Notes

Notes

Note 1 Accounting and valuation principles

Basis of preparation

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The consolidated financial statements have been prepared under the historical cost convention, as modified by revaluation of available-for-sale financial assets and financial assets and liabilities (including derivative instruments) at fair value through profit or loss. Some additional information is disclosed based on the standard RFR 1 from the Swedish Financial Reporting Board and the Swedish Annual Accounts Act. As required by IAS 1, Electrolux companies apply uniform accounting rules, irrespective of national legislation, as defined in the Electrolux Accounting Manual, which is fully compliant with IFRS. The policies set out below have been consistently applied to all years presented with the exception for new accounting standards where the application follows the rules in each particular standard. For information on new standards, see the section on new or amended accounting standards on page 34.

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

The financial statements were authorized for issue by the Board of Directors on February 2, 2010. The balance sheets and income statements are subject to approval by the Annual General Meeting of shareholders on Mars 30, 2010.

Principles applied for consolidation

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

The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

If the cost of the business combination exceeds the fair value of the identifiable assets, liabilities and contingent liabilities, the difference is recognized as goodwill.

If the fair value of the acquired net assets exceeds the cost of the business combination, the acquirer must reassess the identification and measurement of the acquired assets. Any excess remaining after that reassessment must be recognized immediately in profit or loss. The consolidated financial statements for the Group includes the financial statements for the Parent Company and the direct and indirect owned subsidiaries after:

- elimination of intra-group transactions, balances and unrealized intra-group profits
- depreciation and amortization of acquired surplus values.

Definition of Group companies

The consolidated financial statements include AB Electrolux and all companies in which the Parent Company has the power to govern the financial and operating policies, generally accompanying a shareholding of more than 50% of the voting rights referring to all shares and participations.

The following applies to acquisitions and divestments during the year:

- Companies acquired during the year have been included in the consolidated income statement as of the date when Electrolux gains control.
- Companies divested during the year have been included in the consolidated income statement up to and including the date when Electrolux loses control.

At year-end 2009, the Group comprised 244 (243) operating units, and 155 (163) companies.

Associated companies

Associates are all companies over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associated companies have been reported according to the equity method. This means that the Group's share of income after taxes in an associated company is reported as part of the Group's income. Investments in such a company are reported initially at cost, increased, or decreased to recognize the Group's share of the profit or loss of the associated company after the date of acquisition. When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate. Gains or losses on transactions with associated companies, if any, have been recognized to the extent of unrelated investors' interests in the associate.

Related party transactions

All transactions with related parties are carried out on an arm's-length basis.

Foreign currency translations

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

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

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

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

The Group uses foreign exchange derivative contracts and loans in foreign currencies in hedging certain net investments in foreign operations. The effective portion of the exchange-rate differences related to these contracts and loans have been charged to other comprehensive income.

When a foreign operation is partially disposed of or sold, exchange differences that were recorded in other comprehensive income are transferred to income for the period as part of the gain or loss on sales.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Segment reporting

The Group has five reportable segments. The segments are identified from the Group's two main business areas, Consumer Durables and Professional Products. Consumer Durables is divided into four regions which all are identified as separate reportable segments. In Professional Products there are two operating segments that are aggregated into one reportable segment in accordance with the aggregation criteria. The segments are regularly reviewed by the President and CEO, the Group's chief operating decision maker.

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

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

Revenue recognition

Sales are recorded net of value-added tax, specific sales taxes, returns, and trade discounts. Revenues arise from sales of finished products and services. Sales are recognized when the significant risks and rewards connected with ownership of the goods have been transferred to the buyer and the Group retains neither a continuing right to dispose of the goods, nor effective control of those goods and when the amount of revenue can be measured reliably. This means that sales are recorded when goods have been put at the disposal of the customers in accordance with agreed terms of delivery. Revenues from services are recorded when the service, such as installation or repair of products, has been performed.

Items affecting comparability

This item includes events and transactions with significant effects, which are relevant for understanding the financial performance when comparing income for the current period with previous periods, including:

- Capital gains and losses from divestments of product groups or major units
- Close-down or significant down-sizing of major units or activities
- Restructuring initiatives with a set of activities aimed at reshaping a major structure or process
- Significant impairment
- Other major non-recurring costs or income

Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets commenced after January 1, 2009 are capitalized as a part of the cost of those assets. Other borrowing costs are recognized as an expense in the period in which they are incurred.

Taxes

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred taxes are calculated using enacted or substantially enacted tax rates by the balance sheet date. Taxes incurred by the Electrolux Group are affected by appropriations and other taxable or tax-related transactions in the individual Group companies. They are also affected by utilization of tax losses carried forward referring to previous years or to acquired companies. Deferred tax assets on tax losses and temporary differences are recognized to the extent it is probable that they will be utilized in future periods. Deferred tax assets and deferred tax liabilities are shown net when they refer to the same taxation authority and when a company or a group of companies, through tax consolidation schemes, etc., have a legally enforceable right to set off tax assets against tax liabilities.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not be reversed in the foreseeable future.

Intangible fixed assets

Goodwill

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

Trademarks

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

Product development expenses

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

Computer software

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

Property, plant and equipment

Property, plant, and equipment are stated at historical cost less straight-line accumulated depreciation, adjusted for any impairment charges. Historical cost includes expenditures that are directly attributable to the acquisition of the items including borrowing costs where applicable. Subsequent costs are included in the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and are of material value. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item are depreciated separately. This applies mainly to components for machinery. All other repairs and maintenance are charged to the income statement during the period in which they are incurred. Land is not depreciated as it is considered to have an endless useful period, but otherwise depreciation is calculated using the straight-line method and is based on the following estimated useful lives:

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

Impairment of non-current assets

At each balance sheet date, the Group assesses whether there is any indication that any of the company's non-current assets are impaired. If any such indication exists, the company estimates the recoverable amount of the asset. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. An impairment loss is recognized by the amount of which the carrying amount of an asset exceeds its recoverable amount. The discount rates used reflect the cost of capital and other financial parameters in the country or region where the asset is in use. For the purposes of assessing impairment, assets are grouped in cash-generating units, which are the smallest identifiable groups of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

The value of goodwill and other intangible assets with indefinite life is continuously monitored, and is tested for yearly impairment or more often if there is indication that the asset might be impaired. Goodwill is allocated to the cash generating units that are expected to benefit from the combination.

Classification of financial assets

The Group classifies its financial assets in the following categories:

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

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

Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held-for-trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorized as held-for-trading, presented under derivatives in the balance sheet, unless they are designated as hedges. Assets in this category are classified as current assets if they either are held-for-trading or are expected to be realized within 12 months of the balance-sheet date.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are included in trade and other receivables in the balance sheet.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that management has the positive intention and ability to hold to maturity. During 2009 and 2008, the Group did not hold any investments in this category.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets as financial assets unless management intends to dispose of the investment within 12 months of the balance-sheet date.

Recognition and measurement of financial assets

Regular purchases and sales of investments, financial assets, are recognized on trade-date, the date on which the Group commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Investments are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Financial assets at fair value through profit or loss and available-for-sale financial assets are subsequently carried at fair value. Loans, receivables, and held-to-maturity investments are carried at amortized cost using the effective interest method. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets at fair value through profit or loss category are included in the income statement in the period in which they arise. Unrealized gains and losses arising from changes in the fair value of financial assets classified as available-for-sale are recognized in other comprehensive income. When securities classified as available-for-sale are sold or impaired, the accumulated fair-value adjustments are included in income for the period as gains and losses from investment securities and reported as operating result.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active, the Group establishes fair value by using valuation techniques. These include the use of recent arm's-length transactions, reference to other instruments that are substantially the same, discounted cash-flow analysis, and option-pricing models refined to reflect the issuer's specific circumstances.

The Group assesses at each balance-sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss is recognized in the income for the period. Impairment losses recognized in the income statement are not reversed through the income statement.

Leasing

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. Title may or may not eventually be transferred. An operating lease is a lease other than a finance lease. Assets under finance leases in which the Group is a lessee are recognized in the balance sheet and the future leasing payments are recognized as a borrowing. Expenses for the period correspond to depreciation of the leased asset and interest cost for the borrowing. The Group's activities as a lessor are not significant.

The Group generally owns its production facilities. The Group rents some warehouse and office premises under leasing agreements and has also leasing contracts for certain office equipment. Most leasing agreements in the Group are operational leases and the costs are recognized directly in the income statement in the corresponding period. Finance leases are capitalized at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments.

The leased assets are depreciated over its useful lifetime. If there is no reasonable certainty that the lessee will obtain ownership by the end of the lease term, the assets are fully depreciated over the shorter of the lease term and its useful life.

Inventories

Inventories and work in progress are valued at the lower of acquisition cost, at normal capacity utlization, 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 inventories is assigned by using the weighted average cost formula. The cost of inventories are recognized as expense and included in cost of goods sold. Provisions for obsolescence are included in the value for inventory.

Trade receivables

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The change in amount of the provision is recognized in the income statement in selling expenses.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, bank deposits and other short-term highly liquid investments with a maturity of three months or less.

Provisions

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.

Restructuring provisions are recognized when the Group has both adopted a detailed formal plan for the restructuring and has, either started the plan implementation, or communicated its main features to those affected by the restructuring.

Post-employment benefits

Post-employment benefit plans are classified as either defined contribution or defined benefit plans.

Under a defined contribution plan, the company pays fixed contributions into a separate entity and will have no legal obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits. Contributions are expensed when they are due.

All other post-employment benefit plans are defined benefit plans. The Projected Unit Credit Method is used to measure the present value of the obligations and costs. The calculations are made annually using actuarial assumptions determined at the balance sheet date. Changes in the present value of the obligations due to revised actuarial assumptions are treated as actuarial gains or losses and are amortized over the employees' expected average remaining working lifetime in accordance with the corridor approach. Differences between expected and actual return on plan assets are treated as actuarial gains or losses. The portion of the cumulative unrecognized gains and losses in each plan that exceeds 10% of the greater of the defined benefit obligation and the plan asset is recognized in profit and loss over the expected average remaining working lifetime of the employees participating in the plans.

Net provisions for post-employment benefits in the balance sheet represent the present value of the Group's obligations at year-end less market value of plan assets, unrecognized actuarial gains and losses and unrecognized past-service costs.

Past-service costs are recognized immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (vesting period). In this case, the past-service costs are amortized on a straight-line basis over the vesting period.

Borrowings

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

Financial derivative instruments and hedging activities

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently measured at their fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either: hedges of the fair value of recognized assets or liabilities or a firm commitment (fair value hedges); hedges of highly probable forecast transactions (cash flow hedges); or hedges of net investments in foreign operations.

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk-management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

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

Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded as financial items in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The Group applies fair value hedge accounting only for hedging fixed interest risk on borrowings. The gain or loss relating to changes in the fair value of interest-rate swaps hedging fixed rate borrowings is recognized in the income statement as financial expense. Changes in the fair value of the hedged fixed rate borrowings attributable to interest-rate risk are recognized in the income statement as financial expense.

If the hedge no longer meets the criteria for hedge accounting or is de-designated, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortized in the profit and loss statement as financial expense over the period of maturity.

Cash flow hedge

The effective portion of change in the fair value of derivatives that are designated and qualify as cash flow hedges are recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in the income statement as financial items.

Amounts previously reported in other comprehensive income are recycled in the operating income in the periods when the hedged item will affect profit or loss, for instance, when the forecast sale that is hedged takes place. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset, for example inventory or a liability, the gains and losses previously reported in other comprehensive income are included in the initial measurement of the cost of the asset or liability.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss previously reported in other comprehensive income is recognized when the forecast transaction is ultimately recognized in the income statement. When a forecast transaction is no longer to occur, the cumulative gain or loss that was reported in other comprehensive income is immediately transferred to the income statement within financial items or as cost of goods sold depending on the purpose of the transaction.

Net investment hedge

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognized in other comprehensive income; the gain or loss relating to the ineffective portion is recognized immediately in the income statement as financial items.

Gains and losses previously reported in other comprehensive income are included in income for the period when the foreign operation is disposed of, or when a partial disposal occurs.

Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognized immediately in the income statement as financial items or cost of goods sold depending on the purpose of the transaction.

Share-based compensation

IFRS 2 is applied for share-based compensation programs granted after November 7, 2002, and that had not vested on January 1, 2005. The instruments granted are either share options or shares, depending on the program. An estimated cost for the granted instruments, based on the instruments' fair value at grant date, and the number of instruments expected to vest is charged to the income statement over the vesting period. The fair value of share options is calculated using a valuation technique, which is consistent with generally accepted valuation methodologies for pricing financial instruments and takes into consideration factors that knowledgeable, willing market participants would consider in setting the price. The fair value of shares is the market value at grant date, adjusted for the discounted value of future dividends which employees will not receive. For Electrolux, the share-based compensation programs are classified as equity-settled transactions, and the cost of the granted instrument's fair value at grant date is recognized over the vesting period 3 years. At each balance-sheet date, the Group revises the estimates to the number of shares that are expected to vest. Electrolux recognizes the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

In addition, the Group provides for employer contributions expected to be paid in connection with the share-based compensation programs. The costs are charged to the income statement over the vesting period. The provision is periodically revalued based on the fair value of the instruments at each closing date.

Government grants

Government grants relate to financial grants from governments, public authorities, and similar local, national, or international bodies. These are recognized when there is a reasonable assurance that the Group will comply with the conditions attached to them, and that the grants will be received. Government grants are included in the balance sheet as deferred income and recognized as income matching the associated costs the grant is intended to compensate.

New or amended accounting standards in 2009

The following standards or amendments issued by The International Accounting Standards Board (IASB) were applied as from January 1, 2009. None of the new standards had a significant impact on neither financial result nor position.

IAS 1 Presentation of Financial Statements (Revised). The revision of the standard aims at improving the usage of financial statements. As a consequence of the revised standard, Electrolux presents one statement of comprehensive income where items of other comprehensive income are presented below the income for the period. Other comprehensive income refers to available-for-sale instruments, cash flow hedges and exchange differences on translation of foreign operations. These items were earlier recognized directly in equity.

IAS 23 Borrowing Cost (Revised). The main change from the previous version is the removal of the option of immediately recognizing as an expense borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale. An entity is, therefore, required to capitalize borrowing costs as part of the cost of such assets.

IFRS 8 Operating Segments. This standard replaces IAS 14, Segment Reporting, and prescribes measurement and presentation of segments. Electrolux did not change the reporting of operating segments as a consequence of the standard and the main impact was additional disclosures, e.g., sales per country.

New or amended accounting standards after 2009

The following standards or amendments issued by IASB shall be applied as from January 1, 2010. None of the new standards are expected to have a significant impact on neither financial result nor position.

IFRS 2 Share-Based Payment – Group Cash-settled Share-based Payment Transactions (Amendment)[1]. The amendment effects the measurement and reporting of share-based payments transactions within a group of companies. After the implementation, Electrolux will show the cost of share-based payments for employees in subsidiaries as a capital contribution from the Parent Company. This will have no effect on the Group's financial statements. The standard is effective for annual periods beginning on or after January 1, 2010.

IFRS 3 Business Combinations (Revised). The amendment will have an effect on how future business combinations will be accounted for, i.e., the accounting of transaction costs, possible contingent considerations and business combinations achieved in stages. The amendment to the standard will not have any impact on previous business combinations. The amendment shall be applied to business combinations for which the acquisition date is on or after January 1, 2010.

IAS 27 Consolidated and Separate Financial Statements (Amendment). The change implies, among other things, that minority interest shall always be recognized even if the minority interest is negative, transactions with minority interests shall always be recorded in equity and in those cases when a partial disposal of a subsidiary results in that the entity loses control of the subsidiary, any remaining interest should be revaluated to fair value. The change in the standard will influence the accounting of future transactions. The standard is effective for annual periods beginning on or after July 1, 2009.

IAS 39 Financial instruments: Recognition and Measurement – Eligible Hedged Items (Amendment). The amendment clarifies how the existing principles underlying hedge accounting should be applied in two particular situations. It clarifies the designation of a one-sided risk in a hedged item and inflation in a financial hedged item. The standard is effective retrospectively for annual periods beginning on or after July 1, 2009.

New interpretations of accounting standards

None of the new interpretations by The International Financial Reporting Interpretation Committee (IFRIC), which are applicable to Electrolux, have, or are expected to have, a significant impact on neither financial result nor position.

The following interpretation was applied during 2009.

IFRIC 16 Hedges of a Net Investment in a Foreign Operation. IFRIC 16 applies to an entity that hedges the foreign currency risk arising from its net investments in foreign operations and wishes to qualify for hedge accounting in accordance with IAS 39. IFRIC 16 provides guidance on: (a) identifying the foreign currency risks that qualify as a hedged risk in the hedge of a net investment in a foreign operation; (b) where, within a group, hedging instruments that are hedges of a net investment in a foreign operation can be held to qualify for hedge accounting; and (c) how an entity should determine the amounts to be reclassified from equity to profit or loss for both the hedging instrument and the hedged item. This interpretation was effective for annual periods beginning on or after October 1, 2008.

The following interpretation shall be applied from 2010.

IFRIC 17 Distribution of Non-cash Assets to Customers. This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. IFRS 5 has also been amended to require that assets are classified as held for distribution in their present condition and the distribution is highly probable. This interpretation is effective for annual periods beginning on or after July 1, 2009.

1) This amendment has not been adopted by the EU at the writing date.

Critical accounting policies and key sources of estimation uncertainty

Use of estimates

Management of the Group has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these financial statements in conformity with IFRS. Actual results could differ from these estimates.

The discussion and analysis of the Group's results of operations and financial condition are based on the consolidated financial statements, which have been prepared in accordance with IFRS, as adopted by the EU. The preparation of these financial statements requires management to apply certain accounting methods and policies that may be based on difficult, complex or subjective judgments by management or on estimates based on experience and assumptions determined to be reasonable and realistic based on the related circumstances. The application of these estimates and assumptions affects the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the balance-sheet date and the reported amounts of net sales and expenses during the reporting period. Actual results may differ from these estimates under different assumptions or conditions. Electrolux has summarized below the accounting policies that require more subjective judgment of the management in making assumptions or estimates regarding the effects of matters that are inherently uncertain.

Asset impairment

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

Property, plant and equipment, are depreciated on a straight-line basis over their estimated useful lives. Useful lives for property, plant and equipment are estimated between 10 and 40 years for buildings and land improvements and between 3 and 15 years for machinery, technical installations and other equipment. The carrying amount for property, plant and equipment at year-end 2009 amounted to SEK 15,315m. The carrying amount for goodwill at year-end 2009 amounted to SEK 2,274m. Management regularly reassesses the useful life of all significant assets. Management believes that any reasonably possible change in the key assumptions on which the asset's recoverable amounts are based would not cause their carrying amounts to exceed their recoverable amounts.

Deferred taxes

In the preparation of the financial statements, Electrolux estimates the income taxes in each of the taxing jurisdictions in which the Group operates as well as any deferred taxes based on temporary differences. Deferred tax assets relating mainly to tax loss carry-forwards, energy tax-credits and temporary differences are recognized in those cases when future taxable income is expected to permit the recovery of those tax assets. Changes in assumptions in the projection of future taxable income as well as changes in tax rates could result in significant differences in the valuation of deferred taxes. As of December 31, 2009, Electrolux had a net amount of SEK 1,874m recognized as deferred tax assets in excess of deferred tax liabilities. As of December 31, 2009, the Group had tax loss carry-forwards and other deductible temporary differences of SEK 6,720m, which have not been included in computation of deferred tax assets.

Current taxes

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

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

The total provisions related to transfer pricing issues under dispute and included in tax payables amount to SEK 400m (900) at year-end 2009. One major transfer pricing audit was settled in late 2009 and will impact Electrolux cash flow negatively by SEK 340m during 2010.

Trade receivables

Receivables are reported net of allowances for doubtful receivables. The net value reflects the amounts that are expected to be collected, based on circumstances known at the balance-sheet date. Changes in circumstances such as higher than expected defaults or changes in the financial situation of a significant customer could lead to significantly different valuations. At year-end 2009, trade receivables, net of provisions for doubtful accounts, amounted to SEK 20,173m. The total provision for doubtful accounts at year-end 2009 was SEK 869m.

Post-employment benefits

Electrolux sponsors defined benefit pension plans for some of its employees in certain countries. The pension calculations are based on assumptions about expected return on assets, discount rates, mortality rates and future salary increases. Changes in assumptions affect directly the defined benefit obligation, service cost, interest cost and expected return on assets components of the expense. Gains and losses which result when actual returns on assets differ from expected returns, and when actuarial liabilities are adjusted due to experienced changes in assumptions, are subject to amortization over the expected average remaining working life of the employees using the corridor approach. Expected return on assets used in 2009 was 6.9% in average based on historical results. The discount rate used to estimate liabilities at the end of 2008 and the calculation of expenses during 2009 was 5.2% in average.

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 restructuring programs announced during 2009 had a total charge against operating income of SEK 1,561m.

Warranties

As is customary in the industry in which Electrolux operates, many of the products sold are covered by an original warranty, which is included in the price and which extends for a predetermined period of time. Provisions for this original warranty are estimated based on historical data regarding service rates, cost of repairs, etc. Additional provisions are created to cover goodwill warranty and extended warranty. While changes in these assumptions would result in different valuations, such changes are unlikely to have a material impact on the Group's results or financial situation. As of December 31, 2009, Electrolux had a provision for warranty commitments amounting to SEK 1,796m. Revenues from extended warranty is recognized on a linear basis over the contract period unless there is evidence that some other method better represents the stage of completion.

Accrued expenses – Long-term incentive programs

Electrolux records a provision for the expected employer contributions, social security charges, arising when the employees exercise their options under the 2003 Employee Option Programs or receive shares under the 2007–2009 Performance Share Programs. Employer contributions are paid based on the benefit obtained by the employee when exercising the options or receiving shares. The establishment of the provision requires the estimation of the expected future benefit to the employees. Electrolux bases these calculations on valuation models, which requires a number of estimates that are inherently uncertain. The uncertainty is due to the unknown share price at the time when options are exercised and when shares in the performance-share programs are distributed, and because the liability is marked-to-market, it is remeasured every balance-sheet day.

Disputes

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

Parent Company accounting principles

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

Subsidiaries

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

Anticipated dividends

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

Taxes

The Parent Company financial statements recognize untaxed reserves including deferred tax. The consolidated financial statements, however, reclassify untaxed reserves to deferred tax liability and equity.

Group contribution

Group contributions provided or received by the Parent Company, and its current tax effects are recognized in retained earnings. Shareholder contributions provided by the Parent Company are recognized in shares and participations, provided that a write-down is not necessary.

Pensions

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

Intangible assets

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

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

Property, plant and equipment and intangible assets

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

Financial statement presentation

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

Note 2 Financial risk management

Financial risk management

The Group is exposed to a number of risks relating to, for example, liquid funds, trade receivables, customer-financing receivables, payables, borrowings, commodities and derivative instruments. The risks are primarily:

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

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

The management of financial risks has largely been centralized to Group Treasury in Stockholm. Local financial issues are mainly managed by three regional treasury centers located in Europe, North America, and Latin America. Measurement of risk in Group Treasury is performed by a separate risk-controlling function on a daily basis. The method used for measuring risk in the financial position is parametric Value-at-Risk (VaR). The method shows the maximum potential loss in one day with a probability of 97.5% and is based on the statistical behavior of the FX spot and interest- rate markets during the last 150 business days. To emphasize recent movements in the market, the weight of the rates decrease further away from the valuation date. By measuring the VaR risk, Group Treasury is able to monitor and follow up on the Group's risks across a wide variety of currencies and markets. The main limitation of the method is that events not showing in the statistical data will not be reflected in the risk value. Also, due to the confidence level, there is a 2.5% risk that the loss will be larger than indicated by the risk figure. Furthermore, there are guidelines in the Group's policies and procedures for managing operational risk relating to financial instruments by, e.g., segregation of duties and power of attorney.

Proprietary trading in currency, commodities, and interest-bearing instruments is permitted within the framework of the Financial Policy. This trading is primarily aimed at maintaining a high quality of information flow and market knowledge to contribute to the proactive management of the Group's financial risks.

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 equivalent, short-term investments, derivatives, and prepaid interest expenses and accrued interest income. Electrolux goal is that the level of liquid funds including unutilized committed credit facilities shall correspond to at least 2.5% of annualized net sales. In addition, net liquid funds defined as liquid funds less short-term borrowings shall exceed zero, taking into account fluctuations arising from acquisitions, divestments, and seasonal variations. Investment of liquid funds is mainly made in interest-bearing instruments with high liquidity and with issuers with a long-term rating of at least A- as defined by Standard & Poor's or similar. Due to the financial crisis, a significant portion of the investments are made in government-backed securities.

Interest-rate risk in liquid funds

Group Treasury manages the interest-rate risk of the investments in relation to a benchmark position defined as a one-day holding period. Any deviation from the benchmark is limited by a risk mandate. Financial derivative instruments like futures and forward-rate agreements are used to manage the interest-rate risk. The holding periods of investments are mainly short-term. The major portion of the investments is made with maturities between 0 and 3 months. A downward shift in the yield curves of one-percentage point would reduce the Group's interest income by approximately SEK 90m (70). For more information, see Note 18 on page 47.

Borrowings

The debt financing of the Group is managed by Group Treasury in order to ensure efficiency and risk control. Debt is primarily taken up at the parent company level and transferred to subsidiaries as internal loans or capital injections. In this process, various swap instruments are used to convert the funds to the required currency. Short-term financing is also undertaken locally in subsidiaries where there are capital restrictions. The Group's borrowings contain no terms, financial triggers, for premature cancellation based on rating. For more information, see Note 18 on page 47.

Interest-rate risk in borrowings

The benchmark for the long-term loan portfolio has been changed to an average interest-fixing period of twelve (six) months. Group Treasury can choose to deviate from this benchmark on the basis of a risk mandate established by the Board of Directors. However, the maximum average interest-fixing period is three years. Derivatives, such as interest-rate swap agreements, are used to manage the interest-rate risk by changing the interest from fixed to floating or vice versa. On the basis of 2009 long-term interest-bearing borrowings with an interest fixing of 1.0 (0.5) years, a one-percentage point shift in interest rates would impact the Group's interest expenses by approximately SEK +/–60m (70) in 2010. This calculation is based on a parallel shift of all yield curves simultaneously by one-percentage point. Electrolux acknowledges that the calculation is an approximation and does not take into consideration the fact that the interest rates on different maturities and different currencies might change differently.

Capital structure and credit rating

The Group defines its capital as equity stated in the balance sheet including non-controlling interests. In 2009, the Group's capital was SEK 18,841m (16,385). 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.

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To achieve and keep an efficient capital structure, the Financial Policy states that the Group's long-term ambition is to maintain a long-term rating within a safe margin from a non-investment grade. In December 2008, Standard & Poor's lowered Electrolux long-term corporate credit rating from BBB+ to BBB. At the same time, the A-2 short-term rating was affirmed and the outlook was stable. The rating was unchanged during 2009.

Rating

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

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

Financing risk

Financing risk refers to the risk that financing of the Group's capital requirements and refinancing of existing borrowings could become more difficult or more costly. This risk can be decreased by ensuring that maturity dates are evenly distributed over time, and that total short-term borrowings do not exceed liquidity levels. The net borrowings, i.e., total borrowing less liquid funds, excluding seasonal variances, shall be long-term according to the Financial Policy. The Group's goals for long-term borrowings include an average time to maturity of at least 2 years, and an even spread of maturities. A maximum of 25% of the borrowings are normally allowed to mature in a 12-month period. Exceptions are made when the net borrowing position of the Group is small. For more information, see Note 18 on page 47.

Foreign exchange risk

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

Transaction exposure from commercial flows

The Financial Policy stipulates the hedging of forecasted sales in foreign currencies, taking into consideration the price-fixing periods and the competitive environment. The business sectors within Electrolux have varying policies for hedging depending on their commercial circumstances. Most of the sectors define a hedging horizon between 6 and up to 12 months of forecasted flows. Hedging horizons outside this period are subject to approval from Group Treasury. Because of the downturn in the economy, the Financial Policy was changed to permit a lower volume of the forecasted flows to be hedged. The operating units are allowed to hedge invoiced flows from 75% to 100% and forecasted flows from 60% to 80% (75% to 100%). The maximum hedging horizon is up to 18 months. Group subsidiaries cover their risks in commercial currency flows mainly through the Group's three regional treasury centers. Group Treasury thus assumes the currency risks and covers such risks externally by the use of currency derivatives.

The Group's geographically widespread production reduces the effects of changes in exchange rates. The remaining transaction exposure is mainly related to internal sales from producing entities to sales companies. To a lesser extent, there are also external exposures from purchasing of components and input material for the production paid in foreign currency. These external imports are often priced in US dollar. The global presence of the Group, however, leads to a significant netting of the transaction exposures. For more information on exposures and hedging, see Note 18 on page 47.

Translation exposure from consolidation of entities outside Sweden

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

Foreign exchange sensitivity from transaction and translation exposure

The major currencies that Electrolux is exposed to are the US dollar, the euro, the Brazilian real, and the Australian dollar. Other significant exposures are, for example, the Danish krona, the British pound, the Hungarian forint, and the Swiss franc. These currencies represent the majority of the exposures of the Group, but are, however, largely offsetting each other as different currencies represent net inflows and outflows. Taking into account all currencies of the Group, a change up or down by 10% in the value of each currency would affect the Group's profit and loss for one year by approximately SEK +/– 490m (180), as a static calculation. The model assumes the distribution of earnings and costs effective at year-end 2009 and does not include any dynamic effects, such as changes in competitiveness or consumer behavior arising from such changes in exchange rates.

Sensitivity analysis of major currencies

Risk	Change	**Profit or loss impact 2009**	Profit or loss impact 2008
Currency			
BRL/SEK	–10%	–254	–179
AUD/SEK	–10%	–246	–253
GBP/SEK	–10%	–224	–238
CHF/SEK	–10%	–159	–135
DKK/SEK	–10%	–120	–143
RUB/SEK	–10%	–119	–170
CAD/SEK	–10%	–106	–88
HUF/SEK	–10%	+105	+206
USD/SEK	–10%	+385	+458
EUR/SEK	–10%	+529	+684

Exposure from net investments (balance sheet exposure)

The net of assets and liabilities in foreign subsidiaries constitute a net investment in foreign currency, which generates a translation difference in connection with consolidation. This exposure can have an impact on the Group's total comprehensive income, and on the capital structure, and is hedged according to the Financial Policy. The Financial Policy stipulates the extent to which the net investments can be hedged and also sets the benchmark for risk measurement. The benchmark is to hedge only net investments with an equity capitalization exceeding 60%, unless the exposure of any other currency is considered too high by the Group, in which case this also should be hedged. The effect of this is that only a limited number of currencies are hedged on a continuous basis. Group Treasury is allowed to deviate from the benchmark under a given risk mandate. Hedging of the Group's net investments is implemented within the Parent Company in Sweden.

Changes in valuation of all financial instruments used for hedging net investment of the Group due to a change up or down by 10% in the value of each currency against the Swedish krona would affect the Group's equity by approximately SEK +/– 450m (290), as a static calculation at year-end 2009.

Commodity-price risks

Commodity-price risk is the risk that the cost of direct and indirect materials could increase as underlying commodity prices rise in global markets. The Group is exposed to fluctuations in commodity prices through agreements with suppliers, whereby the price is linked to the raw-material price on the world market. This exposure can be divided into direct commodity exposure, which refers to pure commodity exposures, and indirect commodity exposures, which is defined as exposure arising from only part of a component. Commodity-price risk is mainly managed through contracts with the suppliers. A change up or down by 10% in steel would affect the Group's profit or loss with approximately SEK +/– 900m (1,000) and in plastics with approximately SEK +/– 400m (500), based on volumes in 2009.

Credit risk

Credit risk in financial activities

Exposure to credit risks arises from the investment of liquid funds, and as counterpart risks related to derivatives. In order to limit exposure to credit risk, a counterpart list has been established, which specifies the maximum permissible exposure in relation to each counterpart. The Group strives for arranging master netting agreements (ISDA) with the counterparts for derivative transactions and has established such agreements with the majority of the counterparts, i.e., if counterparty will default, assets and liabilities will be netted. To reduce the settlement risk in foreign exchange transactions made with banks, Group Treasury will implement CLS (Continuous Linked Settlement) during 2010. CLS eliminates temporal settlement risk since both legs of a transaction are settled simultaneously.

Credit risk in trade receivables

Electrolux sells to a substantial number of customers in the form of large retailers, buying groups, independent stores, and professional users. Sales are made on the basis of normal delivery and payment terms. The Electrolux Group Credit Policy defines how Credit Management is to be performed in the Electrolux Group to achieve competitive and professionally performed credit sales, limited bad debts, and improved cash flow and optimized profit. On a more detailed level, it also provides a minimum level for customer and credit-risk assessment, clarification of responsibilities and the framework for credit decisions. The credit-decision process combines the parameters risk/reward, payment terms and credit protection in order to obtain as much paid sales as possible. Credit limits that exceed SEK 300m are decided by the Board of Directors.

For many years Electrolux has used the Electrolux Rating Model (ERM) to have a common and objective approach to credit-risk assessment that enables more standardized and systematic credit evaluations to minimize inconsistencies in decisions. The ERM is based on a risk/reward approach and is the basis for the customer assessment. The ERM consists of three different parts, Customer and Market information, Warning Signals and a Credit Risk Rating (CR2). The risk of a customer is determined by the CR2 in which customers are classified

There is a concentration of credit exposures on a number of customers in, primarily, USA, Latin America and Europe. For more information, see Note 17 on page 46.

Note 3 Segment information

Reportable segments – Business areas

The Group has five reportable segments. Products for the consumer-durables market, i.e., appliances and floor-care products, have four reportable segments: Europe; North America; Latin America and Asia/Pacific. Products within appliances comprise mainly of refrigerators, freezers, cookers, dryers, washing machines, dishwashers, room air-conditioners and microwave ovens. Professional products have one reportable segment. Financial information related to the business areas is reported below.

	Net sales		Operating income	
	2009	2008	**2009**	2008
Consumer Durables				
Europe	42,300	44,342	2,188	–22
North America	35,726	32,801	1,476	222
Latin America	14,165	10,970	878	715
Asia/Pacific	9,806	9,196	619	369
Professional Products	**7,129**	**7,427**	**668**	**774**
	109,126	**104,736**	**5,829**	**2,058**
Group common costs	6	56	–507	–515
Items affecting comparability	—	—	–1,561	–355
Total	**109,132**	**104,792**	**3,761**	**1,188**
Financial items, net	—	—	–277	–535
Income after financial items	—	—	**3,484**	**653**

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

Items affecting comparability

	Impairment/ restructuring		Other		Total	
	2009	2008	**2009**	2008	**2009**	2008
Consumer Durables						
Europe	–620	–355	—	—	–620	–355
North America	–779	—	—	—	–779	—
Latin America	—	—	—	—	—	—
Asia/Pacific	–162	—	—	—	–162	—
Professional Products	—	—	—	—	—	—
Total	**–1,561**	**–355**	**—**	**—**	**–1,561**	**–355**

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Inter-segment sales exist with the following split:

	2009	2008
Consumer Durables		
Europe	1,378	1,560
North America	892	204
Latin America	2	1
Asia/Pacific	92	50
Eliminations	**2,364**	**1,815**

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

	Assets December 31,		Equity and liabilities December 31,		Net assets December 31,	
	2009	2008	**2009**	2008	**2009**	2008
Consumer Durables						
Europe	33,633	28,345	25,982	21,104	7,651	7,241
North America	8,336	15,422	438	7,089	7,898	8,333
Latin America	5,854	6,536	2,664	2,971	3,190	3,565
Asia/Pacific	3,561	4,885	1,479	2,169	2,082	2,716
Professional Products	2,413	3,720	1,345	2,393	1,068	1,327
Other[1]	5,738	4,937	6,685	6,595	–947	–1,658
Items affecting comparability	–196	87	1,240	670	–1,436	–583
	59,339	**63,932**	**39,833**	**42,991**	**19,506**	**20,941**
Liquid funds	13,357	9,391	—	—	—	—
Interest-bearing receivables	—	—	—	—	—	—
Interest-bearing liabilities	—	—	14,022	13,947	—	—
Equity	—	—	18,841	16,385	—	—
Total	**72,696**	**73,323**	**72,696**	**73,323**	**—**	**—**

1) Includes Group functions.

	Capital expenditure		Cash flow[1]	
	2009	2008	**2009**	2008
Consumer Durables				
Europe	1,187	1,569	1,680	2,395
North America	470	917	1,804	722
Latin America	311	362	2,318	655
Asia/Pacific	131	185	1,116	295
Professional Products	107	98	818	942
Other[2]	17	27	–716	–1,720
Items affecting comparability	—	—	–413	–448
Financial items	—	—	–348	–729
Taxes paid	—	—	–929	–918
Total	**2,223**	**3,158**	**5,330**	**1,194**

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

Geographical information

	Net sales[1]	
	2009	2008
USA	31,725	28,610
Brazil	11,688	8,416
Germany	7,435	7,392
Australia	5,290	4,462
France	5,119	4,942
Italy	5,044	4,979
Canada	4,379	4,427
Sweden (country of domicile)	3,399	3,690
Switzerland	3,266	2,373
United Kingdom	3,259	3,782
Other	28,528	31,719
Total	**109,132**	**104,792**

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

Tangible and non-tangible fixed assets located in the Group's country of domicile, Sweden, amounted to SEK 1,814m (1,616). Tangible and non-tangible fixed assets located in all other countries amounted to SEK 18,774m (20,337). Individually material countries in this aspect are Italy with SEK 3,208m (3,510), USA with SEK 3,025m (4,007) and Mexico with SEK 2,048m (2,278), respectively.

Note 4 Net sales and operating income

The Group's net sales in Sweden amounted to SEK 3,399m (3,690). Exports from Sweden during the year amounted to SEK 4,009m (4,568), of which SEK 3,295m (3,845) were to Group subsidiaries. The vast majority of the Group's revenues consisted of product sales. Revenue from service activities amounted to SEK 1,338m (1,234).

Operating income included net exchange-rate differences in the amount of SEK –208m (274). The Group's Swedish factories accounted for 2.6% (3.3) of the total value of production. Costs for research and development amounted to SEK 1,621m (1,548) and are included in Cost of goods sold.

The Group's depreciation and amortization charge for the year amounted to SEK 3,442m (3,010). Salaries, remunerations and employer contributions amounted to SEK 17,201m (17,014) and expenses for post-employment benefits amounted to SEK 877m (946).

Government grants relating to expenses have been deducted in the related expenses by SEK 100m (79). Government grants related to assets have been recognized as deferred income in the balance sheet and will be recognized as income over the useful life of the assets. In 2009, these grants amounted to SEK 214m (241).

Note 5 Other operating income

	Group		Parent Company	
	2009	2008	**2009**	2008
Gain on sale				
Property, plant and equipment	41	148	—	—
Operations and shares	—	70	160	32
Other	—	—	—	1
Total	**41**	**218**	**160**	**33**

Note 6 Other operating expenses

	Group		Parent Company	
	2009	2008	**2009**	2008
Loss on sale				
Property, plant and equipment	–102	–45	–26	–7
Operations and shares	—	—	–1,057	–321
Total	**–102**	**–45**	**–1,083**	**–328**

Note 7 Items affecting comparability

	Group	
	2009	2008
Restructuring and impairment		
Appliances plant in Alcalá, Spain	–440	—
Appliances plants in Webster City and Jefferson, USA	–560	—
Office consolidation in USA	–218	—
Appliances plant in Changsha, China	–162	—
Appliances plant in Porcia, Italy	–132	—
Appliances plant in St. Petersburg, Russia	–105	—
Appliances plants in Scandicci and Susegana, Italy	—	–487
Reversal of unused restructuring provisions	56	132
Total	**–1,561**	**–355**

Classification by function in the income statement

	Group	
	2009	2008
Cost of goods sold	–1,356	–303
Selling expenses	–40	—
Administrative expenses	–165	–19
Other operating income and expense	—	–33
Total	**–1,561**	**–355**

Items affecting comparability in 2009 covers the restructuring costs for the closures of the Changsha refrigerator plant in China and the laundry-products factories in St. Petersburg, Russia, Alcalá, Spain, and Webster City, USA. In connection with the closing of the Webster City factory, also production at the Jefferson satellite plant will be discontinued. Under this heading, also the restructuring costs related to the downsizing of the washing-machine production in Porcia, Italy, and the consolidation of the US corporate-office operations to a single head office are included. The Changsha, St. Petersburg and Porcia restructurings were announced in the first quarter of 2009. The Webster City and Alcalá closures were announced in October 2009 and the US office consolidation in November 2009. The closure of the Changsha factory was completed in the first half of 2009.

The closure of the St. Petersburg factory and the Porcia downsizing will be finalized in the first half of 2010. The factories in Webster City and Alcalá are expected to be phased out in the first half of 2011. Consolidation of the US office will start in the summer of 2010.

Items affecting comparability in 2008 mainly relates to the rationalization of the refrigerator production at Scandicci and Susegana in Italy as announced in May 2008. Production at the Scandicci plant was terminated in June 2009. The major part of the rationalization project affecting Susegana was implemented in 2009 and will be finalized in the first half of 2010.

Note 8 Leasing

Financial leases

At December 31, 2009, the net carrying amount of the Group's financial leases totals SEK 4m (39). Future financial lease payments amount to SEK 5m.

Operating leases

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

	Operating leases
2010	812
2011–2014	1,663
2015–	758
Total	**3,233**

Expenses in 2009 for rental payments (minimum leasing fees) amounted to SEK 903m (855). Among the Group's operating leases there are neither material contingent expenses, nor restrictions.

Note 9 Financial income and financial expenses

	Group		Parent Company	
	2009	2008	**2009**	2008
Financial income				
Interest income				
From subsidiaries	—	—	727	1,003
From others	255	220	83	63
Dividends from subsidiaries	—	—	3,178	1,573
Other financial income	1	2	1	4
Total financial income	**256**	**222**	**3,989**	**2,643**
Financial expenses				
Interest expenses				
To subsidiaries	—	—	–244	–719
To others	–544	–744	–432	–558
Exchange-rate differences				
On loans and forward contracts as hedges for foreign net investments	—	—	–75	–84
On other loans and borrowings, net	41	12	530	–87
Other financial expenses	–30	–25	–12	–14
Total financial expenses	**–533**	**–757**	**–233**	**–1,462**

Interest income from others, for the Group and the Parent Company, include gains and losses on financial instruments held for trading. Interest expenses to others, for the Group and the Parent Company, include gains and losses on derivatives used for managing the Group's interest fixing and premiums on forward contracts in the amount of SEK –108m (–57) used as hedges for foreign net investments. For information on financial instruments, see Note 18 on page 47.

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Note 10 Taxes

	Group		Parent Company	
	2009	2008	**2009**	2008
Current taxes	–515	–1,033	7	38
Deferred taxes	–362	746	167	—
Total	**–877**	**–287**	**174**	**38**

Deferred taxes include a negative effect of SEK –5m (–5) due to changes in tax rates. The current tax reduction in 2009 mainly relates to the effect of an extended period for tax loss carry-back in the US. As a result of amended legislation a tax refund will be received during Q1, 2010 amounting to SEK 370m. This change has had no effect on the Group's effective tax rate since the tax loss was already recognized as a deferred tax asset. The Group accounts include deferred tax liabilities of SEK 205m (0) related to untaxed reserves in the Parent Company.

Theoretical and actual tax rates

%	**2009**	2008
Theoretical tax rate	31.2	31.5
Non-recognized tax losses carried forward	11.2	45.1
Non-taxable/non-deductible income statement items, net	1.0	21.5
Changes in estimates relating to deferred tax	–1.5	–6.1
Utilized tax losses carried forward	–12.6	–6.7
Withholding tax	0.4	4.9
Change in recognition of US tax credits	2.9	–46.0
Other	–7.4	–0.2
Actual tax rate	**25.2**	**44.0**

The theoretical tax rate for the Group is calculated on the basis of the weighted total Group net sales per country, multiplied by the local statutory tax rates. The effective tax rate for 2009 has been positively impacted by reversal of a tax provision following a tax settlement in a European country. The effective tax rate in 2008 was negatively impacted by the low level of earnings.

Non-recognized deductible temporary differences

As of December 31, 2009, the Group had tax loss carry-forwards and other deductible temporary differences of SEK 6,720m (6,273), which have not been included in computation of deferred tax assets. The non-recognized deductible temporary differences will expire as follows:

	December 31, **2009**
2010	466
2011	312
2012	402
2013	242
2014	389
And thereafter	1,989
Without time limit	2,920
Total	**6,720**

Changes in deferred tax assets and liabilities

The table below shows net deferred tax assets and liabilities. Deferred tax assets and deferred tax liabilities amounted to the net deferred tax assets and liabilities in the balance sheet.

Net deferred tax assets and liabilities

	Excess of depreciation	Provision for warranty	Provision for pension	Provision for restructuring	Obsolescense allowance	Unrealized profit in stock	Recognized unused tax losses	Other	Total deferred tax assets and liabilities	Set-off tax	Net deferred tax assets and liabilities
Opening balance, January 1, 2008	**–758**	**245**	**894**	**61**	**72**	**85**	**34**	**573**	**1,206**	**—**	**1,206**
Recognized in the income statement	–55	8	76	–6	18	–40	294	451	746	—	746
Divested operations	—	—	—	—	—	—	—	71	71	—	71
Exchange differences	65	13	47	2	5	4	13	168	317	—	317
Closing balance, December 31, 2008	**–748**	**266**	**1,017**	**57**	**95**	**49**	**341**	**1,263**	**2,340**	**—**	**2,340**
Of which deferred tax assets	16	293	1,093	57	107	63	341	2,262	4,232	–1,052	3,180
Of which deferred tax liabilities	–764	–27	–76	—	–12	–14	—	–999	–1,892	1,052	–840
Opening balance, January 1, 2009	**–748**	**266**	**1,017**	**57**	**95**	**49**	**341**	**1,263**	**2,340**	**—**	**2,340**
Recognized in the income statement	44	1	–575	183	14	—	–11	–18	–362	—	–362
Divested operations	—	—	—	—	—	—	—	—	—	—	—
Exchange differences	28	7	–38	–12	–2	–2	–15	–70	–104	—	–104
Closing balance, December 31, 2009	**–676**	**274**	**404**	**228**	**107**	**47**	**315**	**1,175**	**1,874**	**—**	**1,874**
Of which deferred tax assets	4	299	631	228	120	50	315	2,085	3,732	–1,039	2,693
Of which deferred tax liabilities	–680	–25	–227	—	–13	–3	—	–910	–1,858	1,039	–819

Deferred tax assets amounted to SEK 2,693m (3,180), whereof SEK 923m (736) will be recovered within 12 months. Deferred tax liabilities amounted to SEK 819m (840), whereof SEK 88m (228) will be recovered within 12 months. Other deferred tax assets include tax credits related to production of energy efficient appliances amounting to SEK 753m (910).

Note 11 Other comprehensive income

	2009	2008
Available-for-sale instruments		
Opening balance, January 1	–101	302
Gain/loss taken to other comprehensive income	138	–403
Transferred to profit and loss	—	—
Closing balance, December 31	**37**	**–101**
Cash flow hedges		
Opening balance, January 1	82	61
Gain/loss taken to other comprehensive income	–30	82
Transferred to profit and loss	–82	–61
Closing balance, December 31	**–30**	**82**
Exchange differences on translation of foreign operations		
Opening balance, January 1	2,071	481
Net investment hedge	–75	–84
Translation difference	–189	1,674
Closing balance, December 31	**1,807**	**2,071**
Income tax related to other comprehensive income	—	—
Other comprehensive income, net of tax	**–238**	**1,207**

Note 12 Property, plant and equipment

Group	Land and land improvements	Buildings	Machinery and technical installations	Other equipment	Plants under construction	Total
Acquisition costs						
Opening balance, January 1, 2008	**987**	**7,610**	**27,468**	**1,821**	**2,319**	**40,205**
Acquired during the year	2	369	1,189	193	1,405	3,158
Transfer of work in progress and advances	20	480	2,177	50	–2,727	—
Sales, scrapping, etc.	44	–134	–1,151	–165	–25	–1,431
Exchange-rate differences	98	772	3,176	164	345	4,555
Closing balance, December 31, 2008	**1,151**	**9,097**	**32,859**	**2,063**	**1,317**	**46,487**
Acquired during the year	2	108	1,095	138	880	2,223
Transfer of work in progress and advances	1	86	1,147	1	–1,235	—
Sales, scrapping, etc.	–46	–283	–3,070	–177	–32	–3,608
Exchange-rate differences	–35	–294	–900	–53	–30	–1,312
Closing balance, December 31, 2009	**1,073**	**8,714**	**31,131**	**1,972**	**900**	**43,790**
Accumulated depreciation						
Opening balance, January 1, 2008	**153**	**3,562**	**19,844**	**1,443**	**–2**	**25,000**
Depreciation for the year	9	253	2,108	160	—	2,530
Transfer of work in progress and advances	—	35	–20	–15	—	—
Sales, scrapping, etc.	3	–96	–1,133	–162	—	–1,388
Impairment	16	24	138	1	—	179
Exchange-rate differences	25	481	2,493	132	—	3,131
Closing balance, December 31, 2008	**206**	**4,259**	**23,430**	**1,559**	**–2**	**29,452**
Depreciation for the year	11	296	2,386	155	—	2,848
Transfer of work in progress and advances	—	–1	–8	8	1	—
Sales, scrapping, etc.	–34	–263	–2,915	–165	–1	–3,378
Impairment	31	123	306	2	—	462
Exchange-rate differences	–12	–168	–684	–45	—	–909
Closing balance, December 31, 2009	**202**	**4,246**	**22,515**	**1,514**	**–2**	**28,475**
Net carrying amount, December 31, 2008	**945**	**4,838**	**9,429**	**504**	**1,319**	**17,035**
Net carrying amount, December 31, 2009	**871**	**4,468**	**8,616**	**458**	**902**	**15,315**

Property, plant and equipment in operations within appliances in Consumer Durables Europe and North America were impaired in 2009. Total impairments at year-end were SEK 258m (181) on buildings and land, and SEK 459m (453) on machinery and other equipment, whereof SEK 450m (179) are related to restructuring costs for the factories in Porcia, Alcalá, Webster City and St. Petersburg. The carrying amount for land was SEK 746m (824). The tax assessment value for Swedish Group companies for buildings was SEK 158m (158), and land SEK 29m (35). The corresponding carrying amounts for buildings were SEK 32m (35), and land SEK 9m (11). Electrolux did not capitalize any interests on borrowings in 2009.

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Property, plant and equipment

Parent Company	Land and land improvements	Buildings	Machinery and technical installations	Other equipment	Plants under construction	Total
Acquisition costs						
Opening balance, January 1, 2008	**6**	**57**	**1,131**	**360**	**23**	**1,577**
Acquired during the year	—	—	36	6	4	46
Transfer of work in progress and advances	—	—	6	4	–10	—
Sales, scrapping, etc.	—	—	–40	–8	—	–48
Closing balance, December 31, 2008	**6**	**57**	**1,133**	**362**	**17**	**1,575**
Acquired during the year	—	—	20	—	1	21
Transfer of work in progress and advances	—	—	10	1	–11	—
Sales, scrapping, etc.	–2	—	–289	—	—	–291
Closing balance, December 31, 2009	**4**	**57**	**874**	**363**	**7**	**1,305**
Accumulated depreciation						
Opening balance, January 1, 2008	**2**	**53**	**825**	**259**	—	**1,139**
Depreciation for the year	—	—	72	35	—	107
Sales, scrapping, etc.	—	—	–38	–7	—	–45
Closing balance, December 31, 2008	**2**	**53**	**859**	**287**	—	**1,201**
Depreciation for the year	—	1	65	22	—	88
Sales, scrapping, etc.	—	—	–258	–4	—	–262
Closing balance, December 31, 2009	**2**	**54**	**666**	**305**	**—**	**1,027**
Net carrying amount, December 31, 2008	**4**	**4**	**274**	**75**	**17**	**374**
Net carrying amount, December 31, 2009	**2**	**3**	**208**	**58**	**7**	**278**

Tax assessment value for buildings within the Parent Company was SEK 116m (116), and for land SEK 18m (18). The corresponding carrying amounts for buildings were SEK 3m (4), and for land SEK 2m (4). Non-depreciated write-ups on buildings and land were SEK 0m (2).

Note 13 Goodwill and other intangible assets

Intangible assets with indefinite useful lives

Goodwill as at December 31, 2009, has a total carrying value of SEK 2,274m. In addition, the right to use the Electrolux trademark in North America, acquired in May 2000, has been assigned indefinite useful life. The total carrying amount for the right is SEK 410m, included in the item Other on the next page. The allocation, for impairment-testing purposes, on cash-generating units of the significant amounts is shown in the table below. The carrying amounts of goodwill allocated to Consumer Durables in North America, Europe and Asia/Pacific are significant in comparison with the total carrying amount of goodwill.

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

Value in use is calculated using the discounted cash-flow model and based on a three-year forecast made by Group Management. The forecast is built up from the estimate of the units within each business area. The preparation of the forecast requires a number of key assumptions such as volume, price, product mix, which will create a basis for future growth and gross margin. These figures are set in relation to historic figures and external reports on market growth. The cash flow for the third year is used as the base for the fourth year and onwards in perpetuity. A growth rate of 2% is assumed in the in-perpetuity calculation. The discount rates used are, amongst other things, based on the individual countries' inflation, interest rates and country risk. The pre-tax discount rates used in 2009 were for the main part within a range of 10% to 12%. Management believes that any reasonably possible adverse change in the key assumptions would not reduce the recoverable amount below its carrying amount.

Goodwill, value of trademark and discount rate

	Goodwill	Electrolux trademark	Discount rate, %
Europe	422	—	12.0
North America	400	410	12.0
Asia/Pacific	1,365	—	11.0
Other	87	—	10.0–20.0
Total	**2,274**	**410**	**10.0–20.0**

Goodwill and other intangible assets

		Group				Parent Company
		Other intangible assets				
	Goodwill	Product development	Program software	Other	Total other intangible assets	Trademarks, etc.
Acquisition costs						
Opening balance, January 1, 2008	**2,024**	**1,998**	**594**	**945**	**3,537**	**1,058**
Acquired during the year	—	—	79	14	93	3
Development	—	544	321	—	865	404
Reclassification	—	–18	—	18	—	—
Sold during the year	—	—	—	—	—	—
Fully amortized	—	—	—	–5	–5	—
Write-off	–3	—	—	—	—	—
Exchange-rate differences	74	367	56	21	444	—
Closing balance, December 31, 2008	**2,095**	**2,891**	**1,050**	**993**	**4,934**	**1,465**
Acquired during the year	—	—	171	10	181	8
Development	—	370	339	—	709	386
Reclassification	—	–1	1	—	—	—
Sold during the year	—	—	—	–67	–67	—
Fully amortized	—	—	–3	–5	–8	—
Write-off	—	–22	–1	—	–23	—
Exchange-rate differences	179	–139	–24	39	–124	—
Closing balance, December 31, 2009	**2,274**	**3,099**	**1,533**	**970**	**5,602**	**1,859**
Accumulated amortization						
Opening balance, January 1, 2008	**—**	**876**	**189**	**351**	**1,416**	**281**
Amortization for the year	—	364	65	52	481	81
Sold and acquired during the year	—	—	—	—	—	—
Fully amortized	—	—	—	–5	–5	—
Impairment (+) / reversal of impairment (–)	—	—	—	—	—	—
Exchange-rate differences	—	174	30	15	219	—
Closing balance, December 31, 2008	**—**	**1,414**	**284**	**413**	**2,111**	**362**
Amortization for the year	—	405	142	47	594	134
Sold and acquired during the year	—	—	—	–56	–56	—
Fully amortized	—	—	–3	–5	–8	—
Impairment (+) / reversal of impairment (–)	—	—	—	20	20	—
Exchange-rate differences	—	–83	–14	39	–58	—
Closing balance, December 31, 2009	**—**	**1,736**	**409**	**458**	**2,603**	**496**
Carrying amount, December 31, 2008	**2,095**	**1,477**	**766**	**580**	**2,823**	**1,103**
Carrying amount, December 31, 2009	**2,274**	**1,363**	**1,124**	**512**	**2,999**	**1,363**

Included in the item Other are trademarks of SEK 489m (499) and patents, licenses etc. amounting to SEK 23m (81). Amortization of intangible assets are included within cost of goods sold with SEK 459m (371), administrative expenses with SEK 133m (105) and selling expenses with SEK 2m (5) in the income statement. Electrolux did not capitalize any borrowing costs during the period

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Note 14 Other non-current assets

	Group December 31,		Parent Company December 31,	
	2009	2008	**2009**	2008
Shares in subsidiaries	—	—	21,901	21,899
Participations in other companies	—	—	217	79
Long-term receivables in subsidiaries	—	—	2,962	3,017
Other receivables	1,235	1,056	13	21
Pension assets	510	416	—	—
Total	**1,745**	**1,472**	**25,093**	**25,016**

Note 15 Inventories

	Group December 31,		Parent Company December 31,	
	2009	2008	**2009**	2008
Raw materials	2,185	3,029	49	114
Products in progress	104	127	2	4
Finished products	7,689	9,440	51	119
Advances to suppliers	72	84	—	—
Total	**10,050**	**12,680**	**102**	**237**

Note 16 Other current assets

	Group December 31,	
	2009	2008
Miscellaneous short-term receivables	1,864	2,044
Provision for doubtful accounts	–34	–35
Prepaid expenses and accrued income	704	1,052
Prepaid interest expenses and accrued interest income	413	399
Total	**2,947**	**3,460**

Miscellaneous short-term receivables include VAT and other items.

Note 17 Trade receivables

	2009	2008
Trade receivables	21,042	21,426
Provision for impairment of receivables	–869	–692
Trade receivables, net	20,173	20,734
Provisions in relation to trade receivables, %	4.1	3.2

As of December 31, 2009, provisions for impairment of trade receivables amounted to SEK 869m (692). The Group's policy is to reserve 50% of trade receivables that are 6 months past due but less than 12 months, and to reserve 100% of receivables that are 12 months past due and more. If the provision is considered insufficient due to individual consideration such as bankruptcy, officially known insolvency, etc., the provision should be extended to cover the extra anticipated losses.

Provisions for impairment of receivables

	2009	2008
Provisions, January 1	–692	–571
New provisions	–303	–132
Actual credit losses	118	74
Exchange-rate differences and other changes	8	–63
Provisions, December 31	–869	–692

The fair value of trade receivables equals their carrying amount as the impact of discounting is not significant. The maximum possible exposure to customer defaults is equal to the net amount in the balance sheet. Electrolux has a significant concentration on a number of major customers primarily in the US and Europe. Receivables concentrated to customers with credit limits amounting to SEK 300m or more represent 35.0% (29.1) of the total trade receivables. The creation and usage of provisions for impaired receivables have been included in selling expenses in the income statement.

Timing analysis of trade receivables

	2009	2008
Trade receivables not overdue	18,414	18,943
Less than 2 months	1,257	1,325
2 – 6 months	390	466
6 – 12 months	112	—
More than 1 year	—	—
Total trade receivables past due but not impaired	1,759	1,791
Impaired trade receivables	869	692
Total trade receivables	21,042	21,426
Past due, including impaired, in relation to trade receivables, %	12.5	11.6

Note 18 Financial instruments

Additional and complementary information is presented in the following notes to the Annual Report: Note 1, Accounting and valuation principles, discloses the accounting and valuation policies adopted. Note 2, Financial risk management, describes the Group's risk policies in general and regarding the principal financial instruments of Electrolux in more detail. Note 17, Trade receivables, describes the trade receivables and related credit risks.

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

Net borrowings

At year-end 2009, the Group's net borrowings amounted to SEK 665m (4,556). The table below presents how the Group calculates net borrowings and what they consist of.

Net borrowings

	December 31,	
	2009	2008
Short-term loans	582	1,142
Short-term part of long-term loans	912	1,004
Trade receivables with recourse	1,870	1,022
Short-term borrowings	**3,364**	**3,168**
Derivatives	343	699
Accrued interest expenses and prepaid interest income	74	116
Total short-term borrowings	**3,781**	**3,983**
Long-term borrowings	**10,241**	**9,963**
Total borrowings	**14,022**	**13,946**
Cash and cash equivalents	9,537	7,305
Short-term investments	3,030	296
Derivatives	377	1,390
Prepaid interest expenses and accrued interest income	413	399
Liquid funds	**13,357**	**9,390**
Net borrowings	**665**	**4,556**
Revolving credit facility (EUR 500m)[1]	5,163	5,466

1) The revolving credit facility of EUR 500m is not included in net borrowings, but can, however, be used for short-term and long-term funding.

Liquid funds

Liquid funds as defined by the Group consist of cash and cash equivalents, short-term investments, derivatives and prepaid interest expenses and accrued interest income. 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,	
	2009	2008
Cash and cash equivalents	9,537	7,305
Short-term investments	3,030	296
Derivatives	377	1,390
Prepaid interest expenses and accrued interest income	413	399
Liquid funds	**13,357**	**9,390**
% of annualized net sales[1]	16.2	12.9
Net liquidity	**9,576**	**5,407**
Fixed-interest term, days	100	22
Effective yield, % (average per annum)	2.1	4.5

1) Liquid funds plus an unused revolving credit facility of EUR 500m divided by annualized net sales.

For 2009, liquid funds, including an unused revolving credit facility of EUR 500m, amounted to 16.2% (12.9) of annualized net sales. The net liquidity is calculated by deducting short-term borrowings from liquid funds.

Interest-bearing liabilities

In 2009, SEK 1,040m of long-term borrowings matured or were amortized. These maturities were refinanced in the first half of the year with new long-term borrowings of SEK 1,128m. In addition, SEK 511m were borrowed at the beginning of the year. Total new long-term borrowings in 2009 were SEK 1,639m.

At year-end 2009, the Group's total interest-bearing liabilities amounted to SEK 11,735m (12,109), of which SEK 11,153m (10,967) referred to long-term borrowings including maturities within 12 months. Long-term borrowings with maturities within 12 months amount to SEK 912m (1,004). The outstanding long-term borrowings have mainly been made under the Swedish and European Medium-Term Note program and via bilateral loans. The majority of total long-term borrowings, SEK 10,425m (10,182), is taken up at the parent company level. As from 2005, Electrolux has a negotiated committed credit facility of EUR 500m, which can be used as either a long-term or short-term back-up facility. However, Electrolux expects to meet any future requirements for short-term borrowings through bilateral bank facilities and capital-market programs such as commercial-paper programs.

At year-end 2009, the average interest-fixing period for long-term borrowings was 1.0 years (0.5). The calculation of the average interest-fixing period includes the effect of interest-rate swaps used to manage the interest-rate risk of the debt portfolio. The average interest rate at year-end for the total borrowings was 2.6% (5.0).

The fair value of the interest-bearing borrowings was SEK 13,712m. The fair value including swap transactions used to manage the interest fixing was approximately SEK 13,596m. The borrowings and the interest-rate swaps are valued marked-to-market in order to calculate the fair value. When valuating the borrowings, the Electrolux credit rating is taken into consideration.

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

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Borrowings

Issue/maturity date	Description of loan	Interest rate, %	Currency	Nominal value (in currency)	Carrying amount, December 31, 2009	Carrying amount, December 31, 2008
Bond loans[1]						
2005–2010	SEK MTN Program	3.650	SEK	500	—	505
2007–2011	SEK MTN Program	5.250	SEK	250	264	266
2007–2012	SEK MTN Program	4.500	SEK	2,000	2,114	2,116
2008–2013	Euro MTN Program	Floating	EUR	85	873	924
2008–2014	Euro MTN Program	Floating	USD	42	302	324
2008–2016	Euro MTN Program	Floating	USD	100	719	770
2009–2011	SEK MTN Program	4.250	SEK	500	499	—
2009–2014	Euro MTN Program	Floating	EUR	100	1,033	—
Total bond loans					**5,804**	**4,905**
Other long-term loans[1]						
1996–2036	Fixed rate loans in Germany	7.870	EUR	42	420	461
2005–2010	Long-term bank loans in Sweden	Floating	EUR	20	—	223
2007–2010	Long-term bank loans in Sweden	Floating	SEK	200	—	200
2007–2013	Long-term bank loans in Sweden	Floating	SEK	300	300	300
2008–2011	Fixed rate loans in Thailand	6.290	THB	965	208	214
2008–2011	Long-term bank loans in Sweden	Floating	USD	45	324	347
2008–2013	Long-term bank loans in Sweden	Floating	SEK	1,000	1,000	1,000
2008–2015	Long-term bank loans in Sweden	Floating	EUR	120	1,239	1,312
2008–2015	Long-term bank loans in Sweden	Floating	PLN	338	847	892
Other long-term loans					99	109
Total other long-term loans					**4,437**	**5,058**
Long-term borrowings					**10,241**	**9,963**
Short-term part of long-term loans[2]						
2005–2009	SEK MTN Program	3.400	SEK	500	—	499
2007–2009	SEK MTN Program	Floating	SEK	300	—	300
2007–2009	SEK MTN Program	4.980	SEK	200	—	205
2005–2010	SEK MTN Program	3.650	SEK	500	501	—
2005–2010	Long-term bank loans in Sweden	Floating	EUR	20	211	—
2007–2010	Long-term bank loans in Sweden	Floating	SEK	200	200	—
Total short-term part of long-term loans					**912**	**1,004**
Other short-term loans						
	Commercial paper program	Floating	SEK	—	—	—
	Short-term bank loans in China	Floating	CNY	419	—	473
	Short-term bank loans in Thailand	Floating	THB	453	—	100
	Other bank borrowings and commercial papers				582	569
Total other short-term loans					**582**	**1,142**
Trade receivables with recourse					**1,870**	**1,022**
Short-term borrowings					**3,364**	**3,168**
Fair value of derivative liabilities					**343**	**699**
Accrued interest expenses and prepaid interest income					**74**	**116**
Total borrowings					**14,022**	**13,946**

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

Short-term borrowings pertain mainly to countries with capital restrictions. The average maturity of the Group's long-term borrowings including long-term borrowings with maturities within 12 months was 3.9 years (4.7), at the end of 2009. The table below presents the repayment schedule of long-term borrowings.

Repayment schedule of long-term borrowings, December 31

	2010	2011	2012	2013	2014	2015—	Total
Debenture and bond loans	—	763	2,114	873	1,335	719	5,804
Bank and other loans	—	569	31	1,315	16	2,506	4,437
Short-term part of long-term loans	912	—	—	—	—	—	912
Total	**912**	**1,332**	**2,145**	**2,188**	**1,351**	**3,225**	**11,153**

Other interest-bearing investments

Interest-bearing receivables from customer financing amounting to SEK 103m (83) are included in the item Trade receivables in the Group's balance sheet. The Group's customer-financing activities are performed in order to provide sales support and are directed mainly to independent retailers in Scandinavia. The majority of the financing is shorter than 12 months. There is no major concentration of credit risk related to customer financing. Collaterals and the right to repossess the inventory also reduce the credit risk in the financing operations. The income from customer financing is subject to interest-rate risk. This risk is immaterial to the Group.

Commercial flows

The table below shows the forecasted transaction flows, imports and exports, for the 12-month period of 2010 and hedges at year-end 2009.

The hedged amounts are dependent on the hedging policy for each flow considering the existing risk exposure. There were no hedges of significant volume above 12 months at year-end. The effect of hedging on operating income during 2009 amounted to SEK –535m (476). At year-end 2009, unrealized exchange-rate gains on forward contracts charged against other comprehensive income amounted to SEK –13m (85).

Forecasted transaction flows and hedges

	GBP	AUD	RUB	DKK	BRL	CHF	CZK	HUF	USD	EUR	Other	Total
Inflow of currency, long position	2,180	2,290	2,010	1,370	1,220	1,150	790	2,790	1,290	8,950	9,390	33,430
Outflow of currency, short position	–30	–200	–210	—	–30	—	—	–4,220	–6,440	–15,200	–7,100	–33,430
Gross transaction flow	2,150	2,090	1,800	1,370	1,190	1,150	790	–1,430	–5,150	–6,250	2,290	—
Hedges	–870	–820	–290	–730	–480	–340	–260	870	1,500	2,170	–750	—
Net transaction flow	**1,280**	**1,270**	**1,510**	**640**	**710**	**810**	**530**	**–560**	**–3,650**	**–4,080**	**1,540**	**—**

Fair value estimation

Valuation of financial instruments at fair value is done at the most accurate market prices available. This means that instruments, which are quoted on the market, such as, for instance, the major bond and interest-rate future markets, are all marked-to-market with the current price. The foreign-exchange spot rate is then 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. In the event that no proper cash flow schedule is available, for instance, 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 for disclosure purposes 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. Effective January 1, 2009, the Group adopted the amendment to IFRS 7 for financial instruments that are measured in the balance sheet at fair value. This requires disclosure of fair value measurements by level of the following fair value hierarchy:

Level 1: Quoted prices (unadjusted) 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, i.e., as prices or indirectly, i.e., derived from prices.

Level 3: Inputs for the assets or liabilities that are not entirely based on observable market date, i.e., unobservable inputs.

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The table below presents the Group's financial assets and liabilities that are measured at fair value according to the fair value measurement hierarchy.

Fair value measurement hierarchy

	2009				2008			
Financial assets	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets	**217**	**—**	**217**	**434**	**202**	**—**	**78**	**280**
Financial assets at fair value through profit and loss	217	—	—	217	202	—	—	202
Available for sale	—	—	217	217	—	—	78	78
Derivatives	**—**	**377**	**—**	**377**	**—**	**1,425**	**—**	**1,425**
Derivatives for which hedge accounting is not applied, i.e., held for trading	—	92	—	92	—	440	—	440
Derivatives for which hedge accounting is applied	—	285	—	285	—	985	—	985
Short-term investments and cash equivalents	**4,311**	**—**	**—**	**4,311**	**296**	**—**	**—**	**296**
Financial assets at fair value through profit and loss	4,311	—	—	4,311	296	—	—	296
Total financial assets	**4,528**	**377**	**217**	**5,122**	**498**	**1,425**	**78**	**2,001**
Financial liabilities								
Derivatives	**—**	**351**	**—**	**351**	**—**	**784**	**—**	**784**
Derivatives for which hedge accounting is not applied, i.e., held for trading	—	81	—	81	—	197	—	197
Derivatives for which hedge accounting is applied	—	270	—	270	—	587	—	587
Total financial liabilities	**—**	**351**	**—**	**351**	**—**	**784**	**—**	**784**

Changes in level 3 instruments

	2009	2008
	Available for sale instruments	Available for sale instruments
Financial assets		
Opening balance	78	481
Gains or losses recognized in profit or loss	1	—
Gains or losses recognized in other comprehensive income	138	–403
Closing balance	217	78
Total gains or losses for the period included in profit or loss	1	—
Total gains or losses for the period included in profit or loss for assets held at the reporting period	1	—

Financial derivative instruments

The table below presents the fair value of the Group's financial derivative instruments used for managing financial risk and proprietary trading.

Financial derivatives at fair value

	December 31, **2009**		December 31, 2008	
	Assets	Liabilities	Assets	Liabilities
Interest-rate swaps	**169**	**53**	**173**	**10**
Cash flow hedges	1	39	—	4
Fair value hedges	157	—	155	—
Held-for-trading	11	14	18	6
Cross currency interest-rate swaps	**—**	**—**	**—**	**—**
Cash flow hedges	—	—	—	—
Fair value hedges	—	—	—	—
Held-for-trading	—	—	—	—
Forward-rate agreements and futures	**2**	**3**	**47**	**53**
Cash flow hedges	—	—	—	—
Fair value hedges	—	—	—	—
Held-for-trading	2	3	47	53
Currency derivatives (forwards and options)	**204**	**295**	**1,204**	**632**
Cash flow hedges	104	147	737	485
Net investment hedges	23	84	93	98
Held-for-trading	77	64	374	49
Commodity derivatives	**2**	**—**	**1**	**89**
Cash flow hedges	—	—	—	—
Fair value hedges	—	—	—	—
Held-for-trading	2	—	1	89
Total	**377**	**351**	**1,425**	**784**

Maturity profile of financial liabilities and derivatives

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

Maturity profile of financial liabilities and derivatives – undiscounted cash flows

	1 year	> 1 year < 2 years	> 2 years < 5 years	> 5 years	Total
Loans	–1,774	–1,641	–6,291	–3,330	–13,036
Net settled derivatives	63	35	24	—	122
Gross settled derivatives	–94	—	—	—	–94
Whereof outflow	–27,362	–22	—	—	–27,384
Whereof inflow	27,268	22	—	—	27,290
Accounts payable	–16,031	—	—	—	–16,031
Total	**–17,836**	**–1,606**	**–6,267**	**–3,330**	**–29,039**

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.

Specification of gains and losses on fair value hedges

	2009	2008
Fair value hedges, net	6	–6
whereof interest-rate derivatives	–6	202
whereof fair-value adjustment on borrowings	12	–208

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Net gain/loss, income and expense on financial instruments

	2009				2008			
	Gain/loss in profit and loss	Gain/loss in OCI	Interest income	Interest expenses	Gain/loss in profit and loss	Gain/loss in OCI	Interest income	Interest expenses
Recognized in the operating income								
Financial assets and liabilities at fair value through profit and loss	**–515**	**—**	**—**	**—**	**381**	**—**	**—**	**—**
Derivatives for which hedge accounting is not applied, i.e., held-for-trading	20	—	—	—	–95	—	—	—
Currency derivatives related to commercial exposure where hedge accounting is applied, i.e., cash flow hedges	–535	—	—	—	476	—	—	—
Loans and receivables	**327**	**—**	**—**	**—**	**–202**	**—**	**—**	**—**
Trade receivables/payables	327	—	—	—	–202	—	—	—
Available-for-sale financial assets	**1**	**138**	**—**	**—**	**—**	**–403**	**—**	**—**
Other shares and participations	1	138	—	—	—	–403	—	—
Total net gain/loss, income and expenses	**–187**	**138**	**—**	**—**	**179**	**–403**	**—**	**—**
Recognized in the financial items								
Financial assets and liabilities at fair value through profit and loss	**–385**	**–187**	**86**	**–55**	**965**	**–63**	**18**	**–84**
Derivatives for which hedge accounting is not applied, i.e., held-for-trading	–311	—	—	—	756	—	—	—
Interest-related derivatives for which fair value hedge accounting is applied, i.e., fair value hedges	–6	—	—	75	202	—	—	–22
Interest-related derivatives for which cash flow hedge accounting is applied, i.e., cash flow hedges	—	–14	—	–22	—	–3	—	–5
Currency derivatives related to commercial exposure where hedge accounting is applied, i.e., cash flow hedges	13	–98	—	—	–9	24	—	—
Net investment hedges where hedge accounting is applied	—	–75	—	–108	—	–84	—	–57
Other financial assets carried at fair value	–81	—	86	—	16	—	18	—
Loans and receivables	**33**	**—**	**194**	**—**	**–425**	**—**	**201**	**—**
Other financial liabilities	**369**	**—**	**—**	**–519**	**–583**	**—**	**—**	**–627**
Financial liabilities for which hedge accounting is not applied	357	—	—	–390	–375	—	—	–480
Financial liabilities for which hedge accounting is applied	12	—	—	–129	–208	—	—	–147
Total net gain/loss, income and expenses	**17**	**–187**	**280**	**–574**	**–43**	**–63**	**219**	**–711**

Fair value and carrying amount on financial assets and liabilities

	2009[1]		2008[1]	
	Fair value	Carrying amount	Fair value	Carrying amount
Financial assets				
Financial assets	**434**	**434**	**280**	**280**
Financial assets at fair value through profit and loss	217	217	202	202
Available-for-sale	217	217	78	78
Trade receivables	**20,173**	**20,173**	**20,734**	**20,734**
Loans and receivables	20,173	20,173	20,734	20,734
Derivatives	**377**	**377**	**1,425**	**1,425**
Financial assets at fair value through profit and loss:				
Derivatives for which hedge accounting is not applied, i.e., held for trading	92	92	440	440
Interest-related derivatives for which fair value hedge accounting is applied, i.e., fair value hedges	157	157	155	155
Interest-related derivatives for which cash flow hedge accounting is applied, i.e., cash flow hedges	1	1	—	—
Currency derivatives related to commercial exposure where hedge accounting is applied, i.e., cash flow hedges	104	104	737	737
Net investment hedges where hedge accounting is applied	23	23	93	93
Short-term investments	**3,030**	**3,030**	**296**	**296**
Financial assets at fair value through profit and loss	3,030	3,030	296	296
Loans and receivables	—	—	—	—
Cash and cash equivalents	**9,537**	**9,537**	**7,305**	**7,305**
Financial assets at fair value through profit and loss	1,281	1,281	—	—
Loans and receivables	2,639	2,639	4,167	4,167
Cash	5,617	5,617	3,138	3,138
Total financial assets	**33,551**	**33,551**	**30,040**	**30,040**
Financial liabilities				
Long-term borrowings	**10,331**	**10,241**	**9,784**	**9,963**
Financial liabilities measured at amortized cost	7,650	7,562	7,144	7,276
Financial liabilities measured at amortized cost for which fair value hedge accounting is applied	2,681	2,679	2,640	2,687
Accounts payable	**16,031**	**16,031**	**15,681**	**15,681**
Financial liabilities at amortized cost	16,031	16,031	15,681	15,681
Short-term borrowings	**3,381**	**3,364**	**3,177**	**3,168**
Financial liabilities measured at amortized cost	3,381	3,364	3,177	3,168
Derivatives	**351**	**351**	**784**	**784**
Financial liabilities at fair value through profit and loss:				
Derivatives for which hedge accounting is not applied, i.e., held for trading	81	81	197	197
Interest-related derivatives for which fair value hedge accounting is applied, i.e., fair value hedges	—	—	—	—
Interest-related derivatives for which cash flow hedge accounting is applied, i.e., cash flow hedges	39	39	4	4
Currency derivatives related to commercial exposure where hedge accounting is applied, i.e., cash flow hedges	147	147	485	485
Net investment hedges where hedge accounting is applied	84	84	98	98
Total financial liabilities	**30,094**	**29,987**	**29,426**	**29,596**

	2009[1]		2008[1]	
	Fair value	Carrying amount	Fair value	Carrying amount
Per category				
Financial assets at fair value through profit and loss	4,905	4,905	1,923	1,923
Available-for-sale	217	217	78	78
Loans and receivables	22,812	22,812	24,901	24,901
Cash	5,617	5,617	3,138	3,138
Total financial assets	**33,551**	**33,551**	**30,040**	**30,040**
Financial liabilities at fair value through profit and loss	351	351	784	784
Financial liabilities measured at amortized cost	29,743	29,636	28,642	28,812
Total financial liabilities	**30,094**	**29,987**	**29,426**	**29,596**

1) There has not been any reclassification between categories.

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Note 19 Assets pledged for liabilities to credit institutions

	Group December 31,		Parent Company December 31,	
	2009	2008	**2009**	2008
Real-estate mortgages	97	77	—	—
Other	10	43	4	36
Total	**107**	**120**	**4**	**36**

The major part of real-estate mortgages is related to Brazil. In the process of finalizing the tax amounts to be paid, in some cases, buildings are pledged for estimated liabilities to the Brazilian tax authorities.

Note 20 Share capital, number of shares and earnings per share

	Quota value
On December 31, 2009, and December 31, 2008, the share capital comprised of:	
9,502,275 A-shares, with a quota value of SEK 5	48
299,418,033 B-shares, with a quota value of SEK 5	1,497
Total	**1,545**

Number of shares

	Owned by Electrolux	Owned by other share-holders	Total
Shares, December 31, 2008			
A-shares	—	9,502,275	9,502,275
B-shares	25,338,804	274,079,229	299,418,033
Sold shares			
A-shares	—	—	—
B-shares	–839,963	839,963	—
Shares, December 31, 2009			
A-shares	—	9,502,275	9,502,275
B-shares	24,498,841	274,919,192	299,418,033

The share capital of AB Electrolux consists of A-shares and B-shares. An A-share entitles the holder to one vote and a B-share to one-tenth of a vote. All shares entitle the holder to the same proportion of assets and earnings, and carry equal rights in terms of dividends.

Earnings per share

	2009	2008
Income for the period	2,607	366
Earnings per share		
Basic, SEK	9.18	1.29
Diluted, SEK	9.16	1.29
Average number of shares		
Basic	284.0	283.1
Diluted	284.6	283.2

Basic earnings per share is calculated by dividing the income for the period with the average number of shares. The average number of shares is the weighted average number of shares outstanding during the year, after repurchase of own shares.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value based on the monetary value of the subscription rights attached to outstanding share options. Performance share programs are included in the dilutive potential ordinary shares as from when a program has reached its entry level. The dilution from Electrolux incentive programs is a consequence of the remaining employee stock options and the 2009 performance share program.

As of December 31, 2009, Electrolux had sold a total of 839,963 (1,943,087) B-shares, with a total quota value of SEK 4m (10), to the participants in Electrolux long-term incentive programs. The average number of shares during the year has been 284,023,234 (283,113,768) and the average number of diluted shares has been 284,611,284 (283,175,018).

Note 21 Untaxed reserves, Parent Company

	December 31, **2009**	Appropriations	December 31, 2008
Accumulated depreciation in excess of plan			
Brands	460	–43	503
Licenses	60	+45	15
Machinery and equipment	147	–36	183
Buildings	3	—	3
Other	14	14	—
Total	**684**	**–20**	**704**

Note 22 Post employment benefits

Post-employment benefits

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

In some countries, the companies make 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. These plans are listed below as Other post-employment benefits.

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

The Group's major defined benefit plans cover employees in the US, UK, Switzerland, Germany, France, Italy and Sweden. The Italian and French plans are unfunded and the plans in the US, UK, Switzerland and Sweden are funded. During 2009, the German plans, which earlier were unfunded, have been partly funded.

A small number of the Group's employees in Sweden is covered by a multi-employer defined benefit pension plan administered by Alecta Pension Insurance. It has not been possible to obtain the necessary information for the accounting of this plan as a defined benefit plan, and therefore, it has been accounted for as a defined contribution plan.

Below are set out schedules which show the obligations of the plans in the Electrolux Group, the assumptions used to determine these obligations and the assets relating to the benefit plans, as well as the amounts recognized in the income statement and balance sheet. The schedules also include a reconciliation of changes in net provisions during the year, a reconciliation of changes in the present value of the obligation during the year and a reconciliation of the changes in the fair value of plan assets.

The provisions for post-employment benefits amounted to SEK 1,658m (6,448). The major change was that the fair value of the plan assets increased with SEK 5,019m mainly due to extra cash contributions in the United Kingdom, US and Germany. The unrecognized actuarial losses in the plans for post-employment benefits decreased with SEK 993m to SEK 1,738m (2,731). The decrease is mainly due to strong performance of the plan assets and movements in foreign exchange rates.

Amounts recognized in balance sheet

	December 31, **2009**				December 31, 2008			
	Pension benefits	Healthcare benefits	Other post-employment benefits	Total	Pension benefits	Healthcare benefits	Other post-employment benefits	Total
Present value of funded obligations	19,008	2,055	—	21,063	16,341	—	—	16,341
Fair value of plan assets	–17,749	–1,259	—	–19,008	–13,987	–2	—	–13,989
Surplus/deficit	**1,259**	**796**	**—**	**2,055**	**2,354**	**–2**	**—**	**2,352**
Present value of unfunded obligations	601	—	735	1,336	3,591	2,369	884	6,844
Unrecognized actuarial losses(-) /gains(+)	–2,081	352	–9	–1,738	–2,991	298	–38	–2,731
Unrecognized past-service cost	–6	11	–15	–10	–43	44	–18	–17
Effect of limit on assets	15	—	—	15	—	—	—	—
Net provisions for post-employment benefits	**–212**	**1,159**	**711**	**1,658**	**2,911**	**2,709**	**828**	**6,448**
Whereof reported as								
Prepaid pension cost in other non-current assets[1]	510	—	—	510	416	—	—	416
Provisions for post-employment benefits	298	1,159	711	2,168	3,327	2,709	828	6,864

1) Pension assets are related to Sweden and Switzerland.

Reconciliation of changes in net provisions for post-employment benefits

	Pension benefits	Healthcare benefits	Other post-employment benefits	Total
Net provision for post-employment benefits, January 1, 2008	**2,706**	**2,329**	**804**	**5,839**
Expenses for defined post-employment benefits	453	116	34	603
Contributions by employer	–643	–196	–125	–964
Exchange differences	395	460	115	970
Net provision for post-employment benefits, December 31, 2008	**2,911**	**2,709**	**828**	**6,448**
Expenses for defined post-employment benefits	365	79	57	501
Contributions by employer	–3,418	–1,545	–131	–5,094
Exchange differences and other changes	–70	–84	–43	–197
Net provision for post-employment benefits, December 31, 2009	**–212**	**1,159**	**711**	**1,658**

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Amounts recognized in income statement

	December 31, 2009				December 31, 2008			
	Pension benefits	Healthcare benefits	Other post-employment benefits	Total	Pension benefits	Healthcare benefits	Other post-employment benefits	Total
Current service cost	248	1	4	253	223	1	4	228
Interest cost	990	134	43	1,167	922	128	45	1,095
Expected return on plan assets	–935	—	—	–935	–929	—	—	–929
Amortization of actuarial losses/gains	91	–11	—	80	172	–1	—	171
Amortization of past-service cost	–14	–14	2	–26	27	–5	2	24
Losses/gains on curtailments and settlements	–30	–31	8	–53	38	–7	–17	14
Effect of limit on assets	15	—	—	15	–21	—	—	–21
Other	—	—	—	—	21	—	—	21
Total expenses for defined post-employment benefits	**365**	**79**	**57**	**501**	**453**	**116**	**34**	**603**
Expenses for defined contribution plans	—	—	—	376	—	—	—	343
Total expenses for post-employment benefits	**—**	**—**	**—**	**877**	**—**	**—**	**—**	**946**
Actual return on plan assets	–2,065	—	—	–2,065	736	—	—	736

For the Group, total expenses for pensions, healthcare and other post-employment benefits have been recognized as operating expenses and classified as cost of goods sold, selling expenses or administrative expenses depending on the function of the employee. In the Parent Company a similar classification has been made.

Reconciliation of change in present value of defined benefit obligation for funded and unfunded obligations

	2009				2008			
	Pension benefits	Healthcare benefits	Other post-employment benefits	Total	Pension benefits	Healthcare benefits	Other post-employment benefits	Total
Opening balance, January 1	**19,934**	**2,369**	**882**	**23,185**	**17,482**	**2,272**	**843**	**20,597**
Current service cost	248	1	4	253	223	1	4	228
Interest cost	990	134	43	1,167	922	128	45	1,095
Contributions by plan participants	44	25	—	69	47	23	—	70
Actuarial losses/gains	341	–90	–25	226	798	–247	8	559
Past-service cost	–20	–13	—	–33	23	–1	—	22
Curtailments/special termination benefit cost	–69	—	–1	–70	41	—	—	41
Liabilities extinguished on settlements	–4	—	7	3	—	—	–14	–14
Exchange differences on foreign plans	–690	–148	–45	–883	1,434	399	121	1,954
Benefits paid	–1,164	–236	–131	–1,531	–1,057	–219	–125	–1,401
Other	—	13	—	13	21	13	—	34
Closing balance, December 31	**19,610**	**2,055**	**734**	**22,399**	**19,934**	**2,369**	**882**	**23,185**

Reconciliation of change in fair value of plan assets

	2009				2008			
	Pension benefits	Healthcare benefits	Other post-employment benefits	Total	Pension benefits	Healthcare benefits	Other post-employment benefits	Total
Opening balance, January 1	**13,987**	**2**	**—**	**13,989**	**14,008**	**—**	**—**	**14,008**
Expected return on plan assets	935	—	—	935	929	—	—	929
Actuarial gains/losses	1,130	—	—	1,130	–1,665	—	—	–1,665
Settlements	–4	—	—	–4	—	—	—	—
Contributions by employer	3,418	1,545	131	5,094	643	196	125	964
Contributions by plan participants	44	25	—	69	47	23	—	70
Exchange differences on foreign plans	–597	–77	—	–674	1,082	2	—	1,084
Benefits paid	–1,164	–236	–131	–1,531	–1,057	–219	–125	–1,401
Other	—	—	—	—	—	—	—	—
Closing balance, December 31	**17,749**	**1,259**	**—**	**19,008**	**13,987**	**2**	**—**	**13,989**

The pension plan assets include ordinary shares issued by AB Electrolux with a fair value of SEK 75m (20). In 2010, the Group expects to pay the total of SEK 898m in contributions by employer and benefits paid directly by the company. In 2009, this amounted to SEK 5,094m, of which SEK 4,714m were contributions to the Group's pension funds.

Major categories of plan assets as a percentage of total plan assets

%	December 31, 2009	2008
European equities	10	10
North American equities	18	9
Other equities	11	8
European bonds	21	23
North American bonds	23	32
Alternative investments[1]	9	9
Property	4	3
Cash and cash equivalents	4	6
Total	**100**	**100**

1) Includes hedge funds and infrastructure investments.

Principal actuarial assumptions at balance-sheet date expressed as a weighted average

%	December 31, 2009	2008
Discount rate	5.2	5.2
Expected long-term return on assets	6.9	6.9
Expected salary increases	3.8	3.6
Annual increase of healthcare costs	8.5	9.0

- When determining the discount rate, the Group uses AA-rated corporate bond indexes which match the duration of the pension obligations. If no corporate bond is available, government bonds are used to determine the discount rate.
- Expected long-term return on assets is calculated by assuming that fixed-income holdings are expected to have the same return as ten-year corporate bonds. Equity holdings are assumed to return an equity-risk premium of 5% over ten-year government bonds. Alternative investments are assumed to return 4% over three-month Libor annually. The benchmark allocation for the assets is used when calculating the expected return, as this represents the long-term actual allocation.
- Expected salary increases are based on local conditions in each country.
- The assumed healthcare cost-trend rate has a significant effect on the amounts recognized in the profit or loss. A one-percentage point change in the assumed medical cost-trend rate would have the following effects:

Healthcare benefits sensitivity analysis

	2009		2008	
	One-percentage point increase	One-percentage point decrease	One-percentage point increase	One-percentage point decrease
Effect on aggregate of service cost and interest cost	12	–10	12	–10
Effect on defined benefit obligation	1,096	722	–114	–537

Amounts for annual periods

December 31,	**2009**	2008	2007	2006	2005
Defined benefit obligation	–22,399	–23,185	–20,597	–21,883	–26,733
Plan assets	19,008	13,989	14,008	14,010	15,602
Surplus/deficit	–3,391	–9,196	–6,589	–7,873	–11,131
Experience adjustments on plan liabilities	222	217	–221	221	–152
Experience adjustments on plan assets	1,130	–1,665	–38	121	513

Parent Company

According to Swedish accounting principles adopted by the Parent Company, defined benefit liabilities are calculated based upon officially provided assumptions, which differ from the assumptions used in the Group under IFRS. The pension benefits are secured by contributions to a separate fund or recorded as a liability in the balance sheet. The accounting principles used in the Parent Company's separate financial statements differ from the IFRS principles, mainly in the following:

- The pension liability calculated according to Swedish accounting principles does not take into account future salary increases.
- The discount rate used in the Swedish calculations is set by PRI (Swedish Pension Foundation) and was 4.0% (4.0). The rate is the same for all companies in Sweden.
- Changes in the discount rate and other actuarial assumptions are recognized immediately in the profit or loss and the balance sheet.
- Deficit must be either immediately settled in cash or recognized as a liability in the balance sheet.
- Surplus cannot be recognized as an asset, but may in some cases be refunded to the company to offset pension costs.

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Change in present value of defined benefit pension obligation for funded and unfunded obligations

	Funded	Unfunded	Total
Opening balance, January 1, 2008	**1,118**	**312**	**1,430**
Current service cost	30	69	99
Interest cost	65	19	84
Other increase of present value	—	–15	–15
Benefits paid	–34	–29	–63
Closing balance, December 31, 2008	**1,179**	**356**	**1,535**
Current service cost	9	21	30
Interest cost	51	16	67
Other decrease of present value	25	28	53
Benefits paid	–47	–47	–94
Closing balance, December 31, 2009	**1,217**	**374**	**1,591**

Change in fair value of plan assets

	Funded
Opening balance, January 1, 2008	**1,390**
Actual return on plan assets	–133
Contributions and compensation to/from the fund	—
Closing balance, December 31, 2008	**1,257**
Actual return on plan assets	269
Contributions and compensation to/from the fund	61
Closing balance, December 31, 2009	**1,587**

Amounts recognized in balance sheet

	December 31,	
	2009	2008
Present value of pension obligations	–1,591	–1,535
Fair value of plan assets	1,587	1,257
Surplus/deficit	**–4**	**–278**
Limitation on assets in accordance with Swedish accounting principles	–370	–78
Net provisions for pension obligations	**–374**	**–356**
Whereof reported as provisions for pensions	–374	–356

Amounts recognized in income statement

	2009	2008
Current service cost	30	99
Interest cost	67	84
Total expenses for defined benefit pension plans	**97**	**183**
Insurance premiums	21	21
Total expenses for defined contribution plans	**21**	**21**
Special employer's contribution tax	39	53
Cost for credit insurance	2	1
Total pension expenses	**159**	**258**
Compensation from the pension fund	—	—
Total recognized pension expenses	**159**	**258**

The Swedish Pension Foundation

The pension liabilities of the Group's Swedish defined benefit pension plan (PRI pensions) are funded through a pension foundation established in 1998. The market value of the assets of the foundation amounted at December 31, 2009, to SEK 1,882m (1,490) and the pension commitments to SEK 1,447m (1,403). The Swedish Group companies recorded a liability to the pension fund as per December 31, 2009, in the amount of SEK 73m (147). Contributions to the pension foundation during 2009, amounted to SEK 74m (0) regarding the pension liability at December 31, 2007. No contributions have been made from the pension foundation to the Swedish Group companies during 2009 and 2008.

Note 23 Other provisions

	Group					Parent Company			
	Provisions for restruc-turing	Warranty commit-ments	Claims	Other	Total	Provisions for restruc-turing	Warranty commit-ments	Other	Total
Opening balance, January 1, 2008	**821**	**1,682**	**795**	**1,818**	**5,116**	**54**	**112**	**43**	**209**
Provisions made	1,167	1,021	385	591	3,164	3	170	52	225
Provisions used	–303	–1,002	–176	–332	–1,813	–2	–132	–38	–172
Unused amounts reversed	–103	–39	–52	–126	–320	—	—	—	—
Exchange-rate differences	156	128	150	84	518	—	—	—	—
Closing balance, December 31, 2008	**1,738**	**1,790**	**1,102**	**2,035**	**6,665**	**55**	**150**	**57**	**262**
Of which current provisions	1,486	682	—	322	2,490	8	28	22	58
Of which non-current provisions	252	1,108	1,102	1,713	4,175	47	122	35	204
Opening balance, January 1, 2009	**1,738**	**1,790**	**1,102**	**2,035**	**6,665**	**55**	**150**	**57**	**262**
Provisions made	1,069	906	222	987	3,184	22	—	2	24
Provisions used	–939	–869	–246	–198	–2,252	–28	–10	–18	–56
Unused amounts reversed	–89	–32	—	–168	–289	–20	—	—	–20
Exchange-rate differences	–95	1	–62	127	–29	—	—	—	—
Closing balance, December 31, 2009	**1,684**	**1,796**	**1,016**	**2,783**	**7,279**	**29**	**140**	**41**	**210**
Of which current provisions	819	676	—	335	1,830	23	20	4	47
Of which non-current provisions	865	1,120	1,016	2,448	5,449	6	120	37	163

Provisions for restructuring represent the expected costs to be incurred as a consequence of the Group's decision to close some factories, rationalize production and reduce personnel, both for newly acquired and previously owned companies. The provisions for restructuring are only recognized when Electrolux has both a detailed formal plan for restructuring and has made an announcement of the plan to those affected by it at the balance-sheet date. The amounts are based on management's best estimates and are adjusted when changes to these estimates are known. The larger part of the restructuring provisions as per December 31, 2009, will be used during 2010 and the first half of 2011. 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. Provisons for claims refer to the Group's captive insurance companies. Other provisions include mainly provisions for indirect tax, environmental liabilities, asbestos claims or other liabilities, none of which is material to the Group.

Note 24 Other liabilities

	Group December 31		Parent Company December 31	
	2009	2008	**2009**	2008
Accrued holiday pay	884	840	145	157
Other accrued payroll costs	1,697	1,453	222	129
Accrued interest expenses	74	116	73	72
Prepaid income	260	309	—	—
Other accrued expenses	5,860	5,714	503	412
Other operating liabilities	2,460	2,212	—	—
Total	**11,235**	**10,644**	**943**	**770**

Other accrued expenses include accruals for fees, advertising and sales promotion, bonuses, extended warranty, and other items. Other operating liabilities include VAT and other items.

Note 25 Contingent liabilities

	Group December 31		Parent Company December 31	
	2009	2008	**2009**	2008
Trade receivables, with recourse	—	6	—	—
Guarantees and other commitments				
On behalf of subsidiaries	—	—	1,641	1,529
On behalf of external counterparties	1,185	1,287	171	187
Employee benefits in excess of reported liabilities	—	—	6	4
Total	**1,185**	**1,293**	**1,818**	**1,720**

The main part of the total amount of guarantees and other commitments on behalf of external counterparties is related to US sales to dealers financed through external finance companies with a regulated buy-back obligation of the products in case of dealer's bankruptcy.

In addition to the above contingent liabilities, guarantees for fulfillment of contractual undertakings are given as part of the Group's normal course of business. There was no indication at year-end that payment will be required in connection with any contractual guarantees.

Asbestos litigation in the US

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

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As of December 31, 2009, the Group had a total of 2,818 (2,639) cases pending, representing approximately 3,120 (approximately 3,200) plaintiffs. During 2009, 760 new cases with approximately 760 plaintiffs were filed and 581 pending cases with approximately 850 plaintiffs were resolved. Approximately 40 of the plaintiffs relate to cases pending in the state of Mississippi.

The Group reached an agreement in 2007 with many of the insurance carriers that issued general liability insurance to certain predecessors of the Group who manufactured industrial products, some of which are alleged to have contained asbestos. Under this agreement, the insurance carriers have agreed to reimburse the Group for a portion of the past and future costs incurred in connection with asbestos-related lawsuits for such products. The term of the agreement is indefinite but subject to termination upon 60 days notice. If terminated, all parties would be restored to all of their rights and obligations under the affected insurance policies.

Additional lawsuits may be filed against Electrolux in the future. It is not possible to predict either the number of future claims or the number of plaintiffs that any future claims may represent. In addition, the outcome of asbestos claims is inherently uncertain and always difficult to predict and Electrolux cannot provide any assurances that the resolution of these types of claims will not have a material adverse effect on its business or on results of operations in the future.

Major agreement with Husqvarna after the spin-off

In June 2006, Electrolux effectuated the spin-off of the Group's Outdoor Products operations, "Outdoor Products", by way of a dividend of all shares in Husqvarna AB, being the parent of the Outdoor Products group, to the shareholders of Electrolux. In order to govern the creation of Outdoor Products operations as a separate legal entity, as well as govern the relationship in certain aspects between Electrolux and Outdoor Products operations following the separation, Electrolux and Husqvarna AB and some of their respective subsidiaries have entered into a Master Separation Agreement and related agreements, the "Separation Agreements".

Under the Separation Agreements, Electrolux has retained certain potential liabilities with respect to the spin-off and Outdoor Products. These potential liabilities include certain liabilities of the Outdoor Products operations which cannot be transferred or which have been considered too difficult to transfer. Losses pursuant to these liabilities are reimbursable pursuant to indemnity undertakings from Husqvarna. In the event that Husqvarna is unable to meet its indemnity obligations should they arise, Electrolux would not be reimbursed for the related loss and this could have a material adverse effect on Electrolux results of operations and financial condition.

Tax effects of the distribution relating to Husqvarna

Electrolux has received a private letter ruling from the US Internal Revenue Service (IRS) with regard to the distribution of the shares in Husqvarna and the US corporate restructurings that preceded the distribution. The ruling confirms that these transactions will not entail any US tax consequences for Electrolux, its US subsidiaries or US shareholders of Electrolux. In the event that any facts and circumstances upon which the IRS private ruling has been based is found to be incorrect or incomplete in a material respect or if the facts at the time of separation were, or at any relevant point in time are, materially different from the facts upon which the ruling was based, Electrolux could not rely on the ruling. Additionally, future events that may or may not be within the control of Electrolux or Husqvarna, including purchases by third parties of Husqvarna stock, could cause the distribution of Husqvarna stock and the US corporate restructurings that preceded the distribution not to qualify as tax-free to Electrolux and/or US holders of Electrolux stock. An example of such event is if one or more persons were to acquire a 50% or greater interest in Husqvarna stock.

Electrolux has – as one of the Separation Agreements – concluded a Tax Sharing and Indemnity Agreement with Husqvarna. Pursuant to the tax sharing agreement, Husqvarna and two of its US subsidiaries have undertaken to indemnify Electrolux and its group companies for tax liabilities in certain circumstances. If the distribution of the shares in Husqvarna or the US corporate restructurings that preceded the distribution would entail tax liabilities, and Husqvarna would not be obliged to indemnify such liabilities or would not be able to meet its indemnity undertakings, this could have a material adverse effect on Electrolux results of operations and financial condition.

Note 26 Divested operations

	Divestments	
	2009	2008
Fixed assets	4	—
Inventories	—	—
Receivables	—	—
Other current assets	17	—
Liquid funds	5	—
Loans	—	—
Other liabilities and provisions	–17	–64
Net assets	**9**	**–64**
Sales price	9	242
Net borrowings in acquired/divested operations	–5	–276
Effect on Group cash and cash equivalents	**4**	**–34**

On August 1, 2009, all shares in Distriparts Deutschland GmbH in Germany was divested. The divestment was made at book value. Divestments in 2008 relate to the divestment of the captive insurance company Electrolux Reinsurance S.A. in Luxembourg.

Note 27 Employees and remuneration

Employees and employee benefits

In 2009, the average number of employees was 50,633 (55,177), of whom 32,955 (35,562) were men and 17,678 (19,615) women.

A detailed specification of the average number of employees by country has been submitted to the Swedish Companies Registration Office and is available on request from AB Electrolux, Investor Relations and Financial Information. See also Electrolux website www.electrolux.com/ir, Company overview.

Average number of employees, by geographical area

	Group	
	2009	2008
Europe	25,292	28,138
North America	10,384	11,398
Rest of world	14,957	15,641
Total	**50,633**	**55,177**

Salaries, other remuneration and employer contributions

	2009			2008		
	Salaries and remuneration	Employer contributions	Total	Salaries and remuneration	Employer contributions	Total
Parent Company	764	562	1,326	826	657	1,483
(whereof pension costs)	—	(159)[1]	(159)[1]	—	(259)[1]	(259)[1]
Subsidiaries	12,398	3,477	15,875	11,836	3,695	15,531
(whereof pension costs)	—	(718)	(718)	—	(687)	(687)
Total Group	**13,162**	**4,039**	**17,201**	**12,662**	**4,352**	**17,014**
(whereof pension costs)	—	(877)	(877)	—	(946)	(946)

1) Includes SEK 14m (20), referring to the President and his predecessors.

Salaries and remuneration by geographical area for Board members, senior managers and other employees

	2009			2008		
	Board members and senior managers	Other employees	Total	Board members and senior managers	Other employees	Total
Sweden						
Parent Company	48	716	764	47	779	826
Other	8	201	209	5	230	235
Total Sweden	**56**	**917**	**973**	**52**	**1,009**	**1,061**
EU, excluding Sweden	99	5,797	5,896	88	5,765	5,853
Rest of Europe	10	768	778	10	700	710
North America	18	3,360	3,378	21	3,070	3,091
Latin America	35	1,094	1,129	38	951	989
Asia	14	326	340	12	428	440
Pacific	4	641	645	1	498	499
Africa	2	21	23	3	16	19
Total outside Sweden	**182**	**12,007**	**12,189**	**173**	**11,428**	**11,601**
Group total	**238**	**12,924**	**13,162**	**225**	**12,437**	**12,662**

Of the Board members in the Group, 77 were men and 12 women, of whom 7 men and 4 women in the Parent Company. Senior managers in the Group consisted of 186 men and 40 women, of whom 9 men and 3 women in the Parent Company. The total pension cost for Board members and senior managers in the Group amounted to 37m (48) in 2009.

Employee absence due to illness

%	2009 Employees in the Parent Company	2009 All employees in Sweden	2008 Employees in the Parent Company	2008 All employees in Sweden
Absence due to illness, as % of total normal working hours	**5.2**	**4.9**	**6.2**	**6.0**
of which 60 days or more	52.5	52.2	56.8	56.7
Absence due to illness, by category[1)]				
Women	7.7	7.0	9.2	8.8
Men	3.7	3.8	4.7	5.0
29 years or younger	2.4	2.3	4.1	4.1
30–49 years	5.3	5.0	6.3	6.2
50 years or older	5.8	5.4	7.4	7.2

1) % of total normal working hours within each category, respectively.

In accordance with the regulations in the Swedish Annual Accounts Act, in effect as of July 1, 2003, absence due to illness for employees in the Parent Company and the Group in Sweden is reported in the table above. The Parent Company comprises the Group's head office as well as a number of units and plants, and employs approximately 75% of the Group's workforce in Sweden.

Compensation to the Board of Directors

The Annual General Meeting (AGM) determines the total compensation to the Board of Directors for a period of one year until the next AGM. The compensation is distributed between the Chairman, Deputy Chairman, other Board Members and remuneration for committee work. The Board decides the distribution of the committee fee between the committee members. Compensation is paid out in advance each quarter. Compensation paid in 2009 refers to one fourth of the compensation authorized by the AGM in 2008, and three fourths of the compensation authorized by the AGM in 2009. Total compensation paid in 2009 amounted to SEK 4,350k, of which SEK 3,750k referred to ordinary compensation and SEK 600k to committee work. For distribution of compensation by Board member, see table below.

Compensation to Board members 2009

'000 SEK	Ordinary compensation	Compensation for committee work	Total compensation
Marcus Wallenberg, Chairman	1,600	55	1,655
Peggy Bruzelius, Deputy Chairman	550	200	750
Hasse Johansson	475	—	475
John S. Lupo	475	—	475
Johan Molin	475	55	530
Hans Stråberg, President	—	—	—
Caroline Sundewall	475	85	560
Torben Ballegaard Sørensen	475	85	560
Barbara Milian Thoralfsson	475	120	595
Ola Bertilsson	—	—	—
Gunilla Brandt	—	—	—
Ulf Carlsson	—	—	—
Total compensation 2009	**5,000**	**600**	**5,600**
Revaluation of synthetic shares from previous assignement period	2,293	—	2,293
Total compensation cost 2009 including revaluation of synthetic shares	**7,293**	**600**	**7,893**

Synthetic shares

The AGM in 2009 decided that a part of the fees to the Board of Directors should be payable in synthetic shares. A synthetic share is a right to receive in the future a payment corresponding to the stock-market value of a B-share in Electrolux at the time of payment. In accordance with the fee structure laid down by the AGM, the Directors have for the 2009/2010 term of office been given the choice of receiving 25% or 50% of the fees for the Board assignment in synthetic shares. The remaining part of the fees to the Directors is paid in cash. Foreign Directors have been able to elect to receive 100% of the fee in cash. The synthetic shares entail a right to payment, in the year 2014, of a cash amount per synthetic share corresponding to the price for a B-share in Electrolux at the time of payment. Should a Director's assignment end not later than four years after the time of allocation, cash settlement may instead take place during the year after the assignment came to an end. The elections made by the Directors mean that on average 25% of the fees for the Board assignment for 2009/2010 is allocated in the form of (in total) 13,349 synthetic shares. At the end of 2009, a total of 26,519 (13,170) synthetic shares were outstanding, having a total value of SEK 4.4m (0.9). The accrued value of the synthetic shares has been calculated as the number of synthetic shares times the volume weighted average price of a B-share in Electrolux as of December 31, 2009. The cost from revaluation of synthetic shares during 2009, was SEK 2.3m. No cash settlements took place in 2009.

Remuneration Committee

The working procedures of the Board of Directors stipulate that remuneration to the President be proposed by a Remuneration Committee. The Committee comprises the Chairman of the Board and two additional Directors. During 2009, the Committee members were Barbara Milian Thoralfsson (Chairman), Marcus Wallenberg and Johan Molin.

The Remuneration Committee establishes principles for remuneration for the President and the other members of Group Management, subject to subsequent approval by the AGM. Proposals submitted by the Remuneration Committee to the Board include targets for variable compensation, the relationship between fixed and variable salary, changes in fixed or variable salary, criteria for assessment of long-term variable salary, pensions and other benefits. The Remuneration Committee acts as grandparent, approving the President's proposals on the above subjects for members of the Group Management.

A minimum of two meetings are convened each year and additional meetings are held when needed. Eight meetings were held during 2009.

Remuneration Guidelines for Group Management

The AGM in 2009 approved the proposed Remuneration Guidelines. These guidelines and the compensation to Group Management during 2009, are described below.

The overall principles for compensation within Electrolux are tied strongly to the position held, individual as well as team performance, and competitive compensation in the country or region of employment.

The overall compensation package for higher-level management comprises fixed salary, variable salary based on short-term and long-term performance targets, and benefits such as pensions and insurance.

Electrolux strives to offer fair and competitive total compensation with an emphasis on "pay for performance". Variable compensation represents a significant proportion of total compensation for higher-level management. Total compensation is lower if targets are not achieved.

The Group has a uniform program for variable salary for management and other key positions. Variable salary is based on financial targets and may include non-financial targets for certain positions. Each job level is linked to a minimum and a maximum level for variable salary, and the program is capped.

Since 2004, Electrolux has long-term performance share programs for approximately 160 senior managers of the Group. The vesting and exercise rights of the option programs launched up till 2003 will continue as scheduled. For more information see page 65.

Compensation and terms of employment for the President

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

Base salary is revised annually per January 1. The annualized base salary for 2009, was SEK 8,600,000 (8,600,000). The salary for the President was frozen in 2009. In 2008, the base salary increased by 3.6%.

The variable salary is based on annual financial targets for the Group. The variable salary is 70% of the annual base salary at midpoint, and capped at 110%.

The President participates in the Group's long-term performance programs, that comprise the current performance share program as well as previous option programs. For more information on these programs see below.

The notice period for the company is 12 months, and for the President six months. The President is entitled to 12 months severance pay based on base salary. Severance pay is applicable if the employment is terminated by the company. It is also applicable if the employment is terminated by the President provided serious breach of contract on the company's behalf or if there has been a major change in ownership structure in combination with changes in management and changed individual accountability. The President is not eligible for fringe benefits such as a company car or housing.

Pensions for the President

The retirement age for the President is 60.

The President is covered by an alternative ITP plan that is a defined contribution plan in which the contribution increases with age. The contribution is currently 35% of the pensionable salary between 7.5 and 30 income base amounts. In addition, he is covered by two supplementary plans. Contribution to the first plan equals 15% of pensionable salary and contributions to the second plan equals 20% on pensionable salary above 30 income base amounts. Provided that the President retains his position until age 60, the company will finalize outstanding contributions to the alternative ITP plan and one of the supplementary plans. Pensionable salary is calculated as the current fixed salary including vacation pay plus the average actual variable salary for the last three years. The pension cost in 2009 amounts to SEK 7,649,686 (6,463,512). The cost amounts to 61.0% of pensionable salary. Accrued capital is subject to a real rate of return of 3.5% per year.

Electrolux provides disability benefits equal to approximately 70% of pensionable salary less other disability benefits. Electrolux also provides survivor benefits equal to the highest of the accumulated capital for retirement or 250 income base amounts.

The capital value of pension commitments for the current President, prior Presidents, and survivors is SEK 148m (141).

Compensation and terms of employment for other members of Group Management

Like the President, other members of Group Management receive a compensation package that comprises fixed salary, variable salary based on annual targets, long-term performance share programs and other benefits such as pensions and insurance.

Base salary is revised annually per January 1. Salaries for members of Group Management were frozen in 2009.

Variable salary in 2009 is based on financial targets on sector and Group level. Variable salary for sector heads varies between minimum (no pay out) and a maximum of 100% of annual salary, which is also the cap. The US-based members of Group Management have 100% as midpoint and a maximum of 150%. Group staff heads receive variable salary that varies between a minimum (no pay out) and a maximum of 80%, which is also the cap.

One member of Group Management is covered by contracts that entitle to variable compensation based on achieved financial targets during the years 2007–2009 and 2008–2010. The first contract will be settled in 2010 with SEK 10m. The second contract's pay-out is estimated at SEK 11m in 2011. The compensation is paid provided the individual is employed until the end of 2010. Individual members of Group Management are entitled to additional variable compensation arrangements agreed in connection with the recruitment due in parts provided the member is still employed until the end of 2009. These payments will amount to SEK 0.4m in 2010. For 2009 SEK 4.3m has been paid as recruitment compensation.

The members of Group Management participate in the Group's long-term performance programs. These programs comprise the performance-share program introduced in 2004 as well as previous option programs. For more information on these programs, please see below.

Certain members of Group Management are entitled to 12 months severance pay based on base salary. Severance pay is applicable if the employment is terminated by the company. It is also applicable if the employment is terminated by the Group Management member provided serious breach of contract on the company's behalf or if there has been a major change in ownership structure in combination with changes in management and changed individual accountability.

The Swedish members of Group Management are not eligible for fringe benefits such as company cars. For members of Group Management employed outside of Sweden, varying fringe benefits and conditions may apply, depending upon the country of employment.

Pensions for other members of Group Management

The earliest retirement age is 60 for members of Group Management.

Members of Group Management employed in Sweden are covered by the Alternative ITP plan, as well as a supplementary plan. The Alternative ITP plan is a defined contribution plan where the contribution increases with age. The contribution is between 20% and 35% of pensionable salary, between 7.5 and 30 income base amounts.

Provided that the member retains the position until age 60, the company will finalize outstanding premiums in the alternative ITP plan.

The contribution to the supplementary plan is 35% of pensionable salary above 20 income base amounts. Certain Swedish members are covered by a closed supplementary plan in which contributions equal 35% of the pensionable salary. They are also entitled to individual additional contributions.

Electrolux provides disability benefits equal to 70% of pensionable salary less disability benefits from other sources. Electrolux also provides survivor benefits equal to the highest of the accumulated capital for retirement or 250 income base amounts.

The pensionable salary is calculated as the current fixed salary including vacation pay plus the average variable salary for the last three years. Accrued capital is subject to a real rate of return of 3.5% per year.

For members of Group Management employed outside of Sweden, varying pension terms and conditions apply, depending upon the country of employment.

Compensation paid to Group Management

	2009					2008				
'000 SEK	Annual fixed salary[1]	Variable salary paid 2009[2]	Total salary	Long-term PSP (value of shares awarded)	Other remuneration[4]	Annual fixed salary[1]	Variable salary paid 2008[2]	Total salary	Long-term PSP (value of shares awarded)[3]	Other remuneration[4]
President	9,081	1,204	**10,285**	–	–	9,296	4,892	**14,188**	5,113	–
Other members of Group Management[5]	44,711	15,015	**59,726**	–	12,731	40,526	25,525	**66,051**	19,176	13,965
Total	**53,792**	**16,219**	**70,011**	**–**	**12,731**	**49,822**	**30,417**	**80,239**	**24,289**	**13,965**

1) The annual fixed salary includes vacation salary, paid vacation days and travel allowance.

2) The actual variable salary paid in a year refers to the previous year's performance.

3) The pre-tax value delivered to participants under the 2005 performance share program is calculated as the number of shares delivered times the share price at the time of delivery. Participants are permitted to sell the allocated shares to cover personal income tax arising from the share allocation, but the remaining shares must be held for another two years and, hence, the value for the participant will vary with the share price until the end of the two-year restriction period.

4) Includes conditional variable compensation, severance payment and other benefits as housing and company car.

5) In 2009, other members of Group Management comprised of 10 people with the exception of the period from May 1 to June 12 when the position of Head of Professional Products was vacant, and 11 people from August 4, after the appointment of the Chief Operating Officer Major Appliances. In 2008, other members of Group Management comprised of 10 people with the exception of the period between September 1 and November 13, when the CFO position was vacant.

Compensation cost incurred for Group Management

	2009						2008					
'000 SEK	Annual fixed salary	Variable salary incurred 2009 but paid 2010	Long-term PSP (cost)[1]	Other remuneration[2]	Total pension contribution	Social contribution	Annual fixed salary	Variable salary incurred 2008 but paid 2009	Long-term PSP (cost)[1]	Other remuneration[2]	Total pension contribution	Social contribution
President	9,081	9,460	891	–	7,650	5,034	9,296	1,204	–1,361	–	6,464	6,258
Other members of Group Management	44,711	49,408	3,046	7,625	22,582	8,969	40,526	14,111	–4,319	8,479	20,488	10,741
Total	**53,792**	**58,868**	**3,937**	**7,625**	**30,232**	**14,003**	**49,822**	**15,315**	**–5,680**	**8,479**	**26,952**	**16,999**

1) Cost for share-based incentive programs are accounted for according to IFRS 2, Share-based payments. When the expected cost of the program is reduced, the previous recorded cost is reversed and an income is recorded in the income statement. The cost includes social contribution cost for the program.

2) Includes conditional variable compensation and other benefits as housing and company car.

Share-based compensation

Over the years, Electrolux has implemented several long-term incentive programs (LTI) for senior managers. These programs are intended to attract, motivate, and retain the participating managers by providing long-term incentives through benefits linked to the company's share price. They have been designed to align management incentives with shareholder interests. All programs are equity-settled.

2002 and 2003 option programs

In 2002, a stock option plan for employee stock options was introduced for less than 200 senior managers. The options can be used to purchase Electrolux B-shares at an exercise price that was 10% above the average closing price of the Electrolux B-shares on the exchange Nasdaq OMX Stockholm during a limited period prior to allotment. The options were granted free of consideration. An annual program based on this plan were also launched in 2003. The 2002 program expired on May 6, 2009. The remaining 2003 program has had a vesting period of three years, where one third of the options were vested each year. If a program participant leaves his or her employment with the Electrolux Group, options may, under the general rule, be exercised within a twelve-months' period thereafter. However, if the termination is due to, among other things, the ordinary retirement of the employee or the divestiture of the participant's employing company, the employee will have the opportunity to exercise such options for the remaining duration of the plan.

Option program 2003

Program	Grant date	Total number of options at grant date	Number of options per lot[1)2)]	Fair value of options at grant date	Exercise price SEK[3)]	Expiration date	Vesting period, year
2003	May 8, 2003	2,745,000	15,000	27	75.99 (89.00)	May 8, 2010	3

1) In 2003, the President was granted 4 lots, Group Management members 2 lots and all other senior managers 1 lot.
2) Re-calculation of the stock-option programs, in accordance with the stock-option plan document due to the spin-off of Husqvarna and the 2007 share redemption. Each stock option entitles the option holder to purchase 2.17 shares.
3) Exercise price for the stock-option program 2003 was re-calculated due to the share redemption in 2007. Pre-redemption exercise price is presented in parentheses.

Change in number of options per program

	Number of options 2008					Number of options **2009**			
Program	January 1, 2008	Exercised	Forfeited[1)]	Expired[1)]	December 31, 2008	Exercised[2)]	Forfeited[1)]	Expired[1)]	December 31, 2009
2002	257,530	—	—	—	257,530	197,530	—	60,000	0
2003	313,802	11,912	—	—	301,890	189,549	—	—	112,341

1) Options expire when they are not exercised post vesting period, e.g., due to expiration at the end of the term of the options or earlier, because of termination of employment after vesting. Forfeiture is when the employees fail to satisfy the vesting condition, e.g., termination of employment before vesting period. Forfeiture is governed by the provisions of the option plan.
2) The weighted average share price for exercised options is SEK 120.16.

Options provided to Group Management

	Number of options			
	Beginning of **2009**	Expired	Exercised	End of **2009**
President	90,000	—	60,000	30,000
Other members of Group Management	40,196	—	30,806	9,390
Total	**130,196**	**—**	**90,806**	**39,390**

Performance share program 2007, 2008 and 2009

The Annual General Meeting in 2009 approved an annual long-term incentive program. The program is in line with the Group's principles for remuneration based on performance, and is an integral part of the total compensation for Group Management and other senior managers. Electrolux shareholders benefit from this program since it facilitates recruitment and retention of competent executives and aligns management interest with shareholder interest.

Allocation of shares under the 2007 program is determined on the basis of three levels of value creation, calculated according to the Group's previously adopted definition of this concept. The three levels are Entry, Target, and Stretch. Entry is the minimum level that must be reached to enable allocation. Stretch is the maximum level for allocation and may not be exceeded regardless of the value created during the period. The number of shares allocated at Stretch is 50% greater than at Target. Under the 2008 and 2009 programs, the allocation is determined on average annual growth in earnings per share. If the minimum level is reached, the allocation will amount to 25% of the maximum number of shares. There is no allocation if the minimum level is not reached. If the maximum is reached, 100% of shares will be allocated. Should the average annual growth be below the maximum but above the minimum, a proportionate allocation will be made. The shares will be allocated after the three-year period free of charge. Participants are permitted to sell the allocated shares to cover personal income tax arising from the share allocation, but the remaining shares must be held for another two years.

If a participant's employment is terminated during the performance period, the right to receive shares will be forfeited in full. In the event of death, divestiture or leave of absence for more than six months, this will result in a reduced award for the affected participant.

All programs cover almost 160 senior managers and key employees in about 20 countries. Participants in the program comprise five groups, i.e., the President, other members of Group Management, and three groups of other senior managers. The program comprises B-shares.

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Number of potential shares per category and year

	2009 Maximum number of B-shares[1]	2008 Maximum number of B-shares[1]	2007 Maximum number of B-shares[1]	**2009** Maximum value, SEK[2) 3)]	2008 Maximum value, SEK[2) 3)]	2007 Maximum value, SEK[2) 3)]
President	54,235	58,552	21,608	5,000,000	5,000,000	3,600,000
Other members of Group Management	19,525	21,079	10,805	1,800,000	1,800,000	1,800,000
Other senior managers, cat. C	14,644	15,809	8,103	1,350,000	1,350,000	1,350,000
Other senior managers, cat. B	9,763	10,540	5,403	900,000	900,000	900,000
Other senior managers, cat. A	7,322	7,905	4,052	675,000	675,000	675,000

1) Each value is converted into a number of shares. The number of shares is based on a share price of SEK 166.62 for 2007, SEK 85.39 for 2008 and SEK 92.19 for 2009, calculated as the average closing price of the Electrolux B-share on the Nasdaq OMX Stockholm during a period of ten trading days before the day participants were invited to participate in the program, adjusted for net present value of dividends for the period until shares are allocated. The recalculated weighted average fair value of shares at grant for the 2007, 2008 and 2009 programs is SEK 99.90 per share.
2) Total maximum value for all participants at grant is SEK 146m.
3) The 2007 program did not meet its financial targets and no shares were distributed. The 2008 program is not expected to meet the minimum level and no cost is currently recorded for the program. The current expectation is that the performance of the 2009 program be approximately at midpoint.

If performance is in the middle, i.e., beween minimum and maximum, the total cost for the 2009 performance share program over a three-year period is estimated at SEK 114m, including costs for employer contributions. If the maximum level is attained, the cost is estimated at a maximum of SEK 182m. The distribution of shares under this program will result in an estimated maximum increase of 0.63% in the number of outstanding shares.

For 2009, the long-term incentive (LTI) programs resulted in a cost of SEK 28m (including SEK 8m in employer contribution cost) compared to an income of SEK 94m in 2008 (including SEK 3m in employer contribution cost). The total provision for employer contribution in the balance sheet amounted to SEK 8m (0).

Repurchased shares for LTI programs

The company uses repurchased Electrolux B-shares to meet the company's obligations under the stock option and share programs. The shares will be sold to option holders who wish to exercise their rights under the option agreement(s) and, if performance targets are met, will be distributed to share-program participants. Electrolux intends to sell additional shares on the market in connection with the exercise of options or distribution of shares under the share program in order to cover the payment of employer contributions.

Delivery of shares for the 2006 program

The 2006 performance share program did not meet the entry level and no shares were distributed.

Note 28 Fees to auditors

PricewaterhouseCoopers (PwC) are appointed auditors for the period until the 2010 Annual General Meeting.

	Group		Parent Company	
	2009	2008	**2009**	2008
PwC				
Audit fees[1]	51	47	9	9
Audit-related fees[2]	3	1	—	1
Tax fees[3]	3	4	—	1
All other fees	5	15	4	13
Total fees to PwC	**62**	**67**	**13**	**24**
Audit fees to other audit firms	1	2	—	—
Total fees to auditors	**63**	**69**	**13**	**24**

1) Audit fees consist of fees billed for the annual audit-services engagement and other audit services, which are those services that only the external auditors reasonably can provide, and include the Company audit; statutory audits; comfort letters and consents; and attest services.
2) Audit-related fees consist of fees billed for assurance and related services that are reasonably related to the performance of the audit or review of the Company's financial statements or that are traditionally performed by the external auditors, and include consultations concerning financial accounting and reporting standards; internal control reviews; and employee benefit plan audits.
3) Tax fees include fees billed for tax compliance services, including the preparation of original and amended tax returns and claims for refund; tax consultations; tax advice related to mergers and acquisitions; transfer pricing; requests for rulings or technical advice from taxing authorities; tax-planning services; and expatriate tax planning and services.

Note 29 Shares and participations

Participation in associated companies

	2009	2008
Opening balance, January 1	**27**	**32**
Acquisitions	—	—
Operating result	1	—
Dividend	—	–12
Tax	—	—
Divestment	–8	—
Other	–1	7
Exchange difference	—	—
Closing balance, December 31	**19**	**27**

Participation in associated companies includes goodwill with the amount of SEK 2m (2).

Companies classified as assets available for sale

	Holding, %	Carrying amount, SEKm
Videcon Industries Ltd., India	3.8	216

The Group's share of the associated companies, all of which are unlisted, were at December 31, 2009, as follows:

Associated companies

	2009									
			Relation to Electrolux[1]				Income statement		Balance sheet	
	Partici-pation, %	Carrying amount	Receiv-ables	Liabilities	Sales	Pur-chases	Income	Net results	Total assets	Total liabilities
Sidème, France	39.3	16	85	—	336	—	711	1	210	176
European Recycling Platform, ERP, France	24.5	3	—	56	—	93	164	3	273	258
Total	**—**	**19**	**85**	**56**	**336**	**93**	**875**	**4**	**483**	**434**

1) From Electrolux perspective.

The Group's share of the associated companies, all of which are unlisted, were at December 31, 2008, as follows:

	2008									
			Relation to Electrolux[1]				Income statement		Balance sheet	
	Partici-pation,%	Carrying amount	Receiv-ables	Liabilities	Sales	Pur-chases	Income	Net results	Total assets	Total liabilities
Sidème, France	39.3	16	64	1	275	1	514	–4	185	151
Viking Financial Services, USA	50.0	8	—	—	—	—	1	1	15	—
European Recycling Platform, ERP, France	24.5	3	—	—	—	101	176	3	253	240
Total	**—**	**27**	**64**	**1**	**275**	**102**	**691**	**—**	**453**	**391**

1) From Electrolux perspective.

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Subsidiaries		Holding, %
Major Group companies		
Australia	Electrolux Home Products Pty. Ltd	100
Austria	Electrolux Hausgeräte GmbH	100
	Electrolux CEE GmbH	100
Belgium	Electrolux Home Products Corp. N.V.	100
	Electrolux Belgium N.V.	100
Brazil	Electrolux do Brasil S.A.	100
Canada	Electrolux Canada Corp.	100
China	Electrolux (Hangzhou) Domestic Appliances Co. Ltd	100
	Electrolux (China) Home Appliance Co. Ltd	100
Denmark	Electrolux Home Products Denmark A/S	100
Finland	Oy Electrolux Ab	100
France	Electrolux France SAS	100
	Electrolux Home Products France SAS	100
	Electrolux Professionnel SAS	100
Germany	Electrolux Deutschland GmbH	100
	AEG Hausgeräte GmbH	100
Hungary	Electrolux Lehel Hütögépgyár Kft	100
Italy	Electrolux Appliances Italia S.p.A.	100
	Electrolux Professional S.p.A.	100
	Electrolux Italia S.p.A.	100
Luxembourg	Electrolux Luxembourg S.à r.l.	100
Mexico	Electrolux de Mexico, S.A. de CV	100
The Netherlands	Electrolux Associated Company B.V.	100
	Electrolux Home Products (Nederland) B.V.	100
Norway	Electrolux Home Products Norway AS	100
Poland	Electrolux Poland Spolka Z.o.o.	100
Spain	Electrolux Home Products España S.A.	100
	Electrolux Home Products Operations España S.L.	100
Sweden	Electrolux Laundry Systems Sweden AB	100
	Electrolux HemProdukter AB	100
	Electrolux Professional AB	100
	Electrolux Floor Care and Small Appliances AB	100
Switzerland	Electrolux AG	100
United Kingdom	Electrolux Plc	100
	Electrolux Professional Ltd	100
USA	Electrolux Home Products Inc.	100
	Electrolux Holdings Inc.	100
	Electrolux Professional Inc.	100

A detailed specification of Group companies has been submitted to the Swedish Companies Registration Office and is available on request from AB Electrolux, Investor Relations and Financial Information.

Note 30 Definitions

Capital indicators

Annualized net sales

In computation of key ratios where capital is related to net sales, the latter are annualized and converted at year-end exchange rates and adjusted for acquired and divested operations.

Net assets

Total assets exclusive of liquid funds and interest-bearing financial receivables less operating liabilities, non-interest-bearing provisions and deferred tax liabilities.

Working capital

Current assets exclusive of liquid funds and interest-bearing financial receivables less operating liabilities and non-interest-bearing provisions.

Liquid funds

Liquid funds consist of cash on hand, bank deposits, fair-value derivatives, prepaid interest expenses and accrued interest income and other short-term investments, of which the majority has original maturity of three months or less.

Interest-bearing liabilities

Interest-bearing liabilities consist of short-term and long-term borrowings.

Total borrowings

Total borrowings consist of interest-bearing liabilities, fair-value derivatives, accrued interest expenses and prepaid interest income, and trade receivables with recourse.

Net liquidity

Liquid funds less short-term borrowings, fair-value derivatives, accrued interest expenses and prepaid interest income and trade receivables with recourse.

Net borrowings

Total borrowings less liquid funds.

Net debt/equity ratio

Net borrowings in relation to equity.

Equity/assets ratio

Equity as a percentage of total assets less liquid funds.

Earnings per share

Earnings per share

Income for the period divided by the average number of shares after buy-backs.

Other key ratios

Organic growth

Sales growth, adjusted for acquisitions, divestments and changes in exchange rates.

EBITDA margin

Operating income before depreciation and amortization expressed as a percentage of net sales.

Operating cash flow

Total cash flow from operations and investments, excluding acquisitions and divestment of operations.

Operating margin

Profit for the period expressed as a percentage of net sales.

Return on equity

Income for the period expressed as a percentage of average equity.

Return on net assets

Operating income expressed as a percentage of average net assets.

Interest coverage ratio

Operating income plus interest income in relation to total interest expenses.

Capital turnover rate

Net sales divided by average net assets.

Value creation

Value creation is the primary financial performance indicator for measuring and evaluating financial performance within the Group. The model links operating income and asset efficiency with the cost of the capital employed in operations. The model measures and evaluates profitability by region, business area, product line, or operation.

Value created is measured excluding items affecting comparability and defined as operating income less the weighted average cost of capital (WACC) on average net assets during a specific period. The cost of capital varies between different countries and business units due to country-specific factors such as interest rates, risk premiums, and tax rates.

A higher return on net assets than the weighted average cost of capital implies that the Group or the unit creates value.

Electrolux Value Creation model

Net sales
– Cost of goods sold
– Selling and administration expenses
+/– Other operating income and expenses
= Operating income, EBIT[1)]
– WACC x average net assets[1)]
= Value creation

EBIT = Earnings before interests and taxes, excluding items affecting comparability.

WACC = Weighted Average Cost of Capital. The WACC rate before tax is calculated at 12% for 2009 and 2008.

1) Excluding items affecting comparability.