia declined. The global economic trend is an uncertainty factor in terms of the development in the future.

Price competition

Most of the markets in which Electrolux operates features price competition. Some of Electrolux markets experienced price pressure during 2014. The Group's strategy is based on launching innovative and consumer relevant products under strong brands, and is aimed, among other things, at minimizing and offsetting price competition for its products. A continued downturn in market conditions involves a risk of increasing price competition.

Changes in prices for raw materials and components

The raw materials to which the Group is mainly exposed comprise steel, plastics, copper and aluminum. Market prices declined during 2014. Bilateral agreements are used to manage price risks. To some extent, raw materials are purchased at spot prices. There is considerable uncertainty regarding trends for the prices of raw materials.

Exposure to customers and suppliers

Electrolux has a comprehensive process for evaluating credits and tracking the financial situation of retailers. Management of credits as well as responsibility and authority for approving credit decisions are regulated by the Group's credit policy. Credit insurance is used to reduce credit risks. The trading conditions for retailers in 2014 were still challenging in some markets, but showed a slight improvement compared to the previous year.

Access to financing

The Group's loan-maturity profile for 2015 and 2016 represents maturities of approximately SEK 5,209m in long-term borrowings. In addition, Electrolux has two unused committed back-up facilities. One credit facility of SEK 3,400m, maturing in 2017 and one EUR 500m multi-currency revolving credit facility, approximately SEK 4,700m, maturing in 2018.

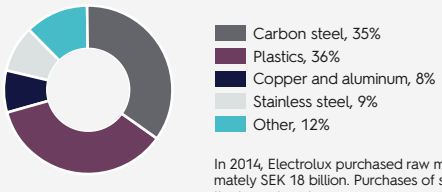
Risks, risk management and risk exposure are described in more detail in Note 1 Accounting principles, Note 2 Financial risk management and in Note 18 Financial instruments.

Sensitivity analysis 2014

	Change	Pre-tax earnings impact, SEKm
Raw materials		
Steel	10%	800
Plastics	10%	600
Currencies[1] and interest rates		
BRL/SEK	–10%	–520
GBP/SEK	–10%	–260
CAD/SEK	–10%	–260
AUD/SEK	–10%	–250
CHF/SEK	–10%	–160
CLP/SEK	–10%	–110
ARS/SEK	–10%	–80
EUR/SEK	–10%	200
CNY/SEK	–10%	230
USD/SEK	–10%	1,100
Interest rate	1 percentage point	40

[1] Includes translation and transaction effects.

Raw-materials exposure 2014



In 2014, Electrolux purchased raw materials for approximately SEK 18 billion. Purchases of steel accounted for the largest cost.

Employees

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

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

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

Electrolux has a global Ethics Program, encompassing both ethics training and a whistle blowing system – the Electrolux Ethics Helpline. Through the Ethics Helpline, employees can report suspected misconduct in local languages. Reports may be submitted anonymously if legally permitted. The majority of the reports during 2014 relate to discrimination and harassment.

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

Code of Conduct
The Group has a Code of Conduct that defines high employment standards for all Electrolux employees in all countries and business areas. It incorporates issues such as child and forced labor, health and safety, workers' rights and environmental compliance. Key policies in this context include the Electrolux Code of Ethics, the Electrolux Workplace Code of Conduct, the Electrolux Policy on Corruption and Bribery and Environmental Policy. In 2014, Electrolux Worplace Code of Conduct was updated to align with the UN Guiding Principles on Business and Human Rights.

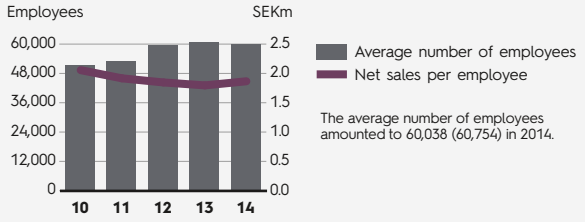
Number of employees
The average number of employees decreased in 2014 to 60,038 (60,754), of whom 2,054 (2,082) were in Sweden. At year-end, the total number of employees decreased to 59,481 (60,783).

Salaries and remuneration in 2014 amounted to SEK 14,278m (13,521), of which SEK 1,199m (1,192) refers to Sweden.

Number of employees

Number of employees in 2013	**60,783**
Restructuring programs	-2,641
Other changes	1,339
Number of employees in 2014	**59,481**

Employees



The average number of employees amounted to 60,038 (60,754) in 2014.

Proposal for remuneration guidelines for Group Management
The Board of Directors will propose the following guidelines for remuneration and other terms of employment for the President and CEO and other members of Group Management of Electrolux to the Annual General Meeting (AGM) 2015. Group Management currently comprises twelve executives. The proposed guidelines for 2015 correspond in all material respects to the guidelines approved by the AGM in 2014.

The principles shall be applied for employment agreements entered into after the AGM 2015 and for changes made to existing employment agreements thereafter.

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

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

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

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

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

Variable compensations shall principally relate to financial performance targets.

Non-financial targets may also be used in order to strengthen the focus on delivering on the Group's strategic plans or to clarify that an own investment in Electrolux shares or other commitment is required. The targets shall be specific, clear, measurable and time bound and be determined by the Board of Directors.

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

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

STI payments for 2015 are estimated[1)] to range between no payout at minimum level and SEK 64m (excluding social costs) at maximum level.

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

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

Proposal for performance-based long-term share program 2015
The Board of Directors will propose a performance-based long-term share program for 2015 to the AGM 2015. The proposed program will be connected to performance targets for the Group established by the Board for (i) earnings per share, (ii) return on net assets and (iii) organic sales growth, for the 2015 financial year. The proposed program will include up to 250 senior managers and key employees. Allocation of performance-based shares, if any, will take place in 2018. Details of the program will be included in the notice to the AGM 2015.

The costs for the LTI program proposed for 2015 are estimated[1)] to SEK 310m (including social costs) at maximum level.

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

Extraordinary arrangements
Other variable compensation may be approved in extraordinary circumstances, under the conditions that such extraordinary arrangement shall, in addition to the target requirements set out above, be made for recruitment or retention purposes, are agreed on an individual basis, shall never exceed three (3) times the ABS and shall be earned and/or paid out in installments over a minimum period of two (2) years.

Electrolux has had no cost for extraordinary arrangements during 2014. Costs for extraordinary arrangements accruing as from after year end 2014 are currently estimated to approximately SEK 16m.

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

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

Notice of termination and severance pay
The notice period shall be twelve months if the Group takes the initiative and six months if the Group Management member takes the initiative.

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

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

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

Compensation related to extraordinary work efforts in connection with the acquisition of GE Appliances has been paid out during 2015. The compensation deviates from the provision in the guidelines stating that such compensation shall be earned and/or paid out in installments over a minimum period of two (2) years.

Other facts

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

As of December 31, 2014, the Group had a total of 3,070 (2,980) cases pending, representing approximately 3,129 (approximately 3,040) plaintiffs. During 2014, 1,172 new cases with 1,180 plaintiffs were filed and 1,082 pending cases with approximately 1,091 plaintiffs were resolved.

The Group continues to operate under a 2007 agreement with certain insurance carriers who have agreed to reimburse the Group for a portion of its costs relating to certain asbestos lawsuits. The agreement is subject to termination upon 60 days notice and if terminated, the parties would be restored to their rights and obligations under the affected insurance policies.

It is expected that additional lawsuits will be filed against Electrolux. It is not possible to predict the number of future lawsuits.

In addition, the outcome of asbestos lawsuits is difficult to predict and Electrolux cannot provide any assurances that the resolution of these types of lawsuits will not have a material adverse effect on its business or on results of operations in the future.

For information on certain additional legal proceedings, see Note 25 Contingent liabilities.

Environmental activities
At the end of 2014, Electrolux operated 53 manufacturing facilities in 18 countries. Manufacturing comprises mainly assembly of components made by suppliers. Other processes include metalworking, molding of plastics, painting and enameling.

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

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

Mandatory permits and notification in Sweden and elsewhere
Electrolux operates three plants in Sweden, which account for approximately 1.7% of the total value of the Group's production. Permits are required by authorities for two of these plants and are also required to submit notification. The permits cover such areas as thresholds or maximum permissible values for air- and- water-borne emissions and noise. No significant non-compliance with Swedish environmental legislation was reported in 2014.

Manufacturing units in other countries adjust their operations, apply for necessary permits and report to the authorities in accordance with local legislation. The Group follows a precautionary principle with reference to both acquisitions of new plants and continuous operations. Potential non-compliance, disputes or items that pose a material financial risk are reported to Group level in accordance with Group policy. No such significant item was reported in 2014.

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

Parent Company income statement

Income statement

SEKm	Note	2013	2014
Net sales		**28,856**	**29,508**
Cost of goods sold		–25,382	–25,477
Gross operating income		**3,474**	**4,031**
Selling expenses		–3,783	–3,430
Administrative expenses		–1,196	–1,208
Other operating income	5	9	–
Other operating expenses	6	–1,874	–645
Operating income		**–3,370**	**–1,252**
Financial income	9	2,335	3,105
Financial expenses	9	–826	–455
Financial items, net		**1,509**	**2,650**
Income after financial items		**–1,861**	**1,398**
Appropriations	21	187	355
Income before taxes		**–1,674**	**1,753**
Taxes	10	765	77
Income for the period		**–909**	**1,830**

Total comprehensive income for the period

SEKm	Note	2013	2014
Income for the period		**–909**	**1,830**
Other comprehensive income			
Available for sale instruments		–68	17
Cash flow hedges		28	2
Income tax relating to other comprehensive income		–6	–1
Other comprehensive income, net of tax		**–46**	**18**
Total comprehensive income for the period		**–955**	**1,848**

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 of 2014 amounted to SEK 29,508m (28,856), of which SEK 23,757m (23,484) referred to sales to Group companies and SEK 5,751m (5,372) to external customers. The majority of the Parent Company's sales was made within Europe.

Income after financial items was SEK 1,398m (–1,861), including dividends from subsidiaries in the amount of SEK 2,616m (2,004). Income for the period amounted to SEK 1,830m (–909).

Income tax related to group contributions is reported in the income statement. Income tax related to cash flow hedges is reported in other comprehensive income.

Capital expenditure in tangible and intangible assets was SEK 255m (524). Liquid funds at the end of the period amounted to SEK 4,601m, as against SEK 2,795m at the start of the year.

Undistributed earnings in the Parent Company at the end of the period amounted to SEK 12,617m, as against SEK 12,531m at the start of the year. Dividend payment to shareholders in 2014 amounted to SEK 1,861m.

For information on the number of employees as well as salaries and remuneration, see Note 27. For information on shareholdings and participations, see Note 29.

Parent Company balance sheet

SEKm	Note	December 31, 2013	**December 31, 2014**
ASSETS			
Non-current assets			
Intangible assets	13	1,214	1,141
Property, plant and equipment	12	297	146
Deferred tax assets		1,025	1,141
Financial assets	14	30,465	32,646
Total non-current assets		**33,001**	**35,074**
Current assets			
Inventories	15	2,190	2,247
Receivables from subsidiaries		15,153	12,124
Trade receivables		816	574
Tax-refund claim		11	–
Derivatives with subsidiaries		187	396
Derivatives		209	356
Other receivables		398	327
Prepaid expenses and accrued income		268	396
Cash and bank		2,795	4,601
Total current assets		**22,027**	**21,021**
Total assets		**55,028**	**56,095**
EQUITY AND LIABILITIES			
Equity			
Restricted equity			
Share capital	20	1,545	1,545
Statutory reserve		3,017	3,017
		4,562	**4,562**
Non-restricted equity			
Retained earnings		13,440	10,787
Income for the period		-909	1,830
		12,531	**12,617**
Total equity		**17,093**	**17,179**
Untaxed reserves	21	**558**	**396**
Provisions			
Provisions for pensions and similar commitments	22	427	429
Other provisions	23	1,416	1,195
Total provisions		**1,843**	**1,624**
Non-current liabilities			
Bond loans		7,677	8,071
Other non-current loans		3,796	1,000
Total non-current liabilities		**11,473**	**9,071**
Current liabilities			
Payable to subsidiaries		20,438	21,465
Accounts payable		1,164	1,185
Other liabilities		328	391
Short-term borrowings		510	2,784
Derivatives with subsidiaries		586	783
Derivatives		165	152
Accrued expenses and prepaid income	24	870	1,065
Total current liabilities		**24,061**	**27,825**
Total liabilities and provisions		**37,377**	**38,520**
Total liabilities, provisions and equity		**55,028**	**56,095**
Pledged assets	19	**–**	**–**
Contingent liabilities	25	**1,815**	**3,743**

Parent Company change in equity

	Restricted equity		Non-restricted equity		
SEKm	Share capital	Statutory reserve	Fair value reserve	Retained earnings	Total equity
Opening balance, January 1, 2013	**1,545**	**3,017**	**23**	**15,246**	**19,831**
Income for the period	**–**	**–**	**–**	**–909**	**–909**
Available for sale instruments	–	–	–68	–	–68
Cash flow hedges	–	–	28	–	28
Income tax relating to other comprehensive income	–	–	–6	–	–6
Other comprehensive income, net of tax	**–**	**–**	**–46**	**–**	**–46**
Total comprehensive income for the period	**–**	**–**	**–46**	**–909**	**–955**
Share-based payment	–	–	–	77	77
Dividend SEK 6.50 per share	–	–	–	–1,860	–1,860
Total transactions with equity holders	**–**	**–**	**–**	**–1,783**	**–1,783**
Closing balance, December 31, 2013	**1,545**	**3,017**	**–23**	**12,554**	**17,093**
Income for the period	**–**	**–**	**–**	**1,830**	**1,830**
Available for sale instruments	–	–	17	–	17
Cash flow hedges	–	–	2	–	2
Income tax relating to other comprehensive income	–	–	–1	–	–1
Other comprehensive income, net of tax	**–**	**–**	**18**	**–**	**18**
Total comprehensive income for the period	**–**	**–**	**18**	**1,830**	**1,848**
Share-based payment	–	–	–	99	99
Dividend SEK 6.50 per share	–	–	–	–1,861	–1,861
Total transactions with equity holders	**–**	**–**	**–**	**–1,762**	**–1,762**
Closing balance, December 31, 2014	**1,545**	**3,017**	**–5**	**12,622**	**17,179**

Parent Company cash flow statement

SEKm	2013	2014
Operations		
Income after financial items	–1,861	1,398
Depreciation and amortization	279	360
Capital gain/loss included in operating income	915	454
Share-based compensation	22	26
Group contributions	164	193
Taxes paid	77	–29
Cash flow from operations, excluding change in operating assets and liabilities	**–404**	**2,402**
Change in operating assets and liabilities		
Change in inventories	–2,129	–57
Change in trade receivables	–203	242
Change in current intra-group balances	1,573	3,115
Change in other current assets	–523	–204
Change in other current liabilities and provisions	1,610	47
Cash flow from operating assets and liabilities	**328**	**3,143**
Cash flow from operations	**–76**	**5,545**
Investments		
Change in shares and participations	–306	–473
Capital expenditure in intangible assets	–378	–220
Capital expenditure in property, plant and equipment	–146	–35
Other	815	–2,026
Cash flow from investments	**–15**	**–2,754**
Total cash flow from operations and investments	**–91**	**2,791**
Financing		
Change in short-term borrowings	222	–2,747
Change in intra-group borrowings	1,399	1,004
New long-term borrowings	2,997	2,942
Amortization of long-term borrowings	–1,858	–323
Dividend	–1,860	–1,861
Cash flow from financing	**900**	**–985**
Total cash flow	**809**	**1,806**
Liquid funds at beginning of year	**1,986**	**2,795**
Liquid funds at year-end	**2,795**	**4,601**

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Notes

Note 1 Accounting principles

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

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

The financial statements were authorized for issue by the Board of Directors on January 27, 2015. The balance sheets and income statements are subject to approval by the Annual General Meeting of shareholders on March 26, 2015.

Principles applied for consolidation
The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group, whereby the assets and liabilities and contingent liabilities assumed in a subsidiary on the date of acquisition are recognized and measured to determine the acquisition value to the Group.

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

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the fair value of the acquired net assets exceeds the cost of the business combination, the acquirer must reassess the identification and measurement of the acquired assets. Any excess remaining after that reassessment must be recognized immediately in profit or loss.

The consolidated financial statements for the Group include the financial statements for the Parent Company and the direct and indirect-owned subsidiaries after:
- elimination of intra-group transactions, balances and unrealized intra-group profits and
- depreciation and amortization of acquired surplus values.

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

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

At year-end 2014, the Group comprised 212 (222) operating units, and 154 (156) companies.

Associated companies
Associates are all companies over which the Group has significant influence but not control, generally accompanying a shareholding of between 20 and 50% of the voting rights. Investments in associated companies have been reported according to the equity method.

Foreign currency translations
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions.

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

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

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

New or amended accounting standards in 2014
IFRS 10 Consolidated Financial Statements, **IFRS 11** Joint Arrangements and **IFRS 12** Disclosure of Interests in Other Entities. IFRS 10 provides a single consolidation model that identifies control as the basis for consolidation in all types of entities.

IFRS 10 replaces IAS 27 Consolidated and Separate Financial Statements and SIC-12 Consolidation - Special Purpose Entities.

IFRS 11 Joint Arrangements establishes principles for the financial reporting by parties to joint arrangement. IFRS 11 supersedes IAS 31 Interests in Joint Ventures and SIC-13 Jointly Controlled Entities - Non-monetary Contributions by Venturers.

IFRS 12 combines, enhances and replaces the disclosure requirements for subsidiaries, joints arrangements, associates and unconsolidated structured entities. The new standards did not have any impact on Electrolux financial result or position. The standards were effective from January 1, 2014, in the European Union.

New or amended accounting standards after 2014
The following new standards and amendments to standards have been issued. No significant impact on the financial result or position is expected upon their eventual application.

IFRS 15 Revenue from Contracts with Customers[1]. This standard establishes a new framework for determining when and how much revenue to recognize. The standard introduces a five-step model to be applied to all contracts with customers in order to establish the revenue recognition. The new standard is not expected to have any material impact on the revenue recognition for Electrolux type of business, i.e., mainly sales of products. Revenue will in practice be recognized at the same moment in time as with current rules, however, based on a new principal model. Changes in the timing of revenue recognition may occur for a limited number of service contracts like extended warranty and licensing brand names under some circumstances. The impact from this, if any, is not expected to be material. The Group is yet to assess IFRS 15's full impact. The mandatory effective date is January 1, 2017, with early application allowed.

IFRS 9 Financial Instruments[1]. This standard addresses the classification, measurement, recognition, impairment and derecognition of financial instruments. It also addresses general hedge accounting. The Group is yet to assess IFRS 9's full impact. The mandatory effective date is January 1, 2018, with early application allowed.

New interpretations of accounting standards
The International Financial Reporting Interpretation Committee (IFRIC) has not issued any new interpretations that are applicable to Electrolux.

[1] This standard has not been adopted by the EU at the writing date.

Critical accounting policies and key sources of estimation uncertainty

Use of estimates

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

Asset impairment

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

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Useful lives for property, plant and equipment are estimated between 10 and 40 years for buildings and land improvements and between 3 and 15 years for machinery, technical installations and other equipment. The carrying amount for property, plant and equipment at year-end 2014 amounted to SEK 18,934m. The carrying amount for goodwill at year-end 2014 amounted to SEK 5,350m. Management regularly reassesses the useful life of all significant assets. Management believes that any reasonably possible change in the key assumptions on which the asset's recoverable amounts are based would not cause their carrying amounts to exceed their recoverable amounts.

Deferred taxes

In the preparation of the financial statements, Electrolux estimates the income taxes in each of the taxing jurisdictions in which the Group operates as well as any deferred taxes based on temporary differences. Deferred tax assets relating mainly to tax loss carry-forwards, energy -tax credits and temporary differences are recognized in those cases when future taxable income is expected to permit the recovery of those tax assets. Changes in assumptions in the projection of future taxable income as well as changes in tax rates could result in significant differences in the valuation of deferred taxes. As of December 31, 2014, Electrolux had a net amount of SEK 4,664m recognized as deferred tax assets in excess of deferred tax liabilities. As of December 31, 2014, the Group had tax loss carry-forwards and other deductible temporary differences of SEK 10,260m, which have not been included in computation of deferred tax assets.

Current taxes

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

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

Trade receivables

Receivables are reported net of allowances for doubtful receivables. The net value reflects the amounts that are expected to be collected, based on circumstances known at the balance-sheet date. Changes in circumstances such as higher than expected defaults or changes in the financial situation of a significant customer could lead to significantly different valuations. At year-end 2014, trade receivables, net of provisions for doubtful accounts, amounted to SEK 20,663m. The total provision for doubtful accounts at year-end 2014 was SEK 619m.

Post-employment benefits

Electrolux sponsors defined benefit pension plans for some of its employees in certain countries. The pension calculations are based on actuarial assumptions about, e.g., mortality rates, future salary and pension increases. The calculation of the pension obligation also depends on the discount rate. Changes in assumptions affect directly the defined benefit obligation, service cost, interest income and expense. The discount rate used to estimate liabilities at the end of 2013 and the calculation of expenses during 2014 was 3.87% in average. Sensitivities for the main assumptions are presented in Note 22 on page 117.

Restructuring

Restructuring charges include required write-downs of assets and other non-cash items, as well as estimated costs for personnel reductions and other direct costs related to the termination of the activity. The charges are calculated based on detailed plans for activities that are expected to improve the Group's cost structure and productivity. In general, the outcome of similar historical events in previous plans are used as a guideline to minimize these uncertainties. The total provision for restructuring at year-end 2014 was SEK 2,848m.

Warranties

As is customary in the industry in which Electrolux operates, many of the products sold are covered by an original warranty, which is included in the price and which extends for a predetermined period of time. Provisions for this original warranty are estimated based on historical data regarding service rates, cost of repairs, etc. Additional provisions are created to cover goodwill warranty and extended warranty. While changes in these assumptions would result in different valuations, such changes are unlikely to have a material impact on the Group's results or financial situation. As of December 31, 2014, Electrolux had a provision for warranty commitments amounting to SEK 1,601m. Revenues from extended warranty are recognized on a linear basis over the contract period unless there is evidence that some other method better represents the stage of completion.

Disputes

Electrolux is involved in disputes in the ordinary course of business. The disputes concern, among other things, product liability, alleged defects in delivery of goods and services, patent rights and other rights and other issues on rights and obligations in connection with Electrolux operations. Such disputes may prove costly and time consuming and may disrupt normal operations. In addition, the outcome of complicated disputes is difficult to foresee. It cannot be ruled out that a disadvantageous outcome of a dispute may prove to have a material adverse effect on the Group's earnings and financial position.

Parent Company accounting principles

The Parent Company has prepared its Annual Report in compliance with Swedish Annual Accounts Act (1995:1554) and recommendation RFR 2, Accounting for Legal Entities of the Swedish Financial Reporting Board. RFR 2 prescribes that the Parent Company in the Annual Report of a legal entity shall apply all International Financial Reporting Standards and interpretations approved by the EU as far as this is possible within the framework of the Annual Accounts Act, and taking into account the connection between reporting and taxation. The recommendation states which exceptions from IFRS and additions shall be made. The Parent Company applies IAS 39 Financial Instruments.

Subsidiaries

Holdings in subsidiaries are recognized in the Parent Company financial statements according to the cost method of accounting. The value of subsidiaries are tested for impairment when there is an indication of a decline in the value.

Anticipated dividends

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

Cont **Note 1**

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

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

Pensions
The Parent Company reports pensions in the financial statements in accordance with the recommendation FAR RedR 4, Accounting for Pension Liability and Pension Cost, from the Swedish Institute of Authorized Public Accountants. According to RFR 2, IAS 19 shall be adopted regarding supplementary disclosures when applicable.

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

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

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

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

Note 2 Financial risk management

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

- Interest-rate risk on liquid funds and borrowings
- Financing risk in relation to the Group's capital requirements
- Foreign-exchange risk on commercial flows and net investments in foreign subsidiaries
- Commodity-price risk affecting the expenditure on raw materials and components for goods produced
- Credit risk relating to financial and commercial activities

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

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

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

Liquid funds
Liquid funds as defined by the Group consist of cash and cash equivalents, short-term investments, derivatives, prepaid interest expenses and accrued interest income. Electrolux target is that the level of liquid funds including unutilized committed credit facilities shall correspond to at least 2.5% of annualized net sales. In addition, net liquid funds defined as liquid funds less short-term borrowings shall exceed zero, taking into account fluctuations arising from acquisitions, divestments, and seasonal variations. The main criteria for the investments are that the instruments are highly liquid and have creditworthy issuers (see Credit risk in financial activities on page 102).

Interest-rate risk in liquid funds
All investments are interest bearing instruments, normally with maturities between 0 and 3 months. A downward shift in the yield curves of one-percentage point would reduce the Group's interest income by approximately SEK 90m (70). For more information, see Note 18 on page 112.

Borrowings
The debt financing of the Group is managed by Group Treasury in order to ensure efficiency and risk control. Debt is primarily taken up at the parent company level and transferred to subsidiaries through internal loans or capital injections. In this process, swap instruments are used to convert the funds to the required currency. Short-term financing is also undertaken locally in subsidiaries where there are capital restrictions. The Group's borrowings contain no financial covenants that can trigger premature cancellation of the loans. For additional information, see Note 18 on page 112.

Interest-rate risk in borrowings
Group Treasury manages the long-term loan portfolio to keep the average interest-fixing period between 0 and 3 years. Derivatives, such as interest-rate swap agreements, are used to manage the interest-rate risk by changing the interest from fixed to floating or vice versa. On the basis of 2014 long-term interest-bearing borrowings with an average interest fixing period of 1.2 (1.0) years, a one-percentage point shift in interest rates would impact the Group's interest expenses by approximately SEK +/–40m (70) in 2014. This calculation is based on a parallel shift of all yield curves simultaneously by one-percentage point Electrolux acknowledges that the calculation is an approximation and does not take into consideration the fact that the interest rates on different maturities and different currencies might change differently.

Capital structure and credit rating
The Group defines its capital as equity stated in the balance sheet including non-controlling interests. In 2014, the Group's capital was SEK 16,468m (14,308). The Group's objective is to have a capital struc-

ture resulting in an efficient weighted cost of capital and sufficient credit worthiness where operating needs and the needs for potential acquisitions are considered.

To achieve and keep an efficient capital structure, the Financial Policy states that the Group's long-term ambition is to maintain a long-term rating within a safe margin from a non-investment grade. In November 2014, Standard & Poor's downgraded Electrolux from BBB+ with negative outlook to BBB with stable outlook.

Rating

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

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

Financing risk

Financing risk refers to the risk that financing of the Group's capital requirements and refinancing of existing borrowings could become more difficult or more costly. This risk can be decreased by ensuring that maturity dates are evenly distributed over time, and that total short-term borrowings do not exceed liquidity levels. The net borrowings, total borrowings less liquid funds, excluding seasonal variances, shall be long-term according to the Financial Policy. The Group's goals for long-term borrowings include an average time to maturity of at least 2 years, and an even spread of maturities. A maximum of SEK 5,000m of the long-term borrowings is allowed to mature in a 12-month period. For additional information, see Note 18 on page 112.

Foreign exchange risk

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

Transaction exposure from commercial flows

The Financial Policy stipulates the hedging of forecasted flows in foreign currencies. Taking into consideration the price-fixing periods, commercial circumstances and the competitive environment, business sectors within Electrolux can have a hedging horizon of up to 6 months of forecasted flows. Hedging horizons outside this period are subject to approval from Group Treasury. The operating units hedge 100% of the flows for the first 2 months and 70% up to 6 months. Group subsidiaries cover their risks in commercial currency flows mainly through the Group's treasury centers. Group Treasury thus assumes the currency risks and covers such risks externally by the use of currency derivatives.

The Group's geographically widespread production reduces the effects of changes in exchange rates. The remaining transaction exposure is either related to internal sales from producing entities to sales companies or external exposures from purchasing of components and input material for the production paid in foreign currency. These external imports are often priced in US dollars. The global presence of the Group, however, leads to a significant netting of the transaction exposures. For additional information on exposures and hedging, see Note 18 on page 112.

Translation exposure from consolidation of entities outside Sweden

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

Foreign-exchange sensitivity from transaction and translation exposure

The major currencies that Electrolux is exposed to are the US dollar, the euro, the Brazilian real, and the Australian dollar. Other significant exposures are the Swiss franc, the British pound and the Chinese renminbi. These currencies represent the majority of the exposures of the Group, but are largely offsetting each other as different currencies represent net inflows and outflows. Taking into account all currencies of the Group, a change up or down by 10% in the value of each currency would affect the Group's profit and loss for one year by approximately SEK +/- 410m (450), as a static calculation. The model assumes the distribution of earnings and costs effective at year-end 2014 and does not include any dynamic effects, such as changes in competitiveness or consumer behavior arising from such changes in exchange rates.

Sensitivity analysis of major currencies

Risk	Change	Profit or loss impact 2013	**Profit or loss impact 2014**
Currency			
BRL/SEK	-10%	-456	-520
GBP/SEK	-10%	-231	-260
CAD/SEK	-10%	-157	-255
AUD/SEK	-10%	-263	-247
CHF/SEK	-10%	-185	-163
CLP/SEK	-10%	-64	-113
ARS/SEK	-10%	-117	-83
EUR/SEK	-10%	350	200
CNY/SEK	-10%	211	228
USD/SEK	-10%	722	1,083

Exposure from net investments (balance sheet exposure)

The net of assets and liabilities in foreign subsidiaries constitute a net investment in foreign currency, which generates a translation difference in connection with consolidation. This exposure can have an impact on the Group's total comprehensive income, and on the capital structure. Net investments are only hedged to ensure any of the following objectives: 1) to protect key ratios important to the Group's credit rating, 2) financial covenants (if any), and 3) to protect net investments corresponding to financial investments such as excess liquidity. In case of hedging the Group's net investments, it is implemented within the Parent Company in Sweden.

A change up or down by 10% in the value of each currency against the Swedish krona would affect the net investment of the Group by approximately SEK +/- 3,220m (2,770), as a static calculation at year-end 2014. At year-end 2014, as well as year-end 2013, none of the net investments were currency hedged.

Commodity-price risks

Commodity-price risk is the risk that the cost of direct and indirect materials could increase as underlying commodity prices rise in global markets. The Group is exposed to fluctuations in commodity prices through agreements with suppliers, whereby the price is linked to the raw-material price on the world market. This exposure can be divided into direct commodity exposure, which refers to pure commodity exposures, and indirect commodity exposure, which is defined as exposure arising from only part of a component. Commodity-price risk is mainly managed through contracts with the suppliers. A change in price up or down by 10% in steel would affect the Group's profit or loss with approximately SEK +/- 800m (700) and in plastics with approximately SEK +/- 600m (600), based on volumes in 2014.

Credit risk

Credit risk in financial activities

Exposure to credit risks arises from the investment of liquid funds, and derivatives. In order to limit exposure to credit risk, a counterpart list has been established, which specifies the maximum permissible exposure in relation to each counterpart. Both investments of liquid funds and derivates are done with issuers and counterparts holding a long-term rating of at least A- defined by Standard & Poor's or a similar rating agency. Group Treasury can allow exceptions from this rule, e.g., to enable money deposits within countries rated below A-, but this represents only a minor part of the total liquidity in the Group. The Group strives for arranging master netting agreements (ISDA) with the counterparts for derivative transactions and has established such agreements with the majority of the counterparts, i.e., if counterparty will default, assets and liabilities will be netted. To reduce the settlement risk in foreign exchange transactions made with banks, Group Treasury uses Continuous Linked Settlement (CLS). CLS eliminates temporal settlement risk since both legs of a transaction are settled simultaneously.

Credit risk in trade receivables

Electrolux sells to a substantial number of customers in the form of large retailers, buying groups, independent stores, and professional users.

Cont **Note 2**

Sales are made on the basis of normal delivery and payment terms. The Electrolux Group Credit Policy defines how credit management is to be performed in the Electrolux Group to achieve competitive and professionally performed credit sales, limited bad debts, and improved cash flow and optimized profit. On a more detailed level, it also provides a minimum level for customer and credit-risk assessment, clarification of responsibilities and the framework for credit decisions. The credit-decision process combines the parameters risk/reward, payment terms and credit protection in order to obtain as much paid sales as possible. In some markets, Electrolux uses credit insurance as a mean of protection. Credit limits that exceed SEK 300m are decided by the Board of Directors. For many years, Electrolux has used the Electrolux Rating Model (ERM) to have a common and objective approach to credit-risk assessment that enables more standardized and systematic credit evaluations to minimize inconsistencies in decisions. The ERM is based on a risk/reward approach and is the basis for the customer assessment. The ERM consists of three different parts: Customer and Market Information; Warning Signals; and a Credit Risk Rating (CR2). The risk of a customer is determined by the CR2 in which customers are classified.

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

Note 3 Segment information

Reportable segments – Business areas

The Group has six reportable segments. The segments are identified from the Group's two main business areas, Consumer Durables and Professional Products.

Products for the consumer durables market, i.e., major appliances and small appliances, have five reportable segments: Major Appliances Europe, Middle East and Africa; Major Appliances North America; Major Appliances Latin America; Major Appliances Asia/Pacific; and Small Appliances. Products within major appliances comprise mainly of refrigerators, freezers, cookers, dryers, washing machines, dishwashers, room air-conditioners and microwave ovens. Small appliances include vacuum cleaners and other small appliances.

In Professional Products, there are two operating segments that are aggregated into one reportable segment in accordance with the aggregation criteria. The segments are regularly reviewed by the President and CEO, the Group's chief operating decision maker.

The segments are responsible for the operating results and the net assets used in their businesses, whereas financial items and taxes as well as net borrowings and equity are not reported per segment. The operating results and net assets of the segments are consolidated using the same principles as for the total Group. The segments consist of separate legal units as well as divisions in multi-segment legal units where some allocations of costs and net assets are made. Operating costs not included in the segments are shown under Group common costs, which mainly are costs for Group functions.

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

	Net sales		Operating income	
	2013	**2014**	2013	**2014**
Major Appliances Europe, Middle East and Africa	33,436	34,438	347	1,444
Major Appliances North America	31,864	34,141	2,136	1,714
Major Appliances Latin America	20,695	20,041	979	1,079
Major Appliances Asia/Pacific	8,653	8,803	467	448
Small Appliances	8,952	8,678	391	200
Professional Products	5,550	6,041	510	671
	109,150	**112,142**	**4,830**	**5,556**
Common Group costs	1	1	–775	–776
Items affecting comparability	—	—	–2,475	–1,199
Total	**109,151**	**112,143**	**1,580**	**3,581**
Financial items, net			–676	–584
Income after financial items	**—**	**—**	**904**	**2,997**

In the internal management reporting, items affecting comparability is not included in the segments. The table specifies the segments to which they correspond.

Items affecting comparability

	Impairment/ restructuring	
	2013	**2014**
Major Appliances Europe, Middle East and Africa	–828	–1,212
Major Appliances North America	—	—
Major Appliances Latin America	—	–10
Major Appliances Asia/Pacific	–351	–10
Small Appliances	–82	—
Common Group costs, etc.	–1,214	33
Total	**–2,475**	**–1,199**

Inter-segment sales exist with the following split:

	2013	**2014**
Major Appliances Europe, Middle East and Africa	479	745
Major Appliances North America	1,052	953
Major Appliances Asia/Pacific	171	357
Eliminations	**1,702**	**2,055**

Cont **Note 3**

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

	Assets December 31,		Equity and liabilities December 31,		Net assets December 31,	
	2013	**2014**	2013	**2014**	2013	**2014**
Major Appliances Europe, Middle East and Africa	22,936	22,484	14,408	15,650	8,528	6,834
Major Appliances North America	12,886	16,555	7,606	9,968	5,280	6,587
Major Appliances Latin America	12,875	14,574	6,321	7,661	6,554	6,913
Major Appliances Asia/Pacific	4,866	5,713	2,852	3,250	2,014	2,463
Small Appliances	4,756	5,144	3,202	3,676	1,554	1,468
Professional Products	2,720	2,931	1,760	2,012	960	919
Other[1)]	7,285	8,053	7,214	7,138	71	915
	68,324	**75,454**	**43,363**	**49,355**	**24,961**	**26,099**
Liquid funds	7,232	9,835	–		–	–
Interest-bearing liabilities	–	–	14,905	14,703	–	–
Pension assets/liablities	445	399	3,425	5,162	–	–
Equity	–	–	14,308	16,468	–	–
Total	**76,001**	**85,688**	**76,001**	**85,688**	**–**	–

[1)] Includes common functions, tax items and restructuring provisions.

	Depreciation and amortization		Capital expenditure		Cash flow[1)]	
	2013	**2014**	2013	**2014**	2013	**2014**
Major Appliances Europe, Middle East and Africa	1,455	1,530	1,294	977	373	3,366
Major Appliances North America	751	823	855	853	1,616	1,402
Major Appliances Latin America	458	551	742	535	259	1,034
Major Appliances Asia/Pacific	203	229	267	349	412	388
Small Appliances	204	230	225	162	296	386
Professional Products	99	104	76	75	530	796
Other[2)]	186	204	76	55	–1,279	–810
Items affecting comparability	–	–	–	–	–603	–1,026
Financial items	–	–	–	–	–540	–488
Taxes paid	–	–	–	–	–1,343	–985
Total	**3,356**	**3,671**	**3,535**	**3,006**	**–279**	**4,063**

[1)] Cash flow from operations and investments.
[2)] Includes Group functions.

Geographical information

	Net sales[1)]	
	2013	**2014**
USA	31,006	32,885
Brazil	14,752	14,919
Germany	5,385	5,945
Australia	4,711	4,418
Sweden (country of domicile)	3,933	4,236
Canada	3,810	4,048
France	3,481	3,836
Switzerland	4,255	3,799
Italy	3,208	3,403
United Kingdom	2,989	3,254
Other	31,621	31,400
Total	**109,151**	**112,143**

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

Tangible and non-tangible fixed assets located in the Group's country of domicile, Sweden, amounted to SEK 1,550m (1,870). Tangible and non-tangible fixed assets located in all other countries amounted to SEK 26,612m (24,281). Individually, material countries in this aspect are Italy with SEK 3,069m (3,023), USA with SEK 5,747m (4,509) and Egypt with SEK 2,607m (2,199), respectively.

Note 4 Net sales and operating income

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

The vast majority of the Group's revenues consisted of product sales. Revenue from service activities amounted to SEK 1,482m (1,361). The Group's net sales in Sweden amounted to SEK 4,236m (3,933). Exports from Sweden during the year amounted to SEK 27,853m (26,760), of which SEK 24,844m (24,043) were to Group subsidiaries. The major part of the Swedish export comes from one of the Swedish entities acting as a buying/selling hub for the European business meaning that most of the European product flows are routed via this entity.

Cost of goods sold and additional information on costs by nature
Cost of goods sold includes expenses for the following items:
- Finished goods (see Note 15 Inventories), i.e., cost for production
- Warranty
- Environmental fees
- Warehousing and transportation
- Exchange-rate changes on payables and receivables and the effects from currency hedging

Cost of goods sold included direct material and components amounting to SEK 46,901 (44,744) and sourced products amounting to SEK 16,543 (16,959). The depreciation and amortization charge for the year amounted to SEK 3,671m (3,356). Costs for research and development amounted to SEK 2,517m (2,297).

Government grants relating to expenses have been deducted in the related expenses by SEK 140m (125). Government grants related to assets have been recognized as deferred income in the balance sheet and will be recognized as income over the useful life of the assets. The remaining value of these grants, at the end of 2014, amounted to SEK 1,148m (946).

The Group's operating income included net exchange-rate differences in the amount of SEK -675m (-568). Salaries, remunerations and employer contributions amounted to SEK 17,424m (16,633) whereof expenses for post-employment benefits amounted to SEK 658m (600).

The Group's Swedish factories accounted for 1.7% (1.8) of the total value of production.

Selling expenses
Selling expenses include expenses for brand communication, sales driving communication and costs for sales and marketing staff. Selling expenses also include the cost for impairment of trade receivables.

Administration expenses
Administration expenses include expenses for general management, controlling, human resources, shared service and IT expenses related to the named functions. Administration costs related to manufacturing are included in cost of goods sold.

Note 5 Other operating income

	Group		Parent Company	
	2013	**2014**	2013	**2014**
Gain on sale of property, plant and equipment	33	27	—	—
Gain on sale of operations and shares	2	45	9	—
Other	—	104	—	—
Total	**35**	**176**	**9**	**—**

The major part of other is related to government grants.

Note 6 Other operating expenses

	Group		Parent Company	
	2013	**2014**	2013	**2014**
Loss on sale of property, plant and equipment	-29	-40	-2	-3
Loss on sale of operations and shares	—	—	—	—
Restructuring and impairment	—	-27	-1,872	-642
Other	—	-6	—	—
Total	**-29**	**-73**	**-1,874**	**-645**

Note 7 Items affecting comparability

	Group	
	2013	**2014**
Restructuring and impairment		
Manufacturing footprint restructuring	-594	-1,173
Program for reduction of overhead costs	-975	-199
Impairment of ERP system	-906	—
Reversal of unused restructuring provisions	—	173
Total	**-2,475**	**-1,199**

Classification by function in the income statement

	Group	
	2013	**2014**
Cost of goods sold	-756	-1,076
Selling expenses	-466	-47
Administrative expenses	-1,253	-76
Other operating income and other operating expenses	—	—
Total	**-2,475**	**-1,199**

Items affecting comparability includes events and transactions with significant effects, which are relevant for understanding the financial performance when comparing income for the current period with previous periods, including:
- Capital gains and losses from divestments of product groups or major units
- Close-down or significant down-sizing of major units or activities
- Restructuring initiatives with a set of activities aimed at reshaping a major structure or process
- Significant impairment
- Other major non-recurring costs or income

Items affecting comparability in 2014 contains additional recognition of restructuring activities within the program announced in 2013. Additional efficiency measures in sales, administration and logistic organizations have been initiated in Major Appliances Europe, Middle East and Africa, Major Appliances Latin America and Major Appliances Asia/Pacific. The recognized costs in 2014 related to the manufacturing footprint cover further actions in Major Appliances Europe, Middle East and Africa.

Items affecting comparability in 2013 contains restructuring and rationalization activities related to measures to consolidate operations within Small Appliances, the closure of the refrigeration plant in Orange in Australia and efficiency measures of sales and administration processes mainly in Major Appliances Europe, Middle East and Africa. Furthermore, additional activities to adapt the manufacturing footprint in Europe were initiated. Finally, capitalized software related to the Group's main ERP system has been impaired as a consequence of a decision to phase out some modules in the application and change of the overall implementation plan in the Group.

Note 8 Leasing

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

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

Financial leases
Electrolux has no material financial leases.

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

	Operating leases
2015	820
2016–2019	2,043
2020–	456
Total	**3,319**

Expenses in 2014 for rental payments (minimum leasing fees) amounted to SEK 884m (757). Among the Group's operating leases there are neither material contingent expenses, nor restrictions.

Note 9 Financial income and financial expenses

	Group		Parent Company	
	2013	**2014**	2013	**2014**
Financial income				
Interest income				
From subsidiaries	–	–	319	473
From others	137	131	12	11
Dividends from subsidiaries	–	–	2,004	2,616
Other financial income	1	5	–	5
Total financial income	**138**	**136**	**2,335**	**3,105**
Financial expenses				
Interest expenses				
To subsidiaries	–	–	-51	-59
To others	-646	-544	-557	-461
On loans and forward contracts as hedges for foreign net investments	–	–	–	–
On other loans and borrowings, net	10	-18	-181	99
Pension interest expenses, net	-126	-97	–	–
Other financial expenses	-52	-63	-37	-34
Total financial expenses	**-814**	**-721**	**-826**	**-455**

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

Note 10 Taxes

	Group		Parent Company	
	2013	**2014**	2013	**2014**
Current taxes	-1,240	-881	-53	-40
Deferred taxes	1,008	126	818	117
Taxes included in income for the period	**-232**	**-755**	**765**	**77**
Taxes related to OCI	-607	798	-6	-1
Taxes included in total comprehensive income	**-839**	**43**	**759**	**76**

There were no material effects of changes in tax rates in 2014 or 2013. The consolidated accounts include deferred tax liabilities of SEK 87m (123) related to untaxed reserves in the Parent Company.

Theoretical and actual tax rates

%	2013	**2014**
Theoretical tax rate	30.5	28.8
Non-taxable/non-deductible income statement items, net	-4.5	-0.1
Non-recognized tax losses carried forward	9.3	10.8
Utilized non-recognized tax losses carried forward	-6.1	-2.7
Other changes in estimates relating to deferred tax	-21.9	-8.9
Withholding tax	11.1	2.6
Other	7.2	-5.3
Actual tax rate	**25.6**	**25.2**

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

Non-recognized deductible temporary differences
As of December 31, 2014, the Group had tax loss carry-forwards and other deductible temporary differences of SEK 10,260m (9,534), which have not been included in computation of deferred tax assets. The non-recognized deductible temporary differences will expire as follows:

	December 31, 2014
2015	4
2016	38
2017	148
2018	115
2019	315
And thereafter	4,519
Without time limit	5,121
Total	**10,260**

Cont **Note 10**

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

Net deferred tax assets and liabilities

	Excess of depre-ciation	Provision for warranty	Provision for pension	Provision for restruc-turing	Inven-tories	Recog-nized unused tax losses	Accrued expenses and prepaid income	Other	Total deferred tax assets and liabilities	Set-off tax	Net deferred tax assets and liabilities
Opening balance, January 1, 2013	**–283**	**76**	**986**	**336**	**–232**	**669**	**566**	**921**	**3,039**	**–**	**3,039**
Recognized in total comprehensive income	53	51	–610	164	–9	101	–29	651	372	–	372
Exchange-rate differences	–2	–13	31	27	–2	15	–21	–87	–52	–	–52
Closing balance, December 31, 2013	**–232**	**114**	**407**	**527**	**–243**	**785**	**516**	**1,485**	**3,359**	**–**	**3,359**
Of which deferred tax assets	131	190	561	527	141	785	516	2,175	5,026	–641	4,385
Of which deferred tax liabilities	–363	–76	–154	–	–384	–	–	–690	–1,667	641	–1,026
Opening balance, January 1, 2014	**–232**	**114**	**407**	**527**	**–243**	**785**	**516**	**1,485**	**3,359**	**–**	**3,359**
Recognized in total comprehensive income	55	–3	795	30	35	148	–67	–59	934	–	934
Exchange-rate differences	–44	12	78	16	–39	22	58	268	371	–	371
Closing balance, December 31, 2014	**–221**	**123**	**1,280**	**573**	**–247**	**955**	**507**	**1,694**	**4,664**	**–**	**4,664**
Of which deferred tax assets	323	213	1,307	573	178	955	507	2,295	6,351	–1,000	5,351
Of which deferred tax liabilities	–544	–90	–27	–	–425	–	–	–601	–1,687	1,000	–687

Other deferred tax assets include tax credits related to the production of energy-efficient appliances amounting to SEK 463m (573).

Note 11 Other comprehensive income

	Group	
	2013	**2014**
Items that will not be reclassified to income for the period		
Remeasurement of provisions for post-employment benefits		
Opening balance, January 1	**–866**	**349**
Gain/loss taken to other comprehensive income	1,851	–1,534
Income tax relating to items that will not be reclassified	–636	808
Closing balance, December 31	**349**	**–377**
Items that may be reclassified subsequently to income for the period		
Available-for-sale instruments		
Opening balance, January 1	**46**	**–23**
Gain/loss taken to other comprehensive income	–69	19
Closing balance, December 31	**–23**	**–4**
Cash flow hedges		
Opening balance, January 1	**–2**	**39**
Gain/loss taken to other comprehensive income	39	9
Transferred to profit and loss on sale	2	–39
Closing balance, December 31	**39**	**9**
Exchange differences on translation of foreign operations		
Opening balance, January 1	**–1,056**	**–2,574**
Translation differences	–1,518	2,428
Closing balance, December 31	**–2,574**	**–146**
Income tax relating to items that may be reclassified	29	–10
Other comprehensive income, net of tax	**–302**	**1,681**

Income taxes related to items of other comprehensive income were SEK 808m (–636) for remeasurement of provisions for post-employment benefits and SEK –10m (29) for financial instruments for cash flow hedging.

Note 12 Property, plant and equipment

Group	Land and land improvements	Buildings	Machinery and technical installations	Other equipment	Plants under construction	Total
Acquisition costs						
Opening balance, January 1, 2013	**1,200**	**8,214**	**29,238**	**1,945**	**3,696**	**44,293**
Acquired during the year	33	117	1,154	167	2,064	3,535
Transfer of work in progress and advances	1	178	987	7	–1,173	–
Sales, scrapping, etc.	–25	–187	–657	–104	–85	–1,058
Exchange-rate differences	–27	–95	–598	–55	–57	–832
Closing balance, December 31, 2013	**1,182**	**8,227**	**30,124**	**1,960**	**4,445**	**45,938**
Acquired during the year	12	112	1,027	143	1,712	3,006
Acquisition of operations	–	–	1	–	–	1
Transfer of work in progress and advances	49	794	1,992	–8	–2,827	–
Sales, scrapping, etc.	–6	–293	–1,145	–78	–105	–1,627
Exchange-rate differences	113	693	3,122	135	786	4,849
Closing balance, December 31, 2014	**1,350**	**9,533**	**35,121**	**2,152**	**4,011**	**52,167**
Accumulated depreciation						
Opening balance, January 1, 2013	**175**	**3,785**	**22,151**	**1,269**	**220**	**27,600**
Depreciation for the year	6	284	1,927	208	–	2,425
Transfer of work in progress and advances	–	9	3	–12	–	–
Sales, scrapping, etc.	–17	–281	–624	–78	–	–1,000
Impairment	–	55	34	1	1	91
Exchange-rate differences	1	–14	–401	–27	–1	–442
Closing balance, December 31, 2013	**165**	**3,838**	**23,090**	**1,361**	**220**	**28,674**
Depreciation for the year	90	335	2,012	209	–	2,646
Transfer of work in progress and advances	–	–3	9	–5	–1	–
Sales, scrapping, etc.	–90	–352	–875	–66	–	–1,383
Impairment	2	6	–28	–	173	153
Exchange-rate differences	31	396	2,576	95	45	3,143
Closing balance, December 31, 2014	**198**	**4,220**	**26,785**	**1,593**	**437**	**33,233**
Net carrying amount, December 31, 2013	**1,017**	**4,389**	**7,033**	**600**	**4,225**	**17,264**
Net carrying amount, December 31, 2014	**1,152**	**5,313**	**8,336**	**559**	**3,574**	**18,934**

Property, plant, and equipment are stated at historical cost less straight-line accumulated depreciation, adjusted for any impairment charges. Land is not depreciated as it is considered to have an unlimited useful life. All other depreciation is calculated using the straight-line method and is based on the following estimated useful lives:

- Buildings and land improvements 10–40 years
- Machinery and technical installations 3–15 years
- Other equipment 3–10 years

Total impairments in 2014 were SEK 8m (55) on buildings and land, and SEK 145m (36) on machinery and other equipment. The majority of the impairments relates to the business area Major Appliances Europe, Middle East and Africa.

Parent Company	Land and land improvements	Buildings	Machinery and technical installations	Other equipment	Plants under construction	Total
Acquisition costs						
Opening balance, January 1, 2013	**4**	**57**	**760**	**331**	**29**	**1,181**
Acquired during the year	–	–	9	126	11	146
Transfer of work in progress and advances	–	–	16	8	–24	–
Sales, scrapping, discontinued operations etc.	–	–	–43	–13	–	–56
Closing balance, December 31, 2013	**4**	**57**	**742**	**452**	**16**	**1,271**
Acquired during the year	–	–	5	6	24	35
Transfer of work in progress and advances	–	–	7	3	–10	–
Sales, scrapping, etc.	–	–	–59	–68	7	–120
Closing balance, December 31, 2014	**4**	**57**	**695**	**393**	**37**	**1,186**
Accumulated depreciation						
Opening balance, January 1, 2013	**2**	**55**	**606**	**260**	**–**	**923**
Depreciation for the year	–	–	35	44	–	79
Sales, scrapping, discontinued operations etc.	–	–	–42	14	–	–28
Closing balance, December 31, 2013	**2**	**55**	**599**	**318**	**–**	**974**
Depreciation for the year	–	–	42	25	–	67
Sales, scrapping, etc.	2	1	16	–20	–	–1
Closing balance, December 31, 2014	**4**	**56**	**657**	**323**	**–**	**1,040**
Net carrying amount, December 31, 2013	**2**	**2**	**143**	**134**	**16**	**297**
Net carrying amount, December 31, 2014	**0**	**1**	**38**	**70**	**37**	**146**

Note 13 Goodwill and other intangible assets

Goodwill
Goodwill is reported as an indefinite life intangible asset at cost less accumulated impairment losses.

Product development expenses
Electrolux capitalizes expenses for certain own development of new products provided that the level of certainty of their future economic benefits and useful life is high. The intangible asset is only recognized if the product is sellable on existing markets and that resources exist to complete the development. Only expenditures which are directly attributable to the new product's development are recognized. Capitalized development costs are amortized over their useful lives, between 3 and 5 years, using the straight-line method.

Computer software
Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over useful lives, between 3 and 5 years, using the straight-line method with the exception for the development costs of the Group's common business system, which amortization is based on the usage and go-live dates of the entities and continues over useful life. The applied principle gives an amortization period of approximately 10 years for the system.

Trademarks
Trademarks are reported at historical cost less amortization and impairment. The Electrolux trademark in North America, acquired in 2000, is regarded as an indefinite life intangible asset and is not amortized. One of the Group's key strategies is to develop Electrolux into the leading global brand within the Group's product categories. This acquisition gave Electrolux the right to use the Electrolux brand worldwide, whereas it previously could be used only outside of North America. The total carrying amount for the Electrolux brand is SEK 410m, included in the item Other in the table below. All other trademarks are amortized over their useful lives, estimated to 5 to 10 years, using the straight-line method.

Client relationships
Client relationships are recognized at fair value in connection with acquisitions. The values of these relationships are amortized over the estimated useful lives, between 5 and 15 years, using the straight-line method.

Intangible assets with indefinite useful lives
Goodwill as at December 31, 2014, has a total carrying value of SEK 5,350m. The allocation, for impairment-testing purposes, on cash-generating units of the significant amounts is shown in the table below.

All intangible assets with indefinite useful lives are tested for impairment at least once every year. Single assets can be tested more often in case there are indications of impairment. The recoverable amounts of the cash-generating units have been determined based on value in use calculations. The cash-generating units equal the business areas.

Value in use is calculated using the discounted cash-flow model and based on a three-year forecast made by Group Management. The forecast is built up from the estimate of the units within each business area. The preparation of the forecast requires a number of key assumptions such as volume, price, product mix, which will create a basis for future growth and gross margin. These figures are set in relation to historic figures and external reports on market growth. The cash flow for the third year is used as the base for the fourth year and onwards in perpetuity. The discount rates used are, amongst other things, based on the individual countries' inflation, interest rates and country risk. The pre-tax discount rates used in 2014 were for the main part within a range of 7.4 (8.3) to 16.2 (16.5) %. For the calculation of the in-perpetuity value, Gordon's growth model is used. According to Gordon's model, the terminal value of a growing cash flow is calculated as the starting cash flow divided by cost of capital less the growth rate. Cost of capital less growth has been assumed at 6% (6) for all markets. This corresponds to a weighted average cost of capital for the Group of 11% (11) less an average nominal growth rate of 5% (5). The cost of capital and growth rate are estimated to be higher than the average in emerging markets and lower in developed markets. However, the resulting difference is assumed to be equal in all markets over time. Management believes that any reasonably possible adverse change in the key assumptions would not reduce the recoverable amount below its carrying amount.

Goodwill, value of trademark and discount rate

	2013			**2014**		
	Goodwill	Electrolux trademark	Discount rate, %	Goodwill	Electrolux trademark	Discount rate, %
Major Appliances Europe, Middle East and Africa	1,671	–	16.5	1,916	–	16.2
Major Appliances North America	356	410	8.3	428	410	7.4
Major Appliances Latin America	1,359	–	15.6	1,340	–	14.9
Major Appliances Asia/Pacific	1,220	–	8.7	1,385	–	8.1
Other	269	–	9.7-10.4	281	–	9,6-10,3
Total	**4,875**	**410**		**5,350**	**410**	

Goodwill and other intangible assets

	Group					Parent Company
		Other intangible assets				
	Goodwill	Product development	Program software	Other	Total other intangible assets	Trademarks, program software, etc.
Acquisition costs						
Opening balance, January 1, 2013	**5,541**	**2,737**	**3,418**	**2,313**	**8,468**	**2,948**
Acquired during the year	–	–	62	1	63	–
Internally developed	–	442	452	5	899	378
Reclassification	–	26	–12	–14	–	–
Fully amortized	–	–121	–1,010	–	–1,131	–991
Write-off	–	–23	–	–	–23	–
Exchange-rate differences	–666	–29	17	–196	–208	–
Closing balance, December 31, 2013	**4,875**	**3,032**	**2,927**	**2,109**	**8,068**	**2,335**
Acquired during the year	–	–	238	22	260	–
Acquisition of operations	33	–	–	26	26	–
Internally developed	–	355	52	–	407	220
Reclassification	–	–8	11	–3	–	–
Fully amortized	–	–469	–11	–136	–616	–
Write-off	–	–23	–8	–	–31	–
Exchange-rate differences	442	275	153	101	529	–
Closing balance, December 31, 2014	**5,350**	**3,162**	**3,362**	**2,119**	**8,643**	**2,555**
Accumulated amortization						
Opening balance, January 1, 2013	**–**	**1,679**	**1,051**	**659**	**3,389**	**1,016**
Amortization for the year	–	406	370	155	931	200
Fully amortized	–	–121	–1,010	–	–1,131	–988
Write-off	–	–	906	–	906	893
Exchange-rate differences	–	7	9	–54	–38	–
Closing balance, December 31, 2013	**–**	**1,971**	**1,326**	**760**	**4,057**	**1,121**
Amortization for the year	–	397	489	139	1,025	293
Fully amortized	–	–469	–11	–136	–616	–
Write-off	–	–	–	–	–	–
Exchange-rate differences	–	166	86	47	299	–
Closing balance, December 31, 2014	**–**	**2,065**	**1,890**	**810**	**4,765**	**1,414**
Carrying amount, December 31, 2013	**4,875**	**1,061**	**1,601**	**1,349**	**4,011**	**1,214**
Carrying amount, December 31, 2014	**5,350**	**1,097**	**1,472**	**1,309**	**3,878**	**1,141**

Included in the item Other are trademarks of SEK 644m (669) and customer relationships etc. amounting to SEK 665m (680). Amortization of intangible assets is included within Cost of goods sold with SEK 431m (438), Administrative expenses with SEK 435m (334) and Selling expenses with SEK 159m (159) in the income statement. Electrolux did not capitalize any borrowing costs during 2014.

Note 14 Other non-current assets

	Group December 31,		Parent Company December 31,	
	2013	**2014**	2013	**2014**
Shares in subsidiaries	–	–	27,399	27,520
Participations in other companies	–	–	360	377
Long-term receivables in subsidiaries	–	–	2,693	4,736
Other receivables	752	1,110	13	13
Total	**752**	**1,110**	**30,465**	**32,646**

Note 15 Inventories

	Group December 31,		Parent Company December 31,	
	2013	**2014**	2013	**2014**
Raw materials	3,055	3,826	21	16
Products in progress	114	50	1	1
Finished products	8,950	10,390	2,168	2,230
Advances to suppliers	35	58	–	–
Total	**12,154**	**14,324**	**2,190**	**2,247**

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

The cost of inventories recognized as expense and included in Cost of goods sold amounted to SEK 78,687m (77,237) for the Group.

Write-downs due to obsolescence amounted to SEK 251m and previous write-downs reversed with SEK 174m for the Group. The amounts have been included in the item Cost of goods sold in the income statement.

Note 16 Other current assets

	Group December 31,	
	2013	**2014**
Miscellaneous short-term receivables	2,779	3,211
Provisions for doubtful accounts	–8	–29
Prepaid expenses and accrued income	1,369	1,319
Prepaid interest expenses and accrued interest income	265	273
Total	**4,405**	**4,774**

Miscellaneous short-term receivables include VAT and other items.

Note 17 Trade receivables

	2013	**2014**
Trade receivables	19,977	21,282
Provisions for impairment of receivables	–536	–619
Trade receivables, net	**19,441**	**20,663**
Provisions in relation to trade receivables, %	2.7	2.9

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. The change in amount of the provision is recognized in the income statement in selling expenses.

As of December 31, 2014, provisions for impairment of trade receivables amounted to SEK 619m (536). The Group's policy is to reserve 50% of trade receivables that are 6 months past due but less than 12 months, and to reserve 100% of receivables that are 12 months past due and more. If the provision is considered insufficient due to individual consideration such as bankruptcy, officially known insolvency, etc., the provision should be extended to cover the extra anticipated losses.

Provisions for impairment of receivables

	2013	**2014**
Provisions, January 1	**–674**	**–536**
Acquisition of operations	–3	–
New provisions	–109	–185
Actual credit losses	250	140
Exchange-rate differences and other changes	–	–38
Provisions, December 31	**–536**	**–619**

The fair value of trade receivables equals their carrying amount as the impact of discounting is not significant. Electrolux has a significant credit exposure on a number of major customers, primarily in the US, Latin America and Europe. Receivables concentrated to customers with credit limits amounting to SEK 300m or more represent 39.0% (32.8) of the total trade receivables. The creation and usage of provisions for impaired receivables have been included in selling expenses in the income statement.

Timing analysis of trade receivables past due

	2013	**2014**
Trade receivables not overdue	17,784	19,572
Less than 2 months overdue	1,206	725
2–6 months overdue	402	221
6–12 months overdue	49	145
More than 1 year overdue	–	–
Total trade receivables past due but not impaired	1,657	1,091
Impaired trade receivables	536	619
Total trade receivables	**19,977**	**21,282**
Past due, including impaired, in relation to trade receivables, %	11.0	8.0

Note 18 Financial instruments

Additional and complementary information is presented in the following notes to the Annual Report: Note 2, Financial risk management, describes the Group's risk policies in general and regarding the principal financial instruments of Electrolux in more detail. Note 17, Trade receivables, describes the trade receivables and related credit risks.

The information in this note highlights and describes the principal financial instruments of the Group regarding specific major terms and conditions when applicable, and the exposure to risk and the fair values at year-end.

The Group classifies its financial assets in the following categories:

- Financial assets at fair value through profit or loss
- Loans and receivables
- Available-for-sale financial assets

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition.

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently measured at their fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The Group designates certain derivatives as either hedges of the fair value of recognized assets or liabilities or a firm commitment (fair value hedges); hedges of highly probable forecast transactions (cash flow hedges); or hedges of net investments in foreign operations.

Movements on the hedging reserve are shown in other comprehensive income in the consolidated income statement

Net borrowings

At year-end 2014, the Group's net borrowings amounted to SEK 4,869m (7,673). The table below presents how the Group calculates net borrowings and what they consist of.

Net borrowings

	December 31,	
	2013	**2014**
Short-term loans	1,593	1,419
Short-term part of long-term loans	272	2,595
Trade receivables with recourse	868	946
Short-term borrowings	**2,733**	**4,960**
Derivatives	165	152
Accrued interest expenses and prepaid interest income	72	63
Total short-term borrowings	**2,970**	**5,175**
Long-term borrowings	**11,935**	**9,529**
Total borrowings	**14,905**	**14,704**
Cash and cash equivalents	6,607	9,107
Short-term investments	148	99
Derivatives	212	356
Prepaid interest expenses and accrued interest income	265	273
Liquid funds	**7,232**	**9,835**
Financial net debt	**7,673**	**4,869**
Net provision for post-employment benefits	2,980	4,763
Net debt	**10,653**	**9,632**
Revolving credit facility (EUR 500m, SEK 3,400m)[1)]	7,855	8,137
Committed bridge facility (USD 3,500m)	—	27,271

[1)] The facilities are not included in net borrowings, but can, however, be used for short-term and long-term funding.

Liquid funds

Liquid funds as defined by the Group consist of cash and cash equivalents, short-term investments, derivatives and prepaid interest expenses and accrued interest income. Cash and cash equivalents consist of cash on hand, bank deposits and other short-term highly liquid investments with a maturity of 3 months or less. The table below presents the key data of liquid funds. The carrying amount of liquid funds is approximately equal to fair value.

Liquidity profile

	December 31,	
	2013	**2014**
Cash and cash equivalents	6,607	9,107
Short-term investments	148	99
Derivatives	212	356
Prepaid interest expenses and accrued interest income	265	273
Liquid funds	**7,232**	**9,835**
% of annualized net sales[1)]	13.2	14.1
Net liquidity	**4,262**	**4,660**
Fixed interest term, days	12	11
Effective yield, % (average per annum)	1.6	1.3

[1)] Liquid funds plus unused revolving credit facilities of EUR 500m and SEK 3,400m divided by annualized net sales.

For 2014, liquid funds, including unused revolving credit facilities of EUR 500m and SEK 3,400m, amounted to 14,1% (13.2) of annualized net sales. The net liquidity is calculated by deducting short-term borrowings from liquid funds.

Interest-bearing liabilities

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

In 2014, SEK 2,254m of long-term borrowings matured or were amortized. These maturities were refinanced with SEK 1,952m.

At year-end 2014, the Group's total interest-bearing liabilities amounted to SEK 13,543m (13,800), of which SEK 12,124m (12,207) referred to long-term borrowings including maturities within 12 months. Long-term borrowings with maturities within 12 months amounted to SEK 2,595m (272). The outstanding long-term borrowings have mainly been made under the European Medium-Term Note Program and via bilateral loans. The majority of total long-term borrowings, SEK 11,666m (11,745), is taken up at the parent company level. Electrolux also has an unused committed multicurrency revolving credit facility of SEK 3,400m maturing 2017, as well as an unused committed multicurrency revolving credit facility of EUR 500m maturing 2018. These two facilities can be used as either long-term or short-term back-up facilities. However, Electrolux expects to meet any future requirements for short-term borrowings through bilateral bank facilities and capital-market programs such as commercial paper programs. Electrolux has also a committed bridge facility of USD 3,500m to fund the planned acquisition of GE Appliances at closing. The bridge facility is planned to gradually be replaced by capital markets and bank financing, and a rights issue. The paid fees for the bridge facility during 2014, to a cost of SEK 98m, have been capitalized and booked as prepaid expenses.

At year-end 2014, the average interest-fixing period for long-term borrowings was 1.2 years (1.0). The calculation of the average interest-fixing period includes the effect of interest-rate swaps used to manage the interest-rate risk of the debt portfolio. The average interest rate for the total borrowings was 2.4% (3.2) at year end.

The fair value of the interest-bearing borrowings was SEK 13,762m. The fair value including swap transactions used to manage the interest fixing was approximately SEK 13,778m. The borrowings and the interest-rate swaps are valued marked-to-market in order to calculate the fair value.

Cont **Note 18**

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

Borrowings

Issue/maturity date	Description of loan	Interest rate, %	Currency	Nominal value (in currency)	Carrying amount, December 31, 2013	**2014**
Bond loans[1]						
2008-2016	Euro MTN Program	Floating	USD	100	647	779
2011-2016	Euro MTN Program	Floating	SEK	769	999	769
2011-2016	Euro MTN Program	4.500	SEK	1,067	1,532	1,084
2012-2015	Euro MTN Program	3.250	SEK	550	652	–
2012-2015	Euro MTN Program	Floating	SEK	164	350	–
2012-2017	Euro MTN Program	2.625	SEK	100	100	100
2012-2017	Euro MTN Program	Floating	SEK	400	400	400
2012-2018	Euro MTN Program	2.910	SEK	270	270	270
2012-2018	Euro MTN Program	Floating	SEK	730	730	730
2013-2020	Euro MTN Program	3.440	SEK	170	170	170
2013-2020	Euro MTN Program	Floating	SEK	830	830	830
2013-2018	Euro MTN Program	Floating	SEK	600	599	599
2013-2018	Euro MTN Program	2.875	SEK	400	398	398
2014–2019	Euro MTN Program	Floating	SEK	750	–	749
2014–2019	Euro MTN Program	2.340	SEK	250	–	250
2014–2019	Euro MTN Program	1.000	EUR	100	–	943
Total bond loans					**7,677**	**8,071**
Other long-term loans[1]						
1996–2036	Fixed rate loans in Germany	7.870	EUR	39	348	367
2008–2015	Long-term bank loans in Sweden	Floating	PLN	338	727	–
2008–2015	Long-term bank loans in Sweden	Floating	EUR	120	1,069	–
2008–2017	Long-term bank loans in Sweden	Floating	SEK	1,000	1,000	–
2013–2021	Long-term bank loans in Sweden	Floating	SEK	1,000	1,000	1,000
Other long-term loans					114	91
Total other long-term loans					**4,258**	**1,458**
Long-term borrowings					**11,935**	**9,529**
Short-term part of long-term loans[2]						
2008–2014	Euro MTN Program	Floating	USD	42	272	–
2012-2015	Euro MTN Program	3.250	SEK	650	–	550
2012-2015	Euro MTN Program	Floating	SEK	164	–	164
2008–2015	Long-term bank loans in Sweden	Floating	PLN	338	–	744
2008–2015	Long-term bank loans in Sweden	Floating	EUR	120	–	1,137
Total short-term part of long-term loans					**272**	**2,595**
Other short-term loans						
	Short-term bank loans in Egypt	Floating	EGP	685	503	746
	Other bank borrowings and commercial papers				1,090	673
Total other short-term loans					**1,593**	**1,419**
Trade receivables with recourse					**868**	**946**
Short-term borrowings					**2,733**	**4,960**
Fair value of derivative liabilities					**165**	**152**
Accrued interest expenses and prepaid interest income					**72**	**63**
Total borrowings					**14,905**	**14,704**

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

Short-term borrowings pertain mainly to countries with capital restrictions. The average maturity of the Group's long-term borrowings including long-term borrowings with maturities within 12 months was 2.8 years (3.3), at the end of 2014. The table below presents the repayment schedule of long-term borrowings.

Repayment schedule of long-term borrowings, December 31

	2015	2016	2017	2018	2019	2020–	Total
Debenture and bond loans	–	2,632	500	1,997	1,942	1,000	8,071
Bank and other loans	–	91	–	–	–	1,367	1,458
Short-term part of long-term loans	2,595	–	–	–	–	–	2,595
Total	**2,595**	**2,723**	**500**	**1,997**	**1,942**	**2,367**	**12,124**

Other interest-bearing investments

Interest-bearing receivables from customer financing amounting to SEK 100m (76) are included in the item Trade receivables in the consolidated balance sheet. The Group's customer-financing activities are performed in order to provide sales support and are directed mainly to independent retailers in Scandinavia. The majority of the financing is shorter than 12 months. There is no major concentration of credit risk related to customer financing. Collaterals and the right to repossess the inventory also reduce the credit risk in the financing operations. The income from customer financing is subject to interest-rate risk. This risk is immaterial to the Group.

Commercial flows

The table below shows the forecasted transaction flows, imports and exports, for the 12-month period of 2015 and hedges at year-end 2014.

The hedged amounts are dependent on the hedging policy for each flow considering the existing risk exposure. Hedges with maturity above 12 months have a market value of SEK 0m (0) at year-end. The effect of hedging on operating income during 2014 amounted to SEK –25m (319). At year-end 2014, the unrealized fair value of forward contracts for hedging of forecasted transaction flows amounted to SEK 14m (21).

Forecasted transaction flows and hedges

	AUD	BRL	CAD	CHF	CLP	CNY	EGP	EUR	GBP	USD	Other	Total
Inflow of currency, long position	2,271	4,892	3,691	2,094	1,349	–	955	4,859	3,090	9,667	18,407	51,276
Outflow of currency, short position	–182	–23	–1,358	–733	–310	–2,618	–162	–8,608	–634	–21,023	–15,624	–51,276
Gross transaction flow	2,089	4,868	2,333	1,361	1,039	–2,618	793	–3,749	2,457	–11,356	2,783	–
Hedges	–899	–457	–858	–519	–198	2,086	–	1,691	–963	1,298	–489	–
Net transaction flow	**1,190**	**4,412**	**1,475**	**841**	**840**	**–531**	**793**	**–2,058**	**1,493**	**–10,058**	**2,294**	**692**

Maturity profile of financial liabilities and derivatives

The table below presents the undiscounted cash flows of the Group's contractual liabilities related to financial instruments based on the remaining period at the balance sheet to the contractual maturity date. Floating interest cash flows with future fixing dates are estimated using the forward-forward interest rates at year-end. Any cash flow in foreign currency is converted to local currency using the FX spot rates at year-end.

Maturity profile of financial liabilities and derivatives – undiscounted cash flows

	1 year	> 1 year < 2 years	> 2 years < 5 years	> 5 years	Total
Loans	–4,589	–3,493	–5,319	–1,857	–15,258
Net settled derivatives	–8	–9	–	–	–17
Gross settled derivatives	266	–	–	–	266
Outflow	–24,216	–	–	–	–24,216
Inflow	24,481	–	–	–	24,481
Accounts payable	–25,705	–	–	–	–25,705
Financial guarantees	–2,663	–	–	–	–2,663
Total	**–32,699**	**–3,502**	**–5,319**	**–1,857**	**–43,377**

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

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

Net gain/loss, income and expense on financial instruments

	2013				2014			
	Gain/loss in profit and loss	Gain/loss in OCI	Income	Expense	Gain/loss in profit and loss	Gain/loss in OCI	Income	Expense
Recognized in the operating income								
Financial assets and liabilities at fair value through profit and loss	**319**	**–**	**–**	**–**	**–25**	**–**	**–**	**–**
Loans and receivables	**–249**				**–700**			
Available-for-sale financial assets	**–**	**–69**	**–**	**–**	**–**	**17**	**–**	**–**
Total net gain/loss, income and expense	**70**	**–69**	**–**	**–**	**–725**	**17**	**–**	**–**
Recognized in the financial items								
Financial assets and liabilities at fair value through profit and loss	**–21**	**23**	**–**	**–10**	**338**	**–13**	**–**	**14**
Loans and receivables	**–257**	**–**	**136**	**–**	**–233**	**–**	**122**	**–**
Other financial liabilities	**–7**	**–**	**–**	**–541**	**–235**	**–**	**–**	**–578**
Total net gain/loss, income and expense	**–285**	**23**	**136**	**–551**	**–130**	**–13**	**122**	**–564**

Cont **Note 18**

Fair value and carrying amount on financial assets and liabilities

	2013	**2014**[1)]
	Carrying amount	Carrying amount
Financial assets		
Financial assets	**279**	**312**
Financial assets at fair value through profit and loss	119	135
Available-for-sale	160	177
Trade receivables	**19,441**	**20,663**
Loans and receivables	19,441	20,663
Derivatives	**268**	**380**
Short-term investments	**148**	**99**
Financial assets at fair value through profit and loss	145	96
Loans and receivables	3	3
Cash and cash equivalents	**6,607**	**9,107**
Financial assets at fair value through profit and loss	1,516	2,360
Loans and receivables	1,220	1,458
Cash	3,871	5,289
Total financial assets	**26,743**	**30,561**
Financial liabilities		
Long-term borrowings	**11,935**	**9,528**
Financial liabilities measured at amortized cost	11,122	9,227
Financial liabilities measured at amortized cost for which fair value hedge accounting is applied	813	301
Accounts payable	**20,607**	**25,705**
Financial liabilities at amortized cost	20,607	25,705
Short-term borrowings	**2,733**	**4,014**
Financial liabilities measured at amortized cost	2,733	3,860
Financial liabilities measured at amortized cost for which fair value hedge accounting is applied	–	154
Derivatives	**194**	**157**
Total financial liabilities	**35,469**	**39,404**

[1)] Carrying amount equals fair value except for long and short-term borrowings where the fair value is SEK 152m (122), respectively SEK 16m (1) higher than the carrying amount.

Fair value estimation

Valuation of financial instruments at fair value is done at the most accurate market prices available. Instruments which are quoted on the market, e.g., the major bond and interest-rate future markets, are all marked-to-market with the current price. The foreign-exchange spot rate is used to convert the value into SEK. For instruments where no reliable price is available on the market, cash flows are discounted using the deposit/swap curve of the cash-flow currency. If no proper cash-flow schedule is available, e.g., as in the case with forward-rate agreements, the underlying schedule is used for valuation purposes. To the extent option instruments are used, the valuation is based on the Black & Scholes' formula. The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities is estimated by discounting the future contractual cash flows at the current market-interest rate that is available to the Group for similar financial instruments. The Group's financial assets and liabilities are measured according to the following hierarchy:

Level 1: Quoted prices in active markets for identical assets or liabilities. At year-end 2014, the fair value for level 1 financial assets was SEK 2,768m (1,940) and for the total financial liabilities SEK 0m (0).

Level 2: Inputs other than quoted prices included in level 1 that are observable for assets or liabilities either directly or indirectly. At year-end 2014, the fair value for level 2 financial assets was SEK 375m (268) and for the total financial liabilities SEK 157 (194).

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

Note 19 Assets pledged for liabilities to credit institutions

	Group December 31,		Parent Company December 31,	
	2013	**2014**	2013	**2014**
Real-estate mortgages	63	35	–	–
Other	6	6	–	–
Total	**69**	**41**	**–**	–

The major part of real-estate mortgages is related to Brazil. In the process of finalizing the tax amounts to be paid, in some cases, buildings are pledged for estimated liabilities to the Brazilian tax authorities.

Note 20 Share capital, number of shares and earnings per share

The equity attributable to equity holders of the Parent Company consists of the following items:

Share capital
The share capital of AB Electrolux consists of 8,192,539 Class A shares and 300,727,769 Class B shares with a quota value of SEK 5 per share. All shares are fully paid. An A-share entitles the holder to one vote and a B-share to one-tenth of a vote. All shares entitle the holder to the same proportion of assets and earnings, and carry equal rights in terms of dividends.

Share capital

	Quota value
Share capital, December 31, 2013	
8,192,539 Class A shares, with a quota value of SEK 5	41
300,727,769 Class B shares, with a quota value of SEK 5	1,504
Total	**1,545**
Share capital, December 31, 2014	
8,192,539 Class A shares, with a quota value of SEK 5	41
300,727,769 Class B shares, with a quota value of SEK 5	1,504
Total	**1,545**

Number of shares

	Owned by Electrolux	Owned by other shareholders	Total
Shares, December 31, 2013			
Class A shares	–	8,192,539	8,192,539
Class B shares	22,708,321	278,019,448	300,727,769
Conversion of Class A shares into Class B shares			
Class A shares	–	–	–
Class B shares	–	–	–
Sold shares			
Class A shares	–	–	–
Class B shares	-108,437	108,437	–
Shares, December 31, 2014			
Class A shares	–	8,192,539	8,192,539
Class B shares	22,599,884	278,127,885	300,727,769

Other paid-in capital
Other paid-in capital relates to payments made by owners and includes share premiums paid.

Other reserves
Other reserves include the following items: Available-for-sale instruments which refer to the fair-value changes in Electrolux holdings in Videocon Industries Ltd., India; cash-flow hedges which refer to changes in valuation of currency contracts used for hedging future foreign currency transactions; and exchange-rate differences on translation of foreign operations which refer to changes in exchange rates when net investments in foreign subsidiaries are translated to SEK. The amount of exchange-rate changes includes the value of hedging contracts for net investments. Finally, other reserves include tax relating to the mentioned items.

Retained earnings
Retained earnings, including income for the period, include the income of the Parent Company and its share of income in subsidiaries and associated companies. Retained earnings also include remeasurement of provision for post-employment benefits, reversal of the cost for share-based payments recognized in income, income from sales of own shares and the amount recognized for the common dividend.

Earnings per share

	2013	**2014**
Income for the period	672	2,242
Earnings per share		
Basic, SEK	2.35	7.83
Diluted, SEK	2.34	7.78
Average number of shares, million		
Basic	286.2	286.3
Diluted	287.3	288.2

Basic earnings per share is calculated by dividing the income for the period with the average number of shares. The average number of shares is the weighted average number of shares outstanding during the year, after repurchase of own shares. The dilution in the Group is a consequence of the Electrolux long-term incentive programs. Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding with the estimated number of shares from the share programs. Share programs are included in the dilutive potential ordinary shares as from the start of each program.

The average number of shares during the year has been 286,295,400 (286,200,115) and the average number of diluted shares has been 288,211,304 (287,317,610).

Note 21 Untaxed reserves, Parent Company

	December 31, 2013	Appropriations	**December 31, 2014**
Accumulated depreciation in excess of plan			
Brands	321	-21	300
Licenses	122	-36	86
Machinery and equipment	86	-105	-19
Buildings	1	-1	0
Other	28	1	29
Total	**558**	**-162**	**396**
Group contributions		-193	
Total appropriations		**-355**	

Note 22 Post-employment benefits

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

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

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

The cost for pension is disaggregated into three components; service cost, financing cost or income and remeasurement effects. Service cost is reported within Operating income and classified as Cost of goods sold, Selling expenses or Administrative expenses depending on the function of the employee. Financing cost or income is recognized in the Financial items and the remeasurement effects in Other comprehensive income. The Projected Unit Credit Method is used to measure the present value of the obligations and costs. Net provisions for post-employment benefits in the balance sheet represent the present value of the Group's obligations less market value of plan assets. The remeasurements of the obligations are made using actuarial assumptions determined at the balance-sheet date. Changes in the present value of the obligations due to revised actuarial assumptions and experience adjustments on the obligation are recorded in other comprehensive income as remeasurements. The actual return less calculated interest income on plan assets is also recorded in other comprehensive income as remeasurements. Past-service costs are recognized immediately in income for the period.

Some features of the defined benefit plans in the main countries are described below.

USA
The number of pension plans in the US has been significantly reduced over the years through plan consolidation. The major plan covers 90% of the total obligation in the US. This plan is based on final salary and closed for new entrants. Pensions in payment are not generally subject to indexation. Funding position is reassessed every year with a target to restore the funding level over seven years. Surplus in the fund can be used to take a contribution holiday and refunds are taxed at 50%. Post-retirement healthcare benefits are also provided for in the US. Benefits are mainly paid from the plan asset.

United Kingdom
The plan in the UK has both final salary and career average elements and it is closed for new entrants. The funding position is reassessed every three years and a schedule of contributions is agreed between the Trustee and company. The Trustee decides the investment strategy and consults with the company. Surplus may be used by making a contribution holiday; any refunds would be taxed at 35%. Benefits are paid from the plan assets.

Sweden
The main defined benefit plan in Sweden is the collectively agreed pension plan for white collar employees, ITP 2 plan, and it is based on final salary. Benefits in payment are indexed according to the decisions of the Alecta insurance company, typically those follow inflation. The plan is semi-closed, meaning that only new employees born before 1979 are covered by the ITP 2 solution. A defined contribution solution is offered to employees born after 1978. Electrolux has chosen to fund the pension obligation by a pension foundation. The foundation's Board of Directors consists of an equal number of members from Group staff functions and representatives from the company. There is no funding requirement for an ITP pension foundation. Benefits are paid directly by the company and in case of surplus, the company can reimburse itself for the current and the previous year's pension cost and/or take a contribution holiday. In 2014, the inflation assumption was revised down from 2.0% to 1.5% due to several years of low actual inflation in Sweden.

Germany
There are several defined benefit plans based on final salary in Germany. Benefits in payment are indexed every three years according to inflation levels. All plans are closed for new participants. Electrolux has arranged a Contractual Trust Arrangement (CTA) and the funds are held by a local bank who acts as the trustee for the scheme. Electrolux controls the assets via an investment committee with members both from Group staff functions and the local German company. No minimum funding requirements or regular funding obligations apply to CTAs. If there is a surplus under both German GAAP and IFRS rules, Electrolux can take a refund up to the German GAAP surplus. Benefits are paid directly by the company and Electrolux can refund itself for pension pay-outs. Over time, Electrolux will have access to any residual funds after the last beneficiary has died.

Switzerland
In Switzerland, there are three pension plans which are all open for new employees. Benefits are career average in nature, with indexation of benefits following decisions of the foundation boards, subject to legal minima. Contributions are paid to pension foundations and a recovery plan has to be set up if the plans are underfunded on the local funding basis. Swiss laws do not state any specific way of calculating an employer´s additional contribution and because of that there is normally no minimum funding requirement. The assets in the schemes are to large extent handled by local banks and they are working with both asset allocation and selection within a framework decided by the Swiss foundation board. Benefits are paid from the plan assets.

Other countries
There are a variety of smaller plans in other countries and the most important of those are in France, Italy, Canada and Norway. The pension plans in France and Italy are mainly unfunded. The Norwegian pension plans are funded and in Canada there are both funded and unfunded pension plans. A mix of final salary and career average exists in these countries. Some plans are open for new entrants.

Cont **Note 22**

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

Information by country, December 31, 2013

	USA	USA Medical	UK	Sweden	Germany	Switzer-land	Other	Total
Amounts included in the balance sheet								
Present value of funded and unfunded obligations	6,662	1,736	5,183	2,803	2,990	2,437	1,074	22,885
Fair value of plan assets (after change in asset ceiling)	–6,534	–1,462	–5,029	–2,292	–1,940	–2,356	–292	–19,905
Total (surplus)/deficit	128	274	154	511	1,050	81	782	2,980
Whereof reported as								
Pension plan assets	–	–	–	–	–	–	–	445
Provisions for post-employment benefits	–	–	–	–	–	–	–	3,425
Total funding level for all pension plans, %	98	84	97	82	65	97	27	87
Average duration of the obligation, years	10.4	10.5	15.5	15.7	13.7	9.6	–	12.5
Amounts included in the income statement								
Service cost[1)]	–89	4	20	130	17	55	13	150
Net interest cost	32	20	5	24	23	3	20	127
Remeasurements (gain)/loss	–787	–449	10	–599	–24	–2	–	–1,851
Total expense (gain) for defined benefits	–844	–425	35	–445	16	56	33	–1,574
Expenses for defined contribution plans								450
Amounts included in the cash-flow statement								
Contributions by the employer	–	–84	–21	–	–	–38	–9	–152
Reimbursement	–	19	–	67	368	–	–	454
Benefits paid by the employer	–7	–	–	–108	–129	–	–49	–293
Major assumptions for the valuation of the liability								
Longevity, years[2)]:								
Male	19.3	19.3	22.1	23.0	19.5	21.4	–	20.8
Female	21.1	21.1	24.3	24.8	23.3	23.9	–	23.1
Inflation, %[3)]	3.0	7.5	3.25	2.0	2.0	1.5	–	2.6
Discount rate, %	4.4	4.4	4.4	3.7	3.3	2.1	–	3.87

Information by country December, 31, 2014

	USA	USA Medical	UK	Sweden	Germany	Switzer-land	Other	Total
Amounts included in the balance sheet								
Present value of funded and unfunded obligations	8,971	2,093	6,485	3,452	3,548	2,837	1,155	28,541
Fair value of plan assets (after change in asset ceiling)	–8,104	–1,764	–6,123	–2,482	–2,288	–2,694	–323	–23,778
Total (surplus)/deficit	867	329	362	970	1,260	143	832	4,763
Whereof reported as								
Pension plan assets	–	–	–	–	–	–	–	399
Provisions for post-employment benefits	–	–	–	–	–	–	–	5,162
Total funding level for all pension plans, %	91	84	94	72	64	95	27	83
Average duration of the obligation, years	11.2	11.1	16.2	16.7	14.6	12.0	–	13.5
Amounts included in the income statement								
Service cost[4)]	48	–16	17	122	17	17	1	206
Net interest cost	6	13	7	18	33	1	18	96
Remeasurements (gain)/loss	589	22	173	369	227	71	82	1,533
Total expense (gain) for defined benefits	643	19	197	509	277	89	101	1,835
Expenses for defined contribution plans								452
Amounts included in the cash-flow statement								
Contributions by the employer	–	–28	–22	–	–1	–37	–12	–100
Reimbursement	–	8	–	74	–	–	–	82
Benefits paid by the employer	–14	–	–	–115	–138	–	–52	–319
Major assumptions for the valuation of the liability								
Longevity, years[2)]:								
Male	21.6	21.6	22.1	23.0	19.6	21.4	–	21.6
Female	23.7	23.7	24.4	24.8	23.4	23.9	–	24.1
Inflation, %[3)]	3	7	3	1.5	1.7	1.5	–	2.41
Discount rate, %	3.8	3.8	3.7	2.4	2.2	1.2	–	3.08

[1)] 2013 includes settlement gains of SEK 143m in the US and special events amounting to SEK 19m in various countries.
[2)] Expressed as the average life expectancy of a 65 years old person in number of years.
[3)] General inflation impacting salary and pensions increase. For USA Medical, the number refers to the inflation of health-care benefits.
[4)] Includes special events amounting to a gain of SEK 69m in various countries.

Reconciliation of change in present value of defined benefit obligation for funded and unfunded obligations

	2013	**2014**
Opening balance, January 1	**24,882**	**22,885**
Current service cost	274	267
Special events	19	–62
Interest expense	814	887
Remeasurement arising from changes in financial assumptions	–1,132	2,193
Remeasurement from changes in demographic assumptions	359	679
Remeasurement from experience	–369	4
Contributions by plan participants	58	46
Benefits paid	–1,220	–1,389
Exchange differences	211	2,982
Settlements and other	–1,011	49
Closing balance, December 31	**22,885**	**28,541**

Reconciliation of change in the fair value of plan assets

	2013	**2014**
Opening balance, January 1	**20,403**	**19,905**
Interest income[1)]	687	791
Return on plan assets, excluding amounts included in interest[1)]	736	1,316
Effect of asset ceiling	–27	21
Net contribution by employer	–9	337
Contribution by plan participants	58	46
Benefits paid	–1,220	–1,389
Exchange differences	148	2,660
Settlements and other	–871	91
Closing balance, December 31	**19,905**	**23,778**

[1)] The actual return on plan assets amounts to a gain of SEK 2,107m (1,423).

Risks

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

Investment strategy and risk management

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

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

Sensitivity analysis on defined benefit obligation

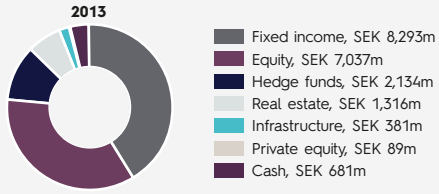
	USA	USA Medical	UK	Sweden	Germany	Switzerland	Other	Total
Longevity +1 year	283	119	217	114	120	87	7	947
Inflation +0.5%[1)]	41	125	219	305	215	31	40	976
Discount rate +1%	–880	–211	–935	–500	–469	–315	–108	–3,418
Discount rate –1%	1,070	254	1,156	646	597	395	125	4,243

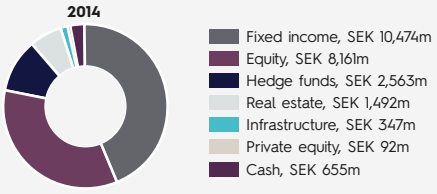
[1)] The inflation change feeds through to other inflation-dependant assumptions, i.e., pension increases and salary growth.

In 2015, the Group expects to pay a total of SEK 330m in contributions to the pension funds and as payments of benefits directly to the employees.

Cont **Note 22**

Market value of plan assets by category





	December 31,	
Market value of plan assets without quoted prices	2013	**2014**
Fixed income	33	57
Real estate	1,316	1,492
Infrastructure	381	347
Private equity	89	92

The Swedish pension foundation carries plan assets at a fair value of SEK 200m related to property used by Electrolux.

Governance
Defined benefit pensions and pension plan assets are governed by the Electrolux Pension Board, which resumes 3-4 times per year and has the following responsibilities:

- Implementation of pension directives of the AB Electrolux Board of Directors.
- Evaluation and approval of new plans, changes to plans or termination of plans.
- Annually, approval of the Group's and local pension funds' investment strategies.
- Annually, approval of the Group's global and local benchmarks for follow up of pension plan assets.
- Approval of the election of company representatives in the Boards of Trustees.
- Approval of the financial and actuarial assumptions to be used in the measurement of the defined benefit obligations.

Parent Company
According to Swedish accounting principles adopted by the Parent Company, defined benefit liabilities are calculated based upon officially provided assumptions, which differ from the assumptions used in the Group under IFRS. The pension benefits are secured by contributions to a separate fund or recorded as a liability in the balance sheet. The accounting principles used in the Parent Company's separate financial statements differ from the IFRS principles, mainly in the following:

- The pension liability calculated according to Swedish accounting principles does not take into account future salary increases.
- The discount rate used in the Swedish calculations is set by the Swedish Pension Foundation (PRI) and was 5.8% (4.0). The rate is the same for all companies in Sweden.
- Changes in the discount rate and other actuarial assumptions are recognized immediately in the profit or loss and the balance sheet.
- Deficit must be either immediately settled in cash or recognized as a liability in the balance sheet.
- Surplus cannot be recognized as an asset, but may in some cases be refunded to the company to offset pension costs.

Change in the present value of defined benefit pension obligation for funded and unfunded obligations

	Funded	Unfunded	Total
Opening balance, January 1, 2013	**1,430**	**414**	**1,844**
Current service cost	39	26	65
Interest cost	59	17	76
Benefits paid	–61	–30	–91
Closing balance, December 31, 2013	**1,467**	**427**	**1,894**
Current service cost	41	8	49
Interest cost	87	25	112
Benefits paid	–68	–31	–99
Closing balance, December 31, 2014	**1,527**	**429**	**1,956**

Change in fair value of plan assets

	Funded
Opening balance, January 1, 2013	**1,845**
Actual return on plan assets	146
Contributions and compensation to/from the fund	–56
Closing balance, December 31, 2013	**1,935**
Actual return on plan assets	255
Contributions and compensation to/from the fund	–62
Closing balance, December 31, 2014	**2,128**

Amounts recognized in balance sheet

	December 31,	
	2013	**2014**
Present value of pension obligations	–1,894	–1,956
Fair value of plan assets	1,935	2,128
Surplus/deficit	**41**	**172**
Limitation on assets in accordance with Swedish accounting principles	–468	–601
Net provisions for pension obligations	**–427**	**–429**
Whereof reported as provisions for pensions	–427	–429

Amounts recognized in income statement

	2013	**2014**
Current service cost	65	49
Interest cost	76	112
Total expenses for defined benefit pension plans	**141**	**161**
Insurance premiums	79	79
Total expenses for defined contribution plans	**79**	**79**
Special employer's contribution tax	30	29
Cost for credit insurance FPG	2	2
Total pension expenses	**252**	**271**
Compensation from the pension fund	–56	–61
Total recognized pension expenses	**196**	**210**

The Swedish Pension Foundation

The pension liabilities of the Group's Swedish defined benefit pension plan (PRI pensions) are funded through a pension foundation established in 1998. The market value of the assets of the foundation amounted at December 31, 2014, to SEK2,518m (2,290m) and the pension commitments to SEK 1,807m (1,739). The Swedish Group companies recorded a liability to the pension fund as per December 31, 2014, in the amount of SEK 0m (0). Contributions to the pension foundation during 2014 amounted to SEK 0m (0). Contributions from the pension foundation during 2014 amounted to SEK 74m (67).

Note 23 Other provisions

	Group					Parent Company			
	Provisions for restructuring	Warranty commitments	Claims	Other	Total	Provisions for restructuring	Warranty commitments	Other	Total
Opening balance, January 1, 2013	**2,041**	**1,359**	**1,119**	**2,178**	**6,697**	**258**	**223**	**38**	**519**
Provisions made	1,504	739	762	739	3,531	939	120	10	1,069
Provisions used	–626	–796	–472	–688	–2,369	–167	–	–4	–171
Unused amounts reversed	–10	–13	–	–88	–111	–	–	–1	–1
Exchange-rate differences	–25	–41	–6	–120	–192	–	–	–	–
Closing balance, December 31, 2013	**2,884**	**1,248**	**1,403**	**2,021**	**7,556**	**1,030**	**343**	**43**	**1,416**
Of which current provisions	1,555	736	248	495	3,034	1,011	39	2	1,052
Of which non-current provisions	1,329	512	1,155	1,526	4,522	19	304	41	364
Opening balance, January 1, 2014	**2,884**	**1,248**	**1,403**	**2,021**	**7,556**	**1,030**	**343**	**43**	**1,416**
Provisions made	1,107	1,151	551	1,451	4,260	266	231	24	521
Provisions used	–1,162	–892	–685	–1,029	–3,768	–536	–168	–2	–706
Unused amounts reversed	–138	–23	–	–79	–240	–35	–	–1	–36
Exchange-rate differences	157	117	182	184	640	–	–	–	–
Closing balance, December 31, 2014	**2,848**	**1,601**	**1,451**	**2,548**	**8,448**	**725**	**406**	**64**	**1,195**
Of which current provisions	1,045	858	287	593	2,783	619	77	1	697
Of which non-current provisions	1,803	743	1,164	1,955	5,665	106	329	63	498

Provisions are recognized when the Group has a present obligation as a result of a past event, and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation at the balance-sheet date. Where the effect of time value of money is material, the amount recognized is the present value of the estimated expenditures.

Provisions for warranty are recognized at the date of sale of the products covered by the warranty and are calculated based on historical data for similar products. Provisions for warranty commitments are recognized as a consequence of the Group's policy to cover the cost of repair of defective products. Warranty is normally granted for one to two years after the sale.

Restructuring provisions are recognized when the Group has both adopted a detailed formal plan for the restructuring and has, either started the plan implementation, or communicated its main features to those affected by the restructuring. Provisions for restructuring represent the expected costs to be incurred as a consequence of the Group's decision to close some factories, rationalize production and reduce personnel, both for newly acquired and previously owned companies. The amounts are based on management's best estimates and are adjusted when changes to these estimates are known. The larger part of the restructuring provisions as per December 31, 2014, will be consumed in 2015 and 2016.

Provisions for claims refer to the Group's captive insurance companies. Other provisions include mainly provisions for direct and indirect tax, environmental liabilities, asbestos claims or other liabilities, none of which is material to the Group. The timing of any resulting outflows for provisions for claims and other provisions is uncertain.

Note 24 Other liabilities

	Group December 31,		Parent Company December 31,	
	2013	**2014**	2013	**2014**
Accrued holiday pay	805	851	174	189
Other accrued payroll costs	1,095	1,315	143	262
Accrued interest expenses	72	63	69	58
Prepaid income	292	279	5	4
Other accrued expenses	7,109	7,370	479	552
Other operating liabilities	3,513	3,653	–	–
Total	**12,886**	**13,531**	**870**	**1,065**

Other accrued expenses include accruals for fees, advertising and sales promotion, bonuses, extended warranty, and other items. Other operating liabilities include VAT and other items.

Note 25 Contingent liabilities

	Group December 31,		Parent Company December 31,	
	2013	**2014**	2013	**2014**
Guarantees and other commitments				
On behalf of subsidiaries	–	–	1,635	1,711
On behalf of external counterparties	1,458	3,616	156	2,014
Employee benefits in excess of reported liabilities	–	123	24	18
Total	**1,458**	**3,739**	**1,815**	**3,743**

In 2014, it was announced that AB Electrolux has entered into an agreement to acquire the appliances business of General Electric. Completion of the transaction is mainly subject to regulatory approvals. The acquisition is expected to close during 2015. Unless the parties agree otherwise, Electrolux has agreed to pay a termination fee of USD 175m in certain circumstances involving termination of the agreement due to the failure to obtain regulatory approvals. For further information on the acquisition, see page 87 in the Board of Directors report.

Of the remaining Guarantees and other commitments on behalf of external counterparties a large part is related to US sales to dealers financed through external finance companies with a regulated buy-back obligation of the products in case of dealer's bankruptcy.

In addition to the above contingent liabilities, guarantees for fulfillment of contractual undertakings are given as part of the Group's normal course of business. There was no indication at year-end that payment will be required in connection with any contractual guarantees.

Legal proceedings

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

As of December 31, 2014, the Group had a total of 3,070 (2,980) cases pending, representing approximately 3,129 (approximately 3,040) plaintiffs. During 2014, 1,172 new cases with 1,180 plaintiffs were filed and 1,082 pending cases with approximately 1,091 plaintiffs were resolved.

The Group continues to operate under a 2007 agreement with certain insurance carriers who have agreed to reimburse the Group for a portion of its costs relating to certain asbestos lawsuits. The agreement is subject to termination upon 60 days notice and if terminated, the parties would be restored to their rights and obligations under the affected insurance policies.

It is expected that additional lawsuits will be filed against Electrolux. It is not possible to predict the number of future lawsuits. In addition, the outcome of asbestos lawsuits is difficult to predict and Electrolux cannot provide any assurances that the resolution of these types of lawsuits will not have a material adverse effect on its business or on results of operations in the future.

In July 2004, a gas explosion occurred on Husqvarna's property in Ghislenghien, Belgium, resulting in the loss of 24 lives and substantial personal injuries and property damage. In 2012, the Belgium Supreme Court concluded that Husqvarna together with other parties were found liable for the accident and jointly and severally liable for the damages. As a former subsidiary of Electrolux, Husqvarna is covered by Electrolux liability insurance program for 2004. This program is reinsured by external insurance companies. Electrolux believes that losses which Husqvarna is covered for under Electrolux insurance program are correspondingly covered by the external reinsurance program.

The Group is involved in a legal proceeding in Egypt relating to the privatization of an Egyptian subsidiary. The proceeding is currently on-going in the court of first instance in Cairo, Egypt. Electrolux believes that the lawsuit is without legal merit. In case of a negative outcome, Electrolux believes that losses will largely be covered by guarantees obtained by Electrolux in connection with the acquisition of Olympic Group in 2011.

In October 2013, the Group became the subject of an investigation by the French Competition Authority regarding a possible violation of antitrust rules. It is too early to assess if and to what extent the investigation may affect the Group's financial position.

The Group is a named defendant in a lawsuit in the US that has been certified as a class action. The case concerns alleged presence of mold in some of the Group's front-load washers. The Group disputes the merits of the case and intends to defend it vigorously. The outcome of this class action is difficult to predict. It cannot be ruled out, however, that a resolution of this case unfavorable to the Group could have a material adverse effect on the Group's financial position.

Note 26 Acquired and divested operations

Acquired operations

	2013	**2014**
Acquired operations		
BeefEater barbecue operations, Australia	–	68
Acquired non-controlling interest		
Olympic Group, Egypt	3	–
CTI Group, Chile	2	1
Acquired shares in associated company		
50% share in Gångaren 13 Holding AB, Sweden	200	–
Total cash paid for acquisitions	**205**	**69**

In August 2014, the Group closed a deal acquiring the BeefEater barbeque business situated in Australia for an estimated purchase price of AUD 13m (SEK 85m). An amount of AUD 11m (SEK 68m) was paid at closing, while an additional consideration of up to AUD 2m will be paid in 2015 given certain performance criteria are achieved. The acquired business reported a net sales of AUD 12m (SEK 77m) in 2013.

In September 2014, the Group announced it has entered into an agreement to acquire the appliances business of General Electric in the US. The acquisition is expected to close during 2015. For further information on the acquisition, see page 87 in the Board of Directors report.

In the first quarter of 2013, the Group acquired and subsequently partly divested the real estate company owning the corporate head office in Sweden to the Swedish Pension Foundation for SEK 200m. The divestment was made at fair value. The remaining investment in the real estate company is SEK 200m representing a 50% ownership. The shareholding is classified as an associated company and subject to equity accounting.

Additional non-controlling interest was acquired in 2013 for an amount of SEK 3m in the Olympic Group in Egypt and for SEK 2m in the CTI Group in Chile.

Note 27 Employees and remuneration

Employees and employee benefits

In 2014, the average number of employees was 60,038 (60,754), of whom 39,931 (41,310) were men and 20,107 (19,444) women.

A detailed specification of the average number of employees by country has been submitted to the Swedish Companies Registration Office and is available on request from AB Electrolux, Investor Relations and Financial Information. See also Electrolux website www.electroluxgroup.com.

Average number of employees, by geographical area

	Group	
	2013	**2014**
Europe	21,602	20,768
North America	9,922	10,702
Latin America	18,241	18,478
Rest of world	10,989	10,090
Total	**60,754**	**60,038**

Salaries, other remuneration and employer contributions

	2013			**2014**		
	Salaries and remuneration	Employer contributions	Total	Salaries and remuneration	Employer contributions	Total
Parent Company	976	485	1,461	965	493	1,458
whereof pension costs		170[1)]	170[1)]		179[1)]	179[1)]
Subsidiaries	12,545	2,627	15,172	13,313	2,653	15,966
whereof pension costs		430	430		479	479
Total Group	**13,521**	**3,112**	**16,633**	**14,278**	**3,146**	**17,424**
whereof pension costs		600	600		658	658

[1)] Includes SEK 6m (9), referring to the President's predecessors according to local GAAP (the cost for the current President is included in his home country).

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

	2013			**2014**		
	Board members and senior managers	Other employees	Total	Board members and senior managers	Other employees	Total
Parent Company	45	931	976	44	921	965
Other	230	12,315	12,545	207	13,106	13,313
Total Group	**275**	**13,246**	**13,521**	**251**	**14,027**	**14,278**

Of the Board members in the Group, 82 were men and 16 women, of whom 6 men and 3 women in the Parent Company. Senior managers in the Group consisted of 181 men and 68 women, of whom 3 men and 1 women in the Parent Company. The total pension cost for Board members and senior managers in the Group amounted to 29m (42) in 2014.

Compensation to the Board of Directors

The Annual General Meeting (AGM) determines the total compensation to the Board of Directors for a period of one year until the next AGM. The compensation is distributed between the Chairman, Deputy Chairman, other Board Members and remuneration for committee work. The Board decides the distribution of the committee fee between the committee members. Compensation is paid out in advance each quarter. Compensation paid in 2014 refers to one fourth of the compensation authorized by the AGM in 2013, and three fourths of the compensation authorized by the AGM in 2014. Total compensation paid in cash in 2014 amounted to SEK 6.3m, of which SEK 5.7m referred to ordinary compensation and SEK 0.6m to committee work.

Compensation to Board members 2014

´000 SEK	Ordinary compensation	Compensation for committee work	Total compensation
Marcus Wallenberg, Chairman (until AGM 2014)	425	18	443
Ronnie Leten, Chairman (from AGM 2014)	1,497	40	1,537
Torben Ballegaard Sørensen, Deputy Chairman	597	200	797
Lorna Davis	534	58	592
Petra Hedengran (from AGM 2014)	405	80	485
Hasse Johansson	534	88	622
Keith McLoughlin, President	–	–	–
Bert Nordberg	534	–	534
Fredrik Persson	534	88	622
Ulrica Saxon	534	–	534
Barbara Milian Thoralfsson (until AGM 2014)	129	40	169
Ola Bertilsson	–	–	–
Gunilla Brandt	–	–	–
Ulf Carlsson	–	–	–
Total compensation 2014	**5,723**	**612**	**6,335**
Revaluation of synthetic shares from previous assignment period	-1,589	–	-1,589
Total compensation cost 2014 including revaluation of synthetic shares	**4,134**	**612**	**4,746**

Cont **Note 27**

Synthetic shares
The AGM in 2008, 2009 and 2010 decided that a part of the fees to the Board of Directors should be payable in synthetic shares. A synthetic share is a right to receive in the future a payment corresponding to the stock-market value of a Class B share in Electrolux at the time of payment. In accordance with the fee structure laid down by the AGM, the Directors have for the 2008/2009, 2009/2010 and 2010/2011 terms of office been given the choice of receiving 25% or 50% of the fees for the Board assignment in synthetic shares. The remaining part of the fees to the Directors is paid in cash. Foreign Directors have been able to elect to receive 100% of the fees in cash. The synthetic shares entail a right to payment, in the fifth year after the AGM decision, of a cash amount per synthetic share corresponding to the price for a Class B share in Electrolux at the time of payment. Should a Director's assignment end not later than four years after the time of allocation, cash settlement may instead take place during the year after the assignment came to an end. At the end of 2014, a total of 7,008 (18,979) synthetic shares were outstanding, having a total value of SEK 1.6m (3.2). The accrued value of the synthetic shares has been calculated as the number of synthetic shares times the volume weighted average price of a Class B share in Electrolux as of December 31, 2014. The revenue from revaluation of synthetic shares during 2014 was SEK 1.6m. Cash settlements in 2014 amounted to SEK 2.2m (2.7).

Remuneration Committee
For information on the Remuneration Committee, see the Corporate governance report on page 136.

Remuneration guidelines for Group Management
The AGM in 2014 approved the proposed remuneration guidelines. These guidelines are described below.

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

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

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

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

Since 2004, Electrolux has long-term performance-share programs for 160 to 225 senior managers of the Group. For further information, see page 125.

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

For the President, the annualized base salary for 2014 has been set at USD 1,493,500 (approximately SEK 10.2m).

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

The President participates in the Group's long-term performance programs. For further information on these programs, see page 125.

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

The President is employed on a US employment contract and has been assigned to Sweden. A specific support package is provided to him under the Group's International Assignment Policy that includes amongst others relocation support, tax filing support, as well as various allowances that are provided to expatriates within the Group under the policy.

Pensions for the President
The President is covered by the pension plans in place with his US employer for old age, disability and death benefits. The retirement age for the President is 65. The President is entitled to a fixed defined annual contribution of USD 800,000 (approximately SEK 5.5m) that is paid towards the employer's pension plans (401(k), excess 401(k) and Supplemental Defined Contribution Plan).

The capital value of pension commitments for the President in 2014, prior Presidents, and survivors is SEK 313m (279).

Compensation and terms of employment for other members of Group Management
Like the President, other members of Group Management receive a compensation package that comprises fixed salary, variable salary based on annual targets, long-term performance-share programs and other benefits such as pensions and insurance.

Base salary is revised annually per January 1. The average base-salary increase for members of Group Management in 2014 was 3.9% (2.2).

Variable salary in 2014 is based on financial targets on business area and Group level. Variable salary for business area heads varies between a minimum (no pay out) and a maximum of 100% of annual salary, which is also the cap. The US-based business area head has a maximum of 150%.

Group staff heads receive variable salary that varies between a minimum (no pay out) and a maximum of 80%, which is also the cap.

No payments for extraordinary arrangements were made in 2014 and there are no such payments outstanding per year end.

The members of Group Management participate in the Group's long-term performance programs. These programs comprise the performance-share program introduced in 2004. For further information on these programs, see page 125.

Certain members of Group Management are entitled to 12 months' severance pay based on base salary. Severance pay is applicable if the employment is terminated by the company. It is also applicable if the employment is terminated by the Group Management member provided serious breach of contract on the company's behalf or if there has been a major change in ownership structure in combination with changes in management and changed individual accountability.

The Swedish members of Group Management are not eligible for fringe benefits such as company cars. For members of Group Management employed outside of Sweden, varying fringe benefits and conditions may apply, depending upon the country of employment.

Pensions for other members of Group Management
The earliest retirement age is 60 for members of Group Management.

Members of Group Management employed in Sweden are covered by the Alternative ITP plan, as well as a supplementary plan.

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

One member is covered by a closed supplementary plan in which contributions equal 35% of the pensionable salary. The member is also entitled to individual additional contributions.

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

The pensionable salary is calculated as the current fixed salary including vacation pay plus the average variable salary for the last three years. Accrued capital is subject to a real rate of return of 3.5% per year.

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

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

Compensation paid to Group Management

	2013					2014				
'000 SEK unless otherwise stated	Annual fixed salary[1]	Variable salary paid 2013[2]	**Total salary**	Long-term PSP (value of shares awarded)	Other remuneration[3]	Annual fixed salary[1]	Variable salary paid 2014[2]	**Total salary**	Long-term PSP (value of shares awarded)	Other remuneration[3]
President and CEO	9,875	7,276	**17,151**	249	2,727	10,174	2,022	**12,196**	655	7,489[5]
Other members of Group Management[4]	50,230	34,859	**85,089**	1,375	8,811	48,696	13,430	**62,126**	2,391	7,038
Total	**60,105**	**42,135**	**102,240**	**1,624**	**11,538**	**58,870**	**15,452**	**74,322**	**3,046**	**14,527**

[1] The annual fixed salary includes vacation salary, paid vacation days and travel allowance.
[2] The actual variable salary paid in a year refers to the **previous year's performance.**
[3] Includes conditional variable compensation, allowances and other benefits as housing and company car.
[4] Other members of Group Management comprised 12 people in 2013 and 11 people in 2014.
[5] Expert tax relief for the CEO expired at the end of 2013 resulting in additional tax and social security costs for Electrolux.

Compensation cost incurred for Group Management

	2013						2014					
'000 SEK unless otherwise stated	Annual fixed salary	Variable salary incurred 2013 but paid 2014	Long-term PSP (cost)[1]	Other remuneration[2]	Total pension contribution	Social contribution	Annual fixed salary	Variable salary incurred 2014 but paid 2015	Long-term PSP (cost)[1]	Other remuneration[2]	Total pension contribution	Social contribution
President and CEO	9,875	2,063	4,077	2,727	5,219	2,842	10,174	7,038	6,607	7,489	5,512	3,917[3]
Other members of Group Management	50,230	13,823	15,439	14,720	26,282	18,598	48,696	27,059	21,322	7,038	22,814	12,234
Total	**60,105**	**15,886**	**19,516**	**17,447**	**31,501**	**21,440**	**58,870**	**34,097**	**27,929**	**14,527**	**28,326**	**16,151**

[1] Cost for share-based incentive programs are accounted for according to IFRS 2, Share-based payments. If the expected cost of the program is reduced, the previous recorded cost is reversed and an income is recorded in the income statement. The cost includes social contribution cost for the program.
[2] Includes conditional variable compensation, allowances and other benefits as housing and company car.
[3] Expert tax relief for the CEO expired at the end of 2013 resulting in additional tax and social security costs for Electrolux.

Share-based compensation

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

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

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

Performance-share programs 2012, 2013 and 2014

The Annual General Meeting in 2014 approved an annual long-term incentive program. The program is in line with the Group's principles for remuneration based on performance, and is an integral part of the total compensation for Group Management and other senior managers. Electrolux shareholders benefit from this program since it facilitates recruitment and retention of competent executives and aligns management interest with shareholder interest as the participants invest and receive awards delivered in Electrolux Class B shares.

The allocation of shares in the 2013 and 2014 programs is determined by the position level and the outcome of three financial objectives; (1) annual growth in earnings per share, (2) return on net assets and (3) organic sales growth. The 2012 program has one financial objective; average annual growth in earnings per share.

If the minimum level of the objectives is reached, the allocation will amount to 17% for the 2012 program. For the 2013 and 2014 programs allocation is linear from minimum to maximum, i.e., no threshold amount when meeting the minimum level. There is no allocation if the minimum level is not reached. If the maximum is reached, 100% of shares will be allocated. Should the achievement of the objectives be below the maximum but above the minimum, a proportionate allocation will be made. The shares will be allocated after the three-year period free of charge. No personal investment is required for participation in the performance-share program as from 2013.

Participants are permitted to sell the allocated shares to cover personal income tax arising from the share allocation. If a participant's employment is terminated during the vesting period, the right to receive shares will be forfeited in full. In the event of death, divestiture or leave of absence for more than six months, this will result in a reduced award for the affected participant.

Each program covers 180 to 225 senior managers and key employees in about 20 countries. Participants in the program comprise five groups, i.e., the President, other members of Group Management, and three groups of other senior managers. All programs comprise Class B shares.

If performance is between minimum and maximum, the total cost for the 2014 performance-share program over a three-year period is estimated at SEK 127m, including costs for employer contributions. If the maximum level is attained, the cost is estimated at a maximum of SEK 253m. The distribution of shares under this program will result in an estimated maximum increase of 0.65% in the number of outstanding shares.

For 2014, LTI programs resulted in a cost of SEK 106m (including a cost of SEK 36m in employer contribution) compared to a cost of SEK 73m in 2013 (including a cost of SEK 16m in employer contribution). The total provision for employer contribution in the balance sheet amounted to SEK 76m (29).

Repurchased shares for LTI programs

The company uses repurchased Electrolux Class B shares to meet the company's obligations under the share programs. The shares will be distributed to share-program participants if performance targets are met Electrolux intends to sell additional shares on the market in connection with the distribution of shares under the program in order to cover the payment of employer contributions.

Delivery of shares for the 2011 program

The 2011 performance-share program did not meet the minimum performance level to deliver performance shares. Only matching shares were delivered to participants according to Terms and Conditions Share Program 2011.

Cont **Note 27**

Number of potential shares per category and year

	Maximum number of B-shares[1]			Maximum value, SEK[2] [3]		
	2012	2013	**2014**	2012	2013	**2014**
President	38,614	48,948	54,981	5,000,000	7,811,000	7,745,000
Other members of Group Management	13,901	19,325	22,411	1,800,000	3,084,000	3,157,000
Other senior managers, cat. C	10,426	11,642	13,545	1,350,000	1,858,000	1,908,000
Other senior managers, cat. B	6,951	6,359	7,309	900,000	1,015,000	1,029,000
Other senior managers, cat. A	5,213	3,460	3,792	675,000	552,000	534,000

[1] Each value is converted into a number of shares. The number of shares is based on a share price of SEK 129.49 for 2012, SEK 159.57 for 2013 and SEK 140.86 for 2014, calculated as the average closing price of the Electrolux Class B share on the Nasdaq Stockholm during a period of ten trading days before the day participants were invited to participate in the program, adjusted for net present value of dividends for the period until shares are allocated. The recalculated weighted average fair value of shares at grant for all the programs is SEK 143.13 per share.
[2] Total maximum value for all participants at grant is SEK 166m for the performance-share program 2012, SEK 227m for the 2013 program and SEK 228m for the 2014 program.
[3] The 2012 program meet the maximum level. The share allocation from the 2013 program will be at 30% of maximum. The share allocation from the 2014 program will be at 70.9% of maximum.

Performance-share program 2014

	Financial objectives			Allocation of shares		
	Minimum	Maximum	Actual	Outcome, %	Weight, %	Allocation, %
Earnings per share, SEK[1]	8.4	11.6	11.3	90.6	25	22.7
Return on net assets, %[1]	13.3	17.3	17.1	95.3	50	47.6
Organic sales growth, %	1.0	5.0	1.1	2.5	25	0.6
Total allocation						**70.9**

[1] Excluding items affecting comparability.

Note 28 Fees to auditors

PricewaterhouseCoopers (PwC) is appointed auditors for the period until the 2018 Annual General Meeting.

	Group		Parent Company	
	2013	**2014**	2013	**2014**
PwC				
Audit fees[1]	44	38	8	10
Audit-related fees[2]	2	2	1	–
Tax fees[3]	5	5	1	–
All other fees[4]	2	26	1	26
Total fees to PwC	**53**	**71**	**11**	**36**
Audit fees to other audit firms	2	–	–	–
Total fees to auditors	**55**	**71**	**11**	**36**

[1] Audit fees consist of fees for the annual audit-services engagement and other audit services, which are those services that only the external auditors reasonably can provide, and include the Company audit; statutory audits; comfort letters and consents; and attest services.
[2] Audit-related fees consist of fees for assurance and related services that are reasonably related to the performance of the audit or review of the Company's financial statements or that are traditionally performed by the external auditors, and include consultations concerning financial accounting and reporting standards; internal control reviews; and employee benefit plan audits. Audit-related fees also include review of interim reports.
[3] Tax fees include fees for tax-compliance services, including the preparation of original and amended tax returns and claims for refund; tax consultations; tax advice related to mergers and acquisitions; transfer pricing; requests for rulings or technical advice from taxing authorities; tax-planning services; and expatriate-tax planning and services.
[4] All other fees include fees for transaction support services, financial advisory and other services in 2014.

Note 29 Shares and participations

Associated companies
Participation in associated companies amounted in total to SEK 228m (221). Electrolux owns 39.3% of Sidème, France, with a carrying amount SEK 15m (13) and 50% of Gångaren 13 Holding AB with a carrying amount of SEK 213m (203). Gångaren 13 Holding AB is a real estate company owning the corporate head office in Sweden. Both companies are unlisted and Electrolux participation remained unchanged during the year. During the year, Electrolux sold it's 24.5% holding in European Recycling Platform, France.

Companies classified as assets available for sales
Electrolux holds 2.7% (2.8) of the shares in Videocon Industries Ltd., India, with a carrying amount of SEK 176m (159).

Group companies
The following table lists the major companies included in the Electrolux Group. A detailed specification of Group companies has been submitted to the Swedish Companies Registration Office and is available on request from AB Electrolux, Investor Relations and Financial Information.

Subsidiaries		Holding, %
Major Group companies		
Argentina	Frimetal S.A	99.51
Australia	Electrolux Home Products Pty. Ltd	100
Austria	Electrolux Hausgeräte GmbH	100
Belgium	Electrolux Home Products Corporation N.V.	100
Brazil	Electrolux do Brasil S.A.	100
Canada	Electrolux Canada Corp.	100
Chile	CTI S.A.	99.51
China	Electrolux (Hangzhou) Domestic Appliances Co. Ltd	100
	Electrolux (China) Home Appliance Co. Ltd	100
Denmark	Electrolux Home Products Denmark A/S	100
Egypt	Olympic Group for Trade & Industry S.A.E.	99.94
Finland	Oy Electrolux Ab	100
France	Electrolux France SAS	100
	Electrolux Home Products France SAS	100
	Electrolux Professionnel SAS	100
Germany	Electrolux Deutschland GmbH	100
	Electrolux Rothenburg GmbH Factory and Development	100
	Electrolux Professional GmbH	100
Hungary	Electrolux Lehel Kft	100
Italy	Electrolux Appliances S.p.A.	100
	Electrolux Professional S.p.A.	100
	Electrolux Italia S.p.A.	100
Mexico	Electrolux de Mexico, S.A. de C.V.	100
The Netherlands	Electrolux Associated Company B.V.	100
	Electrolux Home Products (Nederland) B.V.	100
Norway	Electrolux Home Products Norway AS	100
Poland	Electrolux Poland Spolka z.o.o.	100
Russia	LLC Electrolux Rus	100
Singapore	Electrolux SEA Pte Ltd	100
Spain	Electrolux España S.A.	100
Sweden	Electrolux Laundry Systems Sweden AB	100
	Electrolux HemProdukter AB	100
	Electrolux Appliances AB	100
Switzerland	Electrolux AG	100
	Electrolux Professional AG	100
Thailand	Electrolux Thailand Co. Ltd.	100
Ukraine	DC Electrolux LLC	100
United Kingdom	Electrolux Plc	100
	Electrolux Professional Ltd.	100
USA	Electrolux Home Products, Inc.	100
	Electrolux North America, Inc.	100
	Electrolux Professional Inc.	100

Note 30 Definitions

Capital indicators

Annualized net sales
In computation of key ratios where capital is related to net sales, the latter are annualized and converted at year-end exchange rates and adjusted for acquired and divested operations.

Net assets
Total assets exclusive of liquid funds, pension plan assets and interest-bearing financial receivables less operating liabilities, non-interest-bearing provisions and deferred tax liabilities.

Working capital
Current assets exclusive of liquid funds and interest-bearing financial receivables less operating liabilities and non-interest-bearing provisions.

Liquid funds
Liquid funds consist of cash on hand, bank deposits, fair-value derivatives, prepaid interest expenses and accrued interest income and other short-term investments, of which the majority has original maturity of three months or less.

Interest-bearing liabilities
Interest-bearing liabilities consist of short-term and long-term borrowings.

Total borrowings
Total borrowings consist of interest-bearing liabilities, fair-value derivatives, accrued interest expenses and prepaid interest income, and trade receivables with recourse.

Net liquidity
Liquid funds less short-term borrowings, fair-value derivatives, accrued interest expenses and prepaid interest income and trade receivables with recourse.

Net borrowings
Total borrowings less liquid funds.

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

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

Earnings per share

Earnings per share
Income for the period divided by the average number of shares after buy-backs.

Other key ratios

Organic growth
Sales growth, adjusted for acquisitions, divestments and changes in exchange rates.

EBITDA margin
Operating income before depreciation and amortization expressed as a percentage of net sales.

Operating cash flow after investments
Cash flow from operations and investments excluding financial items paid, taxes paid, restructuring payments and acquisitions and divestment of operations.

Operating margin
Profit for the period expressed as a percentage of net sales.

Return on equity
Income for the period expressed as a percentage of average equity.

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

Interest coverage ratio
Operating income plus interest income in relation to total interest expenses.

Capital turnover rate
Net sales divided by average net assets.

Proposed distribution of earnings

	'000 SEK
The Board of Directors proposes that income for the period and retained earnings be distributed as follows:	12,616,927
A dividend to the shareholders of SEK 6.50 per share[1)], totaling	1,861,083
To be carried forward	10,755,844
Total	**12,616,927**

[1)] Calculated on the number of outstanding shares as per February 1, 2015. The Board of Directors and the President propose March 30, 2015, as record day for the right to dividend.

The Board of Directors has proposed that the Annual General Meeting 2015 resolves on a dividend to the shareholders of SEK 6.50 per share. On account hereof, the Board of Directors hereby makes the following statement according to Chapter 18 Section 4 of the Swedish Companies Act.

The Board of Directors finds that there will be full coverage for the restricted equity of the Company, after distribution of the proposed dividend.

It is the Board of Directors' assessment that after distribution of the proposed dividend, the equity of the Company and the Group will be sufficient with respect to the kind, extent, and risks of the operations. The Board of Directors has hereby considered, among other things, the Company's and the Group's historical development, the budgeted development and the state of the market. If financial instruments currently valued at actual value in accordance with Chapter 4 Section 14a of the Swedish Annual Accounts Act instead had been valued according to the lower of cost or net realizable value, including cumulative revaluation of external shares, the equity of the company would decrease by SEK 89.9m.

After the proposed dividend, the financial strength of the Company and the Group is assessed to continue to be good in relation to the industry in which the Group is operating. The dividend will not affect the ability of the Company and the Group to comply with its payment obligations. The Board of Directors finds that the Company and the Group are well prepared to handle any changes in respect of liquidity, as well as unexpected events.

The Board of Directors is of the opinion that the Company and the Group have the ability to take future business risks and also cope with potential losses. The proposed dividend will not negatively affect the Company's and the Group's ability to make further commercially motivated investments in accordance with the strategy of the Board of Directors.

The Board of Directors declares that the consolidated financial statements have been prepared in accordance with IFRS as adopted by the EU and give a true and fair view of the Group's financial position and results of operations. The financial statements of the Parent Company have been prepared in accordance with generally accepted accounting principles in Sweden and give a true and fair view of the Parent Company's financial position and results of operations.

The statutory Administration Report of the Group and the Parent Company provides a fair review of the development of the Group's and the Parent Company's operations, financial position and results of operations and describes material risks and uncertainties facing the Parent Company and the companies included in the Group.

Stockholm, January 27, 2015

Ronnie Leten
Chairman of the Board of Directors

Torben Ballegaard Sørensen
Deputy Chairman of the Board of Directors

Lorna Davis
Board member

Petra Hedengren
Board member

Hasse Johansson
Board member

Bert Nordberg
Board member

Fredrik Persson
Board member

Ulrika Saxon
Board member

Ola Bertilsson
Board member, employee representative

Gunilla Brandt
Board member, employee representative

Ulf Carlsson
Board member, employee representative

Keith McLoughlin
Board member and President and Chief Executive Officer

Auditor's report

To the annual meeting of the shareholders of AB Electrolux (publ) Corporate identity number 556009-4178

Report on the annual accounts and consolidated accounts
We have audited the annual accounts and consolidated accounts of AB Electrolux for the year 2014. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 71–129.

Responsibilities of the Board of Directors and the President for the annual accounts and consolidated accounts
The Board of Directors and the President are responsible for the preparation and fair presentation of these annual accounts and consolidated accounts in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act, and for such internal control as the Board of Directors and the President determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the President, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

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

Opinions
In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the Parent Company as of December 31, 2014, and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the Group as of December 31, 2014, and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet for the Parent Company and the Group.

Report on other legal and regulatory requirements
In addition to our audit of the annual accounts and consolidated accounts, we have also audited the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the President of AB Electrolux for the year 2014.

Responsibilities of the Board of Directors and the President
The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the President are responsible for administration under the Companies Act.

Auditor's responsibility
Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the President is liable to the company. We also examined whether any member of the Board of Directors or the President has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

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

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

Stockholm, February 19, 2015

PricewaterhouseCoopers AB

Anders Lundin
Authorized Public Accountant
Partner in Charge

Anna Rosendal
Authorized Public Accountant

Eleven-year review

SEKm	2004[1]	2005[1]	2006	2007	2008
Net sales and income					
Net sales	120,651	129,469	103,848	104,732	104,792
Organic growth, %	3.2	4.3	3.3	4.0	-0.9%
Depreciation and amortization	3,038	3,410	2,758	2,738	3,010
Items affecting comparability	-1,960	-3,020	-542	-362	-355
Operating income	4,807	3,942	4,033	4,475	1,188
Income after financial items	4,452	3,215	3,825	4,035	653
Income for the period	3,259	1,763	2,648	2,925	366
Cash flow					
EBITDA[3]	9,805	10,372	7,333	7,575	4,553
Cash flow from operations, excluding changes in operating assets and liabilities	7,140	8,428	5,263	5,498	3,446
Changes in operating assets and liabilities	1,442	-1,888	-703	-152	1,503
Cash flow from operations	8,582	6,540	4,560	5,346	4,949
Cash flow from investments	-5,358	-5,827	-2,386	-4,069	-3,755
of which capital expenditures	-4,515	-4,765	-3,152	-3,430	-3,158
Cash flow from operations and investments	3,224	713	2,174	1,277	1,194
Operating cash flow[4]	3,224	1,083	1,110	1,277	1,228
Dividend, redemption and repurchase of shares	-5,147	-2,038	-4,416	-6,708	-1,187
Capital expenditure as % of net sales	3.7	3.7	3.0	3.3	3.0
Margins[3]					
Operating margin, %	5.6	5.4	4.4	4.6	1.5
Income after financial items as % of net sales	5.3	4.8	4.2	4.2	1.0
EBITDA margin, %	8.1	8.0	7.1	7.2	4.3
Financial position					
Total assets	75,096	82,558	66,049	66,089	73,323
Net assets	23,988	28,165	18,140	20,743	20,941
Working capital	-383	-31	-2,613	-2,129	-5,131
Trade receivables	20,627	24,269	20,905	20,379	20,734
Inventories	15,742	18,606	12,041	12,398	12,680
Accounts payable	16,550	18,798	15,320	14,788	15,681
Equity	23,636	25,888	13,194	16,040	16,385
Interest-bearing liabilities	9,843	8,914	7,495	11,163	13,946
Provisions for post-employment benefits, net					
Net borrowings	1,141	2,974	-304	4,703	4,556
Data per share					
Income for the period, SEK	10.92	6.05	9.17	10.41	1.29
Equity, SEK	81	88	47	57	58
Dividend, SEK[5]	7.00	7.50	4.00	4.25	–
Trading price of B-shares at year-end, SEK	152.00	206.50	137.00	108.50	66.75
Key ratios					
Return on equity, %	13.1	7.0	18.7	20.3	2.4
Return on net assets, %	17.5	13.0	23.2	21.7	5.8
Net assets as % of net sales[6]	21.2	21.0	16.5	18.6	18.1
Trade receivables as % of net sales[6]	18.2	18.1	19.1	18.3	17.9
Inventories as % of net sales[6]	13.9	13.9	11.0	11.1	11.0
Net debt/equity ratio	0.05	0.11	-0.02	0.29	0.28
Interest coverage ratio	5.75	4.32	6.13	7.49	1.86
Dividend as % of equity	8.6	8.5	8.5	7.5	–
Other data					
Average number of employees	72,382	69,523	55,471	56,898	55,177
Salaries and remuneration	17,014	17,033	12,849	12,612	12,662
Number of shareholders	63,800	60,900	59,500	52,700	52,600
Average number of shares after buy-backs, million	298.3	291.4	288.8	281.0	283.1
Shares at year end after buy-backs, million	291.2	293.1	278.9	281.6	283.6

[1] Including outdoor products, Husqvarna, which was distributed to the Electrolux shareholders in June 2006.

[2] Amounts for 2012 have been restated where applicable as a consequence of the amended standard for pension accounting, IAS 19 Employee Benefits.

[3] Items affecting comparability is excluded.

							Compound annual growth rate, %	
	2009	2010	2011	2012[2)]	2013	**2014**	5 years	10 years
	109,132	106,326	101,598	109,994	109,151	112,143	0.5	–0.7
	–4.8%	1.5%	0.2%	5.5	4.5	1.1		
	3,442	3,328	3,173	3,251	3,356	3,671		
	–1,561	–1,064	–138	–1,032	–2,475	–1,199		
	3,761	5,430	3,017	4,000	1,580	3,581	–1.0	–2.9
	3,484	5,306	2,780	3,154	904	2,997	–3.0	–3.9
	2,607	3,997	2,064	2,365	672	2,242	–3.0	–3.7
	8,764	9,822	6,328	8,283	7,411	8,451	–0.7	–1.5
	6,378	7,741	4,283	5,552	5,130	6,045	–1.1	–1.7
	1,919	–61	1,116	1,528	–675	1,777		
	8,297	7,680	5,399	7,080	4,455	7,822	–1.2	–0.9
	–2,967	–4,474	–10,049	–4,702	–4,734	–3,759		
	–2,223	–3,221	–3,163	–4,090	–3,535	–3,006	6.2	–4.0
	5,330	3,206	–4,650	2,378	–279	4,063		
	5,326	3,199	906	2,542	–74	4,132		
	69	–1,120	–1,850	–1,868	–1,860	–1,861		
	2.0	3.0	3.1	3.7	3.2	2.7		
	4.9	6.1	3.1	4.6	3.7	4.3		
	4.6	6.0	2.9	3.8	3.1	3.7		
	8.0	9.2	6.2	7.5	6.8	7.5		
	72,696	73,521	76,384	75,194	76,001	85,688	3.3	1.3
	19,506	19,904	27,011	25,890	24,961	26,099	6.0	0.8
	–5,154	–5,902	–5,180	–6,505	–5,800	–8,377		
	20,173	19,346	19,226	18,288	19,441	20,663	0.5	0.0
	10,050	11,130	11,957	12,963	12,154	14,324	7.3	–0.9
	16,031	17,283	18,490	20,590	20,607	25,705	9.9	4.5
	18,841	20,613	20,644	15,726	14,308	16,468	–2.7	–3.5
	14,022	12,096	14,206	13,088	14,905	14,703	1.0	4.1
				4,479	2,980	4,763		
	665	–709	6,367	10,164	10,653	9,631	70.7	23.8
	9.18	14.04	7.25	8.26	2.35	7.83	–3.1	–3.3
	66	72	73	55	50	58	–2.8	–3.4
	4.00	6.50	6.50	6.50	6.50	6.50		
	167.50	191.00	109.70	170.50	168.50	228.80	6.4	4.2
	14.9	20.6	10.4	14.4	4.4	15.7		
	19.4	27.8	13.7	14.8	5.8	14.2		
	17.1	18.2	23.8	22.5	21.8	20.4		
	17.7	17.7	17.0	15.9	17.0	16.2		
	8.8	10.2	10.5	11.3	10.6	11.2		
	0.04	–0.03	0.31	0.65	0.74	0.58		
	7.54	12.64	5.84	2.72	2.11	5.16		
	6.0	9.0	9.0	11.8	13.0	11.3		
	50,633	51,544	52,916	59,478	60,754	60,038	3.5	–1.9
	13,162	12,678	13,137	13,785	13,521	14,278	1.6	–1.7
	52,000	57,200	58,800	51,800	51,500	46,500	–2.2	–3.1
	284.0	284.6	284.7	285.9	286.2	286.3		
	284.4	284.7	284.7	286.1	286.2	286.3		

[4)] Cash flow from acquisitions and divestments is excluded.
[5)] 2014: Proposed by the Board.
[6)] Net sales are annualized.

Quarterly information

Net sales and income per quarter

SEKm	Q1 2013	Q2 2013	Q3 2013	Q4 2013	Full year 2013	Q1 2014	Q2 2014	Q3 2014	Q4 2014	Full year 2014
Net sales	25,328	27,674	27,258	28,891	109,151	25,629	26,330	28,784	31,400	112,143
Operating income	638	1,037	1,075	–1,170	1,580	731	63	1,392	1,395	3,581
Margin, %	2.5	3.7	3.9	–4.0	1.4	2.9	0.2	4.8	4.4	3.2
Operating income, excluding items affecting comparability	720	1,037	1,075	1,223	4,055	749	1,167	1,392	1,472	4,780
Margin, %	2.8	3.7	3.9	4.2	3.7	2.9	4.4	4.8	4.7	4.3
Income after financial items	483	859	884	–1,322	904	575	–120	1,250	1,292	2,997
Income after financial items, excluding items affecting comparability	565	859	884	1,071	3,379	593	984	1,250	1,369	4,196
Income for the period	361	642	656	–987	672	431	–92	933	970	2,242
Earnings per share, SEK[1)]	1.26	2.24	2.29	–3.44	2.35	1.50	–0.32	3.26	3.39	7.83
Earnings per share, excluding items affecting comparability, SEK[1)]	1.48	2.24	2.29	3.80	9.81	1.55	2.85	3.26	3.64	11.30
Items affecting comparability[2)]	–82	–	–	–2,393	–2,475	–18	–1,104	–	–77	–1,199
Number of shares after buy-backs, million	286.2	286.2	286.2	286.2	286.2	286.2	286.3	286.3	286.3	286.3
Average number of shares after buy-backs, million	286.2	286.2	286.2	286.2	286.2	286.2	286.3	286.3	286.3	286.3

[1)] Basic, based on average number of shares, excluding shares owned by Electrolux.
[2)] Restructuring provisions, write-downs and capital loss on divestments.

Net sales and income by business area per quarter

SEKm	Q1 2013	Q2 2013	Q3 2013	Q4 2013	Full year 2013	Q1 2014	Q2 2014	Q3 2014	Q4 2014	Full year 2014
Major Appliances Europe, Middle East and Africa										
Net sales	7,595	8,040	8,520	9,281	33,436	7,865	8,107	8,741	9,725	34,438
Operating income	11	–2	111	227	347	142	199	484	619	1,444
Margin, %	0.1	0.0	1.3	2.4	1.0	1.8	2.5	5.5	6.4	4.2
Major Appliances North America										
Net sales	7,678	8,448	8,165	7,573	31,864	7,664	8,464	9,089	8,924	34,141
Operating income	457	663	563	453	2,136	382	680	518	134	1,714
Margin, %	6.0	7.8	6.9	6.0	6.7	5.0	8.0	5.7	1.5	5.0
Major Appliances Latin America										
Net sales	4,885	5,472	4,699	5,639	20,695	4,790	4,064	5,053	6,134	20,041
Operating income	251	261	243	224	979	217	142	242	478	1,079
Margin, %	5.1	4.8	5.2	4.0	4.7	4.5	3.5	4.8	7.8	5.4
Major Appliances Asia/Pacific										
Net sales	1,948	2,227	2,321	2,157	8,653	1,928	2,221	2,342	2,312	8,803
Operating income	106	148	117	96	467	21	102	125	200	448
Margin, %	5.4	6.6	5.0	4.5	5.4	1.1	4.6	5.3	8.7	5.1
Small Appliances										
Net sales	2,020	2,104	2,131	2,697	8,952	2,001	1,938	2,075	2,664	8,678
Operating income	17	50	97	227	391	33	–41	35	173	200
Margin, %	0.8	2.4	4.6	8.4	4.4	1.6	–2.1	1.7	6.5	2.3
Professional Products										
Net sales	1,201	1,383	1,422	1,544	5,550	1,380	1,536	1,484	1,641	6,041
Operating income	59	112	167	172	510	126	172	184	189	671
Margin, %	4.9	8.1	11.7	11.1	9.2	9.1	11.2	12.4	11.5	11.1
Other										
Net sales	1	–	–	–	1	1	–	–	–	1
Operating income, common group costs, etc.	–181	–195	–223	–176	–775	–172	–87	–196	–321	–776
Total Group, excluding items affecting comparability										
Net sales	25,328	27,674	27,258	28,891	109,151	25,629	26,330	28,784	31,400	112,143
Operating income	720	1,037	1,075	1,223	4,055	749	1,167	1,392	1,472	4,780
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Margin, %	2.5	3.7	3.9	–4.0	1.4	2.9	0.2	4.8	4.4	3.2

Corporate governance report 2014

Electrolux is a global leader in home appliances, based on deep consumer insight and developed in close collaboration with professional users. The company offers thoughtfully designed, innovative solutions for households and businesses, with products such as refrigerators, dishwashers, washing machines, cookers, vacuum cleaners, air-conditioners and small domestic appliances. Under esteemed brands including Electrolux, AEG, Zanussi, Frigidaire and Electrolux Grand Cuisine, the Group sells more than 50 million products to customers in more than 150 countries every year. In 2014 Electrolux had sales of SEK 112 billion and 60,000 employees.

Electrolux aims at implementing strict norms and efficient processes to ensure that all operations create long-term value for shareholders and other stakeholders. This involves the maintenance of:

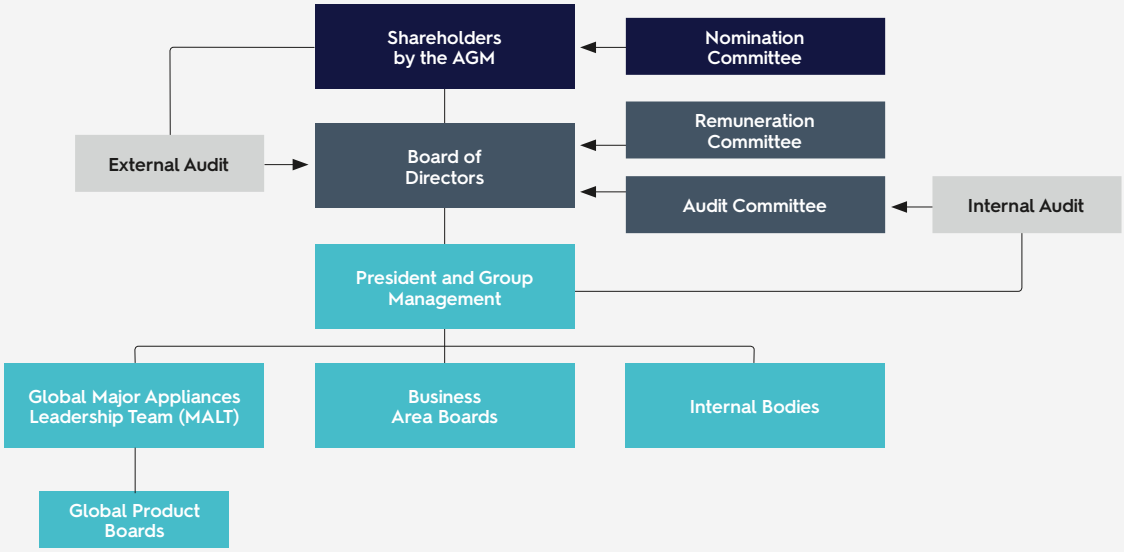
- an efficient organizational structure,
- systems for internal control and risk management and
- transparent internal and external reporting.

The Electrolux Group is comprised of 154 companies with operations in over 150 countries. The parent company of the Group is AB Electrolux, a public Swedish limited liability company. The company's shares are listed on Nasdaq Stockholm.

The governance of Electrolux is based on the Swedish Companies Act, the rule book for issuers at Nasdaq Stockholm and the Swedish Code of Corporate Governance (the "Code"), as well as other relevant Swedish and foreign laws and regulations. Below is Electrolux formal governance structure.

This corporate governance report has been drawn up as a part of Electrolux application of the Code. Electrolux does not report any deviations from the Code in 2014.

Governance structure



Major external regulations

- Swedish Companies Act.
- Rule book for issuers at Nasdaq Stockholm.
- Swedish Code of Corporate Governance.

Major internal regulations

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

AB Electrolux (publ) is registered under number 556009-4178 with the Swedish Companies Registration Office. The registered office of the Board of Directors is in Stockholm, Sweden. The address of the Group headquarters is S:t Göransgatan 143, SE-105 45 Stockholm, Sweden.

Highlights 2014

- Election of Ronnie Leten as new Chairman of the Board and Petra Hedengran as new Board member.
- Re-election of PricewaterhouseCoopers AB as auditor.
- Performance-based, long-term incentive program for senior management.
- Update of Electrolux Workplace Code of Conduct.
- Continued focus on global ethics program, encompassing both training and a whistleblowing system.

Shares and shareholders

The Electrolux share is listed on Nasdaq Stockholm. At year-end 2014, Electrolux had 46,458 shareholders according to the share register kept by Euroclear Sweden AB. Of the total share capital, 45.0% was owned by Swedish institutions and mutual funds, 49.2% by foreign investors and 5.8% by Swedish private investors, see below. Investor AB is the largest shareholder, holding 15.5% of the share capital and 29.96% of the voting rights. The ten largest shareholders accounted for 37.7% of the share capital and 49.0% of the voting rights in the company.

Voting rights

The share capital of Electrolux consists of Class A shares and Class B shares. One A share entitles the holder to one vote and one B-share to one-tenth of a vote. Both A shares and B shares entitle the holders to the same proportion of assets and earnings and carry equal rights in terms of dividends. Owners of A shares can request to convert their A shares into B shares. Conversion reduces the total number of votes in the company. As of December 31, 2014, the total number of registered shares in the company amounted to 308,920,308 shares, of which 8,192,539 were Class A shares and 300,727,769 were Class B shares. The total number of votes in the company was 38,265,316. Class B shares represented 78.6% of the voting rights and 97.3% of the share capital.

Dividend policy

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

The Annual General Meeting (AGM) in March 2014 decided to adopt the Board's proposed dividend of SEK 6.50 per share for 2013. The Board of Directors proposes a dividend for 2014 of SEK 6.50 per share, for a total dividend payment of approximately SEK 1,861m.

Shareholders by the AGM

General Meetings of shareholders

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

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

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

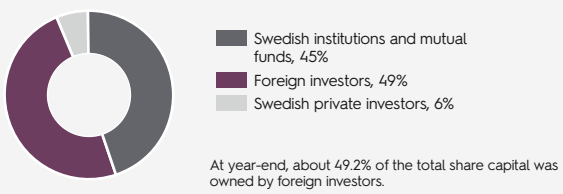
Individual shareholders requesting that a specific issue be included in the agenda of a shareholders' meeting can normally request the Electrolux Board to do so well in advance to the meeting via an address provided on the Group's website.

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

Annual General Meeting 2014

The 2014 AGM was held at the Stockholm Waterfront Congress Centre in Stockholm, Sweden, on March 26, 2014. 908 shareholders representing a total of 50.6% of the share capital and 60.1% of the votes were represented at the AGM. The President's speech was broadcasted live via the Group's website and is also available on www.electroluxgroup.com/corporate-governance, together with the minutes. The meeting

Ownership structure



At year-end, about 49.2% of the total share capital was owned by foreign investors.

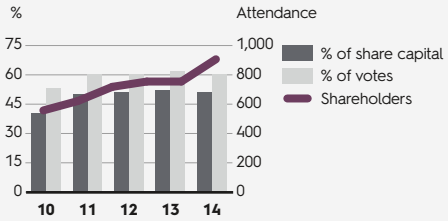
Source: Euroclear Sweden as of December 30, 2014

The foreign ownership has increased to 49.2% at year-end 2014 from 42% at year-end 2013.

Foreign investors are not always recorded in the share register. Foreign banks and other custodians may be registered for one or several customers' shares, and the actual owners are then usually not displayed in the register. For additional information regarding the ownership structure, see above.

The information on ownership structure is updated quarterly on the Group's website; www.electroluxgroup.com/corporate-governance.

Attendance at AGMs 2010–2014



908 shareholders representing a total of 50.6% of the share capital and 60.1% of the votes were present at the 2014 AGM.

was held in Swedish, with simultaneous interpretation into English. The speech of the President was held in English and simultaneously interpreted into Swedish. All Board members, as well as the Group's auditor in charge, were present at the meeting.

Decisions at the Annual General Meeting 2014 included:

- Dividend payment of SEK 6.50 per share for fiscal year 2013.
- Election of the new Board member Petra Hedengran and re-election of the Board members Lorna Davis, Hasse Johansson, Ronnie Leten, Keith McLoughlin, Bert Nordberg, Fredrik Persson, Ulrika Saxon and Torben Ballegaard Sørensen.
- Election of Ronnie Leten as new Chairman of the Board.
- Remuneration to the Board members.
- Approval of remuneration guidelines for Electrolux Group Management
- Performance-based, long-term incentive program for 2014 covering up to 225 managers and key employees.
- Authorization to acquire own shares and to transfer own shares on account of company acquisitions.
- Amendment of the Articles of Association including that the auditor's term of office shall be four years and the company shall have the option to appoint up to two authorized accounting firms.
- Re-election of PricewaterhouseCoopers AB as auditor for the period until the Annual General Meeting in 2018.

Annual General Meeting 2015

The next AGM of Electrolux will be held on Thursday, March 26, 2015, at the The Brewery Conference Centre Stockholm (Sw. Münchenbryggeriet), Sweden.

For additional information on the next AGM and how to register attendance, see page 153.

Nomination Committee

Nomination Committee

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

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

The Nomination Committee is assisted in preparing proposals for auditors and auditors' fees by the company's Audit Committee. The Audit Committee evaluates the auditors' work and informs the Nomination Committee of its findings.

The Nomination Committee's proposals are publicly announced no later than on the date of notification of the AGM. Shareholders may submit proposals for nominees to the Nomination Committee.

Nomination Committee for the AGM 2014

The Nomination Committee for the AGM 2014 was comprised of six members. Börje Ekholm of Investor AB led the Nomination Committee's work.

For the proposal for the AGM 2014, the Nomination Committee made an assessment of the composition and size of the current Board as well as the Electrolux Group's operations. Areas of particular interest were Electrolux strategies and goals and the demands on the Board that are expected from the Group's positioning for the future. The Nomination Committee also considered that a variety as regards gender, age, nationality, educational background and term of office is represented among the Board members.

The Nomination Committee proposed Petra Hedengran as new Board member of Electrolux and Ronnie Leten as new Chairman of the Board. After the election at the AGM 2014, three out of eight Board members elected at the shareholders' meeting are women (in this calculation, the President and CEO has not been included in the total number of Board members). A report regarding the work of the Nomination Committee was presented at the AGM 2014. Further information regarding the Nomination Committee and its work can be found on the Group's website; www.electroluxgroup.com/corporate-governance.

Nomination Committee for the AGM 2015

The Nomination Committee for the AGM 2015 is based on the ownership structure as of August 29, 2014, and was announced in a press release on September 25, 2014.

The Nomination Committee's members are:

- Börje Ekholm, Investor AB, Chairman
- Kaj Thorén, Alecta
- Mathias Leijon, Nordea Investment Management
- Marianne Nilsson, Swedbank Robur funds
- Ronnie Leten, Chairman of Electrolux
- Torben Ballegaard Sørensen, Board member of Electrolux

Shareholders wishing to submit proposals to the Nomination Committee should send an e-mail to nominationcommittee@electrolux.com.

The AGM resolves upon:

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

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

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

Board of Directors

The Board of Directors

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

Composition of the Board

The Electrolux Board is comprised of nine members without deputies, who are elected by the AGM, and three members with deputies, who are appointed by the Swedish employee organizations in accordance with Swedish labor law.

The AGM elects the Chairman of the Board. Directly after the AGM, the Board holds a meeting for formal constitution at which the Deputy Chairman of the Board is elected, among other things. The Chairman of the Board of Electrolux is Ronnie Leten and the Deputy Chairman is Torben Ballegaard Sørensen.

All members of the Board, except for the President, are non-executive members. Four of the nine Board members are not Swedish citizens.

For additional information regarding the Board of Directors, see pages 146–147. The information is updated regularly at the Group's website; www.electrolux.group.com.

Independence

The Board is considered to be in compliance with relevant requirements for independence. The assessment of each Board member's independence is presented in the table on pages 146–147.

All Directors have been considered independent, except for Petra Hedengran, Keith McLoughlin and Ronnie Leten. Petra Hedengran has been considered independent in relation to the company and the administration of the company, but not in relation to major shareholders of Electrolux. Keith McLoughlin has been considered to be independent in relation to major shareholders of Electrolux, but not, in his capacity as President and CEO, in relation to the company and the administration of the company. Ronnie Leten has been considered to be independent in relation to major shareholders of Electrolux, but not in relation to the company and the management of the company since he is President and CEO of Atlas Copco AB and one member of the Electrolux Group Management is a board member of Atlas Copco AB. Keith McLoughlin has no major shareholdings, nor is he a part-owner in companies having significant business relations with Electrolux. Keith McLoughlin is the only member of Group Management with a seat on the Board.

The Board's tasks

The main task of the Board is to manage the Group's operations in such a manner as to assure the owners that their interests, in terms of a long-term good return on capital, are being met in the best possible manner. The Board's work is governed by rules and regulations including the Swedish Companies Act, the Articles of Association, the Code and the working procedures established by the Board. The Articles of Association of Electrolux are available on the Group's website; www.electroluxgroup.com/corporate-governance.

Working procedures and Board meetings

The Board determines its working procedures each year and reviews these procedures as required. The working procedures describe the Chairman's specific role and tasks, as well as the responsibilities delegated to the committees appointed by the Board.

In accordance with the procedures, the Chairman shall:

- Organize and distribute the Board's work.
- Ensure that the Board discharges its duties.
- Secure the efficient functioning of the Board.
- Ensure that the Board's decisions are implemented efficiently.
- Ensure that the Board evaluates its work annually.

The working procedures for the Board also include detailed instructions to the President and other corporate functions regarding issues requiring the Board's approval. Among other things, these instructions specify the maximum amounts that various decision-making functions within the Group are authorized to approve as regards credit limits, capital expenditure and other expenditure.

The working procedures stipulate that the meeting for the formal constitution of the Board shall be held directly after the AGM. Decisions at this meeting include the election of Deputy Chairman and authorization to sign on behalf of the company. The Board normally holds seven other ordinary meetings during the year. Four of these meetings are held in conjunction with the publication of the Group's full-year report and interim reports. One or two meetings are held in connection with visits to Group operations. Additional meetings, including telephone conferences, are held when necessary.

The Board's work in 2014

During the year, the Board held 14 meetings. All meetings except one were held in Stockholm, Sweden. The attendance of each Board member at these meetings is shown in the table on pages 146–147.

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

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

- Main goals.
- Strategic orientation.
- Essential issues related to financing, investments, acquisitions and divestments.
- Follow-up and control of operations, communication and organization, including evaluation of the Group's operational management
- Appointment of and, if necessary, dismissal of the President
- Overall responsibility for establishing an effective system of internal control and risk management
- Important policies.

Remuneration to the Board of Directors 2012–2014 (applicable as from the respective AGM)

SEK	2012	2013	**2014**
Chairman of the Board	1,650,000	1,700,000	1,800,000
Deputy Chairman of the Board	575,000	590,000	625,000
Board member	500,000	515,000	540,000
Chairman of the Audit Committee	200,000	200,000	200,000
Member of the Audit Committee	85,000	85,000	90,000
Chairman of the Remuneration Committee	120,000	120,000	120,000
Member of the Remuneration Committee	55,000	55,000	60,000

Each scheduled Board meeting includes a review of the Group's results and financial position, as well as the outlook for the forthcoming quarters, as presented by the President. The meetings also deal with investments and the establishment of new operations, as well as acquisitions and divestments. The Board decides on all investments exceeding SEK 100m and the Board's Audit Committee receives reports on all investments exceeding SEK 25m. Normally, the head of a business area also reviews a current strategic issue at the meeting. For an overview of how the Board's work is spread over the year, see the table below.

Major issues addressed by the Board during 2014

- Dividend payment for the fiscal year 2013.
- Electrolux growth strategy.
- Acquisition of the appliances business of General Electric, one of the premier manufacturers of kitchen and laundry products in the United States.
- Actions to improve competiveness through manufacturing footprint restructuring and overhead cost reductions.
- Accelerating efforts to capitalize on the Group's global strength and scope.

Ensuring quality in financial reporting

The working procedures determined annually by the Board include detailed instructions on the type of financial reports and similar information which are to be submitted to the Board. In addition to the full-year report, interim reports and the annual report, the Board reviews and evaluates comprehensive financial information regarding the Group as a whole and the entities within the Group.

The Board also reviews, primarily through the Board's Audit Committee, the most important accounting principles applied by the Group in financial reporting, as well as major changes in these principles. The tasks of the Audit Committee also include reviewing reports regarding internal control and financial reporting processes, as well as internal audit reports submitted by the Group's internal audit function, Management Assurance & Special Assignments.

The Group's external auditors report to the Board as necessary, but at least once a year. A minimum of one such meeting is held without the presence of the President or any other member of Group Management. The external auditors also attend the meetings of the Audit Committee.

The Audit Committee reports to the Board after each of its meetings. Minutes are taken at all meetings and are made available to all Board members and to the auditors.

Evaluation of the Board's activities

The Board evaluates its activities annually with regard to working procedures and the working climate, as well as regards the focus of the Board's work. This evaluation also focuses on access to and requirements of special competence in the Board. The evaluation is a tool for the development of the Board's work and also serves as input for the Nomination Committee's work.

A separate annual evaluation of the Chairman's work is performed under the leadership of the Deputy Chairman of the Board.

Remuneration to Board members

Remuneration to Board members is determined by the AGM and distributed to the Board members who are not employed by Electrolux. Remuneration to each Board member was revised during 2014, see page 139.

The Nomination Committee has recommended that Board members appointed by the AGM acquire Electrolux shares and that these are maintained as long as they are part of the Board. A shareholding of a Board member should after five years correspond to the value of one gross annual fee.

Board members who are not employed by Electrolux are not invited to participate in the Group's long-term incentive programs for senior managers and key employees.

For additional information on remuneration to Board members, see Note 27.

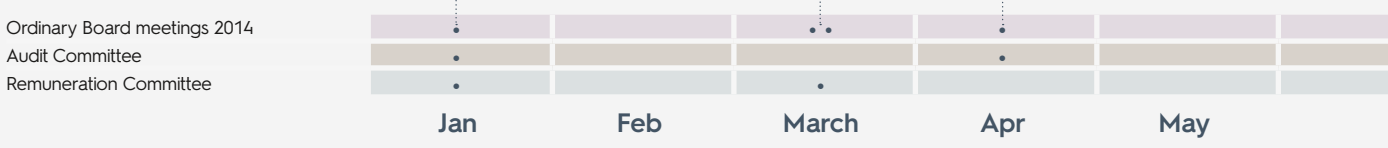
Overview of various items on the Board's agenda and committee meetings 2014

- Q4, Consolidated results.
- Report by external auditors.
- Dividend.
- Approval of the Annual Report.
- Proposals for the AGM.
- Assessment of the President.

Statutory Board meeting:

- Appointment of Deputy Chairman.
- Appointment of committee members.
- Signatory powers.

- Q1 Quarterly financial statements.



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

Remuneration Committee
Audit Committee

Committees of the Board

The Board has established a Remuneration Committee and an Audit Committee. The major tasks of these committees are preparatory and advisory, but the Board may delegate decision-making powers on specific issues to the committees. The issues considered at committee meetings shall be recorded in minutes of the meetings and reported at the following Board meeting. The members and Chairmen of the Committees are appointed at the statutory Board meeting following election of Board members.

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

Remuneration Committee

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

The Committee is comprised of three Board members: Petra Hedengran (Chairman), Ronnie Leten and Lorna Davis. At least two meetings are convened annually. Additional meetings are held as needed.

In 2014, the Remuneration Committee held four meetings. The attendance of each Board member at these meetings is shown in the table on pages 146–147. Significant issues addressed include review of the remuneration to the President, review and resolution on changes in the remuneration to members of Group Management, follow-up and evaluation of previously approved long-term incentive programs and remuneration guidelines for Group Management and general review and preparation of long-term incentive program and remuneration guidelines for Group Management for 2015. The Head of Human Resources and Organizational Development participated in the meetings and was responsible for meeting preparations.

Audit Committee

The main task of the Audit Committee is to oversee the processes of Electrolux financial reporting and internal control in order to secure the quality of the Group's external reporting.

The Audit Committee is also tasked with supporting the Nomination Committee with proposals when electing external auditors and auditors' fees.

The Audit Committee is comprised of three Board members: Torben Ballegaard Sørensen (Chairman), Fredrik Persson and Hasse Johansson. The external auditors report to the Committee at each ordinary meeting. At least three meetings are held annually. Additional meetings are held as needed.

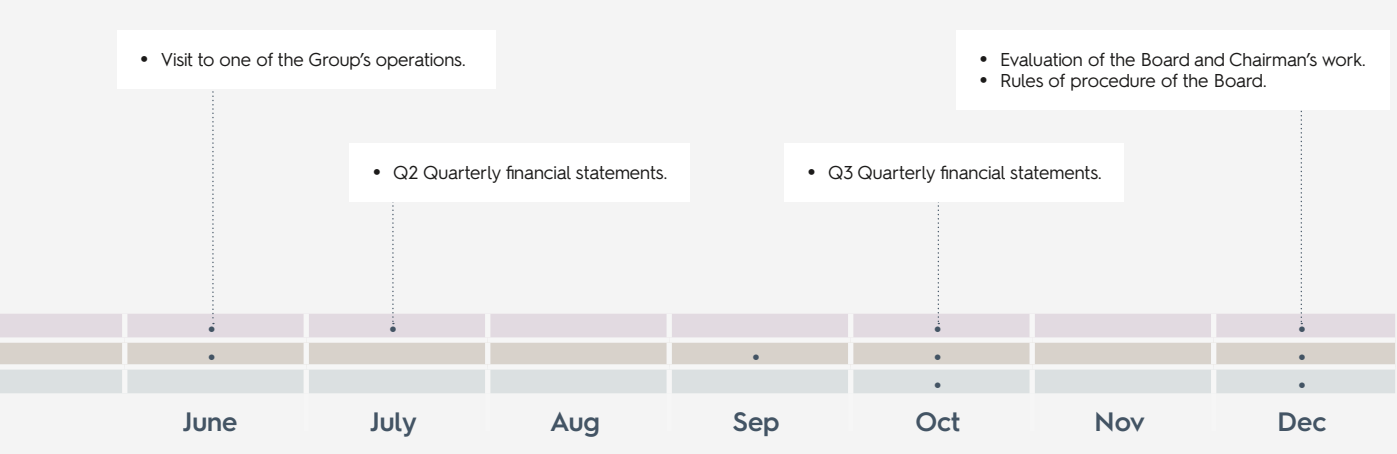
In 2014, the Audit Committee held six meetings. The attendance of each Board member at these meetings is shown in the table on pages 146–147. Electrolux managers have also had regular contacts with the Committee Chairman between meetings regarding specific issues. The Group's Chief Financial Officer and the Head of Internal Audit have participated in the Audit Committee meetings. Cecilia Vieweg, General Counsel, serves as secretary at the Audit Committee meetings.

The Remuneration Committee's tasks include:

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

The Audit Committee's tasks include:

- To review the financial reporting.
- To monitor the effectiveness of the internal control, including risk management, concerning the financial reporting.
- To follow up the activities of the internal audit function Management Assurance & Special Assignments as regards to organization, recruiting, budgets, plans, results and audit reports.
- To review and follow-up certain capital expenditures, investments and disposals.
- To review certain credit limits.
- To oversee the external audit and evaluate the work of the external auditors.
- To review, and when appropriate, preapprove the external auditors' engagements in other tasks than audit services.
- To evaluate the objectivity and independence of the external auditors.



External Audit

External auditors

The AGM in 2014 re-elected PricewaterhouseCoopers AB (PwC) as the Group's external auditors for a four-year period, until the AGM in 2018. Authorized Public Accountant Anders Lundin is the auditor in charge of Electrolux.

PwC provides an audit opinion regarding AB Electrolux, the financial statements of its subsidiaries, the consolidated financial statements for the Electrolux Group and the administration of AB Electrolux. The auditors also conduct a review of the report for the third quarter.

The audit is conducted in accordance with the Swedish Companies Act, International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden.

Audits of local statutory financial statements for legal entities outside of Sweden are performed as required by law or applicable regulations in the respective countries and as required by IFAC GAAS, including issuance of audit opinions for the various legal entities.

For additional information on the Group's auditors, see below. For details regarding fees paid to the auditors and their non-audit assignments in the Group, see below and Note 28.

Internal Audit

Internal control and risk management

The internal audit function, Management Assurance & Special Assignments, is responsible for independent, objective assurance, in order to systematically evaluate and propose improvements for more effective governance, internal control and risk management processes.

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

For additional information on internal control, see page 150. For additional information on risk management, see Note 1, Note 2 and Note 18.

Auditors

PricewaterhouseCoopers AB

Anders Lundin

Born 1956. Authorized Public Accountant. Partner in Charge.
Other audit assignments: Bonnier Group.
Holdings in AB Electrolux: 0 shares.

Anna Rosendal

Born 1975. Authorized Public Accountant.
Holdings in AB Electrolux: 0 shares.

Holdings in AB Electrolux as of December 31, 2014.

Fees to auditors

SEKm	2012	2013	**2014**
PwC			
Audit fees	44	44	38
Audit-related fees	1	2	2
Tax fees	4	5	5
All other fees	4	2	26
Total fees to PwC	**53**	**53**	**71**
Audit fees to other audit firms	2	2	–
Total fees to auditors	**55**	**55**	**71**

For details regarding fees paid to the auditors and their non-audit assignments in the Group, see Note 28.

Company Management of Electrolux

Electrolux – a global leader with a customer focus

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

Through profitable growth, innovative products under strong brands, operational excellence, and dedicated employees Electrolux creates the conditions to reach its vision.

Electrolux focus is on strengthening the position in its core markets and increasing the share of sales in growth markets. The plan is to achieve this through an increased speed of innovative products to the market and growth in new segments, distribution channels and product categories. In addition to organic growth, Electrolux sees a potential to grow through acquisitions. Electrolux objective is to grow with consistent profitability, see the financial goals below.

Dedicated employees with diverse backgrounds and a position of leadership in sustainability are necessary for Electrolux to implement its strategy and achieve its goals. The objective is to develop smarter, more accessible, resource-efficient solutions that meet people's needs and improve their everyday lives.

A sustainable business

The company takes a consistent approach to sustainability in the more than 150 countries where Electrolux operates. Understanding and engaging in challenges such as climate change, creating ethical and safe workplaces, and adopting a responsible approach to sourcing and restructuring are important for realizing the business strategy. Values such as respect, diversity, integrity, ethics, safety and sustainability are at the core of all employee actions when they interact with customers and colleagues around the globe. Key policies in this context include the Electrolux Code of Ethics, the Electrolux Workplace Code of Conduct and the Electrolux Policy on Corruption and Bribery.

In the Dow Jones Sustainability World Index (DJSI World) for 2014, Electrolux maintained the position as industry leader in the Household Durables category. The Dow Jones Sustainability Indexes evaluate the performance of the world's leading companies in sustainability – from each industry on a global and regional level, respectively. The evaluation is based on criteria such as corporate governance, risk management, branding, climate change mitigation, supply chain standards and labor practices.

Electrolux has a global Ethics Program, encompassing both ethics training and a whistleblowing system – the Electrolux Ethics Helpline. Through the Ethics Helpline, employees can report suspected misconduct in local languages. Reports may be submitted anonymously if legally permitted. The majority of the reported cases during 2014 relates to discrimination and harassment.

In 2014, Electrolux Workplace Code of Conduct was updated to align with the UN Guiding Principles on Business and Human Rights. Educational activities throughout the organization will follow in 2015.

Read more about Electrolux sustainability work on www.electroluxgroup.com/sustainability.

Risk assessment

Risks in connection with the Group's operations can, in general, be divided into operational risks related to business operations and those related to financial operations. Business risks are normally managed by the operative units within the Group, and financial risks by the Group's treasury department.

Electrolux operates in competitive markets, most of which are relatively mature. Demand for appliances varies with general business conditions, and price competition is strong in a number of product categories. The Group's ability to improve profitability and increase shareholder return is based on three elements: Profitable growth, Innovation and Operational Excellence. Realizing this potential requires effective and controlled risk management.

The Group's development is strongly affected by external factors, of which the most important in terms of managing risks currently include: fluctuations in demand, price competition, exposure to customers and suppliers, changes in prices for raw materials and components as well as adapting production capacity. In addition, the Group is exposed to risks related to financial operations, e.g., interest risks, financing risks, currency risks and credit risks.

The Group has established internal boards to manage these risk exposures, see page 144.

The purpose of the internal audit function, Management Assurance & Special Assignments, is to provide reasonable assurance that the Group's goals are met in terms of efficient operations, compliance with relevant laws and regulations and reliable financial reporting, see page 150.

Mission – financial goals

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

- Growth of at least 4% annually.
- Operating margin of at least 6%.
- Capital turnover-rate of at least 4.
- Return on net assets of at least 20%.

Key ratios are excluding items affecting comparability.

Electrolux vision

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

Strategy

Profitable growth	Innovation	Operational excellence
	Products and services Brand and design Sustainability	

People and leadership

Values

Core values	Passion for Innovation	Customer Obsession	Drive for Results
Foundation	Respect and Diversity	Ethics and Integrity	Safety and Sustainability

Management and company structure

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

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

Electrolux operations are organized into six business areas. Within Major Appliances, the business areas are geographically defined, while the business areas Professional Products and Small Appliances are global. There are seven group staff units that support all business areas: Finance, Legal Affairs, Human Resources and Organizational Development, Marketing and Branding, Technology and Product Development, Design and Communications.

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

In order to fully take advantage of the Group's global presence and economies of scale, the Group has established a global organization within Major Appliances with the responsibility for product development, purchasing and manufacturing.

The Group also has a global Major Appliances Leadership Team (MALT) which includes the President, the CFO, the four Major Appliances business area heads, the Chief Marketing Officer, the Chief Technology Officer and the heads of the Product Boards, Purchasing and Manufacturing, the General Counsel and the Head of Human Resources and Organizational Development. The MALT makes decisions and provides clarity on issues and opportunities relevant to the four major appliances businesses. Some decisions regarding cross-sector products and investments are prepared by Global Product Boards. The MALT has the authority to decide when matters amount up to SEK 100m.

President and Group Management

President and Group Management

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

A diversified management team

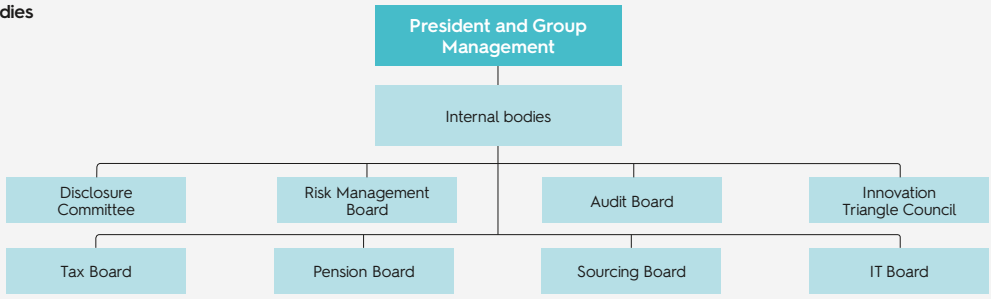
The Electrolux management team, with its extensive expertise, diverse cultural backgrounds and experiences from various markets in the world, forms an excellent platform for pursuing profitable growth in accordance with the Group's strategy. Electrolux Group Management represents six different nationalities and the majority of the members have worked on at least two continents.

Furthermore, most of them have previous experience of predominantly multinational consumer goods companies in various sectors.

A dynamic management team with in-depth knowledge of the conditions in the various markets is crucial to drive profitable growth. In recent years, a number of major initiatives have been launched aimed at better leveraging the unique, global position of Electrolux. In several areas, global and cross-border organizations have been established to, for example, increase the pace of innovation in product development, reduce complexity in manufacturing and optimize purchasing. A formal structure for collaboration throughout the production-creation process between R&D, design and marketing functions, the Innovation Triangle, has been established.

For details regarding members of Group Management, see pages 148-149.
The information is updated regularly at the Group's website;
www.electroluxgroup.com.

Internal bodies



Major issues addressed by the President and Group Management in 2014

- Electrolux growth strategy.
- Acquisition of the appliances business of General Electric, one of the premier manufacturers of kitchen and laundry products in the United States.
- Actions to reduce over-head costs, mainly related to Major Appliances EMEA.
- Manufacturing footprint restructuring.
- Improving efficiency within production through modularization.
- More rapid process for new products.
- Project to improve capital efficiency.
- Acquisition of Australian-based barbeque business.

Business Area Boards

Business areas

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

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

Remuneration to Group Management

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

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

Remuneration may comprise of:

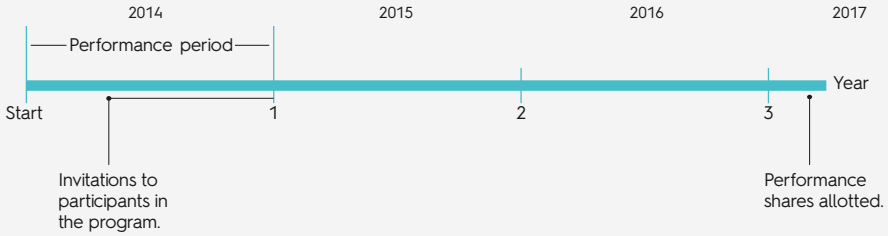
- Fixed compensation.
- Variable compensation.
- Other benefits such as pension and insurance.

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

Each year, the Board of Directors will evaluate whether or not a long-term incentive program shall be proposed to the AGM. The AGM 2014 decided on a long-term share program for up to 225 senior managers and key employees.

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

Time-line for the long-term incentive program for senior management 2014



The calculation of the number of performance shares, if any, is connected to three performance targets for the Group established by the Board; (i) earnings per share (ii) return on net assets, and (iii) organic sales growth, for the 2014 financial year. Allotment of performance shares, if any, to the participants will be made in 2017.

Board of Directors and Auditors

	Ronnie Leten* **Chairman** Born 1956. Belgium. M.Sc. Applied Econ. Elected 2012. Member of the Electrolux Remuneration Committee.	Torben Ballegaard Sørensen* **Deputy Chairman** Born 1951. Denmark. M.B.A. Elected 2007. Chairman of the Electrolux Audit Committee.	Lorna Davis Born 1959. Australia. Bachelor of Social Science and Psychology. Elected 2010. Member of the Electrolux Remuneration Committee.	Petra Hedengran* Born 1964. Sweden. Master of Laws. Elected 2014. Chairman of the Electrolux Remuneration committee.	Hasse Johansson Born 1949. Sweden. M. Sc. in Electrical Engineering. Elected 2008. Member of the Electrolux Audit Committee.	Keith McLoughlin Born 1956. USA. B.Sc. Engineering. Elected 2011.
Position and board membership	President and CEO of Atlas Copco AB since 2009.	Board member of Egmont Fonden, Systematic Software Engineering A/S, Tajco A/S, AS3-Companies A/S, CAPNOVA A/S and Liquid Vanity ApS.	President of Biscuits, North America with Mondelēz International since 2013.	General Counsel and member of Group Management of Investor AB since 2007. Board Member of The Association for Generally Accepted Principles in the Securities Market (Sw. Föreningen för god sed på värdepappersmarknaden).	Chairman of the board of Dynamate Industrial Services AB, Lindholmen Science Park AB and VINNOVA (Swedish Governmental Agency for Innovation Systems). Board member of Fouriertransform AB, Skyllbergs Bruk AB, Calix Group AB, Klippan Group AB, Alelion Batteries AB and LeanNova AB.	President and CEO of AB Electrolux. Board member of Briggs & Stratton Corporation.
Previous positions	Various leading positions within the Atlas Copco Group, 1997–2009 and 1985–1995. Plant Manager of Tenneco Automotive Inc, Belgium, 1995–1997. Various positions within General Biscuits, 1979–1985.	President and CEO of Bang & Olufsen A/S, 2001–2008. Executive Vice President of LEGO A/S, 1996–2001. Managing Director of Computer Composition International, CCI-Europe, 1988–1996. Chief Financial Officer of Aarhuus Stiftsbogtrykkerie, 1981–1988.	Senior Vice President and Global Biscuits Category Head with Mondelēz International (former part of Kraft Foods), 2011-2013. President of Danone Biscuits/Kraft Foods China, 2006-2011. Senior positions in Danone in the UK and New Zealand. Various positions in consumer goods in Australia and South Africa.	Attorney and partner at Advokatfirman Lindahl, 2002-2007. General Counsel of ABB Financial Services, Nordic Region, 1998-2002. Corporate Counsel at ABB Financial Services, 1991-1998. Law Clerk with the Stockholm District Court, 1990-1991. Associate at Gunnar Lindhs Advokatbyrå, 1988-1990.	Executive Vice President and Head of R&D of Scania CV AB, 2001–2009. Founder of Mecel AB (part of Delphi Corporation). Senior management positions within Delphi Corporation, 1990–2001.	Senior positions within Electrolux: Head of Major Appliances North America and Executive Vice President of AB Electrolux, 2003, also Head of Major Appliances Latin America, 2004–2007, and Chief Operations Officer Major Appliances, 2009–2010. Senior management positions within DuPont, USA, 1981–2003.
Total remuneration 2014, SEK	1,537,000	797,000	592,000	485,000	622,000	–
Board meeting attendance	13/14	14/14	14/14	11/14*	14/14	14/14
Remuneration Committee attendance	2/4* ●		3/4 ●	2/4* ●		
Audit Committee attendance		6/6 ●			6/6 ●	
Holdings in AB Electrolux	3,000 B shares.	5,000 B shares.	2,226 B shares. 1.496 synthetic shares[1].	525 B shares.	4,000 B shares. 1.496 synthetic shares[1].	96,573 B shares.
Independence[2]	No	Yes	Yes	No	Yes	No

● Chairman ● Member

* Ronnie Leten was appointed new Chairman and Petra Hedengran new Board member at the AGM in March 2014. Directly after the AGM, Torben Ballegaard Sørensen was appointed Deputy Chairman, Ronnie Leten member of the Remuneration Committee and Petra Hedengran Chairman of the Remuneration Committee.

[1] The AGM in 2008, 2009 and 2010 decided that a part of the fees to the Board of Directors should be payable in synthetic shares. A synthetic share is a right to receive in the future an amount corresponding to the stock-market value of a Class B share in Electrolux at the time of payment. For additional information regarding synthetic shares, see note 27.

[2] For further information about the independence assessment, see page 139.

Holdings in AB Electrolux as of December 31, 2014. The information is regularly updated at www.electroluxgroup.com.

Bert Nordberg	**Fredrik Persson**	**Ulrika Saxon**
Born 1956. Sweden. Engineer. Elected 2013.	Born 1968. Sweden. M.Sc. Econ. Elected 2012. Member of the Electrolux Audit Committee.	Born 1966. Sweden. Studies in Economics at the Stockholm School of Economics. Elected 2011.
Chairman of the board of Vestas Wind Systems A/S and Ideonfonden AB. Board member of Svenska Cellulosa AB SCA.	President and CEO of Axel Johnson AB since 2007. Chairman of the board of Axfood AB, Axstores AB and Mekonomen AB. Deputy Chairman of Martin & Servera AB and the Swedish Trade Federation. Board member of several companies within the Axel Johnson Group, the Confederation of Swedish Enterprise and Lancelot Holding AB.	President and CEO of Bonnier Growth Media since 2012 and member of Bonnier AB group management since 2009. Board member of Svensk Filmindustri, Nordic Cinema Group, Mag+ Inc., Scandinavian Studios, SF Anytime, Toca Boca, Bonnier Gaming and United Screens.
Chairman, President and CEO of Sony Mobile Communications AB, 2009–2012. Various leading positions within the Ericsson Group, 1996–2009. Various positions within Data General Corporation and Digital Equipment Corporation, 1985–1996.	Executive Vice President and Chief Financial Officer of Axel Johnson AB, 2000–2007. Head of Research of Aros Securities AB, 1998–2000. Various positions within ABB Financial Services AB, 1992–1998.	Senior positions in various companies within the Bonnier Group since 1998: CEO of Bonnier Tidskrifter, 2005–2012. Executive Director of Bonnier Magazines, 2009–2012. Executive Director of Bonnier Entertainment, 2011. CEO of Bonzoo Media, 2002–2005. Senior positions within marketing and media strategy consultancy, 1991–1998.
534,000	622,000	534,000
13/14	13/14	14/14
	6/6 ●	
Through company: 3,000 B shares.	2,000 B shares.	1,000 B shares.
Yes	Yes	Yes

Employee representatives

Ola Bertilsson
Born 1955. Representative of the Swedish Confederation of Trade Unions.
Elected 2006.
Board meeting attendance: 14/14
Holdings in AB Electrolux: 0 shares.

Gunilla Brandt
Born 1953. Representative of the Federation of Salaried Employees in Industry and Services.
Elected 2006.
Board meeting attendance: 13/14
Holdings in AB Electrolux: 0 shares.

Ulf Carlsson
Born 1958. Representative of the Swedish Confederation of Trade Unions.
Elected 2001.
Board meeting attendance: 12/14
Holdings in AB Electrolux: 0 shares.

Employee representatives, deputy members

Bo Rothzén
Born 1963. Representative of the Swedish Confederation of Trade Unions.
Elected 2012.
Holdings in AB Electrolux: 0 shares.

Richard Dellner
Born 1953. Representative of the Federation of Salaried Employees in Industry and Services.
Elected 2013.
Holdings in AB Electrolux: 500 B shares.

Peter Ferm
Born 1965. Representative of the Federation of Salaried Employees in Industry and Services.
Elected 2014.
Holdings in AB Electrolux: 0 shares.

Secretary of the Board

Cecilia Vieweg

Born 1955. B. of Law. General Counsel of AB Electrolux. Secretary of the Electrolux Board since 1999. Holdings in AB Electrolux: 17,402 B shares.

Committees of the Board of Directors

The Remuneration Committee

The Remuneration Committee comprises three Board members: Petra Hedengran (Chairman), Ronnie Leten and Lorna Davis.

The Audit Committee

The Audit Committee is comprised of three Board members: Torben Ballegaard Sørensen (Chairman), Fredrik Persson and Hasse Johansson.

Auditors

PricewaterhouseCoopers AB

Anders Lundin

Born 1956. Authorized Public Accountant. Partner in Charge.
Other audit assignments: Bonnier Group.
Holdings in AB Electrolux: 0 shares.

Anna Rosendal

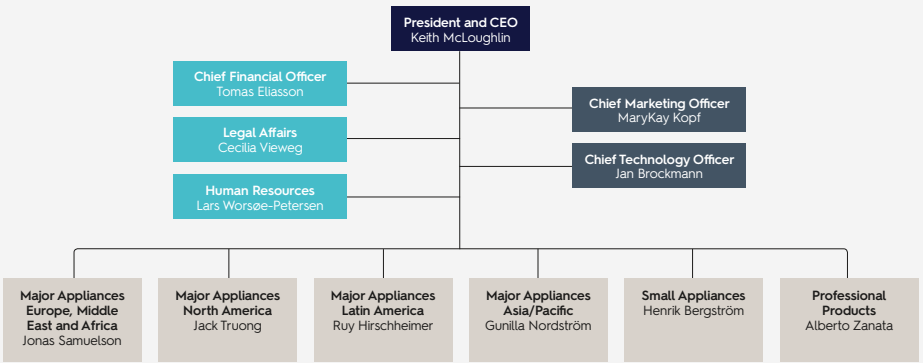
Born 1975. Authorized Public Accountant.
Holdings in AB Electrolux: 0 shares.

Group Management

	Keith McLoughlin	**Henrik Bergström**	**Jan Brockmann**	**Tomas Eliasson**	**Ruy Hirschheimer**	**MaryKay Kopf**
	President and Chief Executive Officer Born 1956. USA. B.Sc. Engineering. In Group Management since 2003.	Head of Small Appliances, Executive Vice President Born 1972. Sweden. M. Sc. in Business Administration and Economics. In Group Management since 2010.	Chief Technology Officer, Senior Vice President Born 1966. Germany. M. Sc. in Mechanical Engineering, M.B.A. In Group Management since 2011.	Chief Financial Officer Born 1962. Sweden. B. Sc. in Business Administration and Economics. In Group Management since 2012.	Head of Major Appliances Latin America, Executive Vice President Born 1948. Brazil. M.B.A. and Doctoral Program in Business Administration. In Group Management since 2008.	Chief Marketing Officer, Senior Vice President Born 1965. USA. B.Sc. Finance, M.B.A. In Group Management since 2011.
Previous positions	Senior management positions within DuPont in USA, 1981–2003. Vice President and General Manager of DuPont Nonwovens, 2000–2003, and of DuPont Corian, 1997–2000. Head of Electrolux Major Appliances North America and Executive Vice President of AB Electrolux, 2003. Also Head of Major Appliances Latin America, 2004–2007. Chief Operations Officer Major Appliances, 2009–2010. President and Chief Executive Officer of AB Electrolux, 2011.	Business Development and General Management positions within Electrolux Major Appliances Latin America, 1997– 2002. Managing Director of Electrolux in Latin America and Caribbean, 2002– 2008. Vice President and General Manager of three business areas in Electrolux Major Appliances North America, 2008–2010. Head of Electrolux Asia Sourcing Operations, 2009–2010. Head of Small Appliances and Executive Vice President of AB Electrolux, 2010.	Management positions within Valeo Group, 1994–1999. Project Manager in Roland Berger Strategy Consultants GmbH, 2000–2001. Senior management positions within Volkswagen Group, 2001–2010. Head of R&D, Electrolux Major Appliances, 2010. Group Chief Technology Officer, 2011.	Management positions within ABB Group, 1987–2002. Chief Financial Officer of Seco Tools AB, 2002–2006. Chief Financial Officer of ASSA ABLOY AB, 2006–2012. Chief Financial Officer of AB Electrolux, 2012.	Executive Vice President of Alcoa Aluminum in Brazil, 1983–1986. President and CEO of J.I. Case Brazil, 1990–1994. President and CEO of Bunge Foods, 1994–1997. Senior Vice President of Bunge International Ltd. in USA, 1997–1998. Head of Electrolux Brazilian Major Appliances operations, 1998. Head of Electrolux Major Appliances Latin America, 2002. Executive Vice President of AB Electrolux, 2008.	Senior management positions within DuPont in North America, Europe, Middle East and Africa, and globally, 1991–2003. Vice President Brand Marketing, Electrolux Major Appliances North America, 2003. Group Chief Marketing Officer, 2011.
Board membership	Board member of Briggs & Stratton Corporation.			Board member of Millicom International Cellular S.A.		Board member of World Kitchen, LLC.
Holdings in AB Electrolux	96,573 B shares.	4,663 B shares.	3,112 B shares.	1,621 B shares.	35,571 B shares.	13,020 B shares.

Holdings in AB Electrolux as of December 31, 2014. The information is regularly updated at www.electroluxgroup.com.

Gunilla Nordström	**Jonas Samuelson**	**Jack Truong**	**Cecilia Vieweg**	**Lars Worsøe-Petersen**	**Alberto Zanata**
Head of Major Appliances Asia/Pacific, Executive Vice President Born 1959. Sweden, M. Sc. In Group Management since 2007.	Head of Major Appliances Europe, Middle East and Africa, Executive Vice President Born 1968. Sweden. M. Sc. in Business Administration and Economics. In Group Management since 2008.	Head of Major Appliances North America, Executive Vice President Born 1962. USA. Ph.D. Chem. Eng. In Group Management since 2011.	General Counsel, Senior Vice President Born 1955. Sweden. B. of Law. In Group Management since 1999.	Head of Human Resources and Organizational Development, Senior Vice President Born 1958. Denmark. M.Econ. In Group Management since 2011.	Head of Professional Products, Executive Vice President Born 1960. Italy. University degree in Electrical Engineering with Business Administration. In Group Management since 2009.
Senior management positions within Telefonaktiebolaget LM Ericsson and Sony Ericsson in Europe, Latin America and Asia, 1983–2005. President of Sony Ericsson Mobile Communications (China) Co. Ltd. and Corporate Vice President of Sony Ericsson Mobile Communications AB, 2005–2007. Head of Electrolux Major Appliances Asia/Pacific and Executive Vice President of AB Electrolux, 2007.	Business development and finance positions within General Motors in USA, 1996–1999. Treasurer and Director of Commercial Finance and Business Support in Saab Automobile AB, 1999–2001. Senior management positions within controlling and finance in General Motors North America, 2001–2005. Chief Financial Officer of Munters AB, 2005–2008. Chief Financial Officer of AB Electrolux, 2008–2011 as well as Chief Operations Officer and Head of Global Operations Major Appliances during 2011. Head of Major Appliances Europe, Middle East and Africa and Executive Vice President of AB Electrolux, 2011.	Research & Development and Business Management positions within 3M in USA, 1989–1997. Managing Director, 3M Home Care Business, Europe, Middle East and North Africa, 1997–2001. Managing Director of 3M Thailand Ltd., 2001–2003. Vice President and General Manager of 3M Global Office Supplies Division, 2003–2009. Vice President and General Manager of 3M Global Construction and Home Improvement Division, 2009–2011. Head of Electrolux Major Appliances North America and Executive Vice President of AB Electrolux, 2011.	Attorney of Berglund & Co Advokatbyrå, 1987–1990. Corporate Legal Counsel of AB Volvo, 1990–1992. General Counsel of Volvo Car Corporation, 1992–1997. Attorney and partner of Wahlin Advokatbyrå, 1998. Senior Vice President and General Counsel of AB Electrolux, 1999, with the responsibility for legal, intellectual property, risk management and security matters.	Head of Human Resources Electrolux in Denmark, 1994. Vice President Human Resources within Electrolux Major Appliances Europe, 1999–2000. Head of Electrolux Holding A/S in Denmark, 2000–2002. Head of Human Resources for Electrolux Major Appliances North America, 2002–2005. Head of Group Staff Human Resources at Husqvarna AB, 2005–2011. Rejoined Electrolux as Head of Group Staff Human Resources and Organizational Development, 2011.	Senior management positions in Electrolux Professional Products within factory management, marketing, product management and business development, 1989–2002. Head of Professional Products in North America, 2003–2008. Head of Professional Products and Executive Vice President of AB Electrolux, 2009.
Board member of Atlas Copco AB and Wärtsilä Corporation.	Board member of Polygon AB.		Board member of Lundin Petroleum AB and The Association of Swedish Engineering Industries and member of the Swedish Securities Council.		
32,109 B shares.	13,473 B shares.	1,550 B shares.	17,402 B shares.	4,933 B shares.	20,632 B shares.



Internal control over financial reporting

The Electrolux Control System (ECS) has been developed to ensure accurate and reliable financial reporting and preparation of financial statements in accordance with applicable laws and regulations, generally accepted accounting principles and other requirements for listed companies. The ECS adds value through clarified roles and responsibilities, improved process efficiency, increased risk awareness and improved decision support.

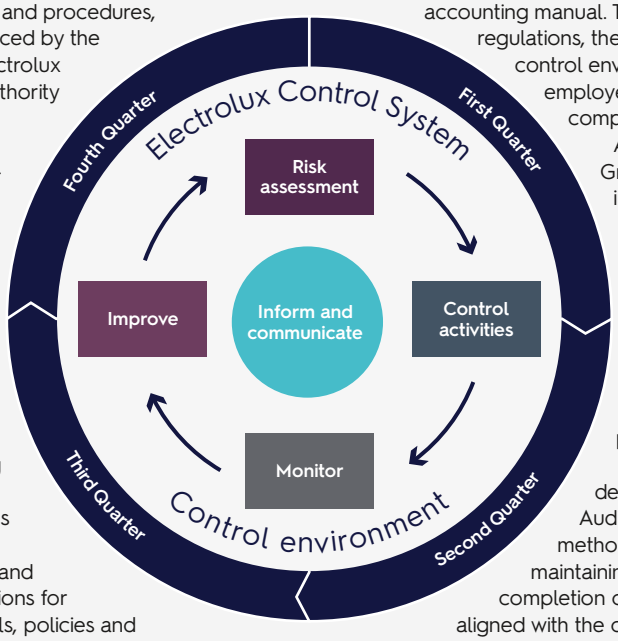
The ECS is based on the Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The five components of this framework are control environment, risk assessment, control activities, monitor and improve and inform and communicate.

Control environment

The foundation for the ECS is the control environment, which determines the individual and collective behavior within the Group. It is defined by policies and procedures, manuals, and codes, and enforced by the organizational structure of Electrolux with clear responsibility and authority based on collective values.

The Electrolux Board has overall responsibility for establishing an effective system of internal control. Responsibility for maintaining effective internal controls is delegated to the President. The governance structure of the Group is described on page 136. Specifically for financial reporting, the Board has established an Audit Committee, which assists in overseeing relevant manuals, policies and important accounting principles applied by the Group.

The limits of responsibilities and authorities are given in instructions for delegation of authority, manuals, policies and procedures, and codes, including the Electrolux Code of Ethics, the Electrolux Workplace Code of Conduct, and the Electrolux Policy on Corruption and Bribery, as well as in policies for information, finance and credit, and in the accounting manual. Together with laws and external regulations, these internal guidelines form the control environment and all Electrolux employees are held accountable for compliance.



All entities within the Electrolux Group must maintain adequate internal controls. As a minimum requirement, control activities should address key risks identified within the Group. Group Management have the ultimate responsibility for internal controls within their areas of responsibility. Group Management is described on pages 148–149.

The ECS Program Office, a department within the Internal Audit function, has developed the methodology and is responsible for maintaining the ECS. To ensure timely completion of these activities, specific roles aligned with the company structure, with clear responsibilities regarding internal control, have been assigned within the Group.

Control environment — Example

Accounting Manual

Accounting principles and reporting instructions for the Group 's reporting entities are contained in the Electrolux Accounting Manual. The Accounting Manual is mandatory for all reporting units .

Credit Policy

Rules for customer assessment and credit risk that clarify responsibilities and are the framework for credit decisions.

Delegation of Authority Document

Details the approval rights, with monetary, volume or other appropriate limits, e.g., approval of credit limits and credit notes.

Internal Control Policy

Details responsibility for internal controls. Controls should address the Minimum Internal Control Requirements (MICR) within every applicable process, for example "Order to Cash".

Workplace Code of Conduct

Minimum standards in the area of environment, health and safety, labor standards and human rights. The Workplace Code of Conduct is mandatory for Electrolux units as well as suppliers.

Risk assessment

Risk assessment

Risk assessment includes identifying risks of not fulfilling the fundamental criteria, i.e., completeness, accuracy, valuation and reporting for significant accounts in the financial reporting for the Group as well as risk of loss or misappropriation of assets.

At the beginning of each calendar year, the ECS Program Office performs a global risk assessment to determine the reporting units, data centers and processes in scope for the ECS activities. Within the Electrolux Group, a number of different processes generating transactions that end up in significant accounts in the financial reporting have been identified. All larger reporting units perform the ECS activities. These larger units cover approximately 76% of the total external sales and 60% of the external assets of the Group.

The ECS has been rolled out to almost all of the smaller units within the Group. The scope for these units is limited to the four major processes Closing Routine, Order to Cash, Manage Inventory and Procure to Pay and predetermined key risks therein. The scope is also limited in terms of monitoring as management is not formally required to test the controls.

Control activities

Control activities

Control activities mitigate the risks identified and ensure accurate and reliable financial reporting as well as process efficiency.

Control activities include both general and detailed controls aimed at preventing, detecting and correcting errors and irregularities. In the ECS, the following types of controls are implemented, documented and tested:

- Manual and application controls – to secure that key risks related to financial reporting within processes are controlled.
- IT general controls – to secure the IT environment for key applications.
- Entity-wide controls – to secure and enhance the control environment.

Monitor

Improve

Monitor and Improve

Monitor and test of control activities is performed periodically to ensure that risks are properly mitigated.

The effectiveness of control activities is monitored continuously at four levels: Group, business area, reporting unit, and process. Monitoring involves both formal and informal procedures applied by management, process owners and control operators, including reviews of results in comparison with budgets and plans, analytical procedures, and key-performance indicators.

Within the ECS, management is responsible for testing key controls. Management testers who are independent of the control operator perform these activities. The Group's Internal Audit function maintains test plans and performs independent testing of selected controls. Controls that have failed must be remediated, which means establishing and implementing actions to correct weaknesses.

The test results from the larger reporting units are presented to the external auditors who assess the results of the testing performed by management and the Internal Audit function and determine to what extent they can rely upon the work within the ECS for Group audit and statutory audit purposes. The Audit Committee reviews reports regarding internal control and processes for financial reporting. The Group's Internal Audit function proactively proposes improvements to the control environment. The head of the Internal Audit function has dual reporting lines: To the President and the Audit Committee for assurance activities, and to the CFO for other activities.

Inform and communicate

Inform and communicate

Inform and communicate within the Electrolux Group regarding risks and controls contributes to ensuring that the right business decisions are made.

Guidelines for financial reporting are communicated to employees, e.g., by ensuring that all manuals, policies and codes are published and accessible through the Group-wide intranet as well as information related to the ECS.

To inform and communicate is a central element of the ECS and is performed continuously during the year. Management, process owners and control operators in general are responsible for informing and communicating the results within the ECS. The status of the ECS activities is followed up continuously through status calls between the ECS Program Office and coordinators in the sectors. Information about the status of the ECS is provided periodically to Sector and Group Management, the Audit Board and the Audit Committee.

Risk assessment – Example

Control activities – Example

Process	Risk assessed	Control activity
Closing Routine	Risk of incorrect financial reporting.	Reconciliation between general ledger and accounts receivable sub-ledger is performed, documented and approved.
Manage IT	Risk of unauthorized/incorrect changes in the IT environment.	All changes in the IT environment are authorized, tested, verified and finally approved.
Order to Cash	Risk of not receiving payment from customers in due time.	Customers' payments are monitored and outstanding payments are followed up.
Order to Cash	Risk of incurring bad debt.	Application automatically blocks sales orders/deliveries when the credit limit is exceeded.

Financial reporting and information

Electrolux routines and systems for information and communication aim at providing the market with relevant, reliable, correct and vital information concerning the development of the Group and its financial position. Specifically for purposes of considering the materiality of information, including financial reporting, relating to Electrolux and ensuring timely communication to the market, a Disclosure Committee has been formed.

Electrolux has an information policy meeting the requirements for a listed company.

Financial information is issued regularly in the form of:

- Full-year reports and interim reports, published as press releases.
- The Annual Report
- Press releases on all matters which could materially affect the share price.
- Presentations and telephone conferences for financial analysts, investors and media representatives on the day of publication of full-year and quarterly results and in conjunction with the release of important news.
- Meetings with financial analysts and investors in Sweden and worldwide.

All reports, presentations and press releases are published simultaneously at www.electroluxgroup.com/ir.

Stockholm, January 27, 2015

AB Electrolux (publ)
The Board of Directors

Auditor's report on the Corporate Governance Statement

To the annual meeting of the shareholders of AB Electrolux (publ), corporate identity number 556009-4178

It is the Board of Directors who is responsible for the Corporate Governance Statement for the year 2014 on pages 136-152 and that it has been prepared in accordance with the Annual Accounts Act.

We have read the corporate governance statement and based on that reading and our knowledge of the company and the group we believe that we have a sufficient basis for our opinions. This means that our statutory examination of the Corporate Governance Statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden.

In our opinion, the Corporate Governance Statement has been prepared and its statutory content is consistent with the annual accounts and the consolidated accounts.

Stockholm, February 19, 2015

PricewaterhouseCoopers AB

Anders Lundin Authorized Public Accountant Partner in Charge	Anna Rosendal Authorized Public Accountant

Factors affecting forward-looking statements

This annual report contains "forward-looking" statements within the meaning of the US Private Securities Litigation Reform Act of 1995. Such statements include, among others, the financial goals and targets of Electrolux for future periods and future business and financial plans. These statements are based on current expectations and are subject to risks and uncertainties that could cause actual results to differ materially due to a variety of factors. These factors include, but may not be limited to the following; consumer demand and market conditions in the geographical areas and industries in which Electrolux operates, effects of currency fluctuations, competitive pressures to reduce prices, significant loss of business from major retailers, the success in developing new products and marketing initiatives, developments in product liability litigation, progress in achieving operational and capital efficiency goals, the success in identifying growth opportunities and acquisition candidates and the integration of these opportunities with existing businesses, progress in achieving structural and supply-chain reorganization goals.

Annual General Meeting

The Annual General Meeting will be held at 5 pm on Thursday, March 26, 2015, at The Brewery Conference Centre Stockholm (Sw. Münchenbryggeriet), Torkel Knutssonsgatan 2, Stockholm, Sweden.

Participation
Shareholders who intend to participate in the Annual General Meeting must

- be registered in the share register kept by the Swedish central securities depository Euroclear Sweden AB on Friday, March 20, 2015, and
- give notice of intent to participate, to Electrolux on Friday, March 20, 2015, at the latest

Notice of participation
Notice of intent to participate can be given

- on the Group's website; www.electroluxgroup.com/agm2015
- by telephone +46 8 402 92 79, on weekdays between 9 am and 4 pm
- by mail to
  AB Electrolux
  c/o Euroclear Sweden AB
  Box 191
  SE-101 23 Stockholm
  Sweden

Notice should include the shareholder's name, personal identity or registration number, address, telephone number and the number of assistants attending, if any. Shareholders may vote by proxy, in which case a power of attorney should be submitted to Electrolux well in advance of the Annual General Meeting.

Proxy forms in English and Swedish are available on the Group's website; www.electroluxgroup.com/agm2015.

Shares registered by trustee
Shareholders that have their shares registered in the name of a nominee must, in addition to giving notice of participation in the meeting, temporarily be recorded in the share register in their own names (so called voting-rights registration) to be able to participate in the General Meeting. In order for such registration to be effectuated on Friday, March 20, 2015, shareholders should contact their bank or trustee well in advance of that date.

Dividend
The Board of Directors proposes a dividend for 2014 of SEK 6.50 per share, for a total dividend payment of approximately SEK 1,861m. The proposed dividend corresponds to approximately 57% of income for the period, excluding items affecting comparability. Monday, March 30, 2015, is proposed as record date for the dividend. The estimated date for payment of dividend is Thursday, April 2, 2015.

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

Dates regarding the AGM 2015

2014

September

25 Nomination Committee appointed for AGM 2015

2015

February

17 Proposals from Nomination Committee presented
17 Notice to AGM published

March

20 Deadline for notice of intent to participate in AGM and registration in share register
26 AGM 2015
30 Proposed record date for dividend

April

2 Estimated date for payment of dividend

History

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

1912 Lux I

2012 Electrolux Ultra One Mini

2014 Electrolux Ergorapido

1901
AB Lux was founded.

1919
Cooperation between AB Lux and Axel Wenner-Gren begins. The Lux I vacuum cleaner is launched.

1928
Electrolux is listed on the London Stock Exchange and on the Stockholm Stock Exchange in 1930.

1957
The spelling of the Group's name is changed throughout the world from Elektrolux to Electrolux.

1984
Italian appliance manufacturer Zanussi is acquired, making Electrolux the leader in household appliances for consumers and professionals.

Modell XXX vacuum cleaner

Electrolux refrigerator

Passion for Innovation "This task is not an easy one, but one that will transform homes around the world." Next to Wenner-Gren and his team was a basic prototype of an absorption refrigerator created by two young engineers, Baltzar von Platen and Carl Munters. Wenner-Gren believed that absorption refrigeration technology, creating cold through heat using water, had immense potential but needed to be developed further. "But the problem with this technology is that not all households have running water and every home from China to America will need a refrigeration machine." Wenner-Gren paused, and looked at each member of the team. "That is why we are going to cool with air, because we all have access to that." In 2014, Electrolux launched new refrigerators featuring the very best professional technology to create optimal air humidity and preserve fresh food for longer.

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

2014 Electrolux refrigerator

The founder of Electrolux, Axel WennerGren, was a visionary who understood how to develop products for the future. He underlined Passion for Innovation, Customer Obsession, and Drive for Results, and these continue to comprise the core values of Electrolux operations.

1986

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

1994

Appliance manufacturer AEG is acquired.

2001

The household appliance division of Australian company Email is acquired.

2011

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

2014

Electrolux signed an agreement to acquire GE Appliances, one of the leading manufacturers of kitchen and laundry equipment in the US. The acquisition is expected to be completed in 2015.

Electrolux Electrolux Electrolux

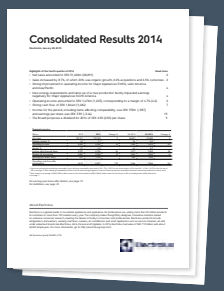
Events and reports

The Electrolux website www.electroluxgroup.com/ir contains additional and updated information about such items as the Electrolux share and corporate governance as well as a platform for financial statistics. The platform allows visitors to view graphic detailing of Electrolux development on an annual or quarterly basis.

Electrolux Annual Report 2014

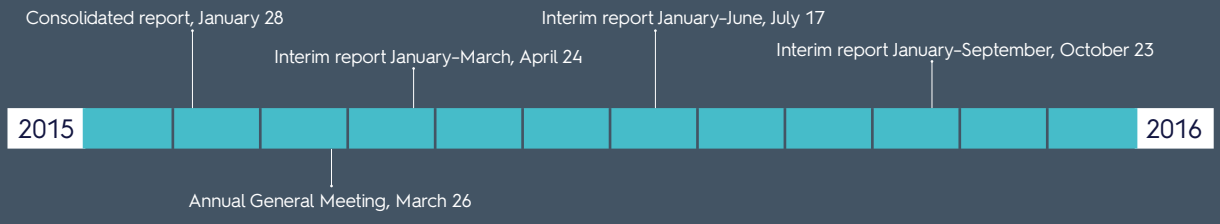
Electrolux annual report
www.electroluxgroup.com/annualreport2014

Electrolux sustainability reports (GRI)
www.electroluxgroup.com/sustainability



Electrolux interim reports
www.electroluxgroup.com/ir

Financial reports and major events in 2015



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341 298
Printed matter
Larsson Offsettryck

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

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please contact Electrolux Group Intellectual Property, Trademark.

AB Electrolux (publ), 556009-4178
Mailing address: SE-105 45 Stockholm, Sweden **Visiting address:** S:t Göransgatan 143, Stockholm
Telephone: +46 8 738 60 00 **Website:** www.electroluxgroup.com

On the web:
www.electroluxgroup.com/annualreport2014