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 37.

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

The financial statements were authorized for issue by the Board of Directors on January 31, 2013. The balance sheets and income statements are subject to approval by the Annual General Meeting of shareholders on March 26, 2013.

Principles applied for consolidation

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

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

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

The consolidated financial statements for the Group include the financial statements for the Parent Company and the direct and indirect-owned subsidiaries after:

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

Definition of Group companies

The consolidated financial statements include AB Electrolux and all companies 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. When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognized in profit or loss.

The following applies to acquisitions and divestments:

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

At year-end 2012, the Group comprised 224 (226) operating units, and 157 (160) 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. The Group's share of its associates' post-acquisition movements in other comprehensive income is recognized in other comprehensive income. Investment in an associated company is 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.

When 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 are charged to other comprehensive income.

When a foreign operation is partially disposed of or sold, exchange-rate 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 six reportable segments. The segments are identified from the Group's two main business areas, Consumer Durables and Professional Products. Consumer Durables is divided into five operating segments, which are all 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. Revenues from sale of extended warranty are recognized on a linear basis over the contract period.

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 are capitalized as a part of the cost of those assets. Other borrowing costs are recognized in the financial net 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

annual report 2012 notes all amounts in SEKm unless otherwise stated

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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 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 amortized over their useful lives, estimated to 5 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 12 years for the system.

Client relationships

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

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 is 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 unlimited useful life. All other depreciation is calculated using the straight-line method and is based on the following estimated useful lives:

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

Impairment of non-financial 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.

Non-financial/current assets (other than goodwill) that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

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
- 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. See also Note 18 on page 51 where the fair value and the carrying amount of financial assets and liabilities are listed according to classification.

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 comprise trade and other receivables and cash and cash equivalents in the balance sheet.

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 financial assets are recognized on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are initially recognized at fair value plus transaction costs except for those carried at fair value through profit or loss. Financial assets are derecognized when the rights to receive cash flows from the asset 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 reversed through the income statement, except for equity instruments.

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

Leased assets are depreciated over their useful lives. If there is no reasonable certainty that the lessee will obtain ownership by the end of the lease term, the assets are fully depreciated over the shorter of the lease term or remaining useful life.

Inventories
Inventories and work in progress are valued at the lower of cost, at normal capacity utilization, and net realizable value. Net realizable value is defined as the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale at market value. The cost of finished goods and work in progress comprises development costs, raw materials, direct labor, tooling costs, other direct costs and related production overheads. The cost of inventories is assigned by using the weighted average cost formula. 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 3 months or less.

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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.

Accounts payable

Accounts payable are initially recognized at fair value. After initial recognition, accounts payable 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 a 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

For Electrolux, the share-based compensation programs are classified as equity-settled transactions, and the cost of the granted instrument's fair value at grant date is recognized over the vesting period which is 2.5 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 at fair value 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 2012

IFRS 7 Financial Instruments: Disclosures – Transfers of Financial Assets (Amendment). The change will provide users with more information about an entity's exposure to the risks of transferred financial assets, particularly those that involve securitisation of financial assets. The standard has not had any impact on Electrolux financial results or position. The standard was effective for periods after July 1, 2011.

New or amended accounting standards after 2012

The following new standards and amendments to standards have been issued. No significant impact on the financial result or position is expected upon their eventual application with the exception for IAS 19, which is described below.

IAS 1 Financial Statement Presentation: Presentation of Items of Other Comprehensive Income (Amendments). The amendments prescribe how to group items presented in OCI on the basis of whether they are potentially reclassifiable to profit or loss subsequently. The standard will not have any impact on Electrolux financial results or position and will be applied as of Q1, 2013.

IAS 19 Employee Benefits (Amendments). IAS 19 prescribes the accounting and disclosure by employers for employee benefits. The amended standard requires an entity to regularly determine the present value of defined benefit obligations and the fair value of plan assets and to recognize the net of those values in the financial statements as a net defined benefit liability. The amended standard removes the option to use the corridor approach (see page 36 for a description) presently used by Electrolux. The standard also requires an entity to apply the discount rate on the net defined benefit liability (asset) in order to calculate the net interest expense (income). The standard thereby removes the use of an expected return on the plan assets. All changes in the net defined benefit liability (asset) will be recognized as they occur, as follows: (i) service cost and net interest in profit or loss; and (ii) remeasurement in other comprehensive income.

The standard will have the following preliminary impact on the presentation of Electrolux financial results and position: All historical actuarial gains or losses will be included in the measurement of the net defined benefit liability. This will initially increase the liabilities of Electrolux and reduce the equity (after deduction for deferred tax). Future changes in the net defined benefit liability from changes in, e.g., discount rate and mortality rate will be presented in other comprehensive income. Electrolux will classify the defined benefit liability as a financial liability and present the net interest on the net liability in the financial net. The removal of the expected return will worsen the net interest with the difference between the expected return and the discount rate applied on the plan assets. For 2012, the changes would have increased the net

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defined benefit liability by approximately SEK 4,800m and reduced retained earnings by approximately SEK 4,100m. The modified net interest calculation and the removal of the amortization of the actuarial losses would have decreased the income for the period by approximately SEK 235m. The standard will be applied as of Q1, 2013, with full retrospective application.

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

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

IFRS 11 Joint Arrangements establishes principles for the financial reporting by parties to joint arrangement.

IFRS 11 supersedes IAS 31 Interests in Joint Ventures and SIC-13 – Jointly Controlled Entities – Non-monetary Contributions by Venturers.

IFRS 12 combines, enhances and replaces the disclosure requirements for subsidiaries, joints arrangements, associates and unconsolidated structured entities. The new standards will have no immediate impact on Electrolux financial result or position but may influence the accounting for consolidation purposes in the future. The standards are effective from January, 2014 in the European Union.

IFRS 9 Financial Instruments[1]. This standard addresses the classification and measurement of financial instruments and is likely to affect the Group's accounting for its financial assets and liabilities. The Group is yet to assess IFRS 9's full impact. The effective date was originally for annual periods beginning on or after January 1, 2013. In 2011, IASB amended IFRS 9 and postponed the mandatory effective date to January 1, 2015, with early application allowed.

New interpretations of accounting standards

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

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

Critical accounting policies and key sources of estimation uncertainty

Use of estimates

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

Asset impairment

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

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Useful lives for property, plant and equipment are estimated between 10 and 40 years for buildings and land improvements and between 3 and 15 years for machinery, technical installations and other equipment. The carrying amount for property, plant and equipment at year-end 2012 amounted to SEK 16,693m. The carrying amount for goodwill at year-end 2012 amounted to SEK 5,541m. 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, 2012, Electrolux had a net amount of SEK 2,159m recognized as deferred tax assets in excess of deferred tax liabilities. As of December 31, 2012, the Group had tax loss carry-forwards and other deductible temporary differences of SEK 8,455m, which have not been included in computation of deferred tax assets.

Current taxes

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

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

Trade receivables

Receivables are reported net of allowances for doubtful receivables. The net value reflects the amounts that are expected to be collected, based on circumstances known at the balance-sheet date. Changes in circumstances such as higher than expected defaults or changes in the financial situation of a significant customer could lead to significantly different valuations. At year-end 2012, trade receivables, net of provisions for doubtful accounts, amounted to SEK 18,288m. The total provision for doubtful accounts at year-end 2012 was SEK 674m.

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 2012 was 6.4% in average based on historical results. The discount rate used to estimate liabilities at the end of 2011 and the calculation of expenses during 2012 was 4.1% 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 total provision for restructuring at year-end 2012 was SEK 2,041m.

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, 2012, Electrolux had a provision for warranty commitments amounting to SEK 1,359m. Revenues from extended warranty are recognized on a linear basis over the contract period unless there is evidence that some other method better represents the stage of completion.

Disputes

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

Parent Company accounting principles

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

Subsidiaries

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

Anticipated dividends

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

Taxes

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

Group contribution

Group contributions provided or received by the Parent Company, and its current tax effects are recognized as financial items in the income statement. Shareholder contributions provided by the Parent Company are recognized in shares and participations and as such they are subject to impairment tests as indicated above.

Cont. Note 1

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 are recorded in the Parent Company. The amortization is based on the usage and go-live dates of the entities and continues over the system's useful life, estimated to 5 years per unit using the straight-line method. The applied principle gives an estimated amortization period of 12 years for the system.

Property, plant and equipment and intangible assets

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

Financial 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 coming from liquid funds, trade receivables, customer-financing receivables, payables, borrowings, commodities and foreign exchange. The risks are primarily:

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

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

The management of financial risks has largely been centralized to Group Treasury in Stockholm. Local financial issues are also managed by three regional treasury centers located in Singapore, North America, and Latin America. 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. Therefore, stress tests and/or explicit exposure specifications are used in addition to the VaR measure. Examples of stress tests are the financial implications if the interest rate goes up or down by x%, a currency appreciates or depreciates by y%, and a commodity price increases or drops by z%. Furthermore, there are guidelines in the Group's policies and procedures for managing operational risk relating to financial instruments by segregation of duties and power of attorney.

The Financial Policy allocates mandate expressed in VaR-terms to deviate from the stipulated currency, interest and commodity exposures. Until November 2012 minor parts of the mandates were utilized for proprietary trading, but from December 2012 the mandates are only allowed to support acquisitions or to reduce non-desired exposures. The decision to end the proprietary trading was strategic and not based on the trading performance.

Interest-rate risk on liquid funds and borrowings

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

Liquid funds

Liquid funds as defined by the Group consist of cash and cash equivalents, short-term investments, derivatives, prepaid interest expenses and accrued interest income. Electrolux 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. The main criteria for the investments is that the instruments are highly liquid and have creditworthy issuers (see Credit risk in financial activities on page 42).

Interest-rate risk in liquid funds

All investments are interest bearing instruments, normally with maturities between 0 and 3 months. A downward shift in the yield curves of one-percentage point would reduce the Group's interest income by approximately SEK 70m (70). For more information, see Note 18 on page 51.

Borrowings

The debt financing of the Group is managed by Group Treasury in order to ensure efficiency and risk control. Debt is primarily taken up at the Parent Company level and transferred to subsidiaries through internal loans or capital injections. In this process, swap instruments are used to convert the funds to the required currency. Short-term financing is also undertaken locally in subsidiaries where there are capital restrictions. The Group's borrowings contain no financial covenants that can trigger premature cancellation of the loans. For additional information, see Note 18 on page 51.

Interest-rate risk in borrowings

Group Treasury manages the long-term loan portfolio to keep the average interest-fixing period between 0 and 3 years. Derivatives, such as interest-rate swap agreements, are used to manage the interest-rate risk by changing the interest from fixed to floating or vice versa. On the basis of 2012 long-term interest-bearing borrowings with an interest fixing period of 1.4 (1.2) years, a one-percentage point shift in interest rates would impact the Group's interest expenses by approximately SEK +/–50m (60) in 2013. 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 2012, the Group's capital was SEK 19,824m (20,644). The Group's objective is to have a capital structure resulting in an efficient weighted cost of capital and sufficient credit worthiness where operating needs and the needs for potential acquisitions are considered.

To achieve and keep an efficient capital structure, the Financial Policy states that the Group's long-term ambition is to maintain a long-term rating within a safe margin from a non-investment grade.

Rating

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

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 light of changes in economic conditions. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, buy back own shares or issue new shares, or sell assets to reduce debt.

Financing risk

Financing risk refers to the risk that financing of the Group's capital requirements and refinancing of existing borrowings could become more difficult or more costly. This risk can be decreased by ensuring that maturity dates are evenly distributed over time, and that total short-term borrowings do not exceed liquidity levels. The net borrowings, total borrowings less liquid funds, excluding seasonal variances, shall be long-term according to the Financial Policy. The Group's goals for long-term borrowings include an average time to maturity of at least 2 years, and an even spread of maturities. A maximum of SEK 5,000m of the borrowings are allowed to mature in a 12-month period. For additional information, see Note 18 on page 51.

Foreign exchange risk

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

Transaction exposure from commercial flows

The Financial Policy stipulates the hedging of forecasted flows in foreign currencies. Taking into consideration the price-fixing periods, commercial circumstances and the competitive environment, business sectors within Electrolux can have a hedging horizon of up to 8 months of forecasted flows. Hedging horizons outside this period are subject to approval from Group Treasury. The operating units are allowed to hedge invoiced flows from 75 to 100% and forecasted flows from 60 to 80%. Group subsidiaries cover their risks in commercial currency flows mainly through the Group's treasury centers. Group Treasury thus assumes the currency risks and covers such risks externally by the use of currency derivatives.

The Group's geographically widespread production reduces the effects of changes in exchange rates. The remaining transaction exposure is either related to internal sales from producing entities to sales companies or external exposures from purchasing of components and input material for the production paid in foreign currency. These external imports are often priced in US dollars. The global presence of the Group, however, leads to a significant netting of the transaction exposures. For additional information on exposures and hedging, see Note 18 on page 51.

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.

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Cont. Note 2

Foreign exchange sensitivity from transaction and translation exposure

The major currencies that Electrolux is exposed to are the US dollar, the euro, the Brazilian real, and the Australian dollar. Other significant exposures are the Russian ruble, the British pound and the Chinese renminbi. These currencies represent the majority of the exposures of the Group, but are largely offsetting each other as different currencies represent net inflows and outflows. Taking into account all currencies of the Group, a change up or down by 10% in the value of each currency would affect the Group's profit and loss for one year by approximately SEK +/– 550m (330), as a static calculation. The model assumes the distribution of earnings and costs effective at year-end 2012 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 **2012**	Profit or loss impact 2011
Currency			
BRL/SEK	–10%	–378	–304
AUD/SEK	–10%	–220	–257
GBP/SEK	–10%	–182	–180
RUB/SEK	–10%	–163	–155
CAD/SEK	–10%	–158	–118
CHF/SEK	–10%	–137	–164
ARS/SEK	–10%	–130	–26
CNY/SEK	–10%	229	–5
EUR/SEK	–10%	592	411
USD/SEK	–10%	654	810

Exposure from net investments (balance sheet exposure)

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

A change up or down by 10% in the value of each currency against the Swedish krona would affect the net investment of the Group by approximately SEK +/– 2,910m (2,980), as a static calculation at year-end 2012. At year-end 2012, as well as year-end 2011, none of the net investments were currency hedged.

Commodity-price risks

Commodity-price risk is the risk that the cost of direct and indirect materials could increase as underlying commodity prices rise in global markets. The Group is exposed to fluctuations in commodity prices through agreements with suppliers, whereby the price is linked to the raw-material price on the world market. This exposure can be divided into direct commodity exposure, which refers to pure commodity exposures, and indirect commodity exposure, which is defined as exposure arising from only part of a component. Commodity-price risk is mainly managed through contracts with the suppliers. A change up or down by 10% in steel would affect the Group's profit or loss with approximately SEK +/– 800m (900) and in plastics with approximately SEK +/– 600m (600), based on volumes in 2012.

Credit risk

Credit risk in financial activities

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

Credit risk in trade receivables

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

There is a concentration of credit exposures on a number of customers in, primarily, USA, Latin America and Europe. For additional information, see Note 17 on page 50.

Reportable segments – Business areas

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

	Net sales		Operating income	
	2012	2011	**2012**	2011
Major Appliances Europe, Middle East and Africa	34,278	34,029	1,142	709
Major Appliances North America	30,684	27,665	1,561	250
Major Appliances Latin America	22,044	17,810	1,590	820
Major Appliances Asia/Pacific	8,405	7,852	746	736
Small Appliances	9,011	8,359	473	543
Professional Products	5,571	5,882	596	841
	109,993	**101,597**	**6,108**	**3,899**
Group common costs	1	1	–926	–744
Items affecting comparability	—	—	–1,032	–138
Total	**109,994**	**101,598**	**4,150**	**3,017**
Financial items, net	—	—	–672	–237
Income after financial items	**—**	**—**	**3,478**	**2,780**

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	
	2012	2011
Major Appliances Europe, Middle East and Africa	–927	–34
Major Appliances North America	–105	–104
Major Appliances Latin America	—	—
Major Appliances Asia/Pacific	—	—
Small Appliances	—	—
Professional Products	—	—
Total	**–1,032**	**–138**

Inter-segment sales exist with the following split:

	2012	2011
Major Appliances Europe, Middle East and Africa	396	349
Major Appliances North America	1,031	908
Major Appliances Asia/Pacific	197	339
Eliminations	**1,624**	**1,596**

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,	
	2012	2011	**2012**	2011	**2012**	2011
Major Appliances Europe, Middle East and Africa	22,826	24,297	14,418	14,847	8,408	9,450
Major Appliances North America	12,377	10,391	6,645	5,075	5,732	5,316
Major Appliances Latin America	13,337	14,075	6,637	6,607	6,700	7,468
Major Appliances Asia/Pacific	4,933	4,630	2,714	2,590	2,219	2,040
Small Appliances	4,532	4,792	3,013	2,582	1,519	2,210
Professional Products	2,671	2,829	1,775	1,897	896	932
Other[1]	8,127	7,414	6,235	6,816	1,892	598
Items affecting comparability	–55	117	1,802	1,120	–1 857	–1,003
	68,748	**68,545**	**43,239**	**41,534**	**25 509**	**27,011**
Liquid funds	7,404	7,839		—	—	—
Interest-bearing receivables	—	—		—	—	—
Interest-bearing liabilities	—	—	13,089	14,206	—	—
Equity	—	—	19,824	20,644	—	—
Total	**76,152**	**76,384**	**76,152**	**76,384**	**—**	**—**

1) Includes common Group functions and tax items.

	Depreciation and amortization		Capital expenditure		Cash flow[1]	
	2012	2011	**2012**	2011	**2012**	2011
Major Appliances Europe, Middle East and Africa	1,473	1,460	1,011	1,199	1,353	–1,099
Major Appliances North America	727	809	1,771	700	1,352	1,794
Major Appliances Latin America	441	314	488	526	1,706	–3,116
Major Appliances Asia/Pacific	173	173	411	286	450	725
Small Appliances	182	139	196	118	1,014	–13
Professional Products	100	104	161	287	545	760
Other[2]	155	174	52	47	–1,457	–1,278
Items affecting comparability	—	—	—	—	–348	–585
Financial items	—	—	—	—	–673	–214
Taxes paid	—	—	—	—	–1,564	–1,625
Total	**3,251**	**3,173**	**4,090**	**3,163**	**2,378**	**–4,651**

1) Cash flow from operations and investments.

2) Includes Group functions.

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Cont. Note 3

Geographical information

	Net sales[1]	
	2012	2011
USA	29,632	26,637
Brazil	15,887	14,633
Germany	5,434	5,474
Australia	5,092	5,285
Switzerland	4,210	4,027
Canada	4,182	4,037
Sweden (country of domicile)	3,849	4,210
France	3,631	3,809
Italy	3,407	4,092
United Kingdom	2,650	2,544
Other	32,020	26,850
Total	**109,994**	**101,598**

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 2,481m (2,361). Tangible and non-tangible fixed assets located in all other countries amounted to SEK 24,831m (24,406). Individually, material countries in this aspect are Italy with SEK 2,934m (2,958), USA with SEK 4,168m (3,012) and Egypt with SEK 2,418m (2,734), respectively.

Note 4 Net sales and operating income

The vast majority of the Group's revenues consisted of product sales. Revenue from service activities amounted to SEK 1,337m (1,258).

The Group's operating income included net exchange-rate differences in the amount of SEK 158m (–53). Depreciation and amortization charge for the year amounted to SEK 3,251m (3,173). Costs for research and development amounted to SEK 1,651m (1,669) and are included in the item Cost of goods sold. Salaries, remunerations and employer contributions amounted to SEK 17,057m (16,237) and expenses for post-employment benefits amounted to SEK 527m (425).

Government grants relating to expenses have been deducted in the related expenses by SEK 48m (156). 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 2012, these grants amounted to SEK 739m (121). The increase of government grants in 2012 relates to the construction of a new factory in Memphis, Tennessee in the USA.

The Group's net sales in Sweden amounted to SEK 3,849m (4,210). Exports from Sweden during the year amounted to SEK 3,480m (3,863), of which SEK 2,781m (3,124) were to Group subsidiaries. The Group's Swedish factories accounted for 2.0% (1.6) of the total value of production.

Note 5 Other operating income

	Group		Parent Company	
	2012	2011	**2012**	2011
Gain on sale				
Property, plant and equipment	73	198	–	–
Operations and shares	5	32	8	32
Other	–	–	285	266
Total	**78**	**230**	**293**	**298**

Note 6 Other operating expenses

	Group		Parent Company	
	2012	2011	**2012**	2011
Loss on sale				
Property, plant and equipment	–19	–40	–1	–1
Operations and shares	–	–	–	–9
Other	–	–	–37	–
Total	**–19**	**–40**	**–38**	**–10**

Note 7 Items affecting comparability

	Group	
	2012	2011
Restructuring and impairment		
Major Appliances Europe, Middle East & Africa, adapting manufacturing footprint	–927	–
Additional pension costs. Appliances plant in L'Assomption, Canada	–105	–
Appliances plant in Kinston, North Carolina, USA	–	–104
Reduced workforce in Major Appliances, Europe	–	–54
Reversal of unused restructuring provisions	–	20
Total	**–1,032**	**–138**

Classification by function in the income statement

	Group	
	2012	2011
Cost of goods sold	–1,032	–138
Selling expenses	–	–
Administrative expenses	–	–
Other operating income and expenses	–	–
Total	**–1,032**	**–138**

Items affecting comparability in 2012 relates to restructuring costs aimed at optimizing the production system in Major Appliances Europe, Middle East & Africa and additional costs for pensions related to the closure of the plant in L'Assomption in Canada.

Items affecting comparability in 2011 relates to costs for relocation of production from the dishwasher factory in Kinston, North Carolina in the USA, and an addition to the downsizing program in Europe that was initiated in 2010.

Note 8 Leasing

Financial leases

Electrolux has no material financial leases.

Operating leases

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

	Operating leases
2013	715
2014–2017	1,702
2018–	640
Total	**3,057**

Expenses in 2012 for rental payments (minimum leasing fees) amounted to SEK 779m (839). Among the Group's operating leases there are neither material contingent expenses, nor restrictions.

Note 9 Financial income and financial expenses

	Group		Parent Company	
	2012	2011	**2012**	2011
Financial income				
Interest income				
From subsidiaries	—	—	609	328
From others	203	336	49	31
Dividends from subsidiaries	—	—	1,259	2,150
Group contribution from subsidiaries	—	—	219	217
Other financial income	1	1	1	1
Total financial income	**204**	**337**	**2,137**	**2,727**
Financial expenses				
Interest expenses				
To subsidiaries	—	—	–139	–23
To others	-804	–598	–684	–474
Group contribution to subsidiaries	—	—	–55	–52
Exchange-rate differences				
On loans and forward contracts as hedges for foreign net investments	—	—	—	284
On other loans and borrowings, net	–1	74	–88	–58
Other financial expenses	–71	–50	–35	–21
Total financial expenses	**–876**	**–574**	**–1,001**	**–344**

Interest income from others, for the Group and the Parent Company, includes 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 0m (–37) used as hedges for foreign net investments. For information on financial instruments, see Note 18 on page 51.

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Note 10 Taxes

	Group		Parent Company	
	2012	2011	**2012**	2011
Current taxes	–1,338	–973	–102	–307
Deferred taxes	459	257	93	116
Taxes included in income for the period	**–879**	**–716**	**–9**	**–191**
Taxes related to OCI	–2	–104	–5	6
Taxes included in total comprehensive income	**–881**	**–820**	**–14**	**–185**

On November 21, 2012, the Swedish parliament enacted a reduction of the corporate income tax rate from 26.3 to 22%, with an effective date of January 1, 2013. The revaluation per December 31, 2012, of Swedish deferred tax assets and liabilities has involved a positive effect of SEK 2m. In total, deferred taxes in 2012 include a negative effect of SEK –5m (7) due to changes in tax rates. The consolidated accounts include deferred tax liabilities of SEK 128m (157) related to untaxed reserves in the Parent Company.

Theoretical and effective tax rates

%	**2012**	2011
Theoretical tax rate	30.2	31.2
Non-taxable/non-deductible income statement items, net	–1.8	–2.5
Non-recognized tax losses carried forward	1.6	2.9
Utilized non-recognized tax losses carried forward	–3.8	–5.0
Other changes in estimates relating to deferred tax	3.6	6.5
Withholding tax	1.3	1.3
Other	–5.8	–8.6
Effective tax rate	**25.3**	**25.8**

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

Non-recognized deductible temporary differences

As of December 31, 2012, the Group had tax loss carry-forwards and other deductible temporary differences of SEK 8,455m (6,739), which have not been included in computation of deferred tax assets. The non-recognized deductible temporary differences will expire as follows:

	December 31, **2012**
2013	200
2014	131
2015	107
2016	58
2017	170
And thereafter	4,392
Without time limit	3,397
Total	**8,455**

Changes in deferred tax assets and liabilities

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

Net deferred tax assets and liabilities

	Excess of depreciation	Provision for warranty	Provision for pension	Provision for restructuring	Inventories	Recognized unused tax losses	Accrued expense and prepaid income	Other	Total deferred tax assets and liabilities	Set-off tax	Net deferred tax assets and liabilities
Opening balance, January 1, 2011	**–439**	**232**	**230**	**462**	**–256**	**233**	**606**	**1,107**	**2,175**	**—**	**2,175**
Recognized in total comprehensive income	65	–33	–162	–13	42	228	–44	70	153	—	153
Acquisition of operations	–36	5	—	—	–23	—	—	–311	–365	—	–365
Other	—	—	—	—	—	—	—	–43	–43	—	–43
Exchange-rate differences	11	2	21	–2	13	16	–2	–100	–67	—	–67
Closing balance, December 31, 2011	**–399**	**206**	**89**	**447**	**–250**	**477**	**560**	**723**	**1 853**	**—**	**1 853**
Of which deferred tax assets	109	256	515	447	156	477	562	1,518	4,040	–1,060	2,980
Of which deferred tax liabilities	–508	–50	–426	—	–406	—	–2	–795	–2,187	1,060	–1,127
Opening balance, January 1, 2012	**–399**	**206**	**89**	**447**	**–250**	**477**	**560**	**723**	**1 853**	**—**	**1 853**
Recognized in total comprehensive income	90	-125	29	–96	3	251	34	273	459	—	459
Acquisition of operations	—	—	—	—	—	—	—	–24	–24	—	–24
Exchange-rate differences	26	–5	–13	–15	15	–59	–28	–51	–130	—	–130
Closing balance, December 31, 2012	**–283**	**76**	**105**	**336**	**–232**	**669**	**566**	**921**	**2,158**	**—**	**2,158**
Of which deferred tax assets	107	171	582	336	153	669	573	1,657	4,248	–942	3,306
Of which deferred tax liabilities	–390	–95	–477	—	–385	—	–7	–736	–2,090	942	–1,148

Other deferred tax assets include tax credits related to the production of energy-efficient appliances amounting to SEK 241m (331).

Note 11 Other comprehensive income

	2012	2011
Available-for-sale instruments		
Opening balance, January 1	**23**	**114**
Gain/loss taken to other comprehensive income	23	–91
Transferred to profit and loss	—	—
Closing balance, December 31	**46**	**23**
Cash flow hedges		
Opening balance, January 1	**–36**	**–147**
Gain/loss taken to other comprehensive income	–2	–36
Transferred to profit and loss	36	147
Closing balance, December 31	**–2**	**–36**
Exchange-rate differences on translation of foreign operations		
Opening balance, January 1	**476**	**699**
Net investment hedge	—	284
Translation difference	–1,532	–507
Closing balance, December 31	**–1,056**	**476**
Income tax related to other comprehensive income	–2	–104
Other comprehensive income, net of tax	**–1,477**	**–307**

Income taxes related to items of other comprehensive income were SEK –2m (–34) for financial instruments for cash flow hedging and SEK 0m (–70) for financial instruments for hedging of translation of foreign operations.

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, 2011	**1,001**	**8,360**	**30,101**	**1,787**	**1,251**	**42,500**
Acquired during the year	77	128	1,057	325	1,576	3,163
Acquisition of operations	224	268	288	38	119	937
Divestment of operations	–26	–108	–25	–1	—	–160
Transfer of work in progress and advances	1	81	494	34	–610	—
Sales, scrapping, etc.	–31	–209	–2,218	–211	–12	–2,681
Exchange–rate differences	–19	–296	–587	–16	–41	–959
Closing balance, December 31, 2011	**1,227**	**8,224**	**29,110**	**1,956**	**2,283**	**42,800**
Acquired during the year	11	149	1,157	132	2,641	4,090
Acquisition of operations	26	161	—	—	—	187
Transfer of work in progress and advances	14	260	838	–50	–1,062	—
Sales, scrapping, etc.	–35	–326	–565	–14	–4	–944
Exchange–rate differences	–43	–254	–1,302	–79	–162	–1,840
Closing balance, December 31, 2012	**1,200**	**8,214**	**29,238**	**1,945**	**3,696**	**44,293**
Accumulated depreciation						
Opening balance, January 1, 2011	**191**	**4,081**	**22,369**	**1,229**	**—**	**27,870**
Depreciation for the year	8	214	2,008	190	—	2,420
Divestment of operations	—	–73	–23	–1	—	–97
Transfer of work in progress and advances	2	9	–242	–1	232	—
Sales, scrapping, etc.	–23	–213	–2,192	–183	—	–2,611
Impairment	—	3	64	—	—	67
Exchange–rate differences	–4	–79	–366	–13	—	–462
Closing balance, December 31, 2011	**174**	**3,942**	**21,618**	**1,221**	**232**	**27,187**
Depreciation for the year	7	250	1,920	185	—	2,362
Transfer of work in progress and advances	—	–10	22	–12	—	—
Sales, scrapping, etc.	–4	–303	–535	–80	1	–921
Impairment	4	50	98	—	—	152
Exchange–rate differences	–6	–144	–972	–45	–13	–1 180
Closing balance, December 31, 2012	**175**	**3,785**	**22,151**	**1,269**	**220**	**27,600**
Net carrying amount, December 31, 2011	**1,053**	**4,282**	**7,492**	**735**	**2,051**	**15,613**
Net carrying amount, December 31, 2012	**1,025**	**4,429**	**7,087**	**676**	**3,476**	**16,693**

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Cont. Note 12

Total impairments in 2012 were SEK 54m (3) on buildings and land, and SEK 98m (64) on machinery and other equipment. The majority of the impairments relates to the Business Area Europe, Middle East & Africa. The purchase value of CTI property, plant and equipment was recalculated during 2012 (March), resulting in an increase of SEK 187m.

Property, plant and equipment in 2011 were increased with SEK 555m due to the acquisition of Olympic Group in Egypt and with SEK 382m due to the acquisition of CTI in Chile. Property, plant and equipment decreased: with SEK 43m due to the divestment of a real estate in Australia; with SEK 15m due to the divestment of Electrolux Professional AG – Components in Switzerland; and with SEK 5m due to the divestment of a real estate in Sweden.

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, 2011	**4**	**57**	**918**	**280**	**66**	**1,325**
Acquired during the year	—	—	36	25	20	81
Transfer of work in progress and advances	—	—	31	23	–54	—
Sales, scrapping, etc.	—	—	–160	–12	—	–172
Closing balance, December 31, 2011	**4**	**57**	**825**	**316**	**32**	**1,234**
Acquired during the year	—	—	15	14	25	54
Transfer of work in progress and advances	—	—	25	3	–28	—
Sales, scrapping, etc.	—	—	–105	–2	—	–107
Closing balance, December 31, 2012	**4**	**57**	**760**	**331**	**29**	**1,181**
Accumulated depreciation						
Opening balance, January 1, 2011	**2**	**54**	**778**	**229**	**—**	**1,063**
Depreciation for the year	—	—	41	20	—	61
Sales, scrapping, etc.	—	—	–152	–10	—	–162
Closing balance, December 31, 2011	**2**	**54**	**667**	**239**	**—**	**962**
Depreciation for the year	—	1	34	23	—	58
Sales, scrapping, etc.	—	—	–95	–2	—	–97
Closing balance, December 31, 2012	**2**	**55**	**606**	**260**	**—**	**923**
Net carrying amount, December 31, 2011	**2**	**3**	**158**	**77**	**32**	**272**
Net carrying amount, December 31, 2012	**2**	**2**	**154**	**71**	**29**	**258**

Note 13 Goodwill and other intangible assets

Intangible assets with indefinite useful lives

Goodwill as at December 31, 2012, has a total carrying value of SEK 5,541m. In addition, the right to use the Electrolux trademark in North America, acquired in 2000, has been assigned an 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.

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

Value in use is calculated using the discounted cash-flow model and based on a three-year forecast made by Group Management. The forecast is built up from the estimate of the units within each business area. The preparation of the forecast requires a number of key assumptions such as volume, price, product mix, which will create a basis for future growth and gross margin. These figures are set in relation to historic figures and external reports on market growth. The cash flow for the third year is used as the base for the fourth year and onwards in perpetuity. The discount rates used are, amongst other things, based on the individual countries' inflation, interest rates and country risk. The pre-tax discount rates used in 2012 were for the main part within a range of 8.0 to 16.0%. For the calculation of the in-perpetuity value, Gordon's growth model is used. According to Gordon's model, the terminal value of a growing cash flow is calculated as the starting cash flow divided by cost of capital less the growth rate. Cost of capital less growth has been assumed at 6% for all markets. This corresponds to a weighted average cost of capital for the Group of 11% less an average nominal growth rate of 5%. The cost of capital and growth rate is estimated to be higher than the average in emerging markets and lower in developed markets. However the resulting difference is assumed to be equal in all markets over time. Management believes that any reasonably possible adverse change in the key assumptions would not reduce the recoverable amount below its carrying amount.

Goodwill, value of trademark and discount rate

	2012			2011		
	Goodwill	Electrolux trademark	Discount rate, %	Goodwill	Electrolux trademark	Discount rate, %
Major Appliances Europe, Middle East and Africa	1,828	—	14.1	1,971	—	12.9
Major Appliances North America	358	410	9.6	379	410	9.5
Major Appliances Asia/Pacific	1,434	—	9.1	1,488	—	9.7
Major Appliances Latin America	1,631	—	16.0	1,873	—	15.8
Other	290	—	8.0–11.3	297	—	8.7–10.9
Total	**5,541**	**410**	**—**	**6,008**	**410**	**—**

Goodwill and other intangible assets

		Group Other intangible assets				Parent Company
	Goodwill	Product development	Program software	Other	Total other intangible assets	Trademarks, software etc.
Acquisition costs						
Opening balance, January 1, 2011	**2,295**	**2,443**	**2,156**	**1,012**	**5,611**	**2,283**
Acquired during the year	—	—	84	11	95	—
Acquisition of operations	3,599	—	46	1,482	1,528	—
Internally developed	—	374	660	—	1,034	402
Reclassification	—	—	3	–3	—	—
Fully amortized	—	–264	–30	–32	–326	–3
Write-off	—	–11	–14	–6	–31	—
Exchange-rate differences	114	–34	–18	11	–41	—
Closing balance, December 31, 2011	**6,008**	**2,508**	**2,887**	**2,475**	**7,870**	**2,682**
Acquired during the year	—	—	88	2	90	—
Acquisition of operations	–104	—	—	–57	–57	—
Internally developed	—	477	486	—	963	266
Reclassification	—	–24	9	15	—	—
Fully amortized	—	–57	–11	–19	–87	—
Write-off	—	–19	—	—	–19	—
Exchange-rate differences	–363	–148	–41	–103	–292	—
Closing balance, December 31, 2012	**5,541**	**2,737**	**3,418**	**2,313**	**8,468**	**2,948**
Accumulated amortization						
Opening balance, January 1, 2011	**—**	**1,237**	**571**	**527**	**2,335**	**653**
Amortization for the year	—	420	268	65	753	204
Fully amortized	—	–264	–30	–32	–326	–3
Exchange-rate differences	—	–17	–1	–20	–38	—
Closing balance, December 31, 2011	**—**	**1,376**	**808**	**540**	**2,724**	**854**
Amortization for the year	—	439	275	175	889	162
Fully amortized	—	–57	–11	–19	–87	—
Exchange-rate differences	—	–79	–21	–37	–137	—
Closing balance, December 31, 2012	**—**	**1,679**	**1,051**	**659**	**3,389**	**1,016**
Carrying amount, December 31, 2011	**6,008**	**1,132**	**2,079**	**1,935**	**5,146**	**1,828**
Carrying amount, December 31, 2012	**5,541**	**1,058**	**2,367**	**1,654**	**5,079**	**1,932**

Goodwill and Other intangibles reported as Acquisition of operations refers to the finalization of the acquisition-cost allocation for the CTI Group acquisition made in 2011. For additional information, see Note 26 on page 63. Included in the item Other are trademarks of SEK 768m (851) and customer relationships etc. amounting to SEK 886m (1,084). Amortization of intangible assets are included within Cost of goods sold with SEK 560m (435), Administrative expenses with SEK 250m (247) and Selling expenses with SEK 79m (71) 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,	
	2012	2011	**2012**	2011
Shares in subsidiaries	—	—	27,215	27,042
Participations in other companies	—	—	229	209
Long-term receivables in subsidiaries	—	—	3,576	3,758
Other receivables	481	1,212	13	13
Pension assets	1,875	1,824	—	—
Total	**2,356**	**3,036**	**31,033**	**31,022**

Note 15 Inventories

	Group December 31,		Parent Company December 31,	
	2012	2011	**2012**	2011
Raw materials	2,950	3,023	30	31
Products in progress	154	213	1	1
Finished products	9,776	8,619	30	19
Advances to suppliers	83	102	—	—
Total	**12,963**	**11,957**	**61**	**51**

The cost of inventories recognized as expense and included in Cost of goods sold amounted to SEK 78,183m (72,799) for the Group.

Provisions for obsolescence are included in the value for inventory. Write-downs amounted to SEK 235m and previous write-downs reversed with SEK 194m for the Group. The amounts have been included in the item Cost of goods sold in the income statement.

Note 16 Other current assets

	Group December 31,	
	2012	2011
Miscellaneous short-term receivables	2,333	2,557
Provisions for doubtful accounts	–5	–5
Prepaid expenses and accrued income	1,017	823
Prepaid interest expenses and accrued interest income	262	287
Total	**3,607**	**3,662**

Miscellaneous short-term receivables include VAT and other items.

Note 17 Trade receivables

	2012	2011
Trade receivables	18,962	20,130
Provisions for impairment of receivables	–674	–904
Trade receivables, net	**18,288**	**19,226**
Provisions in relation to trade receivables, %	3.6	4.5

As of December 31, 2012, provisions for impairment of trade receivables amounted to SEK 674m (904). 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. During 2012 a clarification of the policy was made where receivables more than 12 months past due and fully reserved are considered as an actual credit loss as long as the unrecoverable status has been confirmed. 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

	2012	2011
Provisions, January 1	**–904**	**–783**
Acquisition of operations	—	–63
New provisions	–168	–132
Actual credit losses	352	57
Exchange-rate differences and other changes	46	17
Provisions, December 31	**–674**	**–904**

The fair value of trade receivables equals their carrying amount as the impact of discounting is not significant. Electrolux has a significant concentration on a number of major customers, primarily in the US, Latin America and Europe. Receivables concentrated to customers with credit limits amounting to SEK 300m or more represent 29.0% (31.5) 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

	2012	2011
Trade receivables not overdue	17,000	18,030
Less than 2 months overdue	967	795
2–6 months overdue	249	281
6–12 months overdue	72	87
More than 1 year overdue	—	33
Total trade receivables past due but not impaired	1,288	1,196
Impaired trade receivables	674	904
Total trade receivables	**18,962**	**20,130**
Past due, including impaired, in relation to trade receivables, %	10.3	10.4

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 2012, the Group's net borrowings amounted to SEK 5,685m (6,367). The table below presents how the Group calculates net borrowings and what they consist of.

Net borrowings

	December 31,	
	2012	2011
Short-term loans	1,166	1,301
Short-term part of long-term loans	1,000	2,030
Trade receivables with recourse	629	839
Short-term borrowings	**2,795**	**4,170**
Derivatives	220	314
Accrued interest expenses and prepaid interest income	68	83
Total short-term borrowings	**3,083**	**4,567**
Long-term borrowings	**10,005**	**9,639**
Total borrowings	**13,088**	**14,206**
Cash and cash equivalents	6,835	6,966
Short-term investments	123	337
Derivatives	183	249
Prepaid interest expenses and accrued interest income	262	287
Liquid funds	**7,403**	**7,839**
Net borrowings	**5,685**	**6,367**
Revolving credit facilities (EUR 500m and SEK 3,400m)[1]	7,692	7,865

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

Liquid funds

Liquid funds as defined by the Group consist of cash and cash equivalents, short-term investments, derivatives and prepaid interest expenses and accrued interest income. 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,	
	2012	2011
Cash and cash equivalents	6,835	6,966
Short-term investments	123	337
Derivatives	183	249
Prepaid interest expenses and accrued interest income	262	287
Liquid funds	**7,403**	**7,839**
% of annualized net sales[1]	13.1	13.9
Net liquidity	**4,320**	**3,272**
Fixed-interest term, days	16	18
Effective yield, % (average per annum)	2.1	3.6

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

For 2012, liquid funds, including unused revolving credit facilities of EUR 500m and SEK 3,400m, amounted to 13.1% (13.9) of annualized net sales. The net liquidity is calculated by deducting short-term borrowings from liquid funds.

Interest-bearing liabilities

In 2012, SEK 3,063m of long-term borrowings matured or were amortized, whereof SEK 1,039m of an original maturity in 2013 was amortized in full in advance. These maturities were refinanced with SEK 2,569m.

At year-end 2012, the Group's total interest-bearing liabilities amounted to SEK 12,171m (12,970), of which SEK 11,005m (11,669) referred to long-term borrowings including maturities within 12 months. Long-term borrowings with maturities within 12 months amounted to SEK 1,000m (2,030). The outstanding long-term borrowings have mainly been made under the European Medium-Term Note Program and via bilateral loans. The majority of total long-term borrowings, SEK 10,572m (11,250), is taken up at the parent company level. Electrolux also has an unused committed multicurrency revolving credit facility of SEK 3,400m maturing 2017, as well as an unused committed multicurrency revolving credit facility of EUR 500m maturing 2016, with an extension option for up to two more years. These two facilities can be used as either long-term or short-term back-up facilities. However, Electrolux expects to meet any future requirements for short-term borrowings through bilateral bank facilities and capital-market programs such as commercial paper programs.

At year-end 2012, the average interest-fixing period for long-term borrowings was 1.4 years (1.2). The calculation of the average interest-fixing period includes the effect of interest-rate swaps used to manage the interest-rate risk of the debt portfolio. The average interest rate for the total borrowings was 3.9% (3.7) at year end.

The fair value of the interest-bearing borrowings was SEK 12,304m. The fair value including swap transactions used to manage the interest fixing was approximately SEK 12,347m. 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.

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Cont. Note 18

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

Borrowings

Issue/maturity date	Description of loan	Interest rate, %	Currency	Nominal value (in currency)	Carrying amount, December 31, 2012	2011
Bond loans[1)]						
2008–2013	Euro MTN Program	Floating	EUR	85	—	756
2008–2014	Euro MTN Program	Floating	USD	42	274	290
2008–2016	Euro MTN Program	Floating	USD	100	651	690
2009–2014	Euro MTN Program	Floating	EUR	100	858	893
2011–2013	Euro MTN Program	Floating	SEK	1,000	—	1,000
2011–2016	Euro MTN Program	Floating	SEK	1,000	999	999
2011–2016	Euro MTN Program	4.500	SEK	1,500	1,545	1,540
2012–2015	Euro MTN Program	3.250	SEK	650	652	—
2012–2015	Euro MTN Program	Floating	SEK	350	350	—
2012–2017	Euro MTN Program	2.625	SEK	100	100	—
2012–2017	Euro MTN Program	Floating	SEK	400	400	—
2012–2018	Euro MTN Program	2.910	SEK	270	270	—
2012–2018	Euro MTN Program	Floating	SEK	730	730	—
Total bond loans					**6,829**	**6,168**
Other long-term loans[1)]						
1996–2036	Fixed rate loans in Germany	7.870	EUR	42	338	355
2007–2013	Long-term bank loans in Sweden	Floating	SEK	300	—	300
2008–2017	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	1,030	1,071
2008–2015	Long-term bank loans in Sweden	Floating	PLN	338	713	680
Other long-term loans					95	65
Total other long-term loans					**3,176**	**3,471**
Long-term borrowings					**10,005**	**9,639**
Short-term part of long-term loans[2)]						
2007–2012	SEK MTN Program	4.500	SEK	2,000	—	2,030
2011–2013	Euro MTN Program	Floating	SEK	1,000	1,000	—
Total short-term part of long-term loans					**1,000**	**2,030**
Other short-term loans						
	Short-term bank loans in Egypt	Floating	EGP	634	668	726
	Other bank borrowings and commercial papers				498	575
Total other short-term loans					**1,166**	**1,301**
Trade receivables with recourse					**629**	**839**
Short-term borrowings					**2,795**	**4,170**
Fair value of derivative liabilities					**220**	**314**
Accrued interest expenses and prepaid interest income					**68**	**83**
Total borrowings					**13,088**	**14,206**

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 3.1 years (3.0), at the end of 2012. The table below presents the repayment schedule of long-term borrowings.

Repayment schedule of long-term borrowings, December 31

	2013	2014	2015	2016	2017	2018–	Total
Debenture and bond loans	—	1,132	1,002	3,195	500	1,000	6,829
Bank and other loans	—	95	1,743	—	1,000	338	3,176
Short-term part of long-term loans	1,000	—	—	—	—	—	1,000
Total	**1,000**	**1,227**	**2,745**	**3,195**	**1,500**	**1,338**	**11,005**

Other interest-bearing investments

Interest-bearing receivables from customer financing amounting to SEK 95m (85) are included in the item Trade receivables in the consolidated balance sheet. The Group's customer-financing activities are performed in order to provide sales support and are directed mainly to independent retailers in Scandinavia. The majority of the financing is shorter than 12 months. There is no major concentration of credit risk related to customer financing. Collaterals and the right to repossess the inventory also reduce the credit risk in the financing operations. The income from customer financing is subject to interest-rate risk. This risk is immaterial to the Group.

Commercial flows

The table below shows the forecasted transaction flows, imports and exports, for the 12-month period of 2013 and hedges at year-end 2012.

The hedged amounts are dependent on the hedging policy for each flow considering the existing risk exposure. Hedges with maturity above 12 months have a market value of SEK 0m (0) at year-end. The effect of hedging on operating income during 2012 amounted to SEK –64m (–412). At year-end 2012, unrealized exchange-rate losses on forward contracts charged against other comprehensive income amounted to SEK 33m (–11).

Forecasted transaction flows and hedges

	ARS	AUD	BRL	CAD	CHF	CNY	EUR	GBP	RUB	USD	Other	Total
Inflow of currency, long position	1,000	1,890	3,120	1,340	1,370	80	5,760	1,810	1,690	4,290	22,930	45,280
Outflow of currency, short position	—	–180	–120	—	–10	–2,790	–12,390	–150	—	–11,860	–17,780	–45,280
Gross transaction flow	1,000	1,710	3,000	1,340	1,360	–2,710	–6,630	1,660	1,690	–7,570	5,150	—
Hedges	–50	–900	–920	–620	–690	2,540	2,690	–820	–310	770	–1,690	—
Net transaction flow	**950**	**810**	**2,080**	**720**	**670**	**–170**	**–3,940**	**840**	**1,380**	**–6,800**	**3,460**	**—**

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

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

Net gain/loss, income and expenses on financial instruments

	2012				2011			
	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	**–53**	**—**	**—**	**—**	**–408**	**—**	**—**	**—**
Derivatives for which hedge accounting is not applied, i.e., held-for-trading	11	—	—	—	4	—	—	—
Currency derivatives related to commercial exposure where hedge accounting is applied, i.e., cash flow hedges	–64	—	—	—	–412	—	—	—
Loans and receivables	**222**				**359**	**—**	**—**	**—**
Trade receivables/payables	222	—	—	—	359	—	—	—
Available-for-sale financial assets	**1**	**23**			**1**	**–91**	**—**	**—**
Other shares and participations	1	23	—	—	1	–91	—	—
Total net gain/loss, income and expenses	**170**	**23**	**—**	**—**	**–48**	**–91**	**—**	**—**
Recognized in the financial items								
Financial assets and liabilities at fair value through profit and loss	**–49**	**34**	**8**	**20**	**–72**	**395**	**24**	**–6**
Derivatives for which hedge accounting is not applied, i.e., held-for-trading	–12	—	—	—	–77	—	—	—
Interest-related derivatives for which fair value hedge accounting is applied, i.e., fair value hedges	–25	—	—	41	9	—	—	46
Interest-related derivatives for which cash flow hedge accounting is applied, i.e., cash flow hedges	—	13	—	–21	—	–23	—	–15
Currency derivatives related to commercial exposure where hedge accounting is applied, i.e., cash flow hedges	–6	21	—	—	13	134	—	—
Net investment hedges where hedge accounting is applied	—	—	—	—	—	284	—	–37
Other financial assets carried at fair value	–6	—	8	—	–17	—	24	—
Loans and receivables	**–254**	**—**	**174**	**—**	**–37**	**—**	**316**	**—**
Other financial liabilities	**139**			**–710**	**164**	—	—	**–626**
Financial liabilities for which hedge accounting is not applied	115	—	—	–516	163	—	—	–423
Financial liabilities for which hedge accounting is applied	24	—	—	–194	1	—	—	–203
Total net gain/loss, income and expenses	**–164**	**34**	**182**	**–690**	**55**	**395**	**340**	**–632**

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Cont. Note 18

Fair value and carrying amount on financial assets and liabilities

	2012[1)] Carrying amount	2011[1)] Carrying amount
Financial assets	**552**	**517**
Financial assets at fair value through profit and loss	323	315
Available-for-sale	229	202
Trade receivables	**18,288**	**19,226**
Loans and receivables	18,288	19,226
Derivatives	**183**	**252**
Short-term investments	**123**	**337**
Financial assets at fair value through profit and loss	120	203
Loans and receivables	3	134
Cash and cash equivalents	**6,835**	**6,966**
Financial assets at fair value through profit and loss	1,227	311
Loans and receivables	2,115	3,409
Cash	3,493	3,246
Total financial assets	**25,981**	**27,298**
Financial liabilities		
Long-term borrowings	**10,005**	**9,639**
Financial liabilities measured at amortized cost	9,106	8,892
Financial liabilities measured at amortized cost for which fair value hedge accounting is applied	899	747
Accounts payable	**20,590**	**18,490**
Financial liabilities at amortized cost	20,590	18,490
Short-term borrowings	**2,795**	**4,170**
Financial liabilities measured at amortized cost	2,795	2,140
Financial liabilities measured at amortized cost for which fair value hedge accounting is applied	—	2,030
Derivatives	**241**	**324**
Total financial liabilities	**33,631**	**32,623**

1) Carrying amount equals fair value except for long- and short-term borrowings where the fair value is SEK 131m (17), respectively SEK 3m (7) higher than the carrying amount.

Fair value and carrying amount on financial assets and liabilities

	2012[1)]		2011[1)]	
	Fair value	Carrying amount	Fair value	Carrying amount
Per category				
Financial assets at fair value through profit and loss	1,853	1,853	1,081	1,081
Available-for-sale	229	229	202	202
Loans and receivables	20,406	20,406	22,769	22,769
Cash	3,493	3,493	3,246	3,246
Total financial assets	**25,981**	**25,981**	**27,298**	**27,298**
Financial liabilities at fair value through profit and loss	241	241	324	324
Financial liabilities measured at amortized cost	33,524	33,390	32,323	32,299
Total financial liabilities	**33,765**	**33,631**	**32,647**	**32,623**

1) There has not been any reclassification between categories.

Fair value estimation

Valuation of financial instruments at fair value is done at the most accurate market prices available. Instruments which are quoted on the market, e.g., the major bond and interest-rate future markets, are all marked-to-market with the current price. The foreign-exchange spot rate is used to convert the value into SEK. For instruments where no reliable price is available on the market, cash flows are discounted using the deposit/swap curve of the cash flow currency. If no proper cash flow schedule is available, e.g., as in the case with forward-rate agreements, the underlying schedule is used for valuation purposes. To the extent option instruments are used, the valuation is based on the Black & Scholes' formula. The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities is estimated by discounting the future contractual cash flows at the current market-interest rate that is available to the Group for similar financial instruments. The Group's financial assets and liabilities are measured according to the following hierarchy:

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included in Level 1 that are observable for assets or liabilities either directly or indirectly.

Level 3: Inputs for the assets or liabilities that are not entirely based on observable market date.

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

Fair value measurement hierarchy

	2012				2011			
Financial assets	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets	**552**	**—**	**—**	**552**	**517**	**—**	**—**	**517**
Financial assets at fair value through profit and loss	323	—	—	323	315	—	—	315
Available for sale	229	—	—	229	202	—	—	202
Derivatives	**—**	**183**	**—**	**183**	**—**	**252**	**—**	**252**
Derivatives for which hedge accounting is not applied, i.e., held for trading	—	12	—	12	—	40	—	40
Derivatives for which hedge accounting is applied	—	171	—	171	—	212	—	212
Short-term investments and cash equivalents	**1,347**	**—**	**—**	**1,347**	**514**	**—**	**—**	**514**
Financial assets at fair value through profit and loss	1,347	—	—	1,347	514	—	—	514
Total financial assets	**1,899**	**183**	**—**	**2,082**	**1,031**	**252**	**—**	**1,283**
Financial liabilities								
Derivatives	**—**	**241**	**—**	**241**	**—**	**324**	**—**	**324**
Derivatives for which hedge accounting is not applied, i.e., held for trading	—	95	—	95	—	115	—	115
Derivatives for which hedge accounting is applied	—	146	—	146	—	209	—	209
Total financial liabilities	**—**	**241**	**—**	**241**	**—**	**324**	**—**	**324**

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	1–2 years	2–5 years	5 years–	Total
Loans	–2,423	–1,489	–7,886	–1,371	–13,169
Net settled derivatives	–35	–16	14	—	–37
Gross settled derivatives	–14	1	—	—	–13
Whereof outflow	–22,438	–17	—	—	–22,455
Whereof inflow	22,424	18	—	—	22,442
Accounts payable	–20,590	—	—	—	–20,590
Financial guarantees	–1,610	—	—	—	–1,610
Total	**–24,672**	**–1,504**	**–7,872**	**–1,371**	**–35,419**

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Note 19 Assets pledged for liabilities to credit institutions

	Group December 31,		Parent Company December 31,	
	2012	2011	**2012**	2011
Real-estate mortgages	73	84	—	—
Other	5	10	—	5
Total	**78**	**94**	**—**	**5**

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

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

The equity attributable to equity holders of the Parent Company consists of the following items:

Share capital

The share capital of AB Electrolux consists of 8,212,725 Class A shares and 300,707,583 Class B shares with a quota value of SEK 5 per share. All shares are fully paid. An A-share entitles the holder to one vote and a B-share to one-tenth of a vote. All shares entitle the holder to the same proportion of assets and earnings, and carry equal rights in terms of dividends.

Share capital

	Quota value
Share capital, December 31, 2012	
8,212,725 Class A shares, with a quota value of SEK 5	41
300,707,583 Class B shares, with a quota value of SEK 5	1,504
Total	**1,545**
Share capital, December 31, 2011	
8,212,725 Class A shares, with a quota value of SEK 5	41
300,707,583 Class B shares, with a quota value of SEK 5	1,504
Total	**1,545**

Number of shares

	Owned by Electrolux	Owned by other share-holders	Total
Shares, December 31, 2011			
Class A shares	—	8,212,725	8,212,725
Class B shares	24,255,085	276,452,498	300,707,583
Conversion of Class A shares into Class B shares			
Class A shares	—	—	—
Class B shares	—	—	—
Sold shares			
Class A shares	—	—	—
Class B shares	–1,469,595	1,469,595	—
Shares, December 31, 2012			
Class A shares	—	8,212,725	8,212 725
Class B shares	22,785,490	277,922,093	300,707,583

Other paid-in capital

Other paid-in capital relates to payments made by owners and includes share premiums paid.

Other reserves

Other reserves include the following items: Available-for-sale instruments which refer to the fair value changes in Electrolux holdings in Videocon Industries Ltd., India; cash flow hedges which refer to changes in valuation of currency contracts used for hedging future foreign currency transactions; and exchange-rate differences on translation of foreign operations which refer to changes in exchange rates when net investments in foreign subsidiaries are translated to SEK. The amount of exchange-rate changes includes the value of hedging contracts for net investments. Finally, other reserves include tax relating to the mentioned items.

Retained earnings

Retained earnings, including income for the period, include the income of the Parent Company and its share of income in subsidiaries and associated companies. Retained earnings also include the reversal of the cost for share-based payments recognized in income, income from sales of own shares and the amount recognized for the common dividend.

Earnings per share

	2012	2011
Income for the period	2,596	2,064
Earnings per share		
Basic, SEK	9.08	7.25
Diluted, SEK	9.06	7.21
Average number of shares, million		
Basic	285.9	284.7
Diluted	286.6	286.1

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 with the estimated number of shares from the share programs. Share programs are included in the dilutive potential ordinary shares as from the start of each program. The dilution from Electrolux incentive programs is mainly a consequence of the 2012 performance share program.

The average number of shares during the year has been 285,908,726 (284,665,223) and the average number of diluted shares has been 286,620,098 (286,125,044).

Note 21 Untaxed reserves, Parent Company

	December 31, **2012**	Appropriations	December 31, 2011
Accumulated depreciation in excess of plan			
Brands	349	–28	377
Licenses	122	21	101
Machinery and equipment	85	–8	93
Buildings	2	—	2
Other	23	–1	24
Total	**581**	**–16**	**597**

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, the UK, Switzerland, Germany, France, Italy and Sweden. The Italian and French plans are unfunded and the rest of the plans are funded.

In Sweden, in addition to benefits relating to retirement pensions, there is also a family pension for many of the Swedish employees. This commitment is classified as a multi-employer defined benefit plan and administered by Alecta. 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 –139m (287), i.e., an asset. The decrease in net liability of SEK 426m is mainly due to benefits paid directly by the company. The unrecognized actuarial losses in the plans for post-employment benefits increased with SEK 1,214m to SEK 4,706m (3,492). The increase is mainly due to sharp falls in discount rates, however, compensated by strong asset performance.

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Cont. Note 22

Amounts recognized in balance sheet

	December 31, **2012**				December 31, 2011			
	Pension benefits	Healthcare benefits	Other post-employment benefits	Total	Pension benefits	Healthcare benefits	Other post-employment benefits	Total
Present value of funded obligations	21,154	2,137	—	23,291	19,973	2,249	—	22,222
Fair value of plan assets	–18,793	–1,391	—	–20,184	–18,468	–1,331	—	–19,799
Surplus/deficit	**2,361**	**746**	**—**	**3,107**	**1,505**	**918**	**—**	**2,423**
Present value of unfunded obligations	812	—	666	1,478	739	—	638	1,377
Unrecognized actuarial losses (–) /gains (+)	–4,508	–96	–102	–4,706	–3,360	–87	–45	–3,492
Unrecognized past-service cost	—	—	–18	–18	—	—	–21	–21
Net provisions for post-employment benefits	**–1,335**	**650**	**546**	**–139**	**–1,116**	**831**	**572**	**287**
Whereof reported as								
Prepaid pension cost in other non-current assets[1]	1,875	—	—	1,875	1,824	—	—	1,824
Provisions for post-employment benefits	540	650	546	1,736	708	831	572	2,111

1) Pension assets are related to Canada, Norway, Sweden, Switzerland and the United Kingdom.

Amounts recognized in income statement

	December 31, **2012**				December 31, 2011			
	Pension benefits	Healthcare benefits	Other post-employment benefits	Total	Pension benefits	Healthcare benefits	Other post-employment benefits	Total
Current service cost	218	1	4	223	198	1	4	203
Interest cost	809	82	25	916	865	93	28	986
Expected return on plan assets	–1,142	–90	—	–1,232	–1,099	–88	—	–1,187
Amortization of actuarial losses/gains	159	—	—	159	29	–8	—	21
Other	11	—	4	15	–2	–3	11	6
Total expenses for defined post-employment benefits	**55**	**–7**	**33**	**81**	**–9**	**–5**	**43**	**29**
Expenses for defined contribution plans	—	—	—	446	—	—	—	396
Total expenses for post-employment benefits	**—**	**—**	**—**	**527**	**—**	**—**	**—**	**425**
Actual return on plan assets	–1,929	—	—	–1,929	–735	—	—	–735

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

	2012				2011			
	Pension benefits	Healthcare benefits	Other post-employment benefits	Total	Pension benefits	Healthcare benefits	Other post-employment benefits	Total
Opening balance, January 1	**20,712**	**2,249**	**638**	**23,599**	**18,998**	**2,068**	**657**	**21,723**
Current service cost	218	1	4	223	198	1	4	203
Interest cost	809	82	25	916	865	93	28	986
Contributions by plan participants	40	15	—	55	41	16	—	57
Actuarial losses/gains	2,059	77	62	2,198	1,458	190	16	1,664
Exchange-rate differences on foreign plans	–736	–126	–25	–887	215	38	–6	247
Benefits paid	–1,090	–163	–37	–1,290	–1,062	–168	–65	–1,295
Settlements and other	–46	2	–1	–45	1	11	4	14
Closing balance, December 31	**21,966**	**2,137**	**666**	**24,769**	**20,712**	**2,249**	**638**	**23,599**

Reconciliation of change in fair value of plan assets

	2012				2011			
	Pension benefits	Healthcare benefits	Other post-employment benefits	Total	Pension benefits	Healthcare benefits	Other post-employment benefits	Total
Opening balance, January 1	**18,468**	**1,331**	**—**	**19,799**	**18,069**	**1,340**	**—**	**19,409**
Expected return on plan assets	1,142	90	—	1,232	1,099	88	—	1,187
Actuarial gains/losses	634	63	—	697	–344	–108	—	–452
Contributions by employer	305	134	37	476	479	143	65	687
Contributions by plan participants	40	15	—	55	41	16	—	57
Exchange-rate differences on foreign plans	–652	–79	—	–731	185	17	—	202
Benefits paid	–1,090	–163	–37	–1,290	–1,062	–168	–65	–1,295
Settlements and other	–54	—	—	–54	1	3	—	4
Closing balance, December 31	**18,793**	**1,391**	**—**	**20,184**	**18,468**	**1,331**	**—**	**19,799**

The pension plan assets include ordinary shares issued by AB Electrolux with a fair value of SEK 77m (49). In 2013, the Group expects to pay a total of SEK 544m in contributions to the funds and payments of benefits directly to the employees. In 2012, this amounted to SEK 476m, of which SEK 189m were contributions to the Group's pension funds.

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

	December 31,	
%	**2012**	2011
European equities	11	10
North American equities	17	15
Other equities	10	10
European bonds	20	19
North American bonds	21	24
Other bonds	3	4
Alternative investments[1]	12	12
Property	5	5
Cash and cash equivalents	1	1
Total	**100**	**100**

1) Includes hedge funds and infrastructure investments.

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

	December 31,	
%	**2012**	2011
Discount rate	3.5	4.1
Expected long-term return on assets	6.4	6.5
Expected salary increases	3.7	3.7
Annual increase of healthcare costs	8.0	8.0

- 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. In Sweden and Norway, mortgage bonds are used for determining 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

	2012		2011	
	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	8	–7	9	–8
Effect on defined benefit obligation	244	–207	245	–209

Amounts for annual periods

	December 31,				
	2012	2011	2010	2009	2008
Defined benefit obligation	–24,769	–23,599	–21,723	–22,399	–23,185
Plan assets	20,184	19,799	19,409	19,008	13,989
Surplus/deficit	–4,585	–3,800	–2,314	–3,391	–9,196
Experience adjustments on plan liabilities	176	208	425	222	217
Experience adjustments on plan assets	697	–452	634	1,130	–1,665

annual report 2012 notes all amounts in SEKm unless otherwise stated

Cont. Note 22

Parent Company

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

- The pension liability calculated according to Swedish accounting principles does not take into account future salary increases.
- The discount rate used in the Swedish calculations is set by the Swedish Pension Foundation (PRI) and was 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.

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

	Funded	Unfunded	Total
Opening balance, January 1, 2011	**1,266**	**370**	**1,636**
Current service cost	118	43	161
Interest cost	60	17	77
Other change of present value	—	—	—
Benefits paid	–49	–35	–84
Closing balance, December 31, 2011	**1,395**	**395**	**1,790**
Current service cost	32	38	70
Interest cost	59	17	76
Other change of present value	—	—	—
Benefits paid	–56	–36	–92
Closing balance, December 31, 2012	**1,430**	**414**	**1,844**

Change in fair value of plan assets

	Funded
Opening balance, January 1, 2011	**1,758**
Actual return on plan assets	–38
Contributions and compensation to/from the fund	7
Closing balance, December 31, 2011	**1,727**
Actual return on plan assets	167
Contributions and compensation to/from the fund	–49
Closing balance, December 31, 2012	**1,845**

Amounts recognized in balance sheet

	December 31,	
	2012	2011
Present value of pension obligations	–1,844	–1,790
Fair value of plan assets	1,845	1,727
Surplus/deficit	**1**	**–63**
Limitation on assets in accordance with Swedish accounting principles	–415	–332
Net provisions for pension obligations	**–414**	**–395**
Whereof reported as provisions for pensions	–578	–395

Amounts recognized in income statement

	2012	2011
Current service cost	70	161
Interest cost	76	77
Total expenses for defined benefit pension plans	**146**	**238**
Insurance premiums	71	69
Total expenses for defined contribution plans	**71**	**69**
Special employer's contribution tax	32	63
Cost for credit insurance	2	1
Total pension expenses	**251**	**371**
Compensation from the pension fund	–49	–43
Total recognized pension expenses	**202**	**328**

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, 2012, to SEK 2,186m (2,048) and the pension commitments to SEK 1,698m (1,657). The Swedish Group companies recorded a liability to the pension fund as per December 31, 2012, in the amount of SEK 193m (152). Contributions to the pension foundation during 2012 amounted to SEK 0m (58) regarding the pension liability at December 31, 2011. Contributions from the pension foundation during 2012 amounted to SEK 59m (52).

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, 2011	**1,791**	**1,555**	**982**	**3,195**	**7,523**	**58**	**132**	**56**	**246**
Acquisitions of operations	—	56	—	396	452	—	—	—	—
Provisions made	695	744	272	721	2,432	31	97	16	144
Provisions used	–684	–794	–225	–711	–2,414	–14	–6	–17	–37
Unused amounts reversed	–66	–38	—	–90	–194	–16	—	—	–16
Exchange-rate differences	–13	-5	13	–129	–134	—	—	—	—
Closing balance, December 31, 2011	**1,723**	**1,518**	**1,042**	**3,382**	**7,665**	**59**	**223**	**55**	**337**
Of which current provisions	1,004	754	—	607	2,365	44	30	5	79
Of which non-current provisions	719	764	1,042	2,775	5,300	15	193	50	258
Opening balance, January 1, 2012	**1,723**	**1,518**	**1,042**	**3,382**	**7,665**	**59**	**223**	**55**	**337**
Provisions made	941	793	354	479	2,567	359	—	—	359
Provisions used	–478	–865	–227	–1,309	–2,879	–160	—	–7	–167
Unused amounts reversed	–68	–31	0	–177	–276	—	—	–10	–10
Exchange-rate differences	–77	–56	–50	–197	–380	—	—	—	—
Closing balance, December 31, 2012	**2,041**	**1,359**	**1,119**	**2,178**	**6,697**	**258**	**223**	**38**	**519**
Of which current provisions	664	769	222	491	2,146	234	34	3	271
Of which non-current provisions	1,377	590	897	1,687	4,551	24	189	35	248

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, 2012, will be used over the period 2013 to 2015.

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. The timing of any resulting outflows for provisions for claims and other provisions is uncertain.

Note 24 Other liabilities

	Group December 31,		Parent Company December 31,	
	2012	2011	**2012**	2011
Accrued holiday pay	792	796	160	146
Other accrued payroll costs	1,093	974	192	110
Accrued interest expenses	68	83	67	81
Prepaid income	310	363	—	—
Other accrued expenses	6,289	5,288	370	474
Other operating liabilities	3,277	2,993	—	—
Total	**11,829**	**10,497**	**789**	**811**

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.

annual report 2012 notes all amounts in SEKm unless otherwise stated

Note 25 Contingent liabilities

	Group December 31,		Parent Company December 31,	
	2012	2011	**2012**	2011
Trade receivables, with recourse	—	—	—	—
Guarantees and other commitments				
On behalf of subsidiaries	—	—	1,524	1,265
On behalf of external counterparties	1,610	1,276	151	155
Employee benefits in excess of reported liabilities	—	—	17	8
Total	**1,610**	**1,276**	**1,692**	**1,428**

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. The cases involve plaintiffs who have made substantially identical allegations against other defendants who are not part of the Electrolux Group.

As of December 31, 2012, the Group had a total of 2,864 (2,714) cases pending, representing approximately 2,936 (approximately 2,843) plaintiffs. During 2012, 1,165 new cases with 1,132 plaintiffs were filed and 1,015 pending cases with approximately 1,039 plaintiffs were resolved.

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

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

Electrolux insurer to Husqvarna Belgium S.A.

In July 2004, a gas explosion occurred on Husqvarna Belgium S.A.'s ("Husqvarna") property in Ghislenghien, Belgium, resulting in the loss of 24 lives and substantial personal injuries and property damage. The Husqvarna group was spun-off from Electrolux to Electrolux shareholders in 2006.

In November 2012, the Belgium Supreme Court upheld a June 2011 ruling from the Court of Appeal in Mons, Belgium, which concluded that Husqvarna together with other parties were found liable for the accident and jointly and severally liable for the damages.

As a former subsidiary to Electrolux, Husqvarna is covered by Electrolux liability insurance program for 2004. This program is reinsured by external insurance companies. Electrolux believes that losses which Husqvarna is covered for under Electrolux insurance program are correspondingly covered by the external reinsurance program.

Acquired operations

	2012			2011			
	Olympic Group	CTI[2]	Total	Olympic Group	CTI	Total	CTI final purchase-price allocation
Consideration	—	—	—	2,556	3,804	6,360	3,804
Cash paid[1]	—	—	—	2,556	3,804	6,360	3,804
Recognized amounts of identifiable assets acquired and liabilities assumed at fair value							
Property, plant and equipment	—	187	187	555	382	937	569
Intangible assets	—	–57	–57	516	1,012	1,528	955
Inventories	—	—	—	577	734	1,311	734
Trade receivables	—	—	—	195	763	958	763
Other current and non-current assets	—	—	—	236	310	546	310
Accounts payable	—	—	—	–223	–189	–412	–189
Other operating liabilities	—	–24	–24	–574	–886	–1,460	–910
Current assets classified as held-for-sale	—	—	—	537	—	537	—
Total identifiable net assets acquired	**—**	**106**	**106**	**1,819**	**2,126**	**3,945**	**2,232**
Cash and cash equivalents	—	—	—	34	114	148	114
Borrowings	—	—	—	–723	–499	–1,222	–499
Assumed net debt	**—**	**—**	**—**	**–689**	**–385**	**–1,074**	**–385**
Non-controlling interests	**—**	**–2**	**–2**	**–69**	**–41**	**–110**	**–43**
Goodwill	**—**	**–104**	**–104**	**1,495**	**2,104**	**3,599**	**2,000**
Total	**—**	**—**	**—**	**2,556**	**3,804**	**6,360**	**3,804**
Acquired non-controlling interest							
Cash paid	161	3	164	—	17	17	—
Total cash paid for acquisitions	**161**	**3**	**164**	**2,556**	**3,821**	**6,377**	**—**

1) Before divestment of assets held for sale in Olympic Group.
2) Refers to the final appraisal of land and buildings.

Acquisitions in 2012

The allocation of acquisition cost for the CTI group acquisition made in 2011 was completed in 2012. Adjustments in 2012 and the final outcome are specified in the table above.

Further, in 2012, non-controlling interest in the Olympic Group in Egypt and the CTI group in Chile was acquired.

In Egypt 929,992 shares in the parent company of the Olympic Group and 4,889,245 shares in the subsidiary, Delta Industrial Company Ideal S.A.E were purchased for a total consideration of SEK 161m.

In Chile, 7,416,743 shares in Compañia Tecno Industrial S.A. (CTI) were purchased for an amount of SEK 3m.

Acquisitions in 2011

On September 8, 2011, Electrolux closed its tender offer for the shares in Olympic Group and acquired in total 59,074,122 shares representing 98.33% of the shares and votes in the company. The total consideration for 98.33% of the shares in Olympic Group is SEK 2,556m, which was paid in cash at the beginning of September 2011.

On October 14, 2011, Electrolux acquired 7,005,564,670 shares in Compañia Tecno Industrial S.A. (CTI) through a cash tender offer on the Santiago Stock Exchange. Electrolux also acquired 127,909,232 shares, representing 96.90% of the voting equity interest in the subsidiary Somela S.A., through a cash tender offer on the Santiago Stock Exchange. The shares acquired represents 97.79% of the voting equity interest in CTI. The total consideration paid for the acquisition of the shares in the CTI group was SEK 3,804m and was paid in cash in October 2011. A further 22,143,092 shares from minority shareholders for a total of SEK 17m were purchased in 2011 subsequent to the initial acquisition.

For a complete description of the transactions in 2011, see Electrolux Annual Report 2011.

Divested operations

	Divestments	
	2012	2011
Fixed assets	—	63
Inventories	—	13
Receivables	—	20
Other current assets	—	522
Other liabilities and provisions	—	–4
Net assets	**—**	**614**
Sales price	—	821
Net borrowings in acquired/divested operations	—	—
Effect on Group cash and cash equivalents	**—**	**821**

No divestments were made in 2012.

The main divestments in 2011 include the sale of the shares in the Egyptian companies Namaa and B-Tech as agreed in connection with the acquisition of the Olympic Group and the sale of the heating element operation in Switzerland, a non-core business in the professional segment, which was divested in the first quarter.

Note 27 Employees and remuneration

Employees and employee benefits

In 2012, the average number of employees was 59,478 (52,916), of whom 41,053 (36,590) were men and 18,425 (16,326) 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/employees-by-country.

Average number of employees, by geographical area

	Group	
	2012	2011
Europe	21,615	21,667
North America	9,152	9,178
Rest of world	28,711	22,071
Total	**59,478**	**52,916**

Salaries, other remuneration and employer contributions

	2012			2011		
	Salaries and remuneration	Employer contributions	Total	Salaries and remuneration	Employer contributions	Total
Parent Company	857	490	1,347	857	387	1,244
(whereof pension costs)	—	(184)[1]	(184)[1]	—	(103)[1]	(103)[1]
Subsidiaries	12,928	2,782	15,710	12,280	2,713	14,993
(whereof pension costs)	—	(343)	(343)	—	(322)	(322)
Total Group	**13,785**	**3,272**	**17,057**	**13,137**	**3,100**	**16,237**
(whereof pension costs)	—	(527)	(527)	—	(425)	(425)

1) Includes SEK 9m (13), referring to the President's predecessors according to local GAAP (the cost for the current President is included in his home country).

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

	2012			2011		
	Board members and senior managers	Other employees	Total	Board members and senior managers	Other employees	Total
Parent Company	32	825	857	33	824	857
Other	217	12,711	12,928	185	12,095	12,280
Total Group	**249**	**13,536**	**13,785**	**218**	**12,919**	**13,137**

Of the Board members in the Group, 115 were men and 25 women, of whom 6 men and 3 women in the Parent Company. Senior managers in the Group consisted of 173 men and 52 women, of whom 11 men and 3 women in the Parent Company. The total pension cost for Board members and senior managers in the Group amounted to 42m (34) in 2012.

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 2012 refers to one fourth of the compensation authorized by the AGM in 2011, and three fourths of the compensation authorized by the AGM in 2012. Total compensation paid in cash in 2012 amounted to SEK 5.8m, of which SEK 5.2m referred to ordinary compensation and SEK 0.6m to committee work.

Compensation to Board members 2012

'000 SEK	Ordinary compensation	Compensation for committee work	Total compensation
Marcus Wallenberg, Chairman	1 637	55	1 692
Ronnie Leten, Deputy Chairman (as from AGM 2012)	431	—	431
Peggy Bruzelius, Deputy Chairman (up to AGM 2012)	137	67	204
Lorna Davis	494	55	549
Hasse Johansson	494	85	579
John S. Lupo (up to AGM 2012)	119	—	119
Keith McLoughlin, President	—	—	—
Fredrik Persson (as from AGM 2012)	375	57	432
Ulrica Saxon	494	—	494
Torben Ballegaard Sørensen	494	161	655
Barbara Milian Thoralfsson	494	120	614
Ola Bertilsson	—	—	—
Gunilla Brandt	—	—	—
Ulf Carlsson	—	—	—
Total compensation 2012	**5,169**	**600**	**5,769**
Revaluation of synthetic shares from previous assignment period	1,888	—	1,888
Total compensation cost 2012, including revaluation of synthetic shares	**7,057**	**600**	**7,657**

Synthetic shares

The AGM in 2008, 2009 and 2010 decided that a part of the fees to the Board of Directors should be payable in synthetic shares. A synthetic share is a right to receive in the future a payment corresponding to the stock-market value of a Class B share in Electrolux at the time of payment. In accordance with the fee structure laid down by the AGM, the Directors have for the 2008/2009, 2009/2010 and 2010/2011 terms of office been given the choice of receiving 25% or 50% of the fees for the Board assignment in synthetic shares. The remaining part of the fees to the Directors is paid in cash. Foreign Directors have been able to elect to receive 100% of the fee in cash. The synthetic shares entail a right to payment, in the fifth year after the AGM decision, of a cash amount per synthetic share corresponding to the price for a Class B share in Electrolux at the time of payment. Should a Director's assignment end not later than four years after the time of allocation, cash settlement may instead take place during the year after the assignment came to an end. At the end of 2012, a total of 34,002 (35,923) synthetic shares were outstanding, having a total value of SEK 5.8m (3.9). The accrued value of the synthetic shares has been calculated as the number of synthetic shares times the volume weighted average price of a Class B share in Electrolux as of December 31, 2012. The cost from revaluation of synthetic shares during 2012 was SEK 1.9m. Cash settlements in 2012 amounted to SEK 0.5m (0).

Remuneration Committee

For information on the Remuneration Committee, see the Corporate governance report on page 78.

Remuneration guidelines for Group Management

The AGM in 2012 approved the proposed remuneration guidelines. These guidelines are described below.

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

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

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

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

Since 2004, Electrolux has long-term performance-share programs for approximately 180 senior managers of the Group. For further information, see page 67.

Compensation and terms of employment for the President

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

For the President, the annualized base salary for 2012 has been set at USD 1,450,000 (approximately SEK 9.9m).

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

The President participates in the Group's long-term performance programs. For further information on these programs, see page 67.

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

The President is employed on a US employment contract and has been assigned to Sweden. A specific support package is provided to him under the Group's International Assignment Policy that includes amongst others relocation support, tax filing support, as well as various allowances that are provided to expatriates within the Group under the policy.

Pensions for the President

The President is covered by the pension plans in place with his US employer for old age, disability and death benefits. The retirement age for the President is 65. The President is entitled to a fixed defined annual contribution of USD 800,000 (approximately SEK 5.4m) that is paid towards the employer's pension plans (401(k), excess 401(k) and Supplemental Defined Contribution Plan).

The capital value of pension commitments for the President in 2012, prior Presidents, and survivors is SEK 258m (245).

Compensation and terms of employment for other members of Group Management

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

Base salary is revised annually per January 1. The average base-salary increase for members of Group Management in 2012 was 2.6% (5.4).

Variable salary in 2012 is based on financial targets on sector and

Cont. Note 27

Group level. Variable salary for sector heads varies between a minimum (no pay out) and a maximum of 100% of annual salary, which is also the cap. The US-based Sector head has a maximum of 150%.

Group staff heads receive variable salary that varies between a minimum (no pay out) and a maximum of 80%, which is also the cap.

No payments for retention agreements were made in 2012. There are no extraordinary arrangements outstanding for retention purposes. Three individual members of Group Management are entitled to additional variable compensation arrangements. Such compensation shall be paid in instalments over one and two years, respectively, provided the member is still employed. These payments can amount to a maximum of SEK 6.0m in 2013. In 2012, SEK 6.0m was paid following extraordinary arrangements.

The members of Group Management participate in the Group's long-term performance programs. These programs comprise the performance-share program introduced in 2004. For further information on these programs, see page 67.

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

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

Pensions for other members of Group Management

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

Members of Group Management employed in Sweden are covered by the Alternative ITP plan, as well as a supplementary plan.

The Alternative ITP plan is a defined contribution plan where the contribution increases with age. The contribution is between 20 and 35% of pensionable salary, between 7.5 and 30 income base amounts. Provided that the member retains the position until age 60, the company will finalize outstanding premiums in the alternative ITP plan. The contribution to the supplementary plan is 35% of pensionable salary above 20 income base amounts.

One member is covered by a closed supplementary plan in which contributions equal 35% of the pensionable salary. The member is also entitled to individual additional contributions.

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

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

Compensation paid to Group Management

	2012					2011				
'000 SEK	Annual fixed salary[1]	Variable salary paid 2012[2]	**Total salary**	Long-term PSP (value of shares awarded)	Other remuneration[3]	Annual fixed salary[1]	Variable salary paid 2011[2]	**Total salary**	Long-term PSP (value of shares awarded)	Other remuneration[3]
President	9,875	1,738	**11,613**	2,824	1,814	9,878	10,503	**20,380**	—	2,340
Other members of Group Management[4]	48,640	10,136	**58,776**	15,530	9,540	43,641	31,066	**74,707**	—	7,443
Total	**58,515**	**11,874**	70,389	**18,354**	**11,354**	**53,519**	**41,569**	**95,088**	**—**	**9,783**

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. For the President variable salary paid in 2011 refers to his previous position as Chief Operations Officer Major Appliances.

3) Includes conditional variable compensation, allowances and other benefits as housing and company car.

4) As of February 2012, other members of Group Management comprised 12 people after the appointments of the Chief Design Officer and Chief Financial Officer. In 2011, other members of Group Management comprised of 11 people.

Compensation cost incurred for Group Management

	2012						2011					
'000 SEK	Annual fixed salary	Variable salary incurred 2012 but paid 2013	Long-term PSP (cost)[1]	Other remuneration[2]	Total pension contribution	Social contribution	Annual fixed salary	Variable salary incurred 2011 but paid 2012	Long-term PSP (cost)[1]	Other remuneration[2]	Total pension contribution	Social contribution
President	9,875	8,299	1,293	1,814	5,387	1,811	9,878	1,654	1,415	1,183	5,185	1,458
Other members of Group Management	48,640	36,179	5,060	9,540	22,704	14,609	43,641	8,805	1,236	6,993	16,333	9,358
Total	**58,515**	**44,478**	**6,353**	**11,354**	**28,091**	**16,420**	**53,519**	**10,459**	**2,651**	**8,175**	**21,518**	**10,816**

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, allowances and other benefits as housing and company car.

During 2012, a new pension plan was introduced for new Group Management members. The employer contribution, including contributions for ITP, alternative ITP and any supplementary disability and survivor's benefits, is in total 35% of annual base salary. The retirement age is 65 years.

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

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.

Performance-share programs 2010, 2011 and 2012

The Annual General Meeting in 2012 approved an annual long-term incentive program. The program is in line with the Group's principles for remuneration based on performance, and is an integral part of the total compensation for Group Management and other senior managers. Electrolux shareholders benefit from this program since it facilitates recruitment and retention of competent executives and aligns management interest with shareholder interest as the participants invest in Electrolux Class B shares.

The allocation is determined by two main factors. First, the participant should invest in Electrolux Class B shares through a purchase in the open market. The personal investment should be equal in value to 10% to 15% of the maximum program value. Each purchased share will be matched with one share at the end of the program by the company. The second factor is that allocation is determined by average annual growth in earnings per share. If the minimum level is reached, the allocation will amount to 25% of maximum number of shares for the 2010 program and 17% for the 2011 and 2012 programs. 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. 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 180 senior managers and key employees in about 20 countries. Participants in the program comprise five groups, i.e., the President, other members of Group Management, and three groups of other senior managers. All programs comprise Class B shares.

Number of potential shares per category and year

	2012 Maximum number of B shares[1]	2011 Maximum number of B shares[1]	2010 Maximum number of B shares[1]	**2012** Maximum value, SEK[2) 3)]	2011 Maximum value, SEK[2) 3)]	2010 Maximum value, SEK[2) 3)]
President	38,614	34,825	29,654	5,000,000	5,000,000	5,000,000
Other members of Group Management	13,901	12,537	10,676	1,800,000	1,800,000	1,800,000
Other senior managers, cat. C	10,426	9,403	8,007	1,350,000	1,350,000	1,350,000
Other senior managers, cat. B	6,951	6,269	5,338	900,000	900,000	900,000
Other senior managers, cat. A	5,213	4,702	4,004	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 168.62 for 2010, SEK 143.58 for 2011 and SEK 129.49 for 2012, calculated as the average closing price of the Electrolux Class 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 2010, 2011 and 2012 programs is SEK 145.56 per share.

2) Total maximum value for all participants at grant is SEK 168m for the performance-share programs 2010 and 2011 and SEK 166m for the 2012 program.

3) The 2010 program does not meet the entry level. The current expectation is that the 2011 program will not meet the entry level and that the 2012 program will meet the entry level.

If performance is beween minimum and maximum, the total cost for the 2012 performance-share program over a three-year period is estimated at SEK 105m, including costs for employer contributions. If the maximum level is attained, the cost is estimated at a maximum of SEK 195m. The distribution of shares under this program will result in an estimated maximum increase of 0.7% in the number of outstanding shares.

For 2012, LTI programs resulted in a cost of SEK 32m (including a cost of SEK 7m in employer contribution) compared to a cost of SEK 17m in 2011 (including an income of SEK 4m in employer contribution). The total provision for employer contribution in the balance sheet amounted to SEK 11m (31).

Repurchased shares for LTI programs

The company uses repurchased Electrolux Class B shares to meet the company's obligations under the share programs. The shares will be distributed to share-program participants if performance targets are met. Electrolux intends to sell additional shares on the market in connection with the distribution of shares under the program in order to cover the payment of employer contributions.

Delivery of shares for the 2009 program

The 2009 performance-share program met the maximum level and Electrolux Class B shares were delivered to the participants. The selling of the shares is restricted until December 2013 with the exception of selling shares to cover for personal taxes in connection with the delivery.

annual report 2012 notes all amounts in SEKm unless otherwise stated

Note 28 Fees to auditors

PricewaterhouseCoopers (PwC) is appointed auditors for the period until the 2014 Annual General Meeting.

	Group		Parent Company	
	2012	2011	**2012**	2011
PwC				
Audit fees[1)]	44	44	7	7
Audit-related fees[2)]	1	4	1	3
Tax fees[3)]	4	5	—	—
All other fees	4	6	2	3
Total fees to PwC	**53**	**59**	**10**	**13**
Audit fees to other audit firms	2	—	—	—
Total fees to auditors	**55**	**59**	**10**	**13**

1) Audit fees consist of fees for the annual audit-services engagement and other audit services, which are those services that only the external auditors reasonably can provide, and include the Company audit; statutory audits; comfort letters and consents; and attest services.

2) Audit-related fees consist of fees for assurance and related services that are reasonably related to the performance of the audit or review of the Company's financial statements or that are traditionally performed by the external auditors, and include consultations concerning financial accounting and reporting standards; internal control reviews; and employee benefit plan audits. Audit-related fees also include review of interim report.

3) Tax fees include fees for tax-compliance services, including the preparation of original and amended tax returns and claims for refund; tax consultations; tax advice related to mergers and acquisitions; transfer pricing; requests for rulings or technical advice from taxing authorities; tax-planning services; and expatriate-tax planning and services.

Note 29 Shares and participations

Associated companies

Participation in associated companies amounted in total to SEK 16m (18). Electrolux owns 39.3% of Sidème, France, with a carrying amount SEK 12 (14) and 24.5% of European Recycling Platform, France, with a carrying amount SEK 4m (4). Both companies are unlisted and Electrolux participation remained unchanged during the year.

Companies classified as assets available for sales

Electrolux holds 2.8% (2.9) of the shares in Videocon Industries Ltd., India, with a carrying amount of SEK 228m (202).

Group companies

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

Subsidiaries		Holding, %
Major Group companies		
Argentina	Frimetal S.A.	99.38
Australia	Electrolux Home Products Pty. Ltd.	100
Austria	Electrolux Hausgeräte GmbH	100
	Electrolux CEE Ges.m.b.H.	100
Belgium	Electrolux Home Products Corporation N.V.	100
	Electrolux Belgium N.V.	100
Brazil	Electrolux do Brasil S.A.	100
Canada	Electrolux Canada Corp.	100
Chile	Compañia Tecno Industrial S.A.	99.38
	Somela S.A.	97.57
China	Electrolux (Hangzhou) Domestic Appliances Co. Ltd.	100
	Electrolux (China) Home Appliance Co. Ltd.	100
Denmark	Electrolux Home Products Denmark A/S	100
Egypt	Olympic Group Financial Investment S.A.E.	99.88
Finland	Oy Electrolux Ab	100
France	Electrolux France SAS	100
	Electrolux Home Products France SAS	100
	Electrolux Professionnel SAS	100
Germany	Electrolux Deutschland GmbH	100
	Electrolux Rothenburg GmbH Factory and Development	100
Hungary	Electrolux Lehel Kft	100
Italy	Electrolux Appliances 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 C.V.	100
The Netherlands	Electrolux Associated Company B.V.	100
	Electrolux Home Products (Nederland) B.V.	100
Norway	Electrolux Home Products Norway AS	100
Poland	Electrolux Poland Spolka z.o.o.	100
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 North America, Inc.	100
	Electrolux Professional Inc.	100

Note 30 Definitions

Capital indicators

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

Net assets
Total assets exclusive of liquid funds 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.