2012

Annual Report
Results

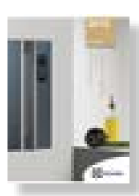
Performance
Governance
Sustainability

Thinking of you
Electrolux

Contents

Electrolux – a global leader with a customer focus

Electrolux has been doing business since 1919. Today, the company is a global leader in home appliances and appliances for professional use, selling more than 40 million products to customers in 150 markets every year. Electrolux focuses on innovations that are thoughtfully designed and based on extensive consumer insight to meet the real needs of consumers and professionals. In 2012, Electrolux had sales of SEK 110 billion and 61,000 employees.



Electrolux printed annual report consists of two parts: Operations and strategy and Results. There is also an online version including a comprehensive sustainability performance review according to GRI.

▸▸ www.electrolux.com/annualreport2012

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Results 2012

Electrolux vision is to become the best appliance company in the world as measured by customers, employees and shareholders. Read more about how Electrolux is delivering on its financial goals and how Electrolux corporate governance and sustainability strategy are contributing to create long-term value for all stakeholders.

The financial goals set by Electrolux aim to strengthen the Group's leading, global position in the industry and assist in generating a healthy total return for Electrolux shareholders. Read more about Electrolux financial performance in the **Board of Directors Report and Notes** **⏩ 5**

Electrolux aims at implementing strict norms and efficient processes to ensure that all operations create long-term value for shareholders and other stakeholders. This involves the maintenance of an efficient organizational structure, systems for internal control and risk management and transparent internal and external reporting. Read more about
Electrolux corporate governance **⏩ 78**

The Group is committed to growth that is sustainable – delivering long term value to customers, employees, shareholders and the wider world. Continuing to be a sustainability leader and implementing the sustainability strategy across the Group are central to these objectives. Read more about
Electrolux sustainability priorities and progress **⏩ 96**

Key financial data, excluding items affecting comparability

SEKm, EURm, USDm, unless otherwise stated	2012	2011	2012 EURm	2012 USDm
Net sales	109,994	101,598	12,638	16,336
Items affecting comparability	–1,032	–138	–119	–153
Operating income	5,182	3,155	595	770
Margin, %	4.7	3.1		
Income after financial items	4,510	2,918	518	670
Income for the period	3,486	2,148	401	518
Earnings per share[1], SEK, EUR, USD	12.18	7.55	1.40	1.81
Dividend per share, SEK	6.50[2]	6.50		
Average number of employees	59,478	52,916		

Key data sustainability

	2012	2011
Injury rate, per 200,000 working hours (TCIR)	1.1	1.2
Energy consumption, GWh	1,272[3]	1,144

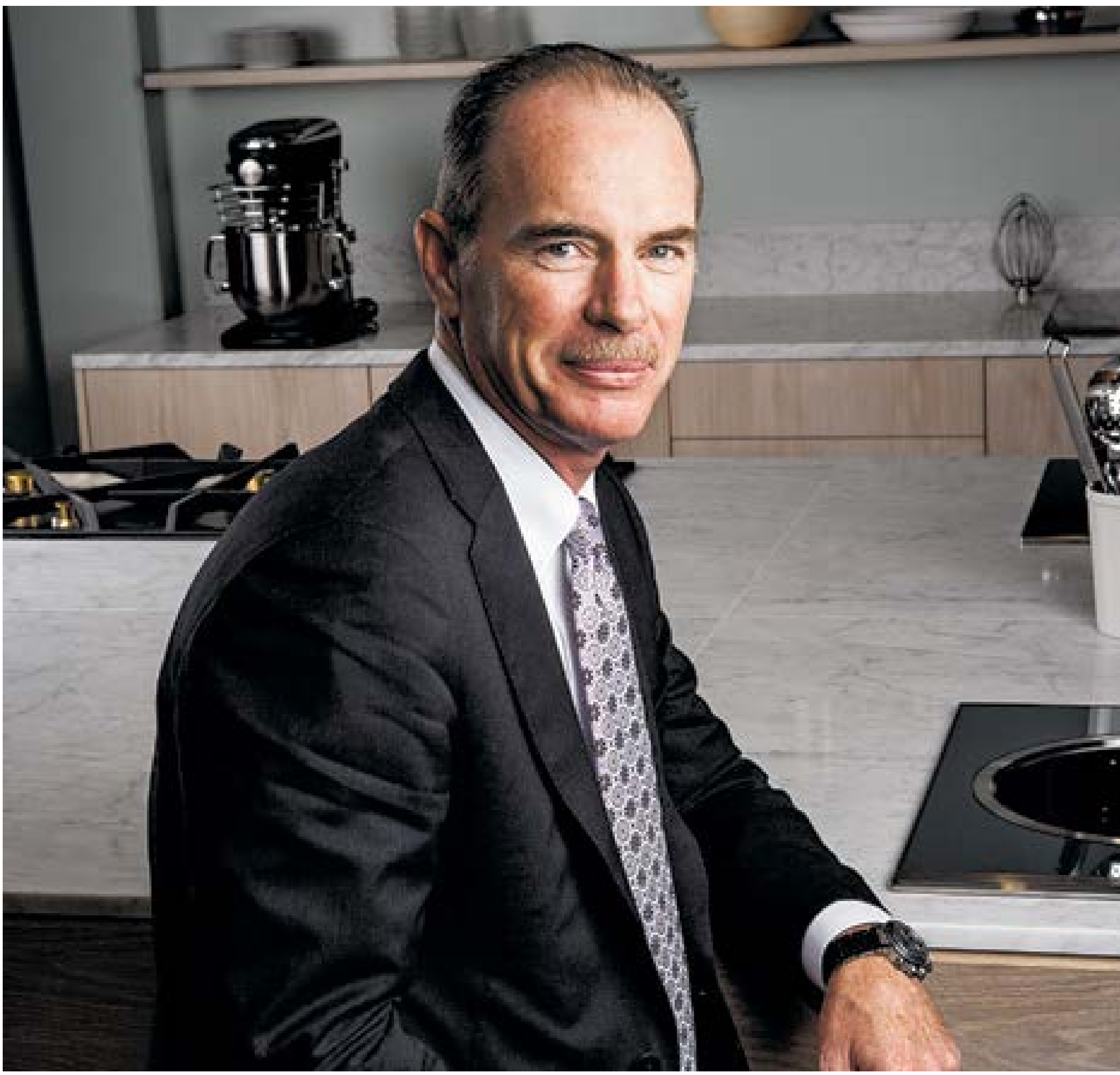
1) Average number of shares 285.9 millions (284.7).
2) Proposed by the Board of Directors.
3) Including acquired operations in the amount of 104 GWh.

Net sales and employees

Ten largest countries	SEKm	Employees
USA	29,632	7,933
Brazil	15,887	11,123
Germany	5,434	1,725
Australia	5,092	1,576
Switzerland	4,210	820
Canada	4,182	1,219
Sweden	3,849	2,049
France	3,631	1,055
Italy	3,407	5,715
United Kingdom	2,650	394
Other	32,020	25,869
Total	**109,994**	**59,478**

2012 – a year of record-strong organic growth

In the fourth quarter, Electrolux posted a record-high organic growth of 7.5%. The growth rate for the full-year 2012 was 5.5%. Operations in North America and Latin America, which currently account for 50% of total sales, showed strong sales and earnings growth, primarily attributable to a continued positive volume trend and improvements in price/mix. Operations in Europe suffered from weak consumer confidence with falling volumes and negative country mix. In 2013, we believe that the weak market in Europe will be offset by growth in North America and the emerging markets.



>35%

We have increased our exposure to emerging markets, which now represent more than 35% of sales, and we expect this figure to reach 50% within five years.

In the fourth quarter, Electrolux delivered its strongest organic growth rate for 2012 of 7.5%. A significant portion of the growth came from the Latin American operations, which noted another record quarter with an organic growth of nearly 20%. The strong development was partly generated by government-tax incentives in Brazil, but also by an improved product mix, higher prices and market share gain.

Price/mix improvements in North America were a strong contributor to the sales growth and the improved results. Operations in North America reported yet another quarter of volume growth, thereby yielding an improved market share for the full-year 2012. Although the market development in 2012 did not meet our expectations of a year ago, we anticipate growth in the North American market in 2013, supported by a gradual recovery in the housing market. We will utilize the positive momentum to increase investments in brand-building and R&D activities with the aim of further strengthening the Group's position.

At present, the Americas account for more than 50% of Group sales. The corresponding figure five-years ago was around 35%. At the same time, we have increased our exposure to emerging markets, which now represent more than 35% of sales, and we expect this figure to reach 50% within five years.

Although the Group is currently less dependent on developments in Europe, the region still represents the single-largest market for our core appliances, professional products and small appliances. The weak performance in Europe is primarily attributable to low consumer confidence, which is spreading throughout the region and resulting in falling volumes and negative price/mix. We stand by our view that the market situation in Europe is likely to get worse before it gets better and we are minimizing the negative effect by launching new products and eliminating costs.

We will see some reduction in our costs during 2013, which is partly related to our own cost-saving initiatives but also to a slight tailwind from some raw-material costs. There will also be some temporary cost increases as a result of entering new distribution channels and the consolidation of production of cooking products in North America. In line with our strategy, 2013 will be another intensive year of product launches, requiring increased investments in marketing and product development.

The global macroeconomic development will be decisive for the Group's sales growth in 2013. We expect that the weak market in Europe will probably be offset by growth in North America and the emerging markets.

The substantial improvement in the results for 2012 confirmed our longstanding ability to generate strong free cash flow, even in a weak macro environment through good work in operational and asset productivity. Importantly, our performance in 2012 also confirms our ability to grow profitably and expand our gross margin by diversifying our revenue base and bringing more consumer relevant innovation to the market at a faster pace. Moving forward, we believe there is good potential for us to continue to deliver a high return to our shareholders through a consistent and steady profitable expansion of our global operations – both organically and through acquisitions – while continuing to generate a strong cash return.

Stockholm, February 1, 2013
in connection with the presentation of the fourth quarter and full-year results of 2012

Keith McLoughlin
President and Chief Executive Officer

Electrolux strategy

The Electrolux strategy remains intact. With innovative products under strong brands and by leveraging the Group's global strength and scope, Electrolux creates the conditions for profitable growth.

The development that took place in 2012 is an excellent example of the effectiveness of the Electrolux strategy. The successful integration of the acquired appliance manufacturers in Egypt and Chile, combined with extensive product launches and accelerated measures to leverage the Group's global strength and scope, yielded profitable growth and higher market shares. The R&D, design and marketing functions currently enjoy close cooperation throughout the product development process in all sectors, but with even greater focus on customers, consumers and sustainable innovations. The goal to develop products faster, more efficiently and that more consumers will prefer is on the verge of being realized. Furthermore, efforts are continuing in all parts of the Group to improve working capital and release resources for further investments in growth activities. The success of the work to realize the strategy is attributable to all of the strong and dedicated managers and employees.

Financial goals over a business cycle

The financial goals set by Electrolux aim to strengthen the Group's leading, global position in the industry and assist in generating a healthy total yield for Electrolux shareholders. The objective is growth with consistent profitability. Key ratios are excluding items affecting comparability.

Average annual growth of 4% or more	Operating margin of at least 6%	Capital turnover-rate of 4 or higher	Return on net assets of at least 20%
>4%	>6%	>4	>20%

Report by the Board of Directors for 2012

- Net sales amounted to SEK 109,994m (101,598) and income for the period to SEK 2,599m (2,064), corresponding to SEK 9.08 (7.25) per share.
- Net sales increased by 8.3%, of which 5.5% was organic growth, 3.9% acquisitions and –1.1% changes in exchange rates.
- Strong volume growth, price increases and mix improvements in Latin America and North America contributed to the positive trend in net sales.
- Operating income amounted to SEK 5,182m (3,980), corresponding to a margin of 4.7% (3.9), excluding items affecting comparability and non-recurring costs.
- Operating income for appliances in North America and Latin America improved substantially.
- Market conditions in Europe continued to deteriorate and results for Electrolux operations in the region were negatively impacted.
- Measures to improve manufacturing footprint were initiated and SEK 1,032m was charged to operating income within items affecting comparability.
- The Board of Directors proposes a dividend for 2012 of SEK 6.50 (6.50) per share.
- The Board proposes a renewed AGM mandate to repurchase own shares.

Key data

SEKm	**2012**	Change, %	2011
Net sales	109,994	8	101,598
Operating income	4,150	38	3,017
Margin, %	3.8		3.0
Income after financial items	3,478	25	2,780
Income for the period	2,599	26	2,064
Earnings per share, SEK[1]	9.08		7.25
Dividend per share, SEK	6.50[2]		6.50
Net debt/equity ratio	0.29		0.31
Return on equity, %	13.3		10.4
Average number of employees	59,478		52,916
Excluding items affecting comparability			
Items affecting comparability	–1,032		–138
Operating income	5,182	64	3,155
Margin, %	4.7		3.1
Income after financial items	4,510	55	2,918
Income for the period	3,486	62	2,148
Earnings per share, SEK[1]	12.18		7.55
Return on net assets, %	18.8		13.5
Non-recurring costs in the fourth quarter of 2011	*–*		*–825*
Operating income excluding non-recurring costs and items affecting comparability	*5,182*	*30*	*3,980*
Margin, %	*4.7*		*3.9*

1) Basic, based on an average of 285.9 (284.7) million shares for the full year 2012, excluding shares held by Electrolux.
2) Proposed by the Board of Directors.

2012 in summary

Market overview

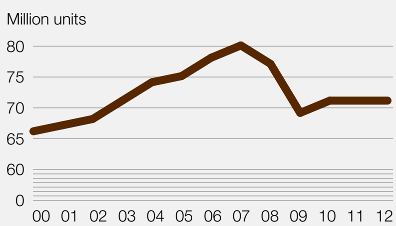
Market demand for appliances in Electrolux core markets continued to decline in 2012 year-over-year, while demand in growth markets continued to grow.

Market demand for core appliances in Western Europe and North America declined by 2%. Market demand in Australia is estimated to have declined.

Market demand in Eastern Europe increased by 3% and demand in Latin America and Southeast Asia continued to show growth. Market demand for core appliances in Europe in 2013 is expected to decline, while demand in North America is expected to increase.

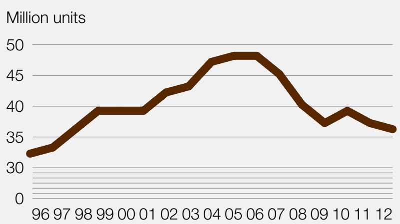
- Strong sales growth in growth markets and in North America.
- Operating income improved substantially for appliances in North America and Latin America.
- Volume growth and price increases contributed to the favorable trend in operating income.
- Weak market conditions in Europe adversely impacted results for appliances, professional products and small domestic appliances.

Market demand for core appliances in Europe



A total of approximately 71 million core appliances were sold in Europe in 2012, which is about 11% lower than the record year of 2007.

Market demand for core appliances in the US



A total of approximately 36 million core appliances were sold in the US in 2012, corresponding to the level of 1998 and about 25% lower than the top levels in 2005 and 2006.

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

Net sales and operating income

Net sales for the Electrolux Group in 2012 improved by 9.4% in comparable currencies. Sales growth referred mainly to growth markets and were particularly strong in Latin America. All business areas except for Professional Products showed sales growth.

The negative trend in market conditions in the core markets in Europe has adversely impacted results for the Group's operations in the region. However, volume growth, price increases and extensive product launches, particularly in Latin America and North America, contributed to the improvement in operating income for 2012.

Costs savings and the ongoing global initiatives to reduce complexity and improve competitiveness within manufacturing also contributed to the favorable income trend.

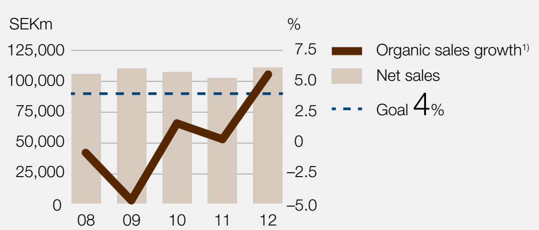
Financial goals over a business cycle

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

The organic sales growth in 2012 of 5.5% far exceeded the goal of 4%. Total sales increased by 9.4%, in comparable currencies, of which 5.5% was organic growth and 3.9% acquisitions. Oper-

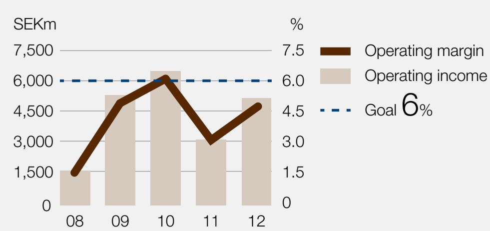
Financial goals over a business cycle

Sales growth



1) In comparable currencies.

Operating margin



Key ratios are excluding items affecting comparability.

Financial overview

SEKm	2012	2011[1)]	Change, %
Net sales	109,994	101,598	*8.3*
Change in net sales, %, whereof			
Acquisitions			*3.9*
Organic growth			*5.5*
Changes in exchange rates			*–1.1*
Operating income			
Major Appliances Europe, Middle East and Africa	1,142	709	*61*
Major Appliances North America	1,561	250	*524*
Major Appliances Latin America	1,590	820	*94*
Major Appliances Asia/Pacific	746	736	*1*
Small Appliances	473	543	*–13*
Professional Products	596	841	*–29*
Other, common Group costs, etc.	–926	–744	*–24*
Operating income excluding items affecting comparability	5,182	3,155	*64*
Margin, %	4.7	3.1	
Items affecting comparability	–1,032	–138	
Operating income	4,150	3,017	*38*
Margin, %	3.8	3.0	

1) Operating income for 2011 included non-recurring costs in the amount of SEK 825m. The major part of these costs, SEK 690m, was related to Major Appliances Europe. Middle East and Africa. Operating income for 2011, excluding items affecting comparability and non-recurring costs, amounted to SEK 3,980m, corresponded to a margin of 3.9%, see page 20.

ating margin showed a positive trend and amounted to 4.7%. The capital turnover-rate declined to 4.0, while return on net assets increased to 18.8%. The acquired companies Olympic Group and CTI have impacted these key ratios negatively, while the Group's ongoing structural efforts to reduce tied-up capital has contributed positively.

Structural changes in 2012

In 2012, Electrolux continued the work to increase production competitiveness by optimizing its industrial production system, as communicated at the Capital Markets Day in November 2011.

Several activities have been initiated within the business area Major Appliances Europe, Middle East and Africa. Total costs of SEK 1,032m was charged to operating income within items affecting comparability, see page 20.

Launches of new products and new sales channels

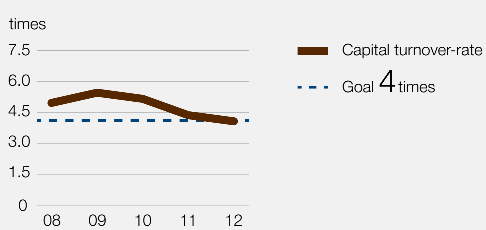
In 2012, Electrolux launched the first and only professional cooking system for consumer homes, Electrolux Grand Cuisine, in the ultra-luxury segment, see page 10. In Europe, Electrolux launched the Inspiration Range, a complete range of appliances under the Electrolux brand. The products are being launched across all core markets in Europe.

In the US, Electrolux is entering the world's largest home improvement specialty retailer, The Home Depot, see page 10.

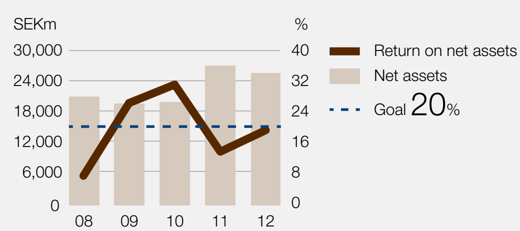
Electrolux Capital Markets Day in November 2012

In addition to presenting the pillars of the Electrolux strategy, management gave a brief overview of the current business environment and how it could drive the Group's performance in 2013. Cost savings in 2013 are expected to be greater than SEK 1 billion, compared to 2012. The raw-material headwinds experienced in previous years are expected to turn into tailwinds. Although the demand situation in Europe remains uncertain, Electrolux as a Group expects another year of positive organic sales growth. The majority of the growth is expected to derive from emerging markets and a positive price/mix development, supported by product launches. In 2013, Electrolux will continue to step up its investments in product development, design and marketing to support future product launches.

Capital turnover-rate



Return on net assets



Key ratios are excluding items affecting comparability.

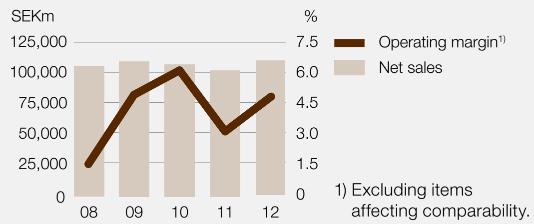
Net sales and income

Net sales

Net sales for the Electrolux Group in 2012 increased to SEK 109,994m, as against SEK 101,598m in the previous year. Net sales improved by 8.3%, of which 5.5% was organic growth, 3.9% acquisitions and –1.1% changes in exchange rates.

Strong sales growth in North America, Latin America and Asia offset lower sales in core markets as Europe and Australia. The acquired companies Olympic Group and CTI contributed positively to the sales trend.

Net sales and operating margin



1) Excluding items affecting comparability.

Operating income

Operating income for 2012 improved to SEK 4,150m (3,017), corresponding to a margin of 3.8% (3.0). The performance of the operations in North America and Latin America were particularly strong. Good volume growth and price increases contributed to the positive trend. Market demand in Europe weakened throughout the year, particularly in Southern Europe. Price pressure and weak volumes in Europe had a negative impact on operating income.

Cost savings and the ongoing global initiatives to reduce complexity and improve competitiveness within manufacturing made a contribution to operating income.

Effects of changes in exchange rates

Changes in exchange rates had a negative impact year-over-year on operating income of SEK –120m. The impact of transaction effects was SEK –460m, results from hedging operations SEK 350m and translation effects SEK –10m. The impact from transaction and hedging operations was mainly attributable to the operations in Latin America and the strengthening of the US dollar against the Brazilian real.

Items affecting comparability

In 2012, further measures to improve manufacturing footprint were initiated. A total of SEK –1,032m was charged to operating income within items affecting comparability, see page 20.

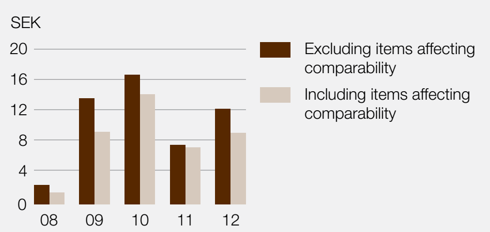
Operating income for 2012, excluding items affecting comparability, improved to SEK 5,182m (3,155), corresponding to a margin of 4.7% (3.1).

In 2011, a number of cost-saving activities were implemented to improve cost efficiency, particularly in Europe, and non-recurring costs in the amount of SEK 825m were charged to operating income, see table on page 20.

- Net sales for 2012 increased by 9.4% in comparable currencies. Acquisitions had an impact on net sales by 3.9%.
- Sales growth in Latin America, North America and Asia offset lower sales in Europe and Australia.
- Operating income amounted to SEK 5,182m (3,155), corresponding to a margin of 4.7% (3.1), excluding items affecting comparability.
- Operating income improved, mainly due good volume growth and price increases for appliances in North America and Latin America.
- Income for the period was SEK 2,599m (2,064).
- Earnings per share amounted to SEK 9.08 (7.25).

Excluding items affecting comparability and the non-recurring costs in 2011, operating income for 2012 was SEK 5,182m (3,980), corresponding to a margin of 4.7% (3.9).

Earnings per share



Financial net

Net financial items increased to SEK –672m (–237). The acquisitions in 2011 of Olympic Group and CTI have negatively impacted the financial net.

Income after financial items

Income after financial items increased to SEK 3,478m (2,780), corresponding to 3.2% (2.7) of net sales.

Taxes

Total taxes in 2012 amounted to SEK –879m (–716), corresponding to a tax rate of 25.3% (25.8)

Income for the period and earnings per share

Income for the period amounted to SEK 2,599m (2,064), corresponding to SEK 9.08 (7.25) in earnings per share before dilution and SEK 12,18 (7.55) excluding items affecting comparability.

Consolidated income statement

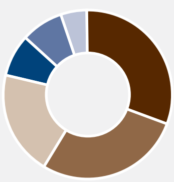
SEKm	Note	2012	2011
Net sales	3,4	**109,994**	**101,598**
Cost of goods sold		–87,741	–82,840
Gross operating income		**22,253**	**18,758**
Selling expenses		–11,625	–10,821
Administrative expenses		–5,505	–4,972
Other operating income	5	78	230
Other operating expenses	6	–19	–40
Items affecting comparability	3,7	–1,032	–138
Operating income	3,4,8	**4,150**	**3,017**
Financial income	9	204	337
Financial expenses	9	–876	–574
Financial items, net		**–672**	**–237**
Income after financial items		**3,478**	**2,780**
Taxes	10	–879	–716
Income for the period		**2,599**	**2,064**
Available for sale instruments	11,29	23	–91
Cash flow hedges	11	34	111
Exchange-rate differences on translation of foreign operations	11	–1,532	–223
Income tax related to other comprehensive income		–2	–104
Other comprehensive income, net of tax		**–1,477**	**–307**
Total comprehensive income for the period		**1,122**	**1,757**
Income for the period attributable to:			
Equity holders of the Parent Company		2,596	2,064
Non-controlling interests		3	—
Total comprehensive income for the period attributable to:			
Equity holders of the Parent Company		1,126	1,752
Non-controlling interests		–4	5
Earnings per share	20		
For income attributable to the equity holders of the Parent Company:			
Basic, SEK		9.08	7.25
Diluted, SEK		9.06	7.21
Average number of shares	20		
Basic, million		285.9	284.7
Diluted, million		286.6	286.1

Operations by business area

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

In 2012, appliances accounted for 87% (86) of net sales, professional products for 5% (6) and small appliances for 8% (8).

Share of sales by business area



Net sales 2012 compared to 2011

Change, year-over-year, %	Net sales	Net sales in comparable currencies
Major Appliances		
Europe, Middle East and Africa	0.7	3.2
North America	10.9	6.9
Latin America	23.8	34.6
Asia/Pacific	7.0	2.9
Small Appliances	7.8	8.4
Professional Products	–5.3	–3.9
Total change	**8.3**	**9.4**

- Weak market conditions in core markets in Europe adversely impacted earnings for appliances, professional products and small appliances.
- Measures to improve manufacturing footprint were initiated, and SEK 1,032m was charged to operating income.
- Operating income for appliances in North America improved significantly and the Group gained market share.
- Strong volume growth and improved results for the operations in Latin America.
- Continued good sales growth and earnings trend in Asia.
- Average number of employees increased to 59,478 (52,916), due to the acquired companies Olympic Group and CTI.

Major business events during 2012

September 17. Electrolux launches the first and only professional cooking system for consumer homes

Electrolux launches Electrolux Grand Cuisine, a completely new product category. The ultra-luxury kitchen range is the first professional cooking system made specifically for home use and the first that makes it possible to fully recreate Michelin-star restaurant experiences at home. For more information, see www.grandcuisine.com.

July 3, Electrolux products to be sold at The Home Depot

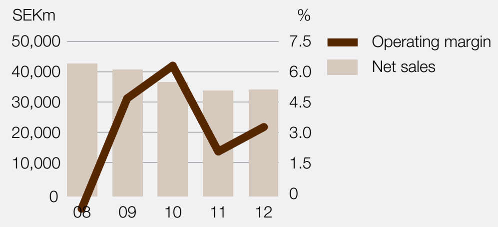
The Home Depot, the world's largest home improvement specialty retailer, will begin selling Electrolux major appliances in the United States. In a staged roll-out, Electrolux major appliances, under the Frigidaire, Frigidaire Gallery and Electrolux brands, will be available for purchase at The Home Depot. The product line will include ovens, refrigerators, freezers, dishwashers and laundry machines. For more information go to www.electrolux.com/press.

Major Appliances Europe, Middle East and Africa

SEKm	2012	2011[1)]
Net sales	34,278	34,029
Operating income	1,142	709
Operating margin, %	3.3	2.1
Net assets	8,408	9,450
Return on net assets, %	12.7	8.1
Capital expenditure	1,011	1,199
Average number of employees	24,479	20,847

1) Operating income for 2011 include non-recurring costs in the amount of SEK 690m, see page 20.

Net sales and operating margin



Market demand for appliances in Europe declined by 1% year-over-year in 2012. Western Europe declined by 2% as a result of weak demand in Southern Europe and the Benelux countries. Demand in Eastern Europe rose by 3%, driven mainly by growth in Russia, while demand declined in the rest of Eastern Europe.

Group sales increased year-over-year, in comparable currencies, as a result of the acquired company Olympic Group, but also as a result of higher sales volumes. Market shares increased somewhat. The launch of the next generation of high-end appliances under the Electrolux brand and the launch of Zanussi products in the mass-market segment, together with the previous launch of AEG products, have all contributed to the development.

Operating income declined compared to 2011, excluding non-recurring costs, as a result of lower sales prices, a deterioration in country mix and negative results in Egypt. The country mix deteriorated as a result of higher sales in Eastern Europe and lower sales in Southern Europe and the Nordic countries.

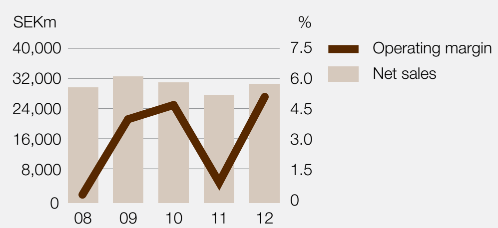
However, increased manufacturing efficiency and cost savings contributed to the operating income.

Major Appliances North America

SEKm	2012	2011[1)]
Net sales	30,684	27,665
Operating income	1,561	250
Operating margin, %	5.1	0.9
Net assets	5,732	5,316
Return on net assets, %	29.3	4.8
Capital expenditure	1,771	700
Average number of employees	11,319	11,174

1) Operating income for 2011 include non-recurring costs in the amount of SEK 15m, see page 20.

Net sales and operating margin



Market demand in North America for core appliances declined by 2% in 2012 compared with the year-earlier period. Market demand for microwave ovens and home-comfort products, such as room air-conditioners increased by 1%. In total, major appliances was unchanged in 2012 year-over year.

Group sales in North America increased in 2012 year-over-year due to higher volumes of core appliances and improvements in price and mix. Sales volumes rose in several of the product categories in core appliances and the Group captured market share.

Operating income improved substantially, mainly as a result of higher sales prices but also due to higher volumes of core appliances.

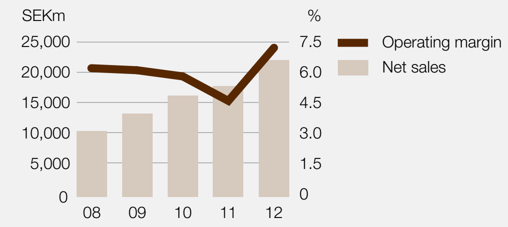
During the fourth quarter of 2012, operations in North America were impacted by extra costs totaling approximately SEK 100m. Costs for warehousing and transportation were temporarily higher as a result of entering new distribution channels. In addition, production costs increased due to the consolidation of cooker production, with manufacturing being relocated from L'Assomption in Quebec, Canada, to Memphis in Tennessee, USA.

These activities will continue to impact operating income in 2013, although to a lesser degree.

Major Appliances Latin America

SEKm	2012	2011
Net sales	22,044	17,810
Operating income	1,590	820
Operating margin, %	7.2	4.6
Net assets	6,700	7,468
Return on net assets, %	22.7	21.2
Capital expenditure	488	526
Average number of employees	13,812	11,537

Net sales and operating margin



Market demand for core appliances in Latin America is estimated to have continued to increase in 2012 year-over-year. Demand for core appliances in Brazil continued to grow mainly as a result of tax incentives for appliances, a program that has been partially extended to June 2013.

Sales for the Latin American operations in 2012 rose year-over-year as a result of continued volume growth and an improved mix. Sales in other Latin American markets outside Brazil increased to about 32% (25) of total sales in 2012, primarily as a result of the acquisition of CTI in Chile.

Operating income improved significantly and was the highest ever recorded. Strong volume growth, higher prices and an improved product and customer mix contributed to the strong results. The strengthening of the US dollar against the Brazilian real had a negative impact on operating income.

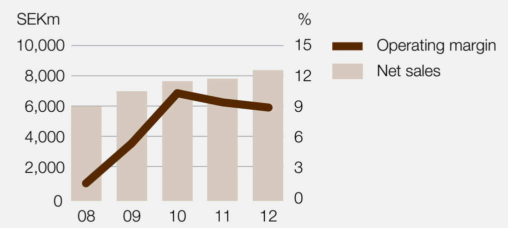
The successful integration of the acquired company CTI in Chile also contributed to the strong results in 2012.

Major Appliances Asia/Pacific

SEKm	2012	2011[1)]
Net sales	8,405	7,852
Operating income	746	736
Operating margin, %	8.9	9.4
Net assets	2,219	2,040
Return on net assets, %	33.3	37.5
Capital expenditure	411	286
Average number of employees	3,313	3,296

1) Operating income for 2011 include non-recurring costs in the amount of SEK 20m, see page 20.

Net sales and operating margin



Australia and New Zealand

Market demand for major appliances in Australia is estimated to have declined in 2012 year-over-year. Group sales decreased during the year, primarily as a result of lower sales volumes and prices and a negative customer mix.

Operating income declined for the full-year 2012, mainly due to declining volumes as a result of a weak market. Lower sales prices also had a negative impact on operating income. Cost savings and favorable currency movements contributed positively to operating income.

Southeast Asia and China

Market demand in Southeast Asia is estimated to have continued showing growth in 2012 year-over-year. Demand in China declined, while Electrolux sales in Southeast Asia and China displayed strong growth and the Group's market shares are estimated to have grown.

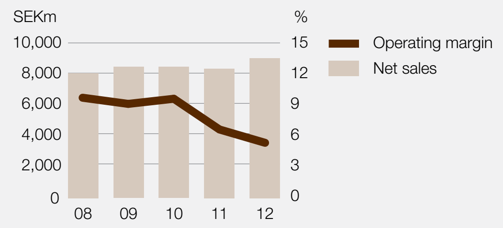
Operations in Southeast Asia demonstrate favorable profitability and the Group's operation in China made a positive contribution to the income trend.

Small Appliances

SEKm	**2012**	2011[1]
Net sales	9,011	8,359
Operating income	473	543
Operating margin, %	5.2	6.5
Net assets	1,519	2,210
Return on net assets, %	24.7	31.1
Capital expenditure	196	118
Average number of employees	2,737	2,572

1) Operating income for 2011 include non-recurring costs in the amount of SEK 45m, see page 20.

Net sales and operating margin



Market demand for vacuum cleaners in Europe and North America declined in 2012 compared with the previous year.

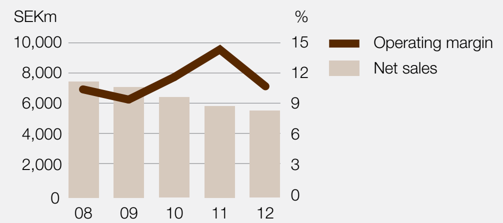
Group sales increased year-over-year, mainly as a result of strong sales growth for small domestic appliances, particularly in Asia/Pacific. Higher sales of vacuum cleaners, mainly driven by promotion activities in North America around Black Friday, also contributed to the rise in sales and the Group captured market shares.

Operating income for the full year 2012 declined year-over-year. The weak markets in Europe and North America had a negative impact on prices and product mix and operating income declined. In addition, increased costs for sourced products adversely impacted income in 2012. The acquired company Somela (CTI) in Chile had a positive impact on results.

Professional Products

SEKm	**2012**	2011
Net sales	5,571	5,882
Operating income	596	841
Operating margin, %	10.7	14.3
Net assets	896	932
Return on net assets, %	69.1	91.8
Capital expenditure	161	287
Average number of employees	2,581	2,581

Net sales and operating margin



Weak market demand in Europe for both professional food-service equipment and laundry equipment had a negative impact on the Group's sales volumes in 2012.

Sales of food-service equipment declined year-over-year due to lower volumes. Operating income declined as a result of lower sales volumes and a negative mix. However, price increases and productivity improvements partly offset the decline in operating income.

Continued investments related to the launch of the new ultra-luxury product range Electrolux Grand Cuisine negatively impacted operating income for 2012.

Sales of professional laundry equipment declined as a result of lower volumes and operating income declined. Price increases and a positive development of the product mix contributed to operating income.

Operating margin for Professional Products remained stable.

Financial position

Net assets and working capital

Electrolux ongoing structural efforts to reduce tied-up capital has contributed to the positive trend in working capital.

Net assets and working capital

SEKm	Dec. 31, **2012**	% of annualized net sales	Dec. 31, 2011	% of annualized net sales
Inventories	12,963	11.3	11,957	10.5
Trade receivables	18,288	15.9	19,226	17.0
Accounts payable	–20,590	–17.9	–18,490	–16.3
Provisions	–8,433		–9,776	
Prepaid and accrued income and expenses	–7,467		–6,598	
Taxes and other assets and liabilities	–1,647		–1,499	
Working capital	**–6,886**	**–6.0**	**–5,180**	**–4.6**
Property, plant and equipment	16,693		15,613	
Goodwill	5,541		6,008	
Other non-current assets	8,003		8,717	
Deferred tax assets and liabilities	2,158		1,853	
Net assets	**25,509**	**22.2**	**27,011**	**23.8**
Average net assets	26,543	24.1	22,091	21.7
Return on net assets, %	15.6		13.7	
Return on net assets, excluding items affecting comparability, %	18.8		13.5	

Average net assets have been impacted by the acquired companies Olympic Group in Egypt, and CTI in Chile. Adjusted for items affecting comparability, i.e., restructuring provisions, average net assets increased to SEK 27,585m (23,354), corresponding to 25.1% (23.0) of net sales.

- Equity/assets ratio was 28.8% (30.1).
- Return on equity was 13.3% (10.4).
- Efforts to reduce working capital have contributed to a solid balance sheet.
- Net assets have been impacted by the acquired companies Olympic Group and CTI.
- Net borrowings amounted to SEK –5,685m (–6,367).

Change in net assets

SEKm	Net assets
January 1, 2012	**27,011**
Change in restructuring provisions	318
Write-down of assets	–175
Changes in exchange rates	–1,412
Capital expenditure	4,090
Depreciation	–3,251
Other changes in fixed assets and working capital, etc.	–1,072
December 31, 2012	**25,509**

Liquid funds

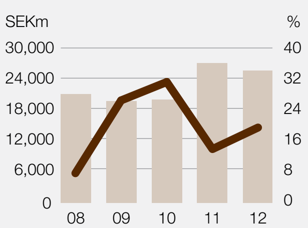
Liquidity profile

SEKm	Dec. 31, **2012**	Dec. 31, 2011
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 annual yield, %	2.1	3.6

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

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

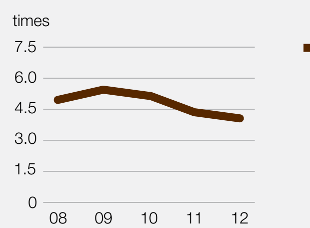
Net assets



Net assets as of December 31, 2012, amounted to SEK 25,509m. Return on net assets, increased to 18.8% (13.5).

1) Excl. items affecting comparability.

Capital turnover-rate



Capital turnover-rate declined to 4.0 (4.3).

Consolidated balance sheet

SEKm	Note	December 31, **2012**	December 31, 2011
Assets			
Non-current assets			
Property, plant and equipment	12	16,693	15,613
Goodwill	13	5,541	6,008
Other intangible assets	13	5,079	5,146
Investments in associates	29	16	18
Deferred tax assets	10	3,306	2,980
Financial assets	18	552	517
Other non-current assets	14	2,356	3,036
Total non-current assets		**33,543**	**33,318**
Current assets			
Inventories	15	12,963	11,957
Trade receivables	17,18	18,288	19,226
Tax assets		609	666
Derivatives	18	184	252
Other current assets	16	3,607	3,662
Short-term investments	18	123	337
Cash and cash equivalents	18	6,835	6,966
Total current assets		**42,609**	**43,066**
Total assets		**76,152**	**76,384**
Equity and liabilities			
Equity attributable to equity holders of the Parent Company			
Share capital	20	1,545	1,545
Other paid-in capital	20	2,905	2,905
Other reserves	20	–1,146	324
Retained earnings	20	16,479	15,761
		19,783	**20,535**
Non-controlling interests		41	109
Total equity		**19,824**	**20,644**
Non-current liabilities			
Long-term borrowings	18	10,005	9,639
Deferred tax liabilities	10	1,148	1,127
Provisions for post-employment benefits	22	1,736	2,111
Other provisions	23	4,551	5,300
Total non-current liabilities		**17,440**	**18,177**
Current liabilities			
Accounts payable	18	20,590	18,490
Tax liabilities		1,287	1,717
Other liabilities	24	11,829	10,497
Short-term borrowings	18	2,795	4,170
Derivatives	18	241	324
Other provisions	23	2,146	2,365
Total current liabilities		**38,888**	**37,563**
Total liabilities		**56,328**	**55,740**
Total equity and liabilities		**76,152**	**76,384**
Pledged assets	19	**78**	**94**
Contingent liabilities	25	**1,610**	**1,276**

Liquid funds as of December 31, 2012, amounted to SEK 7,403m (7,839), excluding short-term back-up credit facilities. Electrolux has two unused committed back-up credit facilities. One EUR 500m multi-currency revolving credit facility, approximately SEK 4,200m, maturing 2016 with extension options for up to two more years and a credit facility of SEK 3,400m maturing 2017.

Net borrowings

Net borrowings

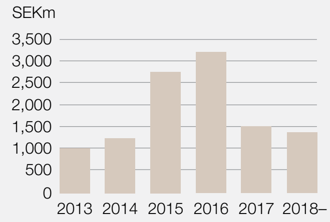
SEKm	Dec. 31, **2012**	Dec. 31, 2011
Borrowings	13,088	14,206
Liquid funds	7,403	7,839
Net borrowings	**5,685**	**6,367**
Net debt/equity ratio	0.29	0.31
Equity	**19,824**	**20,644**
Equity per share, SEK	69.28	72.52
Return on equity, %	13.3	10.4
Equity/assets ratio, %	28.8	30.1

Net borrowings declined to SEK 5,685m (6,367). Net borrowings have been positively impacted by the strong cash flow from operations and working capital. During 2012, SEK 3,063m in long-term borrowings were amortized and new long-term borrowings were raised with SEK 2,569m.

Long-term borrowings as of December 31, 2012, including long-term borrowings with maturities within 12 months, amounted to SEK 11,005m with average maturity of 3.1 years, compared to SEK 11,669m and 3.0 years at the end of 2011. During 2013 and 2014, long-term borrowings in the amount of approximately SEK 2,200m will mature.

The Group's goal for long-term borrowings includes an average time to maturity of at least two years, an even spread of maturities, and an average interest-fixing period of one year. At year-end, the average interest-fixing period for long-term borrowings was 1.4 year (1.2).

Long-term borrowings, by maturity



In 2013 and 2014, long-term borrowings in the amount of approximately SEK 2,200m will mature. For information on borrowings, see Note 18.

At year-end, the average interest rate for the Group's total interest-bearing borrowings was 3.9% (3.7).

Rating

Electrolux has investment-grade ratings from Standard & Poor's. In 2010, the investment-grade rating for the long-term debt was upgraded from BBB to BBB+.

Rating

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

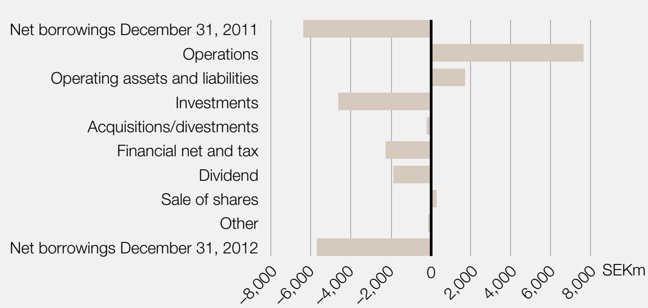
Net debt/equity and equity/assets ratio

The net debt/equity ratio was 0.29 (0.31). The equity/assets ratio decreased to 28.8% (30.1).

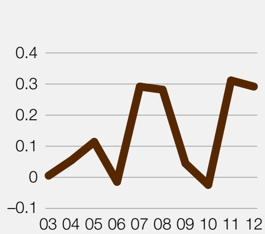
Equity and return on equity

Total equity as of December 31, 2012, amounted to SEK 19,824m (20,644), which corresponds to SEK 69.28 (72.52) per share. Return on equity was 13.3% (10.4).

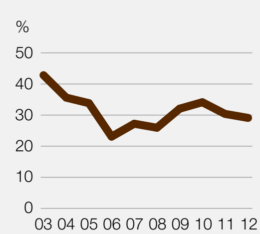
Cash flow and change in net borrowings



Net debt/equity ratio



Equity/assets ratio



Change in consolidated equity

SEKm	Attributable to equity holders of the Parent Company: Share capital	Other paid-in capital	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
Opening balance, January 1, 2011	**1,545**	**2,905**	**636**	**15,527**	**20,613**	**—**	**20,613**
Income for the period	**—**	**—**	**—**	**2,064**	**2,064**	**—**	**2,064**
Available for sale instruments	—	—	–91	—	–91	—	–91
Cash flow hedges	—	—	111	—	111	—	111
Exchange-rate differences on translation of foreign operations	—	—	–228	—	–228	5	–223
Income tax relating to other comprehensive income	—	—	–104	—	–104	—	–104
Other comprehensive income, net of tax	**—**	**—**	**–312**	**—**	**–312**	**5**	**–307**
Total comprehensive income for the period	**—**	**—**	**–312**	**2,064**	**1,752**	**5**	**1,757**
Share-based payment	—	—	—	29	29	—	29
Sale of shares	—	—	—	—	—	—	—
Dividend SEK 6.50 per share	—	—	—	–1,850	–1,850	—	–1,850
Acquisition of non-controlling interests	—	—	—	–9	–9	105	96
Dividend to non-controlling interests	—	—	—	—	—	–1	–1
Total transactions with equity holders	**—**	**—**	**—**	**–1,830**	**–1,830**	**104**	**–1,726**
Closing balance, December 31, 2011	**1,545**	**2,905**	**324**	**15,761**	**20,535**	**109**	**20,644**
Income for the period	**—**	**—**	**—**	**2,596**	**2,596**	**3**	**2,599**
Available for sale instruments	—	—	23	—	23	—	23
Cash-flow hedges	—	—	34	—	34	—	34
Exchange-rate differences on translation of foreign operations	—	—	–1,525	—	–1,525	–7	–1,532
Income tax relating to other comprehensive income	—	—	–2	—	–2	—	–2
Other comprehensive income, net of tax	**—**	**—**	**–1,470**	**—**	**–1,470**	**–7**	**–1,477**
Total comprehensive income for the period	**—**	**—**	**–1,470**	**2,596**	**1,126**	**–4**	**1,122**
Share-based payment	—	—	—	–141	–141	—	–141
Sale of shares	—	—	—	212	212	—	212
Dividend SEK 6.50 per share	—	—	—	–1,860	–1,860	—	–1,860
Acquisition of non-controlling interests	—	—	—	–89	–89	–64	–153
Dividend to non-controlling interests	—	—	—	—	—	—	—
Total transactions with equity holders	**—**	**—**	**—**	**–1,878**	**–1,878**	**–64**	**–1,942**
Closing balance, December 31, 2012	**1,545**	**2,905**	**–1,146**	**16,479**	**19,783**	**41**	**19,824**

For additional information on share capital, number of shares and earnings per share, see Note 20.

For information on the balance of each item of other comprehensive income within other reserves, see Note 11.

Cash flow

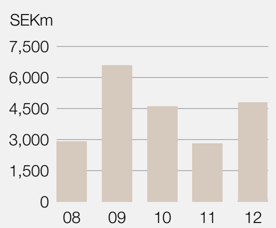
Operating cash flow

Cash flow from operations in 2012 far exceeded the level in the preceding year and amounted to SEK 7,155m (5,399). The improvement in operating income and the Group's ongoing structural efforts to reduce tied-up capital has contributed to the strong cash flow.

Payments for the ongoing restructuring and cost-cutting programs amounted to approximately SEK –495m in 2012.

- Cash flow was positively impacted by improved earnings and changes in working capital.
- Capital expenditure increased and amounted to SEK 4,090m (3,163).
- R&D costs amounted to 1.9% (2.0) of net sales.

Operating cash flow



Cash flow from operations and investments excluding financial items, taxes, acquisitions and divestments improved to SEK 4,779m (2,745).

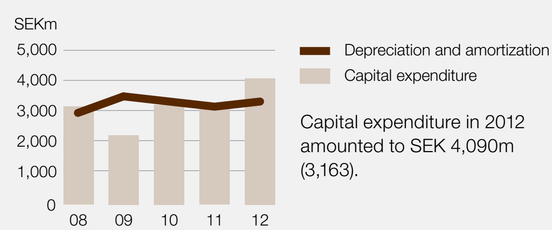
Capital expenditure, by business area

SEKm	**2012**	2011
Major Appliances		
Europe, Middle East and Africa	1,011	1,199
% of net sales	2.9	3.5
North America	1,771	700
% of net sales	5.8	2.5
Latin America	488	526
% of net sales	2.2	3.0
Asia/Pacific	411	286
% of net sales	4.9	3.6
Small Appliances	196	118
% of net sales	2.2	1.4
Professional Products	161	287
% of net sales	2.9	4.9
Other	52	47
Total	**4,090**	**3,163**
% of net sales	3.7	3.1

Capital expenditure

Capital expenditure in property, plant and equipment in 2012 amounted to SEK 4,090m (3,163). Capital expenditure corresponded to 3.7% (3.1) of net sales. Investments in 2012 mainly related to investments within manufacturing facilities for efficiencies, new products and production capacity. Major projects include the cooker plant in Memphis, Tennessee, USA, and the new plant for refrigerators and freezers in Rayong, Thailand, for the Southeast Asian markets. The cooker plant in Memphis is receiving investment support from state authorities.

Capital expenditure



Capital expenditure in 2012 amounted to SEK 4,090m (3,163).

Costs for R&D

Costs for research and development in 2012, including capitalization of SEK 477m (374), amounted to SEK 2,128m (2,043), corresponding to 1.9% (2.0) of net sales.

For definitions, see Note 30.

Consolidated cash flow statement

SEKm	Note	2012	2011
Operations			
Operating income		4,150	3,017
Depreciation and amortization		3,251	3,173
Capital gain/loss included in operating income		–52	–207
Restructuring provisions		457	110
Share-based compensation		–141	29
Financial items paid, net		–673	–214
Taxes paid		–1,564	–1,625
Cash flow from operations, excluding change in operating assets and liabilities		**5,428**	**4,283**
Change in operating assets and liabilities			
Change in inventories		–1,710	269
Change in trade receivables		–119	244
Change in other current assets		–123	200
Change in accounts payable		3,086	1,379
Change in operating liabilities and provisions		593	–976
Cash flow from change in operating assets and liabilities		**1,727**	**1,116**
Cash flow from operations		**7,155**	**5,399**
Investments			
Acquisition of operations	26	–164	–6,377
Divestment of operations	26	—	821
Capital expenditure in property, plant and equipment	12	–4,090	–3,163
Capital expenditure in product development	13	–477	–374
Capital expenditure in computer software	13	–574	–744
Other[1)]		528	–212
Cash flow from investments		**–4,777**	**–10,049**
Cash flow from operations and investments		**2,378**	**–4,650**
Financing			
Change in short-term investments		206	1,444
Change in short-term borrowings		–325	–619
New long-term borrowings	18	2,569	3,503
Amortization of long-term borrowings	18	–3,063	–1,161
Dividend		–1,868	–1,850
Sale of shares		212	—
Cash flow from financing		**–2,269**	**1,317**
Total cash flow		**109**	**–3,333**
Cash and cash equivalents at beginning of period		**6,966**	**10,389**
Exchange-rate differences referring to cash and cash equivalents		–240	–90
Cash and cash equivalents at end of period		**6,835**	**6,966**

1) Includes grants related to investments of SEK 654m.

Structural changes

Optimizing manufacturing foot-print

Since 2004, Electrolux has initiated restructuring measures to make the Group's production competitive in the long term. Electrolux has established new production centers to support strategic growth areas in Asia, Mexico, Latin America, Eastern Europe and North Africa. About 35% of production has been moved. 19 factories have been closed and nine new factories have been built. Through the acquisitions of Olympic Group and CTI, manufacturing units have been added in Egypt and Latin America. At the same time as these units were integrated into the other operations, new measures were taken in the Group during 2012 in the area of manufacturing, see below.

In Memphis, Tennessee, USA, a new cooking plant is being built and production is being relocated from other plants in the region. The new refrigerator plant in Rayong, Thailand, which will satisfy the growing demand in Southeast Asia and China, was completed at the end of 2012.

Adapting manufacturing foot-print in Europe

In 2012, Electrolux continued the work to increase production competitiveness by optimizing its industrial production system, as communicated at the Capital Markets Day in November 2011.

Several activities were initiated within the business area Major Appliances Europe, Middle East and Africa. Total costs are estimated to approximately SEK 927m, which were charged against operating income within items affecting comparability in the fourth quarter of 2012.

Additional costs of SEK 105m for pensions related to the closure of the cooker plant in L'Assomption, Canada, were charged to operating income within items affecting comparability in the fourth quarter of 2012. The decision to discontinue production in L´Assomption was made in the fourth quarter of 2010 and costs were charged as items affecting comparability, see table below.

Items affecting comparability

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

Non-recurring items in 2011

As a result of the weak market conditions in Electrolux core markets in 2011, the Group took actions to improve cost efficiency, and a number of cost-savings activities were implemented. Activities to reduce staffing levels in all regions were initiated in the fourth quarter of 2011 and continued in 2012.

Non-recurring costs for these activities were charged to operating income in 2011 in the amount of SEK 635m. In addition, non-recurring historical WEEE[1] related costs in Hungary for the period 2005 to 2007 amounting to SEK 190m were charged to operating income, see table below.

Non recurring costs

SEKm	2011
Reduction of staffing levels, Europe	500
WEEE related costs in Europe	190
Reduction of staffing levels, North America	15
Reduction of staffing levels, Asia/Pacific	20
Reduction of staffing levels, Small Appliances	45
Reduction of staffing levels, Group functions	55
Total	**825**

1) Producer responsibility related to Waste Electrical and Electronic Equipment (WEEE).

Relocation of production, items affecting comparability, restructuring measures 2007–2013

Plant closures and cutbacks			Closed
Torsvik	Sweden	Compact appliances	Q1 2007
Nuremberg	Germany	Dishwashers, washing machines and dryers	Q1 2007
Adelaide	Australia	Dishwashers	Q2 2007
Fredericia	Denmark	Cookers	Q4 2007
Adelaide	Australia	Washing machines	Q1 2008
Spennymoor	UK	Cookers	Q4 2008
Changsha	China	Refrigerators	Q1 2009
Scandicci	Italy	Refrigerators	Q2 2009
St. Petersburg	Russia	Washing machines	Q2 2010
Motala	Sweden	Cookers	Q1 2011
Webster City	USA	Washing machines	Q1 2011
Alcalà	Spain	Washing machines	Q1 2011

Authorized closures			Estimated closure
L'Assomption	Canada	Cookers	Q4 2013

Investments			Start
Porcia	Italy	Washing machines	Q4 2010
Memphis	USA	Cookers	Q2 2012

In 2004, Electrolux initiated a restructuring program to make the Group's production competitive in the long term. This program is in its final phase and has so far yielded annual savings of about SEK 3.2 billion. In 2011, additional measures were presented to further adapt capacity in mature markets to lower demand and savings were estimated to approximately SEK 1.6 billion as of 2016. Total costs for all measures are approximately SEK 12 billion, of which approximately SEK 9 billion has been charged to operating income. Restructuring provisions and write-downs are reported as items affecting comparability within operating income.

Share capital and ownership

Share capital and ownership structure

As of January 31, 2013, the share capital of AB Electrolux amounted to SEK 1,545m, corresponding to 308,920,308 shares. The share capital of Electrolux consists of Class A shares and Class B shares. An A share entitles the holder to one vote and a B share to one-tenth of a vote. All shares entitle the holder to the same proportion of assets and earnings and carry equal rights in terms of dividends. In accordance with the Swedish Companies Act, the Articles of Association of Electrolux also provide for specific rights of priority for holders of different types of shares, in the event that the company issues new shares or certain other instruments.

According to Electrolux Articles of Association, owners of Class A shares have the right to have such shares converted to Class B shares. The purpose of the conversion clause is to give holders of Class A shares an opportunity to achieve improved liquidity in their shareholdings. Conversion reduces the total number of votes in the company. In 2012, no shareholder has requested conversion of shares.

The total number of registered shares in the company amounts to 308,920,308 shares, of which 8,212,725 are Class A shares and 300,707,583 are Class B shares, see table on page 22. The total number of votes amounts to 38,283,483.

Major shareholders

	Share capital, %	Voting rights, %
Investor AB	15.5	29.9
Alecta Pension Insurance	5.5	5.6
Swedbank Robur Funds	4.6	3.7
Norges Bank Investment Management	2.3	1.9
SEB Funds	1.8	1.5
AMF Insurance & Funds	1.7	1.4
SHB funds	1.5	1.2
Second Swedish National Pension Fund	1.1	0.9
Unionen	1.0	0.8
Fourth Swedish National Pension Fund	0.9	0.7
Total, ten largest shareholders	**35.9**	**47.6**
Board of Directors and Group Management, collectively	0.11	0.09

Source: SIS Ägarservice as of December 31, 2012.

According to the register of Euroclear Sweden, there were approximately 51,775 shareholders in AB Electrolux as of December 31, 2012. Investor AB is the largest shareholder, owning 15.5% of the share capital and 29.9% of the voting rights. Information on the shareholder structure is updated quarterly at www.electrolux.com.

One of the Group's pension funds owned 450,000 Class B shares in AB Electrolux as of January 31, 2013.

Articles of Association

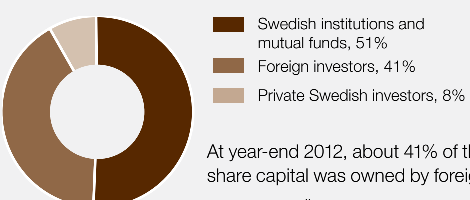
AB Electrolux Articles of Association stipulate that the Annual General Meeting (AGM) shall always resolve on the appointment of the members of the Board of Directors. Apart from that, the articles do not include any provisions for appointing or dismissing members of the Board of Directors or for changing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

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

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

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

Ownership structure



At year-end 2012, about 41% of the total share capital was owned by foreign investors.

Source: SIS Ägarservice as of December 31, 2012.

Distribution of shareholdings

Shareholding	Ownership, %	Number of shareholders	As % of shareholders
1–1,000	3.7	45,827	88.5
1,001–10,000	4.4	5,163	10.0
10,001–20,000	1.2	251	0.5
20,001–	90.7	536	1.0
Total	**100**	**51,777**	**100**

Source: SIS Ägarservice as of December 31, 2012.

Distribution of funds to shareholders

Proposed dividend

The Board of Directors proposes a dividend for 2012 of SEK 6.50 (6.50) per share, for a total dividend payment of approximately SEK 1,860m (1,860). The proposed dividend corresponds to approximately 55% (85) of income for the period, excluding items affecting comparability. Tuesday, April 2, 2013, is proposed as record date for the dividend.

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

Acquisition of own shares

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

In accordance with the proposal by the Board of Directors, the AGM 2012 decided to authorize the Board for the period until the 2013 AGM to resolve on acquisitions of shares in the company and that the company may acquire as a maximum so many Class B shares that, following each acquisition, the company holds at a maximum 10% of all shares issued by the company.

Proposal for a renewed mandate on acquisition of own shares

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

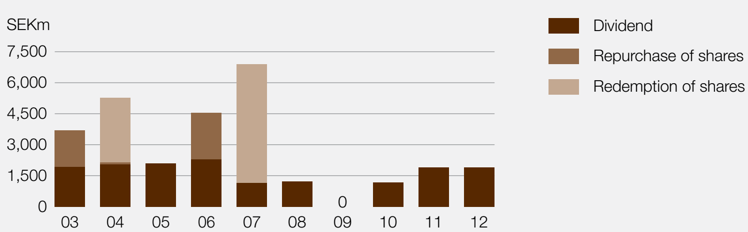
The Board of Directors proposes that the AGM 2013 resolves on a renewed mandate to repurchase own shares equivalent to the previous mandate.

As of January 31, 2013, Electrolux holds 22,785,490 Class B shares in Electrolux, corresponding to 7.4% of the total number of shares in the company.

Number of shares

	Outstanding A shares	Outstanding B shares	Outstanding shares, total	Shares held by Electrolux	Shares held by other shareholders
Number of shares as of January 1, 2012	**8,212,725**	**300,707,583**	**308,920,308**	**24,255,085**	**284,665,223**
Sale of shares	—	—	—	–1,469,595	1,469,595
Conversion of Class A shares into Class B shares	—	—	—	—	—
Total number of shares as of December 31, 2012	**8,212,725**	**300,707,583**	**308,920,308**	**22,785,490**	**286,134,818**
As % of total number of shares				**7.4**	**92.6**

Total distribution to shareholders



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

Risks and uncertainty factors

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

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

Risks and uncertainty factors

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

Variations in demand

Demand for appliances is affected by the general business cycle. A deterioration in these conditions may lead to lower sales volumes as well as a shift of demand to low-price products, which generally have lower margins. Utilization of production capacity may also decline in the short term. In 2012, demand declined in the Group's core markets, while demand increased in growth markets as Latin America and Asia. The global economic trend is an uncertainty factor in terms of the development in the future.

Price competition

Most of the markets in which Electrolux operates features strong price competition. Some of Electrolux markets experienced strong price pressure during 2012. The Group's strategy is based on innovative products and brand-building, and is aimed, among other things, at minimizing and offsetting price competition for its products. A continued downturn in market conditions involves a risk of increasing price competition.

Changes in prices for raw materials and components

The raw materials to which the Group is mainly exposed comprise steel, plastics, copper and aluminum. Market prices of raw materials declined in the first half of 2012. Bilateral agreements are used to manage price risks. To some extent, raw materials are purchased at spot prices. There is considerable uncertainty regarding trends for the prices of raw materials.

Exposure to customers and suppliers

Electrolux has a comprehensive process for evaluating credits and tracking the financial situation of retailers. Management of credits as well as responsibility and authority for approving credit decisions are regulated by the Group's credit policy. Credit insurance is used in specific cases to reduce credit risks. The weak trend in the major Electrolux markets in 2012 impacted the Group's retailers who experienced difficult trading conditions.

Access to financing

The Group's loan-maturity profile for 2013 and 2014 represents maturities of approximately SEK 2,200m in long-term borrowings.

In addition, Electrolux has two unused committed back-up credit facilities. One EUR 500m multi-currency revolving credit facility, approximately SEK 4,200m, maturing 2016 with extension options for up to two more years and a credit facility of SEK 3,400m maturing 2017.

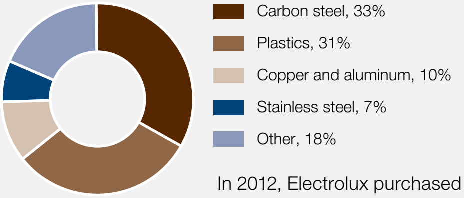
Risks, risk management and risk exposure are described in more detail in Note 1 Accounting principles, Note 2 Financial risk management and in Note 18 Financial instruments.

Sensitivity analysis 2012

Risk	Change	Pre-tax earnings impact, SEKm
Raw materials		
Steel	10%	+/–800
Plastics	10%	+/–600
Currencies[1] and interest rates		
USD/SEK	–10%	+650
EUR/SEK	–10%	+590
BRL/SEK	–10%	–380
AUD/SEK	–10%	–220
GBP/SEK	–10%	–180
Interest rate	1 percentage point	+/–50

1) Includes translation and transaction effects.

Raw-materials exposure 2012



In 2012, Electrolux purchased raw materials for approximately SEK 20 billion. Purchases of steel accounted for the largest cost.

Employees

Electrolux corporate culture

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

The employees' passion for innovation, their consumer obsession and motivation to achieve results set Electrolux apart. Respect, diversity, integrity, ethics, safety and the environment are at the core of all employee actions when they interact with customers and colleagues around the globe.

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

During 2012, an ethics-training program and the implementation of a whistleblowing system – the Electrolux Ethics Helpline – continued. The implementation will continue throughout the Group during 2013.

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

Code of Conduct

The Group has a Code of Conduct that defines high employment standards for all Electrolux employees in all countries and business sectors. It incorporates issues such as child and forced labor, health and safety, workers' rights and environmental compliance. Key policies in this context include the Electrolux Code of Ethics, the Electrolux Workplace Code of Conduct, the Electrolux Policy on Corruption and Bribery and Environmental Policy.

Number of employees

The average number of employees increased in 2012 to 59,478 (52,916), of whom 2,049 (2,184) were in Sweden. At year-end, the total number of employees increased to 60,590 (57,860) on the basis of acquisitions.

Salaries and remuneration in 2012 amounted to SEK 13,785m (13,137), of which SEK 1,080m (1,076) refers to Sweden.

Proposal for remuneration guidelines for Group Management

The Board of Directors will propose the following guidelines for remuneration to and other terms of employment for the President and CEO and other members of Group Management of Electrolux to the Annual General Meeting (AGM) 2013. Group Management currently comprises thirteen executives. The proposed guidelines for 2013 are essentially in accordance with the guidelines approved by the AGM in 2012.

The principles shall be applied for employment agreements entered into after the AGM in 2013 and for changes made to existing employment agreements thereafter.

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

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

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

Fixed compensation

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

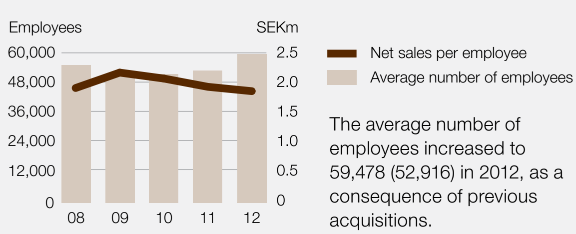
Variable compensation

Following the 'pay for performance' principle, variable compensation shall represent a significant portion of the total compensation opportunity for Group Management. Variable compensation shall

Number of employees

Number of employees in 2011	**57,860**
Number of employees in acquired operations	—
Restructuring programs	–460
Other changes	3,190
Number of employees in 2012	**60,590**

Employees



The average number of employees increased to 59,478 (52,916) in 2012, as a consequence of previous acquisitions.

always be measured against pre-defined targets and have a maximum above which no pay-out shall be made.

The targets shall principally relate to financial performance.

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

Short Term Incentive (STI)

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

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

STI payments for 2013 are estimated[1)] to range between no pay-out at minimum level and SEK 57.8m (excluding social costs) at maximum level.

Long Term Incentive (LTI)

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

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

Proposal for performance-based long-term share program 2013

The Board of Directors will present a proposal to the AGM in 2013 for a performance-based long-term share program in 2013. The proposed program will include performance targets for the Group established by the Board for (i) earnings per share, (ii) return on net assets and (iii) organic sales growth, for the 2013 financial year. The proposed program will include up to 225 senior managers and key employees. Allocation of performance-based shares, if any, will take place in 2016. Details of the program will be included in the information for the AGM 2013.

Cost for the proposed program 2013 are estimated[1)] to a maximum of SEK 254m (including social costs).

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

Extraordinary arrangements

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

Cost for extraordinary arrangements during 2013 equals to SEK 6m (excluding social costs). Extraordinary arrangements which have not yet been paid out are estimated to amount to approximately SEK 6m (excluding social costs).

Pension and benefits

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

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

Notice of termination and severance pay

The notice period shall be twelve months if the Group takes the initiative and six months if the Group Management member takes the initiative.

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

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

Deviations from the guidelines

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

Other facts

February 1, 2013. Electrolux acquires its head office in Stockholm

Electrolux has acquired its head office building with associated grounds at S:t Göransgatan in Stockholm, Sweden. The purchase price was SEK 1,145m and possession took place on February 1, 2013.

The purpose of the acquisition is to secure access to office space in central Stockholm. Electrolux has made extensive investments in the building for, e.g., the Group's design and product development operations.

Electrolux aim is to find an alternative ownership structure for the real estate as soon as possible.

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.

Environmental activities

At the end of 2012, Electrolux operated 58 manufacturing facilities in 19 countries. Manufacturing comprises mainly assembly of components made by suppliers. Other processes include metalworking, molding of plastics, painting and enameling.

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

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

Mandatory permits and notification in Sweden and elsewhere

Electrolux operates three plants in Sweden, which account for approximately 2% of the total value of the Group's production. Permits are required by authorities for two of these plants and are also required to submit notification. The permits cover such areas as thresholds or maximum permissible values for air- and water-borne emissions and noise. No significant non-compliance with Swedish environmental legislation was reported in 2012.

Manufacturing units in other countries adjust their operations, apply for necessary permits and report to the authorities in accordance with local legislation. The Group follows a precautionary principle with reference to both acquisitions of new plants and continuous operations. Potential non-compliance, disputes or items that pose a material financial risk are reported to Group level in accordance with Group policy. No such significant item was reported in 2012.

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

Parent Company income statement

Income statement

SEKm	Note	2012	2011
Net sales		**6,125**	**6,660**
Cost of goods sold	1	–4,638	–5,023
Gross operating income		**1,487**	**1,637**
Selling expenses		–1,297	–1,109
Administrative expenses		–469	–295
Other operating income	5	293	298
Other operating expenses	6	–38	–10
Operating income		**–24**	**521**
Financial income	9	2,137	2,727
Financial expenses	9	–1,001	–344
Financial items, net		**1,136**	**2,383**
Income after financial items		**1,112**	**2,904**
Appropriations	21	16	32
Income before taxes		**1,128**	**2,936**
Taxes	10	–9	–191
Income for the period		**1,119**	**2,745**

Total comprehensive income for the period

SEKm	Note	2012	2011
Income for the period		**1,119**	**2,745**
Other comprehensive income			
Available for sale instruments		26	–91
Cash flow hedges		13	–23
Income tax relating to other comprehensive income		–5	6
Other comprehensive income, net of tax		**34**	**–108**
Total comprehensive income for the period		**1,153**	**2,637**

The Parent Company comprises the functions of the Group's head office, as well as five companies operating on a commission basis for AB Electrolux.

Net sales for the Parent Company in 2012 amounted to SEK 6,125m (6,660), of which SEK 2,959m (3,266) related to sales to Group companies and SEK 3,166m (3,394) to external customers. The majority of the Parent Company's sales was made within Europe. After appropriations of SEK 16m (32) and taxes of SEK –9m (–191), income for the period amounted to SEK 1,119m (2,745).

Non-restricted equity in the Parent Company at year-end amounted to SEK 15,269m.

Net financial exchange-rate differences during the year amounted to SEK –88m (247).

These differences in Group income do not normally generate any effect, as exchange-rate differences are offset against translation differences, i.e., the change in other comprehensive income arising from the translation of net assets in foreign subsidiaries to SEK at year-end rates.

Group contributions in 2012 amounted to SEK 164m (165). Group contributions and the income tax related to group contributions are reported in the income statement. Income tax related to cash flow hedges reported in other comprehensive income amounts to SEK –5m (6).

As from 2013, the main financial flows for the business area Major Appliances Europe, Middle East and Africa will be included in the Parent Company's reporting, which will affect the financial statements significantly.

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

Parent Company balance sheet

SEKm	Note	December 31, 2012	December 31, 2011
Assets			
Non-current assets			
Intangible assets	13	1,932	1,828
Property, plant and equipment	12	258	272
Deferred tax assets		213	125
Financial assets	14	31,033	31,022
Total non-current assets		**33,436**	**33,247**
Current assets			
Inventories	15	61	51
Receivables from subsidiaries		12,500	10,841
Trade receivables		613	558
Tax-refund claim		141	—
Derivatives with subsidiaries		355	658
Derivatives		183	235
Other receivables		67	68
Prepaid expenses and accrued income		102	126
Short-term investments		—	90
Cash and bank		1,986	2,206
Total current assets		**16,008**	**14,833**
Total assets		**49,444**	**48,080**
Equity and liabilities			
Equity			
Restricted equity			
Share capital	20	1,545	1,545
Statutory reserve		3,017	3,017
		4,562	**4,562**
Non-restricted equity			
Retained earnings		14,150	13,193
Income for the period		1,119	2,745
		15,269	**15,938**
Total equity		**19,831**	**20,500**
Untaxed reserves	21	**581**	**597**
Provisions			
Provisions for pensions and similar commitments	22	578	395
Other provisions	23	519	337
Total provisions		**1,097**	**732**
Non-current liabilities			
Bond loans		6,830	6,168
Other non-current loans		2,743	3,052
Total non-current liabilities		**9,573**	**9,220**
Current liabilities			
Payable to subsidiaries		15,191	12,338
Accounts payable		555	597
Tax liabilities		—	181
Other liabilities		99	107
Short-term borrowings		1,049	2,056
Derivatives with subsidiaries		459	627
Derivatives		220	314
Accrued expenses and prepaid income	24	789	811
Total current liabilities		**18,362**	**17,031**
Total liabilities and provisions		**29,032**	**26,983**
Total liabilities, provisions and equity		**49,444**	**48,080**
Pledged assets	19	**—**	**5**
Contingent liabilities	25	**1,692**	**1,428**

Parent Company change in equity

SEKm	Restricted equity: Share capital	Restricted equity: Statutory reserve	Non-restricted equity: Fair value reserve	Non-restricted equity: Retained earnings	Total equity
Opening balance, January 1, 2011	**1,545**	**3,017**	**97**	**14,992**	**19,651**
Income for the period	**—**	**—**	**—**	**2,745**	**2,745**
Available for sale instruments	—	—	–91	—	–91
Cash-flow hedges	—	—	–23	—	–23
Income tax relating to other comprehensive income	—	—	6	—	6
Other comprehensive income, net of tax	**—**	**—**	**–108**	**—**	**–108**
Total comprehensive income for the period	**—**	**—**	**–108**	**2,745**	**2,637**
Share-based payment	—	—	—	62	62
Dividend SEK 6.50 per share	—	—	—	–1,850	–1,850
Total transactions with equity holders	**—**	**—**	**—**	**–1,788**	**–1,788**
Closing balance, December 31, 2011	**1,545**	**3,017**	**–11**	**15,949**	**20,500**
Income for the period	**—**	**—**	**—**	**1,119**	**1,119**
Available for sale instruments	—	—	26	—	26
Cash-flow hedges	—	—	13	—	13
Income tax relating to other comprehensive income	—	—	–5	—	–5
Other comprehensive income, net of tax	**—**	**—**	**34**	**—**	**34**
Total comprehensive income for the period	**—**	**—**	**34**	**1,119**	**1,153**
Share-based payment	—	—	—	–174	–174
Sale of shares	—	—	—	212	212
Dividend SEK 6.50 per share	—	—	—	–1,860	–1,860
Total transactions with equity holders	**—**	**—**	**—**	**–1,822**	**–1,822**
Closing balance, December 31, 2012	**1,545**	**3,017**	**23**	**15,246**	**19,831**

Parent Company cash flow statement

SEKm	**2012**	2011
Operations		
Income after financial items	1,112	2,904
Depreciation and amortization	220	265
Capital gain/loss included in operating income	2	–31
Share-based compensation	–157	11
Taxes paid	–424	–285
Cash flow from operations, excluding change in operating assets and liabilities	**753**	**2,864**
Change in operating assets and liabilities		
Change in inventories	–10	89
Change in trade receivables	–55	–154
Change in current intra-group balances	–1,368	934
Change in other current assets	77	270
Change in other current liabilities and provisions	199	–176
Cash flow from operating assets and liabilities	**–1,157**	**963**
Cash flow from operations	**–404**	**3,827**
Investments		
Change in shares and participations	–185	–3,661
Capital expenditure in intangible assets	–266	–402
Capital expenditure in property, plant and equipment	–54	–81
Other	207	–789
Cash flow from investments	**–298**	**–4,933**
Total cash flow from operations and investments	**–702**	**–1,106**
Financing		
Change in short-term investments	90	908
Change in short-term borrowings	–368	–56
Change in intra-group borrowings	2,693	–3,519
New long-term borrowings	2,802	3,495
Amortization of long-term borrowings	–3,087	–960
Dividend	–1,860	–1,850
Sale of shares	212	28
Cash flow from financing	**482**	**–1,954**
Total cash flow	**–220**	**–3,060**
Liquid funds at beginning of year	**2,206**	**5,266**
Liquid funds at year-end	**1,986**	**2,206**

Notes

Notes

Note 1 Accounting and valuation principles

Basis of preparation

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

Cont. Note 1

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.

Cont. Note 1

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

Cont. Note 1

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 improve-ments	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]	2011[1]
	Carrying amount	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.

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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.

Note 26 Acquired and divested operations

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.

Proposed distribution of earnings

	'000 SEK
The Board of Directors proposes that income for the period and retained earnings be distributed as follows:	**15,269,641**
A dividend to the shareholders of SEK 6.50 per share[1], totaling	**1,859,876**
To be carried forward	13,409,765
Total	**15,269,641**

1) Calculated on the number of outstanding shares as per February 1, 2013. The Board of Directors and the President propose April 2, 2013 as record day for the right to dividend.

The Board of Directors has proposed that the Annual General Meeting 2013 resolves on a dividend to the shareholders of SEK 6.50 per share. On account hereof, the Board of Directors hereby makes the following statement according to Chapter 18 Section 4 of the Swedish Companies Act.

The Board of Directors finds that there will be full coverage for the restricted equity of the Company, after distribution of the proposed dividend.

It is the Board of Directors' assessment that after distribution of the proposed dividend, the equity of the Company and the Group will be sufficient with respect to the kind, extent, and risks of the operations. The Board of Directors has hereby considered, among other things, the Company's and the Group's historical development, the budgeted development and the state of the market. If financial instruments currently valued at actual value in accordance with Chapter 4 Section 14a of the Swedish Annual Accounts Act instead had been valued according to the lower of cost or net realizable value, including cumulative revaluation of external shares, the equity of the company would decrease by SEK 60.0m.

After the proposed dividend, the financial strength of the Company and the Group is assessed to continue to be good in relation to the industry in which the Group is operating. The dividend will not affect the ability of the Company and the Group to comply with its payment obligations. The Board of Directors finds that the Company and the Group are well prepared to handle any changes in respect of liquidity, as well as unexpected events.

The Board of Directors is of the opinion that the Company and the Group have the ability to take future business risks and also cope with potential losses. The proposed dividend will not negatively affect the Company's and the Group's ability to make further commercially motivated investments in accordance with the strategy of the Board of Directors.

The Board of Directors declares that the consolidated financial statements have been prepared in accordance with IFRS as adopted by the EU and give a true and fair view of the Group's financial position and results of operations. The financial statements of the Parent Company have been prepared in accordance with generally accepted accounting principles in Sweden and give a true and fair view of the Parent Company's financial position and results of operations.

The statutory Administration Report of the Group and the Parent Company provides a fair review of the development of the Group's and the Parent Company's operations, financial position and results of operations and describes material risks and uncertainties facing the Parent Company and the companies included in the Group.

Stockholm, January 31, 2013

Marcus Wallenberg
Chairman of the Board of Directors

Ronnie Leten
Deputy Chairman of the Board of Directors

Lorna Davis
Board member

Hasse Johansson
Board member

Fredrik Persson
Board member

Ulrika Saxon
Board member

Torben Ballegaard Sørensen
Board member

Barbara Milian Thoralfsson
Board member

Ola Bertilsson
Board member, employee representative

Gunilla Brandt
Board member, employee representative

Ulf Carlsson
Board member, employee representative

Keith McLoughlin
President and Chief Executive Officer

Auditor's report

To the annual meeting of the shareholders of

AB Electrolux (publ)
Corporate identity number 556009-4178

Report on the annual accounts and consolidated accounts

We have audited the annual accounts and consolidated accounts of AB Electrolux for the year 2012. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 5–71.

Responsibilities of the Board of Directors and the President for the annual accounts and consolidated accounts

The Board of Directors and the President are responsible for the preparation and fair presentation of these annual accounts and consolidated accounts in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act, and for such internal control as the Board of Directors and the President determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the President, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinions

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of December 31, 2012, and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the Group as of December 31, 2012, and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet for the Parent Company and the Group.

Report on other legal and regulatory requirements

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the President of AB Electrolux for the year 2012.

Responsibilities of the Board of Directors and the President

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the President are responsible for administration under the Companies Act.

Auditor's responsibility

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the President is liable to the company. We also examined whether any member of the Board of Directors or the President has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinions

We recommend to the annual meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the President be discharged from liability for the financial year.

Stockholm, February 22, 2013
PricewaterhouseCoopers AB

Anders Lundin
Authorized Public Accountant
Partner in Charge

Björn Irle
Authorized Public Accountant

Eleven-year review

SEKm	**2012**	2011	2010	2009	2008
Net sales and income					
Net sales	109,994	101,598	106,326	109,132	104,792
Organic growth, %	5.5%	0.2%	1.5%	–4.8%	–0.9%
Depreciation and amortization	3,251	3,173	3,328	3,442	3,010
Items affecting comparability	–1,032	–138	–1,064	–1,561	–355
Operating income	4,150	3,017	5,430	3,761	1,188
Income after financial items	3,478	2,780	5,306	3,484	653
Income for the period	2,599	2,064	3,997	2,607	366
Cash flow					
EBITDA[2]	8,433	6,328	9,822	8,764	4,553
Cash flow from operations excluding changes in operating assets and liabilities	5,428	4,283	7,741	6,378	3,446
Changes in operating assets and liabilities	1,727	1,116	–61	1,919	1,503
Cash flow from operations	7,155	5,399	7,680	8,297	4,949
Cash flow from investments	–4,777	–10,049	–4,474	–2,967	–3,755
of which capital expenditures	–4,090	–3,163	–3,221	–2,223	–3,158
Cash flow from operations and investments	2,378	–4,650	3,206	5,330	1,194
Operating cash flow[3]	2,542	906	3,199	5,326	1,228
Dividend, redemption and repurchase of shares	–1,868	–1,850	–1,120	69	–1,187
Capital expenditure as % of net sales	3.7	3.1	3.0	2.0	3.0
Margins[2]					
Operating margin, %	4.7	3.1	6.1	4.9	1.5
Income after financial items as % of net sales	4.1	2.9	6.0	4.6	1.0
EBITDA margin, %	7.7	6.2	9.2	8.0	4.3
Financial position					
Total assets	76,152	76,384	73,521	72,696	73,323
Net assets	25,509	27,011	19,904	19,506	20,941
Working capital	–6,886	–5,180	–5,902	–5,154	–5,131
Trade receivables	18,288	19,226	19,346	20,173	20,734
Inventories	12,963	11,957	11,130	10,050	12,680
Accounts payable	20,590	18,490	17,283	16,031	15,681
Equity	19,824	20,644	20,613	18,841	16,385
Interest-bearing liabilities	13,088	14,206	12,096	14,022	13,946
Net borrowings	5,685	6,367	–709	665	4,556
Data per share					
Income for the period, SEK	9.08	7.25	14.04	9.18	1.29
Equity, SEK	69	73	72	66	58
Dividend, SEK[4]	6.50	6.50	6.50	4.00	—
Trading price of B-shares at year-end, SEK	170.50	109.70	191.00	167.50	66.75
Key ratios					
Return on equity, %	13.3	10.4	20.6	14.9	2.4
Return on net assets, %	15.6	13.7	27.8	19.4	5.8
Net assets as % of net sales[5]	22.2	23.8	18.2	17.1	18.1
Trade receivables as % of net sales[5]	15.9	17.0	17.7	17.7	17.9
Inventories as % of net sales[5]	11.3	10.5	10.2	8.8	11.0
Net debt/equity ratio	0.29	0.31	–0.03	0.04	0.28
Interest coverage ratio	4.97	5.84	12.64	7.54	1.86
Dividend as % of equity	9.4	9.0	9.0	6.0	—
Other data					
Average number of employees	59,478	52,916	51,544	50,633	55,177
Salaries and remuneration	13,785	13,137	12,678	13,162	12,662
Number of shareholders	51,800	58,800	57,200	52,000	52,600
Average number of shares after buy-backs, million	285.9	284.7	284.6	284.0	283.1
Shares at year end after buy-backs, million	286.1	284.7	284.7	284.4	283.6

1) Including outdoor products, Husqvarna, which was distributed to the Electrolux shareholders in June 2006.

2) Items affecting comparability are excluded. 3) Cash flow from acquisitions and divestments excluded. 4) 2012: Proposed by the Board. 5) Net sales are annualized.

							Compound annual growth rate, %	
2007	2006	2005	2005[1]	2004[1]	2003[1]	2002[1]	5 years	10 years
104,732	103,848	100,701	129,469	120,651	124,077	133,150	1.0	–1.9
4.0	3.3	4.5	4.3	3.2	3.3	5.5		
2,738	2,758	2,583	3,410	3,038	3,353	3,854		
–362	–542	–2,980	–3,020	–1,960	–463	–434		
4,475	4,033	1,044	3,942	4,807	7,175	7,731	–1.5	–6.0
4,035	3,825	494	3,215	4,452	7,006	7,545	–2.9	–7.5
2,925	2,648	–142	1,763	3,259	4,778	5,095	–2.3	–6.5
7,575	7,333	6,607	10,372	9,805	10,991	12,019	2.2	–3.5
5,498	5,263	5,266	8,428	7,140	7,150	9,051	0.4	–5.0
–152	–703	–1 804	–1 888	1 442	–857	1,854		
5,346	4,560	3,462	6,540	8,582	6,293	10,905	6.8	–4.1
–4,069	–2,386	–4,485	–5,827	–5,358	–2,570	–1,011		
–3,430	–3,152	–3,654	–4,765	–4,515	–3,463	–3,335	3.6	2.1
1,277	2,174	–1,023	713	3,224	3,723	9,894		
1,277	1,110	–653	1,083	3,224	2,866	7,665	14.8	–10.4
–6,708	–4,416	–2,038	–2,038	–5,147	–3,563	–3,186		
3.3	3.0	3.6	3.7	3.7	2.8	2.5		
4.6	4.4	4.0	5.4	5.6	6.2	6.1		
4.2	4.2	3.4	4.8	5.3	6.0	6.0		
7.2	7.1	6.6	8.0	8.1	8.9	9.0		
66,089	66,049		82,558	75,096	77,028	85,424	2.9	–1.1
20,743	18,140	17,942	28,165	23,988	26,422	27,916	4.2	–0.9
–2,129	–2,613	–3,799	–31	–383	4,068	2,216		
20,379	20,905	20,944	24,269	20,627	21,172	22,484	–2.1	–2.0
12,398	12,041	12,342	18,606	15,742	14,945	15,614	0.9	–1.8
14,788	15,320	14,576	18,798	16,550	14,857	16,223	6.8	2.4
16,040	13,194		25,888	23,636	27,462	27,629	4.3	–3.3
11,163	7,495		8,914	9,843	12,501	15,698	3.2	–1.8
4,703	–304		2,974	1,141	–101	1,398	3.9	15.1
10.41	9.17	–0.49	6.05	10.92	15.25	15.58	–2.7	–5.3
57	47		88	81	89	87	4.0	–2.3
4.25	4.00	7.50	7.50	7.00	6.50	6.00	8.9	0.8
108.50	137.00		206.50	152.00	158.00	137.50	9.5	2.2
20.3	18.7		7.0	13.1	17.3	17.2		
21.7	23.2	5.4	13.0	17.5	23.9	22.1		
18.6	16.5	15.7	21.0	21.2	23.6	23.1		
18.3	19.1	18.3	18.1	18.2	18.9	18.6		
11.1	11.0	10.8	13.9	13.9	13.4	12.9		
0.29	–0.02		0.11	0.05	0.00	0.05		
7.49	6.13		4.32	5.75	8.28	7.66		
7.5	8.5		8.5	8.6	7.3	6.9		
56,898	55,471	57,842	69,523	72,382	77,140	81,971	0.9	–3.2
12,612	12,849	13,987	17,033	17,014	17,154	19,408	1.8	–3.4
52,700	59,500	60,900	60,900	63,800	60,400	59,300	–0.3	–1.3
281.0	288.8	291.4	291.4	298.3	313.3	327.1		
281.6	278.9	293.1	293.1	291.2	307.1	318.3		

Quarterly information

Net sales and income

SEKm		Q1	Q2	Q3	Q4	Full year
Net sales	**2012**	**25,875**	**27,763**	**27,171**	**29,185**	**109,994**
	2011	23,436	24,143	25,650	28,369	101,598
Operating income	**2012**	**943**	**1,150**	**1,461**	**596**	**4,150**
	Margin, %	**3.6**	**4.1**	**5.4**	**2.0**	**3.8**
	2012[1)]	**943**	**1,150**	**1,461**	**1,628**	**5,182**
	Margin, %	**3.6**	**4.1**	**5.4**	**5.6**	**4.7**
	2011	696	745	1,064	512	3,017
	Margin, %	3.0	3.1	4.1	1.8	3.0
	2011[1)]	696	745	1,098	616	3,155
	Margin, %	3.0	3.1	4.3	2.2	3.1
Income after financial items	**2012**	**792**	**993**	**1,251**	**442**	**3,478**
	Margin, %	**3.1**	**3.6**	**4.6**	**1.5**	**3.2**
	2012[1)]	**792**	**993**	**1,251**	**1,474**	**4,510**
	Margin, %	**3.1**	**3.6**	**4.6**	**5.1**	**4.1**
	2011	637	696	1,119	328	2,780
	Margin, %	2.7	2.9	4.4	1.2	2.7
	2011[1)]	637	696	1,153	432	2,918
	Margin, %	2.7	2.9	4.5	1.5	2.9
Income for the period	**2012**	**559**	**763**	**985**	**292**	**2,599**
	2011	457	561	825	221	2,064
Earnings per share[2)]	**2012**	**1.96**	**2.67**	**3.43**	**1.02**	**9.08**
	2012[1)]	**1.96**	**2.67**	**3.43**	**4.12**	**12.18**
	2011	1.61	1.97	2.90	0.77	7.25
	2011[1)]	1.61	1.97	2.96	1.01	7.55

1) Excluding items affecting comparability.

2) Before dilution, based on average number of shares after buy-backs.

Number of shares before dilution

Number of shares after buy-backs, million	**2012**	**286.1**	**286.1**	**286.1**	**286.1**	**286.1**
	2011	284.7	284.7	284.7	284.7	284.7
Average number of shares after buy-backs, million	**2012**	**285.4**	**286.1**	**286.1**	**286.1**	**285.9**
	2011	284.7	284.7	284.7	284.7	284.7

Items affecting comparability

Restructuring provisions, write-downs and capital gains/losses	**2012**	**—**	**—**	**—**	**–1,032**	**–1,032**
	2011	—	—	–34	–104	–138

Net sales, by business area

SEKm		Q1	Q2	Q3	Q4	Full year
Major Appliances Europe, Middle East and Africa	**2012**	**8,265**	**8,216**	**8,581**	**9,216**	**34,278**
	2011	7,656	7,660	8,964	9,749	34,029
Major Appliances North America	**2012**	**7,107**	**8,599**	**7,771**	**7,207**	**30,684**
	2011	6,728	7,544	7,122	6,271	27,665
Major Appliances Latin America	**2012**	**5,149**	**5,183**	**5,301**	**6,411**	**22,044**
	2011	3,998	3,708	4,101	6,003	17,810
Major Appliances Asia/Pacific	**2012**	**1,841**	**2,198**	**2,107**	**2,259**	**8,405**
	2011	1,746	1,945	1,981	2,180	7,852
Small Appliances	**2012**	**2,105**	**2,105**	**2,112**	**2,689**	**9,011**
	2011	1,930	1,794	2,056	2,579	8,359
Professional Products	**2012**	**1,408**	**1,462**	**1,299**	**1,402**	**5,571**
	2011	1,378	1,491	1,426	1,587	5,882

Operating income, by business area

SEKm		Q1	Q2	Q3	Q4	Full year
Major Appliances Europe Middle East and Africa	**2012**	**281**	**215**	**303**	**343**	**1,142**
	Margin, %	**3.4**	**2.6**	**3.5**	**3.7**	**3.3**
	2011	311	156	444	–202	709
	Margin, %	4.1	2.0	5.0	–2.1	2.1
Major Appliances North America	**2012**	**159**	**512**	**523**	**367**	**1,561**
	Margin, %	**2.2**	**6.0**	**6.7**	**5.1**	**5.1**
	2011	–71	138	107	76	250
	Margin, %	–1.1	1.8	1.5	1.2	0.9
Major Appliances Latin America	**2012**	**278**	**316**	**339**	**657**	**1,590**
	Margin, %	**5.4**	**6.1**	**6.4**	**10.2**	**7.2**
	2011	139	114	222	345	820
	Margin, %	3.5	3.1	5.4	5.7	4.6
Major Appliances Asia/Pacific	**2012**	**155**	**172**	**208**	**211**	**746**
	Margin, %	**8.4**	**7.8**	**9.9**	**9.3**	**8.9**
	2011	174	177	172	213	736
	Margin, %	10.0	9.1	8.7	9.8	9.4
Small Appliances	**2012**	**93**	**31**	**126**	**223**	**473**
	Margin, %	**4.4**	**1.5**	**6.0**	**8.3**	**5.2**
	2011	114	23	169	237	543
	Margin, %	5.9	1.3	8.2	9.2	6.5
Professional Products	**2012**	**132**	**155**	**151**	**158**	**596**
	Margin, %	**9.4**	**10.6**	**11.6**	**11.3**	**10.7**
	2011	177	274	199	191	841
	Margin, %	12.8	18.4	14.0	12.0	14.3
Common Group costs, etc.	**2012**	**–155**	**–251**	**–189**	**–331**	**–926**
	2011	–148	–137	–215	–244	–744
Total Group, excluding items affecting comparability	**2012**	**943**	**1,150**	**1,461**	**1,628**	**5,182**
	Margin, %	**3.6**	**4.1**	**5.4**	**5.6**	**4.7**
	2011	696	745	**1,098**	616	3,155
	Margin, %	3.0	3.1	4.3	2.2	3.1
Items affecting comparability	**2012**	**—**	**—**	**—**	**–1,032**	**–1,032**
	2011	—	—	–34	–104	–138
Total Group, including items affecting comparability	**2012**	**943**	**1,150**	**1,461**	**596**	**4,150**
	Margin, %	**3.6**	**4.1**	**5.4**	**2.0**	**3.8**
	2011	696	745	1,064	512	3,017
	Margin, %	3.0	3.1	4.1	1.8	3.0

Corporate governance report 2012

Electrolux is a global leader in household appliances and appliances for professional use, selling more than 40 million products to customers in more than 150 markets every year. The company focuses on innovations that are thoughtfully designed, based on extensive consumer insight, to meet the real needs of consumers and professionals.

Electrolux products include refrigerators, dishwashers, washing machines, vacuum cleaners, cookers and air-conditioners sold under esteemed brands such as Electrolux, AEG, Eureka and Frigidaire.

Electrolux aims at implementing strict norms and efficient processes to ensure that all operations create long-term value for shareholders and other stakeholders. This involves the maintenance of:

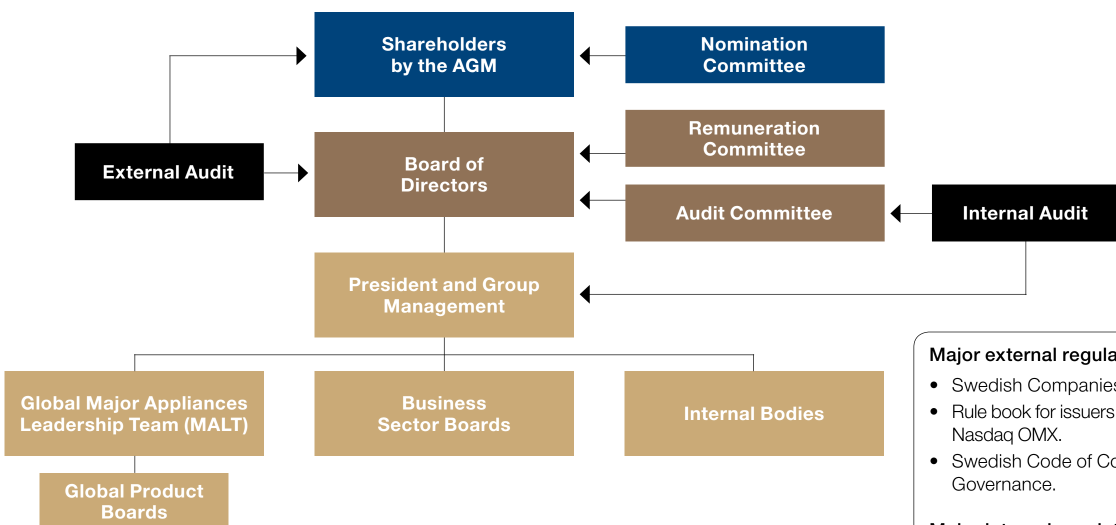
- an efficient organizational structure,
- systems for internal control and risk management and
- transparent internal and external reporting.

The Electrolux Group is comprised of approximately 157 companies with operations in over 150 countries. The parent company of the Group is AB Electrolux, a public Swedish limited liability company. The company's shares are listed on Nasdaq OMX Stockholm.

The governance of Electrolux is based on the Swedish Companies Act, the rule book for issuers at Nasdaq OMX and the Swedish Code of Corporate Governance (the "Code"), as well as other relevant Swedish and foreign laws and regulations. Below is Electrolux formal governance structure.

This corporate governance report has been drawn up as a part of Electrolux application of the Code. Electrolux does not report any deviations from the Code in 2012.

Governance structure



Major external regulations

- Swedish Companies Act.
- Rule book for issuers at Nasdaq OMX.
- Swedish Code of Corporate Governance.

Major internal regulations

- Articles of Association.
- Board of Directors' working procedures.
- Policies for information, finance, credit, accounting manual, etc.
- Processes for internal control and risk management.
- Electrolux Code of Ethics, Policy on Corruption and Bribery and Workplace Code of Conduct.

For further information regarding:

- Swedish Companies Act; www.sweden.gov.se
- Nasdaq OMX Stockholm; www.nasdaqomxnordic.com
- Swedish Code of Corporate Governance and specific features of Swedish corporate governance; www.corporategovernanceboard.se

AB Electrolux (publ) is registered under number 556009-4178 with the Swedish Companies Registration Office. The registered office of the Board of Directors is in Stockholm, Sweden. The address of the Group headquarters is S:t Göransgatan 143, SE-105 45 Stockholm, Sweden.

Highlights 2012

- Election of Ronnie Leten and Fredrik Persson as new Board members at the Annual General Meeting 2012.
- Election of Ronnie Leten as Deputy Chairman of the Board of Directors.
- Two new members joined Group Management.
- Closer cooperation between R&D, Design and Marketing since the formal structure in Group Management known as "The Innovation Triangle" was completed.
- Performance-based, long-term incentive program for top management.
- Focus on a global ethics-training program and implementation of a whistleblowing system.

Shares and shareholders

The Electrolux share is listed on Nasdaq OMX Stockholm. At year-end 2012, Electrolux had 51,775 shareholders according to the share register kept by Euroclear Sweden AB. Of the total share capital, 51% was owned by Swedish institutions and mutual funds, 41% by foreign investors and 8% by Swedish private investors, see below. Investor AB is the largest shareholder, holding 15.5% of the share capital and 29.9% of the voting rights. The ten largest shareholders accounted for 35.9% of the share capital and 47.6% of the voting rights in the company.

Voting rights

The share capital of Electrolux consists of Class A-shares and Class B-shares. One A-share entitles the holder to one vote and one B-share to one-tenth of a vote. Both A-shares and B-shares entitle the holders to the same proportion of assets and earnings and carry equal rights in terms of dividends. Owners of A-shares can request to convert their A-shares into B-shares. Conversion reduces the total number of votes in the company. As of December 31, 2012, the total number of registered shares in the company amounted to 308,920,308 shares, of which 8,212,725 were Class A-shares and 300,707,583 were Class B-shares. The total number of votes in the company was 38,283,483. Class B-shares represented 78.6% of the voting rights and 97.3% of the share capital.

Dividend policy

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

The Annual General Meeting (AGM) in March 2012 decided to adopt the Board's proposed dividend of SEK 6.50 per share for 2011. The Board of Directors proposes a dividend for 2012 of SEK 6.50 per share, for a total dividend payment of approximately SEK 1,860m.

Shareholders by the AGM

General Meetings of shareholders

The decision-making rights of shareholders in Electrolux are exercised at shareholders' meetings. The AGM of Electrolux is held in Stockholm, Sweden, during the first half of the year.

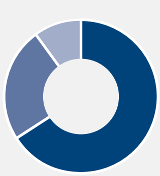
Extraordinary General Meetings may be held at the discretion of the Board or, if requested, by the auditors or by shareholders owning at least 10% of the shares.

Participation in decision-making requires the shareholder's presence at the meeting, either personally or through a proxy. In addition, the shareholder must be registered in the share register by a stipulated date prior to the meeting and must provide notice of participation in the manner prescribed. Additional requirements for participation apply to shareholders with holdings in the form of American Depositary Receipts (ADR) or similar certificates. Holders of such certificates are advised to contact the ADR depositary bank, the fund manager or the issuer of the certificates in good time before the meeting in order to obtain additional information.

Individual shareholders requesting that a specific issue be included in the agenda of a shareholders' meeting can normally request the Electrolux Board to do so well in advance to the meeting via an address provided on the Group's website.

Decisions at the meeting are usually taken on the basis of a simple majority. However, as regards certain issues, the Swedish Companies Act stipulates that proposals must be approved by shareholders representing a larger number of votes than the number of votes cast and shares represented at the meeting.

Ownership structure



- 51% was owned by Swedish institutions and mutual funds
- 41% by foreign investors
- 8% by Swedish private investors

At year-end, about 41% of the total share capital was owned by foreign investors.

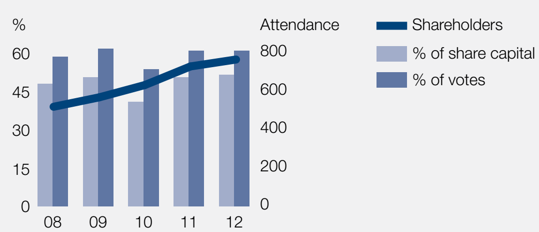
Source: SIS Ägarservice as of December 31, 2012.

The foreign ownership has increased to 41% from 24% at year-end 2011.

Foreign investors are not always recorded in the share register. Foreign banks and other custodians may be registered for one or several customers' shares, and the actual owners are then usually not displayed in the register. For additional information regarding the ownership structure, see above.

The information on ownership structure is updated quarterly on the Group's website; www.electrolux.com/corporate-governance.

Attendance at AGMs 2008–2012



756 shareholders representing a total of 51.0% of the share capital and 60.3% of the votes were present at the 2012 AGM.

Decisions at the Annual General Meeting 2012 included:

- Dividend payment of SEK 6.50 per share for fiscal year 2011.
- Election of the two new Board members Ronnie Leten and Fredrik Persson and re-election of the Board members Marcus Wallenberg, Lorna Davis, Hasse Johansson, Keith McLoughlin, Ulrika Saxon, Torben Ballegaard Sørensen and Barbara Milian Thoralfsson.
- Re-election of Marcus Wallenberg as Chairman of the Board.
- Remuneration to the Board members.
- Approval of remuneration guidelines for Electrolux Group Management.
- Performance-based, long-term incentive program for 2012 covering up to 180 managers and key employees.
- Authorization to acquire own shares for the purpose of financing potential company acquisitions and as a hedge for the company's share-related incentive programs.

Annual General Meeting 2012

The 2012 AGM was held at the Stockholm Waterfront Congress Centre in Stockholm, Sweden, on March 27, 2012. 756 shareholders representing a total of 51.0% of the share capital and 60.3% of the votes were present at the AGM. The President's speech was broadcasted live via the Group's website and is also available on www.electrolux.com/corporate-governance, together with the minutes. The meeting was held in Swedish, with simultaneous interpretation into English. The speech of the President was held in English and simultaneously interpreted into Swedish. All Board members, as well as the Group's auditor in charge, were present at the meeting.

Annual General Meeting 2013

The next AGM of Electrolux will be held on Tuesday, March 26, 2013, at the Stockholm Waterfront Congress Centre, Stockholm, Sweden.

For additional information on the next AGM and how to register attendance, see page 100.

Nomination Committee

Nomination Committee

The AGM resolves upon the nomination process for the Board of Directors and, when appropriate, the auditors. The AGM 2011 adopted an instruction for the Nomination Committee which applies until further notice.

The instruction involves a process for the appointment of a Nomination Committee comprised of six members. The members should be one representative of each of the four largest shareholders, in terms of voting rights that wish to participate in the Committee, together with the Chairman of the Electrolux Board and one additional Board member.

The composition of the Nomination Committee shall be based on shareholder statistics from Euroclear Sweden AB as of the last banking day in August in the year prior to the AGM and on other reliable shareholder information which is provided to the company at such time. The names of the representatives and the names of the shareholders they represent shall be announced as soon as they have been appointed. If the shareholder structure changes during the nomination process, the composition of the Nomination Committee may be adjusted accordingly.

The Nomination Committee is assisted in preparing proposals for auditors and auditors' fees by the company's Audit Committee. The Audit Committee evaluates the auditors' work and informs the Nomination Committee of its findings.

The Nomination Committee's proposals are publicly announced no later than on the date of notification of the AGM. Shareholders may submit proposals for nominees to the Nomination Committee.

Nomination Committee for the AGM 2012

The Nomination Committee for the AGM 2012 was comprised of six members. Petra Hedengran of Investor AB led the Nomination Committee's work.

For the proposal for the AGM 2012 the Nomination Committee made an assessment of the composition of the current Board as well as the Electrolux Group's operations. Areas of particular interest were Electrolux strategies and goals and the demands on the Board that are expected from the Group's positioning for the future. The Nomination Committee also considered that a variety as regards gender, age, nationality, educational background and term of office is represented among the Board members.

The Nomination Committee proposed Ronnie Leten and Fredrik Persson as new Board members of Electrolux. A report regarding the work of the Nomination Committee was presented at the AGM 2012. Further information regarding the Nomination Committee and its work can be found on the Group's website; www.electrolux.com/corporate-governance.

The AGM resolves upon:

- The adoption of the Annual Report.
- Dividend.
- Election of Board members and, if applicable, auditors.
- Remuneration to Board members and auditors.
- Guidelines for remuneration to Group Management.
- Other important matters.

The Nomination Committee's tasks include preparing a proposal for the next AGM regarding:

- Chairman of the AGM.
- Board members.
- Chairman of the Board.
- Remuneration to Board members.
- Remuneration for committee work.
- Amendments of instructions for the Nomination Committee, if deemed neccessary.
- Auditors and auditors' fees, when these matters are to be decided by the following AGM.

Nomination Committee for the AGM 2013

The Nomination Committee for the AGM 2013 is based on the ownership structure as of August 31, 2012, and was announced in a press release on September 26, 2012.

The Nomination Committee's members are:

- Petra Hedengran, Investor AB, Chairman
- Kaj Thorén, Alecta
- Marianne Nilsson, Swedbank Robur funds
- Johan Sidenmark, AMF
- Marcus Wallenberg, Chairman of Electrolux
- Torben Ballegaard Sørensen, Board member of Electrolux

No changes in the composition of the Nomination Committee had occurred as of February 1, 2013. Shareholders wishing to submit proposals to the Nomination Committee should send an e-mail to nominationcommittee@electrolux.com.

Board of Directors

The Board of Directors

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

Composition of the Board

The Electrolux Board is comprised of nine members without deputies, who are elected by the AGM, and three members with deputies, who are appointed by the Swedish employee organizations in accordance with Swedish labor law.

The AGM elects the Chairman of the Board. Directly after the AGM, the Board holds a meeting for formal constitution at which the Deputy Chairman of the Board is elected, among other things. The Chairman of the Board of Electrolux is Marcus Wallenberg and the Deputy Chairman is Ronnie Leten.

All members of the Board, except for the President, are non-executive members. Five of the nine Board members are not Swedish citizens.

For additional information regarding the Board of Directors, see pages 84–85. The information is updated regularly at the Group's website; www.electrolux.com/board-of-directors.

Independence

The Board is considered to be in compliance with relevant requirements for independence. The assessment of each Board member's independence is presented in the table on pages 84–85. All Directors have been considered independent, except for Marcus Wallenberg, Keith McLoughlin and Ronnie Leten. Marcus Wallenberg has been considered independent in relation to the company and the administration of the company, but not in relation to major shareholders of Electrolux. Keith McLoughlin has been deemed to be independent in relation to major shareholders of Electrolux, but not, in his capacity as President and CEO, in relation to the company and the administration of the company. Ronnie Leten has been deemed to be independent in relation to major shareholders of Electrolux, but not in relation to the company and the management of the company since he is President and CEO of Atlas Copco AB and one member of the Electrolux Group Management is a board member of Atlas Copco AB. Keith McLoughlin has no major shareholdings, nor is he a part-owner in companies having significant business relations with Electrolux. Keith McLoughlin is the only member of Group Management with a seat on the Board.

The Board's tasks

The main task of the Board is to manage the Group's operations in such a manner as to assure the owners that their interests, in terms of a long-term good return on capital, are being met in the best possible manner. The Board's work is governed by rules and regulations including the Swedish Companies Act, the Articles of Association, the Code and the working procedures established by the Board. The Articles of Association of Electrolux are available on the Group's website; www.electrolux.com/corporate-governance.

Working procedures and Board meetings

The Board determines its working procedures each year and reviews these procedures as required. The working procedures describe the Chairman's specific role and tasks, as well as the responsibilities delegated to the committees appointed by the Board.

The Board deals with and decides on group-related issues such as:

- Main goals.
- Strategic orientation.
- Essential issues related to financing, investments, acquisitions and divestments.
- Follow-up and control of operations, communication and organization, including evaluation of the Group's operational management.
- Appointment of and, if necessary, dismissal of the President.
- Overall responsibility for establishing an effective system of internal control and risk management.
- Important policies.

Remuneration to the Board of Directors 2010–2012

SEK	2010	2011	**2012**
Chairman of the Board	1,600,000	1,600,000	1,650,000
Deputy Chairman of the Board	550,000	550,000	575,000
Board member	475,000	475,000	500,000
Chairman of the Audit Committee	200,000	200,000	200,000
Member of the Audit Committee	85,000	85,000	85,000
Chairman of the Remuneration Committee	120,000	120,000	120,000
Member of the Remuneration Committee	55,000	55,000	55,000

In accordance with the procedures, the Chairman shall:

- Organize and distribute the Board's work.
- Ensure that the Board discharges its duties.
- Secure the efficient functioning of the Board.
- Ensure that the Board's decisions are implemented efficiently.
- Ensure that the Board evaluates its work annually.

The working procedures for the Board also include detailed instructions to the President and other corporate functions regarding issues requiring the Board's approval. Among other things, these instructions specify the maximum amounts that various decision-making functions within the Group are authorized to approve as regards credit limits, capital expenditure and other expenditure.

The working procedures stipulate that the meeting for the formal constitution of the Board shall be held directly after the AGM. Decisions at this meeting include the election of Deputy Chairman and authorization to sign on behalf of the company. The Board normally holds eight other ordinary meetings during the year. Four of these meetings are held in conjunction with the publication of the Group's full-year report and interim reports. One or two meetings are held in connection with visits to Group operations. Additional meetings, including telephone conferences, are held when necessary.

The Board's work in 2012

During the year, the Board held nine meetings. All meetings except one were held in Stockholm, Sweden. The attendance of each Board member at these meetings is shown in the table on pages 84–85.

All Board meetings during the year followed an agenda, which, together with the documentation for each item on the agenda, was sent to Board members in advance of the meetings. Meetings usually last for half a day or one entire day in order to allow time for presentations and discussions. Cecilia Vieweg, Electrolux General Counsel, serves as secretary at the Board meetings.

Each scheduled Board meeting includes a review of the Group's results and financial position, as well as the outlook for the forthcoming quarters, as presented by the President. The meetings also deal with investments and the establishment of new operations, as well as acquisitions and divestments. The Board decides on all investments exceeding SEK 100m and receives reports on all investments exceeding SEK 25m. Normally, the head of a sector also reviews a current strategic issue at the meeting. For an overview of how the Board's work is spread over the year, see the table below.

Major issues addressed by the Board during 2012

- Actions to improve operational excellence by adapting manufacturing capacity, taking out overhead costs and accelerating efforts to capitalize on the Group's global strength and scope.
- Optimizing the industrial production system.
- Capitalization of the Group.
- Electrolux growth strategy.
- Dividend payment for the fiscal year 2011.

Ensuring quality in financial reporting

The working procedures determined annually by the Board include detailed instructions on the type of financial reports and similar information which are to be submitted to the Board. In addition to the full-year report, interim reports and the annual report, the Board reviews and evaluates comprehensive financial information regarding the Group as a whole and the entities within the Group.

The Board also reviews, primarily through the Group's Audit Committee, the most important accounting principles applied by the Group in financial reporting, as well as major changes in these principles. The tasks of the Audit Committee also include reviewing reports regarding internal control and financial reporting processes, as well as internal audit reports submitted by the Group's internal audit function, Management Assurance & Special Assignments.

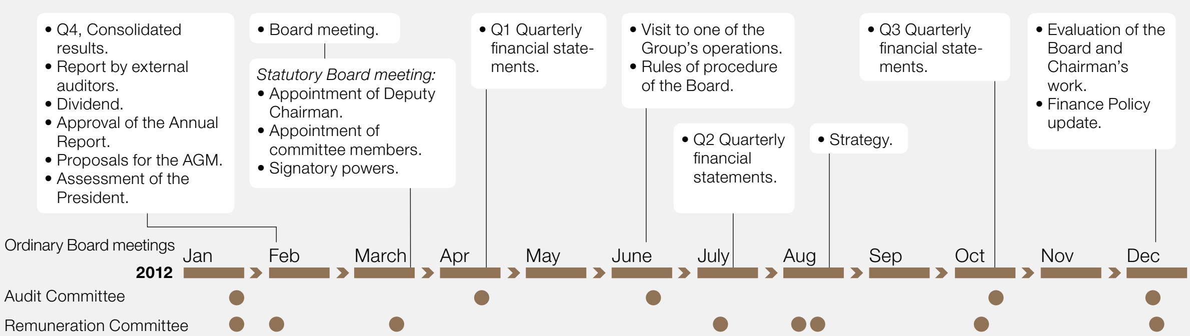
The Group's external auditors report to the Board as necessary, but at least once a year. A minimum of one such meeting is held without the presence of the President or any other member of Group Management. The external auditors also attend the meetings of the Audit Committee.

The Audit Committee reports to the Board after each of its meetings. Minutes are taken at all meetings and are made available to all Board members and to the auditors.

Evaluation of the Board's activities

The Board evaluates its activities annually with regard to working procedures and the working climate, as well as regards the focus of the Board's work. This evaluation also focuses on access to and requirements of special competence in the Board. The evalu-

Overview of various items on the Board's agenda and committee meetings 2012



Each scheduled Board meeting included a review of the Group's results and financial position, as well as the outlook for the forthcoming quarters.

ation is a tool for the development of the Board's work and also serves as input for the Nomination Committee's work.

A separate annual evaluation of the Chairman's work is performed under the leadership of the Deputy Chairman of the Board.

Remuneration to Board members

Remuneration to Board members is determined by the AGM and distributed to the Board members who are not employed by Electrolux. Remuneration to each Board member was revised during 2012, see page 81.

The Nomination Committee has recommended that Board members appointed by the AGM acquire Electrolux shares and that these are maintained as long as they are part of the Board. A shareholding of a Board member should after five years correspond to the value of one gross annual fee.

Board members who are not employed by Electrolux are not invited to participate in the Group's long-term incentive programs for senior managers and key employees.

For additional information on remuneration to Board members, see Note 27.

Remuneration Committee
Audit Committee

Committees of the Board

The Board has established a Remuneration Committee and an Audit Committee. The major tasks of these committees are preparatory and advisory, but the Board may delegate decision-making powers on specific issues to the committees. The issues considered at committee meetings shall be recorded in minutes of the meetings and reported at the following Board meeting. The members and Chairmen of the Committees are appointed at the statutory Board meeting following election of Board members.

The Board has also determined that issues may be referred to ad hoc committees dealing with specific matters.

Remuneration Committee

One of the Remuneration Committee's primary tasks is to propose guidelines for the remuneration to the members of Group Management. The Committee also proposes changes in remuneration to the President, for resolution by the Board, and reviews and resolves on changes in remuneration to other members of Group Management on proposal by the President.

The Committee is comprised of three Board members: Barbara Milian Thoralfsson (Chairman), Lorna Davis and Marcus Wallenberg. At least two meetings are convened annually. Additional meetings are held as needed.

In 2012, the Remuneration Committee held eight meetings. The attendance of each Board member at these meetings is shown in the table on pages 84–85. Significant issues addressed include review of the remuneration to the President, review and resolution on changes in the remuneration to members of Group Management, follow-up and evaluation of previously approved long-term incentive programs and remuneration guidelines for Group Management and general review and preparation of long-term incentive program and remuneration guidelines for Group Management for 2013. The Head of Human Resources and Organizational Development participated in the meetings and was responsible for meeting preparations.

Audit Committee

The main task of the Audit Committee is to oversee the processes of Electrolux financial reporting and internal control in order to secure the quality of the Group's external reporting.

The Audit Committee is also tasked with supporting the Nomination Committee with proposals when electing external auditors and auditors' fees.

The Audit Committee is comprised of three Board members: Torben Ballegaard Sørensen (Chairman), Fredrik Persson and Hasse Johansson. The external auditors report to the Committee at each ordinary meeting. At least three meetings are held annually. Additional meetings are held as needed.

In 2012, the Audit Committee held five meetings. The attendance of each Board member at these meetings is shown in the table on pages 84–85. Electrolux managers have also had regular contacts with the Committee Chairman between meetings regarding specific issues. The Group's Chief Financial Officer and the Head of Internal Audit have participated in the Audit Committee meetings. Cecilia Vieweg, General Counsel, serves as secretary at the Audit Committee meetings.

The Remuneration Committee's tasks include:

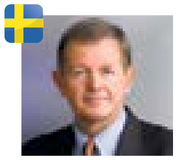
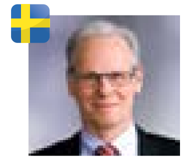
- To prepare and evaluate remuneration guidelines for Group Management.
- To prepare and evaluate targets and principles for variable compensation.
- To prepare terms for pensions, notices of termination and severance pay as well as other benefits for Group Management.
- To prepare and evaluate Electrolux long-term incentive programs.

The Audit Committee's tasks include:

- To review the financial reporting.
- To monitor the effectiveness of the internal control, including risk management, concerning the financial reporting.
- To follow up the activities of the internal audit function Management Assurance & Special Assignments as regards to organization, recruiting, budgets, plans, results and audit reports.
- To oversee the external audit and evaluate the work of the external auditors.
- To review, and when appropriate, preapprove the external auditors' engagements in other tasks than audit services.
- To evaluate the objectivity and independence of the external auditors.

CV

Board of Directors and Auditors

					
	Marcus Wallenberg **Chairman** Born 1956. B. Sc. of Foreign Service. Elected 2005. Member of the Electrolux Remuneration Committee.	**Ronnie Leten*** **Deputy Chairman** Born 1956. M.Sc. Applied Econ. Elected 2012. President and CEO of Atlas Copco AB since 2009.	**Lorna Davis** Born 1959. Bachelor of Social Science and Psychology. Elected 2010. Member of the Electrolux Remuneration Committee. Senior Vice President and Global Biscuits Category Head within Mondelēz International (previously part of Kraft Foods) since 2011.	**Hasse Johansson** Born 1949. M. Sc. in Electrical Engineering. Elected 2008. Member of the Electrolux Audit Committee.	**Keith McLoughlin** Born 1956. B.S. Eng. Elected 2011. President and CEO of AB Electrolux.
Board membership	Board Chairman of LKAB, SEB (Skandinaviska Enskilda Banken AB) and Saab AB. Board member of Investor AB, AstraZeneca Plc, Stora Enso Oyj, the Knut and Alice Wallenberg Foundation and Temasek Holdings Limited.			Board Chairman of Dynamate Industrial Services AB, Lindholmen Science Park AB, Alelion Batteries AB and VINNOVA (Swedish Governmental Agency for Innovation Systems). Board Member of Fouriertransform AB, Skyllbergs Bruk AB, Calix Group AB, Klippan Group AB and LeanNova AB.	Board member of Briggs & Stratton Corporation.
Previous positions	President and CEO of Investor AB, 1999–2005. Executive Vice President of Investor AB, 1993–1999.	Various leading positions within the Atlas Copco Group, 1997–2009 and 1985–1995. Plant Manager of Tenneco Automotive Inc, Belgium, 1995–1997. Various positions within General Biscuits 1979–1985.	President of Kraft Foods China, 2007–2011. Senior positions within Danone in China, the UK and New Zealand, 1997–2007. Various positions in consumer goods in Australia and South Africa.	Executive Vice-President and Head of R&D of Scania CV AB, 2001-2009. Founder of Mecel AB (part of Delphi Corporation). Senior management positions within Delphi Corporation, 1990–2001.	Senior positions within Electrolux: Head of Major Appliances North America and Executive Vice President of AB Electrolux, 2003, also Head of Major Appliances Latin America, 2004–2007, and Chief Operations Officer Major Appliances, 2009–2010. Senior management positions within DuPont, USA, 1981–2003.
Total remuneration 2012, SEK	1,705,000	575,000	555,000	585,000	–
Board meeting attendance	9/9	7/9*	9/9	9/9	9/9
Remuneration Committee attendance	8/8 ●		8/8 ●		
Audit Committee attendance				5/5 ●	
Holdings in AB Electrolux	5,000 B-shares. Through company: 50,000 B-shares. Related party: 500 B-shares. 11,777 synthetic shares[2].	3,000 B-shares.	2,000 B-shares. 1,392 synthetic shares[2].	4,000 B-shares. 6,992 synthetic shares[2].	90,958 B-shares.
Independence[3]	No	No	Yes	Yes	No

● Chairman ● Member

* Peggy Bruzelius and John S. Lupo declined re-election to the Board and Ronnie Leten and Fredrik Persson were appointed new Board members at the AGM in March 2012.

1) Torben Ballegaard Sørensen was appointed Chairman of the Audit Committee and Fredrik Persson was appointed member of the Audit Committee at the statutory board meeting held after the AGM in March 2012.

2) 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. For additional information regarding synthetic shares, see Note 27.

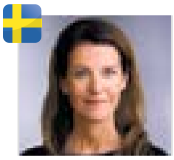
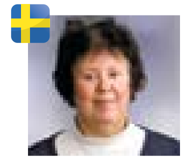
3) For further information about the independence assessment, see page 81.

Employee representatives, deputy members

Gerd Almlöf
Born 1959. Representative of the Federation of Salaried Employees in Industry and Services. Elected 2007. Holdings in AB Electrolux: 0 shares.

Bo Rothzén
Born 1963. Representative of the Swedish Confederation of Trade Unions. Elected 2012. Holdings in AB Electrolux: 0 shares.

Viveca Brinkenfeldt Lever
Born 1960. Representative of the Federation of Salaried Employees in Industry and Services. Elected 2010. Holdings in AB Electrolux: 0 shares.

						
Fredrik Persson* Born 1968. M.Sc. Econ. Elected 2012. Member of the Electrolux Audit Committee. President and CEO of Axel Johnson AB since 2007.	**Ulrika Saxon** Born 1966. Studies in Economics at the Stockholm School of Economics. Elected 2011. CEO and President of Bonnier Growth Media since 2012 and member of Bonnier AB group management.	**Torben Ballegaard Sørensen** Born 1951. M.B.A. Elected 2007. Chairman of the Electrolux Audit Committee.	**Barbara Milian Thoralfsson** Born 1959. M.B.A., B.A. Elected 2003. Chairman of the Electrolux Remuneration Committee. Director of Fleming Invest AS, Norway, since 2005.	**Ola Bertilsson** Born 1955. Representative of the Swedish Confederation of Trade Unions. Elected 2006.	**Gunilla Brandt** Born 1953. Representative of the Federation of Salaried Employees in Industry and Services. Elected 2006.	**Ulf Carlsson** Born 1958. Representative of the Swedish Confederation of Trade Unions. Elected 2001.
Board Chairman of Axfood AB, Svensk Bevakningstjänst AB, Axstores AB and Mekonomen AB. Deputy Chairman of Martin & Servera AB and the Swedish Trade Federation. Board member of several companies within the Axel Johnson Group, the Confederation of Swedish Enterprise and Lancelot Holding AB.	Board Chairman of Bonnier Tidskrifter, Svensk Filmindustri, SF Bio, Bonnier Publications in Denmark, Bonnier International Magazines and Mag+. Board member of several companies within the Bonnier Group, among others, Dagens Nyheter, TV4 and MTV Media in Finland.	Board member of Egmont Fonden, LEGO A/S, Pandora Holding A/S, Systematic Software Engineering A/S, Tajco A/S, AS3-Companies A/S, CAT Science Park A/S and Liquid Vanity ApS.	Board member of SCA AB, Telenor ASA, Orkla ASA, Fleming Invest AS and related companies.			
Executive Vice President and Chief Financial Officer of Axel Johnson AB, 2000–2007. Head of Research of Aros Securities AB, 1998–2000. Various positions within ABB Financial Services AB, 1992–1998.	Senior positions in various companies within the Bonnier Group since 1998, CEO of Bonnier Tidskrifter 2005-2012, Executive Vice President in Matsgård Media 1991-1998.	President and CEO of Bang & Olufsen a/s, 2001–2008. Executive Vice President of LEGO A/S, 1996–2001. President of Computer Composition International, CCI-Europe, 1988–1996. Chief Financial Officer of Aarhuus Stiftsbogtrykkerie, 1981–1988.	President and CEO of Telia-Sonera Norway, 2001–2005. President and CEO of Midelfart & Co, 1995–2001. Senior positions within marketing and sales, 1988–1995.			
585,000	500,000	700,000	620,000	–	–	–
7/9*	9/9	9/9	9/9	9/9	9/9	9/9
			8/8 ●			
4/5[1] ●		5/5[1] ●				
2,000 B-shares.	1,000 B-shares.	5,000 B-shares. 2,800 synthetic shares[2].	0 shares.	0 shares.	0 shares.	0 shares.
Yes	Yes	Yes	Yes			

Secretary of the Board

Cecilia Vieweg

Born 1955. B. of Law. General Counsel of AB Electrolux. Secretary of the Electrolux Board since 1999. Holdings in AB Electrolux: 24,912 B-shares.

Auditors

Anders Lundin

PricewaterhouseCoopers AB. Born 1956. Authorized Public Accountant. Partner in Charge. Other audit assignments: AarhusKarlshamn AB, Husqvarna AB, Melker Schörling AB, SCA AB and TeliaSonera AB. Holdings in AB Electrolux: 0 shares.

Björn Irle

PricewaterhouseCoopers AB. Born 1965. Authorized Public Accountant. Holdings in AB Electrolux: 0 shares.

Holdings in AB Electrolux as of December 31, 2012. The information is regularly updated at www.electrolux.com/board-of-directors.

External Audit

External auditors

The AGM in 2010 re-elected PricewaterhouseCoopers AB (PwC) as the Group's external auditors for a four-year period, until the AGM in 2014. Authorized Public Accountant Anders Lundin is the auditor in charge of Electrolux.

PwC provides an audit opinion regarding AB Electrolux, the financial statements of its subsidiaries, the consolidated financial statements for the Electrolux Group and the administration of AB Electrolux. The auditors also conduct a review of the report for the third quarter.

The audit is conducted in accordance with the Swedish Companies Act, International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden.

Audits of local statutory financial statements for legal entities outside of Sweden are performed as required by law or applicable regulations in the respective countries and as required by IFAC GAAS, including issuance of audit opinions for the various legal entities.

For additional information on the Group's auditors, see below. For details regarding fees paid to the auditors and their non-audit assignments in the Group, see below and Note 28.

Internal Audit

Internal control and risk management

The internal audit function, Management Assurance & Special Assignments, is responsible for independent, objective assurance, in order to systematically evaluate and propose improvements for more effective governance, internal control and risk management processes.

The process of internal control and risk management has been developed to provide reasonable assurance that the Group's goals are met in terms of efficient operations, compliance with relevant laws and regulations and reliable financial reporting.

For additional information on internal control, see page 92. For additional information on risk management, see Note 1, Note 2 and Note 18.

Auditors

Anders Lundin
PricewaterhouseCoopers AB
Born 1956. Authorized Public Accountant. Partner in Charge. Other audit assignments: AarhusKarlshamn AB, Husqvarna AB, Melker Schörling AB, SCA AB and TeliaSonera AB. Holdings in AB Electrolux: 0 shares.

Björn Irle
PricewaterhouseCoopers AB
Born 1965. Authorized Public Accountant. Holdings in AB Electrolux: 0 shares.

At the Annual General Meeting in 2010, PricewaterhouseCoopers AB (PwC) was re-elected as auditors for a four-year period until the Annual General Meeting in 2014.

Holdings in AB Electrolux as of December 31, 2012.

Fees to auditors

SEKm	2010	2011	**2012**
PwC			
Audit fees	46	44	44
Audit-related fees	1	4	1
Tax fees	6	5	4
All other fees	22	6	4
Total fees to PwC	**75**	**59**	**53**
Audit fees to other audit firms	1	–	2
Total fees to auditors	**76**	**59**	**55**

For details regarding fees paid to the auditors and their non-audit assignments in the Group, see Note 28.

Company Management of Electrolux

Electrolux – a global leader with a customer focus

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

Strong brands and rapid launches of new innovative products are the pillars of Electrolux strategy. Strong brands grow sales in existing markets and gain access to new ones. Developing consumer-insight based products with high quality, excellent design and services supported by operational excellence are crucial to achieve a market-leading position.

Electrolux objective is to grow with consistent profitability, see the financial goals below.

Dedicated employees who work together play a crucial role in terms of creating the corporate culture necessary for Electrolux to achieve the vision. Leadership at Electrolux in all markets is distinguished by Passion for Innovation, Customer Obsession and Drive for Results, see Electrolux core values below.

A sustainable business

The company takes a consistent approach to sustainability in the more than 150 countries where Electrolux operates. Understanding and engaging in challenges such as climate change, creating ethical and safe workplaces, and adopting a responsible approach to sourcing and restructuring are important for realizing the business strategy. Values such as respect, diversity, integrity, ethics, safety and sustainability are at the core of all employee actions when they interact with customers and colleagues around the globe. Key policies in this context include the Electrolux Code of Ethics, the Electrolux Workplace Code of Conduct and the Electrolux Policy on Corruption and Bribery.

In the Dow Jones Sustainability World Index (DJSI World) for 2012, Electrolux maintained sector leader in the Durable Household Products category. The Dow Jones Sustainability Indexes evaluate the performance of the world's leading companies in sustainability – from each industry on a global and regional level, respectively. The evaluation is based on criteria such as corporate governance, risk management, branding, climate change mitigation, supply chain standards and labor practices.

During 2012, an ethics-training program and the implementation of a whistleblowing system – the Electrolux Ethics Helpline – continued, and will continue throughout the Group during 2013. Read more about Electrolux sustainability work on www.electrolux.com/sustainability.

Risk assessment

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

Electrolux operates in competitive markets, most of which are relatively mature. Demand for appliances varies with general business conditions, and price competition is strong in a number of product categories. The Group's ability to improve profitability and increase shareholder return is based on three elements: Innovative products, strong brands and cost-efficient operations. Realizing this potential requires effective and controlled risk management.

The Group's development is strongly affected by external factors, of which the most important in terms of managing risks currently include: Fluctuations in demand, price competition, exposure to customers and suppliers, changes in prices for raw materials and components as well as adapting production capacity. In addition, the Group is exposed to risks related to financial operations, e.g., interest risks, financing risks, currency risks and credit risks.

The Group has established internal boards to manage these risk exposures, see page 88.

The purpose of the internal audit function, Management Assurance & Special Assignments, is to provide reasonable assurance that the Group's goals are met in terms of efficient operations, compliance with relevant laws and regulations and reliable financial reporting, see page 92.

Financial goals over a business cycle

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

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

Key ratios are excluding items affecting comparability.

Electrolux core values

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

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

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

Management and company structure

Electrolux aims at implementing strict norms and efficient processes to ensure that all operations create long-term value for shareholders and other stakeholders. This involves the maintenance of an efficient organizational structure, systems for internal control and risk management and transparent internal and external reporting.

The Group has a decentralized corporate structure in which the overall management of operational activities is largely performed by the business sector boards.

Electrolux operations are organized into six business sectors. Within Major Appliances, the business sectors are geographically defined, while the sectors Professional Products and Small Appliances are global. There are seven group staff units that support all business sectors: Finance, Legal Affairs, Human Resources and Organizational Development, Marketing and Branding, Technology and Product Development, Design and Communications.

There are a number of internal bodies which are forums that are preparatory and decision-making in their respective areas. Each body includes representatives from concerned functions and in most cases the President and CEO, see chart below.

In order to fully take advantage of the Group's global presence and economies of scale, a global organization within Major Appliances was established in 2009 with the responsibility for product development, purchasing and manufacturing.

Since October 2011, the Global Major Appliances Leadership Team (MALT) includes the President, the CFO, the four Major Appliances business sector heads, the Chief Marketing Officer, the Chief Design Officer, the Chief Technology Officer and the heads of the Product Boards, Purchasing and Manufacturing. The MALT makes decisions and provides clarity on issues and opportunities relevant to the four major appliances businesses. Some decisions regarding cross-sector products and investments are prepared by Global Product Boards. The MALT has the authority to decide when matters amount up to SEK 100m.

President and Group Management

President and Group Management

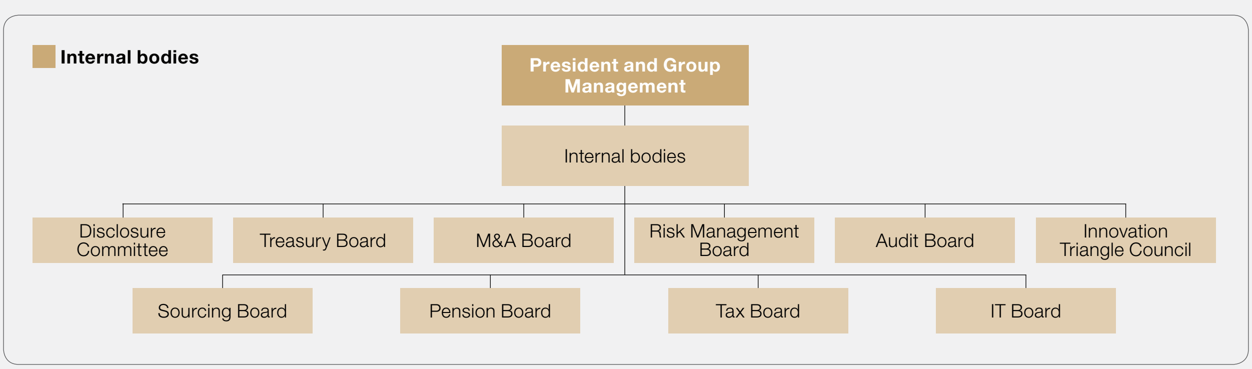
Group Management includes the President, the six sector heads and six group staff heads. The President is appointed by and receives instructions from the Board. The President, in turn, appoints other members of Group Management and is responsible for the ongoing management of the Group in accordance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

A diversified management team

The Electrolux management team, with its extensive expertise, diverse cultural backgrounds and experiences from various markets in the world, forms an excellent platform for pursuing profitable growth in accordance with the Group's strategy. Electrolux Group Management represents six different nationalities and ten of its thirteen members have worked on at least two continents.

Furthermore, all have previous experience of predominantly multinational consumer goods companies in various sectors. A dynamic management team with in-depth knowledge of the conditions in the various markets is crucial to drive profitable growth. In recent years, a number of major initiatives have been launched aimed at better leveraging the unique, global position of Electrolux. In several areas, global and cross-border organizations have been established to, for example, increase the pace of innovation in product development, reduce complexity in manufacturing and optimize purchasing. In 2011, Group Management was reinforced through the introduction of The Innovation Triangle – a formal structure for collaboration throughout the product-creation process between the R&D, design and marketing functions.

For details regarding members of Group Management, see pages 90–91. The information is updated regularly at the Group's website; www.electrolux.com/group-management.



Major issues addressed by the President and Group Management in 2012

- Electrolux growth strategy.
- Integration of the acquisitions of CTI in Chile and Olympic Group in Egypt.
- Optimizing of the manufacturing footprint.
- Accelerating efforts to capitalize on the Group's global strength and scope.
- Leveraging professional competencies to the consumer products offering.
- More rapid process for new products.
- Project to improve capital efficiency.
- Activities to improve Electrolux environmental performance.
- Strenghtening of the Electrolux corporate culture.
- Continued focus on implementation of the ethics-training program and a whistleblowing system.

Business Sector Boards

Business sectors

The sector heads are comprised of members of Group Management and have responsibility for the operating income and net assets of their respective sectors.

The overall management of the sectors is the responsibility of sector boards, which meet quarterly. The President is the chairman of all sector boards. The sector board meetings are attended by the President, the management of the respective sectors and the Chief Financial Officer. The sector boards are responsible for monitoring on-going operations, establishing strategies, determining sector budgets and making decisions on major investments.

Remuneration to Group Management

Remuneration guidelines for Group Management are resolved upon by the AGM, based on the proposal from the Board. Remuneration to the President is then resolved upon by the Board, based on proposals from the Remuneration Committee. Changes in the remuneration to other members of Group Management is resolved upon by the Remuneration Committee, based on proposals from the President, and reported to the Board.

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

Remuneration may comprise of:

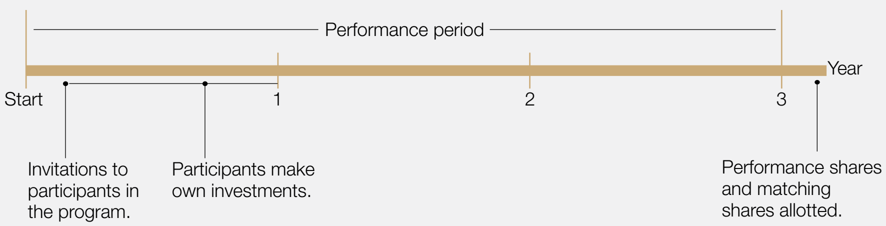
- Fixed compensation.
- Variable compensation.
- Other benefits such as pension and insurance.

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

Each year, the Board of Directors will evaluate whether or not a long-term incentive program shall be proposed to the AGM. The AGM 2012 decided on a long-term share program for up to 180 senior managers and key employees.

For additional information on remuneration, remuneration guidelines, long-term incentive programs and pension benefits, see Note 27.

Time-line for the long-term incentive program for senior management 2012

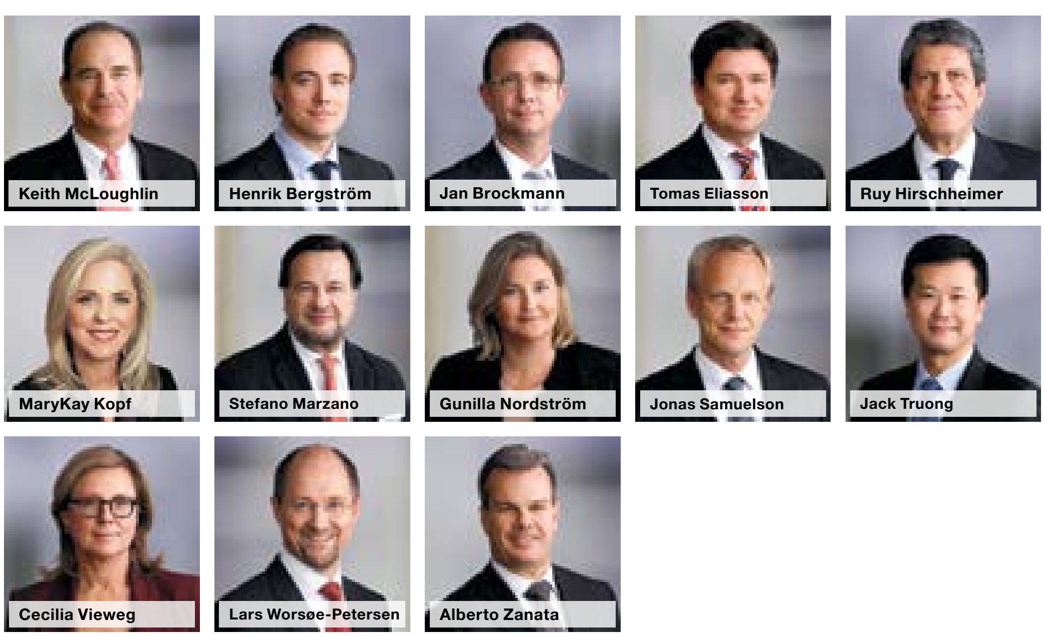


Earnings per share for Electrolux, excluding items affecting comparability, has to increase by an average of at least 4% annually before any performance shares will be allotted.

Participants in the program must invest in Electrolux shares. At the end of the three-year period, one matching share is allotted for each share acquired.

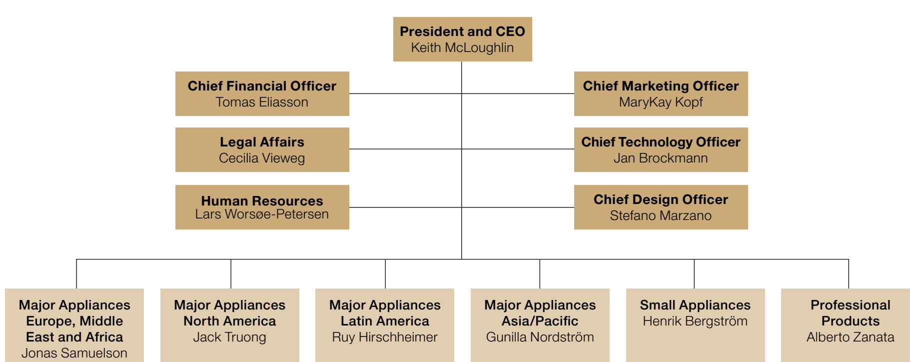
CV Group Management

Keith McLoughlin	Henrik Bergström	Jan Brockmann	Tomas Eliasson	Ruy Hirschheimer	MaryKay Kopf
President and Chief Executive Officer	Head of Small Appliances, Executive Vice President	Chief Technology Officer, Senior Vice President	Chief Financial Officer, Senior Vice President	Head of Major Appliances Latin America, Executive Vice President	Chief Marketing Officer, Senior Vice President
Born 1956. B.S. Eng. In Group Management since 2003.	Born 1972. M. Sc. in Business Administration and Economics. In Group Management since 2010.	Born 1966. M. Sc. in Mechanical Engineering, M.B.A. In Group Management since 2011.	Born 1962. B. Sc. in Business Administration and Economics. In Group Management since 2012.	Born 1948. M.B.A. Doctoral Program in Business Administration. In Group Management since 2008.	Born 1965. B.S. Finance, M.B.A. In Group Management since 2011.
Previous positions					
Senior management positions within DuPont in USA, 1981–2003. Vice President and General Manager of DuPont Nonwovens, 2000–2003, and of DuPont Corian, 1997–2000. Head of Electrolux Major Appliances North America and Executive Vice President of AB Electrolux, 2003. Also Head of Major Appliances Latin America, 2004–2007. Chief Operations Officer Major Appliances, 2009–2010. President and Chief Executive Officer of AB Electrolux, 2011.	Business Development and General Management positions within Electrolux Major Appliances Latin America, 1997–2002. Managing Director of Electrolux in Latin America and Caribbean, 2002–2008. Vice President and General Manager of three business areas in Electrolux Major Appliances North America, 2008–2010. Head of Electrolux Asia Sourcing Operations, 2009–2010. Head of Small Appliances and Executive Vice President of AB Electrolux, 2010.	Management positions within Valeo Group, 1994–1999. Project Manager in Roland Berger Strategy Consultants GmbH, 2000–2001. Senior management positions within Volkswagen Group, 2001–2010. Head of R&D, Electrolux Major Appliances, 2010. Group Chief Technology Officer, 2011.	Management positions within ABB Group, 1987–2002. Chief Financial Officer of Seco Tools AB, 2002–2006. Chief Financial Officer of ASSA ABLOY AB, 2006–2012. Chief Financial Officer of AB Electrolux, 2012.	Executive Vice President of Alcoa Aluminum in Brazil, 1983–1986. President and CEO of J.I. Case Brazil, 1990–1994. President and CEO of Bunge Foods, 1994–1997. Senior Vice President of Bunge International Ltd. in USA, 1997–1998. Head of Electrolux Brazilian Major Appliances operations, 1998. Head of Electrolux Major Appliances Latin America, 2002. Executive Vice President of AB Electrolux, 2008.	Senior management positions within DuPont in North America, Europe, Middle East and Africa, and globally, 1991–2003. Vice President Brand Marketing, Electrolux Major Appliances North America, 2003. Group Chief Marketing Officer, 2011.
Board membership					
Board member of Briggs & Stratton Corporation.					
Holdings in AB Electrolux[1]					
90,958 B-shares	8,093 B-shares	2,437 B-shares	1,565 B-shares	51,507 B-shares	11,706 B-shares



1) Holdings in AB Electrolux as of December 31, 2012. The information is regularly updated at www.electrolux.com/group-management.

Stefano Marzano	Gunilla Nordström	Jonas Samuelson	Jack Truong	Cecilia Vieweg	Lars Worsøe-Petersen	Alberto Zanata
Chief Design Officer, Senior Vice President Born 1950. Doctorate in architecture. In Group Management since 2012.	Head of Major Appliances Asia/Pacific, Executive Vice President Born 1959. M. Sc. In Group Management since 2007.	Head of Major Appliances Europe, Middle East and Africa, Executive Vice President Born 1968. M. Sc. in Business Administration and Economics. In Group Management since 2008.	Head of Major Appliances North America, Executive Vice President Born 1962. Ph.D. Chem. Eng. In Group Management since 2011.	General Counsel, Senior Vice President Born 1955. B. of Law. In Group Management since 1999.	Head of Human Resources and Organizational Development, Senior Vice President Born 1958. M.Econ. In Group Management since 2011.	Head of Professional Products, Executive Vice President Born 1960. University degree in Electrical Engineering with Business Administration. In Group Management since 2009.
Senior management positions within design within Philips, 1978–1991. Executive Vice President and Chief Design Officer, Philips, 1991–2011. Group Chief Design Officer of AB Electrolux, 2012. Honorary doctorates in design from the University of Roma – La Sapienza and the Hong Kong Polytechnic University. Founding Dean of THNK at The Amsterdam School of Creative Leadership, 2011. Various academic positions within design, 1982–2011.	Senior management positions within Telefonaktiebolaget LM Ericsson and Sony Ericsson in Europe, Latin America and Asia, 1983–2005. President of Sony Ericsson Mobile Communications (China) Co. Ltd. and Corporate Vice President of Sony Ericsson Mobile Communications AB, 2005–2007. Head of Electrolux Major Appliances Asia/Pacific and Executive Vice President of AB Electrolux, 2007.	Business development and finance positions within General Motors in USA, 1996–1999. Treasurer and Director of Commercial Finance and Business Support in Saab Automobile AB, 1999–2001. Senior management positions within controlling and finance in General Motors North America, 2001–2005. Chief Financial Officer of Munters AB, 2005–2008. Chief Financial Officer of AB Electrolux, 2008–2011 as well as Chief Operations Officer and Head of Global Operations Major Appliances during 2011. Head of Major Appliances Europe, Middle East and Africa and Executive Vice President of AB Electrolux, 2011.	Research & Development and Business Management positions within 3M in USA, 1989–1997. Managing Director, 3M Home Care Business, Europe, Middle East and North Africa, 1997–2001. Managing Director of 3M Thailand Ltd., 2001–2003. Vice President and General Manager of 3M Global Office Supplies Division, 2003–2009. Vice President and General Manager of 3M Global Construction and Home Improvement Division, 2009–2011. Head of Electrolux Major Appliances North America and Executive Vice President of AB Electrolux, 2011.	Attorney of Berglund & Co Advokatbyrå, 1987–1990. Corporate Legal Counsel of AB Volvo, 1990–1992. General Counsel of Volvo Car Corporation, 1992–1997. Attorney and partner of Wahlin Advokatbyrå, 1998. Senior Vice President and General Counsel of AB Electrolux, 1999, with the responsibility for legal, intellectual property, risk management and security matters.	Head of Human Resources Electrolux in Denmark, 1994. Vice President Human Resources within Electrolux Major Appliances Europe, 1999–2000. Head of Electrolux Holding A/S in Denmark, 2000–2002. Head of Human Resources for Electrolux Major Appliances North America, 2002–2005. Head of Group Staff Human Resources at Husqvarna AB, 2005–2011. Rejoined Electrolux as Head of Group Staff Human Resources and Organizational Development, 2011.	Senior management positions in Electrolux Professional Products within factory management, marketing, product management and business development, 1989–2002. Head of Professional Products in North America, 2003–2008. Head of Professional Products and Executive Vice President of AB Electrolux, 2009.
	Board member of Atlas Copco AB and Wärtsilä Corporation.	Board member of Polygon AB.		Board member of Vattenfall AB, The Association of Swedish Engineering Industries and member of the Swedish Securities Council.		
1,565 B-shares	27,953 B-shares	12,057 B-shares	1,417 B-shares	24,912 B-shares	1,565 B-shares	23,612 B-shares



Changes in Group Management

Tomas Eliasson joined Electrolux in February 2012 as Chief Financial Officer.

Stefano Marzano joined Electrolux as Chief Design Officer in January 2012.

Internal control over financial reporting

The Electrolux Control System (ECS) has been developed to ensure accurate and reliable financial reporting and preparation of financial statements in accordance with applicable laws and regulations, generally accepted accounting principles and other requirements for listed companies. ECS adds value through clarified roles and responsibilities, improved process efficiency, increased risk awareness and improved decision support.

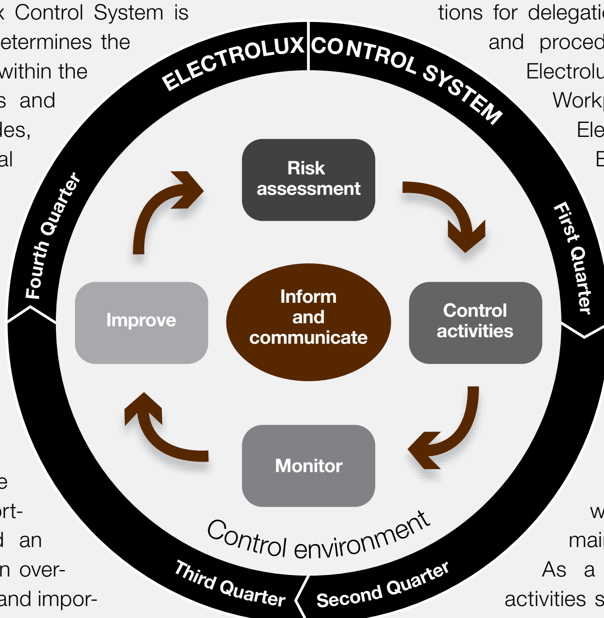
ECS is based on the framework for internal control issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The five components of this framework are control environment, risk assessment, control activities, monitor and improve and inform and communicate.

The objective of ECS is to quality assure the internal and external financial reporting.

Control environment

The foundation for the Electrolux Control System is the control environment, which determines the individual and collective behavior within the Group. It is defined by policies and procedures, manuals, and codes, and enforced by the organizational structure of Electrolux with clear responsibility and authority based on collective values.

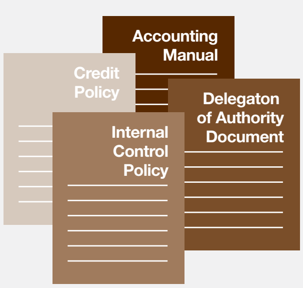
The Electrolux Board has overall responsibility for establishing an effective system of internal control. Responsibility for maintaining effective internal controls is delegated to the President. The governance structure of the Group is described on page 78. Specifically for financial reporting, the Board has established an Audit Committee, which assists in overseeing relevant manuals, policies and important accounting principles applied by the Group.



The limits of responsibilities and authorities are given in instructions for delegation of authority, manuals, policies and procedures, and codes, including the Electrolux Code of Ethics, the Electrolux Workplace Code of Conduct, and the Electrolux Policy on Corruption and Bribery, as well as in policies for information, finance and credit, and in the accounting manual. Together with laws and external regulations, these internal guidelines form the control environment and all Electrolux employees are held accountable for compliance.

Responsibility for internal control is defined in the Electrolux Internal Control Policy. All entities within the Electrolux Group must maintain adequate internal controls. As a minimum requirement, control activities should address key risks identified within the Group. Group Management have the

Control environment — Example trade receivables



Accounting Manual
Rules for revenue recognition and calculation of provision for doubtful trade receivables.

Credit Policy
Rules for customer assessment and credit risk that clarify responsibilities and are the framework for credit decisions.

Delegation of Authority Document
Details the approval rights, with monetary, volume or other appropriate limits, e.g., approval of credit limits and credit notes.

Internal Control Policy
Details responsibility for internal controls. Controls should address the Minimum Internal Control Requirements (MICR) within every applicable process, for example “Order to Cash”.

Electrolux Control System – Roles and responsibilities (for larger reporting units)

Role	Sector/Group staff internal control coordinator	Reporting unit internal control coordinator	Process owner	Control operator	Management tester
Typically who	Senior person within the Finance organization in the Sector or Group Staff function.	Controller or CFO for the reporting unit.	Person with overall responsibility for the process, e.g., warehouse manager, purchase manager, sales manager.	Person performing the daily activities within the process, i.e. warehouse operator, accounts payable clerk, accounts receivable clerk.	Person with process knowledge but not performing daily activities in the process to ensure independence.
Main responsibilities	* Monitor and report on the effectiveness of controls. * Identify skilled resources to ensure sustainability.	* Plan, coordinate and monitor the timeliness of the documentation, testing and improvement of controls. * Support the process owners, control operators and management testers.	* Ensure that controls are implemented within the process. * Execute remediation, i.e., improvement activities when controls have been tested and deemed not effective.	* Document control descriptions. * Perform control activities. * Maintain evidence of controls performed.	* Perform testing of controls. * Document and report test results.

ultimate responsibility for internal controls within their areas of responsibility. Group Management is described on pages 90–91.

The Electrolux Control System Program Office, a department within the Internal Audit function, has developed the methodology and yearly time plan for maintaining the Electrolux Control System. To ensure timely completion of these activities, specific roles aligned with the company structure, with clear responsibilities regarding internal control, have been assigned within the Group, see table Electrolux Control System – Roles and responsibilities above.

Over the last years, training and support have been provided to the thousands of persons with assigned ECS roles globally. The objective of the training has been to educate in risk and internal control and provide hands-on tools and techniques in order to effectively carry out the assigned responsibilities. These training sessions have been a mix of regional training sessions, computer-based training modules and net meetings.

Risk assessment

Risk assessment

Risk assessment includes identifying risks of not fulfilling the fundamental criteria, i.e., completeness, accuracy, valuation and reporting, for significant accounts in the financial reporting for the Group. Risks assessed also include risk of loss or misappropriation of assets.

At the beginning of each calendar year, the Electrolux Control System Program Office performs a global risk assessment to determine the reporting units, data centers and processes in scope for the ECS activities. Within the Electrolux Group, a number of different processes generating transactions that end up in significant accounts in the financial reporting have been identified. For each process, key risks are identified and documented. See below examples of key risks within processes generating transactions to the significant account trade receivables.

All larger reporting units perform the ECS activities. These larger units cover approximately 75% of the total external sales and external assets of the Group.

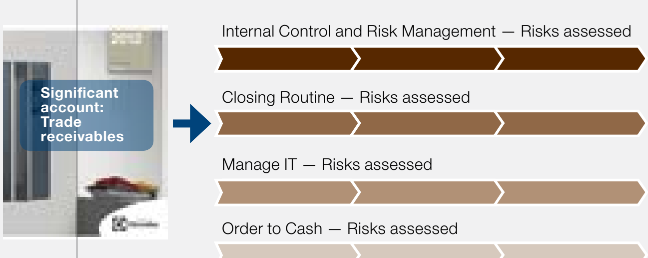
ECS has been rolled out to almost all of the smaller units within the Group. The scope for these units is limited to the four major processes Closing Routine, Order to Cash, Manage Inventory and Procure to Pay and predetermined key risks within these. The scope is also limited in terms of monitoring as management does not formally have to test the controls.

Control activities

Control activities

Control activities mitigate the risks identified and ensure accurate and reliable financial reporting as well as process efficiency.

Risk assessment – Example trade receivables



Control activities – Example trade receivables

Process	Risk assessed	Control activity	Type of control
Internal Control and Risk Management	Risk of incorrect and inconsistent financial reporting.	Periodic controls to ensure that the Accounting Manual is updated, communicated and adhered to.	Entity-wide control
Closing Routine	Risk of incorrect financial reporting.	Reconciliation between general ledger and accounts receivable sub-ledger is performed, documented and approved.	Manual control
Manage IT	Risk of unauthorized/incorrect changes in IT environment.	All changes in the IT environment are authorized, tested, verified and finally approved.	IT general control
Order to Cash	Risk of not receiving payment from customers in due time.	Customers' payments are monitored and outstanding payments are followed up.	Manual control
Order to Cash	Risk of incurring bad debt.	Application automatically blocks sales orders/deliveries when the credit limit is exceeded.	Application control

Control activities include both general and detailed controls aimed at preventing, detecting and correcting errors and irregularities. In the Electrolux Control System, the following controls are implemented, documented and tested;

- Manual and application controls – to secure that key risks related to financial reporting within processes are controlled. Examples of important manual and application controls are ones over journal entries, reconciliations, access rights and segregation of duties.
- IT general controls – to secure the IT environment for key applications. Examples of important IT general controls are ones over change management, user administration, production environment and back-up procedures.
- Entity-wide controls – to secure and enhance the control environment within Electrolux. Examples of important entity-wide controls are ones over Group policies, accounting rules, delegation of authority and financial reviews.

Every calendar year, usually between March and May, the documentation of controls is updated and quality-assured. Documentation of controls is stored in a central web-based tool. Documentation comprises of both flowcharts of the process and descriptions of the control activities detailing who performs the control, what he or she does and how often the control is performed. Each control activity documented is also evidenced, i.e., a document or file proving that the control actually has taken place is maintained.

Monitor

Improve

Monitor and improve

Monitor and test of control activities is performed periodically to ensure that risks are properly mitigated.

The effectiveness of control activities are monitored continuously at four levels: Group, sector, reporting unit, and process. Monitoring involves both formal and informal procedures applied by management, process owners and control operators, including reviews of results in comparison with budgets and plans, analytical procedures, and key-performance indicators.

Within the Electrolux Control System, management is responsible for testing key controls. Management testers who are independent of the control operator perform these activities. The Group's Internal Audit function maintains test plans and performs independent testing of selected controls. Testing is usually performed between June and August each calendar year with some additional testing performed up to and at year-end. Results from testing of controls are monitored through the web-based tool. Controls that have failed need to be remediated, which means establishing and implementing actions to correct weaknesses.

The test results from the larger reporting units are presented to the external auditors who assess the results of the testing performed by management and the Internal Audit function and determine to what extent they can rely upon the work within ECS for Group audit and statutory audit purposes. The external auditors' evaluation of ECS as part of the audit is reported to management as well as to the Audit Board and Audit Committee.

The Audit Committee reviews reports regarding internal control and processes for financial reporting, as well as internal audit reports submitted by the Internal Audit function. The external auditors report to the Audit Committee at each ordinary meeting.

In addition, the Group's Internal Audit function proactively proposes improvements to the control environment. The head of the Internal Audit function has dual reporting lines: To the President and the Audit Committee for assurance activities, and to the CFO for other activities.

Inform and communicate

Inform and communicate

Inform and communicate within the Electrolux Group regarding risks and controls contributes to ensuring that the right business decisions are made.

Guidelines for financial reporting are communicated to employees, e.g., by ensuring that all manuals, policies and codes are published and accessible through the group-wide intranet as well as information related to the Electrolux Control System. This information includes the methodology, instructions and hands-on checklists, description of the roles and responsibilities, and the overall time plan.

Test of controls and quality assurance

Management testers perform tests of controls in different test phases during the year.

The Internal Audit function performs independent testing of selected controls through desktop reviews and on-site re-performance of tests to ensure methodology is adhered to.

External reporting

The final result after performing the ECS activities is a quality assured internal and external financial reporting.

Inform and communicate is a central element of the ECS and is performed continuously during the year. Management, process owners and control operators in general are responsible for informing and communicating the results within the ECS. This is done through different sign-off procedures during the year.

The status of ECS activities is followed up continuously through status calls between the ECS Office and sector internal control coordinators. Information about the status of the ECS is provided periodically to relevant parties such as Sector and Group Management, the Audit Board and the Audit Committee.

Financial reporting and information

Electrolux routines and systems for information and communication aim at providing the market with relevant, reliable, correct and vital information concerning the development of the Group and its financial position. Specifically for purposes of considering the materiality of information, including financial reporting, relating to Electrolux and ensuring timely communication to the market, a Disclosure Committee has been formed.

Electrolux has a communications policy meeting the requirements for a listed company.

Financial information is issued regularly in the form of:

- Full-year reports and interim reports, published as press releases.
- The Annual Report.
- Press releases on all matters which could materially affect the share price.
- Presentations and telephone conferences for financial analysts, investors and media representatives on the day of publication of full-year and quarterly results and in conjunction with the release of important news.
- Meetings with financial analysts and investors in Sweden and worldwide.

All reports, presentations and press releases are published simultaneously at www.electrolux.com/ir.

Stockholm, January 31, 2013
AB Electrolux (publ)
The Board of Directors

Auditor's report on the Corporate Governance Statement

To the annual meeting of the shareholders of AB Electrolux (publ), corporate identity number 556009-4178

It is the Board of Directors who is responsible for the Corporate Governance Statement for the year 2012 on pages 78–95 and that it has been prepared in accordance with the Annual Accounts Act.

We have read the corporate governance statement and based on that reading and our knowledge of the company and the group we believe that we have a sufficient basis for our opinions. This means that our statutory examination of the Corporate Governance Statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden.

In our opinion, the Corporate Governance Statement has been prepared and its statutory content is consistent with the annual accounts and the consolidated accounts.

Stockholm, February 22, 2013

PricewaterhouseCoopers AB

Anders Lundin
Authorized Public Accountant
Partner in Charge

Björn Irle
Authorized Public Accountant

Factors affecting forward-looking statements

This annual report contains "forward-looking" statements within the meaning of the US Private Securities Litigation Reform Act of 1995. Such statements include, among others, the financial goals and targets of Electrolux for future periods and future business and financial plans. These statements are based on current expectations and are subject to risks and uncertainties that could cause actual results to differ materially due to a variety of factors. These factors include, but may not be limited to the following; consumer demand and market conditions in the geographical areas and industries in which Electrolux operates, effects of currency fluctuations, competitive pressures to reduce prices, significant loss of business from major retailers, the success in developing new products and marketing initiatives, developments in product liability litigation, progress in achieving operational and capital efficiency goals, the success in identifying growth opportunities and acquisition candidates and the integration of these opportunities with existing businesses, progress in achieving structural and supply-chain reorganization goals.

Sustainability priorities and progress

Electrolux aims to be the best appliance company in the world. It is committed to growth that's sustainable – delivering long-term value to customers, employees, shareholders and the wider world. Continuing to be a sustainability leader and implementing the sustainability strategy across the Group are central to these objectives.

The sustainability strategy

This year, the Electrolux Group placed strong emphasis on its work to integrate sustainability priorities within all aspects of the business. Its sustainability strategy focuses both on responsibly managing social, ethical and environmental risks and on developing emerging opportunities around new products, materials, and markets. It comprises three core aspects:

- Products, services and markets—to sustainably provide resource-efficient products and services that are accessible to more people around the world.
- People and operations—to engage employees in continually improving operations for the safety of people and the good of the environment.
- Stakeholders and society—to build trust and connect with stakeholders across the value chain to achieve successful sustainability outcomes.

The strategy is supported by targets to make operations and products more eco-efficient, and promote high ethical standards and transparency across the business.

In addition, Electrolux introduced a group-wide program, The Purpose, to highlight initiatives that make a positive everyday difference in people's lives and for the planet. The Purpose is intended to support the sustainability strategy, driving everyone in the company to develop smart, resource-efficient solutions, contribute to solving global challenges, improve people's lives, and grow with the highest ethical standards and least environmental impact.

Setting priorities

The sustainability strategy is underpinned by clear sustainability priorities. These are determined by the business strategy. They also take into account market and consumer megatrends and issues of importance to stakeholders who are most affected by the business and most critical to its success.

On an annual basis, Electrolux uses a materiality process to identify these priorities and realign the strategy and reporting with emerging stakeholder expectations. The company monitors issues across the product lifecycle, engages in dialog, conducts surveys, consults market intelligence reviews and media to identify key issues and stay ahead of trends. Electrolux also applies global standards, from ISO and the Global Reporting Initiative (GRI) to the UN Guiding Principles on Business and Human Rights.

Awards and recognition

- **Dow Jones Sustainability World Index**: Since 2006, Electrolux is its sector leader in the prestigious index for long-term economic, environmental and social performance
- **Corporate Knight's Global 100**: Included in the list of most sustainable companies
- **Ethisphere:** Among the list of World's Most Ethical Companies 2012
- **RobecoSAM Sustainability Yearbook 2013:** Gold Class member and sector leader
- **Carbon Disclosure Project:** Nordic Leadership Index member
- **Climate Counts**: 2012-2013 sector leader

Dow Jones Sustainability Indexes
Member 2012/13

ROBECOSAM
Sustainability Award
Gold Class 2013

ClimateCounts.org

Products, services and markets

Core issues
- Adapting products to the growing middle class in emerging markets
- Developing energy and water-efficient products
- Promoting sales of green products
- Eliminating potentially hazardous materials in products
- Phasing out greenhouse gases

Electrolux uses lifecycle analysis to assess the environmental impact of its products and services. This shows that up to 80% of the total environmental impact of appliances occurs during use. Improving efficiency of the product fleet and making efficient appliances available in all markets are therefore the Group's most important priorities.

Reducing environmental impact

Sustainable innovation is among the top four priorities of the Electrolux R&D program. As part of 2015 Group goals, investment in developing technology will increase by 20%, with a focus on energy and water efficiency and design-for-recycling. From 2012, at least one third of the Group's product development spend will be sustainability-related, the majority invested in energy efficiency.

During 2012, product targets for chemical use and energy and water reductions were set for key product lines in all major markets. Greenhouse gases will be substituted for alternatives with lower global warming potential across the company. This process was completed for refrigerators this year in Australia, ahead of 2016 legislation to phase out these gases.

Product innovation

The Vario heatpump dryer, with its energy-efficiency rating of A+++, is the best in the European market. In Brazil, a key feature of the Ecologic washing machine is superefficient water use. Professional's Ecostore, which consumes 65% less energy than equivalent refrigerators, won Italy's 'Horeca 24 Innovation of the Year' for green solutions in the hotel and restaurant industry.

As of 2012, more stringent European Eco-Design energy-efficiency requirements mean refrigerators in energy class 'A' can no longer be placed on the market. Class 'A' dishwashers and washing machines will no longer be sold as of December 1, 2013. Electrolux supports developments to phase out inefficient appliances, along with better enforcement of efficiency standards.

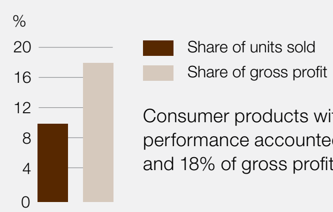
During 2013 the company will continue to refine its product performance monitoring methodology to keep track of product targets, and update its Restricted Materials List (RML).

Global Green Range

The Electrolux Green Range comprises consumer products with the best environmental performance, which in 2012 accounted for 10% of total units sold and 18% of gross profit. Criteria for inclusion in the range are reviewed regularly. To build consumer awareness of the value of efficient appliances, Electrolux will increase the focus on efficiency and other environmental benefits in marketing messages globally, tailored to what is relevant for products and in local markets.

Growing the market for the most efficient products remains a challenge. Electrolux is working with governments, retailers and others around the world to raise consumer awareness of the benefits of efficient appliances.

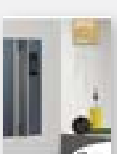
Global Green Range



Consumer products with the best environmental performance accounted for 10% of total sold units and 18% of gross profit.

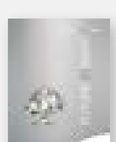
The Electrolux approach to reporting

Electrolux has a three-tiered approach to sustainability reporting, including an extensive, third-party assured GRI report. View them all at www.electrolux.com/sustainability



1. Sustainability information is integrated throughout this printed Annual Report. Targeted to shareholders and other stakeholders, the focus is on how sustainability issues relate to the business strategy, as well as goals and performance. See also page 48 in the Strategy section of the Annual Report.

2. The Electrolux annual sustainability performance review, Sustainability Matters, is built around the GRI framework for sustainability reporting and is included in the on-line Annual Report. Third-party assured.



3. Future InSight: Aimed at employees and business contacts, this report is designed to communicate how Electrolux will realize its sustainability strategy through integration, driving innovation and building partnerships.

People and operations

Core issues
- Reducing energy, water, waste and emissions
- Ethical business practices
- Aligning new operations with Group standards
- Health and safety

Electrolux is building a stronger brand, better reputation and more profitable business by reducing negative social and environmental impacts, lowering operating costs and minimizing business risk.

Shrinking the environmental footprint

The Group has a strong track record in energy reduction. The 2012 one-year 3.5% energy-reduction target has been integrated into a new 2015 target to reduce energy by 15% compared to 2011 production volumes. The Group realized a 6% relative improvement in 2012, indicating a significant rise in production efficiency. In absolute terms, the result was a marginal increase, due to a rise in production volumes.

Work towards increasing the quality of logistics data for shipments has continued. This information provides better insight into current performance against the Group's 15% carbon-reduction target for transport emissions by 2014.

Water efficiency improved and the company is on track to exceed its 2014 20% water-reduction target. With regard to Electrolux Green Spirit program for greater efficiency in factories, by the end of 2012, almost 50% had achieved gold standard, with one unit – in Hungary – securing platinum. The program will continue in 2013.

Monitoring

Robust monitoring procedures help ensure that the Group lives up to its principles relating to labor, environment and health and safety. During 2012, 18 Code of Conduct audits were conducted in nine countries by Electrolux and third-party auditing teams. In 2013, Electrolux will introduce a global provider for ISO and OSHAS certification. In addition to certification, performance against environmental and health and safety provisions set out in the Electrolux Workplace Standard will also be monitored. The new approach will deliver improved governance and reporting, as well as greater harmonization across the Group.

In 2012, 85% of the Group's white collar workers took part in the Employee Engagement Survey. Approximately 80% stated that company actions reflected its Foundation of ethics and integrity, respect and diversity and safety and sustainability. Fair and equal treatment is an area employees regarded as needing improvement. Electrolux introduced the Purpose to engage employees in sustainability objectives. The program aims to build an understanding of the value Electrolux creates beyond financial and market objectives.

Health and safety

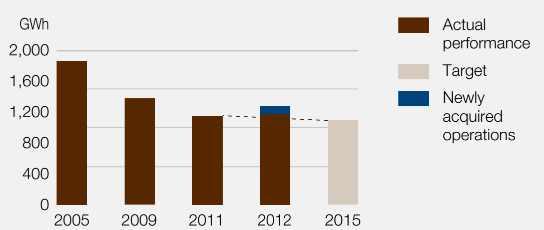
With a Group incident rate (TCIR) of 1.1, almost 70% of factories have achieved below 1.0, considered good performance. The company aims to reduce this by a further 5% in 2013. A '100 days without accident' program was launched to spur positive, safety-focused series of events across the company. To build an even stronger safety culture across the organization, a global safety management system will be rolled out from 2013.

Ethics, integrity and human rights

Continued focus will be on bringing Egyptian Olympic and Chilean CTI operations, acquired in 2011, in line with high Group standards.

In 2012, Electrolux stepped up its approach to human rights. It conducted a corporate human rights risk assessment and began alignment with the UN Guiding Principles on Business and Human Rights. In 2013, the Code of Conduct will be updated to reflect the findings. The Ethics Program, including training and a helpline operated by a third party, rolled out in seven European countries in 2012. This will continue in 2013. Approximately 75% of all employees have access to confidential reporting helplines located in Europe, North and Latin America. The bulk of the reported cases relate to workplace conduct.

Energy savings target 2015



In line with the 2015, 15% energy-reduction target, Electrolux realized a 6% relative improvement in use in 2012, excluding newly-acquired operations.

Stakeholders and society

Core issues
- Transparency, accountability and dialog
- Responsible sourcing
- Restructuring
- Public advocacy

Responsible sourcing
Electrolux is committed to high standards wherever it operates. As the Group expands into new regions and markets, different challenges and risk factors arise in the supply chain. Due in part to their growing importance as markets, the proportion of manufacturing from low-cost countries currently accounts for 60% of global production, up from 30% in 2004.

The Responsible Sourcing program helps ensure that suppliers adhere to the same high environmental and labor standards. Compliance to the Electrolux Workplace Standard is mandatory and non-negotiable criteria and is used in evaluating both existing and potential suppliers. Through audits, training and reporting, the program aims to improve labor and environmental conditions by building transparent and supportive relationships with suppliers.

In 2012, 293 (360) audits were conducted with a focus on markets defined as high or medium risk. Most findings related to health and safety issues and Electrolux is working to address these with suppliers. A Supplier Summit was held in Thailand for some 60 suppliers to raise awareness and share best practice. During the year, an energy reporting standard was also piloted among suppliers.

Restructuring
Electrolux continues to relocate its operations to align with business strategies. At the same time, the company is mindful that these decisions affect individuals and local communities. While relocation benefits new regions with jobs, knowledge transfer and economic opportunity, closing operations is a difficult process for all involved.

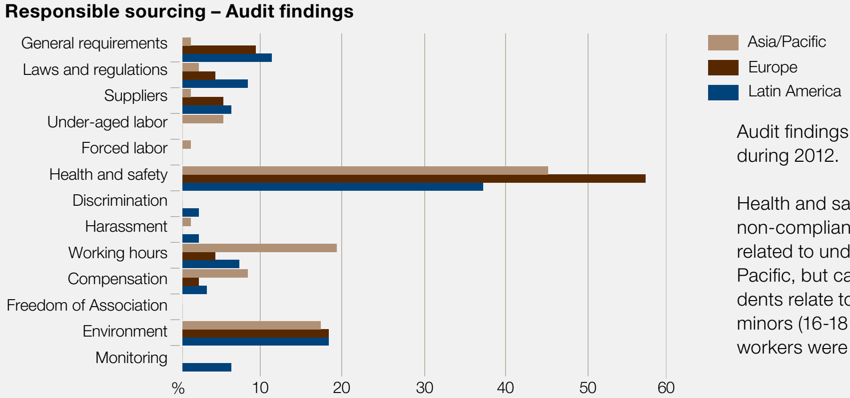
During 2012, Electrolux reduced its white and blue collar staff by approximately 500, primarily in Europe. In setting up new operations or managing organizational change, Electrolux aims to act transparently and responsibly, in dialog with those affected. A restructuring program was initiated in 2012 that impacts European operations, including Major Appliances and Group staff functions. An important element of the program was to facilitate a smooth and cost-effective transition, especially in regard to moving the organization from Brussels in Belgium to Stockholm. Since then, approximately 20% of employees affected by the program have found alternative employment within Electrolux.

In factories in Schwanden in Switzerland and Mariestad in Sweden – where downsizing is scheduled – agreements for a social plan were signed to mitigate negative consequences for employees. In Revin in France, where washing machines are produced, Electrolux is in dialog with unions, local authorities and the French government to find solutions for affected employees.

Transparency, partnerships and dialog
Building trust with stakeholders and demonstrating that the company is a responsible societal partner is important to Electrolux. The Group strives for high levels of transparency regarding its actions and impacts, and openness in its dealings with stakeholders. It aims to engage actively in the debate on issues affecting its industry and works with others to address these along the value chain.

This year, socially responsible investors underlined greater expectations on Electrolux to focus on human rights. In May, Electrolux hosted a Human Rights seminar involving Middlesex University (Great Britain), the Swedish Foreign Ministry, and other companies, on how to implement the UN Guiding Principles on Human Rights (UNGP). Learnings will be shared and applied across the company. Dialog will continue through involvement with UNICEF's network on children's rights and business principles, and the Swedish Network for Business and Human Rights.

Responsible sourcing – Audit findings



Audit findings of 293 supplier audits conducted during 2012.

Health and safety continue to be the area with most non-compliances, followed by environment. Issues related to under-aged labor are primarily found in Asia Pacific, but cases are rare. The majority of these incidents relate to insufficient protection of authorized minors (16-18 years). Five (8) cases of under-aged workers were found in 2012.

Annual General Meeting

The Annual General Meeting will be held at 5 pm on Tuesday, March 26, 2013, at Stockholm Waterfront Congress Centre, Nils Ericsons Plan 4, Stockholm, Sweden.

Participation

Shareholders who intend to participate in the Annual General Meeting must

- be registered in the share register kept by the Swedish central securities depository Euroclear Sweden AB on Wednesday, March 20, 2013, and
- give notice of intent to participate, to Electrolux on Wednesday, March 20, 2013, at the latest.

Notice of participation

Notice of intent to participate can be given

- on the Internet on the Group's website; www.electrolux.com/agm2013
- by telephone +46 8 402 92 79, on weekdays between 9 am and 4 pm
- by mail to
  AB Electrolux
  c/o Euroclear Sweden AB
  Box 191
  SE-101 23 Stockholm
  Sweden

Notice should include the shareholder's name, personal identity or registration number, address, telephone number and the number of assistants attending, if any. Shareholders may vote by proxy, in which case a power of attorney should be submitted to Electrolux well in advance of the Annual General Meeting.

Proxy forms in English and Swedish are available on the Group's website; www.electrolux.com/agm2013.

Shares registered by trustee

Shareholders that have their shares registered in the name of a nominee must, in addition to giving notice of participation in the meeting, temporarily be recorded in the share register in their own names (so called voting-rights registration) to be able to participate in the General Meeting. In order for such registration to be effectuated on Wednesday, March 20, 2013, shareholders should contact their bank or trustee well in advance of that date.

Dividend

The Board of Directors proposes a dividend for 2012 of SEK 6.50 per share, for a total dividend payment of approximately SEK 1,860m. The proposed dividend corresponds to approximately 55% of income for the period, excluding items affecting comparability. Tuesday, April 2, 2013, is proposed as record date for the dividend. The estimated date for payment of dividend is Friday, April 5, 2013.

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

Dates regarding the AGM 2013

2012	2013		
September	**February**	**March**	**April**
26 Nomination Committee appointed for AGM 2013	15 Proposals from Nomination Committee 15 Notice to AGM	20 Deadline for notice of intent to participate in AGM 20 Deadline for share register 26 AGM 2013	2 Proposed record date for dividend 5 Estimated date for payment of dividend

Events and reports

The Electrolux website www.electrolux.com/ir contains additional and updated information about such items as the Electrolux share and corporate governance as well as a platform for financial statistics. The platform allows visitors to view graphic illustrations detailing Electrolux development on an annual or quarterly basis.

Electrolux Annual Report 2012 consists of:

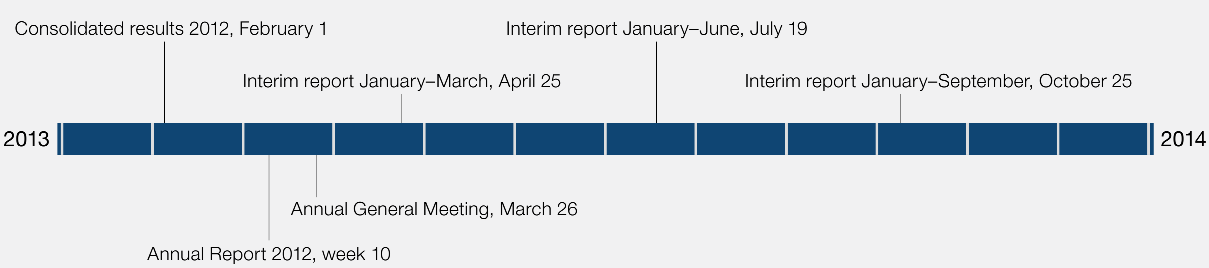
- Operations and strategy
- Results

Electrolux annual report is available at www.electrolux.com/annualreport2012

Electrolux sustainability reports (GRI) are available at www.electrolux.com/sustainability

Electrolux interim reports are available at www.electrolux.com/ir

Financial reports and major events 2013



Electrolux subscription service can be accessed at www.electrolux.com/subscribe

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