

Admission to trading of the shares in Electrolux Professional AB on Nasdaq Stockholm



IMPORTANT INFORMATION

For certain definitions used in this prospectus, see *“Certain definitions”* on the next page.

This prospectus has been prepared following a resolution at the Extraordinary General Meeting held on February 21, 2020 in AB Electrolux (publ) (*“Electrolux”*) to distribute to Electrolux shareholders the shares in Electrolux Professional AB (publ) (*“Electrolux Professional”* or the *“Company”*) and the Board of Directors of Electrolux Professional’s application for listing of those shares on Nasdaq Stockholm.

A Swedish version of this prospectus has been approved and registered by the Swedish Financial Supervisory Authority (the *“SFSA”*) as competent authority under Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market (the *“Prospectus Regulation”*).

The prospectus is governed by Swedish law. Disputes arising in connection with this prospectus and related legal matters shall be settled exclusively by Swedish courts. The prospectus has been prepared in both Swedish and English language versions. The English version contains certain sections specifically directed to holders outside of Sweden, which are not included in the Swedish version. In the event of any conflict between the versions, the Swedish version shall prevail.

This prospectus has been prepared for the purpose of Electrolux Professional’s application of admission to trading of the shares in Electrolux Professional on Nasdaq Stockholm and does not contain any offer to subscribe for, or in any other way acquire shares or other financial instruments in the Company, neither in Sweden nor in any other jurisdiction. The prospectus and thereto related documents may not be distributed to or into the United States, Canada, Australia, Japan or any other jurisdiction where such distribution would require additional prospectuses, registration or measures besides those required by Swedish law or otherwise would be in conflict with applicable regulations in such countries or in such jurisdictions. Recipients of this prospectus are required to inform themselves about, and comply with, such restrictions. Any failure to comply with the restrictions described may result in a violation of applicable securities regulations.

Investing in shares is associated with risk (see *“Risk factors”*). When an investor makes an investment decision, he or she must rely on his or her own analysis of Electrolux Professional, including applicable facts and risks. Investors may only rely on the information in this prospectus and any possible supplements to this prospectus. No person is authorized to provide any information or make any statements other than those made in this prospectus. Should such information or statement nevertheless be provided or be made, it should not be considered to have been approved by Electrolux Professional, and Electrolux Professional is not responsible for such information or statements. Neither the publication of this prospectus nor any transaction made in respect of it shall be deemed to imply that the information in this prospectus is accurate or applicable at any time other than on the date of the publication of this prospectus or that there have been no changes in Electrolux Professional’s business since this date. If significant changes relating to the information contained in this prospectus occur, such changes will be announced in accordance with the provisions on prospectus supplements under the Prospectus Regulation.

Information to investors in the United States

The distribution of Electrolux Professional’s shares has not been and will not be registered under the U.S. Securities Act of 1933, as amended (the *“Securities Act”*). The Electrolux Professional shares have not been approved or disapproved by the U.S. Securities and Exchange Commission (*“SEC”*), any state securities commission in the United States or any U.S. regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the distribution of the Electrolux Professional shares or the accuracy or adequacy of this document. Any representation to the contrary is a criminal offence in the United States.

Electrolux Professional will be relying on an exemption provided by Rule 12g3-2(b) under the United States Securities Exchange Act of 1934, as amended, and therefore will not be required to register its shares with the SEC. In accordance with Rule 12g3-2(b), Electrolux Professional will make available certain documents on its website. These documents will consist primarily of English-language versions of the Group’s annual reports, press releases and certain other information made public in Sweden. However, Electrolux Professional will not be required to file with the SEC annual reports on Form 20-F or furnish reports on Form 6-K.

The Electrolux Professional shares generally should not be treated as *“restricted securities”* within the meaning of Rule 144(a)(3) under the Securities Act, and persons who receive securities as a result of the separation of Electrolux Professional from Electrolux (other than affiliates) may resell them without restriction under the Securities Act. A receiving shareholder who is an affiliate of Electrolux Professional as of the date and time at which the separation of Electrolux Professional from Electrolux becomes effective or who became affiliates thereafter will be subject to certain U.S. transfer restrictions relating to the shares received pursuant to the separation.

Forward-looking statements

The prospectus contains certain forward-looking statements that reflect Electrolux Professional’s present view of future events as well as financial and operational development. Words such as *“intend”*, *“anticipate”*, *“expect”*, *“may”*, *“plan”*, *“believe”*, *“estimate”*, *“project”* and other expressions entailing indications or predictions of future development or trends, not based on historical facts, constitute forward-looking statements. Forward-looking statements are inherently associated with both known and unknown risks and uncertainties as they depend on future events and circumstances. Forward-looking statements are not a guarantee of future results or development and actual outcomes may differ materially from the statements set forth in the forward-looking statements. Electrolux Professional makes no undertakings that it will disclose updates or revisions of forward-looking statements due to new information, future events or other such matters, other than what is required according to applicable legislation.

Factors that may cause Electrolux Professional’s future results and development to differ from the forward-looking statements include, among other things, those described in *“Risk factors”*. The forward-looking statements contained in this prospectus apply only as of the date of this prospectus.

Presentation of financial information

Certain figures in this prospectus, including financial data, have been rounded. Accordingly, figures shown in totals in certain tables may not be an exact arithmetic aggregation of the figures which precede them. Unless otherwise explicitly stated, no information in the prospectus has been audited or reviewed by an auditor.

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Important dates

Last day of trading in Electrolux shares of Class A and Class B, respectively, with the right to the distribution of shares of Class A and Class B, respectively, in Electrolux Professional: ... March 17, 2020

Electrolux shares of Class A and Class B, respectively and ADRs are traded excluding the right to the distribution of shares of Class A and Class B, respectively, in Electrolux Professional: March 18, 2020

Record date for receipt of shares of Class A and Class B, respectively, in Electrolux Professional: March 19, 2020

Estimated first day of trading in Electrolux Professional's shares of Class A and Class B, respectively, on Nasdaq Stockholm: March 23, 2020

Other information

Ticker Class A share: EPRO A

Ticker Class B share: EPRO B

ISIN code Class A share: SE0013720018

ISIN code Class B share: SE0013747870

LEI code: 254900KI62Q46ZWD8084

Financial information

Interim report January–March 2020: May 6, 2020

Interim report January–June 2020: July 24, 2020

Interim report January–September 2020: October 30, 2020

Interim report January–December 2020: February 3, 2021

Certain definitions

In this prospectus, the following definitions are used:

“**Electrolux Professional**” or the “**Company**” refers to, depending on the context, Electrolux Professional AB (publ) (corporate ID No. 556003-0354) or the group in which Electrolux Professional AB (publ) is the parent company.

The “**Group**” refers to Electrolux Professional AB (publ) and its subsidiaries.

“**Electrolux**” refers to, depending on the context, AB Electrolux (publ) (corporate ID No. 556009-4178) or the group in which AB Electrolux (publ) is the parent company.

The “**Electrolux Group**” refers to AB Electrolux (publ) and its subsidiaries.

“**Euroclear Sweden**” refers to Euroclear Sweden AB.

“**Nasdaq Stockholm**” refers to the Swedish regulated market Nasdaq Stockholm or its operator Nasdaq Stockholm AB, as the context may require.

“**SEK**”, “**EUR**” and “**USD**” refers to Swedish kronor, Euro and U.S. dollars, respectively (**bn** indicates billions, **m** indicates millions and **k** indicates thousands).

Summary

Introductions and warnings

This prospectus has been drawn up in relation to the admission to trading of the shares in Electrolux Professional AB (publ) (corporate ID No. 556003-0354), S:t Göransgatan 143, SE-112 17 Stockholm, Sweden, on Nasdaq Stockholm. The ISIN code of the shares of Class A and Class B is SE0013720018 and SE0013747870, respectively. Electrolux Professional's LEI code is 254900KI62Q46ZWD8084.

On March 10, 2020, the SFSA (with postal address P.O. Box 7821, SE-103 97 Stockholm, telephone number +46 (0)8 408 980 00, and website www.fi.se) in its capacity as competent authority under the Prospectus Regulation approved this prospectus.

This summary should be read as an introduction to the prospectus. Any decision to invest in the securities should be based on consideration of the prospectus as a whole by the investor. An investor could lose all or part of the invested capital. Where a claim relating to the information in this prospectus is brought before a court, the plaintiff investor might, under the national legislation of the member states, have to bear the costs of translating the prospectus before the legal proceedings are initiated. Civil liability may only attach to those persons who have tabled the summary, including any translation thereof, only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the prospectus, or where it does not provide, together with other parts of the prospectus, key information in order to aid investors when considering whether to invest in such securities.

Key information on the issuer

Who is the issuer of the securities?

Electrolux Professional AB (publ) (corporate ID No. 556003-0354) is the issuer of the securities under this prospectus. The Board of Directors of Electrolux Professional has its statutory seat (Sw. *säte*) in the municipality of Stockholm, Sweden. The Company is a public limited liability company (Sw. *publikt aktiebolag*) incorporated in Sweden in 1898. The Company conducts operations in accordance with the Swedish Companies Act (Sw. *aktiebolagslagen (2005:551)*). Electrolux Professional's LEI code is 254900KI62Q46ZWD8084.

Principal activities

Electrolux Professional is one of the leading global providers of food service, beverage and laundry solutions in terms of sales, serving a wide range of customers globally, from restaurants and hotels to healthcare, educational and other service facilities. The Company's solutions and products are manufactured in twelve facilities located in seven countries around the world and sold in approximately 110 countries. The Company had 3,624 employees as of December 31, 2019 and its headquarters are located in Stockholm, Sweden.

Electrolux Professional offers a full set of solutions within food service, beverage and laundry equipment, with products and services that address the needs of a diverse customer base. The Company focuses on solutions where there is a need for high-performing, reliable equipment, with significant aftermarket requirements over the equipment lifecycle and where customers are focused on productivity and total cost of ownership. The Company strives to maintain, develop and enhance its customer relationships through collaboration, commitment to innovation and sustainability for the benefit of its customers.

The Company has a local presence across relevant global markets, enabling a flexible and efficient set-up from both a manufacturing and commercial standpoint. Electrolux Professional operates with an agile supply chain and lean manufacturing cost footprint, which enables the Company to operate efficiently throughout business cycles. Electrolux Professional's products are sold either through distributors and dealers or directly to customers, depending on specific regional dynamics.

Electrolux Professional has two segments - Food & Beverage (F&B) and Laundry. F&B provides a wide range of equipment for professional food service and beverage solutions. Laundry provides a wide array of equipment for professional laundry operations. In addition to their product offerings, each segment provides aftermarket services and solutions.

Major shareholders

As of the date of this prospectus, Electrolux Professional is a wholly-owned subsidiary of Electrolux. The ownership structure in Electrolux Professional will initially be identical to that of Electrolux on the record date for proposed distribution.¹⁾ The table below shows Electrolux Professional's shareholders who have a direct or indirect holding in the Company that corresponds to five percent or more of the shares or votes, under the assumption that the distribution of shares in Electrolux Professional had been completed with February 28, 2020 as record date. As of that date, Electrolux had 52,360 shareholders.

Holder/nominee/custodian	Number of shares of Class A	Number of shares of Class B	Total number of shares	Shares, %	Votes, %
Investor	6,420,771	44,365,641	50,786,412	17.7	30.1
Swedbank Robur Funds	-	22,745,457	22,745,457	7.9	6.3
Alecta Pension Insurance	500,000	21,925,098	22,425,098	7.8	7.5
BlackRock, Inc.	-	14,396,070	14,396,070	5.0	4.0
Other shareholders	1,271,768	175,772,645	177,044,413	61.6	52.2
Total	8,192,539	279,204,911	287,397,450	100.0	100.0

Source: Modular Finance and Euroclear Sweden.

Executive Management Team

In the table below, the members of the Executive Management Team, as of the date of this prospectus, are set forth.

Name	Position
Alberto Zanata	President and CEO
Fabio Zarpellon	CFO
Jacob Broberg	SVP Investor Relations and Corporate Communication
Marie Thérèse Chaabane	Chief Human Resources Officer (CHRO)
Douglas Walker	SVP & GM APAC & MEA
John Evans	SVP & GM Americas
Philippe Zavattiero	SVP & GM Europe
Torsten Urban	SVP Product & Marketing
Paolo Schira	SVP Business Development
Carlo M. Caroni	COO (Operations & R&D)

Auditor

Deloitte AB (Rehngatan 17, SE-113 79 Stockholm) is Electrolux Professional's auditor. Jan Berntsson is auditor-in-charge.

What is the key financial information regarding the issuer?

The selected historical financial information presented below (other than alternative performance measures) has been derived from Electrolux Professional's audited combined financial statements for the financial years 2017, 2018 and 2019, respectively, which have been prepared in accordance with the International Financial Reporting Standards, as adopted by the EU ("IFRS").

Combined statement of total comprehensive income

SEKm	2019	2018	2017
Net sales	9,281	8,666	7,723
Operating income	992	1,143	1,060
Income for the period	663	952	786
Operating margin, % ¹⁾	10.7	13.2	13.7
Earnings per share (basic), SEK ²⁾	2.31	3.31	2.74

1) Alternative performance measure.

2) The calculation of earnings per share has been based on the average number of outstanding shares in Electrolux during 2019 (287.4 million shares).

Combined balance sheet

SEKm	Dec 31, 2019	Dec 31, 2018	Dec 31, 2017
Total assets	8,035	7,576	5,874
Total equity	2,711	3,527	2,424
Net debt ¹⁾	1,025	-226	-481

1) Alternative performance measure.

1) Excluding treasury shares. As of February 28, 2020, Electrolux held 21,522,858 treasury shares of Class B which do not entitle to shares in Electrolux Professional.

Combined cash flow statement

SEKm	2019	2018	2017
Cash flow from operations	1,118	904	1,031
Cash flow from investments	-702	-833	-984
Cash flow from financing	6,795	-337	-599
Total cash flow	7,211	-266	-552

What are the key risks that are specific to the issuer?

Electrolux Professional is exposed to risks related to macroeconomic factors and geopolitical conditions

Demand for Electrolux Professional's products depends on the general economic climate within the professional equipment industry, which in turn is affected by macroeconomic factors in the countries and regions where Electrolux Professional conducts operations. A significant negative economic development or political uncertainties in the markets in which Electrolux Professional operates would trigger a significant industry-wide decline in sales. Hence, a significant negative economic development or sustained political uncertainties in any of those markets would thus materially adversely affect the Group's net sales and results of operations.

Electrolux Professional is exposed to risks relating to its manufacturing units

Electrolux Professional has twelve manufacturing units in seven countries and the manufacturing comprises a chain of processes in which extensive outages and disruptions would adversely affect Electrolux Professional's possibilities to perform its obligations to customers. Any extensive outages or disruptions as a consequence of such events would affect Electrolux Professional's ability to manufacture products, which would have a material adverse effect on its business, results of operations and financial position.

Furthermore, from time to time, Electrolux Professional may relocate or transfer part of its manufacturing capacity to new plants or between existing plants. Any prolonged disruption in the operations of any of the Group's manufacturing facilities or any unforeseen extensive delay in shifting manufacturing operations to new facilities, whether due to technical or labor difficulties or delays in regulatory approvals or any start-up problems, would result in delays in delivery of products to customers, increased costs and reduced revenues.

Electrolux Professional is subject to risks related to the outbreak of the coronavirus

In late December 2019, an outbreak of a novel coronavirus (later named as COVID-19) was detected in Wuhan City in the Hubei province, China. The coronavirus outbreak in China has led to governmental shutdowns of cities and various business operations, which has had an impact on the Group's sourcing from, and production in, China. In late February 2020, the coronavirus spread rapidly also outside China, with the biggest outbreak outside Asia occurring in northern Italy, initially with the Lombardy and Veneto regions as epicenter and thereafter also spread to other regions. Since Electrolux Professional's operational headquarter, including a large part of the Group's management, manufacturing units and a logistics hub, is located in Pordenone in the neighboring Friuli-Venezia Giulia region, there is a risk that

the outbreak of the coronavirus in northern Italy could have a significant adverse effect on the Group's operations, manufacturing and distribution capacity.

So far, the outbreak of the coronavirus has negatively affected the Group's sales in China and Italy, and is expected to impact Electrolux Professional's business and its end markets in the first half of 2020. However, coronavirus outbreaks are highly likely to occur also in other parts of the world although, at present, the spread and consequences are very difficult to predict. A protracted uncertainty and a lack of containment of the virus could have several negative consequences for Electrolux Professional and its global footprint as well as subsequent impact on the Group's cash flow, net sales and profitability. Depending on the spread of the coronavirus, it is also reasonable to assume that stock exchanges over the world will be very volatile and shares may be subject to extraordinary swings. There is thus a risk that the price for the Electrolux Professional share might follow general market volatility, regardless of the results and performance of the Group, and decline significantly in value after the listing on Nasdaq Stockholm.

Electrolux Professional is exposed to risks related to raw materials, components and commodities

On a global as well as a regional basis, the sources and prices of raw materials and components are susceptible to significant price fluctuations. Fluctuations in commodity prices impact the input costs and, as a consequence, the Group's margins. Increased energy prices also negatively affect the Group's costs. Furthermore, tariffs and other measures restricting trade that encompass raw materials that Electrolux Professional uses in its production, or components included in Electrolux Professional's products, increase Electrolux Professional's production costs and thereby negatively affect its results of operations. Shortages in the supply of raw materials or electricity would adversely affect Electrolux Professional's ability to manufacture its products.

Electrolux Professional is subject to risks related to market competition

Electrolux Professional operates in a competitive industry characterized by evolving industry standards and continuous improvements in performance characteristics and product features. In response to a competitive environment, the Group may be forced to increase efficiency by further reducing costs along the value chain, including at the level of suppliers. Increased competition that requires Electrolux Professional to lower its prices in order to keep customers and markets shares would adversely affect its margins and results of operations. Furthermore, if Electrolux Professional experiences a significant reduction in orders by volume or revenues, or loses important or major customers due to increased competition, it would have a material adverse effect on its net sales and results of operations.

Electrolux Professional is exposed to compliance-related risks

Electrolux Professional's global operations expose the Group to risks related to sustainability factors such as human rights, employment conditions and corruption. Violations of anti-corruption legislation that lead to extensive fines and other criminal, civil or administrative sanctions or lead to Electrolux Professional being excluded from participating in public tenders would have a material adverse effect on Electrolux Professional's reputation, business, results of operations and financial position.

In addition, Electrolux Professional is dependent on the compliance by its employees, suppliers and other third parties with laws and regulations, as well as internal governance documents and policies. Breaches of, or non-compliance with, applicable laws and regulations would adversely affect Electrolux Professional's business and reputation. If Electrolux Professional's internal controls and other measures to safeguard compliance with laws, regulations, internal guidelines and policies are insufficient, there is a risk that the Group's reputation is damaged and that it becomes subject to fines, penalties and other sanctions and/or exposed to civil or criminal liability.

Electrolux Professional is exposed to environmental risks

Electrolux Professional's manufacturing is subject to numerous international, national and local environmental, health and safety directives, laws and regulations, including those pertaining to the storage, handling, treatment, transportation and disposal of hazardous and toxic materials, the construction and operation of plants and standards relating to energy efficiency and the discharge of pollutants to air, soil and water. Any severe non-compliance or disputes risk resulting in the imposition of fines, penalties or liens, or give rise to civil or criminal liability, which would have a material adverse effect on Electrolux Professional's reputation and business.

In addition, Electrolux Professional may be held liable to investigate and rectify contamination and emissions at the Group's plants and on property which Electrolux Professional, or companies and businesses which the Group has acquired or with which it has merged, owns or has previously owned, irrespective of whether Electrolux Professional has caused the contamination or whether the operation that caused the contamination was lawful at the time the contamination occurred. Environmental risks could be significant in relation to acquisitions and divestments involving property and manufacturing facilities.

Electrolux Professional is exposed to risks related to legal disputes and administrative proceedings

Electrolux Professional is involved in disputes in the ordinary course of its business. The disputes may concern, among other things, alleged defects in delivery of goods and services, warranty undertakings, supplier agreements, employment issues, patent rights and other intellectual property rights and other issues on rights and obligations that arise in connection with the Group's operations. Electrolux Professional may also be exposed to product liability claims in the event that one of its products is alleged to have caused property damage, bodily injury or other adverse effects (including through the use in such products of components

received from third-party suppliers). Disputes may also arise in connection with mergers and acquisitions. Disputes and investigations may prove costly, be time consuming and disrupt normal operations. The financial, reputational and legal outcomes of material disputes are uncertain and presents a highly significant risk to Electrolux Professional, since a disadvantageous outcome of such disputes or investigations would have a material adverse effect on the Group's business, results of operations or financial position.

Electrolux Professional is exposed to currency risks

Electrolux Professional's solutions and products are manufactured in twelve facilities located in seven countries around the world and sold in approximately 110 countries. Accordingly, the Group is exposed to currency risks. Foreign exchange risk is defined as the risk that fluctuations in currency exchange rates have a negative impact on the Company's financial position, profitability or cash flow and includes transaction exposure and translation exposure. Extensive currency exchange movements present a significant risk to Electrolux Professional. Furthermore, the net of assets and liabilities in foreign subsidiaries constitute a net investment in foreign currency, which generates a translation difference in the consolidation of the Group. This exposure sometimes impacts the Group's total comprehensive income and capital structure.

Electrolux Professional is exposed to liquidity and financing risks

Electrolux Professional is exposed to liquidity risk in that it may be unable to meet payment obligations because it has insufficient cash at its disposal, which may in turn arise from matters outside of its control, such as a credit crisis or severe adverse economic conditions in the countries in which the Group operates. In addition, Electrolux Professional is exposed to the risk that financing of the Group's capital requirements and refinancing of existing borrowings is more difficult or costly in the future. Extensive decreases in the Group's creditworthiness or profitability, significant increases in interest rates and considerable decreases in the availability of credit or the tightening of terms required by lenders risk limiting the Group's access to capital, including its ability to issue additional debt and equity.

Electrolux Professional is exposed to credit risks

Credit risk on financial transactions is the risk that the counterpart is not able to fulfil its contractual obligations related to the Group's investments of liquid funds and derivatives. Credit risks also arise in connection with trade receivables. If Electrolux Professional is unable to fully collect its trade receivable from major customers, the Group's results of operations would be adversely affected. Any significantly higher than expected defaults or changes in the financial situation of an important customer would have a material adverse effect on the Group's credit losses and, in turn, its liquidity, results of operations or financial position.

The separation of Electrolux Professional may fail to realize anticipated benefits

The intended purpose of the separation of Electrolux Professional from Electrolux is to create long-term shareholder value and to increase focus, customer value and development opportunities for Electrolux Professional as a stand-alone company. However,

there is a risk that the anticipated benefits of the distribution will not be achieved if the assumptions underlying the decision to carry out the distribution turn out to be incorrect, or if the anticipated benefits or underlying drivers have been overestimated. There is also a risk that the investors' appetite in investing directly in Electrolux Professional is overestimated, thus causing the share price in Electrolux Professional to develop unfavorably following the listing of the Company's shares on Nasdaq Stockholm. Moreover, to the extent that Electrolux Professional as a standalone company incurs additional costs or achieves lower sales, its business, financial position and results of operations could be adversely affected and the anticipated benefits from the distribution could fail to be realized.

Key information on the securities

What are the main features of the securities?

This prospectus relates to the admission to trading of the shares in Electrolux Professional AB (publ) on Nasdaq Stockholm of 8,192,539 shares of Class A (ISIN code SE0013720018) and 279,204,911 shares of Class B (ISIN code SE0013747870). The shares have been issued in accordance with Swedish law, are fully paid and denominated in SEK. The quota value is SEK 0.1 per share.

As of the date of this prospectus, there are 287,397,450 shares, of which 8,192,539 shares of Class A and 279,204,911 shares of Class B, in Electrolux Professional.

Rights attached to the shares

Each share of Class A carries one vote and each share of Class B carries a tenth of a vote at the General Meeting.

Should the Company decide to issue new Class A and Class B shares by way of a cash issue or a set-off issue, the holders of shares of Class A and Class B shares shall have the priority right to subscribe for new shares of the same class in proportion to their existing shareholdings (primary preferential right). Shares not subscribed for by primary preferential right shall be offered to all shareholders (subsidiary preferential right). If the number of shares available for subscription is insufficient for the subscription made under subsidiary preferential right, the shares shall be distributed among the subscribers in proportion to their previous shareholdings and, if this is not possible, by the drawing of lots.

Holders of Class A shares shall have the right to require that Class A shares are converted to Class B shares. Request for conversion shall be made in writing to the Board of Directors of the Company. The request shall state the number of shares to be converted. The conversion is effected once the registration is completed and it has been noted in the Central Securities Depository Register.

Shares of Class A and Class B carry the same right to share in the Company's profit and any surplus in the event of liquidation. Holders recorded as owners of shares in the register of shareholders maintained by Euroclear Sweden on the record date established by the General Meeting will be entitled to receive dividends.

Electrolux Professional's shares are not subject to restrictions on the free transferability.

Dividend policy

Electrolux Professional's target is for the dividend to correspond to approximately 30 percent of the income for the year.

Where will the securities be traded?

The shares will be traded on Nasdaq Stockholm. The ticker for the shares of Class A and Class B will be EPRO A and EPRO B, respectively.

What are the key risks that are specific to the securities?

The share price can be volatile and the share price development is affected by several factors

Since an investment in shares may increase or decrease in value, there is a risk that investors will not recover their invested capital. The performance of a share depends on multiple factors, some of which are company specific, whilst others are related to the stock market in general. There is a risk that there will not always be an active and liquid market for trading in Electrolux Professional's shares, which would affect investors' possibilities to recover their invested capital. This presents a significant risk for a single investor.

Electrolux Professional's ability to pay future dividends depends on several factors

Payment of dividends may only take place if there are payable funds held by Electrolux Professional and as long as the requirements of future dividends, and the size, scope and risks of any such dividends, are met. Such requirements depend on Electrolux Professional's equity, consolidation needs, liquidity and position in general for a certain financial year. Furthermore, future dividends, and the size of any such dividends, depend on the Group's future results, financial position, cash flows, working capital requirements and other factors. However, there is a risk that payable dividends will not be available in any financial year, which would reduce the return on an investor's invested capital.

There is a risk that an active, liquid and functioning market for trading in Electrolux Professional's shares does not emerge

Prior to the listing on Nasdaq Stockholm, no public market exists for Electrolux Professional's shares. Accordingly, there is a risk that an active market for trading in the shares will not develop following the listing of the shares on Nasdaq Stockholm. Furthermore, there is a risk that the liquidity of Electrolux Professional's shares of Class A will be more limited than the liquidity of Electrolux Professional's shares of Class B. Low liquidity of Electrolux Professional's shares of Class A could entail difficulties in selling shares of Class A at a point in time that is considered desirable for the shareholder or at a price level that could be obtained if a favorable liquidity situation prevailed.

Key information on the admission to trading on a regulated market

Under which conditions and timetable can I invest in this security?

The prospectus is not ascribable to any offer. The shares in Electrolux Professional are distributed to the shareholders of Electrolux in proportion to each shareholder's holdings of shares in Electrolux on the record date for distribution (March 19, 2020), as determined by the Board of Directors of Electrolux. Each share of Class A in Electrolux entitles to one share of Class A in Electrolux Professional and each share of Class B in Electrolux entitles to one share of Class B in Electrolux Professional.

Since the prospectus does not relate to any offer, no dilution effect will arise.

Admission to trading on Nasdaq Stockholm

The Board of Directors of Electrolux Professional has applied for the listing of the Company's shares of Class A and Class B, respectively, on Nasdaq Stockholm. Nasdaq Stockholm's listing committee decided on March 5, 2020 to approve Electrolux Professional's application of admission of the Company's shares to trading on Nasdaq Stockholm provided that certain customary conditions are fulfilled. The first day of trading is expected to be March 23, 2020.

Transaction costs

The total costs for the proposed split of the Electrolux Group are estimated to approximately SEK 300m, including project and listing costs of approximately SEK 230m and one-time foreign tax of approximately SEK 70m. Transaction costs will primarily be borne by Electrolux, and Electrolux Professional's costs related to the admission to trading on Nasdaq Stockholm are estimated at approximately SEK 2m.

Why is this prospectus being produced?

Background and reasons

On December 5, 2019, Electrolux announced its proposal to distribute its Professional Products business, Electrolux Professional, to its shareholders and list Electrolux Professional on Nasdaq Stockholm. The extraordinary general meeting of Electrolux held on February 21, 2020 decided to distribute all shares in Electrolux Professional to the shareholders of Electrolux. The first day of trading in Electrolux Professional's shares is expected to be March 23, 2020.

The Board of Directors and the Executive Management Team believe that long-term shareholder value will be created by splitting the Electrolux Group into two separate companies. The two businesses have different end markets, customers and drivers for success. A split from Electrolux and a distribution and a separate listing of the shares in Electrolux Professional is expected to increase focus, customer value and development opportunities and to enable Electrolux Professional to successfully realize its strategies under the leadership of a separate management team, with a separate Board of Directors and independent access to capital. As separate companies, Electrolux and Electrolux Professional are also better positioned to meet the different demand drivers and challenges in their respective end markets. A listing

also provides opportunity for current and new investors to invest directly in Electrolux Professional.

Material conflicts of interest

Morgan Stanley provides financial advice to Electrolux Professional in conjunction with the distribution and the listing on Nasdaq Stockholm. From time to time, Morgan Stanley (and its affiliates) has in the ordinary course of business provided, and may in the future provide, various banking, financial, investment, commercial and other services to Electrolux Professional for which they have received, and may receive, compensation.

Risk factors

An investment in securities is associated with risk. Prior to any investment decision, it is important to carefully analyze the risk factors considered to be of importance in relation to Electrolux Professional and the future performance of the shares, for example risks related to Electrolux Professional's operations and industry, legal risks, financial risks, risks related to the distribution of the Electrolux Professional share and risks related to the nature of the securities and the admission of the securities to trading on a regulated market. The risk factors currently deemed material to Electrolux Professional and the shares are described below. The risk factors' materiality has been assessed based on the probability of their occurrence and the expected magnitude of their negative outcome. In each subsection, the risk factors currently deemed most material are presented first, but otherwise the risk factors are not ranked in any specific order of importance. The description of the risk factors below is based on information available and estimates made on the date of this prospectus.

Risks related to Electrolux Professional

Risks relating to Electrolux Professional's operations and industry

Electrolux Professional is exposed to risks related to macroeconomic factors and geopolitical conditions

Electrolux Professional is a global provider of professional equipment within the segments Food & Beverage and Laundry to a wide range of professional customers, including restaurants, hotels, schools, businesses, hospitals and supermarkets. Demand for Electrolux Professional's products depends on the general economic climate within the professional equipment industry, which in turn is affected by macroeconomic factors in the countries and regions where Electrolux Professional conducts operations, including the rate of growth in the global and local economy, employment levels and disposable household income, population growth and urbanization, currency rate fluctuations, tariffs and other measures restricting trade, commodity prices and inflation.

A significant negative economic development or political uncertainties in the markets in which Electrolux Professional operates would trigger a significant industry-wide decline in sales. For example, the effects on the global economy of Brexit generally remains uncertain, and there is a risk that Brexit would have unpredictable consequences for credit markets, the EU single market and other important financial and trade relationships. In addition, the current global outbreak of a novel coronavirus (COVID-19) may also affect the general economic development, both globally and regionally, and negatively impact demand from the Group's end markets (see further "*Electrolux Professional is subject to risks related to the outbreak of the coronavirus*" below). Furthermore, in the first quarter 2020, the oil price has fallen significantly. Significant oil price fluctuations may have negative effects on the global economy. The global economy has also been impacted by the trade dispute between the United States and China, resulting in trade barriers and increased costs for the professional equipment industry. In addition, the political unrest related to the pro-democracy protests in Hong Kong has

adversely affected the political and economic environment, particularly in Southeast Asia. Moreover, Thailand has been subject to political instability for years, causing operational disruptions in the region. The Middle East is another region that recently has been subject to geopolitical uncertainty. In 2019, 66 percent, 16 percent and 17 percent of Electrolux Professional's net sales were derived from Europe, APAC & MEA and Americas, respectively (which are the Group's geographical regions). Hence, a significant negative economic development or sustained political uncertainties in any of those markets would thus materially adversely affect the Group's net sales and results of operations.

Electrolux Professional is exposed to risks relating to its manufacturing units

Electrolux Professional has twelve manufacturing units in seven countries and the manufacturing comprises a chain of processes in which extensive outages and disruptions would adversely affect Electrolux Professional's possibilities to perform its obligations to customers. Electrolux Professional's manufacturing units are located in Europe (France, Italy, Sweden and Switzerland), the United States (Louisville, Kentucky) and Asia (China and Thailand), of which the units in Vallenoncello, Italy, Ljungby, Sweden and Rayong, Thailand, account for the largest share of the Group's production. This exposes Electrolux Professional to a number of risks that are more or less specific to the country or region in question. These risks include geopolitical unfavorable developments, extreme weather conditions and natural disasters, fire, theft, systems failures, mechanical failures or equipment breakdown. For example, Electrolux Professional has a manufacturing unit located in Vallenoncello, Italy, which is located in an earthquake zone. Epidemics or pandemics, such as the current outbreak of the coronavirus, may also affect the Group's manufacturing capacity (see further "*Electrolux Professional is subject to risks related to the outbreak of the coronavirus*" below). Any extensive outages or disruptions as a consequence of such events would affect Electrolux Professional's ability to manufacture products, which would have a material adverse effect on its business, results of operations and financial position.

Furthermore, from time to time, Electrolux Professional may relocate or transfer part of its manufacturing capacity to new plants or between existing plants. For example, going forward, Electrolux Professional intends to merge its current two plants in Thailand into one new plant, which is currently under construction. Transfer of production from one facility to another as well as construction of new plants are costly and complex processes, and presents a risk of additional disruptions and delays during the transition or construction period. In addition, during relocation, Electrolux Professional will be dependent on cost-efficient deliveries of components and half-finished goods from suppliers. Moreover, Electrolux Professional risks continuing to incur additional costs after the relocation process during the time that the new facility is in ramp-up stage or experience shortages in capacity, which may affect deliveries to customers. Any prolonged disruption in the operations of any of the Group's manufacturing facilities or any unforeseen extensive delay in shifting manufacturing operations to new facilities, whether due to technical or labor difficulties or delays in regulatory approvals or any start-up problems, would result in delays in delivery of products to customers, increased costs and reduced revenues. There is also a risk that, in the future, Electrolux Professional is unable to build new plants or make investments in existing plants on favorable terms, or is unable to rationalize production, if required. The degree to which such events may affect Electrolux Professional is uncertain, and presents a highly significant risk to the Group's manufacturing capabilities.

Electrolux Professional is subject to risks related to the outbreak of the coronavirus

In late December 2019, an outbreak of a novel coronavirus (later named as COVID-19) was detected in Wuhan City in the Hubei province, China. On January 30, 2020, the World Health Organization declared the outbreak a "Public Health Emergency of International Concern". Cases of the coronavirus have been reported in several countries worldwide, including in Asia, Europe, North America, South America and Australia.

The coronavirus outbreak in China has led to governmental shutdowns of cities and various business operations, which has had an impact on the Group's sourcing from, and production in, China. As Electrolux Professional is sourcing certain components from China, and has a manufacturing unit in Shanghai (which was closed a during few weeks in January and February 2020), any prolonged shutdowns of the Chinese industry could have a significant negative impact the Group's sourcing of components and manufacturing capacity. In addition, the situation may also affect demand in China and in neighboring regions.

In late February 2020, the coronavirus spread rapidly also outside China, with the biggest outbreak outside Asia occurring in northern Italy, initially with the Lombardy and Veneto regions as epicenter and thereafter also spread to other regions, which led to lockdowns of cities, closure of schools, universities and public institutions as well as cancellations of public events. Since Electrolux Professional's operational headquarter (including a large part of the Group's management) as well as manufacturing units and a logistics hub is located in Pordenone in the neighboring Friuli-Venezia Giulia region, and some suppliers are located in northern Italy, there is a risk that the outbreak of the coronavirus

in northern Italy could have a significant adverse effect on the Group's operations, manufacturing and distribution capacity.

So far, the outbreak of the coronavirus has negatively affected the Group's sales in China and Italy, and is expected to impact Electrolux Professional's business and its end markets in the first half of 2020. However, coronavirus outbreaks are highly likely to occur also in other parts of the world although, at present, the spread and consequences are very difficult to predict. A protracted uncertainty and a lack of containment of the virus could have several negative consequences for Electrolux Professional and its global footprint as well as subsequent impact on the Group's cash flow, net sales and profitability. In the short term, the Group has decided to restrict employees from traveling and such restrictions may need to be prolonged depending on the spread of the coronavirus, which may, for example, limit sales, marketing or service activities carried out by the Group. Furthermore, any negative impact on the hospitality industry as a result of, for example, decreased travel activity, out-of-home food and beverage consumption and tourism may cause customers to cancel and/or postpone investments, orders and projects. In addition, Electrolux Professional may have to adapt operations, inventory levels and manufacturing units to decreased activity or to any disruptions in the supply chain, which may negatively impact several functions, including sales, marketing, distribution and manufacturing. There is also a risk that the measures announced by the Italian government on March 8, 2020 (and extended on March 9, 2020) to contain the coronavirus, including travel restrictions where travel within Italy is only permitted for work or family emergencies, and any similar measures taken by other countries, may have a significant adverse impact on the Group's manufacturing capacity. Ultimately, the coronavirus could also hinder market demand for the Group's products.

Depending on the spread of the coronavirus, it is also reasonable to assume that stock exchanges over the world will be very volatile and that share prices may be subject to extraordinary swings. There is thus a risk that the price for the Electrolux Professional share may follow general market volatility, regardless of the results and performance of the Group, and decline significantly in value after the listing on Nasdaq Stockholm.

Electrolux Professional is exposed to risks related to raw materials, components and commodities

On a global as well as a regional basis, the sources and prices of raw materials and components are susceptible to significant price fluctuations due to supply/demand trends, transportation costs, government regulations and tariffs, changes in currency exchange rates, price controls, inflation and the economic climate and other unforeseen circumstances. Fluctuations in commodity prices impact the input costs and, as a consequence, the Group's margins. Increased energy prices also negatively affect the Group's costs. Furthermore, tariffs and other measures restricting trade that encompass raw materials that Electrolux Professional uses in its production, or components included in Electrolux Professional's products, increase Electrolux Professional's production costs and thereby negatively affect its results of operations. Shortages in the supply of raw materials or electricity would adversely affect Electrolux Professional's ability to manufacture its products.

In 2019, Electrolux Professional purchased raw materials and components for approximately SEK 2.7bn, of which approximately SEK 0.12bn referred to raw materials acquired directly (not included in components). The raw materials the Group purchases directly and to which it is directly exposed for fluctuations in prices are mainly carbon steel and stainless steel. As a static calculation at December 31, 2019, a +/- 10 percent change in input prices on direct purchases of carbon steel and stainless steel, respectively, would have affected the Group's pre-tax earnings by approximately +/- SEK 10m. The price on raw materials, in turn, affects the price on components. Accordingly, significant increases in input prices of steel and other important raw materials as well as components thus adversely affect Electrolux Professional's production costs and thereby its results of operations. There is a risk that, in the future, the possibilities to compensate in full or in part for cost increases by price increases to customers are limited, which would exacerbate the negative outcome of such cost increases. Electrolux Professional may also be exposed to shortages of electric components, such as connector and microcontroller, which could cause delay in production. Furthermore, there is a risk that contractual hedging activities carried out by the Group in relation to raw materials and commodity prices are not sufficient or effective in reducing costs associated with increased prices.

Electrolux Professional is subject to risks related to market competition

Electrolux Professional operates in a competitive industry characterized by evolving industry standards and continuous improvements in performance characteristics and product features. Competitive factors include selling price, product features and characteristics, performance and quality, reputation, energy efficiency and aftermarket services. Electrolux Professional faces competition from a number of competitors, including, among others, Ali Group, Alliance Laundry Systems, Marmon Group, Middleby, Rational and Welbilt, many of which have strong brand recognition and great financial capacity. Several of these competitors operate globally and are large, well-established companies. In response to a competitive environment, the Group may be forced to increase efficiency by further reducing costs along the value chain, including at the level of suppliers. Increased competition that requires Electrolux Professional to lower its prices in order to keep customers and markets shares would adversely affect its margins and results of operations. Furthermore, if Electrolux Professional experiences a significant reduction in orders by volume or revenues, or loses important or major customers due to increased competition, it would have a material adverse effect on its net sales and results of operations. The degree to which market competition may affect Electrolux Professional is uncertain, and presents a highly significant risk to the Group's net sales and margins.

Electrolux Professional is exposed to risks related to sales agreements and warranty undertakings

Electrolux Professional sells its products both directly to customers and indirectly through a global network of dealers and distributors. The Group also offers full solution product offerings (including elements of design, integration, adaptation and service) comprising food, beverage and laundry equipment in a single site, which may extend over several months. Such projects expose Electrolux

Professional to risks and, particularly in the case of direct sales, require project planning and control as well as monitoring, to ensure that obligations and assessments regarding project costs and revenues provide a satisfactory basis for reporting of revenues, costs and profitability. Agreements and projects with fixed-price components also entail risks, since such components mean that Electrolux Professional accepts the price for the assignment, which is based on specified conditions and estimates of the ultimate cost of the assignment at the time when the agreement is entered into, whereupon Electrolux Professional undertakes the main risks associated with performance of the project. An example of a comprehensive project is the Olympic Games in Sochi, Russia, in 2014, where Electrolux Professional together with distributors provided food service and laundry solutions for the Olympic village and media center and delivered equipment to the athletes' guest house and hotels. The project encompassed 6,000 appliances and 100 truckloads of equipment to serve an average of 30,000 meals and wash 20,000 kg of laundry per day. There is a risk of Electrolux Professional failing to adequately estimate the costs for performance of a project, which would have a material adverse effect on margins. Projects that require extensive initial investments in development and production would also adversely affect Electrolux Professional's cash flows.

As is customary within the industry, some 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 (normally one to two years). The most common warranty for Electrolux Professional is to replace a faulty component under legal and common practice warranty terms. Under IFRS principles, provisions for this original warranty are estimated based on historical data regarding, among other things, service rates and cost of repairs. As of December 31, 2019, Electrolux Professional's provisions for warranty commitments amounted to SEK 245m. Provisions for warranties entail estimates of the outcome of claims as a consequence of defective products. Assumptions must be made as to likely levels of returned goods and costs for replacing defective products. If these estimates and assumptions are inaccurate to a significant extent, or if Electrolux Professional is required to honor an extensive warranty undertaking, this would adversely affect the Group's results of operations and financial position. It could also adversely affect the Group's insurance premiums and excess deductions (see "*Electrolux Professional is exposed to insurance-related risks*" below).

Electrolux Professional is exposed to risks related to product development and other product-related risks

The professional equipment industry is characterized by the need to provide an offer that addresses the ability to deliver high productivity in a heavy use environment combined with evolving technological requirements affecting both hardware and software. Like many other commercial environments, the professional equipment industry has recently experienced an evolving demand focused on clear requirements around diagnostic, predictive behavior, data analysis and artificial intelligence. All of these requirements aim to address needs related to controlling the total cost of ownership, business volatility and related costs as well as asset portfolio management (e.g. multi outlet operators). In this environment, product development and product

enhancement are critical factors in maintaining margins and enabling sales growth in all of the Group's product lines. Accordingly, Electrolux Professional must continuously develop and enhance its products in line with customer requirements, industry trends and key market characteristics. Product development and innovation also require significant management time and a high level of financial and other commitments to research and development, and, for example, in 2019, Electrolux Professional costs for research and development amounted to SEK 438m. Furthermore, sometimes, Electrolux Professional customizes the products it develops in accordance with a specific customer's requirements or demands. If such customer chooses to terminate its relation with the Group or no longer demand the customized product, there is a risk that Electrolux Professional will be unable to sell any excess inventory of the customized product and that investments and product development efforts will be spent in vain. Should Electrolux Professional fail with its product development or product enhancement, for example, by not introducing new functions and features in a timely manner, the Group risks being unable to capture further growth by developing sustainable and innovative solutions with competitive running costs, which would lead to declined sales and compressed margins.

In addition, most of Electrolux Professional's products and product lines, such as refrigerators, cookers, dishwashers, beverage dispensers, coffee machines and washing machines, are subject to regulations that set out basic health and safety requirements applicable to products released onto the market (e.g. the Machinery Directive (2006/42/EC), the Low Voltage Directive (2014/35/EU), the Electromagnetic Compatibility Directive (2014/30/EU), the RoHS Directive (2011/65/EU), the Gas Appliances Regulation ((EU) 2016/426), the Food Contact Regulation ((EC)1935/2004) and the Good Manufacturing Practice Regulation ((EC)2023/2006) and, where appropriate, international and national equivalents. Accordingly, Electrolux Professional's operations require the preparation of, and compliance with, internal routines within all of the Group's markets and regions to ensure compliance with requirements as regards its products. Should any of Electrolux Professional's products have defects that lead to serious accidents or ill-health when used, there is a risk that competent authorities decide to prohibit sales, the supplier will be required to recall the product from the market, or provide warning information. If Electrolux Professional fails to comply with such requirement, the Group also faces the risk of fines and claims from contracting parties and third parties. If a product causes personal injury or material property damage, Electrolux Professional could also be required to recall the product or be exposed to product liability claims. In addition, if a component in a product delivered to a customer has a safety defect, Electrolux Professional could be required to replace the component. Any such material product recalls or product liability claims would have a material adverse effect on Electrolux Professional's business, results of operations or financial position.

Electrolux Professional is exposed to risks related to suppliers, dealers and distributors as well as other third parties

Electrolux Professional's manufacturing process depends on the availability and timely supply of components and raw materials,

sourced and purchased primarily from third-party suppliers. Some key parts, products and proprietary and customized components, such as ironers belts, washing machine windows, magnetrons and transformers, are available only from a single supplier or a limited group of suppliers. If these single source suppliers cease or interrupt production or delivery or otherwise fail to supply these components to the Group, there is a risk that Electrolux Professional is unable to obtain these products or proprietary and customized components for a certain period of time, which would have a material adverse effect on the Group's ability to manufacture single type or categories of products. If Electrolux Professional is forced to replace or contract a new supplier, this may lead to significant costs and work in evaluating and approving a new party, and that it may be difficult for Electrolux Professional to purchase or source raw materials, products and proprietary and customized components within a reasonable time or at an acceptable cost.

Electrolux Professional sells its products both through own sales units and through third party dealers and distributors around the world. In certain markets and within certain product categories, the Group relies on a limited number of such third party dealers and distributors. For example, within the Laundry segment in North America, the Group sells its products mainly through one distributor. If Electrolux Professional's agreements with these parties were to be terminated, or amended or renegotiated in an unfavorable way, there is a risk that the Group's sales ability would be negatively affected for a certain period of time, particularly if any such termination or unfavorable amendments relate to a major distributor or dealer. If Electrolux Professional is forced to replace or commence cooperation with a new dealer or distributor, this also risks leading to significant costs and work in evaluating and approving a new party, and that it may be difficult to find a dealer or distributor with a corresponding sales ability.

Furthermore, Electrolux Professional has an extensive Customer Care global network of approximately 10,000 authorized technical experts and more than 2,000 service partners (both in-house personnel and external parties) in approximately 110 countries that provide preventative and corrective maintenance services and offer genuine parts, consumables and chemicals. Accordingly, Electrolux Professional is dependent on the performance by such third parties of their contractual obligations in terms of quality, sales and delivery time, and compliance with Electrolux Professional's guidelines and other industry standards as regards, for example, the environment, work environment, anti-corruption, human rights and business ethics. There is, however, a risk that such parties face financial difficulties, insolvency or bankruptcy or, due to geopolitical factors or catastrophic events, fail in their sales efforts, fail to deliver on time or in accordance with the cost structure or quality that they have undertaken, or otherwise fail to comply with applicable guidelines and industry standards. For example, the current outbreak of the coronavirus may negatively impact the Group's supply chain (see further "Electrolux Professional is subject to risks related to the outbreak of the coronavirus" above). If Electrolux Professional fails in its assessment and evaluation of such parties, or if such parties fail in their commitments to the Group, there is a risk that this has a material adverse effect on the Group's reputation, business, results of operations and financial position.

Electrolux Professional is exposed to IT and cyber security risks

Electrolux Professional needs to maintain a well-functioning information technology (IT) infrastructure to ensure business continuity and improve the effectiveness of its operations and to interface with its customers, as well as to maintain financial accuracy and efficiency. Cyber-attacks, IT system failures, including suppliers' or other third parties' system failures, risk disrupting the Group's operations by causing transaction errors, processing inefficiencies, delays or cancellation of customer orders, the loss of customers, impediments to the manufacture or delivery of products and other business disruptions. A significant IT system failure or security breach would have a material adverse effect on Electrolux Professional's business, results of operations or financial position.

Large parts of Electrolux Professional's IT environment are outsourced to third party IT service providers. For example, Electrolux Professional has contracted a data center infrastructure provider and has migrated its infrastructure to said provider's infrastructure as part of the separation from Electrolux. There is a risk that new and outsourced IT infrastructure services prove to be deficient or incompatible with the business that Electrolux Professional conducts. If Electrolux Professional's IT infrastructure services do not work satisfactorily, and that leads to inefficiency or major disruptions in the operations, it would have a material adverse effect on Electrolux Professional's operations. Furthermore, Electrolux Professional is currently running certain IT transformation projects. For example, Electrolux Professional is currently implementing a new enterprise resource planning (ERP) in a project that will be ongoing for several years. IT transformation projects, including any migration of data, can lead to unexpected costs and take longer than expected, a risk that is amplified when the time frame available is limited and projects are carried out on a global scale.

Moreover, Electrolux Professional and Electrolux have entered into a transitional service agreement whereby Electrolux will provide certain IT services to Electrolux Professional in a number of areas, on both Group and country level, over a transitional period. Shortcomings in Electrolux fulfillment of its commitments to Electrolux Professional, disagreements regarding interpretation of agreements or other disruptions could have an adverse impact on the Group's business, results of operations and financial position.

Electrolux Professional's cyber-security risk lies primarily in its sales and manufacturing, supply chain or connected products being hacked. Furthermore, information about products, contracts, selling prices and costs constitute sensitive information that could be subject to cyber threats. Electrolux Professional is primarily exposed to the risk of malware and ransomware attacks, but cyber-related risks may also arise as a consequence of loss of information due to insufficient or erroneous internal processes, outages or technical faults, human error or natural disasters. These risks may also occur at Electrolux Professional's suppliers, dealers, distributors and other external parties with whom Electrolux Professional interacts. The degree to which cyber-related risks may affect Electrolux Professional is uncertain and presents a significant risk to the Group since they could lead to business disruptions, loss of important data and reputational damage.

Electrolux Professional is exposed to risks related to its international operations

Electrolux Professional's solutions and products are manufactured in twelve facilities located in seven countries around the world and sold in approximately 110 countries. In 2019, 66 percent, 16 percent and 17 percent of the Group's net sales were derived from Europe, APAC & MEA and Americas, respectively. As a result of its international operations, Electrolux Professional is exposed to a variety of complex laws, regulations and controls, and various non-binding treaties and guidelines, such as those related to labor law, product safety and exchange controls. Adverse changes in regulatory requirements, economic and political instability, tariffs and other trade barriers and price or exchange controls would limit the Group's profitability in the countries concerned. In addition, terrorist attacks, armed conflicts, natural disasters, governmental actions as well as epidemics and pandemics that affect Electrolux Professional's domestic and international operations in a significant way, disrupt its supply chain, and impair its ability to produce and deliver its products present a significant risk for the Group. Such events may directly impact Electrolux Professional's physical facilities or those of its suppliers or customers around the world, which would adversely affect the Group's business and results of operations (see also "*Electrolux Professional is subject to risks related to the outbreak of the coronavirus*" above).

Electrolux Professional's international operations also expose the Group to other risks, including unfavorable political changes, unforeseen legislative changes, inconsistent application of existing laws and regulations, ambiguous regulatory systems, customs compliance and tax systems as well as different methods and routines for conducting business operations. The international operations in certain jurisdictions, such as China and Thailand, also expose Electrolux Professional to potentially longer payment cycles, difficulties in obtaining payment of accounts receivable, difficulties in repatriating cash funds from certain countries, as well as increased risks of customer losses. In addition, the political and economic landscape in parts of South America has recently been unstable, where social unrest and civil protests in, for example, Bolivia, Chile and Columbia have arisen due to dissatisfaction with public policies and local governments. Moreover, the inflation rate in Argentina has reached historical high levels during 2019. Such factors may lead to a decline in sales and thus adversely affect Electrolux Professional's operations in the jurisdictions and region concerned. The Group expects its international operations to continue to represent an increasing portion of its total operations going forward. The degree to which risks relating to international operations may affect Electrolux Professional is uncertain and presents a significant risk to the Group's growth and profitability.

Electrolux Professional is dependent on maintaining its reputation

Electrolux Professional's brands and trademarks, including the licensed brand component Electrolux and the licensed brand Zanussi, have worldwide recognition, and the Group's success depends on its ability to maintain and enhance its reputation and brand image. Electrolux Professional would be adversely affected if it fails to achieve these objectives or if, whether or not justified,

the reputation or perception of any of its brands is materially tarnished or receives extensive negative publicity. In addition, extensive adverse publicity about regulatory or legal actions against Electrolux Professional would also damage its reputation and brand image, undermine its customers' confidence in the Group and reduce long-term demand for its products, even if the regulatory or legal action is unfounded or not material to its operations. The degree to which a harmed reputation may affect Electrolux Professional is uncertain and presents a significant risk to demand for the Group's products.

In addition, Electrolux Professional's success in maintaining, extending and expanding its brand image depends on the Group's ability to adapt to a rapidly changing media environment, including its increasing reliance on social media and online dissemination of advertising campaigns. Negative posts or comments about Electrolux Professional on social medias and other websites that spread rapidly through such forums could seriously damage its reputation and brand image.

Following the separation of Electrolux Professional from Electrolux, there will be two separate global groups whose brands and trademarks consist of "Electrolux". Accordingly, since both Electrolux Professional and Electrolux use a commercial name and trademark that include "Electrolux", any negative occurrences or publicity about Electrolux could potentially hurt Electrolux Professional's reputation and brand image, undermine confidence in the Group and reduce demand for its products, even if Electrolux Professional is not involved in the potential negative occurrence or publicity. Moreover, since both Electrolux and Electrolux Professional's shares will be listed on Nasdaq Stockholm, any negative occurrences or publicity related to Electrolux risk adversely affecting investors' willingness to invest in shares in Electrolux Professional.

Electrolux Professional is dependent on attracting and retaining key employees

Dedicated employees and committed managers play an important role in Electrolux Professional achieving its targets and visions. Electrolux Professional depends upon the continued services and performance of its key executives, senior management and skilled personnel. For example, in Electrolux Professional's operations, specialist welders are important in some of the Group's manufacturing processes. Going forward, however, the industry may face a shortage of welders. For Electrolux Professional, this is particularly noticeable in France, Switzerland and the United States. In addition, as digitalization and connectivity are becoming increasingly important differentiators within the industry, hiring and retaining engineers possessing the relevant qualifications is key for the Group. Any inability to hire, develop, engage and retain a sufficient number of qualified employees would materially hinder the Group's business by, for example, impairing its ability to successfully develop new products, delaying its ability to bring new products to market or impairing its ability to successfully identify new business opportunities and execute its strategy. There is also a risk that skilled employees leave Electrolux Professional for competitors. If such resigning employees who are familiar with Electrolux Professional also take with them other skilled employees, this risk is accentuated. There is a risk that this leads to future shortfalls in income or increased costs and thereby have a material adverse

effect on Electrolux Professional's business, results of operations and financial position.

In a business environment characterized by strong competition, it is important to attract and retain employees possessing the right skills, experience and values. However, this can be particularly challenging in emerging markets where there is intense competition for skilled employees and the overall pool of skills may be limited. If this leads to increased remuneration levels, it would adversely affect Electrolux Professional's results of operations. In 2019, salaries and remuneration to employees amounted to SEK 1,666m. Conversely, if Electrolux Professional were to offer excessively low remuneration levels, there is a risk that employees choose to terminate their employments, which would adversely affect Electrolux Professional's competitiveness and business.

Electrolux Professional is exposed to risks associated with mergers, acquisitions and divestments

Part of the Group's strategy depends on accelerating growth through acquisitions. Execution of this strategy requires the continued pursuit of potential acquisitions and investments and on the Group's ability to identify suitable acquisition candidates and investment opportunities. For example, in 2017, the Group completed the acquisition of Grindmaster-Cecilware, a U.S. based manufacturer of hot, cold and frozen beverage dispensing equipment, including coffee machines. The acquisition was part of the Group's growth strategy and was made in order to enter the beverage segment of the professional equipment industry. However, there is a risk that, in the future, Electrolux Professional will be unable to carry out strategic mergers and acquisitions due to, for example, competition from other buyers, merger control issues or increased indebtedness. The limited amount of companies within the segments that fulfill Electrolux Professional's strategic requirements may also be an impeding factor. If Electrolux Professional fails to carry out strategic mergers and acquisitions, this would adversely affect the Group's expansion and ability to capture further growth.

Mergers and acquisitions also give rise to risks related to the integration of new businesses and employees. Hence, in conjunction with mergers and acquisitions, it is important to retain key employees and to have a well-functioning and effective integration process. There is a risk that dissatisfaction arises among the personnel of the acquired business and Electrolux Professional's personnel, and that this ultimately leads to key employees choosing to terminate their employments. In addition, Electrolux Professional may incur significant acquisition costs and restructuring costs or other costs in connection with mergers and acquisitions. There is also a risk that anticipated synergies will not be realized, or that additional integration costs will be required in order to achieve synergies. Following mergers and acquisitions, there is also a risk that business relations with customers, dealers, distributors and suppliers change or cease, making it difficult for Electrolux Professional to successfully achieve anticipated synergies. These risks are accentuated in conjunction with acquisitions of companies with a product offering similar to Electrolux Professional, or who operates in the same segments or regions as the Group does.

Electrolux Professional may also be required to take on additional indebtedness or issue equity in order to finance acqui-

sitions, and these financing options may not be available on favorable terms at the required times. There is also a risk that due diligence reviews, if carried out, do not identify all of the issues necessary to accurately estimate the cost and potential loss contingencies of a particular transaction, including potential exposure to regulatory sanctions resulting from an acquisition target's previous activities. Such issues may be particularly relevant with respect to environmental aspects (see "*Electrolux Professional is exposed to environmental risks*" below). There is also a risk that Electrolux Professional will need to take an impairment charge on the goodwill or other intangible assets in conjunction with divestments or acquisitions (see "*Electrolux Professional is exposed to inventory and asset risks*" below). Risks associated with mergers and acquisitions thus present a significant risk for the Group.

Legal risks

Electrolux Professional is exposed to compliance-related risks

Electrolux Professional's global operations expose the Group to risks related to sustainability factors such as human rights, employment conditions and corruption. These risks arise in several phases of the production chain, such as in purchasing and sales. Electrolux Professional conducts operations in certain jurisdictions where there is considered to be a heightened risk of corruption, particularly insofar as it includes public procurement. Such operations may thus result in an increased risk of corruption. Moreover, violations of anti-corruption legislation that lead to extensive fines and other criminal, civil or administrative sanctions or lead to Electrolux Professional being excluded from participating in public tenders would have a material adverse effect on Electrolux Professional's reputation, business, results of operations and financial position. Corruption-related incidents or accusations against suppliers and other third parties with whom Electrolux Professional has a commercial relationship risk leading to adverse publicity that would damage Electrolux Professional's reputation, even if Electrolux Professional is not involved.

Electrolux Professional also conducts operations in jurisdictions that are subject to international sanctions, such as Russia. Sanctions laws are complex, and their applicability to a given circumstance can often be subject to interpretation and be difficult to determine with certainty. The operations in such jurisdictions may thus result in an increased risk of alleged sanctions violations in respect of past, ongoing or future business activities, or that the Group becomes subject to investigations or claims. Sanctions regimes are also subject to frequent changes, which could require Electrolux Professional to cease or limit its involvement in affected markets.

Electrolux Professional's product portfolio has historically been of such a nature that the products have generally been deemed to not be subject to export control rules. However, the increasing importance of digitalization and connectivity means that the Group's products in the future will contain more advanced technology and software solutions. Combined with the fact that several major trading parties around the world are creating and broadening their regulations concerning, for example, export controls and national security, there is a risk that Electrolux Professional's products may, in the future, fall within the scope of export control rules, which would demand greater future cash flows,

increased administration, additional internal controls and, in certain cases, trading restrictions.

In addition, Electrolux Professional is dependent on the compliance by its employees, suppliers and other third parties with laws and regulations, as well as internal governance documents and policies. Breaches of, or non-compliance with, applicable laws and regulations would adversely affect Electrolux Professional's business and reputation. Such behavior include, for example, non-compliance with laws and regulations related to public procurement and competition law, money laundering, IT security and data protection (including GDPR), corporate governance, export controls and trade sanctions, IFRS and other rules relating to accounting and financial reporting, the environment, the work environment, business ethics and equal treatment. There is also a risk that internal governance documents, policies and codes of conduct are not at all times adequate and fully effective, particularly if the Group is confronted with risks that it has not fully or adequately identified or anticipated. Electrolux Professional also faces the risk that its executives make decisions that are not in compliance with the Group's strategies, corporate governance practices, internal guidelines and policy documents. If Electrolux Professional's internal controls and other measures to safeguard compliance with laws, regulations, internal guidelines and policies are insufficient, there is a risk that the Group's reputation is damaged and that it becomes subject to fines, penalties and other sanctions and/or exposed to civil or criminal liability.

Electrolux Professional is exposed to environmental risks

Electrolux Professional's manufacturing is subject to numerous international, national and local environmental, health and safety directives, laws and regulations, including those pertaining to the storage, handling, treatment, transportation and disposal of hazardous and toxic materials, the construction and operation of plants and standards relating to energy efficiency and the discharge of pollutants to air, soil and water. Some of the Group's manufacturing facilities require permits for their operations, which include thresholds or maximum permissible amounts for air- and water-borne emissions and noise, and also require Electrolux Professional to submit notifications, reports and/or documentation to relevant authorities. Any severe non-compliance or disputes risk resulting in the imposition of fines, penalties or liens, or give rise to civil or criminal liability, which would have a material adverse effect on Electrolux Professional's reputation and business.

In addition, Electrolux Professional may be held liable to investigate and rectify contamination and emissions at the Group's plants and on property which Electrolux Professional, or companies and businesses which the Group has acquired or with which it has merged, owns or has previously owned, irrespective of whether Electrolux Professional has caused the contamination or whether the operation that caused the contamination was lawful at the time the contamination occurred. For most of the Group's facilities, operations have been conducted for a long period of time. This typically entails an increased risk of claims in relation to contaminations, as the environmental requirements on operations were generally less strict in the past compared to today. For example, in 2001, the Group divested a manufacturing unit in Sursee, Switzerland. In 2010, the Group was notified that the divested Sursee plant was contaminated with chlorinated sol-

vents, which required the Group to compensate the acquirer with Swiss franc (“CHF”) 280 thousand. The acquirer has thereafter discovered further contaminations and claimed additional amounts from Electrolux Professional. The Group has made provisions for the claims totaling CHF 460 thousand. Environmental risks could be significant in relation to acquisitions and divestments involving property and manufacturing facilities.

Electrolux Professional also risks being subject to claims from public authorities, private individuals, companies or other parties who request compensation for alleged personal injury, property damage or damage to nature caused by contamination or hazardous substances resulting from Electrolux Professional’s business, manufacturing units or products. Discoveries of earlier unknown or new serious contamination, or demands for investigation and rectification of previously known such contamination at Electrolux Professional’s plants, risk leading to large and unexpected costs. The Group maintains provisions on its balance sheet for certain environmental remediation matters, which, as of December 31, 2019, amounted to SEK 33m. Risks of substantial costs and liabilities, including for the investigation and remediation of past or present contamination, are inherent in the Group’s ongoing operations, and its ownership and occupation of industrial properties thus present a significant risk.

Electrolux Professional is exposed to risks related to legal disputes and administrative proceedings

Electrolux Professional is involved in disputes in the ordinary course of its business. The disputes may concern, among other things, alleged defects in delivery of goods and services, warranty undertakings, supplier agreements, employment issues, patent rights and other intellectual property rights and other issues on rights and obligations that arise in connection with the Group’s operations. Electrolux Professional may also be exposed to product liability claims in the event that one of its products is alleged to have caused property damage, bodily injury or other adverse effects (including through the use in such products of components received from third-party suppliers). Disputes may also arise in connection with mergers and acquisitions.

On January 21, 2020, a supplier filed a lawsuit in Italy against Electrolux Professional claiming EUR 11.3m (approximately SEK 118m). The claimed amount covers alleged damages related to purchase volumes and pricing during the contractual period and compensation for costs resulting from allegedly wrongful termination of the supply agreement. Electrolux Professional rejects the claim, but it cannot be ruled out that the final outcome could have a significant impact on Electrolux Professional’s operating income and cash flow.

In addition, the Group may be subject to investigations and legal proceedings brought by antitrust or competition authorities. For example, in 2017, Electrolux Professional was under investigation by the Swedish Competition Authority (Sw. *Konkurrensverket*) for alleged anti-competitive cooperation (the Swedish Competition Authority decided not to intervene and closed the investigation in 2017). Any future negative decisions in competition law proceedings risk leading to administrative fines and liability in damages, which sometimes involve significant amounts depending on the circumstances of the individual case. Any regulatory actions taken, or penalties imposed by competition or regulatory authorities globally, may also limit Electrolux Professional’s possi-

bilities to conduct and expand its operations in certain countries, thus presenting a significant risk to the Group’s growth strategy.

Disputes and investigations may prove costly, be time consuming and disrupt normal operations. The financial, reputational and legal outcomes of material disputes are uncertain and presents a highly significant risk to Electrolux Professional, since a disadvantageous outcome of such disputes or investigations would have a material adverse effect on the Group’s business, results of operations or financial position.

Electrolux Professional is exposed to risks related to intellectual property rights

Electrolux Professional’s intellectual property rights, including patents, trademarks, design rights, copyright, trade secrets and related rights, are a significant and valuable aspect of the Group’s business. Electrolux Professional is also a licensee of intellectual property, such as the “Electrolux” component of the Electrolux Professional brand and trademark and the Zanussi brand and trademark (to which Electrolux retains ownership and issues licenses to Electrolux Professional under a long-term trademark license agreement), which are some of the Group’s most important intellectual property rights. Being a licensee of intellectual property entails certain obligations and restrictions with respect to use of the intellectual property, as a consequence of which Electrolux Professional does not enjoy the same freedom to use the licensed brands and trademarks as it would if Electrolux Professional had owned the intellectual property in question. If, for example, Electrolux Professional were to violate material terms in the licensing agreement, it could lead to Electrolux Professional losing its right to use the intellectual property. Any material failure to obtain, renew or adequately protect Electrolux Professional’s intellectual property rights may negatively affect its competitiveness, if, for example, Electrolux Professional would no longer be able to use certain trademarks or another entity sells products of low quality under any of Electrolux Professional’s brands or features or otherwise misrepresents such trademarks.

Electrolux Professional has applied for intellectual property protection in multiple jurisdictions with respect to certain innovations and new products, product features and processes. For example, in 2019, Electrolux Professional submitted approximately 20 unique patent applications to authorities in various jurisdictions. However, there is a risk that the intellectual property rights that Electrolux Professional owns is challenged, invalidated, or that others design around the Group’s patents. Moreover, the laws and procedures of certain foreign countries in which the Group operates, such as China, make it more challenging to protect and enforce intellectual property rights than, for example, in Europe or the United States. A severe deterioration in the protection of intellectual property rights would weaken the Group’s competitive advantage with respect to its products, services, and brands in the countries concerned.

Furthermore, there is a risk that other parties assert intellectual property rights that cover some of Electrolux Professional’s technology, patents, brands, products or services. In addition, if the Group, within the area of product development, finds its solutions or inventions already protected by other parties’ intellectual property rights, the Group may need to redesign or adapt its products, which may make the Group’s product development more difficult, more costly and take longer time. There is also a risk that litigations

and disputes regarding patents, trademarks or other intellectual property are costly and time-consuming and divert the attention of the Group's management and key personnel from the Group's business operations. Electrolux Professional may also be required to pay royalties in order to continue to use a certain patent or trademark should the Group infringe another parties' intellectual property rights. The Group also risks being liable for significant damages or subject to injunctions prohibiting production and sale of certain products, which would have a material adverse effect on its results of operations and financial position.

Electrolux Professional is exposed to tax risks

The Group is comprised of subsidiaries that are subject to taxation in approximately 30 jurisdictions. Accordingly, the Company is subject to taxation in Sweden as well as in other jurisdictions. In 2017–2019, Electrolux Professional's tax expense (as included in income for the period) totaled SEK 265m, SEK 182m and SEK 314m, respectively, and its effective tax rate amounted to 25.2, 16.0 and 32.1 percent, respectively. There is a risk that Electrolux Professional's understanding and interpretation of tax laws, tax treaties and other provisions is not correct in all respects. There is also a risk that tax authorities in the relevant jurisdictions make assessments and decisions that differ from Electrolux Professional's understanding and interpretation of the aforementioned laws, tax treaties and other provisions, which risks to negatively impact the Group's tax expenses and effective tax rate. Accordingly, there is a risk that amended laws, tax treaties or other provisions, which may apply retroactively, may have a material adverse effect on Electrolux Professional's results.

Electrolux Professional's projections of future taxable income are based on management's estimates and assumptions. Accordingly, there is a risk that changes in assumptions or erroneous estimates in the projection of future taxable income result in significant differences in the valuation of deferred taxes. As of December 31, 2019, Electrolux Professional had a net amount of SEK 206m recognized as deferred tax assets in excess of deferred tax liability. As of December 31, 2019, the Group had tax loss carry-forwards and other deductible temporary differences of SEK 35m, which have not been included in the computation of deferred tax assets. Material differences in such assumptions thus present a significant risk for Electrolux Professional.

Furthermore, in recent years, tax authorities have increased the focus on transfer pricing, an area of high complexity. Transfer pricing related disputes often concern significant amounts and may sometimes take several years to conclude. Negative outcomes in transfer pricing related reviews and disputes may have a material adverse effect on Electrolux Professional's tax position. From time to time, Electrolux Professional is also involved in other tax disputes, tax audits and litigations of varying significance and scope. Such processes can lead to lengthy proceedings over several years and may require Electrolux Professional to pay substantial additional tax, and thus present a significant risk for the Group.

Electrolux Professional is exposed to employment law related risks

As of December 31, 2019, Electrolux Professional had 3,624 employees in approximately 30 countries. The Group thus needs to comply with several employment-related laws and regulations

with various levels of employee protection. If such laws and regulations were to be amended in a way that reduces the employer's flexibility or imposes additional administrative or financial burden on the employer, it would have a negative effect on Electrolux Professional's business.

Electrolux Professional is also subject to separate collective bargaining agreements with certain labor unions, for example in Italy and Sweden, with different durations, and the Group periodically negotiates with certain of the unions representing their employees. However, there is a risk that the Group will not be able to renew collective bargaining agreements on favorable terms. Such renegotiations may also cause disruptions to the operations and increase the risk of industrial conflict measures. Accordingly, within its own business or within the business of suppliers or other third parties, Electrolux Professional is exposed to risks related to strikes or other industrial conflict measures, which, if they last for a long period or encompass a substantial part of the workforce in a major or important part of the business, would create disruptions and delays in the operations. Employment law related risks thus present a significant risk for the Group.

Furthermore, there is a risk that redundancy, for example as a consequence of efficiency improvements, rationalization or relocations of the operations or discontinued manufacturing, which is not handled properly and in consultation with trade unions, damages Electrolux Professional's reputation and deteriorates its relationship with trade unions, or requires the Group to compensate employees. For example, as part of a restructuring program initiated in 2019, Electrolux Professional is in the process of closing down a spare parts warehouse and sales site in Herborn, Germany and relocate the operations to a different site. The restructuring affects 135 employees, of which 35 are being made redundant. As a consequence of the closure, the Herborn works council has requested a compensation package from Electrolux Professional in the range of EUR 4.5m and EUR 5m. Due to the inability to reach an agreement, Electrolux Professional brought the matter before a German labor court in December 2019.

Electrolux Professional is exposed to insurance-related risks

Prior to the separation of Electrolux Professional from Electrolux, Electrolux Professional's operations were mainly covered by insurance policies maintained by Electrolux wholly-owned insurance subsidiaries (captives). Accordingly, following the separation, Electrolux Professional is required to establish a new insurance coverage regime, which typically is more costly than a captive insurance regime, as Electrolux Professional has to approach the direct insurance market. In 2019, Electrolux Professional's costs for its insurance coverage arranged through Electrolux amounted to approximately EUR 1.6m. There is a risk that the Group, wholly or partially, will not be able to maintain its insurance coverage on as favorable terms in the future. There is also a risk that Electrolux Professional incurs extensive losses that are not covered by insurance. If such risks materialize, the Group's business, results of operations or financial position would be materially adversely affected.

Financial risks

Electrolux Professional is exposed to currency risks

Electrolux Professional's solutions and products are manufactured in twelve facilities located in seven countries around the world and sold in approximately 110 countries. Accordingly, the Group is exposed to currency risks. Foreign exchange risk is defined as the risk that fluctuations in currency exchange rates have a negative impact on the Company's financial position, profitability or cash flow and includes transaction exposure and translation exposure. Transaction exposure is defined as the confirmed future net of operational and financial in- and outflows of currencies, and relates primarily 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. Translation exposure is defined as the risk that fluctuations in currency exchange rates have a negative impact on the balance sheet or consolidated equity, and occurs when a portion of consolidated equity/net assets or a financial asset or liability are denominated in a foreign currency.

The major net export currencies that Electrolux Professional is exposed to are Thai baht ("THB"), EUR and SEK. The major import currencies that Electrolux Professional is exposed to are USD, British pound ("GBP"), Chinese renminbi ("CNY"), Norwegian kroner ("NOK") and Danish kroner ("DKK"). These currencies represent the majority of the exposures of the Group. As a static calculation at year-end 2019, a change up or down by 10 percent in USD, GBP and EUR, respectively, would have impacted the Group's profit and loss in 2019 by approximately SEK +/- 69m, SEK +/- 19m and SEK +/- 12m, respectively. There is a risk that hedging transactions, if carried out, and any increased prices in order to counter the effects of changes in exchange rates are insufficient to protect the Group from currency exchange movements. Extensive currency exchange movements present a significant risk to Electrolux Professional.

Furthermore, the net of assets and liabilities in foreign subsidiaries constitute a net investment in foreign currency, which generates a translation difference in the consolidation of the Group. This exposure sometimes impacts the Group's total comprehensive income and capital structure. A change up or down by 10 percent in the value of each currency against SEK would affect the net investment of the Group by approximately SEK +/- 323m, as a static calculation at December 31, 2019.

Electrolux Professional is exposed to liquidity and financing risks

Electrolux Professional is exposed to liquidity risk in that it may be unable to meet payment obligations because it has insufficient cash at its disposal, which may in turn arise from matters outside of its control, such as a credit crisis or severe adverse economic conditions in the countries in which the Group operates.

In addition, Electrolux Professional is exposed to the risk that financing of the Group's capital requirements and refinancing of existing borrowings is more difficult or costly in the future. The Group's borrowings comprise primarily a Revolving Credit Facility with the Group's core-banking group and a bilateral term loan. There is a risk that financing will not continue to be available to the Group on acceptable terms. The Group's financing agreements may also contain certain restrictive conditions with respect to,

for example, further loans, restrictions on acquisitions as well as divestments and pledging of assets. Such conditions may limit the Group's ability to secure additional capital or financing through new loans or the sale of assets. If the Group breaches such financial conditions, outstanding amounts payable under such financing agreements may also become immediately due and payable.

As of December 31, 2019, Electrolux Professional's net debt amounted to SEK 1,025m. If the Group's indebtedness increases, there is a risk that this increases Electrolux Professional's vulnerability to, and reduces its flexibility to address, general economic and industry-related conditions. Moreover, it would restrict the Group's flexibility with respect to planning for, or reacting to, changes in Electrolux Professional's business, competitive landscape and the industry in which Electrolux Professional operates, and adversely affect the Group's competitiveness, especially if its indebtedness exceeds that of its competitors.

There is a risk that extensive decreases in the Group's creditworthiness or profitability, significant increases in interest rates and considerable decreases in the availability of credit or the tightening of terms required by lenders would limit the Group's access to capital, including its ability to issue additional debt and equity.

Electrolux Professional is exposed to credit risks

Credit risk on financial transactions is the risk that the counterpart is not able to fulfil its contractual obligations related to the Group's investments of liquid funds and derivatives. Credit risks also arise in connection with trade receivables. Electrolux Professional's client base is characterized by a mix of recurring customers such as distributors and one-time customers, as well as multi operator stores or spare-parts customers. If Electrolux Professional is unable to fully collect its trade receivable from major customers, the Group's results of operations would be adversely affected. As of December 31, 2019, trade receivables, net of provisions for expected credit losses, amounted to SEK 1,687m, and the total provision for expected credit losses was SEK 66m. If the expected credit loss rates on trade receivables between 16 and 60 days past due had been 10 percent higher/lower as of December 31, 2019, the loss allowance on trade receivables would have increased/decreased SEK 0m. If the expected credit loss rates on trade receivables between 61 and 180 days past due had been 10 percent higher/lower as of December 31, 2019, the loss allowance on trade receivables would have increased/decreased SEK 1m. Any significantly higher than expected defaults or changes in the financial situation of an important customer would have a material adverse effect on the Group's credit losses and, in turn, its liquidity, results of operations or financial position.

Electrolux Professional is exposed to interest-rate risks

Interest-rate risk refers to the adverse effects of changes in interest rates on the Group's income. The main factors determining this risk include the interest-fixing period. In 2019, the Group's average interest-fixing period was below 1 year, as Electrolux Professional has primarily been funded by short-term internal loans from Electrolux prior to the separation. Hence, the interest-fixing period will increase from such levels, potentially but not necessarily beyond 1 year, as Electrolux Professional has entered into external financing arrangements. Derivatives, such as interest-rate swap agreements, might be used to manage the interest-rate

risk by changing the interest from fixed to floating or vice versa. As a static calculation as of December 31, 2019, a one percentage point shift in interest rates would impact the Group's interest expenses by approximately SEK +/- 10m. Increased market rates that, to a significant extent, affect Electrolux Professional's interest costs would have a material adverse effect on the Group's results of operations and financial position.

Electrolux Professional is subject to risks related to its pension obligations

Electrolux Professional sponsors defined benefit pensions obligations in various countries, for example in Switzerland, Italy, France and Germany. 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. In 2019, Electrolux Professional's provisions for pension obligations amounted to SEK 208m.

There are mainly three categories of risks related to defined benefit obligations and pension plans. Firstly, increased longevity and inflation of salary and pensions may increase the future pension payments and, hence, increase the pension obligation. Secondly, pension plan assets are invested in a variety of financial instruments and are exposed to market fluctuations. Finally, 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. Expected inflation and mortality assumptions are based on local conditions in each country and changes in those assumptions affect the measured obligation.

As a static calculation as of December 31, 2019, a +1 year change in longevity, a +0.5 percent change in inflation, and a +/- 1 percent change in the discount rate would have affected the Group's defined benefit obligations with SEK 29m, SEK 16m and SEK -121m/+SEK 160m, respectively. In 2020, Electrolux Professional expects to pay a total of SEK 13m in contributions to the pension funds and as payments of benefits directly to the employees. Changed financial assumptions present a significant risk to the Group's costs for defined benefit obligations and thereby its results of operations and financial position.

Electrolux Professional is exposed to risks related to valuation of inventory and goodwill

In 2019, Electrolux Professional sold approximately 396,000 products globally. Accordingly, Electrolux Professional carries significant inventories of goods and spare parts produced and held by several production and sales units in many countries. 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. In 2019, the cost of inventories recognized as expense and included in Cost of goods sold amounted to SEK 5,107m for the Group. Electrolux Professional writes down product and component inventories that have become obsolete or do not meet anticipated demand or net realizable value. In 2019, write-downs due to obsolescence

amounted to SEK 38m and reversals of previous write-downs amounted to SEK 33m for the Group. If management's estimates with respect to valuation of inventory prove to be significantly incorrect, this would have a material adverse effect on the Group's results of operations and financial position.

As of December 31, 2019, Electrolux Professional reported goodwill of SEK 1,821m as well as other intangible assets of SEK 388m, corresponding in total to approximately 27.5 percent of the Group's balance sheet assets. Goodwill is 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 are used for this evaluation, depending on the availability of information. When available, market value is used and impairment charges have been recorded when the information indicated that the carrying amount of an asset was not recoverable. In the majority of cases, however, market value is not available, and the fair value is estimated by using the discounted cash flow method based on expected future results. Significant differences in the estimation of expected future results and the discount rates used would result in different asset valuations. Such significant differences and major inventory or asset related impairments or write-downs would have a material adverse effect on the Group's business, results of operations or financial position.

Risks related to the distribution of the Electrolux Professional share

The separation of Electrolux Professional may fail to realize anticipated benefits

The intended purpose of the separation of Electrolux Professional from Electrolux is to create long-term shareholder value and to increase focus, customer value and development opportunities for Electrolux Professional as a stand-alone company. A driving factor behind the separation is the fact that the two businesses have different end markets, customers and drivers for success. However, there is a risk that the anticipated benefits of the distribution will not be achieved if the assumptions underlying the decision to carry out the distribution turn out to be incorrect, or if the anticipated benefits or underlying drivers have been overestimated. For example, Electrolux Professional, as a stand-alone company, may not be able to procure external financing or other financial services on conditions as favorable as those obtainable by Electrolux before the distribution. There is also a risk that the investors' appetite in investing directly in Electrolux Professional is overestimated, thus causing the share price in Electrolux Professional to develop unfavorably following the listing of the Company's shares on Nasdaq Stockholm. Moreover, to the extent that Electrolux Professional as a standalone company incurs additional costs or achieves lower sales, its business, financial position and results of operations could be adversely affected and the anticipated benefits from the distribution could fail to be realized.

Indemnifications provided in connection with the separation from Electrolux may result in unforeseen costs for Electrolux Professional

Under the separation agreements entered into in connection with the separation of Electrolux Professional from Electrolux,

Electrolux Professional shall, as a general rule, indemnify the Electrolux Group for any liability or loss caused by or relating to the operations within the Professional Products business area, regardless of when and in what legal entity such liability occurred. Relevant members of the Electrolux Group shall, conversely, as a general rule, indemnify Electrolux Professional for any liability or loss caused by or relating to the consumer products business or any other residual business conducted by the Electrolux Group prior to the first day of trading in Electrolux Professional's shares on Nasdaq Stockholm, regardless of when and in what legal entity such liability occurred. Should there occur unforeseen significant liabilities pertaining to Electrolux Professional's business that would trigger the Group's indemnification liability, this would lead to increased costs for the Group. Furthermore, if Electrolux Professional and Electrolux fail to agree on the allocation of liability in any matter described above, the matter may finally need to be resolved in arbitration procedures, which may both be protracted and costly for Electrolux Professional.

Risks related to the shares in Electrolux Professional

Risks related to the nature of the securities and the admission to trading on a regulated market

The share price can be volatile and the share price development is affected by several factors

Since an investment in shares may increase or decrease in value, there is a risk that investors will not recover their invested capital. The performance of a share depends on multiple factors, some of which are company specific, whilst others are related to the stock market in general. The share price may, for example, be affected by supply and demand, fluctuations in actual or projected results, changes in earnings forecasts, failure to meet stock analysts' earnings expectations, failure to achieve financial and operational targets, changes in general economic conditions, changes in regulatory conditions and other factors such as sales of significant holdings by owners. In addition, there is a risk that the price for the Electrolux Professional share may decline significantly in value after the listing on Nasdaq Stockholm as a consequence of the current outbreak of the coronavirus, as the global stock markets have been subject to extraordinary volatility in the wake thereof (see further "*Electrolux Professional is subject to risks related to the outbreak of the coronavirus*" above). The price of Electrolux Professional's share may furthermore be affected by, for example, competitors' activities and market positions. There is a risk that there will not always be an active and liquid market for trading in Electrolux Professional's shares, which would affect investors' possibilities to recover their invested capital. This presents a significant risk for a single investor.

Electrolux Professional's ability to pay future dividends depends on several factors

Payment of dividends may only take place if there are payable funds held by Electrolux Professional and as long as the requirements of future dividends, and the size, scope and risks of any such dividends, are met. Such requirements depend on Electrolux Professional's equity, consolidation needs, liquidity and position in general for a certain financial year. Furthermore, future divi-

dends, and the size of any such dividends, depend on the Group's future results, financial position, cash flows, working capital requirements and other factors. Electrolux Professional's target is for the dividend to correspond to approximately 30 percent of the income for the period. However, there is a risk that payable dividends will not be available in any financial year, which would reduce the return on an investor's invested capital.

There is a risk that an active, liquid and functioning market for trading in Electrolux Professional's shares does not emerge

Prior to the listing on Nasdaq Stockholm, no public market exists for Electrolux Professional's shares. Accordingly, there is a risk that an active market for trading in the shares will not develop following the listing of the shares on Nasdaq Stockholm. Furthermore, there is a risk that the liquidity of Electrolux Professional's shares of Class A will be more limited than the liquidity of Electrolux Professional's shares of Class B (among other things due to lower number of Class A shares and shareholders). Low liquidity of Electrolux Professional's shares of Class A could entail difficulties in selling shares of Class A at a point in time that is considered desirable for the shareholder or at a price level that could be obtained if a favorable liquidity situation prevailed. This presents a significant risk for a single Class A shareholder.

Shareholders in the United States and other jurisdictions are subject to specific share-related risks

Electrolux Professional's shares will only be listed in SEK, and any dividends will be paid in SEK. This means that shareholders outside of Sweden may experience a negative impact on the value of their holdings and dividends at conversion to other currencies if SEK declines in value against the relevant currency. The recent weak development of SEK has thus had a negative effect on shareholdings denominated in other currencies. Furthermore, tax legislation in both Sweden and the shareholder's home country may affect the income from any dividend.

In certain jurisdictions, there may be restrictions in national securities laws that mean that shareholders in such jurisdictions do not have the possibility to participate in new share issues and other offerings if securities are offered to the general public. Electrolux Professional has shareholders located in, for example, the United States, Canada, Australia and Japan where securities laws impose such limitations. If Electrolux Professional issues new shares with preferential rights for the Company's shareholders in the future, shareholders in some jurisdictions, including the aforementioned jurisdictions, may be subject to restrictions, which could mean that they may be unable to participate in such new share issues or that their participation is otherwise prevented or limited. Such limitations present a significant risk to shareholders located in the United States and in other jurisdictions where such limitations apply.

Background and reasons

On December 5, 2019, Electrolux announced its proposal to distribute its Professional Products business, Electrolux Professional, to its shareholders and list Electrolux Professional on Nasdaq Stockholm. The extraordinary general meeting of Electrolux held on February 21, 2020 decided to distribute all shares in Electrolux Professional to the shareholders of Electrolux. The first day of trading in Electrolux Professional's shares is expected to be March 23, 2020.

The Board of Directors and the Executive Management Team believe that long-term shareholder value will be created by splitting the Electrolux Group into two separate companies. The two businesses have different end markets, customers and drivers for success. A split from Electrolux and a distribution and a separate listing of the shares in Electrolux Professional is expected to increase focus, customer value and development opportunities and to enable Electrolux Professional to successfully realize its strategies under the leadership of a separate management team, with a separate Board of Directors and independent access to capital. As separate companies, Electrolux and Electrolux Professional are also better positioned to meet the different demand drivers and challenges in their respective end markets. A listing also provides an opportunity for current and new investors to invest directly in Electrolux Professional.

Electrolux Professional is one of the leading global providers of food service, beverage and laundry solutions in terms of sales, serving a wide range of customers globally, from restaurants and hotels to healthcare, educational and other service facilities. The Company focuses on solutions where there is a need for high-performing, reliable equipment, with significant aftermarket requirements over the equipment lifecycle and where customers are focused on productivity and total cost of ownership. The Company strives to maintain, develop and enhance its customer relationships through collaboration, commitment to innovation and sustainability for the benefit of its customers. The Company's solutions and products are manufactured in twelve facilities located in seven countries around the world and sold in approximately 110 countries. In 2019, Electrolux Professional generated net sales of SEK 9,281m, which accounted for 7.2 percent of Electrolux net sales. The Company had 3,624 employees as of December 31, 2019 and its headquarters are located in Stockholm, Sweden.

The Board of Directors of Electrolux Professional is responsible for the contents of this prospectus. To the best of the Board of Directors' knowledge, the information contained in the prospectus is in accordance with the facts and the prospectus makes no omission likely to affect its import.

Stockholm, March 10, 2020

Electrolux Professional AB (publ)

The Board of Directors

Information regarding the distribution of Electrolux Professional

Resolution on the distribution of Electrolux Professional

On February 21, 2020, the Extraordinary General Meeting of Electrolux resolved, in accordance with the Board of Directors' proposal, to distribute all shares in the wholly-owned subsidiary Electrolux Professional to the shareholders of Electrolux. The shares in Electrolux Professional are distributed to the shareholders of Electrolux in proportion to each shareholder's holdings of shares in Electrolux on the record date for distribution (March 19, 2020), as determined by the Board of Directors of Electrolux. Each share held in Electrolux entitles to one share of the same share class in Electrolux Professional. Aside from being registered as a shareholder on the record date for distribution (directly registered or nominee-registered), no further actions are required in order to receive shares in Electrolux Professional. It is expected that the distribution of the shares in Electrolux Professional will fulfill the requirements set out in the "Lex Asea" rules and therefore not be immediately taxable for individuals and limited liability companies that are Swedish tax residents. For further information, see "*Tax considerations*".

Distribution ratio

Each share of Class A in Electrolux entitles to one share of Class A in Electrolux Professional and each share of Class B in Electrolux entitles to one share of Class B in Electrolux Professional. In total, 287,397,450 shares in Electrolux Professional will be distributed, of which 8,192,539 are Class A shares and 279,204,911 are Class B shares. Each Electrolux Professional share of Class A entitles to one vote and each Electrolux Professional share of Class B entitles to a tenth of a vote at the General Meeting. For further information, see "*Share capital and ownership structure*".

Record date

The record date for the right to receive distribution of shares in Electrolux Professional is March 19, 2020. The last day of trading in Electrolux shares including the right to distribution of shares in Electrolux Professional is March 17, 2020. The shares in Electrolux will be traded excluding the right to distribution of shares in Electrolux Professional as of March 18, 2020.

Receipt of the shares in Electrolux Professional

Those recorded in Electrolux register of shareholders maintained by Euroclear Sweden, on the record date for the distribution of shares in Electrolux Professional, will receive shares in Electrolux Professional with no further action. Shares in Electrolux Professional will be available on the securities account of those shareholders who are entitled to receive the distribution (or the securities account belonging to the party who is otherwise entitled to receive the distribution) no later than two banking days after the record date. Thereafter, Euroclear Sweden will send out a statement containing information on the number of shares registered on the securities account of the recipient.

Nominee-registered holdings

Shareholders whose shares in Electrolux are registered in the name of a nominee (i.e., a bank or other nominee), on the record date for the distribution of shares in Electrolux Professional, will not receive a statement from Euroclear Sweden. Notification and the crediting of shares in Electrolux Professional to the accounts of nominee-registered shareholders will instead be carried out in accordance with the procedures of the respective nominee.

Listing of the shares in Electrolux Professional

The Board of Directors of Electrolux Professional has applied for the listing of the Company's shares of Class A and Class B, respectively, on Nasdaq Stockholm. Nasdaq Stockholm's listing committee decided on March 5, 2020 to approve Electrolux Professional's application of admission of the Company's shares to trading on Nasdaq Stockholm provided that certain customary conditions are fulfilled. The first day of trading is expected to be March 23, 2020. The Company's ticker symbol on Nasdaq Stockholm will be EPRO A for the share of Class A and EPRO B for the share of Class B. The ISIN code for Electrolux Professional's share of Class A is SE0013720018 and the ISIN code for Electrolux Professional's share of Class B is SE0013747870.

Holders of Electrolux American Depositary Receipts

Pursuant to the terms of the deposit agreement under which the American Depositary Receipts (“**ADRs**”) representing Class B shares of Electrolux were issued, it is expected that Citibank, N.A., as depositary, will sell the shares in Electrolux Professional distributed in respect of the Class B shares of Electrolux deposited in the American Depositary Receipts facilities. The net cash proceeds from the sale of the shares in Electrolux Professional will be distributed by the depositary to the holders of American Depositary Receipts representing Class B shares of Electrolux, on a pro rata basis.¹⁾

Right to dividends

The shares in Electrolux Professional entitle to dividend for the first time on the record date for distribution of dividend which falls immediately after the distribution of shares in Electrolux Professional has been executed. Any dividends will be paid following a resolution by a General Meeting. The payment of any dividends will be administered by Euroclear Sweden or, should the shares be nominee-registered, in accordance with the procedures of the respective nominee. Entitlement to receive such dividends is limited to shareholders registered in the share register maintained by Euroclear Sweden on the record date for distribution determined by the General Meeting. For further information on Electrolux Professional’s dividend policy, see “*Financial targets and dividend policy*” in “*Business description*”. For information on tax on dividend, see “*Tax considerations*”.

Transaction costs

The total costs for the proposed split of the Electrolux Group are estimated to approximately SEK 300m, including project and listing costs of approximately SEK 230m and one-time foreign tax of approximately SEK 70m. Transaction costs will primarily be borne by Electrolux, and Electrolux Professional’s costs related to the admission to trading on Nasdaq Stockholm are estimated at approximately SEK 2m.

1) Pursuant to the terms of the deposit agreement, Citibank, N.A will be deducting USD 0.05 per ADR from the proceeds of the sale.



Market overview

Information provided in the prospectus on the market environment, market developments, growth rates, market trends and on the competitive situation in the markets and regions in which Electrolux Professional operates is based on data, statistical information and reports by third parties and/or prepared by Electrolux Professional based on its own information and information derived from publicly available sources including UN, The World Bank, Euromonitor International Ltd., Oxford Economics and other third-party sources. Electrolux Professional has compiled the market and competitive data parts on the basis of this historical data and in part on the basis of assumptions, estimates and methods which the Company believes to be reasonable. This information has been accurately reproduced and as far as Electrolux Professional is aware and is able to ascertain from information published by those third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading. However, Electrolux Professional has not independently verified the information and therefore, the accuracy and completeness cannot be guaranteed. Additional factors, which should be considered in assessing the usefulness of the market and competitive data, are described elsewhere in the prospectus, including in "Risk factors".

Electrolux Professional's industry

Electrolux Professional operates in the global professional equipment industry, offering food service, beverage and laundry products and solutions to a wide range of customers, including companies in the global hospitality industry as well as various other businesses and institutions. The Company views and addresses the market through two main segments, professional food and beverage equipment and professional laundry equipment, representing approximately USD 25.5bn and USD 2.5bn (approximately SEK 238bn and SEK 23bn¹⁾), respectively, in 2019, according to the Company's estimates.²⁾

Demand for Electrolux Professional's solutions is influenced by a number of factors, including the state of the general economy, population growth, disposable household income, customer and consumer behavior and changes in customer preferences. Major factors for success comprise: strong innovation capabilities, reliability and product quality, a well-developed distribution and service network and brand recognition.

Electrolux Professional believes that the industry is mainly characterized by:

- ▶ Favorable general end-market trends with multiple catalysts for structural growth
- ▶ Material impact of product performance on customer productivity
- ▶ Requirement for reliable and technologically advanced products
- ▶ Significant benefits from local presence and collaboration with customers
- ▶ Ongoing aftermarket support over the equipment lifecycle

General market trends and drivers

Electrolux Professional benefits from various structural growth drivers across its end-markets, which are expected to support long-term sustainable growth opportunities in its addressable markets. The Company believes the following factors will be key drivers in the continued development of the global food and beverage and laundry equipment industries:

- ▶ Population growth
- ▶ Urbanization
- ▶ Increasing workforce participation
- ▶ Growing disposable household income
- ▶ Changes to customer and consumer behavior (such as increased eating on-the-go and eating out-of-home)

Population growth

Population growth is an essential factor driving growth in the professional equipment industry. A growing population leads to, among other things, an increased number of potential end-customers, demand for out-of-home food and beverage consumption, and other application areas for professional equipment. Electrolux Professional believes that this trend is an important growth driver for all business segments and end-markets.

The world's population reached 7.7bn in 2019 and is expected to increase by more than 2.0bn within the next 30 years, to reach 9.7bn by 2050.³⁾ The below table illustrates global population growth over the period 2005–2050. Historical and forecasted population data corresponding to the geographical regions of the Company is shown in the table below.

1) Calculated based on a USD/SEK exchange rate of 9.330593.

2) Global market size based on total sales (including aftermarket services).

3) Source: UN World Population Prospects.

Million people	2005	2010	2015	2019e	2030e	2050e	CAGR '05-'19	CAGR '19-'50e
World ⁴⁾	6,542	6,957	7,380	7,713	8,548	9,735	1.2%	0.8%
Europe	788	799	812	820	825	811	0.3%	0.0%
APAC & MEA	4,869	5,223	5,587	5,878	6,626	7,737	1.4%	0.9%
Americas	885	935	981	1,015	1,097	1,188	1.0%	0.5%

Source: World Population Prospects 2019, by the Department of Economic and Social Affairs, Population Division, © 2019 United Nations. Used with the permission of the United Nations.

Urbanization

Urbanization refers to the population shift from rural to urban areas, and a measure of urbanization is the share of an area's population living in cities. Increased urbanization is an important demand driver for out-of-home consumption, especially out-of-home dining. Urbanization also generates higher demand for living space in already densely populated areas and increases the proportion of white collar jobs, pushing more people to demand external food, beverage and laundry services to save time and space. In addition, urbanization leads to increased traf-

fic in public places, such as shopping centers and train stations, resulting in increased demand for fast-food and beverages.

On a global scale, the urban population is expected to represent 57 percent of the total population in 2020, increasing to 69 percent by 2050. In the coming decades, urbanization is expected to increase across all major regions, with emerging markets experiencing the fastest rates of urbanization.⁵⁾ The below table illustrates the historical and forecasted development of urbanization over the period 2005–2050, by regions corresponding to the geographical regions of the Company.

Urbanization	2005	2010	2015	2020e	2030e	2050e	Absolute Change ⁶⁾ '05-'20e	Absolute Change ⁶⁾ '20-'50e
World ⁴⁾	49%	52%	54%	57%	60%	69%	7.6 pps	11.8 pps
Europe	70%	71%	71%	72%	74%	81%	2.0 pps	8.7 pps
APAC & MEA	40%	44%	47%	50%	55%	64%	9.6 pps	14.0 pps
Americas	79%	80%	81%	83%	85%	90%	4.6 pps	7.0 pps

Source: UN World Urbanization Prospects: The 2018 Revision, by the Department of Economic and Social Affairs, Population Division, © 2018 United Nations. Used with the permission of the United Nations.

Increasing workforce participation

Over the past several decades, women's representation in the labor force has steadily increased on a global scale. Simultaneously, the working age has generally widened as result of increasing pension age and changing student working patterns. In line with this increase in workforce participation, disposable household income has increased, while available time for household chores, such as cooking and cleaning, has decreased.

This pattern is expected to continue, with the global long-term unemployment rate projected to decrease to below 5 percent by 2040 from the current rate of approximately 5 percent in 2019.⁷⁾ Together, these developments drive demand for out-of-home dining and laundry services. The below table illustrates the historical and projected development of workforce participation on a global basis over the period 2005–2030.

Million people	2005	2010	2015	2019e	2025e	2030e	CAGR '15-'19	CAGR '19-'30e
Employed population	2,705	2,870	3,054	3,189	3,391	3,540	1.1%	1.0%
Employed male	1,645	1,730	1,818	1,890	2,001	2,084	1.0%	0.9%
% Male of total employed	60.8%	60.3%	59.5%	59.3%	59.0%	58.9%		
Employed female	1,060	1,140	1,236	1,299	1,390	1,456	1.3%	1.0%
% Female of total employed	39.2%	39.7%	40.5%	40.7%	41.0%	41.1%		

Source: Euromonitor International Ltd. Information in the table is derived from independent market research carried out by Euromonitor International Ltd. Research includes estimates based on official published sources and trade opinion surveys. Due to the nature of the techniques and methodologies used in market research, there is no guarantee as to the accuracy or completeness of such information and there should be no undue reliance based on this information when making or refraining from making any investment decision. Euromonitor International Ltd. assumes no liability for the contents thereof.

4) Please refer to "Overview" in "Business description" for information on the Company's geographical regions.

5) Source: UN World Population Prospects.

6) In percentage points.

7) Source: Oxford Economics (global forecasting and quantitative analysis adviser, www.oxfordeconomics.com).

Growing disposable household income

Disposable household income is a measure of how much a household can spend post-tax, and it affects the consumption habits and expenditures of consumers. Higher disposable income allows more people to spend an increasing amount of money

on leisure activities such as out-of-home dining, and less time on household chores such as laundry. The below table illustrates the development of household consumption over the period 2005–2030. Historical and forecasted data for global household consumption expenditure is shown in the below table by regions corresponding to the geographical regions of the Company.

Household consumption expenditure ⁸⁾	2005	2010	2015	2019e	2025e	2030e	CAGR '05-'19	CAGR '19-'30e
World ⁹⁾	100	123	127	138	170	206	2.3%	3.7%
Europe	100	119	109	117	144	175	1.2%	3.7%
APAC & MEA	100	148	166	179	234	300	4.3%	4.8%
Americas	100	120	130	145	173	202	2.7%	3.1%

Source: Euromonitor International Ltd. Information in the table is derived from independent market research carried out by Euromonitor International Ltd. Research includes estimates based on official published sources and trade opinion surveys. Due to the nature of the techniques and methodologies used in market research, there is no guarantee as to the accuracy or completeness of such information and there should be no undue reliance based on this information when making or refraining from making any investment decision. Euromonitor International Ltd. assumes no liability for the contents thereof.

Historically, the increase in disposable household income has been further accelerated by global population growth and a decreasing level of global poverty. The share of global population living with USD 1.9 per day or less has decreased from 36 percent in 1990 to 9 percent in 2018 and a growing number of people are now part of the working middle class.¹⁰⁾ Electrolux Professional expects increased disposable household income and higher standard of living to increase demand for out-of-home consumption going forward.

Changes to customer and consumer behavior

Trends, technological developments and sensibilities are rapidly changing in the global out-of-home consumption industry, impacting customer and consumer behavior. As a result, the ability to anticipate and exceed customer and end-consumer requirements is becoming increasingly important. Changes to customer and consumer behavior observed by the Company include:

- ▶ Need for greater customization
- ▶ Drive towards highly innovative products and services with focus on connectivity and comprehensive aftermarket service offering
- ▶ Growing concerns around environmental impact and sustainability
- ▶ Increasing emphasis on freshness and quality of ingredients
- ▶ Desire for new flavors and a sense of exploration for food and beverage
- ▶ Increasing attention to the cost of ownership or usage rather than the pure cost of the equipment

Professional food and beverage equipment

Electrolux Professional's sales from food and beverage equipment largely depend on the development of customers' capital expenditures for new equipment, as well as expenditures related to appliance maintenance, refurbishment and overhaul. The Company addresses the professional food and beverage equipment and service segment. The key product application areas are

out-of-home consumption points such as hotels, restaurants, retail points, schools or hospitals. According to the Company's estimates, in 2019, the global professional food service and beverage market amounted to approximately USD 25.5bn, of which food service accounted for approximately 80 percent and beverage for approximately 20 percent, respectively.¹¹⁾ In recent years, the global professional food and beverage market has experienced growth, which is also expected to continue over the medium-term. The food service and beverage segment has experienced a compound annual growth rate of around 3–4 percent from 2013 to 2018, with growth in beverage being slightly stronger than food service, according to the Company's estimates. In addition to general market trends and industry drivers, growth is also affected by an increase in food safety, environmental and food waste requirements, focus on healthy products and menus, drive for automation and workforce optimization, product innovation, and the rising importance of data management and digitalization. These trends are visible in both mature food and beverage markets, such as North America and Europe, as well as fast-growing emerging markets such as Asia-Pacific and Middle East & Africa. According to the Company's estimates, global market growth in the medium term is expected to be driven primarily by consumption in China and South East Asia, while Europe and North America are expected to grow at a slightly lower pace. The largest professional food and beverage equipment market is Asia-Pacific and Middle East & Africa, which accounted for approximately 36 percent of global sales in 2019, followed by Americas at approximately 35 percent and Europe at approximately 29 percent. Globally, the top five companies within professional food and beverage equipment represent approximately 40 percent of the market in terms of sales. Electrolux Professional has its largest share of revenue in Europe. Meanwhile, one of the key strategic priorities for the Company is to grow its market presence in North America, one of the largest global markets for professional equipment, while continuing to establish itself for further growth in the Asia-Pacific region.

8) Consumption expenditure per household is rebased to 100 for 2005.

9) Please refer to "Overview" in "Business description" for information on the Company's geographical regions.

10) Source: The World Bank. Press release, September 19, 2018, "Decline of Global Extreme Poverty Continues but Has Slowed".

11) Global market size based on total sales (including aftermarket services).

Key trends affecting food and beverage solutions

While the abovementioned general market trends such as population growth, urbanization, employment rate and disposable household income are important factors for the development of the overall professional equipment industry, the Company has also observed several other key growth drivers.

An increasing demand for more versatile food preparation equipment, which can prepare a larger variety of meals, has characterized the market in recent years. This is mainly due to two factors: a reduction in kitchen space and an increase in menu variety. The global reduction in kitchen space is correlated with increased urbanization, leading to higher rent per square meter in major cities. As a result, a large number of restaurant owners aim to reduce the pieces of equipment used for daily operations, requiring versatile machines. Furthermore, restaurant owners have gradually increased the variety of menus in response to a change in customers' food habits. This is mainly driven by a shift to healthier eating habits, greater focus on product sources and quality, as well as higher customer curiosity, correlated with the growing importance of social media in out-of-home dining. As a result, restaurant owners require more versatile food preparation equipment.

Growing focus on total cost of ownership rather than investment cost as a purchase decision is another key industry trend. The cost of ownership of an appliance mainly includes energy and maintenance cost, as well as labor cost to operate the equipment. As a result, there is a demand for more energy efficient and easy to operate machines. Technological advancements aim to ensure that equipment operates at low running costs. In addition, due to the importance of appliances to the customers' daily operations, having a strong service and aftermarket support offering is essential. Eventually, product automation and connectivity can help customers optimize their workforce and reduce labor costs, in turn reducing total cost of ownership. Simultaneously, increased digitalization and connectivity of equipment has the potential to increase customer retention and might create a positive environment for the aftermarket business.

Many of the food equipment industry trends just described also apply to professional beverage equipment, in particular appliance footprint reduction and the increasing demand for more cost efficient equipment. Changing customer behavior and preferences are also having important impacts on the beverage industry. Customers are moving towards healthier beverage options in many regions. In addition, new and innovative products are emerging, such as cold brew and other specialty coffee types, as well as infused waters. Especially in mature markets, such as Europe and North America, customer preferences tend to shift toward customized flavored beverages. These changes in customer behavior translate into demand for more versatile equipment in order to cater to diverse customer tastes.

Compared to the food equipment industry, the beverage industry is subject to higher historical and expected growth rates. The projected growth outperformance mainly stems from the abovementioned trends as well as a higher impact of seasonal trends, stronger product diversification and smaller average equipment size, creating more space for multiple machines that are operated simultaneously. Within the beverage equipment sector, the market

for coffee equipment has the most attractive medium term growth outlook, while the market for non-frozen dispensers represents the largest sub-segment in the industry, according to the Company.

Competitive landscape

Electrolux Professional products are sold in competitive markets, where the main differentiators are reliability, product characteristics, quality, product performance, and variety and breadth of product offering, product innovation and aftermarket services. Another key competitive factor is the total cost of ownership, including equipment price, maintenance and running costs, as well as ergonomics and health and safety considerations. In Europe in particular, product design is an additional differentiating factor. Furthermore, customer relationships are a key differentiating factor. Food and beverage equipment providers generally maintain long-standing relationships with key customers and distributors in order to increase wallet share and overall growth. Close customer relationships are especially important in relation to chain business.

Electrolux Professional is one of the leading global players in terms of sales with a complete offering within food and beverage. Some of the Company's competitors in food and beverage equipment include Ali Group, Hoshizaki, Illinois Tool Works, Marmon Group, Middleby, Rational and Welbilt. In addition, the Company also competes with a number of local players and players focused on individual product lines.

Professional laundry equipment

The professional laundry equipment market comprises professional laundry products and related services for the hospitality industry and other businesses and institutions and largely depends on the customers' spending power on new equipment, as well as on maintenance, refurbishment and overhaul. Electrolux Professional mainly addresses the professional laundry equipment and service segment, and does not focus as much on the large scale industrial laundry equipment segment. The Company divides its addressable market into two main areas, namely one part of the market which generates business with professional laundry equipment, as well as another part where customers use the product as part of their service offering. Launderettes and coin shops are examples of the former, whereas hotels and care facilities are examples of the latter group. The Company estimates that, in 2019, the total professional laundry equipment market amounted to approximately USD 2.5bn. In recent years, the global professional laundry equipment market has experienced 2-3 percent growth per year, which is also expected to continue over the medium-term, according to the Company's estimates. Market growth is mainly affected by an increasing focus on product sustainability and efficiency, labelling and certification requirements, and requirements for appliance innovation and connectivity. While these trends are visible globally, the importance of each varies on the regional level. According to the Company's estimates, the largest professional laundry equipment market is Europe, which in 2019 accounted for approximately 40 percent of global sales, followed by Americas at approximately 36 percent and Asia-Pacific and Middle East & Africa at approximately 24 percent. Electrolux Professional has its largest share of

revenue in Europe, United States and Japan. On a global level, the top five companies, which include Electrolux Professional, represent approximately 70 percent of the market in terms of sales.

Key trends affecting laundry solutions and aftermarket demand

As for food and beverage solutions, the abovementioned general market trends such as population growth, urbanization, employment rate and disposable household income are important factors for the development of the overall professional equipment industry. Moreover, the Company has also observed several other key growth drivers.

According to the Company, sustainability and energy efficiency are key trends affecting the professional laundry equipment market. Appliance operators are increasingly focused on total cost of ownership of equipment rather than the initial investment, for instance on water consumption and energy efficiency, which lowers ongoing operational expenses. This is also a result of more stringent governmental regulation in many regions. Together, the drive to fulfill environmental standards and reduce operating costs creates replacement demand, and potentially increases equipment expenditure. This trend also increases the importance of customer care, which is a key competitive factor in the industry.

Rising demand for innovative and connected equipment has also affected the professional laundry equipment market. Customers increasingly want to monitor and manage their equipment in a way that reduces the need to rely on unskilled labor, as machines become easier to use. As more technologically advanced equipment with substantial customer benefits is introduced, the next major equipment replacement cycle is expected to be brought forward. As a result of lower ownership costs, customers are expected to demonstrate more price flexibility for upfront equipment costs.

While new business models such as functional sales or equipment rentals are already established in other industries, they have only recently gained importance in the professional laundry equipment market. Especially in Europe, the demand for equipment rental, in particular from smaller businesses, is rapidly accelerating. As a result, a number of players are adjusting their business models.

Competitive landscape

Electrolux Professional products are sold in competitive markets, where the main competitive differentiators are quality, performance, innovation product design, and aftermarket services. Additional key factors driving competition are total cost of ownership, including equipment price, maintenance and running costs, as well as ergonomics and health and safety considerations. Furthermore, customer relationships are a key differentiating factor. Laundry equipment providers generally maintain long-standing relationships with key customers and distributors in order to increase wallet share and overall growth.

Electrolux Professional is one of the leading players in the global laundry equipment market in terms of sales with a complete offering under one global brand. Some of the Company's competitors in laundry equipment include Alliance Laundry Systems, Girbau Group, Maytag and Miele Professional. In addition, the Company also competes with several local players and players focused on individual product lines.



Business description

Overview

Electrolux Professional is one of the leading global providers of food service, beverage and laundry solutions in terms of sales, serving a wide range of customers globally, from restaurants and hotels to healthcare, educational and other service facilities. The Company's solutions and products are manufactured in twelve facilities located in seven countries around the world and sold in approximately 110 countries. The Company had 3,624 employees as of December 31, 2019 and its headquarters are located in Stockholm, Sweden.

Electrolux Professional offers a full set of solutions within food service, beverage and laundry equipment, with products and services that address the needs of a diverse customer base. The Company focuses on solutions where there is a need for high-performing, reliable equipment, with significant aftermarket requirements over the equipment lifecycle and where customers are focused on productivity and total cost of ownership. The Company strives to maintain, develop and enhance its customer relationships through collaboration, commitment to innovation and sustainability for the benefit of its customers.

Electrolux Professional has a local presence across relevant global markets, enabling a flexible and efficient set-up from both a manufacturing and commercial standpoint. Electrolux Professional operates with an agile supply chain and lean manufacturing cost footprint, which enables the Company to operate efficiently throughout business cycles. Electrolux Professional's

products are sold either through distributors and dealers or directly to customers, depending on specific regional dynamics.

In order to provide a complete solution package, the Company has established a large global service organization that provides customers with services and spare parts. Essentia, the new service offering, addresses fast growing demand for maintenance with various subscription models and service agreement offers.

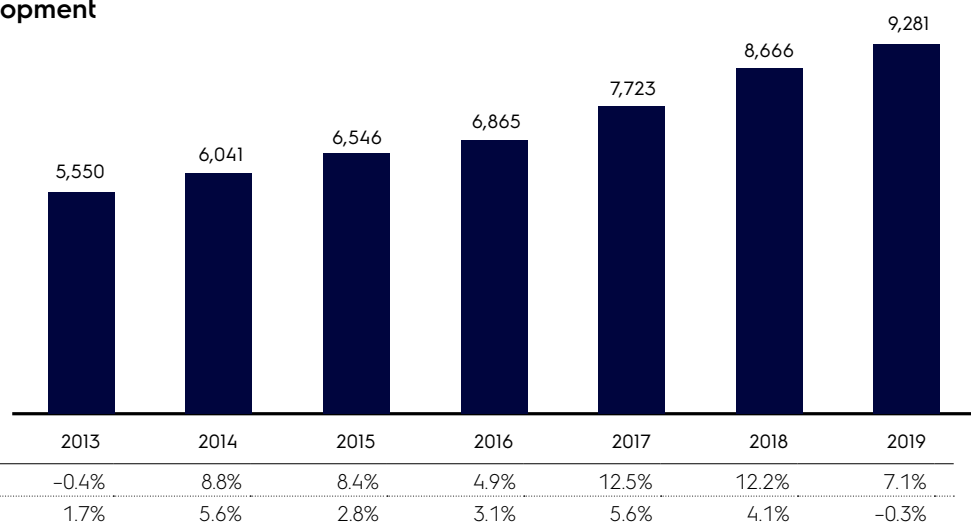
Electrolux Professional can provide a complete offering within food, beverage and laundry – the OnE approach – that can cover all customers' needs under one global brand. The Company believes that it has a competitive advantage in its broad portfolio of products and aftermarket services under one global brand and in its extensive geographical reach, both when it comes to customer relations and service network. Electrolux Professional seeks to maintain an ongoing relationship with customers throughout the equipment lifecycle, creating a potential for equipment repurchases and additional services.

Electrolux Professional has two segments – Food & Beverage (F&B) and Laundry. F&B provides a wide range of equipment for professional food service and beverage solutions. Laundry provides a wide array of equipment for professional laundry operations. In addition to their product offerings, each segment provides aftermarket services and solutions.

The below graph shows Electrolux Professional's net sales development with respect to the financial years 2013–2019.

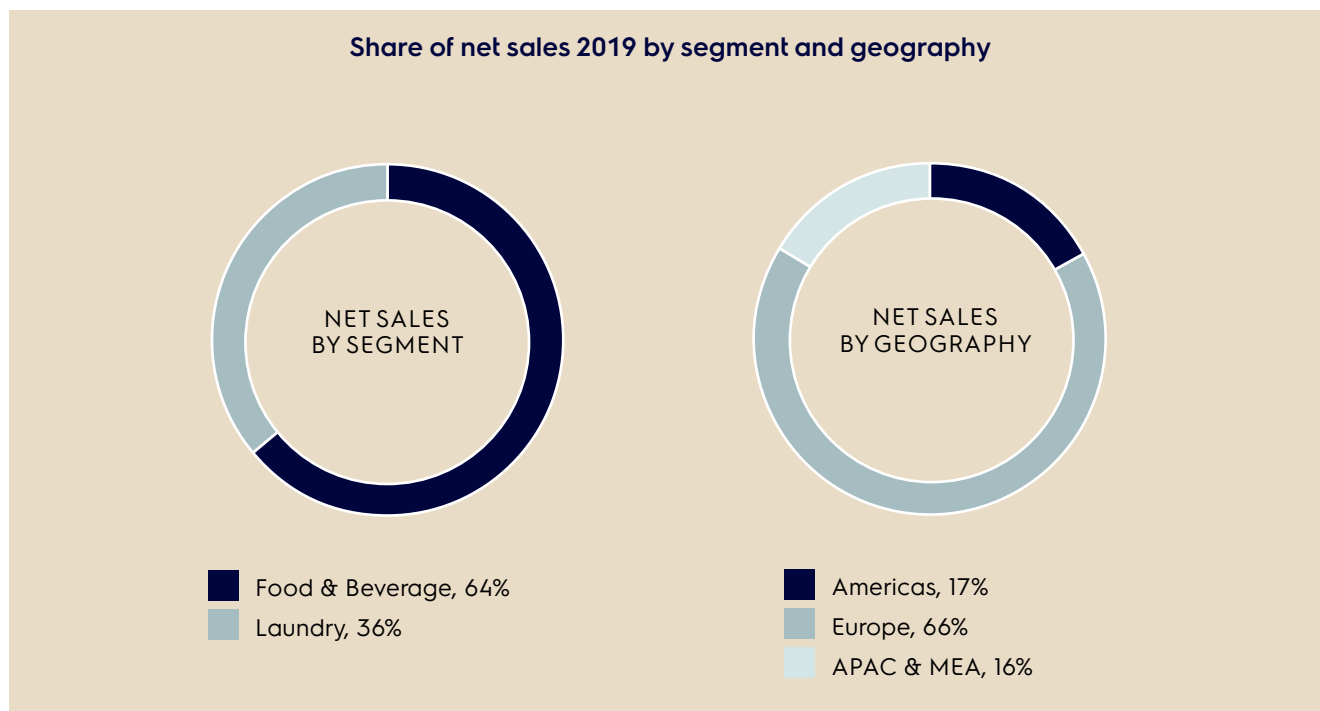
Overview of net sales development

SEKm

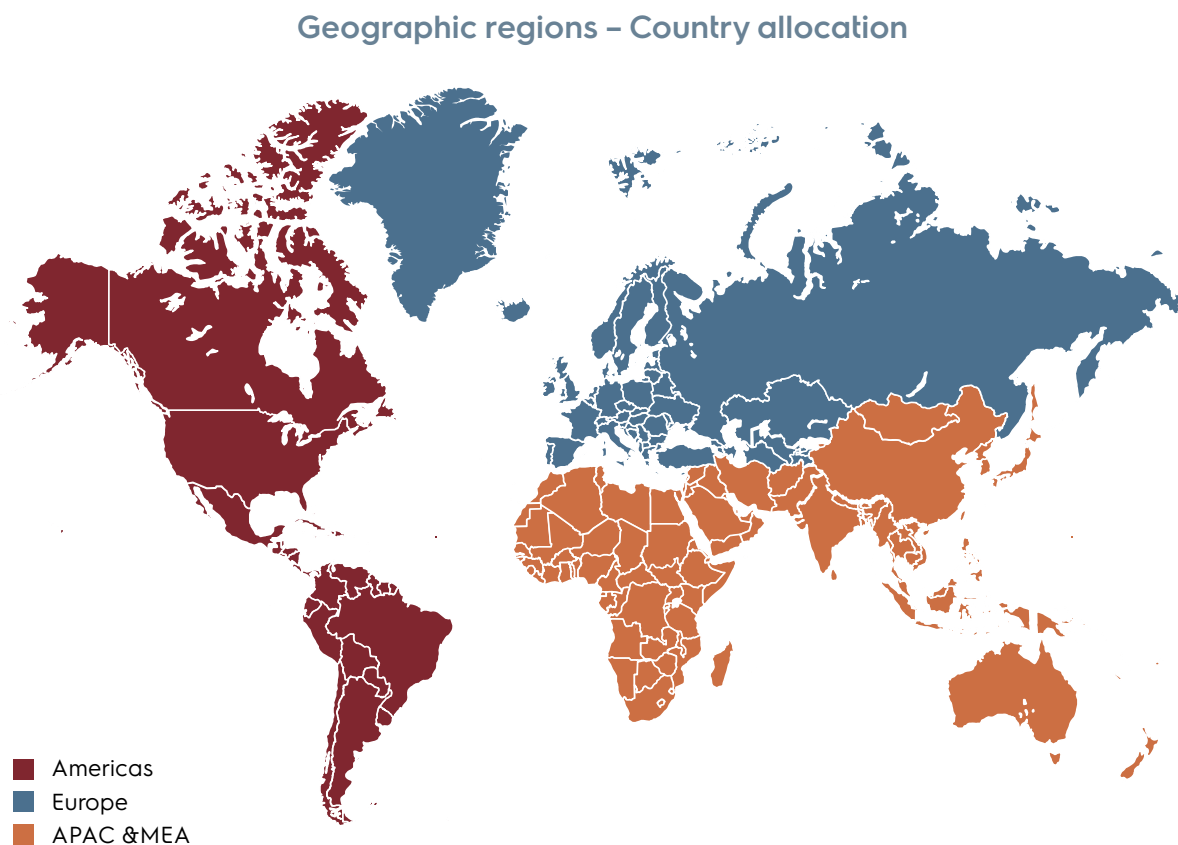


Source for the information for 2013–2016: Electrolux annual reports for the relevant year and Electrolux internal reporting system. For definition of organic growth, please refer to "Key performance indicators" in "Selected historical financial information".

The below chart shows the split of the Company’s 2019 net sales by segment and geography according to the Company’s reporting structure.



Electrolux Professional’s commercial activities focus on three main geographical regions – Americas, Europe and APAC & MEA. The following chart illustrates the Company’s country allocation within these regions.



Electrolux Professional's history

Electrolux Professional's long standing heritage contributes to the Company's success and long-term vision. The Company dates back to more than 100 years ago when companies such as Wascator, Zanussi and Cecilware were formed (subsequently acquired by Electrolux), and benefits from the contribution of generations of knowledge.

The professional products business in the Electrolux Group dates back to 1962 when Elektro Helios was acquired, a company that also operated in the professional food service industry. The professional business in Electrolux expanded to professional laundry in the early 1970's.

The business area within the Electrolux Group was established in 1989 by integrating, for the first time, all the professional activities that had been acquired throughout the years and then were part of the Electrolux Group. These operations comprised leading businesses in specific segments, such as food service and laundry systems, some with more than 100 years of history in the professional business. The Company today has a long-standing relationship with customers and suppliers given the history of the Electrolux Group. Since the creation of Electrolux Professional, the business area has continued to evolve, focusing on a series of core activities to support the hospitality segment.

A value creation phase began in 1996 when the Electrolux Professional business area was streamlined and approximately 20 smaller plants were closed. In addition, several other operations, for instance leisure appliances, motors and compressors, were divested between 1998 and 2002.

In 1999, an operational headquarters for the professional business area was established in Pordenone, Italy. The business area was focusing on two main product lines, food service and laundry systems. The main product line for food service was located

in Pordenone and the main product line for laundry systems in Ljungby, Sweden. A decision to boost and reinforce the Electrolux Professional brand as a full service provider was also made by management at the time.

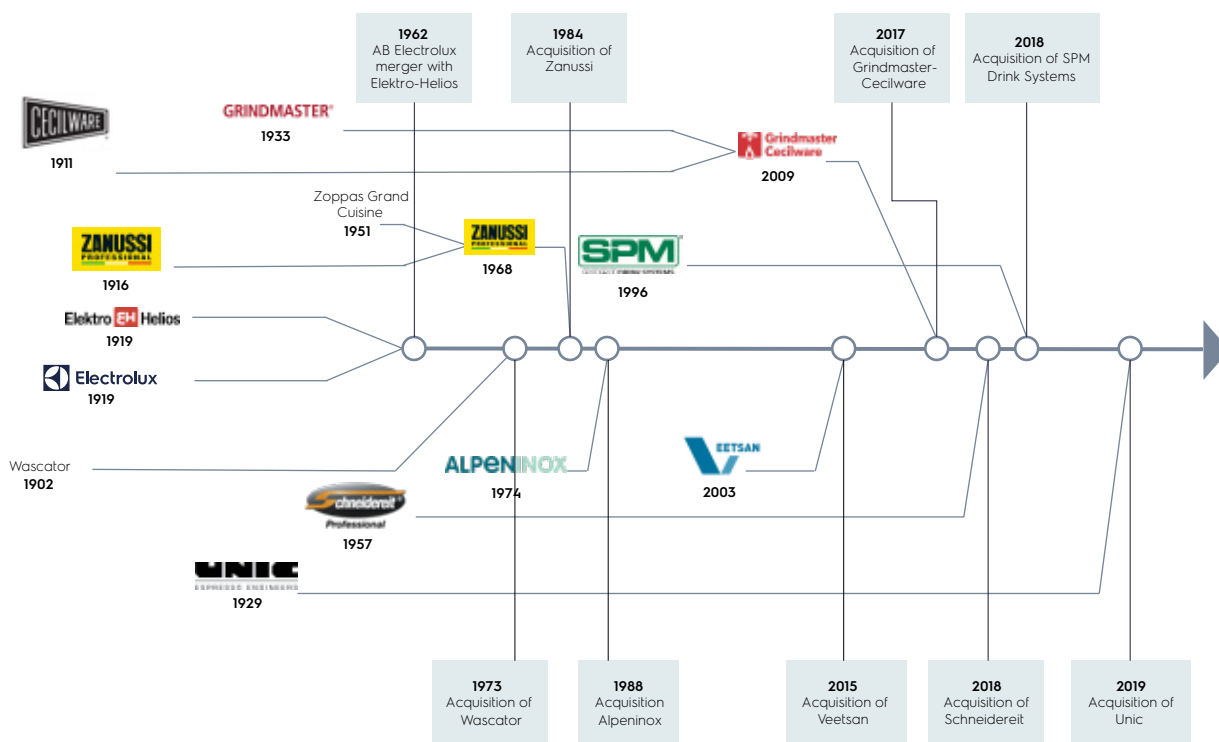
In 2004, Electrolux Professional began to focus once more on international expansion, establishing and incorporating the operational offices in North America and, in 2005, the industrial facility in Thailand, where the production of laundry equipment would cater to the Asia-Pacific region and other regions. The Company also opened additional commercial operations in other parts of the world such as India, Brazil and Dubai, UAE.

The commercial expansion continued for another decade until a number of acquisitions were made. In 2015, the Company acquired Shanghai Veetsan Commercial Machinery, one of the largest manufacturers of professional dishwashers in China. The acquisition further strengthened Electrolux Professional's position in China and the Asia-Pacific region, where the Company saw potential for significant growth. The acquisition of Schneidereit in 2018 opened up the possibility for the development of new business models. Schneidereit is a supplier of laundry rental solutions for professional customers in Germany and Austria.

In 2017, Electrolux Professional expanded the beverage equipment segment through the acquisition of Grindmaster-Cecilware in the United States. Grindmaster-Cecilware manufactures hot, cold and frozen beverage dispensing equipment, including coffee machines. This acquisition was followed by two further acquisitions targeted at expanding the technological platform through beverage as well as coffee equipment. In 2018, SPM was acquired, an Italian manufacturer of frozen beverage equipment and in 2019, Unic, a French manufacturer of automatic as well as traditional espresso coffee machines, was acquired.

The below chart illustrates key milestones of Electrolux Professional's corporate history.

Overview of Electrolux Professional's corporate history



Laundry

In 1973, Electrolux moved into professional laundry when Wascator was acquired. The combination created Electrolux – Wascator.

Wascator was founded in Stockholm in 1902 as a heating systems and washing machine specialist. Its primary business interest was the installation of heating systems, however, the Company also produced large, belt-driven washing machines. At the end of the 1940's, the company decided to launch a small front-loading washing machine intended for household use and associated the brand Wascator (a combination of the words washing and lavatory) to this machine. A few years after the success of the first small Wascator washing machine, the entire company adopted the name Wascator.

Today, Electrolux Professional provides a wide range of professional laundry equipment which is sold globally and produced in Sweden, Thailand and France. The Company serves a multitude of segments from apartment houses, hotels and healthcare institutions to industrial laundry operations and coin-operated laundrettes.

Food service

Electrolux kitchen operations were created as a result of the merger with Elektro-Helios in 1962. Elektro-Helios was established in Sweden in 1919 and has always been associated with simple but functional products. For decades, the strength of the brand resided in its exceptional cookers and its products were considered to be reliable and value-oriented.

In 1984, the business grew significantly following the acquisition of Zanussi in Italy. Zanussi was established in 1916 as a small workshop for wood burning stoves and grew into an important player related products for homes and professional establishments. A greater focus on professional activities followed in 1967 through the creation of a dedicated division called Zanussi Grandi Impianti, with the focus on growing both organically and externally. In 1968, Zanussi bought F. Zoppas, a large Italian manufacturer of electrical, household and catering appliances. Dating back to 1951, the Zoppas Grandi Cucine division brought a lot of experience, soon becoming an important asset with specialist qualities. In 1988, Alpeninox, one of the leading Italian producers of refrigeration equipment for hotels and restaurants, was acquired.

Today, Electrolux Professional provides a wide range of professional food equipment solutions serving a multitude of segments in the broader out-of-home consumption industry. The appliances are sold globally and produced in Europe (Italy, France, Switzerland) and Asia (China, Thailand).

Beverage

In 2017, Electrolux Professional expanded the beverage equipment segment through the acquisition of Grindmaster-Cecilware. Grindmaster-Cecilware is a U.S. based manufacturer of hot, cold and frozen beverage dispensing equipment, including coffee machines. Grindmaster-Cecilware initially emerged as a result of the merger between Grindmaster Corporation and Cecilware Corporation in 2009, two companies with a rich and diverse corporate history. The acquisition broadened Electrolux Professional's offering in the beverage business and accelerated growth in the U.S. market.

The acquisition of Grindmaster-Cecilware was followed by

two further acquisitions targeted at expanding the technological platform through beverage as well as coffee equipment. In 2018, Electrolux Professional acquired SPM, an Italian manufacturer of professional dispensers of frozen and hot beverages and soft ice-cream. The acquisition enlarged and complemented the product portfolio in beverage whereby Electrolux Professional became a full solution provider in beverages. In 2019, Electrolux Professional acquired Unic, a French manufacturer of automatic as well as traditional espresso coffee machines. The acquisition complemented the offering of products for beverage. Unic has 100 years of technology, quality and manufacturing experience with respect to espresso machines.

Mission and strategy

Mission

Making Electrolux Professional's customers' work-life easier, more profitable – and truly sustainable every day.

Strategy

Electrolux Professional's strategy focuses on four pillars, built on a foundation of operational excellence to improve sales productivity and cost efficiency within the supply chain.

Grow the business by developing sustainable, innovative

low-running cost solutions: Set the pace of industry innovation in sustainability and energy efficiency, complemented with a connected and digital platform meeting customers' needs.

Expand in food service chains, especially in North America, grow in beverage and expand in emerging markets:

Increase the global footprint and market position in selected industry verticals organically and through selective M&A as a further accelerator.

Boost Customer Care (aftermarket sales) by further developing the global service network and competence as a full-service provider while increasing sales of accessories and consumables to enhance product performance and ownership experience.

Leverage the OnE approach: Strengthen the position as a full-solution provider within food, beverage and laundry to cater for all customers' needs under one global brand and make customers' lives easier in a world of connected appliances.

Grow through innovation

Electrolux Professional focuses on innovation to grow its business through continuous investments in research and development, which is core in maintaining and improving its competitive position. By continuously developing new and improved products and services, the Company aims to cater to customers' needs, address their key challenges and thus add value to customers.

Focus on appliance digitalization, connectivity and agility is part of the Company's strategy and is centered around new technology that can improve the offering in an economically and environmentally constructive way. The ambition is to address customers' increased requirements for flexible machines with low running costs.

Expand in food service chains

Electrolux Professional continuously works to expand its global footprint and improve its market position in selected, attractive

industry verticals. The Company has well-defined growth areas, which mainly include increased sales in chains – large brands with multiple service points across selected areas – and in North America and emerging markets.

In addition, the Company aims to accelerate its growth perspectives through selective add-on acquisitions. Hereby, the focus is on acquisition targets with a clear relation to the Company's strategic roadmap, with the aim to strengthen the Company's market position and/or complement its portfolio of product and service offerings.

Boost aftermarket sales

Electrolux Professional operates in a commercial market characterized by a heavy use of machines, which requires a reliable aftermarket service. The Company aims to assist and support its customers along the life of the product through its global sales network. Aftermarket sales are aimed to be further increased by further developing the global service network and competence as a full-service provider while increasing sales of accessories and consumables to enhance product performance and ownership experience.

Leverage the OnE Approach

Electrolux Professional aims to further strengthen its position as a full-solution provider within food, beverage and laundry to cater for all customers' needs under one global brand and make customers' lives easier in a world of connected appliances. The wide market presence in different geographies, both when it comes to customer relations and service network, can be further strengthened. The ongoing relationship with customers throughout the equipment lifecycle, also creates the need for equipment repurchases and additional services.

Operational excellence

In addition to the above described four strategic growth and expansion initiatives, Electrolux Professional aims to drive operational excellence by further improving cost efficiency within production, with the aim of targeting world-class manufacturing and productivity. The Company aims to further increase efficiency and agility of its supply chain by reinforcing process consistency, adapting capacity to potential demand fluctuations, optimizing lead time delivery and improving stock rotation. Additionally, Electrolux Professional strives for further production cost reduction, an optimized industrial footprint and reinforced supplier excellence, driven by a more consolidated supplier base.

People and leadership

Electrolux Professional is dedicated to being a responsible employer for its entire workforce. To uphold this standard, the Company has established the following guiding principles:

- ▶ Treat each other with dignity and respect, which includes valuing diversity and inclusivity and discouraging discrimination and harassment
- ▶ Provide employees with a sustainable working environment, which includes safe and healthy workplaces
- ▶ Aim to have the right people in the right jobs, which includes recruiting the top tier talent and developing capabilities for the future
- ▶ Attract, retain and motivate employees, which includes providing market competitive compensation

- ▶ Operate in an open and fair manner with respect to the creation, development and implementation of people-related processes
- ▶ Provide employees with a challenging and engaging work experience, with opportunities to learn and grow

Under the term "employees", Electrolux Professional includes employed workers, on-site temporary workers, contracted workers, as well as interns, trainees and workers on trial or probation. Every manager is responsible for the implementation and safeguarding of the principles in their organization, including ensuring that there are local procedures in place to support compliance.

The Company focuses on talent development through:

- ▶ **Recruitment:** attracting tech-savvy individuals to the business. This includes, among others, experts in the fields of robotics, artificial intelligence and Internet of Things, as expertise in these areas will have a crucial impact on the Company's ability to transform and innovate going forward
- ▶ **Development:** continuous talent development within the organization to ensure long-term industry-wide competitiveness

The Company operates a global Ethics Program, encompassing both ethics training and a whistle-blowing system – the Electrolux Professional Ethics Web Helpline. Through the helpline, employees can report suspected misconduct in their local language. Reports may be submitted anonymously if permitted by local law.

Having a talented workforce is essential for execution of the Company's strategy. Therefore, in addition to the abovementioned measures and as an overarching objective, the Company strives to attract and develop hard working, curious, passionate and dedicated employees from diverse backgrounds in terms of nationality, gender, age, experience and education.

Strengths and competitive advantages

Electrolux Professional believes that there are several key strengths and competitive advantages that have contributed to the Company's development and performance, and provide a strong foundation for Electrolux Professional to execute its strategy as a stand-alone company. These strengths and competitive advantages include:

Resilient and structurally growing underlying end-markets

The Company operates in several segments within the professional food, beverage and laundry markets. Historically, those have shown a greater level of resilience in economic downturns compared to the broader capital goods industry. The growth rate and spending habits vary across markets and segments, but are overall characterized by favorable general end-market trends with multiple, structural growth drivers. Global economic growth, population growth, growing disposable household income, changes to customer and consumer behavior and the trend towards urbanization drive demand for Electrolux Professional's solutions.

In addition to these general market trends and industry drivers, there are a number of specific growth drivers within the Company's segments. In food and beverage, there is an increasing demand for versatile and more productive food and beverage preparation equipment due to a reduction in kitchen space

and an increase in menu variety. Furthermore, customers place a stronger focus on total cost of equipment ownership, which increases demand for more energy efficient, durable and easy to operate machines. This also applies to laundry, where in particular energy efficiency and water consumption are important purchase criteria. This overall trend and customer focus is aligned with shifts in regulation and can also offer improved health and safety conditions for customers' employees.

Well positioned to meet customer needs

The Company believes it is well positioned to meet the various customer needs including reliable, innovative, technologically advanced products and aftermarket demand. The Company's competitive position stems from its continued focus to actively address individual customer needs, supported by its long-term customer commitment, extensive global sales and services footprint and its heritage of innovation.

Material impact of product performance on customer productivity: The Company aims to add value to customers by helping them to increase productivity in a sustainable manner. In the current environment, customers are increasingly focused on driving improvements in productivity through better equipment utilization and employee efficiency. As a result of a global increase in the cost of space per square meter and the resulting decrease in kitchen space, there is a greater need for innovative and versatile equipment. Customers will seek to collaborate with partners who have significant technological capabilities and can help them with future solutions.

Significant benefits from local presence and collaboration with customers: The Company's local presence across relevant global markets is a result of the nature of the equipment and services it offers. In order to mitigate high shipping costs and in order to better understand local customers' needs and develop relationships, Electrolux Professional maintains a local presence across its key regions globally. This presence is a key differentiator when it comes to quick and efficient aftermarket solutions, which is of high importance to most customers due to the critical nature of the equipment to their daily operations.

Ongoing aftermarket support over the equipment lifecycle: Electrolux Professional's products are used in the professional industry, which is characterized by a heavy use of machines and therefore requires high-quality equipment, complemented by reliable aftermarket service. This can assist and support customers along the life of the product and can lead to lower cost of ownership. The Company's extensive global service network is further reinforced by its large global installed base and contributes to its deep and long-standing relationships.

Differentiated market position as a full solution provider

Electrolux Professional can provide a complete offering within food, beverage and laundry – the OnE approach – that can cover all customers' needs under one global brand.

The Company has a competitive strength in its wide portfolio of products and services under one global brand and also a wide market presence in different geographies, both when it comes to customer relations and service network.

With comprehensive in-house capabilities and cooperation with partners, Electrolux Professional can provide a full solution offering across the entire value chain, from design and production to installation and service. In addition, tailored spare parts and other aftermarket accessories and consumables may allow for better equipment maintenance and add additional revenue streams for the Company.

Furthermore, *Essentia*, the innovative service offering, addresses the fast growing maintenance trend with various subscription models and service agreement offers, aimed at capturing the entire bandwidth of demand.

Electrolux Professional's OnE approach also puts the Company at the forefront to actively address the growing trend with connected appliances by offering differentiated service, which also enables continuous customer access. As a result, the customers are offered better insights in to their equipment while Electrolux Professional can create an ongoing relationship to customers throughout the equipment lifecycle, thereby creating the need for repurchases and additional services from the Company.

Innovation focused with attractive pipeline of product launches

Customers tend to demand more innovative, user-friendly and energy efficient solutions, and innovation plays a key role in the growth of the Company. Electrolux Professional's existing competitive and comprehensive product portfolio covers all key hospitality industry verticals, and is further advanced through a continuously high focus on innovation and a pipeline of new product launches. Through its long heritage of technology and innovation, combined with increased and targeted investments in research and development and capital expenditures, Electrolux Professional aims to strengthen its position as a global customer solution- and innovation-focused company.

The Company's innovative solutions seek to address its customers' key challenges, including their requirements to reduce operating costs, increase productivity and equipment utilization, minimize their environmental impact and improve health and safety conditions for employees.

Electrolux Professional has developed a range of advanced technologies, such as the use of artificial intelligence to avoid over-freezing of ingredients or to save energy. These solutions seek to allow customers to increase their productivity and efficiency, save on operating costs and reduce their environmental footprint. Furthermore, Electrolux Professional actively addresses the industry-wide trend towards connected appliances and has developed a connectivity model for its products, which includes equipment management, maintenance, processing and monitoring.

To ensure sustainable innovation, Electrolux Professional continues to invest in technologies and product development, on average spending 4.4 percent of annual net sales on research and development over the last three years.

Global manufacturing base and local sales force to support customers

Electrolux Professional's goal is to be the global productivity partner for its customers, helping them to sustainably increase their efficiency. This is sought to be achieved by a strong direct sales

and services footprint in approximately 30 countries worldwide, as well as customer value creation through innovative solutions aimed at tackling the customers' core challenges. The extensive sales footprint aims to ensure that sales efforts are supported by strong application knowledge and to reinforce a strong relationship with customers. The Company's sales organization aims to take active ownership of the market through direct presence or through dealers and distributors. In addition, a lean manufacturing processes and flexible and efficient manufacturing setup are a key competitive advantage. The Company's sites primarily operate with a one-shift model, indicating ample capacity, and a highly agile supply chain with short lead times and low inventory allows to quickly and effectively adapt to changes in demand. This structure enables the Company to reduce the cost base and improve earnings and cash flows. A modular product architecture is leveraged in order to effectively manage complexity and variances, resulting in a market-based operations efficiency. Electrolux Professional works closely with its suppliers to ensure the highest quality solutions for its customers. While the Company has demonstrated a long-term track record of expertise and industry leadership in manufacturing, it will continue to strive for further efficiency improvements.

Attractive financial profile with a solid track record

Electrolux Professional has a track record of resilient sales growth, attractive profitability and cash generation over time.

The Company has delivered more than seven consecutive years of growth and reported a compound annual growth rate of 9.6 percent during 2017–2019 (5.9 percent adjusted for currency translation related growth). The F&B segment's compound annual growth rate has been 9.4 percent during 2017–2019, while the Laundry segment has achieved 9.9 percent over the same period (including organic, acquisition driven and currency translation related growth). In addition, the Company has historically improved EBITA and has had a 13.1 percent average EBITA margin over the last three years.¹⁾ F&B has generated an average

EBITA margin of 11.2 percent, while Laundry has achieved an average EBITA margin of 16.8 percent over the same period.

Operating income and operating margin decreased in 2019 compared to 2018. The decrease was mainly due to lower volumes, and partly also due to preparations pertaining to the separation of Electrolux Professional from Electrolux. Operating income included initial costs for setting up a new IT infrastructure and higher ongoing costs for operating as a standalone company. In 2019, an efficiency program was launched to mitigate the additional higher cost as a stand-alone company.

The Company has proven its strong cash generation, also in 2019, with average capital expenditures below 2.5 percent of net sales.

Further upside to financial profile from growth in chains

Electrolux Professional has well-defined growth areas and a potential for further margin improvement. The development of sustainable, innovative low running cost solutions is aimed to be complemented with further growth through increased sales in North America and emerging markets, in chains – large brands with multiple service points across selected areas – and in the beverage segment. For example, in 2019, a large roll-out of beverage equipment for the quick service restaurant chain Subway significantly contributed to Electrolux Professional's sales growth for the year. Additionally, by boosting aftermarket sales, further margin improvement can be achieved.

Financial targets and dividend policy

Electrolux Professional's goal is to create value for its stakeholders through profitable growth. This is targeted to be achieved through continued growth, operational excellence and capital efficiency by capturing increasing market demand in selected verticals and resilience in the aftermarket business.

The Board of Directors of Electrolux Professional has adopted the following medium-term financial targets and dividend policy.

Overview of financial targets and dividend policy

Target ²⁾	Description	Average performance 2017–2019
Sales growth	Organic annual growth of more than 4 percent over time, complemented by value accretive acquisitions.	3.1% ³⁾
EBITA margin	EBITA margin of 15 percent.	13.1%
Operating working capital	Operating working capital below 15 percent of net sales.	15.9%
Net debt/EBITDA	Leverage ratio below 2.5x Net debt/EBITDA. Higher levels may be temporarily acceptable in case of acquisitions, provided a clear path to deleveraging.	–

Electrolux Professional's target is for the dividend, as proposed annually by the Board of Directors at its discretion, to correspond to approximately 30 percent of the income for the year, out of funds legally available for that purpose. The Company aims to use capital efficiently to generate as much shareholder value as possible, including potential acquisitions. The timing, declaration and amount of future dividends will depend on the Company's financial condition, earnings, capital requirements and debt service obligations.

The above financial targets and dividend policy constitute forward-looking statements. Forward-looking statements do not constitute a guarantee of future results or developments and the actual outcomes could differ significantly from what is stated in the forward-looking statements. See also "Forward-looking statements" in "Important information".

1) For definition of EBITA and EBITA margin, please refer to "Key performance indicators" in "Selected historical financial information".

2) For definition, please refer to "Key performance indicators" in "Selected historical financial information".

3) Organic growth (i.e. excluding acquisition driven and currency translation related growth).

Customers

The Company's end-customer base consists of large multinational and regional chain restaurants, independent restaurants, catering providers, leisure and lodging facilities, healthcare facilities, schools and universities as well as small businesses and large industrial customers. Electrolux Professional supplies its customers with professional equipment for food, beverage and laundry applications, as well as related aftermarket products and services. The Company's ten largest customers represented approximately 15 percent of total net sales in 2019. The below table summarizes a sample customer list per customer segment.

Customer segment	Examples of customers
Restaurants & Chains	Subway, Yum, Pret à Manger, Auto-grill, Panda Express, Cracker Barrel
Hotels	Marriott, Hilton, Mandarin Oriental, Accor, Hyatt, Rezidor
Bars, Cafés, Roasters & Ingredient producers	Nestlé, Carlsberg, Illy, Cafés Richard
Education, Leisure & Sport	Manchester City, Indiana Pacers, Union Berlin Football Club
Retail & Convenience stores	Walmart, OXXO, 7-Eleven, Eataly
Care facilities	Korian, Orpea, DomusVi, Peking Medical Hospital
Business, Transport, Industry & Facility managers	Sodexo, Elicor, LSG Sky chefs, Carnival, Costa Cruises
Public institutions	Fraport, U.S. Army, Italian Navy, British Army

Electrolux Professional works together with its customers to address their needs including:

- ▶ Simplification, improved speed and flexibility of their overall operations
- ▶ Improved quality of the food, beverage or laundry service
- ▶ Reduced energy consumption and carbon footprint
- ▶ Lower total cost over the lifecycle of the equipment
- ▶ Reliability of the overall equipment system

The Company does generally not engage in long-term contracts with its customers. However, large food service chains usually authorize specific appliance manufacturers as approved vendors for specific equipment. Subsequently, sales are conducted locally or regionally to end-customers through dealers or distributors. Many quick service restaurant chains launch or refurbish a large number of branches, or frequently change their menus, requiring significant investments in new equipment over a relatively short period of time. To address this, chains frequently choose a small number of equipment providers whose approved appliances may or must be purchased by quick service restaurant operators. Electrolux Professional collaborates closely with its customers to develop the products they require and to become approved vendors for these products.

Electrolux Professional's customers regularly require appliance upgrades, which allow them to increase productivity and food safety, reduce labor costs and respond to hygiene, sustainability and energy efficiency trends. These upgrades usually require customized equipment as customers additionally strive to differentiate their offerings and services. Individualization and equipment innovation are primary purchase decision factors for the Compa-

ny's customers, making product innovation essential, and one of the key differentiators and competitive advantages for Electrolux Professional. Electrolux Professional's substantial investments in research and development drive the production of innovative equipment, and ensure the Company is well positioned to serve its global customer base.

Offering

Electrolux Professional can provide a complete offering within food, beverage and laundry under one global brand. This also manifests in the Company's offering of the entire project value chain, ranging from project planning and design to production and assembly and aftermarket services. Electrolux Professional's product offering and extensive range of services therefore enable the Company to provide customers with turn-key solutions under one global brand. This allows acting as the reference partner by reducing the number of suppliers and thereby reducing complexity for customers. Its long history of dealing with several stakeholders, including consultants, enables Electrolux Professional to successfully manage business complexity.

Full solution provider under one global brand – the OnE Approach



Segments

Electrolux Professional has two segments: Food & Beverage (F&B) and Laundry. F&B provides equipment used throughout the different stages of food and beverage preparation and consumption, including ovens, refrigerators, dishwashers and beverage dispensers. Laundry provides equipment used in every stage of the professional cleaning cycle including washing machines, dryers and ironing products. Electrolux Professional's segments are closely interlinked as the Company's offering leverages products from both segments in order to provide comprehensive solutions tailored to customers' needs.

Food & Beverage (F&B)

Electrolux Professional's F&B segment reported net sales of SEK 5,895m in 2019, corresponding to approximately 64 percent of Electrolux Professional's net sales. The segment reported an EBITA of SEK 568m in the same period, implying an EBITA margin of 9.6 percent.

Key food service applications are cooking, refrigeration, dishwashing, and dynamic food preparation. The Company's key products include ovens, cooking ranges, refrigerated cabinets, chillers, cutters, mixers, and dishwashing equipment, as well as specialty accessories and consumables.

Key beverage applications consist of equipment for hot, cold and frozen beverage as well as soft drink dispensing equipment. The Company's key products include coffee grinders, coffee machines (espresso and brewing), hot beverage dispensers, cold beverage and juice dispensers as well as frozen drink and soft serve products.

Overview of food and beverage applications and product offering

Category	Food				Beverage				
Application	Dynamic food preparation	Cooking	Refrigeration	Dishwashing	Hot	Cold	Frozen	Soft	
Offering	<ul style="list-style-type: none"> · Slicers & food processors · Vegetable washers · Spin dryers · Planetary mixers · Vacuum packers & sealers · Multi purpose peeling machines 	<ul style="list-style-type: none"> · Fryers · Boiling & braising pans · Grills & Griddles · Ventilation equipment · Modular cooking range · Fry tops 	<ul style="list-style-type: none"> · Combi ovens · Convection ovens 	<ul style="list-style-type: none"> · Refrigerated cabinets · Refrigerated counters · Saladettes · Cold rooms · Blast chillers 	<ul style="list-style-type: none"> · Commercial dishwashers & accessories · Waste management systems · Handling systems 	<ul style="list-style-type: none"> · Coffee grinders · Coffee brewers · Espresso coffee machines · Coffee urns · Hot beverage dispensers 	<ul style="list-style-type: none"> · Cold beverage dispensers · Cold juice dispensers · Beer dispensing systems 	<ul style="list-style-type: none"> · Frozen granita dispensers · Frozen ice cream dispensers 	<ul style="list-style-type: none"> · Soft serve · Soft ice cream dispensers
Product example									

Laundry

Electrolux Professional's Laundry segment reported net sales of SEK 3,386m in 2019, corresponding to approximately 36 percent of Electrolux Professional's net sales. The segment achieved an EBITA of SEK 507m in the same period, implying an EBITA margin of 15.0 percent.

Key laundry applications include washing, drying and ironing. The Company's key products include washers, tumble dryers, drying cabinets, ironers and related specialty accessories and consumables.

Overview of laundry applications and product offering

Application	Washing	Drying	Ironing
Offering	<ul style="list-style-type: none"> · Front load washers · Side load washers · Efficient dosing · Barrier washers · Wash and dry systems 	<ul style="list-style-type: none"> · Tumble dryers · Wash and dry · Drying cabinets · Hydro extractors 	<ul style="list-style-type: none"> · Ironers · Industrial ironers · Finishing machines
Product example			

Marketing and sales














Electrolux Professional sells its products through a global network of dealers and distributors. The main differentiator of the Company's sales network is its ability to serve customers as a single source with a broad portfolio of product categories. This allows the Company to provide one face to its customers with multiple product categories with relevant food service, beverage and laundry equipment expertise and appropriate key account management for larger global chain customers.

Electrolux Professional's marketing efforts are tailored to each of its geographies and distribution channels. The key focus is on defending and strengthening its competitive positions in established markets, as well as entering and rapidly growing its presence in new geographies and market segments. Here, the Company aims to promote and strengthen the Electrolux Professional brand and reputation through a tailored marketing strategy, complemented by a structured sales process and organization. The Company's marketing initiatives include marketing automation, performance and brand building via 360 degree approach and omni-channel execution, as well as cooperative distributor merchandising, digital marketing, and marketing at a variety of industry trade shows.

Electrolux Professional's sales organization aims to take active ownership of the market through direct presence or through dealers and distributors. An important part of the Company's net sales represent project business, which the Company defines as full solution product offerings including food, beverage and laundry equipment in a single site. Project business usually occurs on new-build premises, but can also apply when existing business activities are fully refurbished. For project business, Electrolux Professional is involved from design and specification through installation to commissioning and after-sale service offering. Project business implies liaising with multiple operational contact points, decision makers and influencers to ensure performance, capacity, timeline and budget targets are met. This is achieved through specialized, local sales companies and partners.

In addition to its core Electrolux Professional brand, the Company uses specialty brands to gain access to certain markets. These are locally managed brands, which enjoy high brand awareness among customers in their respective jurisdictions. The table below illustrates the specialty brands operated by the Company.

Overview of Electrolux Professional brands by application

Core brand	Food	Beverage	Laundry
	✓	✓	✓
Specialty brands	Food	Beverage	Laundry
	✗	✓	✗
	✓	✗	✗
	✗	✓	✗
	✓	✗	✗
	✗	✗	✓
	✗	✓	✗
	✗	✓	✗
	✓	✗	✗
	✗	✗	✓
	✓	✗	✗
	✓	✗	✗
	✓	✗	✗

Research and development activities

Process

One of Electrolux Professional's key competitive advantages is its focus on developing new and innovative products that seek to cater to customers' needs and increase customer productivity and efficiency. The Company's customers are actively involved in the development strategy, and participate in the development process to create new products. In the majority of cases, Electrolux Professional is in direct contact with end-customers also when distributing products through dealers. As a result, the Company is able to interact with customers and stay up to date with their requirements and needs. Product innovations are specifically tailored to these needs, resulting in significant added value for customers. This customer-focused approach is facilitated by Electrolux Professional's local presence in its operating markets across the globe, with product sales in approximately 110 countries. The aim of having such local presence around the world is to understand the needs and characteristics of its specific market, allowing to better predict future market trends and to accordingly tailor the innovation strategy early on.

In addition to the active involvement of customers in the product development process, Electrolux Professional aims to stay ahead of the curve and access the latest technologies by diversifying its technology pool. In order to support in-house research and development activities and ensure technological differentiation, the Company collaborates with strategic partners.

Organization

The global research and development ("R&D") activities are fully integrated into Electrolux Professional's segments. The R&D organizations are specialized according to both products and missions, aiming for less mechanical and more electronic and digitally-enabled appliance content. All R&D organizations are supervised by a global R&D officer to ensure clarity on the strategic direction. Each segment operates specific competence centers, which lead the respective R&D processes and set cor-

responding guidelines. This structure enables faster turnaround times and more efficient organization to minimize time-to-market and improve the Company's competitive positioning. The decentralized R&D architecture enables the Company to attract the best employees across geographies. The principal competence centers are located in France, Italy, Sweden and the United States.

Electrolux Professional contributes a significant amount of resources into its global R&D activities. During 2017–2019, the Company's expenditure for R&D has totaled approximately SEK 1.2bn, corresponding to an average of 4.4 percent of net sales per year during the period. A significant amount of the R&D expenditures are comprised of the cost of labor, hiring of external consultants, developing prototypes, product approvals and other expenditures.

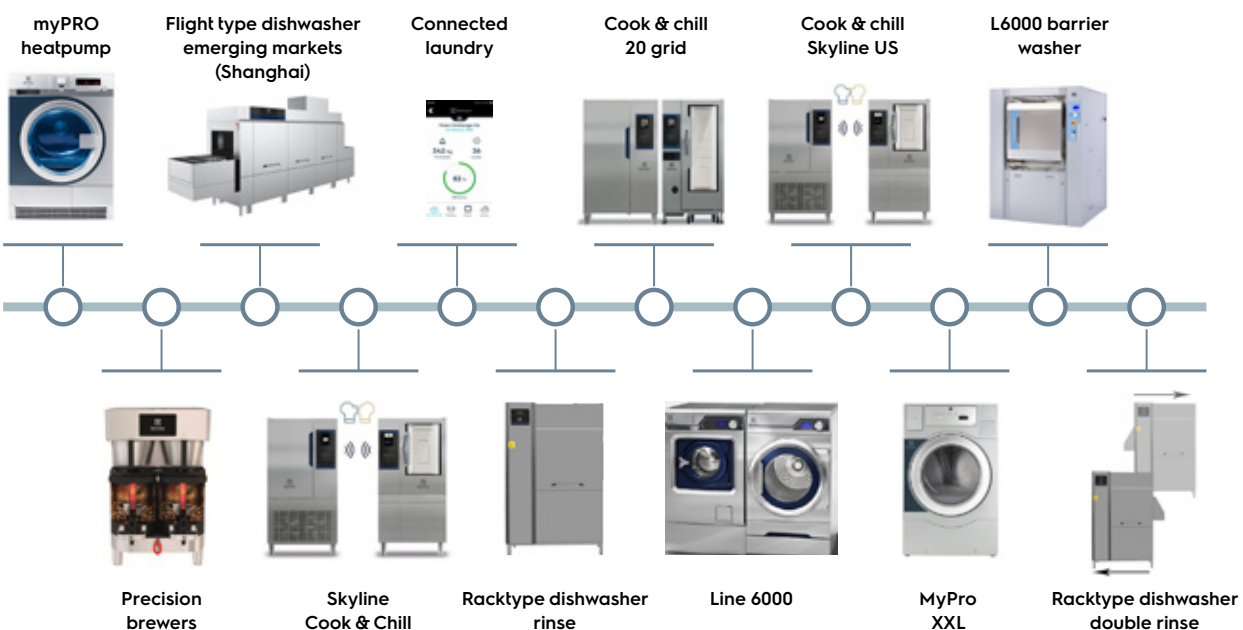
Current trends

Electrolux Professional focuses its R&D efforts on addressing several market trends including, but not limited to, digitalization of appliances, appliance connectivity and appliance agility (for further information see "Market overview" and "Mission and strategy" above). These trends aim to simplify customers' appliance operating experience and improve product speed and efficiency. Sustainability and minimizing environmental impact is another key focus area and the Company strives to produce more energy and resource efficient solutions. Electrolux Professional believes that it is well positioned to benefit from these trends based on its innovation experience and market presence.

Product launches

Research and development efforts allow the Company to continuously innovate and tailor its products to keep up with evolving customer needs. The below table summarizes the recent product launches (hardware) that took place during 2019. In addition, Electrolux Professional aims to continuously improve its service and aftermarket solutions.

Key product launches (hardware) in 2019



Intellectual property rights

Electrolux Professional's research and design portfolio includes approximately 585 patents¹⁾ and 70 design rights. The patents are clustered in food, laundry and beverage. Each segment is responsible for its own patent portfolio, including further developments and continuous market screening for already existing patents. Each patent category encompasses individual as well as family registrations.

Electrolux Professional's main brand name is used globally. Electrolux Professional is a licensee of intellectual property, such as the "Electrolux" component of the Electrolux Professional brand and trademark and the Zanussi brand and trademark (to which Electrolux retains ownership and issues licenses to Electrolux Professional under a long-term trademark license agreement), which are some of the Group's most important intellectual property rights. In addition, Electrolux Professional operates through several additional brands for selected products and markets, which are referred to as specialty brands and include, among others, Wascomat and Grindmaster.

Production

Process

Electrolux Professional's in-house production consists of both manufacturing and assembly. The Company continuously evaluates the level of in-house production versus outsourcing. Currently, the majority of products are produced and assembled in-house. Despite the high share of in-house production, the Company operates a highly flexible manufacturing process, allowing to quickly and effectively adapt to changes in demand.

In order to increase the efficiency of in-house production, modular product architecture has been established to effectively manage complexity and variances, resulting in market-based operations efficiency. In addition, the Company conducts regular evaluations of operational excellence across manufacturing sites, in order to increase operational efficiency and reduce accidents, waste, losses, defects and delays. In recent years, the majority of Electrolux Professional's global manufacturing sites have demonstrated a track record of reducing waste and loss, and increasing sustainable production and process standardization.

Manufacturing footprint

Electrolux Professional operates through 12 global manufacturing sites, which are mainly organized by product line. The Company's sites are well invested and primarily operate with a one-shift model, supporting further growth. The location of such sites helps to significantly reduce delivery costs, optimize delivery times and foster local relationships in order to better understand customers' needs. The Company uses a holistic approach to assess and optimize its footprint based on six key pillars: financial optimization, asset efficiency, business requirements, risk and resilience, managerial aspects and external aspects. The Company continuously evaluates its manufacturing footprint to ensure its manufacturing processes meet the highest possible efficiency, flexibility and performance standards. The Company has recently made progress in consolidating its manufacturing footprint and intends to merge its current two plants in Thailand into one new plant.

The following table sets forth certain information with respect to the facilities the Company currently operates and believes are materially important to its operations.

1) Including patents that have been applied for.

Overview of manufacturing facilities

Location	Primary function	Primary product category	Products produced	Owned/ Leased	Approximate area (m ²) ²⁾
Louisville, United States	Manufacturing unit	Beverage	<ul style="list-style-type: none"> • Coffee brewers • Coffee grinders • Hot/frozen beverage dispensers 	Leased	8,500
Carros, France	Manufacturing unit	Beverage	<ul style="list-style-type: none"> • Espresso coffee machines 	Leased	4,500
Troyes, France	Manufacturing unit	Laundry	<ul style="list-style-type: none"> • Washers, ironers 	Owned	7,800
Aubusson, France	Manufacturing unit	Food solutions	<ul style="list-style-type: none"> • Dynamic preparation: planetary mixers, cutters, peelers, vegetable cutters, display cooking 	Owned	14,000
Saintvallier, France	Manufacturing unit	Food solutions	<ul style="list-style-type: none"> • Made to measure stoves 	Leased	2,500
Ljungby, Sweden	Manufacturing unit	Laundry	<ul style="list-style-type: none"> • Washers • Dryers 	Owned	21,000
Sursee, Switzerland	Manufacturing unit	Food solutions	<ul style="list-style-type: none"> • Modular cooking: grills, fry tops, braising pans, fryers, pasta cookers, pans, neutral tops, solid tops, burners, open bases, induction, hobs • High capacity cooking: tilting boiling and braising pans • Made to measure stoves 	Owned	7,500
Vallenoncello, Italy	Manufacturing unit	Food solutions	<ul style="list-style-type: none"> • Refrigeration: counters, cabinets, blast chillers, roll-ins, saladettes • Oven range • Modular cooking: grills, fry tops, braising pans, fryers, pasta cookers, pans, neutral tops, solid tops, burners, open bases, induction, hobs • Dishwashers: hood types, rack types, under counters, glass washers 	Owned	48,500
Spilamberto, Italy	Manufacturing unit	Beverage	<ul style="list-style-type: none"> • Hot and frozen beverage dispensers • Soft ice cream dispensers 	Owned	6,000
Shanghai, China	Manufacturing unit	Food solutions	<ul style="list-style-type: none"> • Dishwashers: hood types, rack types, under counters, flight types 	Leased	9,300
Rayong, Thailand	Manufacturing unit	Food solutions, Laundry	<ul style="list-style-type: none"> • Washers • Dryers: single, stacked • Refrigeration: counters, cabinets³⁾ • Dishwashing: hood types⁴⁾ 	Leased	14,000
Rayong, Thailand	Manufacturing unit	Beverage	<ul style="list-style-type: none"> • Coffee brewers • Cold beverage dispensers • Cold juice dispensers 	Owned	4,500

Purchasing

Electrolux Professional purchases a wide range and large volumes of raw materials and components from external suppliers. The Company closely monitors the quality and reliability of these suppliers and their respective products and components. The majority of purchases are direct materials such as mechanical, chemical and electrical components. Purchasing decisions are closely linked to the decisions made in the R&D organization, driving the direction of future production. Electrolux Professional is strategically focused on sourcing raw materials from several suppliers in order to minimize supplier risk and its dependency on certain suppliers for specific inputs. This specifically applies to materials that are critical for the production process, such as carbon steel and stainless steel, where the Company strives to ensure above-industry quality of sourced materials. In addition, supplier agility is of the utmost importance to Electrolux Profes-

sional, allowing the Company to reduce lead times and minimize inventory, facilitating a more efficient production process.

Electrolux Professional's purchasing function is managed at Group level, organizing the procurement of direct material required for each segment. Specific functions are also managed per segment but main commodities are managed at Group level. The Company has long-term relationships and contracts with most of its suppliers. The Company strives to continuously reduce purchasing costs without compromising product quality, and supplier agreements typically involve quality targets.

In 2019, the Company's expenditure on direct materials including those of acquired companies totaled approximately SEK 2.7bn, which amounts to approximately 80 percent of total purchasing of direct material and products. In total, the Company has over 3,300 suppliers. In 2019, the direct materials purchased were primarily mechanical materials such as steel, aluminum and cast

2) Includes only the manufacturing area.

3) Refrigeration operation planned to be discontinued in fourth quarter 2020.

4) Dishwashing operations planned to be discontinued end of second quarter/beginning of third quarter 2020.

iron, amounting to approximately 40 percent of total direct material expenditure. In order to mitigate potential negative impacts due to price fluctuations, the Company usually fixes prices in supplier contracts for some of its raw materials and components such as carbon steel, stainless steel, and others. This is typically done on an annual basis, but can vary depending on the circumstances.

Logistics

The aim of the logistics organization is to serve customers with the right products and parts, on time and at the lowest possible cost. The Company seeks to achieve this through effective and prompt customer order management, an efficient planning approach, comprehensive management of the total distribution network as well as common and efficient management of finished goods and spare parts inventories.

The Company aims to create an agile and lean logistics platform that can serve as a competitive advantage, while fostering an environment driven by safety and sustainability. The products are distributed through two global and ten regional logistics hubs, with end-markets in approximately 110 countries.

Electrolux Professional's logistics organization covers three main areas of responsibility: product distribution, factory planning and spare parts management. The distribution activities are carried out through a network of in-house as well as third party providers (e.g. forwarders, logistic providers, etc.) and aim to provide the best service level at the lowest possible cost (taking customer needs into account). In order to lower customer costs, the Company focuses on streamlining the customer order management process. It continuously monitors processes and results by managing warehouse operations and shipping activities according to set processes and by monitoring appropriate key measures (customer service level, costs, providers service level, etc.). The factory planning operations involve a number of tasks and responsibilities spanning from managing and controlling the finished goods inventory, planning and managing factory production capacity, releasing production orders to the factories and monitoring service levels. Spare parts planning and management ensure there is an appropriate amount of stock components to meet customer demand, streamlining the full process from customer order management through warehouse operations and shipping activities.

Logistics costs are split into three main categories: warehousing costs, primary transport costs and secondary transport costs. Electrolux Professional aims to minimize logistics costs through spare parts flow optimization, standardization of logistics contracts for newly acquired companies and increased direct deliveries from logistics hubs.

IT

Electrolux Professional depends on well-functioning information technology infrastructure to ensure business continuity, improve the effectiveness of its operations, interface with its customers, and to maintain financial accuracy and efficiency. Electrolux Professional has a global IT organization operated by approximately 50 employees. It has also three main outsourcing contracts for IT infrastructure services with external parties.

Its main goal is to insure that all IT services necessary to support the Company's operations and objectives are in place. The Company's IT organization is led by the Chief Information Officer (CIO), supported by the Chief Information Security Officer (CISO), the Head of Infrastructure, the Head of Applications, and the Head of Processes and Policies, who manage their respective areas with internal teams and IT service vendors.

The Company also focuses on the adoption of standard applications and services. Electrolux Professional has chosen selected strategic vendors that are its top choice for providing the requested applications and infrastructure.

IT security

The Company protects the confidentiality and integrity of its IT assets, in line with business requirements and in compliance with applicable laws and regulations. The IT security organization is led by the CISO, who reports directly to the CIO.

Electrolux Professional has developed a set of IT and information security policies, which cover the overall requirements for security within the Group. The policies are updated on a regular basis as new and more stringent requirements arise. The organization covers the areas of IT and information security as well as IT risks. Compliance with Company IT and information security policies and the General Data Protection Regulation (GDPR) are measured and controlled by the Head of Processes and Policies.

Safety and sustainability

Recognizing Electrolux Professional's responsibility

Sustainability is an essential part of Electrolux Professional's heritage and strategy. As part of the Electrolux Group, Electrolux Professional has a long tradition of applying ethical business principles and reducing its social and environmental footprint throughout the value chain. Electrolux Professional recognizes that an ethical approach is vital to the success of the business, to ensure the Company operates as responsible corporate citizen. The Company applies the same high standards and principles of conduct globally: respect, diversity, integrity, ethics, safety and environmental protection.

Electrolux Professional can contribute to a better environment by developing efficient products and reducing environmental impacts caused by the Group's operations. Electrolux Professional wants to contribute to society in a positive way and do so by demonstrating commitment to ethics and human rights through both procedures and actions and by earning the trust of everyone impacted by the operations. The Company realizes its responsibility for health, safety and wellbeing in regard to employees and customers.

Health, safety and wellbeing

Safety is critically important to Electrolux Professional's customers as the use of the Company's products frequently involves a mixture of water, hot surfaces, flexible cables and electricity. The Company aims to ensure customer safety and reduce risks by focusing on product safety during the product development phase and within the manufacturing of its products. The Company also uses third party laboratories to review products from a safety standpoint. In the last years, Electrolux Professional has also

started to perform ergonomic certifications on certain products (ERGOCERT).

Additionally, Electrolux Professional prioritizes the well-being of all employees by providing a safe and healthy work environment. In the manufacturing plants, the Company is working with a “zero accident” mindset, putting safety first on the agenda. The work with health and safety is an integrated part in the Company’s production system Electrolux Professional Production System. The progress is measured through an indicator tracking injuries. From 2016 to 2019, the injury rate has decreased by more than 12 percent.

Environment

Electrolux Professional puts a strong emphasis on reducing the environmental impact of its business activities. The Company aims to improve the environmental performance of its operations through reduced use of energy and water, as well as minimize its production of waste and emission of CO₂. The Company is already about to reach its target of reducing energy consumption per standard unit by 20 percent between 2015 and 2020. Targets for reduction of water consumption per standard unit have already been met and the ambition to operate on 50 percent renewable energy by 2020 is within reach. In addition, the Company has made technological investments across various sites, for example, solar panels in the Vallenoncello plant in Italy and one of the plants in Thailand. The plant in Sursee, Switzerland is using a geothermal heating and air conditioning system that is contributing with an annual energy saving of approximately 70 percent. This improvement contributes to a reduction by approximately 90 percent of CO₂ emission. The Company also holds ISO9001 and ISO14001 certifications for most of its operations.

The Electrolux Professionals products are built to last and the most significant environmental impact occurs during the customers use phase. As a result, Electrolux Professional is determined to reduce the environmental footprint of its products throughout the entire lifecycle, to the benefit of both customers and the environment. The Company continuously uses technology and innovation to address customer demand for resource-efficient products, minimizing the energy, water and detergent consumption. Sustainable low running cost solutions will remain a core part of the Company’s strategy, thereby seeking to develop and promote the most energy and water-efficient products in the industry.

Also, Electrolux Professional meets the requirements under WEEE, the Waste Electrical and Electronic Equipment Directive (2012/19/EU).

The Company takes a proactive approach to chemical management by actively controlling sourced materials used in equipment production. All of the components and raw materials the Company purchases are “RoHS free”, meaning they do not contain any environmentally toxic substances prohibited under, or, if permissible, do not exceed certain levels set out in, the RoHS Directive (2011/65/EU). In addition, the Company has a restricted material list which restricts or completely bans the use of certain materials in the Company’s products beyond the requirements under applicable laws and regulations. During 2019, the Company has also started to apply ECOLABEL and Nordic Swan labeling for washing detergents.

Ethical business practices

Electrolux Professional has adopted a Code of Conduct and additional policies setting out the ethical standards to be applied in the Company’s operations. The Code of Conduct is available as an e-learning course to ensure that everyone understands the Company’s principles and standards. The Code of Conduct states that the Company is committed to uphold high standards for human rights, labor rights, environmental responsibility and anti-corruption in all business practices, which means that the Company requires the same from its partners. Electrolux Professional expects its suppliers to adhere to the principles in the Group Workplace Policy and Group Workplace Directive, which are the same requirements that apply to the Company’s own operations. These policies are harmonized to fulfill demands in frameworks such as the International Labour Organization’s (ILO) core conventions and the UN Global Compact principles.

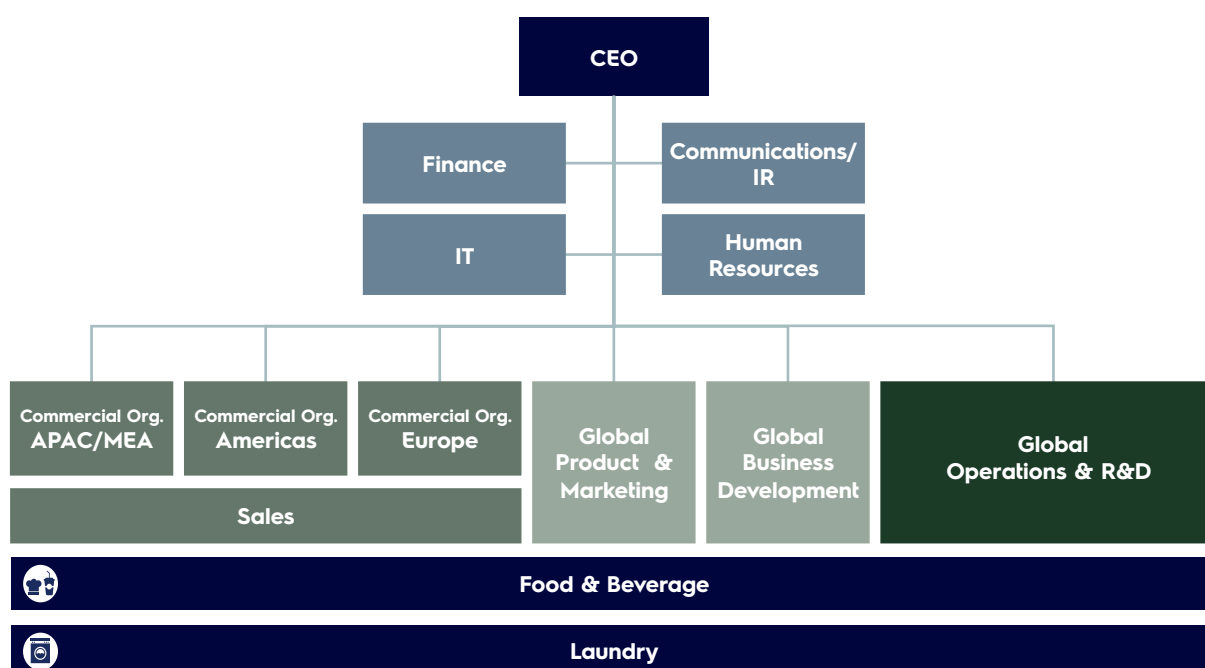
Misconducts can be reported through an Ethics Web Helpline from anywhere in the world. Reports may be submitted anonymously if legally permitted.

Organizational structure

Electrolux Professional's headquarters are located in Stockholm, Sweden. The Company distributes products to approximately 110 countries globally and employs approximately 3,600 people. The Company operates through two segments: Food & Beverage (F&B) and Laundry. Although the segments largely operate individually with separate research and development as well as specific purchasing functions, there are councils and teams that coordinate work across segments and form an overall group perspective on the Company's activities. The various councils include global R&D, supply chain, HR and other general processes. This centralized supervision aims to detect overlaps, transfer knowledge and efficiently extract synergies from shared processes.

The below chart illustrates the Group's main organizational structure and Executive Management Team. In addition, the structure includes an extended management team comprising Head of Legal, CIO, Vice President Global Marketing, Vice President Customer Care & Quality and Deputy Chief Technology Officer, and related departments, which are not reflected in this simplified chart. For further information on the Executive Management Team, please refer to "Executive Management Team" in "Board of Directors, Executive Management Team and auditor".

Organizational structure⁵⁾



Employees

Electrolux Professional had 3,624 employees as of December 31, 2019. The below table describes the employee structure by geographic regions.

Employees by region	2019	2018	2017
Global	3,624	3,555	3,183
Europe	2,859	2,742	2,409
% total	78.9%	77.1%	75.7%
APAC & MEA	601	641	605
% total	16.6%	18.0%	19.0%
Americas	164	172	169
% total	4.5%	4.8%	5.3%

5) IT is not included in the Executive Management Team.

Regulatory framework

Electrolux Professional operates in the global professional equipment industry and manufactures and sales food service, beverage and laundry equipment to professional customers. In general, the Group's operations do not require regulatory or governmental permits or approvals. However, some of the Group's manufacturing units, located in Europe, the United States and Asia, require permits for their operations, which include thresholds or maximum permissible amounts for air- and water-borne emissions and noise, and also require Electrolux Professional to submit notifications, reports and/or documentation to the relevant authority. In addition, most of Electrolux Professional's products are subject to regulations with respect to health and safety requirements. Below is a summary of the main regulatory framework applicable to the Group's products set forth.

Europe

In all EU member states, Electrolux Professional's products released onto the market are subject to EU regulations and directives, as implemented in national legislation (as applicable), which set out basic health and safety requirements. The most important ones include the Machinery Directive (2006/42/EC) (the "**MD**"), the Low Voltage Directive (2014/35/EU) (the "**LVD**"), the Electromagnetic Compatibility Directive (2014/30/EU) (the "**EMC**"), the Restriction of Hazardous Substances Directive (2011/65/EU) (the "**RoHS II**"), the Gas Appliances Regulation ((EU) 2016/426) (the "**GAR**"), the Food Contact Regulation ((EC)1935/2004) (the "**FCR**") and the Good Manufacturing Practice Regulation ((EC)2023/2006) (the "**GMPR**"). In non-EU member states in Europe, national equivalents, as applicable, apply.

The MD applies to products that consist of an assembly of components, at least one of which moves, joined together for a specific application. The LVD covers electrical equipment operating with a certain level of input or output voltage, and applies to a wide range of electrical appliances. The scope of the EMC is to limit electromagnetic emissions from equipment in order to ensure that such equipment does not disturb radio and telecommunication, as well as other equipment. The GAR lays down rules for the placing on the market and the putting into service of appliances burning gaseous fuels. The RoHS II restricts the use of certain hazardous substances in electrical and electronic equipment. The FCR and the GMPR establish general safety requirements for the manufacturing, procession and distribution of all materials and products intended to come into contact with food. The MD, the GAR, the LVD, the EMC and the RoHS II apply to professional food and laundry equipment. The FCR and the GMPR set out requirements on materials and articles intended to come in contact with food.

The Group's compliance with the above mentioned regulations is supervised by relevant national and local authorities. Any non-compliance could lead to financial penalties or that the manufacturer is required to recall the product from the market.

APAC & MEA

In order to be released onto the market, Electrolux Professional's products must comply with a number of basic health and safety requirements. The placing on the market requirements in APAC & MEA, considering the number of potential countries and the continuous legislative evolutions, are evaluated according to the business on demand through different channels (e.g. internal analysis, local dealers, market access check).

Americas

In order to be released onto the market, Electrolux Professional's products must comply with a number of basic health and safety requirements. The most important ones include, in the United States, NFPA 70 (National Electrical Code - Electrical safety), NFPA 54 (National Fuel Gas Code - Gas safety) and the FDA Code (Food and Drug Administration - regarding Hygiene safety).



Selected historical financial information

Unless otherwise stated, the combined historical financial information presented below has been derived from Electrolux Professional's audited combined financial statements for the financial years 2017, 2018 and 2019, respectively, which have been prepared in accordance with the International Financial Reporting Standards, as adopted by the EU ("IFRS"). The combined financial statements for the financial years 2018 and 2019 have been audited by Deloitte AB, whereas the combined financial statements for the financial year 2017 have been audited by PricewaterhouseCoopers AB, as set forth in their audit reports included elsewhere in this prospectus (see "Auditors' reports on combined financial statements" on p. F40 and F41, respectively, in "Historical financial information").

Some additional information is disclosed based on the requirements in standard 'RFR 1' issued by the Swedish Financial Reporting Board. IFRS does not specifically address the preparation of combined financial statements. The term 'combined financial statements' refers to financial information prepared by aggregating financial information for entities under common control that do not meet the definition of a group according to IFRS 10 (Consolidated Financial Statements). The combined financial statements are intended to present Electrolux Professional Group's historical financial information. One important requirement for the preparation of these combined financial statements is that all entities are under common control via Electrolux ownership.

The formation of the Electrolux Professional Group comprised transactions between entities that are under common control. Since neither these transactions nor the combined financial statements are covered by any IFRS standard, management should according to IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors) develop and apply an accounting policy that is, inter alia, relevant and reliable. A suitable and established method which management considers to be relevant and reliable is to aggregate the units forming the Electrolux Professional Group. As Electrolux Professional has not previously prepared consolidated nor combined financial statements, these Combined Financial Statements are the first IFRS financial statements of Electrolux Professional in which IFRS 1 (First-Time Adoption of International Financial Reporting Standards) has been applied. IFRS 1 sets out the procedures that an entity must follow when it adopts IFRSs for the first time with January 1, 2017 as date of transition to IFRS. For additional information, see "Note 1 - Accounting principles" on p. F7 and onwards in "Historical financial information".

Combined statement of total comprehensive income

SEKm	2019	2018	2017
Net sales	9,281	8,666	7,723
Cost of goods sold	-6,040	-5,443	-4,851
Gross operating income	3,241	3,222	2,873
Selling expenses	-1,699	-1,641	-1,490
Administrative expenses	-582	-432	-330
Other operating income and expenses	32	-6	8
Operating income	992	1,143	1,060
Financial items, net	-15	-9	-9
Income after financial items	978	1,134	1,052
Taxes	-314	-182	-265
Income for the period	663	952	786
Items that will not be reclassified to income for the period:			
Remeasurement of provisions for post-employment benefits	-33	-47	42
Income tax relating to items that will not be reclassified	6	10	-10
	-27	-37	32
Items that may be reclassified subsequently to income for the period:			
Exchange-rate differences on translation of foreign operations	101	150	15
	101	150	15
Other comprehensive income, net of tax	74	113	47
Total comprehensive income for the period	737	1,066	833

Combined balance sheet

SEKm	December 31, 2019	December 31, 2018	December 31, 2017
Assets			
Non-current assets			
Property, plant and equipment	1,214	1,085	978
Property, plant and equipment, right-of-use	238	169	123
Goodwill	1,821	1,438	776
Other intangible assets	388	394	183
Deferred tax assets	350	246	122
Pension plan assets	13	3	3
Other non-current assets	33	20	7
Total non-current assets	4,057	3,355	2,193
Current assets			
Inventories	1,265	1,299	903
Trade receivables	1,687	1,658	1,453
Tax assets	102	36	93
Other current assets	273	209	138
Short-term financial assets	-	788	915
Cash and cash equivalents	651	230	179
Total current assets	3,978	4,220	3,682
Total assets	8,035	7,576	5,874
Equity and liabilities			
Equity attributable to equity holders of the Parent Company			
Share capital	25	25	25
Other paid-in capital	5	5	5
Other reserves	266	165	15
Retained earnings	2,415	3,332	2,379
Equity attributable to equity holders of the Parent Company	2,711	3,527	2,424
Total equity	2,711	3,527	2,424
Non-current liabilities			
Long-term borrowings	3	63	30
Long-term lease liabilities	172	117	90
Deferred tax liabilities	144	143	72
Provisions for post-employment benefits	208	222	140
Other provisions	494	361	385
Total non-current liabilities	1,021	906	716
Current liabilities			
Trade payables	1,606	1,571	1,421
Tax liabilities	73	22	78
Other liabilities	1,361	1,244	1,028
Short-term borrowings	994	126	84
Short-term lease liabilities	72	59	40
Other provisions	198	121	83
Total current liabilities	4,303	3,142	2,734
Total equity and liabilities	8,035	7,576	5,874

Combined cash flow statement

SEKm	2019	2018	2017
Operations			
Operating income	992	1,143	1,060
Depreciation and amortization	287	220	193
Other non-cash items	7	27	6
Financial items paid, net ¹⁾	-6	-8	-7
Taxes paid	-275	-297	-287
Cash flow from operations, excluding change in operating assets and liabilities	1,006	1,085	965
Change in operating assets and liabilities			
Change in inventories	139	-239	32
Change in trade receivables	43	-35	13
Change in accounts payable	-23	-17	31
Change in other operating assets, liabilities and provisions	-47	110	-10
Cash flow from change in operating assets and liabilities	112	-181	66
Cash flow from operations	1,118	904	1,031
Investments			
Acquisition of operations	-441	-756	-826
Capital expenditure in property, plant and equipment	-243	-144	-144
Capital expenditure in product development	-9	-24	-22
Capital expenditure in other intangible assets	-5	-1	-1
Other	-4	91	8
Cash flow from investments	-702	-833	-984
Cash flow from operations and investments	417	71	47
Financing			
Change in short-term borrowings	-32	-101	24
New long-term borrowings	-	2	-
Amortization of long-term borrowings	-36	-4	-158
Payment of lease liabilities	-83	-51	-44
Dividend to Electrolux Group	-428	-336	-305
Received shareholders contribution	5,702	13	-
Change in financial liabilities, Electrolux Group	1,672	142	-116
Cash flow from financing	6,795	-337	-599
Total cash flow	7,211	-266	-552
Cash and cash equivalents at beginning of period	230	179	149
Exchange-rate differences referring to cash and cash equivalents	14	13	-2
Other cash flow from transactions with shareholders, Electrolux Group ²⁾	-6,804	304	585
Cash and cash equivalents at end of period	651	230	179

1) In 2019, 2018 and 2017, interest and similar items received totaled SEK 12m, SEK 6m and SEK 2m, respectively, interest and similar items paid totaled SEK -13m, SEK -6m and SEK -7m, respectively, and other financial items paid/received totaled SEK 1m, SEK -1m and SEK -2m, respectively. Interest paid related to lease liabilities totaled SEK -6m, SEK -6m and SEK -4m, respectively.

2) "Other cash-flow from transactions with shareholders, Electrolux group" consists of effects on cash from cash flows presented in Electrolux Professional's combined financial statements belonging to legal entities which will remain in the Electrolux Group following the separation. In 2019, it also includes cash paid by Electrolux Professional to the Electrolux Group, to acquire its group companies.

Financial information by segment¹⁾

Food & Beverage

SEKm	2019	2018	2017
Net sales	5,895	5,399	4,922
EBITA	568	629	607
EBITA margin, %	9.6	11.7	12.3
Operating income	522	599	572
Operating margin, %	8.9	11.1	11.6

Laundry

SEKm	2019	2018	2017
Net sales	3,386	3,267	2,801
EBITA	507	573	502
EBITA margin, %	15.0	17.6	17.9
Operating income	488	558	499
Operating margin, %	14.4	17.1	17.8

Net sales by geographic region

SEKm	2019	2018	2017
Europe	6,165	5,681	5,028
APAC & MEA	1,513	1,578	1,467
Americas	1,603	1,407	1,229
Total	9,281	8,666	7,723

Key performance indicators

SEKm	2019	2018	2017
Net sales	9,281	8,666	7,723
Organic growth, % ¹⁾	-0.3	4.1	5.6
EBITA ¹⁾	1,058	1,188	1,098
EBITA margin, % ¹⁾	11.4	13.7	14.2
Items affecting comparability ¹⁾	-32	-	-
EBITA margin excluding items affecting comparability, % ¹⁾	11.7	13.7	14.2
Operating income ¹⁾	992	1,143	1,060
Operating margin, % ¹⁾	10.7	13.2	13.7
Operating margin excluding items affecting comparability, % ¹⁾	11.0	13.2	13.7
Income after financial items	978	1,134	1,052
Income for the period	663	952	786
Capital expenditure ¹⁾	-257	-169	-167
Operating cash flow after investments ¹⁾	1,138	1,131	1,167
Earnings per share (basic), SEK ²⁾	2.31	3.31	2.74
Net debt ¹⁾	1,025	-226	-481
Net debt/EBITDA, % ¹⁾	0.8	-0.2	-0.4
Operating working capital, % of net sales ¹⁾	17.7	16.3	13.8
Average number of shares, million	287.4	287.4	287.4
Number of employees	3,624	3,555	3,183

1) Alternative performance measure (non-IFRS measure).

2) The calculation of earnings per share has been based on the average number of outstanding shares in Electrolux during 2019 (287.4 million shares).

1) In addition to the Group's two segments, Food & Beverage and Laundry, there are group common costs, which together with the segment results equal the Group's total EBITA and Operating income, respectively.

Definitions and reconciliation of alternative performance measures

Electrolux Professional presents certain measures that are not defined under IFRS (alternative performance measures – “APMs”). These are used by management to assess the financial and operational performance of the Group. Management believes that these APMs provide useful information regarding the Group’s financial and operating performance. Such measures may not be comparable to similar measures presented by other companies. Consequently, APMs have limitations as analytical tools and should not be considered in isolation or as a substitute for related financial measures prepared in accordance with IFRS. The APMs have been derived from the Electrolux Professional’s internal reporting and are not audited.

Measure	Definition	Reason for use
Organic growth %	Change in sales growth excluding net FX impact and acquisitions.	The Group’s presentation currency is SEK while the net sales are mainly in other currencies. Organic growth is dependent on fluctuations in SEK versus other currencies and in addition acquired business can have an impact on reported net sales. Organic growth adjusted for acquisitions and currency shows the underlying sales development without these parameters.
Acquisitions %	Change in net sales during the current period attributable to acquired operation in relation to prior period’s sales, following a period of 12 months commencing on the acquisition date.	See “Organic growth” above.
Operating income (EBIT)	Earnings before interest and tax.	Used as an indicator that shows the Group’s ability to make a profit, regardless of the method of financing (then determines the optimal use of debt versus equity).
Operating margin (EBIT margin)	Operating income as a percentage of net sales.	Operating margin shows the operating income in percentage of net sales. Operating margin is a key internal measure as the Group believes that it provides users of the financial statements with a better understanding of the Group’s financial performance both short and long term.
Items affecting comparability	Material profit or loss items such as capital gains and losses from divestments of product groups or major units, close down or significant down-sizing of major units or activities, restructuring activities, significant impairment, and other major non-recurring costs or income.	Summarizes events and transactions with significant effects, which are relevant for understanding the financial performance when comparing income for the current period with previous periods.
Operating margin excluding items affecting comparability	Operating income excluding items affecting comparability as a percentage of net sales.	Operating margin excluding items affecting comparability shows the operating income in percentage of net sales adjusted for items affecting comparability. This is a key internal measure, as the Group believes that it provides users of the financial statements with a better understanding of the Group’s financial performance both short and long term.
Capital expenditure	Investments in property, plant and equipment, product development and other intangible assets.	Used to ensure that cash spending is in line with Group’s overall strategy for the use of cash.
EBITA	Operating income less amortization and write-down related to intangibles assets (excluding right of use assets).	EBITA gives an indication of the operating income less amortization and write-down related to intangibles assets (excluding right of use assets) and is mainly used to follow up operating income without the distortion of amortization of surplus values related to acquisitions.
EBITA margin	EBITA expressed as a percentage of net sales.	Used to evaluate business performance in relation to net sales in order to measure the efficiency of the Company.
EBITDA	EBITA less depreciation of tangible assets (including right of use assets).	EBITDA is an indicator for business’ cash generating capacity in relation to sales.
EBITA margin excluding items affecting comparability	EBITA excluding items affecting comparability, expressed as a percentage of net sales.	Items affecting comparability vary between years and periods and in order to analyse trends, items affecting comparability are excluded from EBITA margin.
Operating cash flow after investments	Cash flow from operations and investments adjusted for financial items paid, net, taxes paid and acquisitions/divestments of operations.	Used to monetarize the cash from core operation.
Net debt	Short-term borrowings (short-term loans and trade receivables with recourse), accrued interest expenses and prepaid interest income and long-term borrowings, lease liabilities, net provisions for post-employment benefits, less liquid funds (cash and cash equivalents, prepaid interest expenses and accrued interest income and cashpool accounts Electrolux Group).	Net debt describes the Group’s total debt financing and is monitored by management.
Net debt/EBITDA	Net debt in relation to EBITDA (Net debt is based on the end of period balance and EBITDA is calculated based on last four rolling quarters).	A measurement of financial risk, showing net debt in relation to cash generation.

Measure	Definition	Reason for use
Operating working capital, % of net sales	Sum of currency adjusted last twelve months' average of inventories, non-related party trade receivables and trade payables (Operating working capital) as percentage of currency adjusted last twelve months' average net sales. All months of the period are currency adjusted by applying the end of period average currency rate.	Used to evaluate how efficient the Group is generating cash in relation to net sales.

Organic growth

SEKm	2019	2018	2017
Net sales, reported	9,281	8,666	7,723
Net sales comparative year	8,666	7,723	6,865
Net sales, change	615	943	858
Net sales, change %	7.1	12.2	12.5
Excluding:			
<i>Net FX impact</i>	-283	-286	-18
<i>Acquisitions</i>	-357	-327	-454
Organic growth in SEKm	-25	330	386
Organic growth, %	-0.3	4.1	5.6
<i>Food & Beverage</i>	-1.1	2.8	5.3
<i>Laundry</i>	1.0	6.5	6.0

Capital expenditure

SEKm	2019	2018	2017
Capital expenditure in property, plant and equipment	-243	-144	-144
Capital expenditure in product development	-9	-24	-22
Capital expenditure in other intangible assets	-5	-1	-1
Capital expenditure	-257	-169	-167

EBITA, EBITA margin and EBITA margin excluding items affecting comparability

SEKm	2019	2018	2017
Operating income	992	1,143	1,060
Amortization	66	45	37
Write-down related to intangible assets (excluding right of use assets)	0	0	0
EBITA	1,058	1,188	1,098
<i>Food & Beverage</i>	568	629	607
<i>Laundry</i>	507	573	502
Group common costs	-18	-14	-11
EBITA margin, %	11.4	13.7	14.2
<i>Food & Beverage</i>	9.6	11.7	12.3
<i>Laundry</i>	15.0	17.6	17.9
Items affecting comparability			
<i>Restructuring costs</i>	122	-	-
<i>Pension plan settlement in Sweden</i>	-90	-	-
Items affecting comparability, total	32	-	-
EBITA excluding items affecting comparability	1,089	1,188	1,098
EBITA margin excluding items affecting comparability, %	11.7	13.7	14.2

Operating margin and operating margin excluding items affecting comparability

SEKm	2019	2018	2017
Operating income	992	1,143	1,060
Operating margin, %	10.7	13.2	13.7
Items affecting comparability, %			
<i>Restructuring costs, %</i>	1.3	-	-
<i>Pension plan settlement in Sweden, %</i>	-1.0	-	-
Items affecting comparability, total, %	0.3	-	-
Operating margin excluding items affecting comparability, %	11.0	13.2	13.7

Operating cash flow after investments

SEKm	2019	2018	2017
Cash flow from operations and investments	417	71	47
Add:			
<i>Financial items, paid, net</i>	6	8	7
<i>Taxes paid</i>	275	297	287
<i>Acquisitions of operations</i>	441	756	826
Operating cash flow after investments	1,138	1,131	1,167

Net debt

SEKm	2019	2018	2017
Short-term loans	4	13	-
Trade receivables with recourse	-	19	-
Short-term loans, Electrolux Group	990	94	84
Short term borrowings	994	126	84
Other financial liabilities, Electrolux Group	234	208	232
Financial derivative liabilities	4	-	-
Accrued interest expenses and prepaid interest income	8	1	1
Total short-term borrowings	1,241	336	317
Long-term borrowings	3	63	30
Total borrowings¹⁾	1,244	399	347
Cash and cash equivalents	651	230	179
Financial derivative assets	4	-	-
Prepaid interest expenses and accrued interest income	2	1	0
Cashpool accounts and other short-term financial receivables, Electrolux Group	-	788	915
Liquid funds	656	1,020	1,095
Financial net debt (total borrowings less liquid funds)	588	-621	-748
Lease liabilities	243	176	130
Net provisions for post-employment benefits	195	219	137
Net debt	1,025	-226	-481

1) Whereof interest-bearing liabilities amounted to SEK 997m, SEK 170m and SEK 114m as of December 31, 2019, 2018 and 2017, respectively.

Net debt/EBITDA

SEKm	2019	2018	2017
EBITDA	1,058	1,188	1,098
Add:			
<i>Depreciation</i>	222	175	155
EBITDA (last four rolling quarters)	1,280	1,363	1,253
Net debt	1,025	-226	-481
Net debt / EBITDA, %	0.8	-0.2	-0.4

Operating working capital, % of net sales

SEKm	2019	2018	2017
Inventories	1,377	1,253	1,061
Trade receivables	1,730	1,666	1,457
Trade payables	-1,467	-1,460	-1,377
Operating working capital	1,640	1,459	1,141
Average net sales	9,281	8,948	8,282
Operating working capital, % net sales	17.7	16.3	13.8

Operating and financial review

This operating and financial review is intended to facilitate the understanding and assessment of trends and changes in the Company's results of operations and financial position. The information below should be read together with "Selected historical financial information" and the combined financial statements prepared in accordance with IFRS as adopted by the EU and presented elsewhere in this prospectus. For information about the Company's accounting principles, please refer to "Note 1 – Accounting principles" on p. F7 and onwards in "Historical financial information".

The majority of the functions and processes created to make Electrolux Professional an independent company, separate from Electrolux, have been implemented in 2019 or will be implemented in 2020. This means that the financial information is not fully representative in terms of the standalone costs related to these functions and processes. Electrolux Professional believes that 2020 will be the first full-year in which costs related to the new functions and processes will generate full effects.

Historical earnings do not provide any correct indication of future earnings. This section contains forward-looking statements. Such statements are based on estimates and assumptions and are subject to risks, uncertainties and other factors, including, without limitation, those stated in "Risk factors". These factors could cause the Company's future operating profit, financial position or cash flow to deviate significantly from the information stated or indicated in such forward-looking statements. See also "Forward-looking statements" in "Important information".

Overview

Electrolux Professional is one of the leading global providers of food service, beverage and laundry solutions in terms of sales, serving a wide range of customers globally, from restaurants and hotels to healthcare, educational and other service facilities. The Company's solutions and products are manufactured in twelve facilities located in seven countries around the world and sold in approximately 110 countries.

Segments

Electrolux Professional has two segments; Food & Beverage and Laundry. The segments are regularly reviewed by the President and CEO, the Group's chief operating decision maker.

Food & Beverage offers equipment for various professional users within the hospitality industry. Products within Food & Beverage comprise mainly of modular cooking, ovens, dishwashing and refrigeration, dispensers for hot (e.g. coffee grinders, brewers and coffee urns), cold (beverage and juice dispensers) and frozen beverage (frozen drinks and ice cream dispensers) as well as equipment for soft serve.

Laundry offers equipment designed to meet a diverse array of professional users, from self-service, hospitality industry to health providers and commercial laundries. The customers include hospital and hotel laundries, apartment-building laundries in Scandinavia and launderettes. Products offered within the laundry segment include washing machines, tumble dryers, ironers and finishing equipment.

In addition to their product offerings, each segment provides aftermarket services to customers throughout the equipment lifecycle.

Key factors affecting the results of operations

Electrolux Professional's results have been, and will likely continue to be, affected by a number of factors, some of which are beyond Electrolux Professional's control. Presented below is a description of the key factors that Electrolux Professional considers to have affected the results of operations during the financial years 2017–2019 and which can be expected to continue to affect Electrolux Professional's results in the future:

- ▶ Net sales volume, pricing as well as product and market mix
- ▶ Demand, market conditions and commodity prices
- ▶ Efficiency and cost control
- ▶ Aftermarket business
- ▶ Research and development
- ▶ Production capacity
- ▶ Currency effects
- ▶ Financing costs
- ▶ Acquisitions and divestments

Net sales volume, pricing as well as product and market mix

The net sales volume is driven by the market conditions described in "Demand, market conditions and commodity prices" below and has an effect on net sales, earnings and cash flow. Electrolux

Professional conducts strategic reviews of its prices, which also have an effect on revenues, earnings and cash flow, in order to determine the right pricing policy. The Company's products are affected by changes to cost inputs such as commodity and components prices. Although there are general features of the Company's product and service offering, products and services are to some extent customized for a specific customer, meaning that pricing needs to be adapted on an individual basis, also in order to take a value-based pricing approach into consideration. In addition, the product, service and geographical mix has an effect on the Company's net sales and earnings and cash flow since the Company's products and services have different profit margins and since the mix may also vary per geography.

Demand, market conditions and commodity prices

Electrolux Professional's earnings and cash flow are affected by the demand for the Company's products and services. Demand is driven by the development of the global food, beverage and laundry equipment industries and the penetration of related after-market service.

Demand may also be affected by the current outbreak of the coronavirus. A protracted uncertainty and a lack of containment of the virus could have negative impacts on the demand from several of the Group's end markets (see further "*Electrolux Professional is exposed to risks relating to the coronavirus*" in "*Risk factors*" and "*The coronavirus outbreak*" below).

Electrolux Professional's sales from food and beverage equipment markets largely depend on the development of customers' capital expenditures for new equipment, as well as expenditures related to maintenance, refurbishment and overhaul. In recent years, the global professional food and beverage market has experienced 3-4 percent growth per year, which is also expected to continue over the medium-term, according to the Company. In addition to the general market trends and industry drivers, growth is mainly affected by an increase in food safety, environmental and food waste requirements, focus on healthy products and menus, drive for automation and workforce optimization, product innovation as well as rising importance of data management and digitalization. These trends are visible in both mature food and beverage markets, such as North America and Europe, as well as fast-growing emerging markets such as Asia-Pacific and Middle East & Africa. Global market growth in the medium term is expected to mainly come from China and South East Asia, while Europe and North America are expected to grow at a slightly lower pace, according to the Company.

Electrolux Professional's sales from laundry equipment markets are also dependent on the development of customers' capital expenditures for new equipment, their maintenance, as well as refurbishment and overhaul expenses. The professional laundry equipment market comprises professional laundry products and related services for the hospitality industry and other businesses and institutions. Market growth is mainly affected by an increasing trend of product sustainability and efficiency, requirements for labelling and certifications, and requirements for equipment innovation and connectivity. These trends are visible globally with varying degrees depending on region.

As part of its operations, Electrolux Professional is exposed to raw material inputs, which can be divided into direct exposure, which refers to pure commodity exposures, and indirect exposure,

which is defined as exposure arising from only part of a component. Commodity-price risk is mainly managed through contracts with the suppliers. For a more detailed description of central market drivers that are expected to impact Electrolux Professional's earnings in the future, please refer to the "*Market overview*".

Efficiency and cost control

Electrolux Professional's ability to maintain operational efficiency and cost control affects the Company's earnings and cash flow. The Company's operational efficiency is determined by its production process, sourcing and logistics infrastructure, ability to generate cost synergies, efficient resource allocation as well as innovation (both in terms of production-friendly products and the production process itself). The Company continuously evaluates ways to enhance operational efficiency throughout its entire value chain, thereby lowering costs and improving competitiveness and earnings. In recent years, Electrolux Professional has implemented a number of strategic initiatives in production to enhance efficiency, reduce the cost base and improve earnings and cash flow.

Aftermarket business

In addition to equipment, the Company offers a wide range of services and aftermarket solutions. The aftermarket business is material to the Company's earnings and cash flow, an integral part of the customer offering and is a vital part of the Company's strategy. This business adds stability to the Company's net sales, earnings and cash flow since it is a necessity for the customers' running operations regardless of the general economic climate as opposed to investments in equipment. The aftermarket offering differs by product type and ranges from complete service contracts to spare part sales. For more information about Electrolux Professional's service offering, please refer to "*Offering*" in "*Business description*".

Research and development

A key factor for Electrolux Professional's success is its ability to develop new products that serve customer needs and increase their productivity. This is mainly driven by management decisions to make investments in product development and the right technologies, leading to a stronger and more competitive range of products, which makes it possible for Electrolux Professional to retain its competitiveness and pricing.

The product development starts and ends with the customer in mind. The Group's selling organization has a continuous interaction with customers in order to understand their needs. Continued investments in research and development are paramount to the Company's future profitability. For additional information about the Company's activities in product development and innovation, see "*Research and development activities*" in "*Business description*".

Production capacity

Electrolux Professional's earnings and cash flow are affected by the Company's production capacity in relation to the demand for its products. The Company strives to have a cost efficient and agile production that can adjust to fluctuations in volume when needed. The Company continuously evaluates its production processes to determine which processes should be conducted

in-house and which ones could be outsourced. During the last couple of years, the Company has improved production processes to have a suitable manufacturing footprint for serving its customers in an efficient way and meet future volume variations.

The Group's production capacity and supply chain may also be affected by the current outbreak of the coronavirus (see further "*Electrolux Professional is exposed to risks relating to the coronavirus*" in "*Risk factors*" and "*The coronavirus outbreak*" below).

Currency effects

Since Electrolux Professional is a global company with sales in approximately 110 countries worldwide, the Company's earnings and cash flow are affected by changes in exchange rates. Currency fluctuations may expose the Company to transaction and translation risks that have an effect on the Company's earnings and cash flow. Transaction exposure primarily arises when the revenues from sales of the Company's products are generated in different countries and currencies than the costs while translation risk arises when translating the results and balance sheets of foreign subsidiaries into SEK.

Financing costs

Electrolux Professional's earnings and cash flow are affected by financing costs, of which, primarily interest expenses. The interest expenses are dependent on interest-bearing liabilities, interest rates and currency fluctuations. The Company has adopted financial targets that aim to ensure that the Company is stable and has a healthy level of financial debt (see "*Financial targets and dividend policy*" in "*Business description*"). The Company has a policy to diversify the maturity profile of its liabilities to ensure that large amounts do not need to be refinanced simultaneously. The Company favors short interest rate duration, which can give higher volatility of net interest costs compared to long duration. At the date of this prospectus, the Company's interest bearing liabilities are denominated in SEK. For more information, see "*Capital resources and liquidity*" below.

Acquisitions and divestments

Electrolux Professional has historically managed to combine organic growth and growth through acquisitions. The Company's vision is to acquire companies that have a clear relation to the Company's strategic roadmap, with the aim to strengthen the Company's market position and/or complement the Company's portfolio of product and service offerings. Electrolux Professional has previously executed a number of acquisitions and the Company works actively to make acquired businesses an integrated part of Electrolux Professional. The Company continuously works to identify and evaluate new investment opportunities, and selective acquisitions are expected to continue to contribute to the Company's growth going forward.

Explanation of income statement items

Net sales

Net sales refer to the consideration received or the sale of goods and services sold within Electrolux Professional's ordinary activities and mainly comprise of food, beverage and laundry equipment and services. Net sales are measured at the fair value

of the consideration received or receivable and reduced for value added tax, estimated customer returns, discounts and other similar reductions.

Cost of goods sold

Cost of goods sold consists primarily of expenses related to purchased components and raw materials, finished products, labor costs associated with production, transportation costs, depreciation and amortization of tangible and intangible assets, changes in inventory or finished products and products in progress and other operating expenses.

Selling expenses

Selling expenses relate to expenses incurred during marketing and sales.

Administrative expenses

Administrative expenses refer to management compensation (local and central) and central functions such as Finance, Human Resources as well as logistics activities.

Research and development expenses (R&D)

Research and development (R&D) expenses refer to expenses related to the research and development of new products and processes that Electrolux Professional can benefit from. Expenditures on development activities are expensed as incurred unless the activities meet certain criteria for being capitalized.

Other operating income and expenses

Other operating income and expenses are income and expenses that are not related to administration, marketing, or research and development. This includes commissions, capital gains and losses as well as exchange rate differences on receivables and liabilities denominated in foreign currencies that are revalued using the foreign exchange rate at the balance sheet date.

Financial income and expenses

Financial items consist of financial income and financial expenses. Financial income items include interest income in the form of cash and cash equivalents and finance lease receivables, capital gains, change in fair values of other assets and foreign exchange gains. Financial expense items include interest expense on borrowings, net pension provisions, deferred considerations, capital losses, change in fair value of other liabilities and borrowings, impairment losses and foreign exchange losses.

Taxes

Tax expense for the period encompasses current and deferred tax. The current tax expense is calculated on the basis of the tax regulations applicable on the closing date in those countries where the parent company and its subsidiaries are active and generate taxable income. Current tax also includes adjustments relating to recognized current tax from prior periods. Deferred tax is calculated based on temporary differences between the carrying amounts and the taxable values of assets and liabilities and for tax loss carryforwards, insofar as it is probable that these can be utilized against future taxable profits.

2019 compared to 2018

Net sales

Net sales for 2019 amounted to SEK 9,281m compared to SEK 8,666m in 2018, which represents an increase of SEK 615m or 7.1 percent. Organic growth was -0.3 percent. Net sales grew in Europe and Americas, but declined in APAC & MEA. In addition, the large beverage equipment roll-out for the Subway restaurant chain was completed in the first half of 2019 in the United States. Despite slightly negative organic growth, the increase of net sales was supported by a positive currency effect of 3.4 percent, whereas acquisitions contributed with another 4.0 percent.

Food & Beverage

Net sales for Food & Beverage in 2019 amounted to SEK 5,895m compared to SEK 5,399m in 2018, which represents an increase of SEK 496m or 9.2 percent.

Organic growth was -1.1 percent. Sales grew in Europe and the United States supported by the significant contribution from the Subway roll-out, whilst it declined in APAC & MEA, where the Group was also affected by the separation process activities. Currency translation contributed positively with 3.9 percent and acquisition contributed with another 6.4 percent (including contribution from the acquired operations of SPM Drink Systems and Unic SAS).

Laundry

Net sales for Laundry in 2019 amounted to SEK 3,386m compared to SEK 3,267m in 2018, which represents an increase of SEK 119m or 3.6 percent.

Organic growth was 1.0 percent. The organic growth was primarily driven by increased sales both in Europe and Americas, whilst sales declined in APAC & MEA. Currency translation contributed with 2.6 percent.

Cost of goods sold

Cost of goods sold for 2019 amounted to SEK 6,040m compared to SEK 5,443m in 2018, which represents an increase of SEK 597m or 11.0 percent. The increase in cost of goods sold was influenced by an increase of material costs and higher R&D costs for the development of new products launched during the year.

Gross operating income

Gross operating income for 2019 amounted to SEK 3,241m compared to SEK 3,222m in 2018, which represents an increase of SEK 19m or 0.6 percent. The relatively low increase in gross operating income compared to the net sales increase was primarily driven by an increase in raw material prices, higher R&D spending and impact of recently acquired companies that operate with lower than average margins.

Selling expenses

Selling expenses for 2019 amounted to SEK 1,699m compared to SEK 1,641m in 2018, which represents an increase of SEK 58m or 3.5 percent. The increase in selling expenses was primarily due to costs related to the launch of the new products, consolidation of the acquired companies and impact from currency translation.

Administrative expenses

Administrative expenses for 2019 amounted to SEK 582m compared to SEK 432m in 2018, which represents an increase of SEK 150m or 34.7 percent. The increase in administrative expenses was primarily driven by currency translation impact, consolidation of acquired companies, one-off costs related to the separation process activities from the Electrolux Group and additional running costs required to operate as a stand-alone company.

Other operating income/expenses

Other operating income/expenses for 2019 amounted to SEK 32m compared to other operating income/expenses of SEK -6m in 2018.

Operating income and EBITA

Operating income for 2019 amounted to SEK 992m compared to SEK 1,143m in 2018, which represents a decrease of SEK 151m or 13.2 percent. The decrease in operating income was primarily driven by reduced sales and production volumes and the additional costs for the development and launch of new products. Additional one-off separation activity costs and running cost to operate as a stand-alone company negatively affected the results. The operating margin decreased to 10.7 percent from 13.2 percent. Acquired businesses had a dilutive effect on margins.

EBITA for 2019 amounted to SEK 1,058m compared to SEK 1,188m in 2018, which represents a decrease of 130m or 10.9 percent. The EBITA margin decreased to 11.4 percent from 13.7 percent.

Food & Beverage

Operating income for Food & Beverage in 2019 amounted to SEK 522m compared to SEK 599m in 2018, which represents a decrease of SEK 77m or 12.9 percent. The decrease in operating income was mainly driven by lower sales and production volumes and the additional costs for the development and launch of new products. During the same period, the operating margin decreased to 8.9 percent from 11.1 percent of the previous year. Acquired companies had a dilutive effect on margins.

EBITA for 2019 amounted to SEK 568m compared to SEK 629m in 2018, which represents a decrease of SEK 61m or 9.7 percent. The EBITA margin decreased to 9.6 percent from 11.7 percent.

Laundry

Operating income for Laundry in 2019 amounted to SEK 488m compared to SEK 558m in 2018, which represents a decrease of SEK 70m or 12.5 percent. The decrease in operating income was mainly driven by lower sales volumes and R&D cost for new product development. During the same period, the operating margin decreased to 14.4 percent from 17.1 percent.

EBITA for 2019 amounted to SEK 507m compared to SEK 573m in 2018, which represents a decrease of SEK 66m or 11.5 percent. The EBITA margin decreased to 15.0 percent from 17.6 percent.

Financial items

Financial income for 2019 amounted to SEK 15m compared to SEK 6m in 2018, which represents an increase of SEK 9m. Financial expenses for 2019 amounted to SEK 30m compared to SEK 15m in 2018, which represents an increase of SEK 15m. Net financial items

for 2019 amounted to SEK -15m compared to SEK -9m in 2018, which represents an increase of SEK 6m.

Income after financial items

Income after financial items for 2019 amounted to SEK 978m compared to SEK 1,134m in 2018, which represents a decrease of SEK 156m or 13.8 percent

Taxes

Taxes in 2019 were negatively affected by a tax provision. This was offset by a step-up in asset basis as a consequence of fair market value sale of certain assets and liabilities between Electrolux and Electrolux Professional.

Income for the period

Income for the period 2019 amounted to SEK 663m compared to SEK 952m in 2018, which represents a decrease of SEK 289m or 30.4 percent

Cash flow

Cash flow from operations

Cash flow from operations for 2019 gave rise to an inflow of SEK 1,118m compared to an inflow of SEK 904m in 2018, which represents an increase of SEK 214m or 23.7 percent. The increase in cash flow from operations was primarily driven by reduction in inventories and receivables.

Cash flow from investments

Cash flow from investments for 2019 gave rise to an outflow of SEK 702m compared to an outflow of SEK 833m in 2018, which represents a decreased spending of SEK 131m or 15.7 percent. The decrease in cash flow from investment was mainly related to a reduced cash outflow for acquisitions of operations, whilst capital expenditures in property plants and equipment increased compared to the previous year.

Cash flow from financing

Cash flow from financing for 2019 gave rise to an inflow of SEK 6,795m compared to an outflow of SEK 337m in 2018, which represents an increase of SEK 7,132m. The large cash flow from financing in 2019 was related to the funding from the Electrolux Group, to finance the purchase of shares in subsidiaries.

Total cash flow

Total cash flow for 2019 gave rise to an inflow of SEK 7,211m compared to an outflow of SEK 266m in 2018, which represents an increase of SEK 7,477m.

2018 compared to 2017

Net sales

Net sales for 2018 amounted to SEK 8,666m compared to SEK 7,723m in 2017, which represents an increase of SEK 943m or 12.2 percent. Organic growth was 4.1 percent. Net sales grew in several markets, in particular in Northern, Southern and Eastern Europe as well as in North America. Net sales instead declined in the United Kingdom because of decreased market demand.

In addition to organic growth, net sales were also supported by a positive currency effect of 4.0 percent, whereas acquisitions contributed with another 4.1 percent

Food & Beverage

Net sales for Food & Beverage in 2018 amounted to SEK 5,399m compared to SEK 4,922m in 2017, which represents an increase of SEK 476m or 9.7 percent

Organic growth was 2.8 percent. The organic growth was primarily driven by increased demand and sales in Southern, Eastern and Northern Europe as well as in the United States. Currency translation contributed with 4.2 percent. The acquisition of SPM Drink Systems and Grindmaster-Cecilware contributed 2.6 percent. Large chains roll-out supported the growth in particular in the United States. Geographically, Food & Beverage had the highest growth in Europe. Net sales from aftermarket service grew across all regions, with Europe as the main contributor of the sales growth.

Laundry

Net sales for Laundry in 2018 amounted to SEK 3,267m compared to SEK 2,801m in 2017, which represents an increase of SEK 466m or 16.6 percent

Organic growth was 6.5 percent. The organic growth was driven by increased demand in Americas, Scandinavia and East Europe. Currency translation effects contributed with 3.5 percent. The acquisition of Schneidereit contributed 6.6 percent to growth. Net sales from aftermarket service grew in most regions and were particular strong in Japan.

Cost of goods sold

Cost of goods sold for 2018 amounted to SEK 5,443m compared to SEK 4,851m in 2017, which represents an increase of SEK 592m or 12.2 percent. The increase in cost of goods sold was primarily driven by higher net sales, increase of raw material costs like steels and plastics and additional investments in product development.

Gross operating income

Gross operating income for 2018 amounted to SEK 3,222m compared to SEK 2,873m in 2017, which represents an increase of SEK 349m or 12.1 percent. The increase in gross operating income was primarily driven by increased volumes and a positive contribution from price. Raw material prices increased and had a negative impact on margins. Investments in innovation continued.

Selling expenses

Selling expenses for 2018 amounted to SEK 1,641m compared to SEK 1,490m in 2017, which represents an increase of SEK 151m or 10.1 percent. The increase in selling expenses was primarily due to the acquisitions and investments in customer care.

Administrative expenses

Administrative expenses for 2018 amounted to SEK 432m compared to SEK 330m in 2017, which represents an increase of SEK 102m or 30.9 percent. The increase in administrative expenses was primarily driven by the consolidation of the acquired companies and acquisition related cost

Other operating income/expenses

Other operating income/expenses for 2018 amounted to SEK -6m compared to a positive other operating income/expenses of SEK 8m in 2017, which represents an increase in expenses of SEK 14m. The increase in other operating expenses was primarily due to one off items linked to a pension scheme in the United Kingdom and restructuring provisions.

Operating income and EBITA

Operating income for 2018 amounted to SEK 1,143m compared to SEK 1,060m in 2017, which represents an increase of SEK 83m or 7.8 percent. The increase in operating income was primarily driven by positive contribution from price and sales volumes. The operating margin decreased to 13.2 percent from 13.7 percent. Acquired businesses had a dilutive effect on margins.

EBITA for 2018 amounted to SEK 1,188m compared to SEK 1,098m in 2017, which represents an increase of SEK 90m or 8.2 percent, with Laundry as the main profit contributor. The EBITA margin decreased to 13.7 percent from 14.2 percent.

Food & Beverage

Operating income for Food & Beverage in 2018 amounted to SEK 599m compared to SEK 572m in 2017, which represents an increase of SEK 27m or 4.7 percent. The increase in operating income was mainly driven by volumes and price contribution. During the same period, the operating margin decreased to 11.1 percent from 11.6 percent of the previous year. The acquired SPM Drink Systems business had also a dilutive effect on margins.

EBITA for 2018 amounted to SEK 629m compared to SEK 607m in 2017, which represents an increase of SEK 22m or 3.7 percent. The EBITA margin decreased to 11.7 percent from 12.3 percent.

Laundry

Operating income for Laundry in 2018 amounted to SEK 558m compared to SEK 499m in 2017, which represents an increase of SEK 59m or 11.8 percent. The increase in operating income was mainly driven by price and volumes increase. During the same period, the operating margin decreased to 17.1 percent from 17.8 percent due to a dilutive effect from Schneidereit acquired businesses.

EBITA for 2018 amounted to SEK 573m compared to SEK 502m in 2017, which represents an increase of SEK 71m or 14.1 percent. The EBITA margin decreased to 17.6 percent from 17.9 percent.

Financial items

Financial income for 2018 amounted to SEK 6m compared to SEK 3m in 2017, which represents an increase of SEK 3m. Financial expenses for 2018 amounted to SEK 15m compared to SEK 12m in 2017, which represents an increase of SEK 3m. Net financial items both for 2018 and 2017 amounted SEK -9m.

Income after financial items

Income after financial items for 2018 amounted to SEK 1,134m compared to SEK 1,052m in 2017, which represents an increase of SEK 82m or 7.8 percent.

Taxes

Taxes in 2018 were positively affected by a deferred tax asset in the United States related to recognition of tax losses.

Income for the period

Income for the period 2018 amounted to SEK 952m compared to SEK 786m in 2017, which represents an increase of SEK 166m or 21.1 percent.

Cash flow

Cash flow from operations

Cash flow from operations for 2018 gave rise to an inflow of SEK 904m compared to an inflow of SEK 1,031m in 2017, which represents a decrease of SEK 127m or 12.3 percent. The decrease in cash flow from operations was primarily driven by additional investments and increased operating working capital.

Cash flow from investments

Cash flow from investments for 2018 gave rise to an outflow of SEK 833m compared to an outflow of SEK 984m in 2017, which represents an increase of SEK 151m or 15.3 percent. The increase in cash flow from investment was mainly related to lower outflows related to acquisitions and the divestments of long terms receivable in Schneidereit.

Cash flow from financing

Cash flow from financing for 2018 gave rise to an outflow of SEK 337m compared to an outflow of SEK 599m in 2017, which represents an increase of SEK 262m or 43.7 percent. The increase in cash flow from financing was mainly related to change of financial liabilities in relation to the Electrolux Group.

Total cash flow

Total cash flow for 2018 gave rise to an outflow of SEK 266m compared to an outflow of SEK 552m in 2017, which represents an increase of SEK 286m.

Capital resources and liquidity

Capital resources

Electrolux Professional's liquidity needs arise primarily as a consequence of the need to finance working capital and investments in tangible and intangible assets, but also acquisitions of businesses. As a business area within the Electrolux Group, capital resources were made available mainly via the cash pool accounts. In connection with the listing of the Electrolux Professional shares, Electrolux Professional's current financing will be refinanced with a multicurrency revolving credit facility with the Group's core-banking group and a bilateral term loan. For further information, please refer to "Credit facilities and loans" below.

Working capital statement

It is Electrolux Professional's opinion that the working capital is sufficient for the present requirements during the next twelve months. In this context, working capital refers to the ability to access liquid resources in order to meet liabilities as they fall due.

Financial position

Total net debt at the end of 2019 amounted to SEK 1,025m compared to net cash of SEK 226m at the end of 2018, which represents an increase of SEK 1,251m. The increase was mainly driven by funding to support the separation and reorganisation of the Group.

Capital expenditure

Electrolux Professional's total capital expenditure during the financial years 2017–2019 are summarized in the table below. The capital expenditure primarily consist of property, plant and equipment, product development and other intangible assets.

SEKm	2019	2018	2017
Capital expenditure in property, plant and equipment	-243	-144	-144
Capital expenditure in product development	-9	-24	-22
Capital expenditure in other intangible assets	-5	-1	-1
Total	-257	-169	-167

Current and future capital expenditures

Electrolux Professional intends to merge its current manufacturing facilities in Thailand into one plant, which is currently under construction.

Moreover and following the acquisition of SPM Drink Systems in 2018, Electrolux Professional committed to acquire the company's production facility in Spilamberto, Italy. This process started in 2019 and was completed in February 2020.

The Thailand project and the capital expenditures related to the acquisition of the Spilamberto plant will be financed through existing financial means of Electrolux Professional.

Besides the capital expenditures related to the merger of the plants in Thailand and the acquisition of the plant in Spilamberto, Italy, in 2020, the Company estimates that its capital expenditures in property, plant and equipment, product development and other intangible assets will remain in line with historical levels.

Acquisitions

Below are the acquisitions carried out by Electrolux Professional during the financial years 2017–2019 set forth. For further information, please refer to "Note 25 – Acquired and divested operations" on p. F35–37 in "Historical financial information".

2019

Transaction costs related to acquisitions in 2019 amounted to SEK 3.5m and have been expensed as incurred during the acquisition process in 2019. The costs have been reported in operating income as a group common cost.

Unic SAS

In April 2019, Electrolux Professional acquired all the shares in Unic SAS, a French producer of professional espresso coffee machines. The purchase price for the shares amounted to EUR 39m in cash, with a net debt assumed and estimated at EUR 6.6m. The company's headquarters and main manufacturing facility are located in southern France, with subsidiaries in the United States and Japan. The acquisition was part of Electrolux Professional's strategy to grow with a complete offering of food service, beverage and laundry solutions.

The Unic group's net sales and operating income in 2019 amounted to EUR 16.7m and EUR -1.6m, respectively, (approximately SEK 176m and SEK -17m, respectively). The acquired operation contributed to Electrolux Professional's combined accounts in 2019 by EUR 10.7m in net sales and EUR -1.6m in operating

income (approximately SEK 113m and SEK -17m, respectively). Goodwill recognized in the transaction mainly relates to synergies with Electrolux Professional's operations in this business segment. Goodwill is not expected to be deductible for income tax.

The business is included in the segment Food & Beverage.

2018

Transaction costs related to acquisitions in 2018 amounted to SEK 11m and have been expensed as incurred during the acquisition process in 2018 (SEK 7m) and 2017 (SEK 4m). The costs have been reported in operating income as a group common cost.

Schneidereit GmbH

In February 2018, Electrolux Professional completed the acquisition of Schneidereit GmbH, a supplier of laundry rental solutions for professional customers in Germany and Austria. The acquisition has enabled Electrolux Professional to develop its offering within the professional laundry business. At the time of the acquisition, the company has around 110 employees throughout Germany.

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

The acquired business is included in Electrolux Professional's combined accounts as of December 31, 2018 with financial statements for the financial year 2018, contributing to net sales and operating income (including amortization of surplus values) by EUR 18.7m and EUR 0, respectively (approximately SEK 192m and SEK 0, respectively). Goodwill recognized for the acquisition included the value of the added business model with its growth potential and synergies identified. Goodwill is not expected to be deductible for income tax purposes.

The business is included in the segment Laundry.

SPM Drink Systems

In October 2018, Electrolux Professional completed the acquisition of S.P.M. Drink Systems S.p.A., an Italian manufacturer of professional dispensers of frozen and hot beverages and soft ice-cream, as part of the strategy to increase its presence in the fast-growing beverage segment within the hospitality industry. The company, with headquarters and main manufacturing facilities based in Spilamberto, Modena, Italy, had approximately 130 employees at the time of the acquisition.

The consideration consisted of a cash payment of EUR 45.6m (SEK 470m). The cash flow SEK -449m excluding acquired cash and cash equivalents. The acquired business is included in Electrolux Professional's combined accounts as from October 1, 2018, contributing to net sales and operating income (including amortization of surplus values) by EUR 3.7m and EUR -0.7m, respectively (approximately SEK 38m and SEK -7m, respectively). For the financial year 2018, the acquired business accounted for net sales and operating income of EUR 31m and EUR 0.6m, respectively (approximately SEK 314m and SEK 6m, respectively). Goodwill from the transaction mainly relates to the value of the

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

The business is included in the segment Food & Beverage.

2017

Transaction costs related to acquisitions in 2017 amounted to SEK 7m and have been expensed as incurred during the acquisition process in 2017 (SEK 4m) and in 2016 (SEK 3m). The costs have been reported in operating income as a group common cost. In 2017, an amount equal to SEK 4m was paid related to deferred consideration for the acquisition in 2015 of the Chinese entity Veetsan Commercial Machinery Co.

Grindmaster-Cecilware

In February 2017, Electrolux Professional completed the acquisition of the U.S. based Grindmaster-Cecilware business by acquiring the entire business through a purchase of all shares in the parent company of the Grindmaster-Cecilware group in a cash transaction. The acquisition broadened Electrolux Professional's offering in its beverage business. Grindmaster-Cecilware is a manufacturer of hot, cold and frozen beverage dispensing equipment, including coffee machines. The company is based in Louisville, Kentucky and has manufacturing facilities in Louisville and in Rayong, Thailand.

Net sales and operating income in the acquired business in 2017 amounted to USD 64.9m (SEK 560m) and USD 2.6m (SEK 23m), respectively. The Grindmaster-Cecilware business is included in Electrolux Professional's combined accounts as from March 1, 2017. For the period from the acquisition date until the end of the reporting period, the acquired business contributed to net sales and operating income (including amortization of surplus values) by USD 53.1m and USD 1.3m, respectively (approximately SEK 454m and SEK 11m, respectively). Goodwill primarily relates to the increase in market presence in North America, one of the largest global markets for professional equipment. Goodwill is not expected to be deductible for income tax purposes.

In the first quarter of 2018, additional net liabilities of USD 1.1m (SEK 10m) were added to the acquisition balance sheet resulting in an increase of goodwill with the same amount.

The business is included in the segment Food & Beverage.

Credit facilities and loans

Multicurrency revolving credit facility

Prior to the separation of Electrolux Professional from Electrolux, Electrolux Professional has primarily been funded by Electrolux.

On February 21, 2020, Electrolux Professional entered into a EUR 250m multicurrency revolving credit facilities agreement with its core-banking group, with Skandinaviska Enskilda Banken AB (publ) as arranger. The tenor for the facility is five years (with two extension options, in each lender's sole discretion) and the available optional currencies, in addition to EUR, is SEK, CHF and USD. The facility does not contain any financial covenants or any dividend restrictions.

Bilateral term loan

On March 6, 2020, Electrolux Professional entered into a SEK 600m bilateral term loan with AB Svensk Exportkredit. The main objective of the loan is to facilitate repayment of the loans granted to Electrolux Professional by Electrolux prior to the separation. The tenor for the term loan is seven years. The term loan does not contain any financial covenants or any dividend restrictions.

Research and development

In the financial years 2017-2019, Electrolux Professional's research and development costs amounted to SEK 352m, SEK 383m and SEK 438m, respectively. Please refer to "Research and development activities" in "Business description" for a description of research and development activities within the Group.

Property, plant and equipment

As of December 31, 2017, 2018 and 2019, Electrolux Professional's property, plant and equipment amounted to SEK 978m, SEK 1,085m and SEK 1,214m, respectively, comprising land and land improvements, buildings, machinery and technical installations, other equipment and plants under construction.

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 estimated useful lives.

For further information, see "Note 12 - Property, plant and equipment" on p. F21 in "Historical financial information".

For information on the Group's manufacturing units, please refer to "Manufacturing footprint" in "Business description". Some of the manufacturing units require environmental permits and require Electrolux Professional to submit notifications, reports and/or documentation to the relevant local authority for their operations, see "Regulatory framework" in "Business description".

Goodwill and other intangible assets

As of December 31, 2017, 2018 and 2019, Electrolux Professional's goodwill had a total carrying value of SEK 776m, SEK 1,438m and SEK 1,821m, respectively, while other intangible assets, comprising product development, customer relations and other intangible assets, amounted to SEK 183m, SEK 394m and SEK 388m, respectively.

Goodwill is recognized as an indefinite life intangible asset at cost less accumulated impairment losses. Electrolux Professional 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. Acquired software licenses and development expenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs

are amortized over useful lives, between 3 and 5 years, using the straight-line method. Trademarks are reported at historical cost less amortization and impairment. Trademarks are amortized over their useful lives, estimated to 5 to 10 years, using the straight-line method. Customer relationships are recognized at fair value in connection with acquisitions. The values of these relationships are amortized over the estimated useful lives, between 5 and 15 years, using the straight-line method.

For further information, see "Note 13 - Goodwill and other intangible assets" on p. F22-23 in "Historical financial information"

Recent trends

During the third quarter 2019, the Group launched a program to manage its cost structure, but also to compensate increased costs related to the separation and listing (the add-on costs for Electrolux Professional as a stand-alone company is estimated at approximately SEK 100m per year). The efficiency program is running according to plan and is expected to generate annual savings of approximately SEK 100m with full effect in the second half of 2020.

The coronavirus outbreak

The ongoing coronavirus outbreak, which initially started in China and thereafter has spread into Europe (with the biggest outbreak outside Asia occurring in northern Italy) and also to the rest of the world, is expected to impact Electrolux Professional's business and its end markets in the first half of 2020. For the time being, Electrolux Professional does not foresee any major impact on its ability to deliver products to its customers, but if the uncertain situation continues or deteriorates, the Company's manufacturing capacity may be affected, as, for example, Electrolux Professional has manufacturing units as well as certain suppliers located in China and northern Italy.

The Group's sales to institutional customers (hospitals, elderly homes, schools, etc.) and, within the Laundry segment, to certain other customer categories (such as launderettes, coin shops and multi-housing laundry), are expected to have a lower risk of being impacted by the coronavirus outbreak than sales to restaurants and hotels, which could experience a higher impact as well as canceled or postponed orders and investments. Within Laundry, the Group's most profitable segment, Electrolux Professional has a relatively low exposure to restaurants and hotels, and sells products mainly to, for example, hospitals, other care facilities as well as launderettes and coin shops. Within the Food & Beverage segment, a relatively large share of sales is to institutional customers. In total, the Group's sales to institutional customers together with sales to the above-mentioned other customer categories within the Laundry segment are estimated to represent approximately 50 percent of the Group's net sales.

As regards manufacturing, distribution and logistics, the coronavirus outbreak might impact delivery and service to customers. However, the Group has implemented precautionary measures and contingency plans aimed at ensuring orderly operations and business continuity during the current circumstances. Furthermore, Electrolux Professional has a global manufacturing base, which may provide some manufacturing flexibility. The measures announced by the Italian government on March 8, 2020 (and

extended on March 9, 2020) to contain the coronavirus, including travel restrictions where travel within Italy is only permitted for work or family emergencies, and any similar measures taken by other countries, may have a significant impact on the Group's manufacturing capacity.

Currently, the Company estimates that the outbreak of the coronavirus will impact the business activities in the second quarter 2020 more significantly than currently expected for the first quarter of 2020. Given the high degree of uncertainty, it is currently not possible to estimate the total impact for the full year 2020.

Furthermore, government subsidies and fiscal stimulus measures, as they are currently being discussed in many countries as a response to any prolonged virus spread, can have positive effect on investments in the hospitality industry and serve as a potential mitigating factor. Over the long term, Electrolux Professional may even see a positive impact on demand for certain product categories and in certain regions. For example, on emerging markets where the Group's market presence and sales are low, an increased focus on hygiene and sanitation and therefore investment into, among other things, dishwashing and laundry equipment may lead to increased demand for such product categories.

The Company has taken precautionary measures to ensure business continuity as well as protection of its employees. For example, the inventory planning and management has been adjusted. In order to mitigate a potential supply chain disruption, stock levels have been increased in the Group's major warehouses and also decentralized to local warehouses. In addition, measures like increased access restrictions and controls at certain manufacturing units and offices, staff travel restrictions as well as remote working arrangements have been taken.

In summary, the development of the coronavirus outbreak has high focus and priority within the Group. Electrolux Professional is doing the utmost to secure the health and safety of its employees and to reduce any impact on the operations.

Significant changes since December 31, 2019

On February 18, 2020, the Annual General Meeting of Electrolux Professional resolved on a bonus issue. The purpose of the bonus issue was to increase the share capital as well as the number of shares to reflect the share capital structure of Electrolux ahead of the separation of Electrolux Professional from Electrolux. See "Bonus issue" in "Capitalization, indebtedness and other financial information" and "Share capital development" in "Shares and ownership structure".

On February 21, 2020, Electrolux Professional entered a EUR 250m multicurrency revolving credit facilities agreement, and on March 6, 2020, Electrolux Professional entered into a SEK 600m bilateral term loan. See "Credit facilities and loans" above.

Other than as set out above, no significant changes in the financial position or financial performance of Electrolux Professional have occurred since December 31, 2019.

Capitalization, indebtedness and other financial information

Capitalization and indebtedness

Capitalization

Set forth below is Electrolux Professional's capitalization as of December 31, 2019.

SEKm	December 31, 2019
Total current debt	1,300
Guaranteed	-
Secured	-
Unguaranteed/unsecured	1,300
Total non-current debt	383
Guaranteed	-
Secured	-
Unguaranteed/unsecured	383
Shareholders' equity	2,711
Share capital	25
Legal reserves	5
Other reserves	2,681
Total	4,394

The table includes only interest-bearing debt, save for that it also includes non-interest bearing debt related to group contributions from Electrolux (SEK 234m), lease liabilities (SEK 244m) and pension gross liabilities (SEK 208m).

Net financial indebtedness

Set forth below is Electrolux Professional's net financial indebtedness as of December 31, 2019.

SEKm	December 31, 2019
(A) Cash	651
(B) Cash equivalents	-
(C) Trading securities	-
(D) Liquidity (A)+(B)+(C)	651
(E) Current financial receivables	-
(F) Current bank debt ¹⁾	994
(G) Current portion of non-current debt	-
(H) Other current financial debt	306
(I) Current financial debt (F)+(G)+(H)	1,300
(J) Net current financial indebtedness (I)-(E)-(D)	649
(K) Non-current bank debt	3
(L) Bonds issued	-
(M) Other non-current loans	380
(N) Non-current financial indebtedness (K)+(L)+(M)	383
(O) Net financial indebtedness: (J)+(N) ²⁾	1,032

1) Consists of internal loans between Electrolux and Electrolux Professional.

2) The item "Net financial indebtedness" deviates from Electrolux Professional's key performance indicator "Net debt" with SEK 7m, which, as of December 31, 2019, amounted to SEK 1,025m (see "Key performance indicators" in "Selected historical financial information"). The difference is explained by derivatives, accrued interests and pension plan assets.

The table includes only interest-bearing debt, save for that it also includes non-interest bearing debt related to group contributions from Electrolux (SEK 234m), lease liabilities (SEK 244m) and pension gross liabilities (SEK 208m).

Indirect indebtedness and contingent liabilities

As of December 31, 2019, the Group' indirect indebtedness and contingent liabilities amounted to SEK 126m. Please refer to "Note 24 – Contingent liabilities" on p. F35 in "Historical financial information".

Changes since December 31, 2019

External financing arrangements

On February 21, 2020, Electrolux Professional entered into a EUR 250m multicurrency revolving credit facility agreement with its core-banking group, and on March 6, 2020, Electrolux Professional entered into a SEK 600m bilateral term loan with AB Svensk Exportkredit (please refer to "Credit facilities and loans" in "Operating and financial review").

Prior to the separation of Electrolux Professional from Electrolux, Electrolux Professional has primarily been funded by Electrolux, and by entering into these external financing arrangements, Electrolux Professional will repay internal loans granted from Electrolux. Hence, the entering into these external financing arrangements will not, in a significant way, affect the Net financial indebtedness as included in the table above.

Bonus issue

On February 18, 2020, the Annual General Meeting resolved on a bonus issue, entailing an increase in the share capital of SEK 3.7m, with the issuance of 8,167,539 shares of Class A and 279,204,911 shares of Class B (see "Share capital development" in "Shares and ownership structure"). The amount by which the share capital was increased was transferred to share capital from unrestricted equity.

The purpose of the bonus issue was to increase the share capital as well as the number of shares to reflect the share capital structure of Electrolux ahead of the separation of Electrolux Professional from Electrolux.

Financial exposure and risk management

Financial risk management

The Group is exposed to a number of risks from liquid funds, trade receivables, borrowings, commodities and foreign exchange. The risks include:

- ▶ 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
- ▶ Credit risk relating to financial and commercial activities
- ▶ Interest-rate risk on liquid funds and borrowings

Electrolux Professional's financial risks were, in 2017, 2018 and 2019, managed as part of the Electrolux Group's financial risk management. Electrolux Professional has established its own financial risk policies to monitor and manage the financial risks relating to the operations of the Group (hereinafter all policies are referred to as the "Financial Policy"), which were approved by the Electrolux Professional Board of Directors and became effective as of October 1, 2019. The primary responsibility for ensuring that these risks are managed in an efficient and professional way lies within Group Treasury with the support of the management

of each operational unit. Moreover, the commercial credit risk is managed at an operating level by the controlling department and is guided by the Group Credit Policy. The policies are adopted through a delegation of authority matrix, which defines roles and responsibilities within the Group management structure. Applications of the policies are monitored through internal controls and breaches managed according to pre-agreed procedures.

Group Treasury in Stockholm provides services to the business, co-ordinates access to financial markets, monitors and manages the financial risks through internal risk reports, which analyze exposures by degree and magnitude of the risk.

The Group's Financial Policy governs the use of financial derivatives. The internal auditors review on a continuous basis compliance with policies and exposure limits. For further information, please refer to "Note 2 – Financial risk management" on p. F11–13 in "Historical financial information".

Capital structure

The Group defines its capital as equity stated in the balance sheet. The Group's objective is to have a capital structure resulting in an efficient weighted cost of capital and sufficient credit worthiness where operating needs and the needs for potential acquisitions are considered.

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. According to the Financial Policy, Group Treasury shall assure that the remaining average credit duration of the total debt portfolio exceeds 2 years and at any given point in time liquidity reserves are monitored and kept in line with the Financial Policy.

Foreign exchange risk

Foreign exchange risk is defined as the risk that fluctuations in currency exchange rates have a negative impact on the Group's financial position, profitability or cash flow. In order to manage such effects, the Group covers these risks within the framework of the Financial Policy and the Group's overall currency exposure shall be managed centrally by the Group Treasury.

Transaction exposure from commercial flows

Transaction exposure is defined as the confirmed future net of operational and financial in- and outflows of currencies. The Financial Policy stipulates to what extent commercial flows are to be hedged.

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.

If the currency exposure, based on long term contracts in foreign currencies, is significant, Group Treasury shall be contacted for decisions on potential hedges. Group Treasury is the sole party

to authorize execution of financial hedge transactions and derivative contracts with external parties.

Translation exposure from consolidation of entities outside Sweden

Translation exposure is defined as the risk that fluctuations in currency exchange rates have a negative impact on the balance sheet or consolidated equity. This occurs when a portion of consolidated equity, net assets or a financial asset or liability are denominated in a foreign currency. Electrolux Professional does not hedge such exposure.

Foreign-exchange sensitivity from transaction and translation exposure

The major net export currencies that Electrolux Professional is exposed to are THB, EUR and SEK. The major import currencies that Electrolux Professional is exposed to are USD, GBP, CNY, NOK and DKK. These currencies represent the majority of the exposures of the Group.

The currency exposure from foreign investments should, when possible, be mitigated by loans in the local currency. The remaining foreign net investment should not generally be hedged by financial derivatives. In exceptional cases, the CFO can decide to use financial derivatives to hedge equity. Hedge accounting shall apply to all financial derivatives that are used to hedge equity.

Commodity-price risks

The commodity risk exposure is defined as the risk that fluctuations in the price of commodities result in an unexpected impact on the consolidated statement of comprehensive income or the consolidated balance sheet of the Group. The purchasing department is responsible for the overall commodity risk management and follow-up on commodity exposures. The purchasing department shall strive to reach a commercial hedge via matching of terms in sales contracts with terms in contracts with existing raw material suppliers. If a significant exposure occurs without possibilities to fix prices towards suppliers or pass on potential profit and loss effects to the customer, a financial hedge should be considered. In this case, Group Treasury shall be contacted for discussion on hedge strategy and hedge counterpart. The purchasing department is not allowed to enter into any financial hedges or financial contracts.

Credit risk

Credit risk in financial activities

Credit risk on financial transactions is the risk that the counterpart is not able to fulfil its contractual obligations related to the Group's investments of liquid funds and derivatives. In order to limit exposure to credit risk, the Group has adopted a policy of that excess liquidity shall be deposited at bank accounts in the Group's core banks, invested in securities issued by the core banks or invested in government securities.

The Financial Policy states that;

- ▶ Short term investments in the form of deposits should be done with the Group's core-banking group or with other banks with a minimum rating of BBB- (investment grade) according to Standard & Poor.

- ▶ Short term investments in the form of securities should have a minimum rating of A.

The Group strives for master netting agreements (ISDA) with all counterparts for derivative transactions. Assets and liabilities will only be netted from a credit risk perspective for counterparts with valid ISDA agreements. Furthermore, derivatives should be spread between counterparties to reduce the credit risk. As a result of these policies and limitations, the expected credit loss from external financial activities is not material.

Credit risk in trade receivables

Electrolux Professional's client base is characterized by a mix of recurring customers such as distributors and one-time customers, as well as multi operator stores or spare-parts customers. Sales are made on the basis of normal delivery and payment terms. The Financial Policy defines how credit management is to be performed in the Group to achieve competitive and professionally performed credit sales, limited bad debts, and improved cash flow and optimized profit.

Electrolux Professional has adopted the Electrolux Professional Rating Model ("EPRM"), which is managed by the Group Credit Manager. The purpose with EPRM is 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 EPRM is based on a risk/reward approach and is the basis for the customer assessment. The risk of a customer is determined by the EPRM Risk Score in which customers are classified. EPRM calculates a Risk score that is translated to a Risk class: Low Risk (1), Moderate Risk (2), Medium Risk (3), Marked Risk (4), High Risk (5) and Default (6). The amount of information required for the assessment varies with the size of the credit limit and the risk. EPRM is the mandatory tool to use for credit assessment within the Electrolux Professional Group. External sources of information are used for basic and credit information on customers. Required type and source of information is determined by Group Credit Management. EPRM must be used for customers with a credit limit of minimum SEK 750,000 unless a higher minimum amount is approved by the Group Credit Manager or the CFO. EPRM shall also be used for customers with full credit protection since the credit decision is taken on the gross credit limit.

As far as possible, customers' receivables are to be insured and covered by a global insurance program. Under the existing arrangements, the trade credit insurance covers not only the risk of customer insolvency, but also the risk of protracted default.

Interest-rate risk on liquid funds and borrowings

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

Liquid funds

Liquid funds as defined by the Group consist of cash and cash equivalents, short-term investments, financial derivative assets, prepaid interest expenses and accrued interest income. Electrolux Professional target is that the level of liquid reserve including cash and bank balances, short-term investments and unutilized committed credit facilities shall not fall below SEK 500m. If that level

is not maintained, the Board of Directors should be immediately informed, and appropriate actions should be taken to restore that preferred level.

Interest-rate risk in liquid funds

All liquidity is invested in interest bearing instruments, normally with maturities between 0 and 3 months.

The Financial Policy states that:

- ▶ Surplus cash holdings shall be avoided. Excess liquidity shall be off-set against external debts.
- ▶ Short term investments shall have a time to maturity that matches large disbursements, planned investments or dividend and may not exceed 12 months.

Borrowings

According to the Financial Policy, the debt financing of the Group shall be managed by Group Treasury in order to ensure efficiency and risk control. Debt shall primarily be raised at parent company level and transferred to subsidiaries through internal loans or capital injections. In this process, swap instruments might be used to convert the funds to the required currency. Short-term financing might also be undertaken locally in subsidiaries where there are capital restrictions.

In 2017-2019, the Group was primarily funded by Electrolux. Electrolux Professional has, in conjunction with the separation and listing, entered into a revolving credit facility with its core-banking group and a bilateral term loan as an additional facility to repay, among other things, the debt to Electrolux (see "*Credit facilities and loans*" in "*Operating and financial review*").

Interest-rate risk in borrowings

The Financial Policy states that the average interest duration in the debt portfolio (including overdrafts, revolving credit facilities, term loans and interest rate derivatives) shall be between 0 and 3 years and Group Treasury is responsible to manage the long-term debt portfolio and shall seek a balance between floating and fixed interest rates in order to limit the negative impact that a rise in market rates may have. Derivatives, such as interest-rate swap agreements, might be used to manage the interest-rate risk by changing the interest from fixed to floating or vice versa. Any binding of interest rates for a longer time period than 5 years, may not be performed without the approval of the Board of Directors.

Board of Directors, Executive Management Team and auditor

Board of Directors

According to Electrolux Professional's Articles of association, the Board of Directors shall be comprised of not less than three and not more than nine members, with not more than three deputy members, elected by the shareholders at the General Meeting. In addition and by law, employee organizations are entitled to appoint employee representatives. The Board of Directors currently comprises seven members elected by the 2020 Annual General Meeting for a term of office extending until the close of the 2021 Annual General Meeting, with no deputies, as well as two ordinary members and one deputy appointed by Swedish employee organizations.

Name	Position	Board member in Electrolux	Board member in Electrolux Professional since	Independent in relation to the Company and the Executive Management Team	Independent in relation to the Company's major shareholders	Audit Committee	Remuneration Committee	Shareholding ¹⁾
Kai Wärn	Chairman	Yes	2019	Yes	Yes	-	Chairman	4,000
Katharine Clark	Member	-	2020	Yes	Yes	-	-	-
Lorna Donatone	Member	-	2019	Yes	Yes	Member	-	-
Hans Ola Meyer	Member	-	2019	Yes	Yes	Chairman	-	-
Daniel Nodhäll	Member	-	2019	Yes	No	Member	Member	4,000
Martine Snels	Member	-	2019	Yes	Yes	-	Member	-
Carsten Voigtländer	Member	-	2019	Yes	Yes	-	-	-
Ulf Karlsson	Member*)	Yes*)	1999	-	-	-	-	-
Joachim Nord	Member*)	Yes*)	2016	-	-	-	-	110
Per Magnusson	Deputy*)	-	1995	-	-	-	-	-

*) Employee representative.

1) Own holdings and holdings of related persons and affiliated companies under the assumption that the separation of Electrolux Professional from Electrolux was completed with record date on February 28, 2020, i.e., refers to the shareholding in Electrolux as per the said date (and known changes thereafter). The board members' respective shareholding in Electrolux Professionals as per the first day of trading of the shares in Electrolux Professionals, which is estimated to be March 23, 2020, may differ from the shareholding presented herein.



Kai Wärn

Born 1959. Chairman of the Board of Directors and board member since 2019. Chairman of the Remuneration Committee.

Principal education and professional experience:

M.Sc. in Mechanical Engineering, KTH Royal Institute of Technology, Stockholm, Sweden. Operations Partner at IK Investment Partners Norden AB. President and CEO of Seco Tools AB. Various positions within ABB.

Other assignments: President and CEO as well as board member of Husqvarna AB¹⁾. Board member of AB Electrolux, Exandio Holding AB och Comparso AB.

Previous assignments/positions (past five years): -

Holding: 4,000 shares of Class B.

Independent in relation to the Company and the Executive Management Team as well as the Company's major shareholders.

1) Kai Wärn will step down from his position as President, CEO and board member of Husqvarna AB in connection with Husqvarna AB's annual general meeting to be held on April 2, 2020.



Katharine Clark

Born 1979. Board member since 2020.

Principal education and professional experience:

B.Sc. (Hons) Business Information Systems Management, Bournemouth University, United Kingdom. Professional Diploma in Marketing, Chartered Institute of Marketing, United Kingdom.

Other current assignments/positions:

VP EMEA, Global Smart Residential, UK and Managing Director, Yale EMEA, UK at Assa Abloy.

Previous assignments/positions (past five years): Business Unit Manager, Yale Scandinavia, Sweden at Assa Abloy.

Holding: -

Independent in relation to the Company and the Executive Management Team as well as the Company's major shareholders.



Lorna Donatone

Born 1957. Board member since 2019. Member of the Audit Committee

Principal education and professional experience: MBA, Texas Christian University, the United States. B.Sc. Tulane University, the United States. Various senior positions within the Sodexo Group.

Other current assignments/positions: Board member of National Restaurant Association Educational Foundation, United States.

Previous assignments/positions (past five years): Board member of Sodexo Foundation, Jamba Inc. and the Culinary Institute of America, United States. Board member emeriti National Restaurant Association, United States.

Holding: -

Independent in relation to the Company and the Executive Management Team as well as the Company's major shareholders.



Hans Ola Meyer

Born 1955. Board member since 2019. Chairman of the Audit Committee.

Principal education and professional experience: B.Sc. in Economics and Business Administration from Stockholm School of Economics, Sweden.

Other current assignments/positions: Senior Vice President Controlling and Finance at Atlas Copco AB. Board member of Upplands Motor Holding AB.

Previous assignments/positions (past five years): -

Holding: -

Independent in relation to the Company and the Executive Management Team as well as the Company's major shareholders.



Daniel Nodhäll

Born 1978. Board member since 2019. Member of the Remuneration Committee and the Audit Committee.

Principal education and professional experience: M.Sc. in Economics and Business Administration, Stockholm School of Economics, Sweden.

Other current assignments/positions: Head of Listed Companies at Investor AB. Board member of Husqvarna AB and Saab AB.

Previous assignments/positions (past five years): -

Holding: 4,000 shares of Class B.

Independent in relation to the Company and the Executive Management Team, but not in relation to the Company's major shareholders.



Martine Snels

Born 1969. Board member since 2019. Member of the Remuneration Committee

Principal education and professional experience: M.Sc. Agriculture, industrial engineering, Katholieke Universiteit Leuven campus Geel, Belgium. Studies in mathematics, Universiteit Antwerpen, Belgium. Advanced Finance, London Business School, England. Finance for non-financials, Singapore Institute of Management, Singapore. B2B Marketing, Vlerick Business School, Belgium.

Other current assignments/positions: Independent Non-Executive Director of Resilux.

Previous assignments/positions (past five years): Member of the Executive Board of GEA Group and various positions within FrieslandCampina, including Chief Operating Officer and Executive Director Ingredients.

Holding: -

Independent in relation to the Company and the Executive Management Team as well as the Company's major shareholders.



Carsten Voigtländer

Born 1963. Board member since 2019.

Principal education and professional experience: Degree in Mechanical Engineering, Technical University of Braunschweig, Germany. Doctoral Degree/Dr.-Ing., Process Engineering, Technical University of Braunschweig, Germany. Business Administration for Engineers, ESMT Berlin, Germany. Advanced Management Programme, INSEAD.

Other current assignments/positions: CEO and owner of Voigtländer Board Advisory. Vice Chairman of the Board of Directors of Saurer Intelligent Technology Ltd. Board member of Arbonia AG and BBC Group AG. Non-Executive Director of INNIO Group and Star Deutschland GmbH. Member of the Foundation Board of Friedhelm Loh Stiftung.

Previous assignments/positions (past five years): CEO of Vaillant Group.

Holding: -

Independent in relation to the Company and the Executive Management Team as well as the Company's major shareholders.



Ulf Carlsson

Born 1958. Board member since 1998. Employee representative of the Swedish Confederation of Trade Unions (LO).

Principal education and professional experience: Technical Engineer. Works full time with union-related questions on a local, regional, European and global level.

Other current assignments/positions: Board member (employee representative) of the Board of Directors of AB Electrolux.²⁾ Board member of Ljungbybostäder AB, Sparbanksstiftelsen Kronan i Syd Förvaltning AB and Ljungby Dacke 11 AB.

Previous assignments/positions (past five years): Board member of Idé & Resurscentrum i Ljungby AB.

Holding: -

Per Magnusson

Born 1964. Deputy board member since 1995. Deputy employee representative of the Swedish Confederation of Trade Unions (LO). Technical Engineer.

Principal education and professional experience: Technical Engineer. Welder, Electrolux. Engineering workshop experience, Electrolux.

Other current assignments/positions: -

Previous assignments/positions (past five years): -

Holding: -



Joachim Nord

Born 1966. Board member since 2019 (deputy board member 2016-2019). Employee representative of the council for negotiation and cooperation (PTK).

Principal education and professional experience: Technical Engineer. Field quality expert for Bought in Products (BIP), Electrolux Professional AB.

Other current assignments/positions: Deputy board member (employee representative) of the Board of Directors of AB Electrolux.³⁾

Previous assignments/positions (past five years): -

Holding: 110 shares of Class B.

2) Ulf Carlsson will resign from his position as board member (employee representative) of Electrolux in connection with the separation of Electrolux Professional

3) Joachim Nord will resign from his position as deputy board member (employee representative) of Electrolux in connection with the separation of Electrolux Professional.

Executive Management Team

Name	Position	Employed within Electrolux Professional since	Member of Electrolux Group Management since	Shareholding ¹⁾
Alberto Zanata	President and CEO	1989	2009	39,803
Fabio Zarpellon	CFO	1994	–	5,945
Jacob Broberg	SVP Investor Relations and Corporate Communication	2019	–	2,000
Marie Thérèse Chaabane	Chief Human Resources Officer (CHRO)	2000	–	7,878
Douglas Walker	SVP & GM APAC & MEA	2009	–	4,385
John Evans	SVP & GM Americas	2011 (also 2004–2007)	–	4,240
Philippe Zavattiero	SVP & GM Europe	2007 (also 1996–2001)	–	8,084
Torsten Urban	SVP Product & Marketing	2013	–	5,214
Paolo Schira	SVP Business Development	2006	–	7,331
Carlo M. Caroni	COO (Operations & R&D)	2014	–	10,972

1) Own holdings and holdings of related persons and affiliated companies under the assumption that the separation of Electrolux Professional from Electrolux was completed with record date on February 28, 2020, i.e., refers to the shareholding in Electrolux as per the said date (and known changes thereafter). The respective shareholding of the members of the Executive Management Team in Electrolux Professionals as per the first day of trading of the shares in Electrolux Professionals, which is estimated to be March 23, 2020, may differ from the shareholding presented herein.



Alberto Zanata

Born 1960. President and Chief Executive Officer since 2009.

Principal education and professional experience: University Master's degree in Electronic Engineering with Business Administration, Padua University, Italy. Head of Professional Products, Executive Vice President within the Electrolux Group.

Other current assignments/positions: –

Previous assignments/positions (past five years): –

Holding: 39,803 shares of Class B.



Jacob Broberg

Born 1964. SVP Investor Relations and Corporate Communication since 2019.

Principal education and professional experience: B.A., Political Science and Economics, Lund University, Sweden. SVP Corporate Communications and Investor Relations, Cloetta AB.

Other current assignments/positions: Board member of Sveriges Kommunikatörer AB.

Previous assignments/positions (past five years): –

Holding: 2,000 shares of Class B.



Fabio Zarpellon

Born 1967. CFO since 2009.

Principal education and professional experience: Degree, Business Administration, Ca' Foscari University of Venice, Italy. CFO of Professional Products within the Electrolux Group.

Other current assignments/positions: President, La Vela srl.

Previous assignments/positions (past five years): –

Holding: 5,945 shares of Class B



Marie Thérèse Chaabane⁴⁾

Born 1953. CHRO since 2019.

Principal education and professional experience: Degree in Economics, Paris University, France. Vice President Change Management and Human Resources within the Professional Products business area of the Electrolux Group.

Other current assignments/positions: –

Previous assignments/positions (past five years): –

Holding: 7,878 shares of Class B.



Douglas Walker

Born 1960. SVP & GM APAC & MEA since 2014.

Principal education and professional experience: Polymer Technology, Plastics and Polymer Engineering Technology, University of North London, England. Various senior positions within the Professional Products business area of the Electrolux Group, including SVP Commercial APAC and Head of Region UK.

Other current assignments/positions: -

Previous assignments/positions (past five years): -

Holding: 4,385 shares of Class B.



Torsten Urban

Born 1970. SVP Product & Marketing since 2019.

Principal education and professional experience: Business Management with focus on marketing, VWA Munich, Germany. Various senior positions within the Professional Products business area of the Electrolux Group, including SVP Product and Marketing and SVP Business Unit Food Service.

Other current assignments/positions: -

Previous assignments/positions (past five years): -

Holding: 5,214 shares of Class B.



John Evans

Born 1967. SVP & GM Americas since 2011.

Principal education and professional experience: B.A. in Mass Communications and Marketing, Kings College, Wilkes-Barre, PA, the United States. Head of the Americas within the Professional Products business area of the Electrolux Group.

Other current assignments/positions: -

Previous assignments/positions (past five years): -

Holding: 4,240 shares of Class B (and 100 ADRs).



Paolo Schira

Born 1975. SVP Business Development since 2019.

Principal education and professional experience: Master's Degree, Engineering, University of Trieste, Italy. Various senior positions within the Professional Products business area of the Electrolux Group, including SVP Business Development and Vice President Business Unit Laundry.

Other current assignments/positions: -

Previous assignments/positions (past five years): -

Holding: 7,331 shares of Class B.



Philippe Zavattiero

Born 1961. SVP & GM Europe since 2013.

Principal education and professional experience: Master's Degree of Engineer, National Institute Polytechnique of Grenoble, France. Master's degree ESSEC Business School Paris, France. SVP of the Commercial Organization Europe within the Professional Products business area of the Electrolux Group.

Other current assignments/positions: -

Previous assignments/positions (past five years): Board member of Institut Paul Bocuse, France.

Holding: 8,084 shares of Class B.



Carlo M. Caroni

Born 1968. COO (Operations & R&D) since 2014 (Operations) and 2019 (R&D), respectively.

Principal education and professional experience: Master university degree in Mechanical Engineering with Economics and Management, Politecnico di Torino, Italy. SVP Global Operations within the Professional Products business area of the Electrolux Group.

Other current assignments/positions: -

Previous assignments/positions (past five years): -

Holding: 10,972 shares of Class B.

Other information concerning the Board of Directors and the Executive Management Team

All members of the Board of Directors and the Executive Management Team can be reached through Electrolux Professional's address S:t Göransgatan 143, SE-112 17 Stockholm, Sweden.

There are no family relationships between any of the members of the Board of Directors and/or the Executive Management Team. No board member or senior executive has been convicted in any case involving fraudulence during the past five years. None of them have been involved in any bankruptcy, receiverships or liquidation during the past five years in the capacity of a member of administrative, management or supervisory bodies or a senior executive. No official public incrimination and/or sanctions have been issued by statutory or regulatory authorities (including designated professional bodies) during the past five years against any of the members of the Board of Directors or the Executive Management Team. Nor, during the past five years, has any member of the Board of Directors or the Executive Management Team been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of a company or from acting in the management or conduct of the affairs of any issuer.

No member of the Board of Directors or the Executive Management Team has any private interests or other duties which might conflict with their duties carried out on behalf of Electrolux Professional. However, as stated above, a number of the members of the Board of Directors and the Executive Management Team has a financial interest in Electrolux Professional through shareholdings.

Auditor

Deloitte AB (Rehngatan 17, SE-113 79 Stockholm) is Electrolux Professional's auditor since 2018. Deloitte AB was re-elected at the Annual General Meeting 2020 for the period up and including the Annual General Meeting 2021. The election of Deloitte AB in 2018 was preceded by a thorough procurement process within the Electrolux Group. Jan Berntsson, authorized public accountant and a member of FAR (the professional institute for authorized public accountants in Sweden), is auditor-in-charge. Deloitte AB has audited the Group's combined financial statements for the financial years 2019 and 2018 on p. F2-39 in "*Historical financial information*".

PricewaterhouseCoopers AB (Torsgatan 21, SE-113 97 Stockholm) was Electrolux Professional's auditor up and including the Annual General Meeting 2018, with Peter Nyllinge, authorized public accountant and a member of FAR, as auditor-in-charge. PricewaterhouseCoopers AB has audited the Group's combined financial statements for the financial year 2017 on p. F2-39 in "*Historical financial information*".

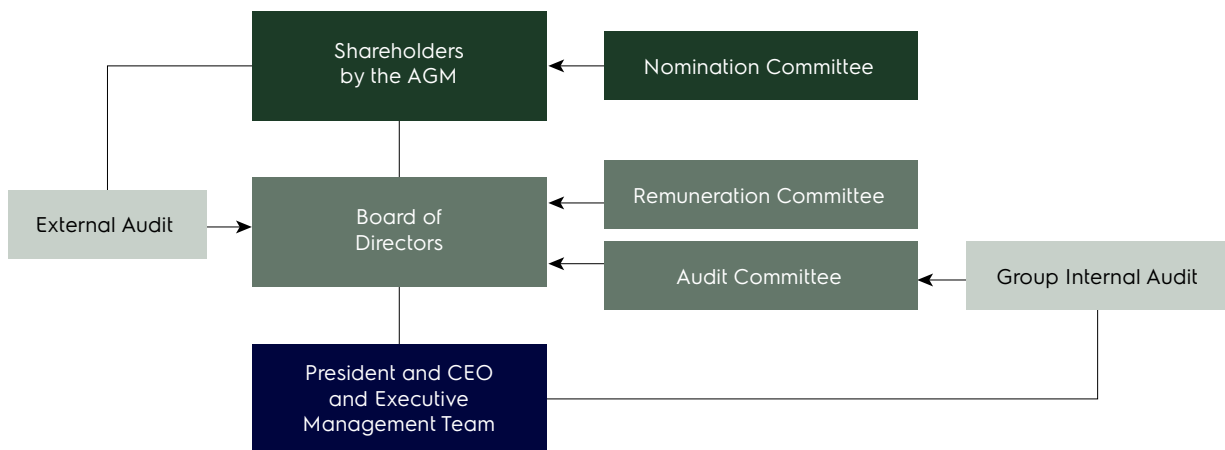
Corporate governance

Corporate governance within Electrolux Professional

The governance of Electrolux Professional is based on the Swedish Companies Act, Nasdaq Stockholm's Rule Book for Issuers and the Swedish Code of Corporate Governance (the "Code"), as well as other relevant Swedish and foreign laws and regulations. The Code is based on the "comply or explain" principle, meaning that

companies are not obliged to at all times apply every rule in the Code, but are allowed the freedom to choose alternative solutions which they feel are better in their particular circumstances, provided they report every deviation, describe the alternative solution and explain the reasons for the deviation. Electrolux Professional will apply the Code without any deviation as from the listing on Nasdaq Stockholm.

Corporate governance structure



General Meeting of shareholders

Pursuant to the Swedish Companies Act, the General Meeting is the supreme decision-making body in a Swedish limited liability company, and shareholders exercise their voting rights at such meetings. The Annual General Meetings of Electrolux Professional will be held annually before the end of June. In addition to the Annual General Meeting, Extraordinary General Meetings can be convened when required. The General Meetings of Electrolux Professional will be held in the municipality of Stockholm, where the Company's registered office is situated.

At the General Meeting, the shareholders of Electrolux Professional resolve on several matters, including confirmation of income statements and balance sheets, the disposition of the Company's profit or loss, discharge of liability for the members of the Board and the CEO, composition of the Nomination Committee, election of members of the Board (including the Chairman of the Board) and auditor, remuneration to the members of the Board and auditor as well as guidelines for remuneration to the CEO and other senior executives. The shareholders of Electrolux Professional also resolve on other matters that are important to the Company, for example any changes of the Articles of association, at the General Meeting.

Right to attend General Meetings

All shareholders who are directly recorded in the Company's share register maintained by Euroclear Sweden five weekdays (Saturdays included) prior to the General Meeting and who have notified the Company of their intention to participate in the General Meeting not later than the date indicated in the notice of the General Meeting, are entitled to attend the General Meeting and vote for the number of shares they hold.

In addition to notifying the Company, shareholders whose shares are nominee registered through a bank or other nominee must request that their shares are temporarily registered in their own names in the register of shareholders maintained by Euroclear Sweden, in order to be entitled to participate in the General Meeting. Shareholders should inform their nominees well in advance of the record date.

Shareholders may attend Electrolux Professional's General Meetings in person or by proxy and may be accompanied by a maximum of two assistants. It will normally be possible for shareholders to register for the General Meeting in several different ways, as indicated in the notice of the meeting.

Shareholder initiatives

Any shareholder of the Company who wishes to have a matter dealt with at an Annual General Meeting must submit a written request to the Board to that effect. The request must have been received by the Company not later than seven weeks prior to the Annual General Meeting or after such date, but in due time for the matter to be included in the notice of the Annual General Meeting.

Nomination Committee

Under the Code, a company listed on Nasdaq Stockholm shall have a Nomination Committee, the purpose of which is to make proposals to the Annual General Meeting in respect of the Chairman at General Meetings, elections of Board of Directors, Chairman of the Board and auditor, remuneration of each Board Member (divided between the Chairman of the Board and other Board Members, and remuneration for committee work), remuneration to the auditor, and to the extent deemed necessary, proposals for amendments to the instruction for the Nomination Committee. At the Extraordinary General Meeting held on December 5, 2019, the current instruction for the Nomination Committee was adopted to apply until further notice, provided that the Company is listed on Nasdaq Stockholm.

The Nomination Committee shall comprise five 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 Professional Board. The composition of the Nomination Committee shall be based on shareholder statistics from Euroclear Sweden 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 term of office of the Nomination, the composition of the Nomination Committee may be adjusted accordingly. Changes in the composition of the Nomination Committee shall be published as soon as any such changes have been made. The Company's Audit Committee shall assist the Nomination Committee in preparing proposals for auditors and the Nomination Committee's proposal shall include the Audit Committee's recommendation on the election of auditors. The Nomination Committee's proposals are publicly announced no later than on the date of notification of the AGM. Shareholders may submit proposals for nominees to the Nomination Committee.

Board of Directors

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

Composition and independence

The Electrolux Professional Board is comprised of seven members without deputies, who are elected by the AGM, and two members with one deputy, who are appointed by the Swedish employee organizations in accordance with Swedish labor law.

The AGM elects the Chairman of the Board. Directly after the AGM, the Board holds a meeting for formal constitution at which the members of the committees of the Board are elected, among

other things. The Chairman of the Board of Electrolux Professional is Kai Wärn. All current members of the Board are non-executive members.

According to the Code, a majority of the Board members appointed by the General Meeting must be independent in relation to the Company and its Executive Management Team. This does not apply for any employee representatives. To determine whether a member of the Board is independent, all circumstances should be considered that may put into question the independence of a member of the Board in relation to the Company or the Executive Management Team, for instance if the Board member was recently employed by the Company or an affiliated company. No more than one Board member elected by the General Meeting may be a member of the Executive Management Team of the Company or a subsidiary. At least two of the Board members that are independent in relation to the Company and the Executive Management Team must also be independent in relation to the major shareholders of the Company. To evaluate a Board member's independence, the extent of the Board member's direct or indirect relation to the larger shareholders should be taken into consideration. A major shareholder, according to the Code, is a shareholder that directly or indirectly controls 10 percent or more of the shares or votes in the Company.

The Board is considered to be in compliance with relevant requirements for independence. All Directors save for Daniel Nodhäll have been considered independent. Daniel Nodhäll has been considered independent in relation to the Company and the Executive Management Team, but not in relation to major shareholders of Electrolux Professional.

Responsibility and work

The duties of the Board of Directors are set forth in the Swedish Companies Act, the Company's Articles of association and the Code, the latter of which will be applicable for the Company as from the date of listing of the shares on Nasdaq Stockholm. In addition, the work of the Board of Directors is governed by instructions for the Board of Directors, adopted annually by the Board. The instructions for the Board of Directors govern, among other things, the division of work and responsibility between the Board of Directors, its Chairman and the CEO, and specify financial reporting procedures for the CEO. The Board of Directors also adopts instructions for the Board committees.

The Board of Directors is responsible for the organization of Electrolux Professional and the management of the Company's affairs. The Board of Directors' tasks include adopting strategies, targets, business plans, budgets, interim reports, year-end financial statements and policies. The Board of Directors is also required to monitor the Company's financial performance and ensure that the Company has good internal controls, including formalized routines to ensure that approved principles for financial reporting and internal controls are applied and that financial reports are produced in accordance with legislation, applicable accounting standards and other requirements for listed companies. Moreover, the Board of Directors is to ensure that there is a satisfactory process for monitoring the Company's compliance with laws and other regulations relevant to the operations, as well as the application of internal guidelines, and to evaluate the operations on the basis of the objectives and policies set by

the Board of Directors. The Board of Directors is also tasked with identifying how sustainability issues impact risks to and business opportunities for the Company, and defining appropriate guidelines to govern the Company's conduct in society with the aim of ensuring its long-term value creation capability. In addition, the Board of Directors is responsible for regularly evaluating the work of the CEO. Furthermore, the Board of Directors decides on major investments and changes in the organization and operations of the Group. The Chairman of the Board of Directors leads and organizes the work of the Board, ensures that the Board fulfils its tasks and ensures that the Board's decisions are implemented. The Chairman of the Board of Directors shall, together with the CEO, monitor the Company's performance and prepare and chair Board meetings. The Chairman is also responsible for ensuring that the Board Members evaluate their work each year and continuously receive the information necessary to effectively perform their tasks. The Chairman represents the Company in relation to its shareholders.

Board committees

According to the Swedish Companies Act and the Code, the Board of Directors shall institute an audit committee and a remuneration committee. The Company has established an Audit Committee and a Remuneration Committee. A majority of each Committee's members are independent in relation to the Company and its executive management. For the Audit Committee, at least one of the members who is independent in relation to the Company and its executive management team is also to be independent in relation to the Company's major shareholders.

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 continuously reported to the Board of Directors. 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.

Audit Committee

The main tasks of the Audit Committee are to oversee the process of Electrolux Professional financial reporting and internal control in order to secure the quality of the Group's external reporting. The Audit Committee is also tasked with supporting the Nomination

Committee with proposals when electing external auditors. The Audit Committee consists of the following three Board members: Hans Ola Meyer (Chairman), Lorna Donatone and Daniel Nodhäll. The external auditors report to the Committee at each ordinary meeting.

Remuneration Committee

One of the Remuneration Committee's primary tasks is to propose guidelines for the remuneration to the members of the Executive Management Team. 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 the Executive Management Team on proposal by the CEO. The Committee consists of the following three Board members: Kai Wörn (Chairman), Daniel Nodhäll and Martine Snels. At least two meetings are convened annually. Additional meetings are held as needed.

Compensation to the Board of Directors

The Annual General Meeting determines the compensation to the Board of Directors for a period of one year until the next AGM. The compensation is distributed between the Chairman, other members of the Board and remuneration for committee work.

The Annual General Meeting 2020 resolved that the board fees for the period up until the next Annual General Meeting should be SEK 1,500,000 to the Chairman of the Board of Directors and SEK 500,000 to each other Board member elected by the General Meeting. In addition, it was resolved that a fee of SEK 150,000 shall be paid to the Chairman of the Audit Committee and a fee of SEK 100,000 to each of the other committee members, while a fee of SEK 100,000 shall be paid to the Chairman of the Remuneration Committee and SEK 75,000 to each of the other committee members.

It was further resolved that fees shall be paid retroactively for the period from the election of each board member until the Annual General Meeting 2020, with a prorated amount of the board and committee fees stated above based on the time each board member had been part of the board and the respective committee. The table below shows the retroactive board and committee fees from the election of each board member until the Annual General Meeting 2020 (with a prorated amount of the board and committee fees based on the time each board member has been part of the board and the respective committee).

SEK	Function	Ordinary compensation	Compensation for committee work	Total compensation
Kai Wörn	Chairman	625,000	50,000	675,000
Katharine Clark	Member	41,667	-	41,667
Lorna Donatone	Member	166,667	25,000	191,667
Hans Ola Meyer	Member	208,333	62,500	270,833
Daniel Nodhäll	Member	208,333	58,333	266,667
Martine Snels	Member	125,000	18,750	143,750
Carsten Voigtländer	Member	125,000	-	125,000
Total compensation		1,500,000	214,583	1,714,583

CEO and the Executive Management Team

The Executive Management Team currently includes the CEO and nine other members. The CEO is appointed by, and receives instructions from, the Board. The CEO, in turn, appoints other members of the Executive Management Team and is responsible for the ongoing management of the Group in accordance with the Board's guidelines and instructions. The Executive Management Team holds monthly meetings to review the previous month's results, to update forecasts and plans and to discuss strategic issues.

Remuneration guidelines

The guidelines for remuneration and other terms of employment for the Electrolux Professional Executive Management Team have been approved at by the Annual General Meeting 2020. The Executive Management Team consists of the CEO and nine other members. The remuneration terms shall emphasize 'pay for performance' and vary with the performance of the individual and the Group. The total remuneration for the Executive Management Team shall be tied strongly to the position held, be in line with market practice and may comprise the following components: annual fixed compensation, variable compensation and other benefits such as pension and insurance. The following describes the various guidelines in determining the amount of remuneration:

- ▶ **Fixed compensation** shall be competitive relative to the relevant country market and reflect the scope of the job responsibilities. Fixed compensation consists of annual base salary and may, if locally stipulated by mandatory collective agreement provisions, also include a fixed non-competition component. Base salary levels shall be reviewed periodically (usually annually) to ensure continued competitiveness and to recognize individual performance.
- ▶ **Variable compensation** may be based on both short-term and long-term incentives. Following the 'pay for performance'

principle, variable compensation shall represent a significant portion of the total compensation opportunity for the Executive Management Team. Variable compensation shall always be measured against pre-defined targets and have a maximum above which no payout shall be made. Both short-term incentives and long-term incentives entitlement shall be dependent on job level and the variable compensation may amount to not more than 100 percent of the annual base salary.

- ▶ **Pensions and benefits** such as old age- and survivor's pension, disability benefits and healthcare benefits shall be designed to reflect home country practices and requirements. When possible, pension plans shall be based on defined contribution. In individual cases, depending on provisions in collective bargaining agreements, 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 consist of company car, housing and private health insurance.

The Board of Directors may temporarily resolve to deviate from the guidelines, in whole or in part, if in a specific case there is special cause for the deviation and a deviation is necessary to serve the Company's long-term interests, including its sustainability, or to ensure the Company's financial viability. Please also refer to "Note 26 - Employees and remuneration" on p. F37-38 in "Historical financial information".

Compensation to the Executive Management Team

The compensation to members of the Executive Management Team comprises fixed compensation, variable compensation, pension and other benefits. The table below presents information on estimated remuneration to be paid out by Electrolux Professional to the Executive Management Team in 2020.

SEK thousand	Fixed salary ¹⁾	Short-term variable salary ²⁾	Long-term variable salary ²⁾	Pension ³⁾	Other benefits ⁴⁾	Social security costs	Total
President and CEO	5,397	2,565	2,565	625	372	2,113	13,637
Other members of the Executive Management Team ³⁾	23,195	8,406	7,550	2,646	2,706	6,013	50,516
Total	28,592	10,971	10,115	3,271	3,078	8,126	64,153

* 9 persons.

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

2) Calculated as 50 percent of the maximum outcome.

3) The Executive Management Team's pension plans are defined contribution plans. There are consequently no amounts set aside or accrued to provide pension, retirement or similar benefits to the current Executive Management Team.

4) Certain members of the Executive Management Team are entitled to different benefits, e.g., company car and medical insurance.

Notice period and severance payment

The notice period for the President and CEO shall be twelve months if Electrolux Professional takes the initiative to terminate the employment, and six months if the President and CEO takes the initiative to terminate the employment. For other members of the Executive Management Team, the notice period shall be

between six to twelve months if Electrolux Professional takes the initiative to terminate the employment, and three to six months if the Executive Management Team member takes the initiative to terminate the employment. In individual cases, contractual severance pay may be approved in addition to the notice periods.

Long-term incentive programs

Electrolux share-based compensation 2017, 2018 and 2019

The members of the Electrolux Professional Executive Management Team, who held a senior management position within the Electrolux Group 2017–2019, have historically participated in Electrolux long-term performance share plans (“**LTI programs**”). Each of the 2017, 2018 and 2019 program covered 15 to 17 senior managers and key employees within Electrolux Professional. The LTI program for 2017 was settled in February 2020, which resulted in 66,393 Electrolux shares of Class B being allocated to Electrolux Professional employees. Due to the separation of Electrolux Professional from Electrolux, the LTI programs for 2018 and 2019 were, with respect to Electrolux Professional employees, settled in cash with an accelerated vesting. As a consequence, in total SEK 255,000 was paid out to employees in Electrolux Professional by Electrolux.

Long-term incentive program 2020

There is currently a long-term cash based incentive program for senior executives and key employees in place (“**LTI program 2020**”), comprising up to 25 participants. Subject to the fulfilment of certain predefined performance targets, participants in the program may be entitled to receive a cash award at the end of a three-year period. The measurement period for the fulfilment of the targets is one year. The performance targets are (i) Earnings per share; and (ii) Operating cash flow after investments. The Board of Directors will set maximum and minimum level for each of the performance targets (i) and (ii). If the maximum performance level is reached or exceeded, the cash award will amount to (and will not exceed) the maximum cash award that may be paid under the program. If performance is below the maximum level but exceeds the minimum level, a proportionate payment of the cash award will be made. No payment will be made if performance is at or below the minimum level. For any payment to be made, the participant must also, as a general rule, remain employed during the entire three-year period. The size of the maximum cash award is dependent on the participant’s position and may amount to a maximum of 100 percent of the annual base salary.

The participants are required to purchase shares for any cash award received under the program, net any income tax, and hold such shares for a period of two years. The purpose of the LTI program 2020 is thus for the participants to build up a shareholding in the Company in order to create a common interest between the participants and the shareholders of a good long-term development for Electrolux Professional.

The total estimated cost for the LTI program 2020 is SEK 15.5m¹⁾ (based on a maximum number of participants and that the performance level is at midpoint). The total estimated maximum cost for the LTI program 2020 is SEK 31m²⁾ (based on the maximum number of participants and maximum performance level (100 percent of the maximum)).

External auditors

The AGM in 2020 elected Deloitte AB as the Group’s external auditors for one year, until the AGM in 2021. Deloitte AB provides an audit opinion regarding Electrolux Professional, the financial statements of its subsidiaries, the consolidated financial statements for the Electrolux Professional Group and the administration of Electrolux Professional. 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, including issuance of audit opinions for the various legal entities.

Group Internal Audit

The Group Internal Audit function provides independent, objective assurance designed to add value and improve Electrolux Professional’s operations. Group Internal Audit is to assist Electrolux Professional in accomplishing its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of the organization’s governance, internal control and risk management processes.

Group Internal audit assignments are to be conducted according to a risk-based plan developed annually and approved by the Audit Committee. The audit plan is derived from an independent risk assessment conducted by Group Internal Audit to identify and evaluate risks associated with the execution of the Company’s strategy, operations and processes. The audits are to be executed using a methodology for evaluating the design and effectiveness of internal controls to ensure that risks are adequately addressed and processes are operating efficiently. Opportunities for improving the efficiency in the governance, internal control and risk management processes identified in the internal audits are reported to management for action. A summary of audit results is to be provided to the Audit Committee, as is the status of management’s implementation of agreed actions to address findings identified in the audits. The Head of Group Internal Audit reports administratively to the CEO and functionally to the Audit Committee.

Internal control over financial reporting

The processes for internal control, risk assessment, control activities, information and communication, and monitoring regarding the financial reporting are designed to ensure reliable overall financial reporting and external financial statements in accordance with IFRS, applicable laws and regulations and other requirements. This process involves the Board of Directors, the Audit Committee, the Executive Management Team and all employees.

1) Excluding social security costs. The contributions to social security cost will depend on the country of employment of the participants.

2) Excluding social security costs. The contributions to social security cost will depend on the country of employment of the participants.

The Board has overall responsibility for establishing an effective system of internal control. The Audit Committee regularly reviews and evaluates the adequacy of the internal control framework. It monitors control deficiencies identified within the Group's internal control environment and oversees implementation of action plans if applicable. The CEO and the Executive Management Team have the ultimate responsibility for internal controls within their areas of responsibility.

All entities within the Group must maintain adequate internal controls. As a minimum requirement, control activities should address key risks identified within the Group. Limits of responsibilities and authorities are given in the Delegation of Authority Policy, manuals, policies and procedures and codes, including the Code of Conduct, the Group Workplace Policy and the Group Anti-Corruption Policy, as well as in policies for information, finance and in the accounting manual. Together with laws and external regulations, these internal guidelines form the control environment and all Electrolux Professional employees are held accountable for compliance.

Risk assessment

Risk assessment is the assessment of risks in the various processes and data points that feed into the Company's financial reports. This 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 and potential fraud.

Control activities

Control activities aim at mitigating the risks identified and ensure accurate and reliable financial reporting as well as process efficiency. Control activities include ongoing evaluations, self-assessments and internal audit to ascertain whether the components of internal control are present and functioning.

Information and communication

Information and communication within the 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 manuals and policies are published and accessible through the Group-wide intranet.

Monitoring

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 three levels: Group, 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 and the self-assessment results. Internal Audit maintains test plans and performs independent testing of selected controls. Controls that have failed must be remediated, which means establishing and implementing actions to correct weaknesses. The Audit Committee reviews reports regarding internal control and processes for financial reporting. Internal Audit proactively proposes improvements to the control environment. The Head of Internal Audit has dual reporting lines: to the CEO and the Audit Committee for assurance activities, and to the CFO for other activities.

Share capital and ownership structure

Share information

According to Electrolux Professional's Articles of association, the share capital shall be not less than SEK 20,000,000 and not more than SEK 80,000,000, divided into not less than 200,000,000 shares and not more than 800,000,000 shares. There are two classes of shares issued in the Company, shares of Class A and shares of Class B. As of the date of this prospectus, the Company's registered share capital is SEK 28,739,745, represented by 287,397,450 shares whereof 8,192,539 shares of Class A and 279,204,911 shares of Class B, each with a quota value of SEK 0.1. For information regarding changes in the Company's share capital, see "*Share capital development*" below.

The shares in Electrolux Professional have been issued in accordance with Swedish law, are fully paid and denominated in SEK. The shares are not subject to any restrictions on transferability. The rights of the shareholders may only be changed pursuant to the procedures set out in the Swedish Companies Act or the Articles of association.

Certain rights attached to the shares

General meetings

Notice of General Meetings shall be published in the Swedish Official Gazette (Sw. *Post- och Inrikes Tidningar*) and on the Company's website. Simultaneously, an announcement with information that the notice has been issued shall be published in Svenska Dagbladet. To be entitled to participate in a General Meeting, the shareholder must be registered in the share register five weekdays prior to the meeting, and notify the Company of the participation not later than on the day specified in the notice of the meeting.

Voting rights

Each share of Class A carries one vote and each share of Class B carries one tenth of a vote at a General Meeting. Each shareholder is entitled to vote for the total number of shares held without limitation of the voting powers. See "*General Meeting*" in "*Corporate governance*" for further information about the General Meetings in Electrolux Professional.

Preferential rights to new shares, etc.

Should the Company decide to issue new Class A and Class B shares by way of a cash issue or a set-off issue, the holders of Class A and Class B shares shall have the priority right to subscribe for new shares of the same class in proportion to their existing shareholdings (primary preferential right). Shares not subscribed for by primary preferential right shall be offered to all shareholders (subsidiary preferential right). If the number of shares available for subscription is insufficient for the subscription made

under subsidiary preferential right, the shares shall be distributed among the subscribers in proportion to their previous shareholdings and, if this is not possible, by the drawing of lots.

Should the Company decide to issue new shares of only Class A or Class B by way of a cash issue or a set-off issue, all shareholders shall have preferential right to subscribe for the new shares in proportion to their previous shareholdings irrespective of whether they hold Class A or Class B shares.

Should the Company decide to issue warrants or convertible bonds by way of a cash issue or a set-off issue, all shareholders shall have preferential right to subscribe for warrants as if the issue concerned the shares that may be newly subscribed for pursuant to the warrant and, respectively, preferential right to subscribe for convertible bonds as if the issue concerned the shares that the convertible bonds may be converted into.

The above does not constitute any restriction in the possibility to resolve on a cash issue or a set-off issue deviating from the shareholders' preferential rights.

If the share capital is increased by way of a bonus issue, new shares of each class shall be issued in proportion to the previous number of shares of each class. Previous shares of a given class shall thereby entitle the holder to receive new shares of the same class. This shall not constitute any restriction in the possibility to issue new shares of a new class by way of a bonus issue, following the necessary amendments to the Articles of association.

Dilution as a consequence of any share capital increases

Any share capital increases, including through directed issues, will result in a diluted ownership for shareholders who, for whatever reason, are not entitled to or cannot participate in such an issue. Any such share capital increases dilute the stakes in Electrolux Professional's share capital and voting rights held by existing shareholders at that time.

Rights to dividends and surplus in the event of liquidation

Shares of Class A and Class B carry the same right to share in the Company's profit and any surplus in the event of liquidation.

Dividends are resolved upon by the General Meeting and the payment is administered by Euroclear Sweden. Dividends may only be paid if the Company, after such dividends, still has full coverage of its restricted equity and further to the extent that such dividends are justified taking into consideration (i) the demands with respect to size of shareholders' equity which are imposed by the nature, scope and risks associated with the operations; and (ii) the Company's and the Group's consolidation needs, liquidity and position in general (the so-called prudence rule). As a general

rule, the shareholders may not decide upon larger dividends than those proposed or approved by the Board of Directors. Dividends are normally paid to shareholders in cash on a per share basis, but may also be paid in kind.

On the record date established by the General Meeting, holders recorded as owners of shares in the register of shareholders maintained by Euroclear Sweden will be entitled to receive dividends. If a shareholder cannot be paid through Euroclear Sweden, such shareholder still retains its claim to the dividend amount, and the claim remains against the Company subject to a statutory limitation of 10 years. Should the claim become barred by the statute of limitations, the dividend amount is forfeited to Electrolux Professional. Neither the Swedish Companies Act nor Electrolux Professional's Articles of association contain any restrictions regarding dividend rights of shareholders outside Sweden. Subject to any restrictions imposed by banks or clearing systems in the relevant jurisdiction, payments to such shareholders are made in the same manner as for shareholders resident in Sweden. However, shareholders who are not tax resident in Sweden are normally subject to Swedish withholding tax. See "Tax considerations" for additional information.

Information on taxation

The tax legislation in the investor's home country and in Sweden may affect any income received from shares in Electrolux Professional.

The taxation of any dividend, as well as capital gains taxation and rules concerning capital losses in connection with disposal of securities, depends on the shareholder's particular circumstances. Special rules apply to certain categories of tax payers and certain types of investment forms. Each holder of shares should therefore consult a tax advisor for information on the specific implications that may arise in an individual case, including the applicability and effect of foreign tax rules and tax treaties.

Dividend history

No dividend has been paid to Electrolux by Electrolux Professional during the financial years 2017-2019.

For information on Electrolux Professional's dividend policy, please refer to "Financial targets and dividend policy" in "Business description".

Conversion clause

Holders of Class A shares shall have the right to require that Class A shares are converted to Class B shares. Request for conversion shall be made in writing to the Board of Directors of the Company. The request shall state the number of shares to be converted and, if the request does not involve the entire holding, which of these are intended for conversion. The Board shall at its regular meetings consider issues regarding received requests for conversion of Class A shares to Class B shares. However, the Board may, if the Board finds reasons therefore, consider matters regarding conversion also at other times than those stated above. The conversion shall be submitted for registration without delay. The conversion is effected once the registration is completed and it has been noted in the Central Securities Depository Register.

Share capital development

The table below shows the development of the Company's share capital since January 1, 2017.

Year	Event	Change in number of shares		Change in share capital, SEK	Total number of shares		Total number of shares	Total share capital, SEK	Quota value, SEK
		Class A shares	Class B shares		Class A shares	Class B shares			
Input value	-	-	-	-	25,000	-	25,000	25,000,000	1,000
2020	Bonus issue ¹⁾	8,167,539	279,204,911	3,739,745	8,192,539	279,204,911	287,397,450	28,739,745	0.1

1) On February 18, 2020, the Annual General Meeting resolved on a bonus issue. The purpose of the bonus issue was to increase the share capital as well as the number of shares to reflect the share capital structure of Electrolux ahead of the separation of Electrolux Professional from Electrolux.

Ownership structure

As of the date of this prospectus, Electrolux Professional is a wholly-owned subsidiary of Electrolux. The ownership structure in Electrolux Professional will initially be identical to that of Electrolux on the record date for proposed distribution.¹⁾ The table below

shows Electrolux Professional's ownership structure under the assumption that the distribution of shares in Electrolux Professional had been completed with February 28, 2020 as record date. As of that date, Electrolux had 52,360 shareholders.

Holder/nominee/custodian	Number of shares of Class A	Number of shares of Class B	Total number of shares	Shares, %	Votes, %
Investor	6,420,771	44,365,641	50,786,412	17.7	30.1
Swedbank Robur Funds	-	22,745,457	22,745,457	7.9	6.3
Alecta Pension Insurance	500,000	21,925,098	22,425,098	7.8	7.5
BlackRock, Inc.	-	14,396,070	14,396,070	5.0	4.0
Handelsbanken Funds	-	8,210,000	8,210,000	2.9	2.3
Nordea Funds	-	7,494,763	7,494,763	2.6	2.1
Vanguard	-	7,096,248	7,096,248	2.5	2.0
AMF Insurance & Funds	1,000,000	5,168,461	6,168,461	2.1	4.2
Fiduciary Management, Inc. of Milwaukee	-	6,092,750	6,092,750	2.1	1.7
Carnegie Funds	-	4,771,124	4,771,124	1.7	1.3
Total ten largest shareholders	7,920,771	142,265,612	150,186,383	52.3	61.3
Other shareholders	271,768	136,939,299	137,211,067	47.7	38.7
Total	8,192,539	279,204,911	287,397,450	100.0	100.0

Source: Modular Finance and Euroclear Sweden.

In Sweden, the lowest limit for disclosure of holdings (*Sw. flaggning*) is five percent of all shares or the voting rights of all shares.

Investor can exercise significant influence over the Company in matters where the shareholders have a voting right. Due to its shareholding, Investor may vote through several proposals at a general meeting, even if other shareholders do not agree with the proposal. Investor's control is, however, limited in accordance with the rules set out in the Swedish Companies Act on minority protection.

Listing application

The Board of Directors of Electrolux Professional has applied for the listing of the Company's shares of Class A and Class B, respectively, on Nasdaq Stockholm. Nasdaq Stockholm's listing committee decided on March 5, 2020 to approve Electrolux Professional's application of admission of the Company's shares to trading on Nasdaq Stockholm provided that certain customary conditions are fulfilled. The first day of trading is expected to be March 23, 2020.

Central securities depository

The Company's shares are book-entry registered in a securities register in accordance with the Swedish Central Securities Depository and Financial Instruments Accounts Act (*Sw. lagen (1998:1479) om värdepapperscentraler och kontoföring av finansiella instrument*). The register is operated by Euroclear Sweden (Euroclear Sweden AB, P.O. Box 191, SE-101 23 Stockholm, Sweden). The shares are registered on person. No share certificates have been issued for the shares or will be issued for the new shares. The ISIN code for the shares of Class A and Class B is SE0013720018 and SE0013747870, respectively.

1) Excluding treasury shares. As of February 28, 2020, Electrolux held 21,522,858 treasury shares of Class B which do not entitle to shares in Electrolux Professional.

2) Under the assumption that the distribution of shares in Electrolux Professional had been completed with February 28, 2020 as record date, since the treasury shares held by Electrolux do not entitle to shares in Electrolux Professional, Investor will hold 17.7 percent of the shares and 30.1 percent of the votes in Electrolux Professional, compared to 16.4 percent of the shares and 28.4 percent of the votes in Electrolux before the distribution. The fact that Investor will hold shares representing more than 30 percent of voting the rights in Electrolux Professional solely as a consequence of a separation under the "Lex Asea" rules (and not as a consequence of an acquisition) does not trigger any mandatory bid requirement.

Shareholders' agreements, etc.

To the Board of Directors' knowledge, there are no shareholders' agreement or other agreements between shareholders in the Company intended to exercise joint control of the Company. Nor is the Board of Directors aware of any agreements which may result in a change to the control of the Company.

Information about public takeover bids and redemption of minority shares

Under the Swedish Stock Market (Takeover Bids) Act (*Sw. lagen (2006:451) om offentliga uppköpserbudanden på aktiemarknaden*), any person who does not hold any shares, or hold shares representing less than 30 percent of the voting rights in a Swedish limited liability company whose shares are admitted to trading on a regulated market, and who through the acquisition of shares in such a company, alone or together with a closely related party, holds shares representing 30 percent or more of the voting rights, is obliged to immediately disclose the size of its holding in the company and, within four weeks thereafter, make an offer to acquire the remaining shares in the company (mandatory bid requirement).²⁾

A shareholder who directly, or through a subsidiary, holds more than 90 percent of the shares in a Swedish limited liability company is entitled to redeem the remaining shares in the company. Holders of the remaining shares are, correspondingly, entitled to have their shares redeemed by the majority shareholder. The procedure for such redemption of minority shares is regulated in the Swedish Companies Act.

Legal considerations and supplementary information

Information about the prospectus

This prospectus has been approved by the SFSA (Sw. *Finansinspektionen*) as competent authority under the Prospectus Regulation (EU) 2017/1129. The SFSA only approves this prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. Such approval should not be considered as an endorsement of the issuer or of the quality of the securities that are the subject of this prospectus. Investors should make their own assessment as to the suitability of investing in the securities.

This prospectus is valid for twelve months after the date of the approval of the prospectus. The obligation to supplement this prospectus in the event of significant new factors, material mistakes or material inaccuracies does not apply once the shares in Electrolux Professional have been admitted to trading on Nasdaq Stockholm.

General corporate and group information

The legal name of the Company (and its commercial name) is Electrolux Professional AB (publ). Electrolux Professional's Swedish corporate ID No. is 556003-0354 and the registered

office of the Board of Directors is situated in Stockholm, Sweden. The Company was incorporated in Sweden on June 6, 1898, and registered with the Swedish Companies Registration Office on August 8, 1898. The Company is a Swedish public limited liability company (Sw. *publikt aktiebolag*) governed by the Swedish Companies Act. Electrolux Professional's LEI code is 254900K162Q46ZWD8084. The address to Electrolux Professional's website is www.electroluxprofessional.com. The information on the website is not a part of this prospectus.

According to section 3 in the Articles of association, the object of the Company's business is to carry on manufacturing and sales of machinery and accessories, mainly intended for washing, food and beverage preparation, and other business activities compatible therewith.

Group structure and subsidiaries

Electrolux Professional is the ultimate parent company of the Group, which comprises approximately 50 legal entities in approximately 30 countries. The table below shows the most significant Group companies. Electrolux Professional does not hold shares in any associated companies.

Subsidiary	Country	Shares and voting rights, %
Electrolux Professional BV	Belgium	100
Electrolux (Shanghai) Professional Appliances Co., Ltd.	China	100
Electrolux Professional A/S	Denmark	100
Electrolux Professional Oy	Finland	100
Electrolux Professional SAS	France	100
Unic SAS	France	100
Electrolux Professional GmbH	Germany	100
Schneidereit GmbH	Germany	100
Electrolux Professional S.p.A.	Italy	100
S.P.M. Drink Systems S.p.A.	Italy	100
Electrolux Professional (Japan) Ltd.	Japan	100
Electrolux Professional Slovakia s.r.o.	Slovakia	100
Electrolux Professional S.A.	Spain	100
Electrolux Professional AG	Switzerland	100
Electrolux Professional (Thailand) Co., Ltd.	Thailand	100
Crathco Ltd	Thailand	100
Electrolux Professional Ltd.	United Kingdom	100
Electrolux Professional LLC	United States	100
Grindmaster Corporation	United States	100

The spin-off from Electrolux

Background

Electrolux Professional's operations were previously conducted largely as an operationally independent business, but has been legally integrated within Electrolux and has shared certain group

functions such as, financing, HR and treasury with Electrolux. Prior to the distribution of Electrolux Professional, the Electrolux Professional Group's operations have in essence been separated from the other operations conducted by Electrolux. The starting point for the separation is that Electrolux is responsible for the operations related to the consumer business (and residual operations)

and that Electrolux Professional is responsible for the operations related to the Professional Products business area.

To create a legally separated group, Electrolux Professional and Electrolux have during 2019 entered into a series of corporate restructuring transactions whereby, as a general principle, the entities, assets, employees, liabilities and operations relating to the Professional Products business area have been consolidated into the Electrolux Professional Group (the “**Local Separation Transactions**”).

The decision to separate Electrolux Professional from Electrolux through a distribution to the shareholders of Electrolux was adopted by Electrolux Extraordinary General Meeting on February 21, 2020. For further information regarding the distribution of Electrolux Professional, see “*Information regarding the distribution of Electrolux Professional*”.

Master Separation Agreement

Electrolux and Electrolux Professional have entered into a master separation agreement (the “**Master Separation Agreement**”) governing certain main separation principles and a general allocation of liability between the Electrolux Professional Group and the Electrolux Group. According to the Master Separation Agreement, Electrolux Professional shall, as a general rule, indemnify the Electrolux Group for any liability or loss caused by or relating to the operations within the Professional Products business area, regardless of when and in what legal entity such liability occurred. Relevant members of the Electrolux Group shall, conversely, as a general rule, indemnify Electrolux Professional for any liability or loss caused by or relating to the consumer products business or any other residual business conducted by the Electrolux Group prior to the first day of trading in Electrolux Professional’s shares on Nasdaq Stockholm, regardless of when and in what legal entity such liability occurred.

Local Separation Agreements

The Local Separation Transactions are governed by certain local transfer agreements (jointly, the “**Local Separation Agreements**”), consisting of two main categories: (i) share transfer agreements for the transfer of shares in certain wholly-owned subsidiaries, where the relevant subsidiary was already conducting only Professional Product business; and (ii) asset transfer agreements for the transfer and assignment of certain assets and liabilities related to the Professional Products business held by entities within the Electrolux Group conducting both Professional Products business and consumer products business. All assets and shares were, as a main rule, transferred “as is” without the sellers giving any representations or warranties.

IT service agreements

Electrolux and Electrolux Professional have entered into a transitional service agreement to which Electrolux has agreed to provide certain IT services to Electrolux Professional pending the establishment of Electrolux Professional’s own independent capacity. The IT services will be provided by Electrolux to Electrolux Professional until March 31, 2021 at the latest.

Intellectual property rights

Electrolux has transferred certain intellectual property rights relating to the Professional Product business to Electrolux Profes-

sional pursuant to an intellectual property transfer agreement. The “Electrolux” component of the Electrolux brand and trademark (to be used exclusively in combination with “Professional”, i.e. “Electrolux Professional”) and the “Zanussi” brand and trademark will remain under the ownership of Electrolux, but will be licensed from Electrolux to Electrolux Professional pursuant to a license granted to Electrolux Professional under a trademark license agreement. The trademark license agreement has an initial term of 50 years that is automatically extended with consecutive 10 year periods, on two occasions, unless terminated two years in advance by either party. For the first 15 years of the term, the licenses will be royalty-free. Thereafter, Electrolux Professional shall pay a royalty for the licenses amounting to 0.1 percent of the net sales of licensed products and services, subject to more detailed calculation principles set forth in the agreement.

The trademark license agreement is subject to a change of control clause, which gives Electrolux a right to terminate the agreement or any licenses therein, with immediate effect, in the event that Electrolux Professional is subject to change of control. Such change of control is deemed to occur if, for example, any sale or transfer of the ownership of a controlling interest or majority stake in Electrolux Professional (or a parent company), to another entity which has a substantial consumer appliances business (meaning a consumer appliance business with an annual sales revenue of more than SEK 10bn in the first twelve month period of the term of the agreement, and thereafter increasing annually in line with the Swedish Consumer Price Index (*Sw. konsumentprisindex*)), decided in Electrolux sole reasonable discretion.

Technology Cooperation Framework Agreement

Electrolux and Electrolux Professional has entered into a technology cooperation framework agreement (the “**Technology Cooperation Framework Agreement**”), whereby the parties have: (i) cross-licensed certain existing technology; (ii) established a technology forum to discuss new developed technology and synergies; and (iii) provided a framework for the parties to collaborate on development activities. The agreement is intended to remain in force until the tenth anniversary of the date of the separation of Electrolux Professional from Electrolux and shall automatically extend for five years, on two consecutive occasions, unless terminated in advance by either party before each such extension. The agreement can be terminated for convenience by either party with six months’ notice.

Moreover, the parties may agree to pursue projects relating to certain items or areas of technology discussed in the technology forum established under the agreement. The projects can, for example, involve R&D services between the parties. Each project will be subject to a separate project agreement to be negotiated and agreed in accordance with the Technology Cooperation Framework Agreement.

Pension liabilities

In most countries, Electrolux Professional already had pension schemes that were separate from Electrolux prior to the separation. A few countries, however, had pension structures in place which were connected to Electrolux. As a general rule and where relevant, the responsibilities and assets for Electrolux Professional related to defined benefit pension schemes have been transferred to Electrolux Professional.

Insurance

Electrolux and Electrolux Professional have entered into a master insurance agreement regarding the insurance coverage for the two groups from the first day of trading of Electrolux Professional's shares on Nasdaq Stockholm. Pursuant to the master insurance agreement, it has been agreed that any liability for historical events having occurred before the first day of trading in Electrolux Professional's shares on Nasdaq Stockholm (also relating to the Professional Products business) shall be retained by the Electrolux captive insurance companies and thus retained within the Electrolux group.

Material agreements

Presented below is a summary of material agreements entered into by Electrolux Professional during the past two years as well as other agreements entered into by Electrolux Professional which contain any obligation or entitlement that is material to Electrolux Professional (in both cases excluding agreements entered into in the ordinary course of business).

Please also refer to the agreements described in "The spin-off from Electrolux" above.

Acquisitions

In the financial years 2017–2019, Electrolux Professional has carried out acquisitions of Unic SAS, Schneiderei GmbH, SPM Drink Systems and Grindmaster-Cecilware. See "Acquisitions" in "Operational and financial review".

Credit agreements

See "Credit facilities and loans" in "Operational and financial review".

Legal and arbitration proceedings

Electrolux Professionals conducts operations in several countries and from time to time, the Group is subject to disputes, claims and administrative proceedings in the ordinary course of business.

Other than as set out below, during the past 12 months, the Group has not been part to any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which Electrolux Professional is aware) which are deemed may have, or have had in the recent past, significant effects on the Group's financial position or profitability.

Dispute with Italian supplier

On January 21, 2020, a supplier filed a lawsuit in Italy against Electrolux Professional claiming EUR 11.3m (approximately SEK 118m). The claimed amount covers alleged damages related to purchase volumes and pricing during the contractual period and compensation for costs resulting from allegedly wrongful termination of the supply agreement. Electrolux Professional rejects the claim, but it cannot be ruled out that the final outcome could have a significant impact on Electrolux Professional's operating income and cash flow.

Please also refer to "Electrolux Professional is exposed to risks related to legal disputes and administrative proceedings" in "Risk factors".

Related-party transactions

The below table shows transactions between Electrolux Professional and Electrolux during the financial years 2017–2019.

SEKm	2019	2018	2017
To/from Electrolux Group			
Net sales of goods	-	-	-
Purchases of goods	-50	-54	-46
Interest income	9	3	2
Interest expense	-17	-5	-3
Total	-58	-56	-47
Short-term financial receivables			
Cash pool account	-	788	915
Long-term borrowings			
Long-term loans	-	38	10
Trade payables			
Trade payables	121	124	84
Other liabilities			
Other financial liabilities	234	208	232
Other short-term operating liabilities	4	-	-
Accrued expenses and pre-paid income	23	11	7
Derivatives	1	2	-1
Short-term loans			
Short-term loans	990	94	84

No related-party transactions have occurred after December 31, 2019, which, as a single transaction or in their entirety, are material to Electrolux Professional.

For information on remuneration to the members of the Board of Directors and the Executive Management Team, see "Board of Directors, Executive Management Team and auditor". See "Note 28 – Transactions with related parties" on p. F39 in "Historical financial information" for a description of the Group's transactions with related parties during the financial years 2017–2019.

Advisors, etc.

Morgan Stanley provides financial advice to Electrolux Professional in conjunction with the distribution and the listing on Nasdaq Stockholm. From time to time, Morgan Stanley (and its affiliates) has in the ordinary course of business provided, and may in the future provide, various banking, financial, investment, commercial and other services to Electrolux Professional for which they have received, and may receive, compensation.

Mannheimer Swartling Advokatbyrå is Electrolux Professional's legal advisor as to Swedish law, and Davis Polk & Wardwell is Electrolux Professional's legal advisor as to U.S. law in relation to the distribution and the listing of its shares on Nasdaq Stockholm.

Documents on display

Electrolux Professional's Articles of association and Certification of Registration are available in electronic form on the Company's website (www.electroluxprofessional.com/corporate).

Tax considerations

The following is a general description of certain tax considerations relating to the distribution of shares in Electrolux Professional to the shareholders of Electrolux. It does not purport to be a complete analysis of all tax considerations, neither in Sweden, the United States or elsewhere. The tax treatment of each individual shareholder depends on the shareholder's particular circumstances and the tax laws in the country where the shareholder is resident for tax purposes. Each shareholder should therefore consult its own tax adviser with regard to the specific tax consequences that may arise in the individual case. This summary is based upon the laws and regulations in effect as of the date of this prospectus and does not consider changes in laws or regulations effective, sometimes with retroactive effect, after such date.

Certain tax considerations in Sweden

The following is a summary of certain Swedish tax consequences that may arise from the distribution of shares in Electrolux Professional to shareholders of Electrolux. The summary is based on current legislation and only provide general information applicable to individuals and limited liability companies (Sw. aktiebolag) resident in Sweden for tax purposes, unless otherwise stated. The summary does not cover: (i) shares held by partnerships or as current assets in business operations (Sw. lagertillgångar); (ii) the specific rules concerning tax-exempt capital gains (including non-deductibility for capital losses) and dividends in the corporate sector in case shares are deemed to be held for business reasons under the Swedish participation exemption regime (Sw. näringsbetingade andelar); (iii) shares that are held in an investment savings account (Sw. investeringssparkonto,) or endowment insurance (Sw. kapitalförsäkring), which are both subject to notional taxation; or (iv) special tax rules applicable to certain investors (e.g. investment funds and insurance companies). The tax consequences for each individual shareholder will ultimately depend on the holder's particular circumstances. Each shareholder should therefore consult a tax adviser regarding the specific tax consequences that may arise in the individual case, including (but not limited to) the applicability and effect of foreign tax rules and tax treaties.

Individuals

Taxation of the distribution of Electrolux Professional

It is expected that the distribution of the shares in Electrolux Professional will fulfill the requirements set out in the "Lex Asea" rules. The distribution of Electrolux Professional's shares to Electrolux shareholders will therefore not trigger any immediate taxation. Shareholders in Electrolux entitled to participate in the distribution will have the tax basis in their Electrolux shares allocated among these shares and the shares received in Electrolux Professional. The allocation of the tax basis will be based on the change in value of the Electrolux shares due to the distribution of the shares in Electrolux Professional. Electrolux will request general guidelines from the Swedish Tax Agency (Sw. Skatteverket) concerning how this tax basis should be allocated and these guidelines will be published on the websites of Electrolux, Electrolux Professional and the Swedish Tax Agency as soon as possible.

Taxation of dividends with regard to Electrolux Professional shares

Dividend distributions pertaining to listed shares are taxed as capital income at a rate of 30 percent. A preliminary tax of 30 percent is withheld on dividends distributed to individuals tax resident

in Sweden. The preliminary tax is withheld by Euroclear Sweden or, in respect of nominee registered shares, by the Swedish nominee.

Capital gains taxation upon disposal of Electrolux Professional shares

A sale or other disposal of listed shares will result in a taxable capital gain or a deductible capital loss. Capital gains are taxed as capital income at a rate of 30 percent. The capital gain or loss is generally calculated as the difference between the sales proceeds, reduced by sales costs, and the tax basis. The tax basis for all shares of the same class and type is calculated together in accordance with the "average cost method" (Sw. *genomsnittsmetoden*). Alternatively, upon the sale of listed shares, the tax basis may be determined as 20 percent of the sales proceeds, after deducting sales costs, under the "standard method" (Sw. *schablonmetoden*). The acquisition cost, and thus the tax basis, for the shares received in Electrolux Professional through the distribution from Electrolux is calculated based on the general guidelines received from the Swedish Tax Agency (see "Taxation of the distribution of Electrolux Professional" above).

Capital losses can be fully offset against taxable capital gains on listed and non-listed shares and other listed equity-related securities with the exception of units in securities funds or special

funds that consist solely of Swedish receivables (Sw. *räntefonder*). Capital losses not absorbed by these set-off rules are deductible at 70 percent in the capital income category. If there is a net loss in the capital income category, a tax reduction is allowed against municipal and national income tax, as well as against real estate tax and municipal real estate charges. This tax reduction is granted at 30 percent of the net loss that does not exceed SEK 100,000 and at 21 percent of any remaining net loss. An excess net loss cannot be carried forward.

Limited liability companies

Taxation of the distribution of Electrolux Professional shares

Since it is expected that the distribution of the shares in Electrolux Professional will fulfill the requirements set out in the "Lex Asea" rules the distribution will not give rise to any immediate taxation. Please refer to the corresponding section regarding individuals for the determination of tax basis in the Electrolux Professional shares.

Taxation of dividends and capital gains with regard to Electrolux Professional shares

For Swedish limited liability companies, all income, including taxable capital gains and dividends, is taxed as business income at a rate of 21.4 percent for financial years commencing after December 31, 2018, and to 20.6 percent for financial years commencing after December 31, 2020. Capital gains and capital losses are calculated in the same manner as described above for individuals. Deductible capital losses on shares or other equity-related securities may only be deducted against taxable capital gains on such securities. Under certain circumstances, such capital losses may also be offset against capital gains in another company in the same group, provided that the requirements for group consolidation (Sw. *koncernbidragsrätt*) are met. A capital loss that cannot be utilized during a given income year may be carried forward indefinitely and offset against taxable capital gains on shares and other equity-related securities during future income years.

Specific tax considerations for shareholders who are not tax residents in Sweden

Withholding tax on dividends

Since it is expected that the distribution of the shares in Electrolux Professional will fulfill the requirements set out in the "Lex Asea" rules no Swedish withholding tax will be levied on the distribution.

Future dividend distributions received from Electrolux Professional will generally be subject to Swedish withholding tax. The withholding tax rate is 30 percent but it is often reduced for shareholders who are tax resident in countries with which Sweden has entered into a tax treaty. In Sweden, Euroclear Sweden or, for nominee registered shares, the nominee, carries out the withholding.

In the event that 30 percent withholding tax is deducted from a payment to a person entitled to be taxed at a lower rate, or if too much withholding tax has otherwise been withheld, a refund can be claimed from the Swedish Tax Agency prior to the expiry of the fifth calendar year following the dividend distribution.

Capital gains taxation upon disposal of Electrolux Professional shares

Shareholders who are not tax residents in Sweden and whose shareholding is not attributable to a permanent establishment in Sweden, are generally not subject to capital gains taxation in Sweden upon the disposal of shares. The shareholder may, however, be subject to taxation in their country of residence. Under a specific tax rule, individuals who are not tax residents in Sweden may, however, be subject to tax in Sweden on the sale of shares if they have been resident or lived permanently in Sweden at any time during the calendar year of such disposal or during any of the previous ten calendar years. The application of this rule may be limited by tax treaties between Sweden and other countries.

Certain U.S. federal income tax considerations

The distribution of Electrolux Professional's shares could be a taxable transaction for Electrolux U.S. shareholders. Electrolux and Electrolux Professional intend to take the position that the distribution by Electrolux of Electrolux Professional's shares (the "Distribution") qualifies under Section 355 of the Internal Revenue Code of 1986, as amended (the "U.S. Internal Revenue Code") as a tax-free transaction for U.S. federal income tax purposes. If contrary to Electrolux and Electrolux Professional's position, the Distribution does not qualify under Section 355 of the U.S. Internal Revenue Code, then a U.S. Holder (defined below) Electrolux shares generally would be treated as receiving a taxable dividend, a tax-free return of basis, and/or a taxable gain in an amount equal to the fair market value of the Electrolux Professional shares at the time of distribution (as determined in USD) for U.S. federal income tax purposes.

THIS SUMMARY OF U.S. FEDERAL INCOME TAX CONSEQUENCES IS FOR GENERAL INFORMATION ONLY. U.S. HOLDERS SHOULD CONSULT THEIR TAX ADVISORS AS TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF ACQUIRING, OWNING AND DISPOSING OF ELECTROLUX PROFESSIONAL'S SHARES, INCLUDING THEIR ELIGIBILITY FOR THE BENEFITS OF THE TREATY (DEFINED BELOW), THE APPLICABILITY AND EFFECT OF STATE, LOCAL, NON-U.S. AND OTHER TAX LAWS AND POSSIBLE CHANGES IN TAX LAW.

Tax consequences of the Distribution

Distribution of Electrolux Professional's shares

Electrolux and Electrolux Professional intend to take the position that the Distribution qualifies under Section 355 of the U.S. Internal Revenue Code as a tax-free transaction for U.S. federal income tax purposes. To qualify under section 355, several requirements must be satisfied, including requirements that relate to the business reasons for engaging in the Distribution, the conduct of certain business activities by Electrolux and Electrolux Professional, and certain plans or intentions of Electrolux and Electrolux Professional following the Distribution. U.S. Holders should be aware that neither Electrolux nor Electrolux Professional has requested or intends to request an opinion of counsel or a ruling from the U.S. Internal Revenue Services (the "IRS") with respect to the U.S. federal income tax treatment of the Distribution or any of the statements or conclusions expressed herein. There can be

no assurance that the IRS will not take a contrary position to the views expressed herein or that a court in the event of litigation will not agree with a position of the IRS.

If the Distribution qualifies under Section 355 of the U.S. Internal Revenue Code, a U.S. Holder of Electrolux shares generally have the following tax consequences:

- ▶ Such U.S. Holder recognizes no gain or loss, and have no income, upon the receipt of Electrolux Professional shares in the Distribution;
- ▶ the aggregate tax basis of the Electrolux shares and the Electrolux Professional shares held by each U.S. Holder immediately after the distribution is expected to be the same as the aggregate tax basis of the Electrolux shares held by the U.S. Holder immediately before the Distribution, allocated between the Electrolux shares and the Electrolux Professional shares, in proportion to their relative fair market values at the time of the Distribution; and
- ▶ such U.S. Holder's holding period in its Electrolux Professional shares includes such holder's holding period in its Electrolux shares on which the Distribution was made.

U.S. Holders that acquired different blocks of Electrolux shares at different times or at different prices should consult their tax advisors regarding the allocation of their aggregate adjusted basis among, and their holding period in, shares of Electrolux Professional distributed with respect to such blocks of Electrolux shares.

If contrary to Electrolux and Electrolux Professional's position, the Distribution does not qualify under section 355, the Distribution would be treated as a taxable distribution of Electrolux Professional's shares to U.S. Holders of Electrolux shares. The amount of the distribution would be the fair market value of Electrolux Professional's shares at the time of the Distribution (as determined in USD), and this amount would be treated as a dividend to U.S. Holders to the extent of Electrolux current or accumulated earnings and profits (as determined for U.S. federal income tax purposes). The amount of the distribution in excess of Electrolux current and accumulated earnings and profits will be treated as a non-taxable return of capital to the extent of the U.S. Holder's basis in its Electrolux shares and thereafter as capital gain. As a non-U.S. corporation, Electrolux does not maintain calculations of its earnings and profits for U.S. federal income tax purposes. Thus, if the Distribution is a taxable distribution, U.S. Holders therefore should assume that their receipt of Electrolux Professional's shares pursuant to the Distribution will be reported as ordinary dividend income. A U.S. Holder would have a tax basis in the Electrolux Professional shares equal to the fair market value of the Electrolux Professional shares at the time of the Distribution (as determined in USD). U.S. Holders are urged to consult their own tax advisors with respect to the appropriate U.S. federal income tax treatment of their receipt of Electrolux Professional's shares pursuant to the Distribution. In particular, certain shareholders may qualify for benefits under the Convention Between the Government of the United States of America and the Government of Sweden for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income, entered into force on January 1, 1996 (the "**Treaty**"), and/or tax credits in the United States.; however, such qualifications will depend on the facts of each shareholder.

As used in this discussion, the term "**U.S. Holder**" means a beneficial owner of Electrolux shares or Electrolux Professional's shares, as applicable, that is, for U.S. federal income tax purposes: (i) an individual citizen or resident of the United States; (ii) a corporation, or other entity treated as a corporation, that is created or organized in or under the laws of the United States, any State thereof or the District of Columbia; (iii) an estate the income of which is subject to U.S. federal income tax regardless of its source; or (iv) a trust if (A) a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust; or (B) in the case of a trust that was in existence on August 20, 1996, the trust has a valid election in effect under applicable Treasury Regulations. The U.S. federal income tax treatment of a partner in an entity or arrangement treated as a partnership for U.S. federal income tax purposes that holds Electrolux shares, or that will hold Electrolux Professional's shares, will depend on the status of the partner and the activities of the partnership. Partnerships holding Electrolux shares or that will hold Electrolux Professional's shares, and partners in such partnerships should consult their tax advisors concerning the U.S. federal income tax consequences to them and their partners of the acquisition, ownership and disposition of Electrolux Professional's shares.

Tax return requirements

Each U.S. Holder that immediately before the Distribution, owns (i) at least 5 percent (by vote or value) of the total outstanding shares of Electrolux; or (ii) securities of Electrolux with an aggregate tax basis of USD 1,000,000 or more must attach to such holder's U.S. federal income tax return for the year in which the Electrolux Professional shares are received a statement setting forth certain information related to the Distribution.

U.S. Taxation of Electrolux Professional's shares – Overview

Certain U.S. federal income tax considerations

The following is a summary of certain U.S. federal income tax consequences of the acquisition, ownership and disposition of shares of Electrolux Professional by a U.S. Holder. This summary deals only with U.S. Holders that receive Electrolux Professional's shares pursuant to the Distribution and that will hold Electrolux Professional's shares as capital assets (generally, property held for investment). The discussion does not cover all aspects of U.S. federal income taxation that may be relevant to the acquisition, ownership or disposition of Electrolux Professional's shares by particular investors (including consequences under the alternative minimum tax and the Medicare tax on net investment income) and does not address any U.S. federal, non-U.S. or other tax laws. This summary also does not address all of the tax considerations that may be relevant to certain types of investors subject to special treatment under the U.S. federal income tax laws (such as financial institutions, insurance companies, regulated investment companies, real estate investments trusts, individual retirement accounts and other tax-deferred accounts, tax-exempt organizations, dealers or traders in securities or currencies that use a mark-to-market method of accounting, persons who received Electrolux shares from the exercise of employee share options or

otherwise as compensation, investors that hold Electrolux shares, or will hold Electrolux Professional's shares, as part of straddles, hedging transactions or conversion transactions for U.S. federal income tax purposes, persons that have ceased to be U.S. citizens or lawful permanent residents of the United States, any entity or arrangement classified as a partnership for U.S. federal income tax purposes or investors therein, investors that own or will own (directly, indirectly or by attribution) 10 percent or more of the stock of Electrolux or Electrolux Professional, or will hold Electrolux Professional's shares, in connection with a trade or business conducted outside of the United States or U.S. Holders whose functional currency is not the USD).

This summary is based on the tax laws of the United States, including the U.S. Internal Revenue Code, its legislative history, existing and proposed Treasury regulations thereunder, and published rulings and court decisions, all as of the date hereof and all subject to change at any time, possibly with retroactive effect.

Distributions with respect to Electrolux Professional's shares

Subject to the passive foreign investment company ("PFIC") rules discussed below, distributions paid by Electrolux Professional with respect to Electrolux Professional's shares will be treated as a dividend to the extent the distribution is considered to be paid from Electrolux Professional's current or accumulated earnings and profits (as determined for U.S. federal income tax purposes). The amount of any distribution that is in excess of Electrolux Professional's current and accumulated earnings and profits will be treated as a non-taxable return of capital to the extent of the U.S. Holder's basis in Electrolux Professional's shares and thereafter as capital gain. As a non-U.S. corporation, Electrolux Professional does not maintain calculations of its earnings and profits for U.S. federal income tax purposes. U.S. Holders therefore should assume that any distribution by Electrolux Professional with respect to its shares will be reported as ordinary dividend income.

Dividends paid by Electrolux Professional generally will be taxable to a non-corporate U.S. Holder at the reduced rate normally applicable to long-term capital gains, provided (1) the dividend qualifies for the benefits of the Treaty; (2) Electrolux Professional is not a PFIC (as discussed below) for either its taxable year in which the dividend is paid or the preceding taxable year; and (3) certain holding period and other requirements are met. U.S. Holders should consult their own tax advisors with respect to the appropriate U.S. federal income tax treatment of any distribution received from Electrolux Professional.

Dividends paid by Electrolux Professional in SEK will be included in a U.S. Holder's income in a USD amount calculated by reference to the exchange rate in effect on the day the dividends are actually or constructively received by the U.S. Holder, regardless of whether the SEK are converted into USD at that time. A U.S. Holder will have a basis in such SEK received equal to such USD value. Gain or loss, if any, realized on the sale or other disposition of such SEK generally will be U.S. source ordinary income or loss. If all SEK are converted into USD on the date of receipt, a U.S. Holder generally may not be required to recognize foreign currency gain or loss in respect of the distribution.

Any dividends Electrolux Professional pays to U.S. Holders generally will constitute non-U.S. source "passive category"

income for foreign tax credit limitation purposes. If any Swedish taxes are withheld with respect to dividends paid to a U.S. Holder with respect to Electrolux Professional's shares, subject to certain conditions and limitation (including a minimum holding period requirement), such taxes may be treated as non-U.S. taxes eligible for credit against such holder's U.S. federal income tax liability. In lieu of claiming a foreign tax credit, U.S. Holders may, at their election, deduct non-U.S. taxes, including any Swedish taxes withheld from dividends on Electrolux Professional's shares, in computing their taxable income, subject to generally applicable limitations under U.S. federal income tax law. If a refund of the tax withheld is available under the laws of Sweden or under the Treaty, the amount of tax withheld that is refundable will not be eligible for such credit against a U.S. Holder's U.S. federal income tax liability (and will not be eligible for the deduction against U.S. federal taxable income). If the dividends constitute qualified dividend income as discussed above, the amount of the dividend taken into account for purposes of calculating the foreign tax credit limitation generally will be limited to the gross amount of the dividend, multiplied by the reduced rate applicable to the qualified dividend income, divided by the highest rate of tax normally applicable to dividends.

The rules relating to the determination of the foreign tax credit and the deduction of non-U.S. taxes are complex, and U.S. Holders should consult their tax advisors to determine whether and to what extent a credit or deduction may be available in their particular circumstances.

Sale or other taxable disposition of Electrolux Professional's shares

Upon a sale or other taxable disposition of Electrolux Professional's shares, a U.S. Holder generally will recognize capital gain or loss for U.S. federal income tax purposes in an amount equal to the difference, if any, between the amount realized on the sale or other taxable disposition and the U.S. Holder's tax basis in Electrolux Professional's shares (as initially determined under "*Distribution of Electrolux Professional's shares*" in "*Tax consequences of the Distribution*" above). Such capital gain or loss will be long-term capital gain or loss if the U.S. Holder's holding period for Electrolux Professional's shares exceeds one year. Long-term capital gain recognized by certain non-corporate U.S. Holders, including individuals, generally is eligible for reduced rates of U.S. federal income taxation. The deductibility of capital losses is subject to limitations.

The amount realized on a sale or other taxable disposition of Electrolux Professional's shares for an amount in foreign currency generally will be the USD value of this amount on the trade date of the sale or other taxable disposition. On the settlement date, the U.S. Holder generally will recognize U.S. source foreign currency gain or loss (taxable as ordinary income or loss) equal to the difference (if any) between the USD value of the amount received based on the exchange rates in effect on the trade date and the settlement date. However, in the case of shares traded on an established securities market that are sold by a cash basis U.S. Holder (or an accrual basis U.S. Holder that so elects), the amount realized will be based on the exchange rate in effect on the settlement date for the sale, and no exchange gain or loss will be recognized on such date.

Passive foreign investment company considerations

A foreign corporation will be classified as a "passive foreign investment company" ("PFIC") within the meaning of section 1297 of the U.S. Internal Revenue Code for any taxable year in which, after taking into account the income and assets of the corporation and certain subsidiaries pursuant to applicable "look-through rules," either (i) at least 75 percent of its gross income is "passive income"; or (ii) at least 50 percent of the average quarterly value of its assets is attributable to assets which produce passive income or are held for the production of passive income. For purposes of the PFIC rules, "passive income" includes, among other things, dividends, interest, rents, royalties or gains on the disposition of certain minority interests. Based on the present nature of Electrolux Professional's activities and the present composition of its assets and sources of income, Electrolux Professional does not expect to be treated as a PFIC for its current taxable year. However, Electrolux Professional's possible status as a PFIC depends on the composition of its income and assets and the fair market value of those assets from time to time. This determination is made annually and cannot be completed until the close of a taxable year. Thus, no assurance can be given that Electrolux Professional is not or will not become a PFIC for any future taxable year.

If Electrolux Professional were characterized as a PFIC for any taxable year, U.S. Holders of Electrolux Professional's shares would suffer adverse tax consequences. These consequences may include having gains realized on the disposition of Electrolux Professional's shares treated as ordinary income rather than capital gains, and being subject to punitive interest charges on certain dividends and on the proceeds of the sale or other disposition of the Shares. U.S. Holders would also be subject to annual information reporting requirements. In addition, if Electrolux Professional were characterized as a PFIC in a taxable year in which it paid a dividend or in the prior taxable year, such dividends would not be eligible to be taxed at the favorable rates applicable to qualified dividend income.

Information reporting and backup withholding

Dividend payments with respect to Electrolux Professional's shares and proceeds from a sale, exchange or redemption of Electrolux Professional's shares made within the United States or through certain U.S. related financial intermediaries may be subject to information reporting to the IRS and possible U.S. backup withholding. Backup withholding will not apply, however, to a U.S. Holder that furnishes a correct taxpayer identification number and makes any other required certification on IRS Form W-9 or that is otherwise exempt from backup withholding. U.S. Holders that are exempt from backup withholding should still complete IRS Form W-9 to avoid possible erroneous backup withholding. U.S. Holders of Electrolux Professional's shares should consult their tax advisors regarding the application of the U.S. information reporting and backup withholding rules.

Backup withholding is not an additional tax. Amounts withheld as backup withholding may be credited against such holder's U.S. federal income tax liability, and such holder may obtain a refund of any excess amounts withheld under the backup withholding rules by filing an appropriate claim for refund with the IRS and furnishing any required information in a timely manner.

Foreign financial asset reporting

Certain U.S. Holders may be required to comply with certain reporting requirements, including filing IRS Form 8938, with respect to the holding of certain foreign financial assets, including stock of foreign issuers (such as Electrolux Professional's shares), either directly or through certain financial institutions. U.S. Holders who fail to report the required information could be subject to substantial penalties. U.S. Holders should consult their own tax advisors regarding the application of these rules to their ownership of Electrolux Professional's shares.

Historical financial information

Financial information for the financial years 2019, 2018 and 2017

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Combined statement of total comprehensive income

SEKm	NOTE	2019	2018	2017
Net sales	3, 4	9,281	8,666	7,723
Cost of goods sold	5, 7	-6,040	-5,443	-4,851
Gross operating income		3,241	3,222	2,873
Selling expenses	5, 7	-1,699	-1,641	-1,490
Administrative expenses	5, 7	-582	-432	-330
Other operating income/expenses	6, 7	32	-6	8
Operating income		992	1,143	1,060
Financial items, net	9	-15	-9	-9
Income after financial items		978	1,134	1,052
Taxes	10	-314	-182	-265
Income for the period		663	952	786
Items that will not be reclassified to income for the period:				
Remeasurement of provisions for post-employment benefits	21	-33	-47	42
Income tax relating to items that will not be reclassified		6	10	-10
		-27	-37	32
Items that may be reclassified subsequently to income for the period:				
Exchange-rate differences on translation of foreign operations	11	101	150	15
		101	150	15
Other comprehensive income, net of tax		74	113	47
Total comprehensive income for the period		737	1,066	833
Income for the period attributable to:				
Equity holders of the Parent Company		663	952	786
Total		663	952	786
Total comprehensive income for the period attributable to:				
Equity holders of the Parent Company		737	1,066	833
Total		737	1,066	833
Earnings per share	20			
For income attributable to the equity holders of the Parent Company				
Basic, SEK		2.31	3.31	2.74
Diluted, SEK		2.31	3.31	2.74
Average number of shares¹⁾	20			
Basic, million		287.4	287.4	287.4
Diluted, million		287.4	287.4	287.4

1) The calculation of earnings per share has been based on the average number of shares outstanding in AB Electrolux during 2019 (287.4 million shares).

Combined balance sheet

SEKm	NOTE	December 31, 2019	December 31, 2018	December 31, 2017	January 1, 2017
Assets					
Non-current assets					
Property, plant and equipment, owned	12	1,214	1,085	978	923
Property, plant and equipment, right-of-use	8	238	169	123	106
Goodwill	13	1,821	1,438	776	160
Other intangible assets	13	388	394	183	20
Deferred tax assets	10	350	246	122	109
Pension plan assets	21	13	3	3	6
Other non-current assets	14	33	20	7	7
Total non-current assets		4,057	3,355	2,193	1,332
Current assets					
Inventories	15	1,265	1,299	903	806
Trade receivables	17, 18	1,687	1,658	1,453	1,351
Tax assets		102	36	93	10
Other current assets	16	273	209	138	131
Short-term financial assets	18, 28	-	788	915	790
Cash and cash equivalents	18	651	230	179	149
Total current assets		3,978	4,220	3,682	3,236
Total assets		8,035	7,576	5,874	4,568
Equity and liabilities					
Equity attributable to equity holders of the Parent Company					
Share capital	20	25	25	25	25
Other paid-in capital	20	5	5	5	5
Other reserves	20	266	165	15	0
Retained earnings	20	2,415	3,332	2,379	1,351
Equity attributable to equity holders of the Parent Company		2,711	3,527	2,424	1,381
Total equity		2,711	3,527	2,424	1,381
Non-current liabilities					
Long-term borrowings	18, 28	3	63	30	26
Long-term lease liabilities	18	172	117	90	80
Deferred tax liabilities	10	144	143	72	34
Provisions for post-employment benefits	21	208	222	140	196
Other provisions	22	494	361	385	318
Total non-current liabilities		1,021	906	716	654
Current liabilities					
Trade payables	18, 28	1,606	1,571	1,421	1,374
Tax liabilities		73	22	78	6
Other liabilities	23, 28	1,361	1,244	1,028	959
Short-term borrowings	18, 28	994	126	84	89
Short-term lease liabilities	18	72	59	40	35
Other provisions	22	198	121	83	70
Total current liabilities		4,303	3,142	2,734	2,533
Total equity and liabilities		8,035	7,576	5,874	4,568

Change in combined equity

SEKm	Note	Attributable to equity holders of the parent company				Total equity
		Share capital	Other paid-in capital	Other reserves	Retained earnings	
Opening balance, January 1, 2017		25	5	-	1,351	1,381
Income for the period		-	-	-	786	786
Remeasurement of provisions for post-employment benefits		-	-	-	42	42
Exchange differences on translation of foreign operations		-	-	15	-	15
Income tax relating to other comprehensive income		-	-	-	-10	-10
Other comprehensive income, net of tax		-	-	15	32	47
Total comprehensive income for the period		-	-	15	818	833
Dividend to Electrolux Group		-	-	-	-305	-305
Other transactions with shareholders, Electrolux Group	20	-	-	-	515	515
Total transactions with equity holders		-	-	-	210	210
Closing balance, December 31, 2017		25	5	15	2,379	2,424
Income for the period		-	-	-	952	952
Remeasurement of provisions for post-employment benefits		-	-	-	-47	-47
Exchange differences on translation of foreign operations		-	-	150	-	150
Income tax relating to other comprehensive income		-	-	-	10	10
Other comprehensive income, net of tax		-	-	150	-37	113
Total comprehensive income for the period		-	-	150	916	1,066
Dividend to Electrolux Group		-	-	-	-336	-336
Shareholders contribution, Electrolux group		-	-	-	13	13
Other transactions with shareholders, Electrolux Group	20	-	-	-	361	361
Total transactions with equity holders		-	-	-	38	38
Closing balance, December 31, 2018		25	5	165	3,332	3,527
Income for the period		-	-	-	663	663
Remeasurement of provisions for post-employment benefits		-	-	-	-33	-33
Exchange differences on translation of foreign operations		-	-	101	-	101
Income tax relating to other comprehensive income		-	-	-	6	6
Other comprehensive income, net of tax		-	-	101	-27	73
Total comprehensive income for the period		-	-	101	636	737
Dividend to Electrolux Group		-	-	-	-428	-428
Shareholders contribution, Electrolux group		-	-	-	7,697	7,697
Other transactions with shareholders, Electrolux Group	20	-	-	-	-8,822	-8,822
Total transactions with equity holders		-	-	-	-1,553	-1,553
Closing balance, December 31, 2019		25	5	266	2,415	2,711

Combined cash flow statement

SEKm	NOTE	2019	2018	2017
Operations				
Operating income		992	1,143	1,060
Depreciation and amortization		287	220	193
Other non-cash items		7	27	6
Financial items paid, net ¹⁾		-6	-8	-7
Taxes paid		-275	-297	-287
Cash flow from operations, excluding change in operating assets and liabilities		1,006	1,085	965
Change in operating assets and liabilities				
Change in inventories		139	-239	32
Change in trade receivables		43	-35	13
Change in accounts payable		-23	-17	31
Change in other operating assets, liabilities and provisions		-47	110	-10
Cash flow from change in operating assets and liabilities		112	-181	66
Cash flow from operations		1,118	904	1,031
Investments				
Acquisition of operations	25	-441	-756	-826
Capital expenditure in property, plant and equipment	12	-243	-144	-144
Capital expenditure in product development	13	-9	-24	-22
Capital expenditure in other intangibles	13	-5	-1	-1
Other		-4	91	8
Cash flow from investments		-702	-833	-984
Cash flow from operations and investments		417	71	47
Financing				
Change in short-term borrowings		-32	-101	24
New long-term borrowings	18	-	2	-
Amortization of long-term borrowings	18	-36	-4	-158
Payment of lease liabilities		-83	-51	-44
Dividend to Electrolux Group		-428	-336	-305
Received shareholders contribution		5,702	13	-
Change in financial liabilities, Electrolux Group		1,672	142	-116
Cash flow from financing		6,795	-337	-599
Total cash flow		7,211	-266	-552
Cash and cash equivalents at beginning of period		230	179	149
Exchange-rate differences referring to cash and cash equivalents		14	13	-2
Other cash flow from transactions with shareholders, Electrolux Group ²⁾		-6,804	304	585
Cash and cash equivalents at end of period		651	230	179

1) Interest and similar items received SEK 12m (6; 2) interest and similar items paid SEK -13m (-6; -7) and other financial items paid/received SEK 1m (-1; 2) Interest paid related to lease liabilities SEK -6m (-6; -4).

2) "Other cash flow from transactions with shareholders, Electrolux group" consists of effects on cash from cash flows presented in Electrolux Professional's combined financial statements belonging to legal entities which will remain in the Electrolux Group following the separation. In 2019, it also includes cash paid by Electrolux Professional to the Electrolux Group, to acquire its group companies.

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Note 1 Accounting principles

This section describes the comprehensive basis of preparation which has been applied in preparing the combined financial statements. Accounting principles for specific accounting areas and individual line items are described in the related notes.

The Board of Directors of AB Electrolux made a proposal to an Extraordinary General Meeting (EGM) to distribute the business area Professional Products (Electrolux Professional) through a distribution in kind of the shares in Electrolux Professional AB. The EGM took place on February 21, 2020 and it was decided to approve the distribution.

These combined financial statements comprise Electrolux Professional AB, the parent company, and its subsidiaries and have been prepared in order to present the Group's historical financial information for the financial years 2017, 2018 and 2019.

Electrolux Professional AB is headquartered in Stockholm, Sweden. The combined financial statements were authorized for issue by the Board of Directors on March 10, 2020.

The terms "Electrolux Professional", the "Group" or the "Company" refers to, depending on the context, to Electrolux Professional AB (publ) (corporate ID No. 556003-0354) or the Group in which Electrolux Professional AB (publ) is the Parent company and its subsidiaries. Enumerated amounts presented in tables and statements may not always agree with the calculated sum of the related line items due to rounding differences. The aim is for each line item to agree with its source and therefore there may be rounding differences affecting the total when adding up the presented line items.

Basis of preparation

The combined financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union (EU). Some additional information is disclosed based on the requirements in standard 'RFR 1' issued by the Swedish Financial Reporting Board. IFRS does not specifically address the preparation of combined financial statements. The term 'combined financial statements' refers to financial information prepared by aggregating financial information for entities under common control that do not meet the definition of a group according to IFRS 10 (Consolidated Financial Statements). The combined financial statements are intended to present the Electrolux Professional Group's historical financial information. One important requirement for the preparation of these combined financial statements is that all entities are under common control via AB Electrolux ownership.

The formation of the Electrolux Professional Group comprised transactions between entities that are under common control. Since these transactions nor combined financial statements are not covered by any IFRS standard, management should according to IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors) develop and apply an accounting policy that is, *inter alia*, relevant and reliable. A suitable and established method which management consider to be relevant and reliable is to aggregate the units forming the Electrolux Professional Group. As Electrolux Professional has not previously prepared consolidated nor combined financial statements, these Combined Financial Statements are the first IFRS financial statements of Electrolux Professional in which IFRS 1 (First-Time Adoption of International Financial Reporting Standards) has been applied. IFRS 1 sets out the procedures that an entity must follow when it adopts IFRS for the first time with January 1, 2017 as date of transition to IFRS. Under IFRS 1, the accounting policies in the opening IFRS balance sheet as of January 1, 2017 and throughout all periods presented be the same. These accounting policies shall comply with each IFRS effective at December 31, 2019 with certain mandatory exceptions and voluntary exemptions.

For the presentation of the combined financial statements the Group has chosen to apply the following voluntary exceptions in IFRS 1;

- ▶ IFRS 3 (Business combinations) has not been applied retrospectively to business combinations made for business combination prior to January 1, 2004, which was the date of transition to IFRS by Electrolux Group.
- ▶ When applying IFRS 16 (Leases) the Group have assessed whether a contract existing on January 1, 2017 contains a lease on the basis of facts and circumstances existing at that date rather than at inception.
- ▶ Right-of-use lease assets have been measured at its carrying amount as if the standard have been applied since the commencement date and lease liabilities have been measured at the present value of the remaining lease payments at transition.
- ▶ The Group has also used the following practical expedients when implementing IFRS 16;
 - (i) Initial direct costs are excluded from the measurement of right-of-use assets at the date of transition.
 - (ii) Hindsight is used in determining the lease term for contracts containing an option to extend or terminate the lease.
- ▶ The cumulative translation difference for all foreign operations are deemed to be zero in the opening balance of 2017.

Accounting policy elections made by the Electrolux Professional Group are identical with those made by the Electrolux Group with exception for first time application of new accounting standards with effective date for annual periods beginning from 1 January 2017 to December 31, 2019; such as IFRS 9 (Financial instruments), IFRS 15 (Revenues from contracts with customers) and IFRS 16. Electrolux Group applied IFRS 9 and IFRS 15 as of January 1, 2018 and IFRS 16 as of January 1, 2019. Comparatives for 2017 was restated for the implementation of IFRS 15, but no restatements for comparatives were made for IFRS 9 (2017) and IFRS 16 (2017 and 2018). Electrolux Group has disclosed Electrolux Professional as a segment. Electrolux Professional Group has identified Food & Beverage and Laundry as its segments.

Considering that it was not only separate legal entities that were transferred as part of the Group's formation, but also parts of legal entities, the following considerations were taken into account in the preparation of the combined financial statements to determine which assets, liabilities, revenues and expenses as well as cash flows that are included. The accounting principles set out below have been applied consistently to all periods presented and for all entities included in the combined financial statements.

Principles applied for consolidation

The combined financial statements have been prepared by use of the acquisition method of accounting, (see also basis of preparation above) 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. If the fair value of the acquired net assets exceeds the cost of the business combination, the identification and measurement of the acquired assets must be reassessed. Any excess remaining after that reassessment represents a 'bargain purchase' and is recognized immediately in the statement of comprehensive income. The combined financial statements for the Group include the financial statements of the Parent Company, Electrolux Professional AB, and its directly and indirectly owned subsidiaries after:

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

Definition of Group companies

The combined financial statements include Electrolux Professional AB and all companies over which the Parent Company (Electrolux Professional AB) has control, i.e., the power to direct the activities; exposure to variable return and the ability to use its power. When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured at its fair value, with the change in carrying amount recognized in profit or loss. At year-end 2019, the Group consisted of 48 companies.

The following apply to acquisitions and divestments:

- ▶ Companies acquired are included in the combined statement of comprehensive income the date when Electrolux or Electrolux Professional gains control.
- ▶ Companies divested are included in the combined statement of comprehensive income up to and including the date when Electrolux or Electrolux Professional loses control.

Allocation of revenues and costs

The basis for allocating revenues and costs to Electrolux Professional Group has primarily been Electrolux Group segment reporting. Electrolux Group has performed an internal cost allocation whereby certain central costs such as IT and HR functions, have been charged to each segment. The cost allocations are based on actual costs incurred by Electrolux Group. As a result, related costs for the segment forming Electrolux Professional Group have been included in the combined financial statements. Previously unallocated central costs in Electrolux Group, which mainly are costs related to Electrolux Group management activities, have not been allocated to Electrolux Professional Group. Historically, Electrolux Group has not allocated any costs to the Electrolux Professional segment for royalty or license fees regarding the Electrolux and Zanussi brands. However, the Electrolux Professional segment has incurred costs to maintain the brands and such costs have been recognized in the Electrolux Professional segment. Electrolux Group has transferred certain intellectual property rights relating to the Professional Product business to Electrolux Professional pursuant to an intellectual property transfer agreement. The "Electrolux" component of the Electrolux brand and trademark (to be used exclusively in combination with "Professional", i.e. "Electrolux Professional") and the "Zanussi" brand and trademark will remain under the ownership of Electrolux Group, but will be licensed from Electrolux to Electrolux Professional pursuant to a license granted to Electrolux Professional under a trademark license agreement. The trademark license agreement has an initial term of 50 years that is automatically extended with consecutive 10 year periods, on two occasions, unless terminated two years in advance by either party. For the first 15 years of the term, the licenses will be royalty-free. Thereafter, Electrolux Professional shall pay a royalty for the licenses amounting to 0.1% of the net sales of licensed products and services, subject to more detailed calculation principles set forth in the agreement.

Share-based payments

Actual costs for share-based payments related to employees of Electrolux Professional incurred by Electrolux Group have been recognized in Electrolux Professional's segment and are consequently recognized in the combined financial statements.

Financial expenses and capital structure

Financial expenses charged to Electrolux Professional entities are based on the actual borrowing and interest expenses owed to Electrolux Group central treasury function for those entities that were separate legal entities in the historical periods and now form part of the Electrolux Professional Group. For legal entities that have been shared between Electrolux Professional and Electrolux consumer business, and which will continue to be part of the Electrolux Group, no financial items have been included in the combined financial statements due to limited feasibility to gather reliable information.

The Electrolux Professional Group's historical capital structure, as presented in these combined financial statements, is not necessarily representative of the capital structure of a separate entity, as external borrowing has been managed centrally in accordance with Electrolux Group's financial policy. Cash pool surplus is presented as receivables on the Electrolux Group and cashpool deficits as liabilities to Electrolux Group.

Income tax

In the combined financial statements, tax is recognized based on the taxable earnings generated by the entities included in the combined financial statements.

Income taxes in the combined financial statements include both current and deferred taxes. Income taxes are reported in the combined statement of comprehensive income unless the underlying item is reported directly in equity or other comprehensive income (OCI). For those items, the related income tax is also reported directly in equity or OCI. A current tax liability or asset is recognized for the estimated taxes payable or refundable for the current year or prior years. Deferred tax is recognized for temporary differences between the book values of assets and liabilities and their tax values and for tax loss carry-forwards. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences and tax loss carry-forwards can be utilized.

In the recognition of income taxes, Electrolux Professional offsets current tax receivables against current tax liabilities and deferred tax assets against deferred tax liabilities in the balance sheet, when Electrolux Professional has a legal right to offset these items and the intention to do so.

Deferred tax is not recognized for the following temporary differences: goodwill not deductible for tax purposes, for the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and for differences related to investments in subsidiaries when it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is measured at the tax rate that is expected to be applied to the temporary differences when they reverse, based on the tax laws that have been enacted or substantively enacted by the reporting date. An adjustment of deferred tax asset/tax liability balances due to a change in the tax rate is recognized in the combined statement of comprehensive income, unless it relates to a temporary difference earlier recognized directly in equity or OCI, in which case the adjustment is also recognized in equity or OCI. The measurement of deferred tax assets involves judgment regarding the deductibility of costs not yet subject to taxation and estimates regarding sufficient future taxable income to enable utilization of unused tax losses in different tax jurisdictions.

Earnings per share

In these combined financial statements, the calculation of earnings per share has been based on the average number of shares outstanding in AB Electrolux during 2019. This is considered more

relevant given the intention to reflect the same share structure that exists in AB Electrolux in Electrolux Professional AB due to the proposed distribution of the Electrolux Professional Group. The calculation of earnings per share for each year presented in these combined financial statements is based on the Electrolux Professional Group's net profit/loss attributable to the shareholders of the parent company, divided by the average number of shares outstanding before and after dilution in AB Electrolux. See Note 20 for more information.

Transactions with shareholders and related parties

Group contributions, dividends and other transactions between Electrolux consumer business and Electrolux Professional without compensation have been recognized as 'Other transactions with shareholders, Electrolux Group' in equity in these combined financial statements. Intercompany transactions and balances with companies within the Electrolux consumer business in the ordinary course of business have been disclosed as transactions and balances with related parties. See Note 28 for more information.

Pension obligations

Pension obligations and related plan assets have been included in the combined financial statements based on the calculated obligations in accordance with IAS 19 for the individuals that have been transferred to the Electrolux Professional Group.

Exchange rates	2019		2018		2017	
	Average	End of period	Average	End of period	Average	End of period
CNY	1.37	1.34	1.31	1.30	1.26	1.26
CZK	0.4113	0.4100	0.3997	0.3987	0.3661	0.3855
DKK	1.41	1.40	1.38	1.38	1.30	1.32
EUR	10.56	10.44	10.26	10.28	9.64	9.84
GBP	12.03	12.25	11.57	11.38	11.03	11.09
JPY	0.0864	0.0854	0.0787	0.0813	0.0760	0.0729
NOK	1.07	1.06	1.06	1.03	1.03	1.00
RUB	0.1455	0.1507	0.1392	0.1292	0.1463	0.1419
THB	0.3039	0.3119	0.2691	0.2754	0.2517	0.2516
TRY	1.67	1.57	1.87	1.70	2.35	2.17
USD	9.43	9.33	8.70	8.97	8.54	8.21

New or amended accounting standards to be applied after 2019

The following new, amended or improved accounting standards have been published but are not mandatory for 2019 and have not been early adopted by Electrolux Professional: IFRS 3 Business Combinations; IFRS 17 Insurance Contracts; IAS1 Presentation of Financial Statements; and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. The standards have not yet been endorsed by the EU unless stated above. The new, amended or improved standards mentioned above are not expected to have any material impact on Electrolux Professional's combined financial statements.

New interpretations of accounting standards

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

Events after balance sheet date

With regard to the potential impact of events after the balance sheet date in accordance with IAS 10, the principle has been chosen in the combined financial statements to only consider events in the most recent period presented, that is, the 2019 financial year. Accordingly, the 2018 and 2017 financial years are considered to be concluded.

Foreign currency translation

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

Monetary assets and liabilities denominated in foreign currencies are valued at end of period exchange rates and any exchange-rate differences are included in income for the period.

The combined financial statements are presented in Swedish krona (SEK), which is the Electrolux Professional AB's functional currency and the Group's presentation currency according to IAS 21.

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

Critical accounting policies and key sources of estimation uncertainty

Use of estimates

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

Asset impairment and useful lives

Non-current assets, including goodwill, are evaluated for impairment yearly or whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impaired asset is written down to its recoverable amount, that is the higher value of fair market value and its value in use. The market value is deemed with help of best information available.

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

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Useful lives for property, plant and equipment are estimated between 10 and 40 years for buildings and 15 years for land improvements and between 3 and 15 years for machinery, technical installations and other equipment. Management regularly reassesses the useful lives of all significant assets. The carrying amount for property, plant and equipment at year-end 2019 amounted to SEK 1,214m. The carrying amount for goodwill at year-end 2019 amounted to SEK 1,821m.

Leases

Accounting for leases require the use of judgement from different aspects of which determining the discount rate and the lease term have been assessed as the most critical ones. Discount rates used are centrally established as the Group's calculated incremental borrowing rate for each entity determined by country, currency and contract duration (>12–36 months, >37–72 months and >72 months). The model for determining incremental borrowing rate is revised at least annually or when objective evidence indicates a need for revision in order to maintain the validity of the model. The lease term is determined based on the information available in the lease agreement and other relevant facts and circumstances as per management's judgement. The lease term include extension or termination options should such options meet the threshold for reasonably certain. There may not always be specific clauses on e.g. termination, cancellation or renewal of a lease. In such cases, assessments are made based on the information available in the contract together with management's judgement of any relevant circumstances. As per December 31, 2019, the carrying amount of right-of-use assets was SEK 238m and total lease liabilities amounted to SEK 244m. Of the carrying amount of right-of-use assets SEK 182m is related to lease contracts for buildings, where many of the contracts have different types of extension and termination options. Changes in determination whether any such option is reasonably certain to exercise or not may have significant effect on the reported amounts on right-of-use assets and lease liabilities recognized under IFRS 16.

Deferred taxes

In the preparation of the combined financial statements, Electrolux Professional estimates the income taxes in each of the tax jurisdictions in which the Group operates as well as any deferred taxes based on temporary differences. Deferred tax assets relating to tax loss carry-forwards and temporary differences are recognized in those cases when future taxable income is expected to permit the recovery of those tax assets. Changes in assumptions in the projection of future taxable income as well as changes in tax rates could result in significant differences in the valuation of deferred taxes. As of December 31, 2019, Electrolux Professional had a net amount of SEK 206m recognized as deferred tax assets in excess of deferred tax liabilities. As of December 31, 2019, the Group had tax loss carry-forwards and other deductible temporary differences of SEK 35m, which have not been included in the computation of deferred tax assets.

Current taxes

Electrolux Professional 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 Professional's 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 provision for expected credit losses. The net value reflects the amounts that are expected to be collected, based on circumstances known at the balance sheet date. Changes in circumstances such as higher than expected defaults or changes in the financial situation of a significant customer could lead to significantly different valuations. At year-end 2019, trade receivables, net of provisions for expected credit losses, amounted to SEK 1,687m. The total provision for expected credit losses at year-end 2019 was SEK 66m.

Post-employment benefits

Electrolux Professional sponsors a number of defined contribution and defined benefit pension plans for its employees. The pension calculations, referring to defined benefit plans, are based on actuarial assumptions regarding, e.g., discount rate, mortality rates, future salary and pension increases. Changes in assumptions directly affect the defined benefit obligation, service cost, interest income and expense. The discount rate used for the calculation of expenses during 2019 was 1.73% in average, which was the same rate used to estimate liabilities at the end of 2018. Sensitivities for the main assumptions are presented in Note 21.

Restructuring

Restructuring charges include required write-downs of assets and other non-cash items, as well as estimated costs for personnel reductions and other direct costs related to the termination of the activity. The charges are calculated based on detailed plans for activities that are expected to improve the Group's cost structure and productivity. In general, the outcome of similar historical events in previous plans are used as a guideline to minimize these uncertainties. The total provision for restructuring at year-end 2019 was SEK 86m.

Warranties

As is customary in the industry in which Electrolux Professional operates, some of the products sold are covered by an original warranty, which is included in the price and which extends for a predetermined period of time. Provisions for this original warranty are estimated based on historical data regarding service rates, cost of repairs, etc. As of December 31, 2019, Electrolux Professional had a provision for warranty commitments amounting to SEK 245m.

Disputes

Electrolux Professional is involved in disputes in the ordinary course of business. The disputes may 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 Professional 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 disadvantage

geous outcome of a dispute may prove to have a material adverse effect on the Group's earnings and financial position.

Calculation of loss allowance

When measuring expected credit loss the Group uses reasonable and supportable forward looking information, which is based on assumptions regarding the future movement of different economic drivers and how these drivers will affect each other.

If the expected credit loss rates on trade receivables between 16 and 60 days past due had been 10% higher/lower as of December 31, 2019, the loss allowance on trade receivables would have increased/decreased SEK 0m (0; 0).

If the expected credit loss rates on trade receivables between 61 and 180 days past due had been 10% higher/lower as of December 31, 2019, the loss allowance on trade receivables would have increased/decreased SEK 1m (1;1).

Note 2 Financial risk management

Financial risk management

The Group is exposed to a number of risks from liquid funds, trade receivables, trade payables, borrowings, commodities and foreign exchange. The risks include:

- ▶ 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;
- ▶ Credit risk relating to financial and commercial activities; and
- ▶ Interest-rate risk on liquid funds and borrowings

Electrolux Professional's financial risks were, in 2017, 2018 and 2019, managed as part of Electrolux Group's financial risk management. The AB Electrolux Board of Directors has established several policies to monitor and manage the financial risks relating to the operations of the Electrolux Group. Electrolux Professional established its own financial risk policies, which were approved by Electrolux Professional AB's Board of Directors and became effective as of October 1, 2019 (hereinafter all policies are referred to as the Financial Policy). The primary responsibility for ensuring that these risks are managed in an efficient and professional way lies within Group Treasury with the support of the management of each operational unit. Moreover, the commercial credit risk is managed at an operating level by the controlling department and is guided by the Group Credit Policy.

The policies are adopted through a delegation of authority matrix, which defines roles and responsibilities within the Group management structure. Applications of the policies are monitored through internal controls and breaches managed according to pre-agreed procedures. The Board of Directors meets on a regular basis (at least quarterly) to discuss business, policies compliance as well as governance topics.

Group Treasury in Stockholm provides services to the business, co-ordinates access to financial markets, monitors and manages the financial risks through internal risk reports, which analyze exposures by degree and magnitude of the risk.

The Group's Financial Policy governs the use of financial derivatives. The internal auditors review on a continuous basis compliance with policies and exposure limits.

Capital structure

The Group defines its capital as equity stated in the balance sheet. The Group's objective is to have a capital structure resulting in an efficient weighted cost of capital and sufficient credit worthiness, where operating needs, and the needs for potential acquisitions are considered.

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. According to the Financial Policy, Group Treasury shall assure that the remaining average credit duration of the total debt portfolio exceeds 2 years and at any given point in time liquidity reserves are monitored and kept in line with the Policy.

Foreign exchange risk

Foreign exchange risk is defined as the risk that fluctuations in currency exchange rates have a negative impact on the company's financial position, profitability or cash flow. In order to manage such effects, the Group covers these risks within the framework of the Financial Policy and the Group's overall currency exposure shall be managed centrally by the Group Treasury.

Transaction exposure from commercial flows

Transaction exposure is defined as the confirmed future net of operational and financial in- and outflows of currencies. The Financial Policy stipulates to what extent commercial flows are to be hedged.

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.

If the currency exposure, based on long term contracts in foreign currencies are significant, Group Treasury shall be contacted for decisions on potential hedges. Group Treasury is the sole party to authorize execution of financial hedge transactions and derivative contracts with external parties.

Translation exposure from consolidation of entities outside Sweden

Translation exposure is defined as; the risk that fluctuations in currency exchange rates have a negative impact on the balance sheet or consolidated equity. This occurs when a portion of consolidated equity, net assets or a financial asset or liability are denominated in a foreign currency. Electrolux Professional does not hedge such exposure. The translation exposures arising from income statements of foreign subsidiaries are included in the sensitivity analysis below.

Foreign-exchange sensitivity from transaction and translation exposure

The major net export currencies that Electrolux Professional is exposed to are the THB, EUR and the SEK. The major import currencies that Electrolux Professional is exposed to are the USD, GBP, CNY, NOK and DKK. These currencies represent the majority of the exposures of the Group.

The currency exposure from foreign investments should, when possible, be mitigated by loans in the local currency. The remaining foreign net investment should not generally be hedged by financial derivatives. In exceptional case the group CFO can decide to use financial derivatives to hedge equity. Hedge accounting shall apply to all financial derivatives that are used to hedge equity.

The sensitivity analysis below takes into consideration the net transaction flow as disclosed in note 18 and operating income (EBIT - i.e. before tax) by functional currency as per end of each year. The table does not cover the equity effect of changes in FX

rates. The model assumes the distribution of earnings and costs effective at year-end 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

Currency	Change	Profit or loss impact 2019	Profit or loss impact 2018	Profit or loss impact 2017
USD/SEK	-10%	-69	-52	-51
GBP/SEK	-10%	-19	-18	-22
CNY/SEK	-10%	-12	-9	-7
DKK/SEK	-10%	-10	-8	-9
NOK/SEK	-10%	-7	-8	-7
RUB/SEK	-10%	-5	-6	-4
TRY/SEK	-10%	-2	-2	-2
CZK/SEK	-10%	-2	-2	-2
EUR/SEK	-10%	6	-13	-2
THB/SEK	-10%	34	0	3

Commodity-price risks

The commodity risk exposure is defined as; the risk that fluctuations in the price of commodities result in an unexpected impact on the combined statement of comprehensive income or the combined balance sheet of the Group. The purchasing department is responsible for the overall commodity risk management and follow-up on commodity exposures. The purchasing department shall strive to reach a commercial hedge via matching of terms in sales contracts with terms in contracts with existing raw material suppliers. If a significant exposure occurs without possibilities to fix prices towards suppliers or pass on potential profit and loss effects to the customer, a financial hedge should be considered. In this case Group Treasury shall be contacted for discussion on hedge strategy and hedge counterpart. The purchasing department is not allowed to enter into any financial hedges or financial contracts.

Credit risk

Credit risk in financial activities

Credit risk on financial transactions is the risk that the counterpart is not able to fulfil its contractual obligations related to the Group's investments of liquid funds, and derivatives. In order to limit exposure to credit risk, the Group has adopted a policy of that excess liquidity shall be deposited at bank accounts in the Group's core banks, invested in securities issued by the core banks or invested in government securities.

The Financial Policy, effective as of October 1, 2019, states that:

- ▶ Short term investments in the form of deposits should be done with the Revolving Credit Facility Banks (RCF Banks) or with Banks with a minimum rating of BBB- (investment grade) according to Standard & Poor.
- ▶ Short term investments in the form of securities should have a minimum rating of A.

The Group strives for master netting agreements (ISDA) with all counterparts for derivative transactions. Assets and liabilities will only be netted from a credit risk perspective for counterparts with valid ISDA-agreements. Further, derivatives should be spread between counterparties to reduce the credit risk. As a result of these policies and limitations, the expected credit loss from external financial activities is not material.

Credit risk in trade receivables

Electrolux Professional's client base is characterized by a mix of recurring customers such as distributors and one-time customers, as well as multi-operator stores or spare-parts customers.

Sales are made on the basis of normal delivery and payment terms. The Financial Policy defines how credit management is to be

performed in the Group to achieve competitive and professionally performed credit sales, limited bad debts, and improved cash flow and optimized profit.

Electrolux Professional has adopted a Rating Model (EPRM), which is managed by the Group Credit Manager. The purpose with EPRM is 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 EPRM is based on a risk/reward approach and is the basis for the customer assessment. The risk of a customer is determined by the EPRM Risk Score in which customers are classified. ERM calculates a Risk score that is translated to a Risk class: Low Risk (1), Moderate Risk (2), Medium Risk (3), Marked Risk (4), High Risk (5) and Default (6). The amount of information required for the assessment varies with the size of the credit limit and the risk. Electrolux Professional Rating Model (EPRM) is the mandatory tool to use for credit assessment within the Group. External sources of information are used for basic and credit information on customers such as unique identifier DUNS number and legal hierarchy. Required type and source of information is determined by Group Credit Management. EPRM must be used for customers with a credit limit of minimum SEK 750k unless a higher minimum amount is approved by the Group Credit Manager or the Group CFO. EPRM shall also be used for customers with full credit protection since the credit decision is taken on the gross credit limit.

As far as possible customers' receivables are insured and are covered by a global insurance program. Under the existing arrangements the trade credit insurance covers not only the risk of customer insolvency but also the risk of protracted default.

Interest-rate risk on liquid funds and borrowings

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

Liquid funds

Liquid funds as defined by the Group consist of cash and cash equivalents, short-term investments, financial derivative assets, prepaid interest expenses and accrued interest income. Upon separation, Electrolux Professional's target is that the level of liquid reserve including cash and bank balances, short-term investments and unutilized committed credit facilities shall not fall below SEK 500m. If that level is not maintained, the Electrolux Professional AB's Board of Directors shall be immediately informed, and appropriate actions shall be taken to restore that preferred level.

Interest-rate risk in liquid funds

All liquidity is invested in interest bearing instruments, normally with maturities between 0 and 3 months. For more information, see note 18.

The Financial Policy, effective as of October 1, 2019, states that:

- ▶ Surplus cash holdings shall be avoided. Excess liquidity shall be off-set against external debts.
- ▶ Short term investments shall have a time to maturity that matches large disbursements, planned investments or dividend and may not exceed 12 months.

Borrowings

According to the Financial Policy, the debt financing of the Group shall be managed by Group Treasury in order to ensure efficiency and risk control. Debt shall primarily be raised at parent company level and transferred to subsidiaries through internal loans or capital injections. In this process, swap instruments might be used to convert the funds to the required currency. Short-term financing might also be undertaken locally in subsidiaries where there are capital restrictions. For more information, see note 18.

In 2017, 2018 and 2019, the Electrolux Professional Group was primarily funded by AB Electrolux. Electrolux Professional, in connection with the listing, will enter into a Revolving Credit Facility with its core-banking group and a bilateral Term Loan as an additional facility to repay, among other things, the debt to AB Electrolux.

Interest-rate risk in borrowings

The Financial Policy states that the average interest duration in the debt portfolio (including overdrafts, RCF, term loans and interest rate derivatives) shall be between 0 and 3 years and Group Treasury is responsible to manage the long-term debt portfolio and shall seek a balance between floating and fixed interest rates in order to limit the negative impact that a rise in market rates may have. Derivatives, such as interest-rate swap agreements, might be used to manage the interest-rate risk by changing the interest from fixed to floating or vice versa. Any binding of interest rates for a longer time period than 5 years, may not be performed without the approval of the Board of Directors.

On the basis of 2019 borrowings and considering that the amount of loans outstanding as at December 31, 2019 was approximately SEK 1bn, a 1% point shift in interest rates would impact the Group's interest expenses by approximately SEK 10m.

The current and non-current debt is currently with AB Electrolux and it will be replaced by external debt by the time of listing. The financing related to the capital structure of the Group post listing has been approved by the Board of Directors.

Note 3 Segment information

Electrolux Professional has two segments;

- ▶ Food & Beverage
- ▶ Laundry

The segments are regularly reviewed by the President and CEO, the Group's chief operating decision maker.

Food & Beverage offers equipment for various professional users within the hospitality industry. Products within Food & Beverage comprise mainly of modular cooking, ovens, dishwashing and refrigeration, dispensers for hot (e.g. coffee grinders, brewers and coffee urns), cold (beverage and juice dispensers) and frozen beverage (frozen drinks and ice cream dispensers) and equipment for soft serve as well as customer care.

Laundry offers equipment designed to meet a diverse array of professional requirements, from self-service, hospitality industry to health providers and commercial laundries. The customers include hospital and hotel laundries, apartment-building laundries in Scandinavia and launderettes. Products offered within the laundry segment include washing machines, tumble dryers, ironers and finishing equipment. The segments are responsible for operating income before interest, tax and amortizations (EBITA) and operating income, whereas net assets, financial items and taxes, as well as net debt and equity, are not reported per segment. The operating income of the segments are consolidated using the same principles as for the Group. The segments consist of separate legal units as well as divisions in multi-segment legal units where some allocations of costs are made. Operating costs not included in the segments are shown under Group common costs, which mainly are costs related to group management activities typically required to run the Group.

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

NET SALES AND EBIT PER SEGMENT

	2019				2018				2017			
	Food & Beverage	Laundry	Group common costs	Total	Food & Beverage	Laundry	Group common costs	Total	Food & Beverage	Laundry	Group common costs	Total
Net sales	5,895	3,386	-	9,281	5,399	3,267	-	8,666	4,922	2,801	-	7,723
EBITA	568	507	-18	1,058	629	573	-14	1,188	607	502	-11	1,098
Amortization intangible assets	-45	-20	-	-66	-30	-16	-	-45	-34	-3	-	-37
Operating income	522	488	-18	992	599	558	-14	1,143	572	499	-11	1,060
Financial items, net				-15				-9				-9
Income after financial items				978				1,134				1,052
Taxes				-314				-182				-265
Income for the period				663				952				786

DEPRECIATIONS OF TANGIBLES ASSET INCLUDING RIGHT-OF-USE ASSETS

	2019				2018				2017			
	Food & Beverage	Laundry	Group common costs	Total	Food & Beverage	Laundry	Group common costs	Total	Food & Beverage	Laundry	Group common costs	Total
Depreciation	-149	-66	-6	-222	-119	-55	-	-175	-108	-47	-	-155

NET SALES PER COUNTRY

	Net sales ¹⁾		
	2019	2018	2017
United States	1,350	1,193	1,017
Italy	1,319	1,123	1,006
Sweden	804	769	707
France	720	635	558
Germany	603	594	384
Great Britain	361	350	366
Finland	351	329	292
Japan	344	338	345
China	296	292	269
Denmark	293	266	257
Switzerland	268	225	253
Spain	261	225	197
Netherlands	138	125	119
Norway	132	131	122
Mexico	126	118	99
Turkey	122	151	111
Austria	106	104	93
Other	1,685	1,698	1,528
Total	9,281	8,666	7,723

1) Net sales attributable to countries on the basis of customer location.

Property, plant and equipment and intangible assets located in the Group's country of domicile, Sweden, amounted to SEK 251m (246; 193). Property, plant and equipment and intangible assets located in all other countries amounted to SEK 3,409m (2,841; 1,867). Individually, material countries in this aspect are Italy with SEK 912m (905; 462), U.S. with SEK 854m (862; 794) and France with SEK 558 (132; 120), respectively.

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

Note 4 Revenue recognition

Revenue recognition

Electrolux Professional manufacture and sell a wide range of products for the Hospitality industry and specifically for the segments:

- ▶ Food & Beverage
- ▶ Laundry

The Food & Beverage segment operates in a market that is characterized by a wide customer base (hotels, institutions, restaurants, schools, bars, pubs), where Electrolux Professional offers tailored made solutions for the different customer groups. Products within Food & Beverage comprise mainly of modular cooking, ovens, dishwashing and refrigeration, dispensers for hot (e.g. coffee grinders, brewers and coffee urns), cold (beverage- and juice dispensers) and frozen beverage (frozen drinks and ice cream dispensers) and equipment for soft serve as well as customer care.

The Laundry segment provides a comprehensive range of solutions tailored for the specific markets and customer typology. Products and service are designed to meet a diverse array of professional requirements, from self-service, hospitality and industry to health providers and commercial laundries. The customers include hospital and hotel laundries, apartment-building laundries in Scandinavia, and laundrettes. Products offered within the laundry segment include: washing machines, tumble dryers, ironers and finishing equipment.

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

Sale of finished products including spare parts and accessories

Revenue from sales of products are recognized at a point in time i.e. when control of the products has transferred. In practice, transfer of control and thus revenue recognition normally depends on the contractual term.

Transaction price – Volume discounts

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

Receivables, contract assets and contract liabilities

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

If Electrolux Professional receive prepayments from customer a contract liability is recorded. See table on page F16.

Sale of goods and services combined

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

Sale of services in a separate contract

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

Payments from customers

Payment terms are based on local market conditions. The Group has no significant financing component included in the payment terms.

Payments to customers

Agreements can, in a limited number of cases, be made with customers to compensate for various services or actions the customer takes. This relates to e.g. agreements under which Electrolux Professional agrees to compensate the customer for e.g. marketing activ-

ities undertaken by the customer. The main rule is that if the payment is related to a distinct service or product it shall be accounted for as a purchase of that service or product. If not, it shall be deducted from the related revenue stream. In practice, if the contract doesn't include any requirement of follow up from Electrolux Professional side and/or reporting back from the customer that the service is performed, the payment shall be accounted for as a reduction of revenue.

Warranties

The most common warranty for Electrolux Professional is to replace a faulty component under legal and common practice warranty terms. In those cases warranty is recognized as a provision. Electrolux Professional also sells extended warranty where the revenue is recognized during the warranty period, which usually starts after the legal warranty period. Sometimes warranty offered is including a service part and if it is not possible to separate the warranty from the service, the two are bundled together and revenue is recognized over the warranty period.

Freight charges

Freight charges can be included in the price of the product sold based on the contractual terms and conditions and revenue is recognized at the same time as for the product.

Revenue types and flows

The vast majority of the Group's revenues of SEK 9,281m (8,666; 7,723) during the year consisted of finished products, spare parts, services and accessories. The Group's net sales in Sweden amounted to SEK 804m (769; 707). Exports from Sweden during the year amounted to SEK 1,749m (2,800; 2,216), of which SEK 989m (1,924; 1,467) were to Group subsidiaries.

Disaggregation of revenue

Electrolux Professional manufacture and sell a wide range of products for the Hospitality industry. Sales of services are not material in relation to Electrolux Professional total net sales. Geography is an important attribute when disaggregating Electrolux Professional's revenue. Therefore, the table below presents net sales per geographical region based on the location of the customer. Net sales per country is set forth under note 3.

DISAGGREGATION OF REVENUE

Geographical region	2019	2018	2017
Europe	6,165	5,681	5,028
Asia Pacific, Middle East and Africa	1,513	1,578	1,467
Americas	1,603	1,407	1,229
Total	9,281	8,666	7,723

The table below presents the opening and closing balances of contract liabilities as well as movements during the year. There are no contracts assets to report.

CONTRACT LIABILITIES

	Contract liabilities				
	Advances from customers	Customer bonuses/incentives	Prepaid income - service & warranty		Contract liabilities, total
			Short-term	Long-term	
Opening balance, January 1, 2018	48	36	12	-	96
Gross increase during the period	21	37	8	-	66
Paid to/settled with customer	-	-44	-	-	-44
Revenue recognized during the year	-12	-	-10	-	-22
Exchange-rate differences	2	2	-	-	4
Closing balance, December 31, 2018	59	31	10	-	100
Opening balance, January 1, 2019	59	31	10	-	100
Gross increase during the period	253	77	33	109	472
Paid to/settled with customer	-	-55	-	-	-55
Revenue recognized during the year	-210	-	-12	-	-222
Acquisition/divestment of operations	-	-	3	-	3
Other changes to contract balances	6	-	-	-	6
Exchange-rate differences	1	1	1	-2	1
Closing balance, December 31, 2019	109	54	35	107	305

Detailed information for 2017 is not available.

Note 5 Operating expenses

Cost of goods sold and additional information on costs by nature

Cost of goods sold includes expenses for the following items:

- ▶ Finished goods i.e. cost for production and sourced products
- ▶ Warranty
- ▶ Environmental fees
- ▶ Warehousing and transportation
- ▶ Exchange-rate changes on payables and receivables and the effects from currency hedging

OPERATING EXPENSES

Operating expenses	2019	2018	2017
Direct material and components	2,489	2,263	1,924
Sourced products	1,252	1,345	1,070
Depreciation and amortization	287	220	193
Salaries, other remuneration and employer contribution	2,103	2,015	1,839
Other operating expenses	2,158	1,679	1,637
Total	8,289	7,522	6,663

Cost of goods sold includes direct material and components amounting to SEK 2,489m (2,263; 1,924) and sourced products amounting to SEK 1,252m (1,345; 1,070). The depreciation and amortization charge for the year amounted to SEK 287m (220; 193). Costs for research and development amounted to SEK 438m (383; 352).

Government grants relating to expenses have been deducted in the related expenses by SEK 1m (0; 0).

The Group's operating income includes net exchange-rate differences in the amount of SEK 19m (0; -8). The Group's Swedish factories accounted for 22.2% (21.2; 28.7) of the total value of production.

Selling and administration expenses

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

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

Note 6 Other operating income and expenses

	2019	2018	2017
Other operating income			
Gain on sale of property, plant and equipment	1	1	0
Government grant/subsidy	1	0	0
Other	34	5	9
Total	36	6	9
Other operating expenses			
Loss on sale of property, plant and equipment	-1	0	0
Transaction costs, acquired operations	-4	-10	0
Other	0	-1	-1
Total	-5	-12	-1
Other operating income and expenses	32	-6	8

Note 7 Items affecting comparability

This note summarizes events and transactions with significant effects, which are relevant for understanding the financial performance when comparing income for the current period with previous periods, including items such as:

- ▶ Capital gains and losses from divestments of product groups or major units
- ▶ Close-down or significant down-sizing of major units or activities
- ▶ Restructuring initiatives with a set of activities aimed at reshaping a major structure or process
- ▶ Significant impairment
- ▶ Other major items affecting comparability costs or income

Items affecting comparability in 2019 consist of a pension plan settlement in Sweden in the second quarter and the recognition of a restructuring program in the third quarter. In 2018 or 2017, no items affecting comparability costs or income were incurred impacting operating income.

	2019	2018	2017
Items affecting comparability			
Restructuring costs	-122	-	-
Pension settlement, Sweden	90	-	-
Total	-32	-	-

Note 8 Leasing

The major part of the Group's lease arrangements are those under which the Group is a lessee. This applies to a number of assets such as warehouses, office premises, vehicles, and certain office equipment. The average rental period for office- and warehouse premises is 5–10 years and average rental period for vehicles is 3–5 years. The Group's activities as a lessor are limited.

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Such an assessment is performed at inception of a contract. An identified lease agreement is further categorized by the Group as either a short-term lease, a lease of a low-value asset or a standard lease. Short-term leases are defined as leases with a lease term of 12 months or less. The Group's definition of low-value assets comprises all personal computers and laptops, phones, office equipment and furniture and all other assets of a value less than SEK 100k when new. Lease payments related to short-term leases and leases of low value assets are recognized as operating expenses on a straight-line basis over the term of the lease. The Group applies the term 'standard lease' to all identified leases which are categorized as neither short-term leases nor leases of a low-value asset. Thus, a standard lease is a lease

agreement for which a right-of-use asset and a corresponding lease liability are recognized at commencement of the lease, i.e. when the asset is available for use. The Group's right-of-use assets and its long-term and short-term lease liabilities are presented as separate line items in the combined balance sheet.

Assets and liabilities arising from a lease are initially measured on a present value basis. The lease liability is determined as the present value of all future lease payments at the commencement date, discounted using the Group's calculated incremental borrowing rate determined by country and contract duration (>12–36 months, >37–72 months and >72 months).

The following lease payments are included in the measurement of a lease liability:

- ▶ fixed payments, less any lease incentives,
- ▶ variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date,
- ▶ amounts expected to be payable under residual value guarantees,
- ▶ the exercise price of a purchase option if reasonably certain to exercise that option, and
- ▶ payments of penalties for terminating the lease, if the lease term reflects the exercise of that option.

Variable lease fees that do not depend on an index or rate (including property tax related to leased buildings) are not included in the measurement the lease liability. The related variable payments are charged to the statement of comprehensive income as incurred.

The lease liability is subsequently measured by reducing the carrying amount to reflect the lease payments made and by increasing the carrying amount to reflect interest on the lease liability, using the effective interest method. For detailed information on applied interest rates, see note 9.

A right-of-use asset is measured at cost comprising the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement day, less any lease incentives received, and any initial direct costs, and restoration costs (unless incurred to produce inventories) with the corresponding obligation recognized and measured as a provision under IAS 37. The right-of-use asset is subsequently measured at cost less accumulated depreciation, any impairment losses as well as any remeasurement of the lease liability.

A remeasurement of the lease liability, and a corresponding applicable adjustment to the related right-of-use asset, is performed when

- ▶ the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease

liability is remeasured by discounting the revised lease payments using a revised discount rate.

- ▶ the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- ▶ A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

A right-of-use asset is normally depreciated on a straight-line basis over the shorter of the asset's useful life and the lease term. However, if ownership of the asset is reasonably certain to be transferred at the end of the lease, the right-of-use asset is depreciated

over its useful life. Depreciation of a right-of-use asset starts at the commencement date of the lease. Impairment of right-of-use asset is determined and accounted for in accordance with IAS 36.

A lease payment related to a standard lease is accounted for partly as amortization of the lease liability and partly as interest expense in the statement of comprehensive income.

Lease components are separated from non-lease components for leases regarding buildings (offices, warehouses etc.). For leases regarding other asset classes (machinery, vehicles etc.) the lease components and any associated non-lease components are accounted for as a single arrangement.

In determining the lease term, extension options are only included if it is determined as reasonably certain to extend. Periods after termination options are only included in the lease term if the lease is reasonably certain not to be terminated. A lease term is reviewed if a significant event or a significant change in circumstances occurs which affects the assessment.

CHANGE IN RIGHT-OF-USE ASSET

Property, plant and equipment, right-of-use	Buildings	Machinery	Vehicles	Other equipment	Total
Carrying amount					
Opening balance, January 1, 2017	60	5	40	1	106
Acquisitions of operations	15	0	1	0	17
Additions	10	4	27	1	42
Cancellations	-	-	-	-	-
Depreciation	-17	-2	-22	0	-42
Other changes	-	-	-	-	-
Exchange rate differences	-	-	-	-	-
Closing balance, December 31, 2017	68	8	46	2	123
Opening balance, January 1, 2018	68	8	46	2	123
Acquisitions of operations	35	2	2	1	39
Additions	40	2	17	0	58
Cancellations	-	-	-	-	-
Depreciation	-25	-3	-23	-1	-52
Other changes	-	-	-	-	-
Exchange rate differences	-	-	-	-	-
Closing balance, December 31, 2018	118	8	41	2	169
Opening balance, January 1, 2019	118	8	41	2	169
Acquisitions of operations	29	-	1	1	30
Additions	79	10	26	-	116
Cancellations	0	-	0	0	0
Depreciation	-47	-6	-28	-1	-82
Other changes	-	-	-	-	0
Exchange rate differences	3	0	1	0	4
Closing balance, December 31, 2019	182	12	41	2	238

LEASE EXPENSES

	2019	2018	2017
Short-term leases	-1	-	-
Leases of low-value assets	-1	-1	-1
Depreciation	-82	-52	-42
Variable lease payments	-16	-10	-8
Total	-99	-63	-51
Lease liability, interest expense	-6	-6	-4

Total cash outflow from lease contracts for 2019 amounts to SEK 107m (68; 57). Future payments for committed lease contracts for which the commencement date has not yet occurred amount to SEK 10m.

For information on maturity profile, see note 18.

Note 9 Financial income and financial expenses

FINANCIAL INCOME AND EXPENSES

	2019	2018	2017
Financial income			
Interest income			
from Electrolux Group	9	3	2
from others	3	3	0
Other financial income	3	-	2
Total financial income	15	6	3
Financial expenses			
Interest expenses			
to Electrolux Group	-17	-5	-3
to others	-3	-1	-3
Exchange-rate differences, net	1	0	0
Pension interest expenses, net	-2	-2	-2
Lease liability interest expense	-6	-6	-4
Other financial expenses	-2	-1	0
Total financial expenses	-30	-15	-12
Financial items, net	-15	-9	-9

Note 10 Taxes

	2019	2018	2017
Current taxes	-414	-249	-296
Deferred taxes	100	67	31
Taxes included in income for the period	-314	-182	-265
Taxes related to OCI	6	10	-10
Taxes included in total comprehensive income	-308	-172	-275

Deferred taxes 2019 include an effect of SEK 0m (0; 0) due to changes in tax rates. In 2019, SEK -69m (-81; -129) of current tax has been booked directly to equity. Current taxes 2019 includes adjustments related to prior years of SEK -4m (-4; -8).

THEORETICAL AND ACTUAL TAX RATES

%	2019	2018	2017
Theoretical tax rate	23.0	24.5	25.3
Non-taxable/non-deductible income statement items, net	-1.1	0.2	0.4
Non-recognized tax losses carried forward	0.5	-	0.7
Utilized non-recognized tax losses carried forward	-	-	-
Other changes in estimates relating to deferred tax	0.3	-5.7	-
Withholding tax	-	-	1.7
Other	9.4	-3.0	-2.9
Actual tax rate	32.1	16.0	25.2

The theoretical tax rate for the Group is calculated on the basis of the weighted income after financial items multiplied by the statutory tax rates. The tax cost in 2019 is negatively affected by a tax provision offset by step-up in asset basis as a consequence of fair market value sale of certain assets and liabilities between Electrolux and Electrolux Professional.

Non-recognized deductible temporary differences

As of December 31, 2019, the Group had tax loss carry-forwards and other deductible temporary differences of SEK 35m (23; 1), which have not been included in computation of deferred tax assets. The decision not to recognize certain deferred tax assets on temporary differences is based on an assessment where the likelihood of future utilization is evaluated for each of the temporary items. The Group typically does not recognize deferred tax assets on temporary differences in situations where the ability to utilize these is considered to be limited. The non-recognized deductible deferred tax assets on temporary differences will expire as follows:

Non-recognized deductible temporary differences	December 31, 2019
2019	-
2020	-
2021	-
2022	-
2023	-
And thereafter	35
Without time limit	-
Total	35

The tables below show deferred tax assets and liabilities at the end of each reporting period and the change in net deferred tax assets and liabilities.

Deferred tax assets and deferred tax liabilities	December 31, 2019	December 31, 2018	December 31, 2017
Deferred tax assets			
Property, plant and equipment	9	4	0
Provision for pension obligations	33	41	26
Provision for restructuring	-	-	-
Other provisions	56	52	48
Inventories	23	18	14
Accrued expenses and prepaid income	63	39	5
Unused tax losses carried forward	78	54	0
Other deferred tax assets	120	42	4
Deferred tax assets before netting of deferred tax assets and liabilities	382	250	97
Netting of deferred tax assets and liabilities	-32	-4	25
Deferred tax assets net	350	246	122
Deferred tax liabilities			
Property, plant and equipment	25	37	39
Other provisions	10	10	0
Inventories	6	1	0
Intangible assets	103	86	6
Other taxable temporary differences	32	13	2
Deferred tax liabilities before netting of deferred tax assets and liabilities	176	147	47
Netting of deferred tax assets and liabilities	-32	-4	25
Deferred tax liabilities net	144	143	72
Deferred tax assets and liabilities net	206	103	50

Note 11 Other comprehensive income

	2019	2018	2017
Items that will not be reclassified to income for the period			
Remeasurement of provisions for post-employment benefits			
Opening balance, January 1	-5	32	-
Gain/loss taken to other comprehensive income	-33	-47	42
Income tax relating to items that will not be reclassified	6	10	-10
Closing balance, December 31	-32	-5	32
Items that may be reclassified subsequently to income for the period			
Exchange differences on translation of foreign operations			
Opening balance, January 1	165	15	-
Translation differences	101	150	15
Closing balance, December 31	266	165	15
Other comprehensive income, net of tax	74	113	47

Note 12 Property, plant and equipment

	Land and land improvements	Buildings	Machinery and technical installations	Other equipment	Plants under construction	Total
Acquisition costs						
Opening balance, January 1, 2017	87	740	1,510	232	53	2,622
Acquired during the year	3	7	59	7	52	129
Acquisition of operations	2	9	18	0	2	30
Transfer of work in progress and advances	1	0	39	2	-32	10
Sales, scrapping, etc.	0	0	-12	-1	-2	-15
Exchange-rate differences	-3	2	25	0	5	28
Closing balance, December 31, 2017	90	757	1,638	240	78	2,804
Acquired during the year	0	3	61	10	68	143
Acquisition of operations	2	10	18	11	0	41
Transfer of work in progress and advances	1	48	30	2	-80	0
Sales, scrapping, etc.	-	0	-10	-2	-	-12
Exchange-rate differences	7	43	59	16	1	126
Closing balance, December 31, 2018	100	861	1,796	277	68	3,101
Acquired during the year	46	18	86	24	64	238
Acquisition of operations	2	3	6	2	0	13
Sales, scrapping, etc.	-12	-62	-18	-80	0	-172
Exchange-rate differences	7	24	33	12	3	78
Closing balance, December 31, 2019	142	844	1,903	235	134	3,258

	Land and land improvements	Buildings	Machinery and technical installations	Other equipment	Plants under construction	Total
Accumulated depreciation						
Opening balance, January 1, 2017	13	279	1,214	193	0	1,698
Depreciation for the year	0	23	77	13	-	113
Sales, scrapping, etc.	-	0	-13	0	-	-13
Exchange-rate differences	0	5	22	1	0	28
Closing balance, December 31, 2017	13	306	1,300	207	0	1,826
Depreciation for the year	1	24	83	16	0	123
Sales, scrapping, etc.	0	0	-10	-2	0	-12
Impairment	0	1	2	0	0	3
Exchange-rate differences	1	16	46	13	0	75
Closing balance, December 31, 2018	15	347	1,421	233	0	2,016
Depreciation for the year	1	29	93	17	0	140
Sales, scrapping, etc.	-5	-49	-18	-88	1	-159
Exchange-rate differences	0	9	26	12	0	47
Closing balance, December 31, 2019	11	336	1,522	174	1	2,044
Net carrying amount, December 31, 2017	77	451	338	34	78	978
Net carrying amount, December 31, 2018	85	514	375	43	68	1,085
Net carrying amount, December 31, 2019	131	508	381	60	133	1,214

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

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

Total impairment in 2019 was SEK 0m (1; 0) on buildings and land, and SEK 0m (2; 0) on machinery and other equipment and SEK 0m (0; 0) on plants under construction.

Note 13 Goodwill and other intangible assets

Goodwill

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

Product development

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

Software

Acquired software licenses and development expenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over useful lives, between 3 and 5 years, using the straight-line method.

Trademarks

Trademarks are reported at historical cost less amortization and impairment. Trademarks are amortized over their useful lives, estimated to 5 to 10 years, using the straight-line method.

Customer relationships

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

Intangible assets with indefinite useful lives

Goodwill as at December 31, 2019, had a total carrying value of SEK 1,821m (1,438; 776; 160). The allocation, for impairment-testing purposes, on cash-generating units is shown in the table below.

All intangible assets with indefinite useful lives are tested for impairment at least once every year to ensure that the value does not deviate negatively from the book value and if there is any indication of impairment. Single assets are tested more often in case there are indications of impairment. The recoverable amounts of the cash-generating units have been determined based on value in use calculations. The cash-generating units equal the segments. Costs related to group services are carried by the cash-generating units and therefore included in the impairment testing of each cash-generating unit. Common group costs that cannot be allocated on a reasonable and consistent basis to any of the individual cash generating units are included in impairment testing on the total carrying amount of all cash-generating units combined.

Value in use is calculated using the discounted cash flow model based on by Executive Management Team approved forecasts for the coming four years. The forecasts are built up from the estimate of the units within each segment for individual cash generating unit. The preparation of the forecast requires a number of key assumptions such as volume, price, product mix, prices for raw material and components, which will create a basis for future growth and gross margin. These figures are set in relation to historic figures and external reports on market growth. The cash flow for the last year of the four-year period is used as the base for the perpetuity calculation. The discount rates are based on the pre-tax Group WACC (Weighted Average Cost of Capital) with adjustment for country specific risk premiums and inflation rates for each individual country. The individual country discount rates are used to calculate a weighted average discount rate for each cash-generating unit.

The pre-tax discount rates used in 2019 were 9.3% (10.1; 10.0; 9.0). For the calculation of the in-perpetuity value, Gordon's growth model is used. According to Gordon's model, the terminal value of a growing cash flow is calculated as the starting cash flow divided by cost of capital less the growth rate. Cost of capital less growth of 2% (2; 2; 2) is 7.3 % (8.1; 8.0; 7.0). The impairment-testing 2017, 2018 and 2019 did not lead to any impairment.

GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill and discount rate	2019		2018		2017		January 1, 2017	
	Goodwill	Discount rate, %	Goodwill	Discount rate, %	Goodwill	Discount rate, %	Goodwill	Discount rate, %
Food & Beverage	1,518	9.3	1,137	10.1	773	10.0	158	9.0
Laundry	303	9.3	301	10.1	3	10.0	2	9.0
Total	1,821		1,438		776		160	

OTHER INTANGIBLE ASSETS

	Other intangible assets					Total other intangible assets
	Goodwill	Product development	Customer relations	Trademarks	Other	
Acquisition costs						
Opening balance, January 1, 2017	160	46	0	0	4	50
Acquired during the year	-	-	-	-	-	0
Acquisition of operations	680	-	103	37	53	193
Internally developed	-	22	-	-	-	22
Exchange-rate differences	-64	0	-9	-3	-5	-17
Closing balance, December 31, 2017	776	68	94	34	52	248
Acquired during the year	-	-	-	-	1	1
Acquisition of operations	595	1	161	37	17	216
Internally developed	-	24	-	-	-	24
Exchange-rate differences	67	3	10	3	5	21
Closing balance, December 31, 2018	1,438	96	265	74	75	510
Acquired during the year	-	-	-	-	5	5
Acquisition of operations	344	-	20	14	2	36
Internally developed	-	9	-	-	-	9
Sales, scrapping etc.	-	-	-	-	-2	-2
Exchange-rate differences	39	2	7	2	3	14
Closing balance, December 31, 2019	1,821	107	292	90	83	572
Accumulated amortization						
Opening balance, January 1, 2017	0	28	0	0	2	30
Amortization for the year	-	7	9	3	18	37
Exchange-rate differences	-	-	-	-	-1	-1
Closing balance, December 31, 2017	0	35	9	3	19	66
Amortization for the year	-	9	21	6	9	45
Exchange-rate differences	-	2	1	-	2	5
Closing balance, December 31, 2018	0	46	31	9	30	116
Amortization for the year	-	13	32	6	15	66
Sales, scrapping etc.	-	-	-	-	-2	-2
Exchange-rate differences	-	1	1	-	2	4
Closing balance, December 31, 2019	0	60	64	15	45	184
Carrying amount, December 31, 2017	776	33	85	31	33	183
Carrying amount, December 31, 2018	1,438	50	234	65	45	394
Carrying amount, December 31, 2019	1,821	47	228	75	38	388

Amortization of intangible assets is included within Cost of goods sold with SEK 26m (18; 14), Administrative expenses with SEK 6m (0; 0) and Selling expenses with SEK 34m (27; 23) in the combined statement of comprehensive income. Electrolux Professional did not capitalize any borrowing costs during 2019, 2018 or 2017.

Note 14 Other non-current assets

	December 31		
	2019	2018	2017
Long-term financial assets	-	1	0
Other receivables	33	19	7
Total	33	20	7

Note 15 Inventories

	December 31		
	2019	2018	2017
Raw materials	434	434	365
Work in progress	31	23	11
Finished products	797	839	525
Advances to suppliers	3	3	2
Total	1,265	1,299	903

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, direct 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 5,107m (4,620; 4,213) for the Group.

Write-downs due to obsolescence amounted to SEK 38m (35; 17) and reversals of previous write-downs amounted to SEK 33m (25; 10) for the Group. The amounts have been included in the item Cost of goods sold in the statement of comprehensive income.

Note 16 Other current assets

	December 31		
	2019	2018	2017
Miscellaneous short-term receivables	212	146	90
Prepaid expenses and accrued income	55	61	46
Prepaid interest expenses and accrued interest income	2	1	0
Derivatives	4	0	0
Derivatives, Electrolux Group	0	1	2
Total	273	209	138

Miscellaneous short-term receivables include for example, claims related to VAT, operational taxes, and insurance claims.

Note 17 Trade receivables

	December 31		
	2019	2018	2017
Trade receivables	1,753	1,728	1,533
Provisions for impairment of receivables	-66	-70	-80
Trade receivables, net	1,687	1,658	1,453
Provisions in relation to trade receivables, %	3.8	4.1	5.2

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for expected losses. The Group applies the simplified approach for trade receivables and uses a matrix to estimate the expected losses. The change in amount of the provision is recognized in the combined statement of comprehensive income within selling expenses. The expected loss calculation is based on historical data and is adjusted with a forward looking analysis, including macroeconomic factors impacting the different customer segments and more specific factors such as signs of bankruptcy, officially known insolvency etc. Electrolux Professional uses credit insurance as a mean of protection against credit risks. The Group's internal guidelines to the companies is to at least reserve 0.01% for current trade receivables and for receivables maximum 15 days past due. For trade receivables past due between 16 to 60 days Electrolux Professional reserves 1% and increase to 5% for receivables past due between 61 to 180 days. Trade receivables that are 6 months past due but less than 12 months is reserved at 45% and receivables that are 12 months past due and more are reserved at 100%. Percentages are for year-end. At year-end 2019, there is no significant impact on provisions from changes in the forward looking factors.

PROVISIONS FOR IMPAIRMENT OF RECEIVABLES

	2019	2018	2017
Provisions, January 1	-70	-80	-86
Acquisition of operations	-1	-4	-4
New provisions	-4	1	-5
Actual credit losses	11	16	18
Exchange-rate differences and other changes*	-2	-3	-3
Provisions, December 31	-66	-70	-80

The fair value of trade receivables equals their carrying amount, as the impact of discounting is not significant. The creation and usage of provisions for impaired receivables have been included in selling expenses in the combined statement of comprehensive income.

AGING ANALYSIS OF TRADE RECEIVABLES PAST DUE

	2019	2018	2017
Trade receivables not overdue	1,460	1,518	1,313
Past due 1 - 15 days	63	64	63
Past due 16 - 60 days	90	55	48
2 - 6 months overdue	74	21	29
6 - 12 months overdue	-	-	-
More than 1 year overdue	-	-	-
Total trade receivables	1,687	1,658	1,453

Note 18 Financial instruments

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

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

Financial instruments

Initial recognition and measurement

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

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

Financial assets

Classification and subsequent measurement

The Group classifies its financial assets in the following measurement categories:

- ▶ Fair value through profit or loss (FVPL);
- ▶ Fair value through other comprehensive income (FVOCI); or
- ▶ Amortized cost.

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

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

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

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

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

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

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

Impairment and expected loss

The Group assesses on a forward-looking basis the long term expected credit losses (ECL) associated with its financial assets not carried at fair value. To do that a rating model is utilized to assign a probability of default. Based on this, the Group recognizes a provision for such potential losses at each reporting date. The measurement of ECL reflects an unbiased and probability-weighted amount based on reasonable and supportable information available such as past events, current condition and forecasts of future economic conditions. This model is applied to cash and cash equivalents. For trade receivables, the Group applies the 'simplified approach' (see further note 17). For cash a rating-based approach is used to estimate a probability of default for each counterparty. Due to the high ratings of the counterparties and the short maturity the impairment amount is insignificant.

De-recognition

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

Financial liabilities

Classification and subsequent measurement

All of the Group's financial liabilities, excluding derivatives, are classified as subsequently measured at amortized cost. Derivatives with negative fair values are classified as at fair value through profit or loss.

De-recognition

A financial liability is derecognized when it is extinguished, i.e. when the obligation specified in the contract is discharged, cancelled or expires.

Derivatives

Derivatives are initially recognized at fair value on the date on which the derivative contract is entered into and are subsequently re-measured at fair value. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. Fair value gain or loss related to derivatives is recognized in profit or loss.

Net debt

At year-end 2019, the Group's financial net debt amounted to SEK 588m (-621m; -748m). The table below presents how the Group calculates net debt and what it consists of.

Net debt	December 31		
	2019	2018	2017
Short-term loans	4	13	-
Short-term part of long-term loans	-	-	-
Trade receivables with recourse	-	19	-
Short-term loans, Electrolux Group	990	94	84
Short-term borrowings	994	126	84
Financial derivative liabilities	4	-	-
Accrued interest expenses and prepaid interest income	8	1	1
Other financial liabilities, Electrolux Group	234	208	232
Total short-term borrowings	1,241	336	317
Long-term borrowings	3	25	20
Long-term loans, Electrolux Group	-	38	10
Long-term borrowings	3	63	30
Total borrowings¹⁾	1,244	399	347
Cash and cash equivalents	651	230	179
Short-term investments	-	-	-
Financial derivative assets	4	-	-
Prepaid interest expenses and accrued interest income	2	1	-
Prepaid interest expenses and accrued interest income, Electrolux Group	0	0	0
Cashpool accounts & other short-term financial receivables, Electrolux Group	-	788	915
Liquid funds	656	1,020	1,095
Financial net debt (total borrowings less liquid funds)	588	-621	-748
Lease liabilities	243	176	130
Net provisions for post-employment benefits	195	219	137
Net debt	1,025	-226	-481
Revolving credit facility	-	-	-

1) Whereof interest-bearing liabilities amounting to SEK 997m as of December 31, 2019 (170;114).

Liquid funds

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

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

Liquidity profile	December 31		
	2019	2018	2017
Cash and cash equivalents	651	230	179
Financial derivative assets	4	-	-
Prepaid interest expenses and accrued interest income	2	1	-
Cashpool accounts & other short-term financial receivables, Electrolux Group	-	788	915
Liquid funds	656	1,020	1,095
Net liquidity	-585	684	778

Net liquidity is calculated by deducting total short-term borrowings from liquid funds.

Interest-bearing liabilities

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

CHANGES IN LIABILITIES ARISING FROM FINANCING

2019	Cash flow				Change in financial liabilities, Electrolux Group	Non-cash flow				Closing balance
	Opening balance	Amortization	New debt	Net cash change		Reclassifications	Acquisitions	Additions / cancellations	Exchange rate differences	
Long-term borrowings (including short-term part of long-term)	63	-36	-	-	-38	-16	33	-	-3	3
Short-term borrowings (including factoring with recourse)	126	-	-	-32	896	-	5	-	2	997
Lease liabilities	176	-83	-	-	-	-	31	115	4	243
Total	365	-119	0	-32	858	-16	68	115	3	1,243

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

	Carrying amount, December 31		
	2019	2018	2017
Long-term borrowings			
Other bank loans	3	25	20
Loans from Electrolux Group	-	39	10
Total long-term loans	3	63	30
Short-term borrowings			
Other bank loans	4	13	-
Loans from Electrolux Group	990	94	84
Trade receivables with recourse	-	19	-
Total short-term loans	994	126	84
Total borrowings	997	189	114
Lease liabilities			
Long-term lease liabilities	172	117	90
Short-term lease liabilities	72	59	40
Total lease liabilities	243	176	130

Commercial flows

The Electrolux Professional Financial Policy, effective as of October 1, 2019, states that:

- ▶ Currency exposure in operational units could be hedged on a case by case basis. Forecasted flows should normally not be hedged, as these exposures should be mitigated with natural hedges and price adjustments.
- ▶ The Head of Group Treasury and M&A is authorized to approve hedging of known flows, such as internal dividends or M&A-related payments, that due to timing reasons cause a temporary exposure to the Group.

Hedge accounting is not applied unless herein disclosed.

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

FORECASTED TRANSACTION FLOWS AND HEDGES

	THB	EUR	SEK	CZK	RUB	NOK	DKK	CNY	GBP	USD	Other	Total
Inflow of currency, long position	128	919	979	33	44	65	86	105	171	808	164	3,501
Outflow of currency, short position	-621	-1,342	-1,193	-13	0	0	-8	-2	-20	-163	-139	-3,501
Gross transaction flow	-493	-423	-214	20	44	65	78	103	151	644	25	0
Hedges	-	-	-	-	-	-	-	-	-	-	-	-
Net transaction flow	-493	-423	-214	20	44	65	78	103	151	644	25	0

Maturity profile of financial liabilities and derivatives

The table below presents the undiscounted cash flows of the Group's contractual liabilities related to financial instruments based on the remaining period at the balance sheet date to the contractual maturity date. Floating interest cash flows with future fixing dates are estimated using the forward-forward interest rates at year-end. Any cash flow in foreign currency is converted to Swedish krona using the FX spot rates at year-end. The short-term liabilities from account payables are matched by positive cash flow from trade receivables. The loan maturities can be offset by the available liquidity and/or a combination of new issued bonds, commercial papers or bank and bilateral loans. On top of the other sources, Electrolux Professional is entering into a committed revolving credit facility of EUR 250m with its core banks and a bilateral loan amounting to SEK 600m with AB Svensk Exportkredit.

MATURITY PROFILE OF FINANCIAL LIABILITIES AND DERIVATIVES – UNDISCOUNTED CASH FLOWS

	<= 0,5 year	> 0,5 year < 1 year	> 1 years < 2 years	> 2 years < 5 years	> 5 years	Total
Loans	-990	-7	-	-	-	-997
Lease Liabilities	-34	-34	-53	-89	-28	-237
Net settled derivatives	-	-	-	-	-	-
Gross settled derivatives	-	-	-	-	-	-
whereof outflow	-899	-	-	-	-	-899
whereof inflow	899	-	-	-	-	899
Accounts payable	-1,606	-	-	-	-	-1,606
Financial guarantees	-	-	-	-	-	-
Total	-2,629	-41	-53	-89	-28	-2,840

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

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

NET GAIN/LOSS, INCOME AND EXPENSE ON FINANCIAL INSTRUMENTS

	2019				2018				2017			
	Gain/ loss in profit and loss	Gain/ loss in OCI	Income	Expense	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	-	-	-	-	-	-	-	-	-	-	-	-
Financial assets and liabilities at amortized cost	-19	-	-	-	0	-	-	-	-8	-	-	-
Total net gain/loss, income and expense	-19	-	-	-	0	-	-	-	-8	-	-	-
Recognized in the financial items												
Financial assets and liabilities at fair value through profit and loss	1	-	-	-	0	-	-	-	0	-	-	-
Financial assets at amortized cost	-	-	12	-	-	-	6	-	-	-	2	-
Other financial liabilities at amortized cost	-	-	-	-20	-	-	-	-6	-	-	-	-6
Total net gain/loss, income and expense	1	-	12	-20	0	-	6	-6	0	-	2	-6

	2019			2018			2017		
	Hierarchy level	Fair value	Carrying amount	Hierarchy level	Fair value	Carrying amount	Hierarchy level	Fair value	Carrying amount
Financial assets		0	0		1	1		0	0
Financial assets at fair value through profit and loss	3	0	0	3	1	1	3	0	0
Trade receivables		1,688	1,688		1,658	1,658		1,453	1,453
Financial assets at amortized cost		1,688	1,688		1,658	1,658		1,453	1,453
Derivatives		4	4		0	0		2	2
Financial assets at fair value through profit and loss	2	4	4	2	0	0	2	2	2
Short-term investments		0	0		788	788		915	915
Financial assets at fair value through profit and loss	1	-	-	1	-	-	1	-	-
Financial assets at amortized cost		-	-		788	788		915	915
Cash and cash equivalents		651	651		230	230		179	179
Financial assets at fair value through profit and loss		-	-		-	-		-	-
Financial assets at amortized cost		651	651		230	230		179	179
Total financial assets		2,344	2,344		2,677	2,677		2,550	2,550
Financial liabilities									
Long-term borrowings		3	3		63	63		29	29
Financial liabilities at amortized cost		3	3		63	63		29	29
Trade payables		1,606	1,606		1,571	1,571		1,421	1,421
Financial liabilities at amortized cost		1,606	1,606		1,571	1,571		1,421	1,421
Short-term borrowings		1,228	1,228		334	334		316	316
Financial liabilities at amortized cost		1,228	1,228		334	334		316	316
Derivatives		5	5		2	2		3	3
Financial liabilities at fair value through profit and loss	2	5	5	2	2	2	2	3	3
Total financial liabilities		2,843	2,843		1,970	1,970		1,769	1,769

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 at fair value according to the following hierarchy:

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included in level 1 that are observable for assets or liabilities either directly or indirectly.

Level 3: Inputs for the assets or liabilities that are not entirely based on observable market data.

Note 19 Assets pledged for liabilities to credit institutions

There are no pledged assets to be disclosed for 2019, 2018 and 2017.

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

	Quota value
Share capital, December 31, 2017	
25,000 Class A shares, with a quota value of SEK 1000	25,000
Total	25,000
Share capital, December 31, 2018	
25,000 Class A shares, with a quota value of SEK 1000	25,000
Total	25,000
Share capital, December 31, 2019	
25,000 Class A shares, with a quota value of SEK 1000	25,000
Total	25,000

Share capital

As per December 31, 2019, the share capital of Electrolux Professional AB consisted of 25,000 Class A shares with a quota value of SEK 1,000 per share. All shares are fully paid. All shares entitle the holder to the same proportion of assets and earnings, and carry equal rights in terms of dividends.

Other paid-in capital

Other paid-in capital relates to payments made by owners and includes share premiums paid.

Other reserves

Other reserves includes 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.

Retained earnings

Retained earnings, including income for the period, include the income of the Parent Company and its share of income in subsidiaries. Retained earnings also include transactions with shareholders, remeasurement of provision for post-employment benefits, reversal of the cost for share-based payments recognized in income, income from sales of own shares and the amount recognized for the common dividend.

EARNINGS PER SHARE

	2019	2018	2017
Income for the period	663	952	786
Earnings per share, SEK			
Basic	2.31	3.31	2.74
Diluted	2.31	3.31	2.74
Average number of shares, million			
Basic	287.4	287.4	287.4
Diluted	287.4	287.4	287.4

Basic and diluted earnings per share is calculated by dividing the income for the period attributable to the equity holders of the Parent Company with the average number of shares. In these combined financial statements, the calculation of earnings per share has been based on the average number of shares outstanding in AB Electrolux during 2019. This is considered more relevant given the intention to reflect the same share structure that exists in AB Electrolux in Electrolux Professional AB due to the proposed distribution of the Group. The calculation of earnings per share for each year presented in these combined financial statements is based on the Group's net profit/loss attributable to the shareholders of the parent company, divided by the average number of shares outstanding before and after dilution.

The average number of shares during 2019 has been 287,397,450 (287,397,450; 287,397,450).

OTHER TRANSACTIONS WITH SHAREHOLDERS, ELECTROLUX GROUP

	2019	2018	2017
Tax adjustment	69	109	116
Group contribution	-238	-219	-219
Post employment benefits	19	7	15
Transfer of assets and liabilities	-8,672	464	603
Total	-8,822	361	515

Transactions related to transfer of assets and liabilities as part of the formation of the Electrolux Professional Group between Electrolux Group and Electrolux Professional Group have been classified as transactions with shareholders. During 2017, 2018 and 2019, asset and liabilities were transferred to Electrolux Professional without any consideration paid. During the latter half of 2019, a major legal restructuring was executed to form the legal Electrolux Professional group and a number of transactions took place where Electrolux Professional paid consideration for the asset and liabilities legally transferred, which, Electrolux Professional already had recognized in its combined financial statements.

Note 21 Post-employment benefits

Post-employment benefits

The Group sponsors pension plans in many of the countries in which it has activities. Pension plans can be defined contribution or defined benefit plans or a combination of both. 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. 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.

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 at the balance sheet date 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.

Switzerland

In Switzerland benefits are career average in nature. Contributions are paid to a pension foundation and a recovery plan has to be set up if the plans are underfunded on the local funding basis. Swiss laws do not state any specific way of calculating an employer's additional contribution and because of that there is normally no minimum funding requirement. Benefits are paid from the plan assets.

France and Italy

Electrolux Professional 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.

Other countries

There is a variety of pension plans in other countries, some are funded and others are unfunded. Commitments for retirement pension for salaried employees in Sweden related to ITP2 are guaranteed through insurance with Alecta. According to a statement from the Swedish Financial Reporting Board, UFR10, this is a defined benefit multi-employer plan. For the 2019 financial year, the company did not have access to information that would enable it to report its proportional share of the plan's obligation, plan assets and costs, which means that the plan could not be reported as a defined benefit plan. The ITP2 pension plan which is secured through insurance with Alecta is therefore reported as a defined contribution plan. Expected fees for the next reporting period for ITP2 insurance with Alecta amount to SEK 15m.

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

POST EMPLOYMENT BENEFITS

Information by country, December 31, 2019	France	Italy	Switzerland	Other	Total
Amounts included in the balance sheet					
Present value of funded and unfunded obligations	43	93	844	47	1,027
Fair value of plan assets (after change in asset ceiling)	0	0	-793	-39	-832
Total (surplus)/deficit	43	93	51	8	195
<i>Whereof reported as</i>					
Pension plan assets	-	-	-	-	13
Provisions for post-employment benefit plans	-	-	-	-	208
Total funding level for all pension plans, %	0	0	94	83	81
Average duration of the obligation, years	9.1	8.2	13.5	-	13.0
Amounts included in total comprehensive income					
Service cost ¹⁾	2	0	12	-83	-69
Net interest	1	1	0	0	2
Remeasurements (gain)/loss	-2	6	6	23	33
Total expense (gain) for defined benefit plans	1	7	18	-60	-34
Expense for defined contribution plans	-	-	-	-	62
Amounts included in the cash flow statement					
Contributions by the employer	-	-	10	-	10
Reimbursement	-	-	-	-26	-26
Benefits paid by the employer	1	7	-	8	16
Major assumptions for the valuation of the liability					
Longevity, years ²⁾					
Male	-	-	22.6	-	22.5
Female	-	-	24.7	-	24.6
Inflation, % ³⁾	1.7	1.7	1.3	-	1.3
Discount rate, %	0.4	0.6	0.1	-	0.2

Information by country, December 31, 2018	France	Italy	Switzerland	Other	Total
Amounts included in the balance sheet					
Present value of funded and unfunded obligations	37	91	755	536	1,419
Fair value of plan assets (after change in asset ceiling)	0	0	-714	-486	-1,200
Total (surplus)/deficit	37	91	41	50	219
<i>Whereof reported as</i>					
Pension plan assets	-	-	-	-	3
Provisions for post-employment benefit plans	-	-	-	-	222
Total funding level for all pension plans, %	0	0	95	91	85
Average duration of the obligation, years	9.5	8.1	12.6	13.6	11.8
Amounts included in total comprehensive income					
Service cost	2	0	12	13	27
Net interest	0	1	0	0	1
Remeasurements (gain)/loss	0	-2	18	31	47
Total expense (gain) for defined benefit plans	2	-1	30	44	75
Expense for defined contribution plans	-	-	-	-	62
Amounts included in the cash flow statement					
Contributions by the employer	-	-	10	-	10
Reimbursement	-	-	-	-20	-20
Benefits paid by the employer	2	4	0	18	24
Major assumptions for the valuation of the liability					
Longevity, years ²⁾					
Male	-	-	22.5	21.5	21.7
Female	-	-	24.5	24.2	24.3
Inflation, % ³⁾	1.8	1.8	1.3	1.7	1.6
Discount rate, %	1.3	1.5	0.8	2.3	1.7

Information by country, December 31, 2017	France	Italy	Switzerland	Other	Total
Amounts included in the balance sheet					
Present value of funded and unfunded obligations	36	77	694	495	1,302
Fair value of plan assets (after change in asset ceiling)	0	0	-675	-490	-1,165
Total (surplus)/deficit	36	77	19	5	137
<i>Whereof reported as</i>					
Pension plan assets	-	-	-	-	3
Provisions for post-employment benefit plans	-	-	-	-	140
Total funding level for all pension plans, %	0	0	97	99	89
Average duration of the obligation, years	9.8	8.3	12.8	13.3	11.8
Amounts included in total comprehensive income					
Service cost ⁴⁾	2	0	-8	12	6
Net interest	1	1	0	0	2
Remeasurements (gain)/loss	-1	0	-36	-5	-42
Total expense (gain) for defined benefit plans	2	1	-44	7	-35
Expense for defined contribution plans	-	-	-	-	61
Amounts included in the cash-flow statement					
Contributions by the employer	-	-	9	0	9
Reimbursement	-	-	-	-14	-14
Benefits paid by the employer	1	4	0	18	23
Major assumptions for the valuation of the liability					
Longevity, years ²⁾					
Male	-	-	22.4	21.4	21.6
Female	-	-	24.4	24.2	24
Inflation, % ³⁾	1.7	1.7	1.0	1.7	1.6
Discount rate, %	1.2	1.3	0.6	2.2	1.6

1) Includes a gain of SEK 90m in Sweden due to settlement of ITP2.

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.

4) Includes a total gain of SEK 19m related to plan amendments in Switzerland.

Reconciliation of change in present value of funded and unfunded obligations	2019	2018	2017
Opening balance, January 1	1,419	1,302	1,340
Current service cost	18	24	22
Special events	1	-1	-19
Interest expense	13	18	18
Remeasurement arising from changes in financial assumptions	138	6	24
Remeasurement from changes in demographic assumptions	0	0	-4
Remeasurement from experience	-16	19	-2
Contributions by plan participants	8	10	9
Benefits paid	-58	-42	-50
Exchange differences	41	68	-37
Settlements and other	-537	15	1
Closing balance, December 31	1,027	1,419	1,302

Reconciliation of change in the fair value of plan assets	2019	2018	2017
Opening balance, January 1	1,200	1,165	1,150
Interest income ¹⁾	11	16	16
Return on plan assets, excluding amounts included in interest ¹⁾	92	-22	61
Net contribution by employer	-16	-11	-5
Contribution by plan participants	8	10	9
Benefits paid	-42	-18	-27
Exchange differences	37	61	-39
Settlements and other	-458	-1	0
Closing balance, December 31	832	1,200	1,165

1) The actual return on plan assets amounts to SEK 103m (-6; 77).

Risks

There are mainly three categories of risks related to defined benefit obligations and pension plans. Increased longevity and inflation of salary and pensions may increase the future pension payments and, hence, increase the pension obligation. Pension plan assets are invested in a variety of financial instruments and are exposed to market fluctuations. 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. Expected salary increase and mortality assumptions are based on local conditions in each country and changes in those assumptions affect the measured obligation.

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 Professional on the probability of a change.

SENSITIVITY ANALYSIS ON DEFINED BENEFIT OBLIGATION

	Total
Longevity +1 year	29
Inflation +0.5% ¹⁾	16
Discount rate +1%	-121
Discount rate -1%	160

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

In 2020, the Group expects to pay a total of SEK 13m in contributions to the pension funds and as payments of benefits directly to the employees.

MARKET VALUE OF PLAN ASSETS BY CATEGORY

	2019	2018	2017
Fixed income	267	359	336
Equity	240	456	461
Other alternative assets	61	83	81
Real estate	240	275	261
Cash	24	27	26
	832	1,200	1,165

Investment strategy and risk management

The assets in the foundations are managed professionally by asset managers who propose portfolio allocations based on a framework decided by the foundation boards. Risk related to pension obligations, e.g., mortality exposure and inflation, are monitored on an ongoing basis by the Group Finance Governance Board.

Governance

Defined benefit pensions and pension plan assets are governed by the Group Finance Governance Board, which resumes 3 to 4 times per year and has the following responsibilities:

- ▶ Approve the financial and actuarial assumptions to be used in the calculations of the Pension Funds' assets and liabilities.
- ▶ Initiate processes for new plans, changes to plans or termination of plans if such actions are found necessary.
- ▶ Approve the election of company representatives in the local Board of Trustees (or equivalent).

Note 22 Other provisions

	Provisions for restructuring	Warranty commitments	Other	Total
Opening balance, January 1, 2017	-	197	191	388
Acquisitions of operations	-	20	62	82
Provisions made	10	71	23	104
Provisions used	-	-71	-17	-88
Unused amounts reversed	-	-4	-6	-10
Exchange-rate differences	-	-4	-4	-8
Closing balance, December 31, 2017	10	209	249	468
Of which current provisions	10	60	13	83
Of which non-current provisions	-	149	236	385
Opening balance, January 1, 2018	10	209	249	468
Acquisitions of operations	-	10	18	28
Provisions made	12	63	11	86
Provisions used	-12	-45	-25	-82
Unused amounts reversed	-	-2	-34	-36
Exchange-rate differences	-	8	10	18
Closing balance, December 31, 2018	10	243	229	482
Of which current provisions	10	97	14	121
Of which non-current provisions	-	146	215	361
Opening balance, January 1, 2019	10	243	229	482
Acquisitions of operations	-	5	-	5
Provisions made	101	47	212	360
Provisions used	-24	-48	-62	-134
Unused amounts reversed	-	-6	-27	-33
Exchange-rate differences	-1	4	9	12
Closing balance, December 31, 2019	86	245	361	692
Of which current provisions	76	107	15	198
Of which non-current provisions	10	138	346	494

Provisions are recognized when the Group has a present obligation as a result of a past event, and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation at the balance sheet date. Where the effect of time value of money is material, the amount recognized is the present value of the estimated expenditures.

Provisions for warranty are recognized at the date of sale of the products covered by the warranty and are calculated based on historical data for similar products. Provisions for warranty commitments are recognized as a consequence of the Group's policy to cover the cost of repair of defective products. Warranty is normally granted for one to two years after the sale.

Restructuring provisions are recognized when the Group has both adopted a detailed formal plan for the restructuring and either started the plan implementation or communicated its main features to those affected by the restructuring. Provisions for restructuring represent the expected costs to be incurred as a consequence of the Group's decision to 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.

Other provisions mainly include provisions for direct and indirect tax, environmental liabilities, litigations other than warranty related claims and employee related provisions. The timing of any resulting outflows for other provisions are uncertain.

Note 23 Other liabilities

	December 31		
	2019	2018	2017
Accrued holiday pay ¹⁾	126	105	0
Other accrued payroll costs ¹⁾	145	122	0
Accrued interest expenses	8	1	1
Other prepaid income ¹⁾	10	118	-
Other accrued expenses ¹⁾	195	216	331
Accrued expenses and prepaid income to Electrolux Group	23	11	7
Contract liabilities ²⁾	305	100	96
VAT liabilities ³⁾	86	93	-
Personnel related liabilities ³⁾	138	112	-
Other operating liabilities ³⁾	82	156	358
Derivatives	4	-	-
Derivatives to Electrolux Group	1	2	3
Other financial liabilities to Electrolux Group	234	208	232
Other liabilities to Electrolux Group	4	-	-
Total	1,361	1,244	1,028

1) Allocation between accrued holiday pay, other accrued payroll costs, other prepaid income and other accrued expenses is not available for 2017.

2) Movement in contract liabilities 2019 and 2018 is presented in note 4.

3) Allocation between VAT liabilities, personnel related liabilities and other operating liabilities is not available for 2017.

Other accrued expenses include for example accruals for fees, advertising and sales promotion.

Note 24 Contingent liabilities

	December 31		
	2019	2018	2017
Contingent liabilities	126	7	7
Total	126	7	7

On January 21, 2020, a supplier filed a lawsuit in Italy against Electrolux Professional claiming EUR 11.3m (approximately SEK 118m). The claimed amount covers alleged damages related to purchase volumes and pricing during the contractual period and compensation for costs resulting from allegedly wrongful termination of the supply agreement. Electrolux Professional rejects the claim, but it cannot be ruled out that the final outcome could have a significant impact on Electrolux Professional's operating income and cash flow.

Note 25 Acquired and divested operations

ACQUIRED OPERATIONS	2019				2018		2017
	Unic	Schneiderreit	SPM	Total	Grindmaster-Cecilware		
Cash paid for acquisitions made during the year	410	331	470	801	838		
Deferred	-	37	-	37	-		
Total consideration	410	368	470	838	838		
Recognized amounts of assets acquired and liabilities assumed							
Property plant and equipment, owned	13	19	22	41	30		
Property plant and equipment, right-of-use	31	14	27	40	17		
Intangible assets	52	109	91	200	193		
Inventories	63	29	86	115	152		
Trade receivables ¹⁾	40	41	75	116	115		
Other current and non-current assets	10	93	11	104	90		
Trade payables	-26	-11	-61	-72	-34		
Other operating liabilities	-40	-113	-46	-159	-238		
Total identifiable net assets acquired	142	181	204	385	325		
Cash and cash equivalents	4	28	21	49	11		
Lease liabilities	-31	-14	-27	-40	-17		
Borrowings	-42	-121	-32	-153	-160		
Assumed net debt	-69	-107	-37	-144	-166		
Goodwill	336	294	303	597	679		
Total	410	368	470	838	838		
1) Trade receivables							
Trade receivables, gross	41	43	77	120	117		
Provision for doubtful receivables	-1	-2	-2	-4	-2		
Total	40	41	75	116	115		

PAYMENTS FOR ACQUISITIONS

	2019	2018	2017
Cash paid for acquisitions made during the year	410	801	838
Cash and cash equivalents in acquired operations	-4	-49	-11
Cash paid related to deferred consideration from acquisitions made in earlier years	35	-	-
Total paid	441	752	827

Acquisitions in 2019*Unic SAS*

On April 24, 2019, the acquisition of the French producer of professional espresso coffee machines, Unic SAS, was completed by acquiring 100% of the shares in a cash deal. The purchase price for the shares amounted to EUR 39m with a net debt assumed, estimated at EUR 6.6m. The company's headquarters and main manufacturing facility are located in southern France, with subsidiaries in the U.S. and Japan. The acquisition was part of Electrolux Professional's strategy to grow with a complete offering of food service, beverage and laundry solutions. Together with previous acquisitions (Grindmaster-Cecilware in North America 2017 and SPM Drink Systems in Italy 2018), Unic complements the Electrolux Professional's portfolio of products for hot, cold and frozen beverages.

The Unic group's net sales and operating income in 2019 amounted to EUR 16.7m and EUR -1.6m, respectively, approximately SEK 176m and SEK -17m, respectively. The acquired operation contributes to Electrolux Professional's combined accounts in 2019 by EUR 10.7m in Net Sales and EUR -1.6m in operating income, approximately SEK 113m and SEK -17m, respectively. Goodwill recognized in the transaction mainly relates to synergies with Electrolux Professional's operations in this business segment. Goodwill is not expected to be deductible for income tax.

The business is included in the segment Food & Beverage.

Transaction costs

Transaction costs related to the acquisition in 2019 amount to SEK 3.5m and have been expensed as incurred during the acquisition process in 2019. The costs have been reported in operating income as group common cost.

Acquisitions in 2018*Schneiderreit GmbH*

On February 22, 2018, Electrolux Professional completed the acquisition of Schneiderreit GmbH, a supplier of laundry rental solutions for professional customers in Germany and Austria. The agreement to acquire the company was entered into on January 22, 2018. The acquisition enables Electrolux Professional to develop its offering within the professional laundry business and supports the long-term profitable growth in Europe. Schneiderreit adds a complementary business model, enabling Electrolux Professional to help provide great experiences to an even wider customer base while exploring rent based sales which is an interesting growth area in the industry for professional laundry. The company has around 110 employees throughout Germany.

The consideration consisted of a cash payment of EUR 32.8m and a deferred part (hold-back) of EUR 3.6m. The cash payment was equivalent to SEK 331m and the deferred part was equivalent to SEK 37m. The cash flow effect was SEK -303m excluding acquired cash and cash equivalents. In 2019 the hold-back amount was released with minor adjustments giving a further cash outflow of EUR 3.3m equivalent to SEK 35m.

The acquired business is included in Electrolux Professional's combined accounts per December 31, 2018 with financial state-

ments for the period January–December 2018, contributing to net sales and operating income (including amortization of surplus values) by EUR 18.7m and EUR 0, respectively, approximately SEK 192m and SEK 0, respectively.

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

The business is included in the segment Laundry.

SPM Drink Systems

On October 2, 2018, Electrolux Professional completed the acquisition of SPM Drink Systems, an Italian leading manufacturer of professional dispensers of frozen and hot beverages and soft ice-cream, as part of the strategy to increase its presence in the hospitality industry. The acquisition supports Electrolux Professional's strategy for profitable growth and strengthens Electrolux Professional's presence in the fast-growing beverage segment within the hospitality industry. The company has around 130 employees with headquarters and main manufacturing facilities based in Spilamberto, Modena, Italy.

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

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

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

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

The business is included in the segment Food & Beverage.

Transaction costs

Transaction costs related to the acquisition in 2018 amount to SEK 11m and have been expensed as incurred during the acquisition process in 2018 (SEK 7m) and 2017 (SEK 4m). The costs have been reported in operating income as group common cost.

Acquisition in 2017*Grindmaster-Cecilware*

In February 2017, Electrolux Professional completed the acquisition of the U.S. based Grindmaster-Cecilware business by acquiring 100% of the business via a purchase of all shares in the parent company of the Grindmaster-Cecilware Group in a cash transaction. The acquisition broadens Electrolux Professional offering in its beverage business and will accelerate the growth of the Food & Beverage segment by increasing access to the U.S. market. Grindmaster-Cecilware is a leading U.S. based manufacturer of hot, cold and frozen beverage dispensing equipment, including coffee machines. The company is based in Louisville, Kentucky and has manufacturing facilities in Louisville and in Rayong, Thailand.

Goodwill primarily relates to the increase in market presence in North America, one of the largest global markets for professional appliances. Goodwill is not expected to be deductible for income tax purposes.

Net sales and operating income in the acquired business in 2017 amounted to USD 64.9m (SEK 560m) and USD 2.6m (SEK 23m) respectively. The Grindmaster-Cecilware business is included in Electrolux Professional's combined accounts from March 1, 2017. For the period from the acquisition date until the end of the report-

ing period the acquired business has contributed to net sales and operating income (including amortization of surplus values) by USD 53.1m and USD 1.3m, respectively, approximately SEK 454m and SEK 11m, respectively.

In the first quarter of 2018, additional net liabilities of USD 1.1m (SEK 10m) were added to the acquisition balance sheet resulting in an increase of goodwill with the same amount.

The business is included in the segment Food & Beverage.

Transaction costs

Transaction costs related to the acquisition in 2017 amounts to SEK 7m and have been expensed as incurred during the acquisition

process in 2017 SEK 4m and in 2016 SEK 3m. The costs have been reported in operating income as group common cost.

Payment of deferred consideration from acquisitions before 2017

In 2017 an amount equal to SEK 4m was paid related to deferred consideration for the acquisition in 2015 of the Chinese entity Veetsan Commercial Machinery Co.

Divested operations

No divestments have been made in 2019, 2018 or 2017.

Note 26 Employees and remuneration

Employees and employee benefits

As of December 31, 2019 the number of employees was 3,624 (3,555; 3,183).

NUMBER OF EMPLOYEES, BY GEOGRAPHICAL REGION

	2019	2018	2017
Europe	2,859	2,742	2,409
Asia Pacific, Middle East and Africa	601	641	605
Americas	164	172	169
Total	3,624	3,555	3,183

SALARIES, OTHER REMUNERATION AND EMPLOYER CONTRIBUTIONS

	2019			2018			2017		
	Salaries and remuneration	Employer contributions	Total	Salaries and remuneration	Employer contributions	Total	Salaries and remuneration	Employer contributions	Total
Total Group	1,666	437	2,103	1,534	482	2,016	1,428	410	1,838
whereof pension costs	-	-7 ¹⁾	-7	-	89	89	-	67	67

1) Includes settlement of pension liability to Alecta amounting to SEK 90m.

Remuneration guidelines for the Executive Management Team 2017–2019

For the years 2017–2019, the guidelines for remuneration to the Executive Management Team have been applied as decided by the Annual General Meeting of Electrolux Group for each year. Remuneration history for the current members of Executive Management Team has not been included as this is not fully representative for the scope and area of responsibility of their positions in Electrolux Professional. Instead, a remuneration estimate is provided based on current annual base salaries, benefits and target levels (50% of the maximum outcome) of the variable salary programs, for the full year of 2020.

Remuneration guidelines for the Executive Management Team 2020

The guidelines for remuneration and other terms of employment for the Electrolux Professional Executive Management Team have been approved by the Annual General Meeting in 2020.

The Executive Management Team consists of the CEO and nine other members.

The remuneration terms shall emphasize 'pay for performance' and vary with the performance of the individual and the Group. The total remuneration for the Executive Management Team shall be tied strongly to the position held, be in line with market practice and may comprise the following components: annual fixed compensation, variable compensation and other benefits such as pension and insurance. The following describes the various guidelines in determining the amount of remuneration.

- ▶ Fixed compensation shall be competitive relative to the relevant country market and reflect the scope of the job responsibilities.

Fixed compensation consists of annual base salary and may, if locally stipulated by mandatory collective agreement provisions, also include a fixed non-competition component. Base salary levels shall be reviewed periodically (usually annually) to ensure continued competitiveness and to recognize individual performance.

- ▶ Variable compensation may consist of both short term and long-term incentives. Following the 'pay for performance' principle, variable compensation shall represent a significant portion of the total compensation opportunity for Executive Management Team. Variable compensation shall always be measured against pre-defined targets and have a maximum above which no payout shall be made. Both short-term incentives and long-term incentives entitlement shall be dependent on job level and the variable compensation may amount to not more than 100% of the annual base salary.
- ▶ Pension and Benefits such as old age- and survivor's pension, disability benefits and healthcare benefits shall be designed to reflect home country practices and requirements. When possible, pension plans shall be based on defined contribution. In individual cases, depending on provisions in collective bargaining agreements, 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 consist of company car, housing and private health insurance.

The notice period for the President and CEO shall be 12 months if Electrolux Professional takes the initiative to terminate the employment and 6 months if the President and CEO takes the initiative to terminate the employment. For other members of the Executive Management Team the notice period shall be between 6 to 12 months if Electrolux Professional takes the initiative to terminate the

employment and 3 to 6 months if the Executive Management Team member takes the initiative to terminate the employment.

In individual cases, contractual severance pay may be approved in addition to the notice periods.

The Board of Directors may temporarily resolve to deviate from the guidelines, in whole or in part, if in a specific case there is special cause for the deviation and a deviation is necessary to serve the Company's long-term interests, including its sustainability, or to ensure the Company's financial viability.

President and CEO

The variable compensation for the President and CEO consists of both short-term and long-term incentives and is based on fixed financial targets on Group level. Short term incentive can give a maximum of 100% of annual base salary and long-term incentive can give a maximum of 100% of annual base salary.

The notice period for the Company is 12 months and for the President and CEO 6 months. The President and CEO is entitled to severance pay of 12 months.

The President and CEO is accruing pension entitlements in accordance with Italian social security legislation for pension. A voluntary defined contribution pension scheme is offered (Previdai) where the Company matches contributions up to EUR 6,000 per year. In addition, the company also contributes to the Italian statutory TFR.

Healthcare benefits are provided in accordance with the collectively agreed plan rules of FASI and Assidai designed for Executives (Dirigenti).

Other Members of the Executive Management Team

The variable compensation for other members of the Executive Management Team consists of both short-term and long-term incentives and is based on fixed financial targets on Group level and Regional and Group level for the Regional Heads. Short term incentive can give a maximum of 60-80 % of annual base salary depending on job level and Long-Term incentive can give a maximum of 50-80 % of annual base salary, depending on job level.

The notice period for other members of the Executive Management Team is between six to twelve months if Electrolux Profes-

sional takes the initiative to terminate the employment and three to six months if the Executive Management Team member takes the initiative to terminate the employment.

The Executive Management Team members employed in Italy are, in accordance with the President and CEO, also accruing pension entitlements in accordance with Italian social security legislation for pension and eligible to participate in the voluntary defined contribution pension scheme offered (Previdai) where the Company matches contributions up to EUR 6,000 per year. In addition, the company also contributes to the Italian statutory TFR.

Healthcare benefits are provided in accordance with the collectively agreed plan rules of FASI and Assidai designed for managers (Dirigenti).

The Executive Management Team members employed in Sweden are covered by the collectively agreed ITP 1, which is a defined contribution plan.

For Executives Management Team members employed outside of Italy and Sweden, varying terms of employment, pension and other benefits, such as company car, may apply depending upon the country of employment.

Electrolux Share-based compensation 2017, 2018 and 2019

The members of the Electrolux Professional Executive Management Team, who held a senior management position within the Electrolux group 2017-2019, has historically participated in Electrolux long-term performance share plans "LTI-program". Each of the 2017, 2018 and 2019 program covered 15 to 17 senior managers and key employees within Electrolux Professional. The LTI-program for 2017 was settled in February 2020 and had a performance outcome of 90% which resulted in a total of 66,393 Electrolux B-shares being allocated to Electrolux Professional employees. The total cost for the 2017 LTI-program amounted to SEK 15.5m (excluding social security costs).

Due to the spin-off, the LTI-programs for 2018 and 2019 were, with respect to Electrolux Professional employees, settled in cash with an accelerated vesting. The performance outcome for these LTI-programs was 1.5% and 0%, respectively. The total cost for the cash settled LTI-programs amounted to SEK 255,000 (excluding social security costs).

Note 27 Fees to auditors

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

	2019	2018	2017
Deloitte			
Audit fees ¹⁾	4	2	-
Audit-related fees ²⁾	-	-	-
Tax fees ³⁾	-	-	-
All other fees	-	-	-
Total fees to Deloitte	4	2	-
PwC			
Audit fees ¹⁾	-	1	3
Audit-related fees ²⁾	-	-	-
Tax fees ³⁾	-	-	-
All other fees	-	-	-
Total fees to PwC	-	1	3
Audit fees to other audit firms	-	-	-
Total fees to auditors	4	3	3

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 Group 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 of the accounts and annual reports of the Group and group companies traditionally performed by the external auditors, and include consultations concerning financial accounting and reporting standards; internal control reviews; as well as review of interim reports.

3) Tax fees include for example tax compliance and tax consultation services.

Note 28 Transactions with related parties

To/from Electrolux group	2019	2018	2017
Net sales of goods	-	-	-
Purchases of goods	-50	-54	-46
Interest income	9	3	2
Interest expense	-17	-5	-3
Short-term financial receivables			
Cashpool account	-	788	915
Long-term borrowings			
Long-term loans	-	38	10
Trade payables			
Trade payables	121	124	84
Other liabilities			
Other financial liabilities	234	208	232
Other short-term operating liabilities	4	-	-
Accrued expenses and prepaid income	23	11	7
Derivatives	1	2	-1
Short-term loans			
Short-term loans	990	94	84

Transactions between Electrolux Professional AB and its subsidiaries have been eliminated in the Group and are not disclosed in this note. Transactions with key management and board members are disclosed in note 26. Transactions related to post-employment plans are disclosed in note 21. Equity transactions with shareholders are disclosed in note 20. The Group has also purchased services from the Electrolux Group which has been based on generally accepted commercial terms and conditions such as IT services and administrative services.

Note 29 Events after the balance sheet date

On January 21, 2020, a supplier filed a lawsuit in Italy against Electrolux Professional claiming EUR 11.3m (approximately SEK 118m). The claimed amount covers alleged damages related to purchase volumes and pricing during the contractual period and compensation for costs resulting from allegedly wrongful termination of the supply agreement. Electrolux Professional rejects the claim, but it cannot be ruled out that the final outcome could have a significant impact on Electrolux Professional's operating income and cash flow.

On February 18, 2020, the Annual General Meeting of Electrolux Professional resolved on a bonus issue. The purpose of the bonus issue was to increase the share capital as well as the number of shares to reflect the share capital structure of Electrolux ahead of the separation of Electrolux Professional from Electrolux.

On February 21, 2020, Electrolux Professional entered a EUR 250m multicurrency revolving credit facilities agreement, and on March 6, 2020, Electrolux Professional entered into a SEK 600m bilateral term loan.



Report from independent auditor

To the Board of Electrolux Professional AB (publ), corporate identity number 556003-0354

Report on the combined financial statements

Opinions

We have audited the combined financial statements of Electrolux Professional group for the period of two financial years ending on December 31, 2019. The combined financial statements of the Group are included on pages F2–F39 in this document.

In our opinion, the combined financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and present fairly, in all material respects, the combined financial position of the Group as of December 31, 2019 and December 31, 2018 and of its combined financial performance and combined cash flow for each of the two financial years ending December 31, 2019 in accordance with IFRS, as adopted by the EU.

Basis for opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's responsibilities section. We are independent of the Group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

Responsibilities of the Board of Directors and the Chief Executive Officer (CEO)

The Board of Directors and the CEO are responsible for the preparation of the combined financial statements and that they give a fair presentation in accordance with IFRS as adopted by the EU. The Board of Directors and the CEO are also responsible for such internal control as they determine is necessary to enable the preparation of combined financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the combined financial statements, the Board of Directors and the CEO are responsible for the assessment of the Group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the CEO intends to cease operations or has no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the combined financial statements as a whole are free from material misstatements, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not a guarantee that an audit

conducted in accordance with ISA and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these combined financial statements.

As part of an audit in accordance with ISA, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the combined financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of the Group's internal control relevant to our audit 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 internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the CEO.
- conclude on the appropriateness of the Board of Directors' and the CEO's use of the going concern basis of accounting in preparing the combined financial statements. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the combined financial statements or, if such disclosures are inadequate, to modify our opinion about the combined financial statements. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the combined financial statements, including the disclosures, and whether the combined financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the combined financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

Stockholm, March 10, 2020

Deloitte AB

Jan Berntsson

Authorized public accountant



Report from independent auditor

To the Board of Electrolux Professional AB (publ), corporate identity number 556003-0354

Report on the combined financial statements

Opinions

We have audited the combined financial statements of Electrolux Professional group for the year 2017. The combined financial statements of the Group are included on pages F2-F39 in this document.

In our opinion, the combined financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and present fairly, in all material respects, the combined financial position of the Group as of December 31, 2017 and January 1, 2017 and of its combined financial performance and combined cash flow for the financial year ending December 31, 2017 in accordance with IFRS, as adopted by the EU.

Basis for opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's responsibilities section. We are independent of the Group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

Responsibilities of the Board of Directors and the Chief Executive Officer (CEO)

The Board of Directors and the CEO are responsible for the preparation of the combined financial statements and that they give a fair presentation in accordance with IFRS as adopted by the EU. The Board of Directors and the CEO are also responsible for such internal control as they determine is necessary to enable the preparation of combined financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the combined financial statements, the Board of Directors and the CEO are responsible for the assessment of the Group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the CEO intends to cease operations or has no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the combined financial statements as a whole are free from material misstatements, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISA and generally accepted auditing

standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these combined financial statements.

As part of an audit in accordance with ISA, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the combined financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of the Group's internal control relevant to our audit 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 internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the CEO.
- conclude on the appropriateness of the Board of Directors' and the CEO's use of the going concern basis of accounting in preparing the combined financial statements. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the combined financial statements or, if such disclosures are inadequate, to modify our opinion about the combined financial statements. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the combined financial statements, including the disclosures, and whether the combined financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the combined financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

Stockholm, March 10, 2020

PricewaterhouseCoopers AB

Signature on Swedish original¹⁾

Peter Nyllinge

*Authorized public accountant
Auditor in charge*

Signature on Swedish original

Camilla Samuelsson

Authorized public accountant

¹⁾ This is a translation of the Swedish language original. In the event of any differences between this translation and the Swedish language original, the latter shall prevail.

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