

# 2012

Annual Report  
**Operations  
and strategy**

Profitable growth  
Innovation  
Operational excellence



*Thinking of you*  
**Electrolux**

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# 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 Grand Cuisine

Electrolux has collaborated with the world's top chefs for more than 90 years and more than half of all Michelin-star restaurants in Europe use Electrolux products for food preparation. Now, for the first time, Electrolux is introducing these professional cooking systems to the world's most exclusive homes under Electrolux Grand Cuisine.



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.

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# 2012 Summary

Strong growth, net sales increased by 8.3% of which 5.5% referred to organic growth.

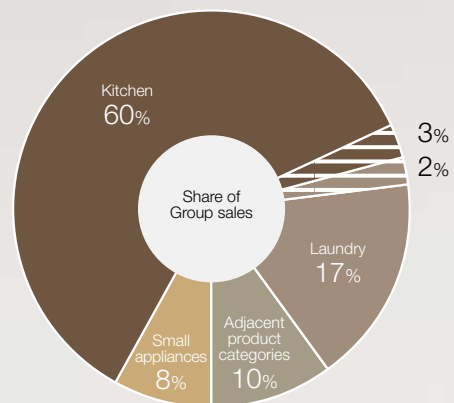
Operating income improved, mainly as a result of strong performance for appliances in North America and Latin America.

Weak market conditions in Europe adversely impacted results for Electrolux operations in the region.



A year of extensive product launches on most markets.

The Board proposes an unchanged dividend of SEK 6.50 per share.

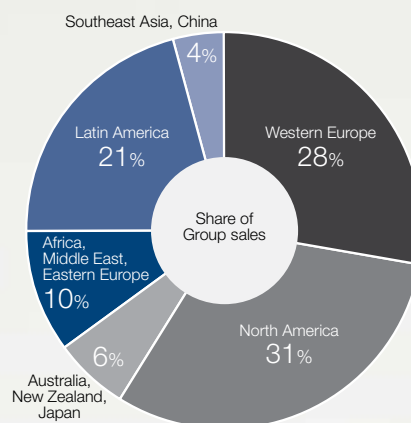
## Our products



Electrolux is the only appliance manufacturer in the industry to offer complete solutions for professionals and consumers. The focus is on innovative and energy-efficient products in the premium segments. **►► 6**

 Professional food-service equipment    
  Professional laundry equipment

## Our markets



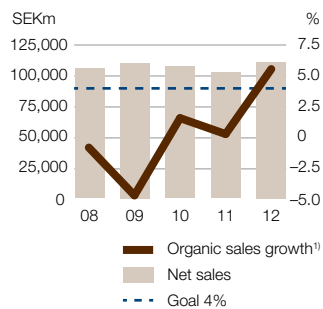
The Group's products are sold in more than 150 markets. The largest of these are in Europe and North America. In 2012, Electrolux expanded its presence in growth markets, such as Latin America, Africa, the Middle East and Asia. **►► 20**



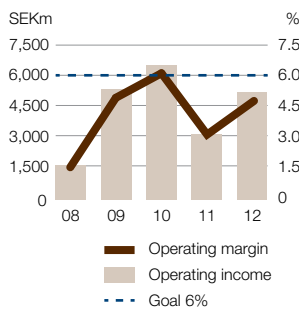
# Performance in relation to Electrolux financial goals

The financial goals set by Electrolux aim to strengthen the Group's leading, global position in the industry and assist in generating a healthy total return for Electrolux shareholders. The objective is growth with consistent profitability. ►► 38

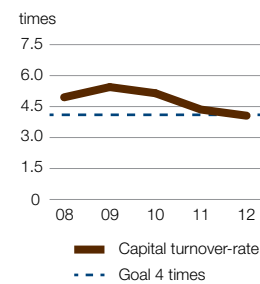
Sales growth of > 4% annually



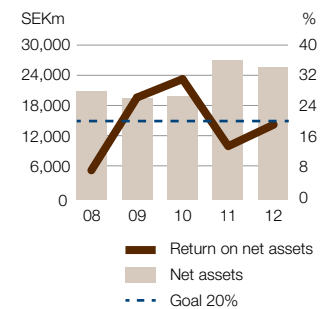
Operating margin of > 6%



Capital turnover-rate of > 4 times



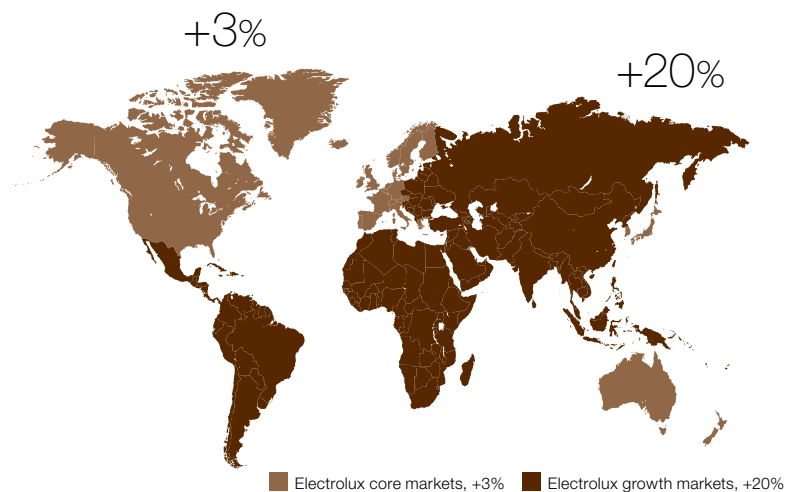
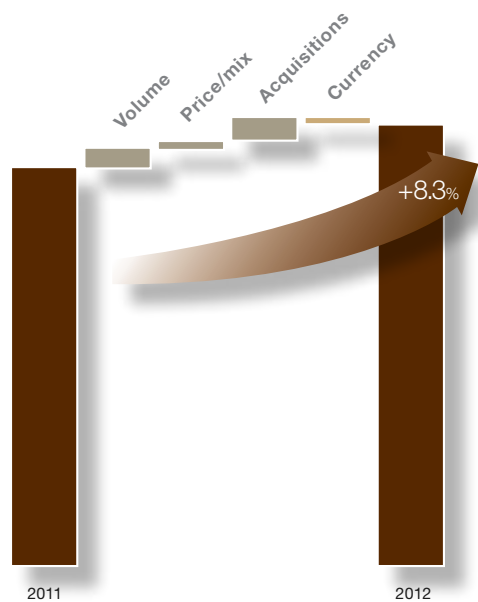
Return on net assets of > 20%



1) In comparable currencies.

Key ratios are excluding items affecting comparability.

## Strong sales growth



### Net sales

Net sales for the Electrolux Group in 2012 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 such as Europe and Australia. Product launches and price increases contributed to the positive trend as well as the acquired companies Olympic Group and CTI.

### Operating income

Operating income for 2012, excluding items affecting comparability, improved to SEK 5,182m (3,155), corresponding to a margin of 4.7% (3.1). The performance of the operations in North America and Latin America were particularly strong. 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 contributed to operating income.

# 2012 – a year focused on profitable growth

*We wrote history in 2012. Electrolux reported sales growth of 9.4% in comparable currencies with 5.5% being organic growth. This was the first time the Group, in its current structure, achieved such strong growth numbers. Behind this achievement lies a premeditated and structured approach to implementing our strategy for profitable growth, one we intend to continue going forward.*



Our overarching objective of profitable growth will remain a focus area for Electrolux in the future. In the people of Electrolux, we have the knowledge, the dedication and the cultural spirit required to realize our ambition.

The successes of Electrolux in 2012 are the result of a determined strategic effort that has stretched back over many years. A comprehensive change of operations has been carried out, which was necessary to operate in a market exposed to intense competition and to be able to leverage the growth potential existing in the various product segments and geographic regions.

#### **An important and necessary transformation**

If we look back only five years, there were major differences in the operation. Back then, Europe accounted for nearly 50% of Electrolux sales. To develop our position as a global leader, we identified the need to diversify our exposure toward other parts of the world and, above all, increase our sales in growth markets. In 2008, we initiated our biggest product launch ever in North America under the Electrolux brand in the premium segment at the same time as we relaunched our largest brand in the region, Frigidaire. We intensified our initiatives in the rapidly growing markets in Latin America and Southeast Asia. We focused on the launch of new innovative products customized to the special needs of each region while utilizing our global economies of scale. At the end of 2011, Electrolux completed two key acquisitions. The purchase of Olympic Group and CTI gave Electrolux a leading position in new, attractive growth markets.

#### **Becoming more global**

We can see that the investments are generating results. Our share of sales in growth markets has increased from 20% to more than 35% in five years. And we are no longer primarily a European company. In 2012, almost 70% of sales were generated from other regions – in the North American market, where we now have a presence in all segments and our products are available in all major retailers, in Latin America, where we strengthened our leading position in a fast-growing market and in Asia, where we have delivered double-digit growth for the past 13 consecutive quarters.

#### **High ethical and moral standards**

As a global player that both manufactures and sells products in rapidly evolving markets, we also have an important social responsibility. Among other tasks, we must work even harder to introduce the rigorous environmental, ethical and moral standards we have at Electrolux in all of our operations. This is our duty as a leading, and the most global, company in the appliance industry.

#### **We leverage on our professional operations**

In 2012, we took an important next step in our development by bringing our consumer durables and professional operations even closer together. We launched an entirely new global brand, the ultra luxury Electrolux Grand Cuisine, thus for the first time making pro-

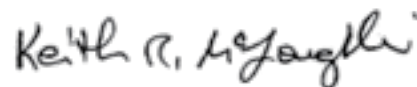
fessional cooking systems available for home use. In Europe, we conducted an extensive launch of new premium products under the Electrolux brand, products that were created on the basis of our expertise in developing innovative solutions for professional kitchens and laundries. This combination of a product portfolio comprising offerings for restaurants and end-consumers is one of the factors that makes Electrolux unique. It is something that none of our main competitors can do, and we will increasingly utilize this advantage in our positioning of Electrolux going forward.

#### **High potential in all our markets**

Looking ahead, I believe that the extensive change of the operation will continue. One of our goals is to increase the share of sales in growth markets to 50% within five years, primarily organically, although complementary acquisitions will also be necessary. However, it is not an aim in itself to achieve a certain level of sales in a specific region. What is most important is that the Group as a whole continues to develop profitably by taking advantage of our local market opportunities as a global manufacturer with operations in more than 150 countries. Growth in such regions as Southeast Asia and Latin America will probably remain at a high level over the next five years, but we should not underestimate the strength of a possible upturn in demand in our core markets. This applies in particular to the US, where we already noted some positive signals in 2012. Bearing in mind that industry volumes have declined by more than 25% since 2006 and are down at 1998 levels, there is potential for a robust recovery once an upturn begins.

#### **Continued focus on profitable growth**

I mentioned earlier that we operate in a highly competitive market. In the future, this competition will not have eased, but rather the opposite. In order to successfully meet this challenge and capture new business, we must focus on strong finances and manage capital in an efficient way. By reducing working capital and optimizing operations, among other activities, we release resources that can instead be invested in growth and innovation initiatives, which are necessary if we are to capitalize on the opportunities we see around the globe. Our overarching objective of profitable growth will remain a focus area for Electrolux in the future. In the people of Electrolux, we have the knowledge, the dedication and the cultural spirit required to realize our ambition.



Stockholm, February 2013

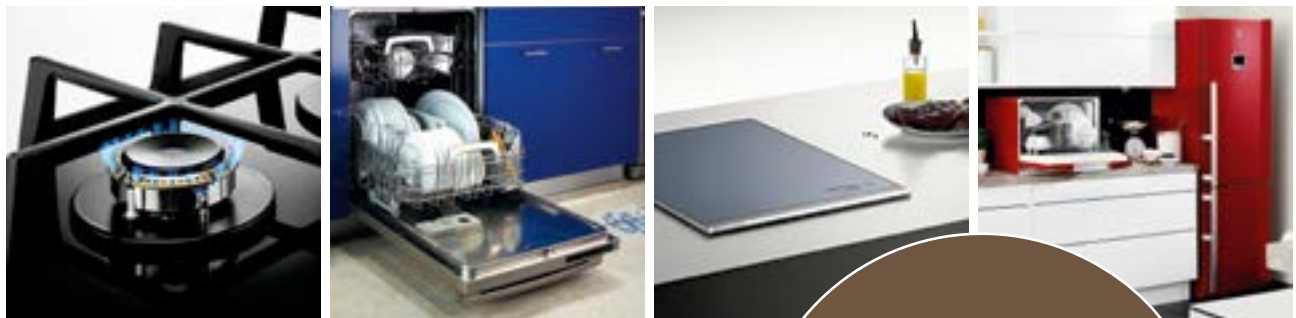
Keith McLoughlin

President and Chief Executive Officer

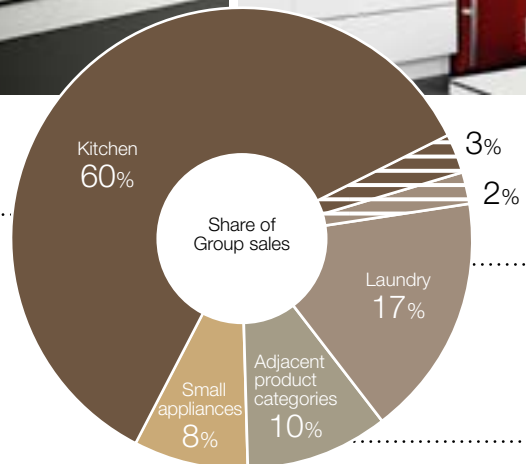
# Electrolux products



*Electrolux is the only appliance manufacturer in the world to offer complete solutions for both consumers and professional users. Focus is on developing innovative solutions that are thoughtfully designed, based on deep and extensive consumer insight, to meet the needs of consumers and professionals. In 2012, Electrolux sold more than 40 million products in over 150 markets under such strong brands as Electrolux, AEG, Frigidaire and Eureka.*

 Kitchen



Electrolux sells cookers, hobs, ovens, hoods, microwave ovens, refrigerators, freezers and dishwashers for **households** and **professional kitchens** throughout the world. Electrolux is a leader in kitchen appliances and new functions are continuously developed that facilitate preparation, storage and dish washing. ▶▶ 8



-  Professional food-service equipment
-  Professional laundry equipment



■ ■ ■ Laundry



Washing machines and tumble-dryers are the core of the Electrolux product offering for **washing and garment care**. Innovations and a growing preference for higher capacity, user-friendliness and resource efficiency are driving demand for Electrolux laundry products. ▶▶12

■ ■ ■ Small appliances



Electrolux **vacuum cleaners, small domestic appliances** and accessories are sold to consumers worldwide. A strong, global distribution network and an attractive product offering based on global product development represent key competitive advantages. ▶▶14

■ ■ ■ Adjacent product categories

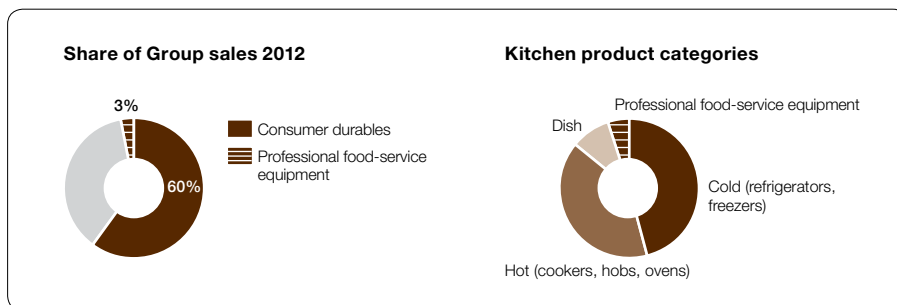


Adjacent product categories include the rapidly growing areas of **air-conditioning equipment, water heaters** and heat pumps, as well as **consumables, accessories** and service. ▶▶18

# Kitchen products

## A leader in food preparation

*The Group's kitchen appliances command a significant global market share, with a particularly strong and profitable position in the cooker, oven and hob categories. Electrolux is the only manufacturer in the world to offer households, restaurants and industrial kitchens complete solutions for kitchen appliances.*



Electrolux kitchen products account for almost two-thirds of the Group's sales and are well-represented among the most energy-efficient alternatives. The Group holds strong positions in all major categories of kitchen appliances and commands significant global market shares. The most rapid increase in sales is occurring in such growth regions as Latin America and Southeast Asia, where the Electrolux offering is primarily targeted to the fast-growing city-based middle class. For many years, Electrolux has been a recognized leader in cookers, hobs and ovens and has developed numerous new functions that simplify cooking for both households and professionals. Electrolux has strengthened its leading position in built-in appliances in recent years through extensive product launches and partnerships with kitchen manufacturers.

The Group provides restaurants and industrial kitchens with complete solutions for cookers, ovens, fridges, freezers and dishwashers. Products are largely sold as modules, allowing buyers to choose suitable functions for their demands. Electrolux conducts operations worldwide and has a global service network. The strongest position is held in Europe, where about half of all Michelin-starred restaurants use kitchen appliances from Electrolux.

Approximately half of the Group's kitchen products are sold under the Electrolux brand. Other important consumer brands include AEG and Zanussi in Europe and Frigidaire in North America.

Professional food-service equipment is sold mainly under the Electrolux brand, but also under the Zanussi brand, in addition to the exclusive cooker brand Molteni.

### Trends

The rapid changes in lifestyle in many countries have led to demand for products that make life easier and that make cooking healthier and food storage safer. Interest in more advanced leisure and gourmet cooking is rising mainly in mature economies. More and more people want to emulate professionals and are looking for products and functions used by the very best chefs. Food must be prepared quickly, intuitively and with excellent results. Brands are important and the appearance of products should reflect the owner's personality and values and harmonize with other products in the kitchen and the rest of the home.

Buyers of professional food-service equipment have widely differing yet strict requirements, for example, regarding performance and technology, implying that manufacturers must be able to deliver flexible solutions. The significance of design is rising in pace with an increasing number of restaurant kitchens being open to view by guests. Both consumers and professionals want products with low water and energy consumption, which are manufactured from sustainable materials and can be easily recycled.

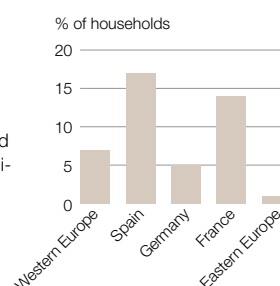
### Growth potential



## Effective induction hobs

Induction hobs comprise a segment that is growing rapidly, due primarily to their speed and energy efficiency. Electrolux holds a strong position in this category and was one of the first companies in the market.

### Penetration for induction hobs





Culinary  
enjoyment in  
the **kitchen**

Inspired by working with  
Michelin-star restaurants,  
Electrolux develops kitchen  
appliances that enable  
consumers to feel like top chefs.

## > Kitchen products

### New kitchen appliances

Electrolux Inspiration Range and Zanussi Quadro comprise two comprehensive product series that were launched in Europe in 2012. Electrolux Inspiration Range includes innovative premium products developed by applying the Group's expertise in the manufacture of professional food-service equipment. The range encompasses both free-standing units and built-in appliances. The launch of the new Zanussi Quadro product range of built-in appliances is targeted to the large mass-market segment in Europe. The year also marked the global launch of professional products for the home under the ultra deluxe brand Electrolux Grand Cuisine. Additional successful product launches during the year include Zunyin, Ouxin and OuYu refrigerators in China, the free-standing cooker series Vulcan Cooker in Australia and the dishwasher Orbit Clean in North America. Electrolux launched several new kitchen appliances in different markets during the year, see page 42.

### Innovative professional solutions

Electrolux Ecostore is a completely new range of refrigerators and freezers for professional users launched in 2012, and represents the leading edge in energy efficiency and innovative storage solutions. During the year, Ecostore received the highest ranking

from CEDED, the first energy-efficiency classification system for professional products.

With the XP cooker range, Electrolux satisfies professional users' high demands for design, performance, technology, energy efficiency and ergonomic solutions. The more than 200 different modules on offer provide the XP range with the flexibility to be adapted to various cooking processes, irrespective of where in the world these may be. The cooker range is the most sold product category in Electrolux Professional food-service equipment and is found in kitchens worldwide.

### Growth opportunities

Alongside the growth generated by the greater purchasing power of households in growth markets, innovations are driving substantial growth in certain segments of the kitchen appliances market. Based on such factors as the Group's expertise of manufacturing professional food-service equipment, Electrolux has developed successful solutions that make cooking easier for consumers, such as combination steam ovens, induction hobs with preset cooking zones and refrigerators with advanced refrigeration technology.

Steam ovens for home use enjoyed immense success when launched in Europe, Australia and New Zealand. Steam ovens have long been used in the restaurant world for the simple reason that the food cooked in them tastes much better.

## XP – flexible solutions for professional kitchens



The XP range is the most sold product category in Electrolux professional food-service equipment. The cooking range can be adapted to various cooking processes, containing more than 200 different modules.

In a number of regions, a majority of households still have no dishwasher, despite the volumes of water that can be saved by having a machine do the washing rather than washing dishes by hand. The development of new, water and energy-efficient dishwashers for both households and professional users has progressed rapidly at Electrolux.

The number of small-scale establishments that serve hot food is increasing at a high pace throughout the world and Electrolux envisages new opportunities in this segment. In recent years, Electrolux has established close relations with several international fast-food chains to capitalize on the growth potential in, for example, the US and growth markets.



## Efficient refrigerators in China

Based on the theme "Limited space, more possibilities", the innovative OuYu, multi-door refrigerator in China was developed to meet the demand for well-designed and energy-efficient products. In 2012, it won Sina Digital Billboard's Best Home Appliance Award as voted by customers, journalists and industry opinion leaders.



Electrolux  
**Inspiration**  
Range

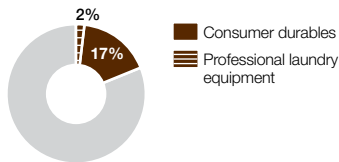
Inspired by professionals  
— designed for consumers.

# Laundry products

## Global growth potential

*Electrolux is a leading company in the world for front-load washing machines and energy and water-efficient products. Drawing on the Group's know-how of manufacturing professional laundry products, Electrolux has developed the corresponding technology for consumer products.*

### Share of Group sales 2012



Washing machines and tumble-dryers represent a product category with major growth potential, particularly as a result of increased water shortages around the world. Electrolux has a strong position in most regions and is working to produce high-performance water and energy-efficient solutions for both households and professional users. The largest global market share is in front-load washing machines, where the Group is a leading producer. For professional users, Electrolux sells advanced laundry solutions for different segments, such as laundry rooms in apartment buildings, hotels and hospitals as well as commercial laundries. A majority of laundry products in the professional market is generated in Europe, although the most rapid increase in sales is taking place in the US, Southeast Asia and Japan.

Within consumer products, laundry products are sold in Europe under the Electrolux, AEG and Zanussi brands. In North America, the Frigidaire brand is used in the mass-market segments. In Asia and Latin America, products are mainly sold under the Electrolux brand.

In the US, about half of the Group's professional laundry equipment is sold under the Wascomat brand via a distributor. Professional laundry products are sold under the Electrolux brand in the rest of the world.

### Innovative solutions

Based on the Group's expertise of manufacturing professional laundry products, Electrolux develops innovative solutions for washing machines and tumble-dryers for households. A number of new washing machines launched in Europe during the

year under the Electrolux brand are equipped with a steam function to quickly refresh clothes. The Steam System washing machine and Cool Clean Woolmark tumble-dryer were tested and certified Woolmark Gold.

Electrolux professional washing machines and tumble-dryers are among the most energy and water-efficient in the market. Electrolux Lagoon is a wet-cleaning concept that uses only water and biodegradable detergent. Demand from commercial, hotel and aged-care laundries in both mature markets and growth markets is increasing for this concept.

### Growth opportunities

Growing segments for Electrolux is professional laundry solutions for quickly washing and drying housekeeping materials and towels, for example, for hotels, care institutions and facility management. Electrolux launched a washing machine and tumble-dryer specially adapted for these segments in 2012.

Another growth area is energy-efficient tumble-dryers that offer gentle drying of laundry. Electrolux is a leader within this area and is continuously launching new, innovative and energy-efficient tumble-dryers, for consumers and professional users.

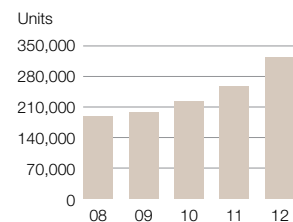


Growth potential

## Front-load washing machines

Growth opportunities for front-load washing machines exist in markets such as North America, Southeast Asia and Australia, where top-load washing machines dominate. Front-load washing machines consume less water and energy during a wash cycle, have greater load capacity and give better wash results. Electrolux controls a considerable share of this market.

### Market for front-load washing machines – a growing segment in Southeast Asia





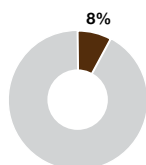
Perfect  
**laundry**  
results

Innovative solutions from  
Electrolux for fabric care use the  
latest technology with steam.

# Small appliances Broadened offering

*Electrolux is one of the largest manufacturers of vacuum cleaners and vacuum-cleaner accessories in the world and holds market-leading positions in most regions. In the small domestic appliance product category, including coffee-makers, mixers and irons, Electrolux currently has a small global market share, but is growing rapidly worldwide.*

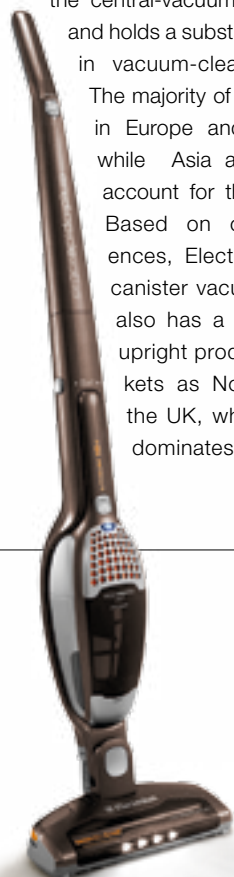
Share of Group sales 2012



should also be well-designed so that they can be left out, for instance, to meet the need for quick cleaning of small spaces in the home, such as the kitchen and hallway. Greater environmental awareness in many regions is driving demand for vacuum cleaners that use less energy and that are sustainably manufactured.

### Floor-care products

As one of the few global manufacturers of vacuum cleaners, Electrolux can focus on global product development. A special focus lies on innovative and energy-efficient vacuum cleaners in the upper-price segments. Electrolux is also market-leading in the central-vacuum cleaner segment and holds a substantial market share in vacuum-cleaner accessories. The majority of sales is generated in Europe and North America, while Asia and Latin America account for the fastest growth. Based on consumer preferences, Electrolux sells mainly canister vacuum cleaners, but also has a strong offering in upright products in such markets as North America and the UK, where this category dominates.



In Asia and Latin America, most of the Group's vacuum cleaners are sold under the Electrolux brand. The Electrolux brand also dominates in Europe, complemented by AEG in central Europe. The Volta, Tornado, Progress and Zanussi brands are focused on the lower price segments. The Eureka brand accounts for the largest proportion of the Group's vacuum-cleaner sales in North America, while more exclusive vacuum cleaners are sold under the Electrolux brand.

### Trends in floor-care products

Performance and function are still the most important factors for consumers worldwide. Consumers want vacuum cleaners that have high suction power and are ergonomic and user-friendly. Urbanization, with a growing number of small households across the world, has resulted in elevated demand for small, compact and efficient vacuum cleaners. They

### Innovations for growth

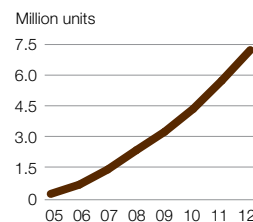
Electrolux continuously develops innovations and models with attractive designs that can be customized to a variety of segments and regional requirements. Electrolux holds a leading position in rechargeable, handheld vacuum cleaners in Europe and also has a strong position in other parts of the world where compact vacuum cleaners are in demand, such as Japan and South Korea. A new version of the segment's best seller, Electrolux Ergorapido, was launched in 2012. Additionally, a brand-new model in the segment, Electrolux Ultrapower, was launched during the year featuring longer battery life and higher performance than other similar models in the market. The Electrolux UltraOne Mini, a new canister vacuum-cleaner that is 30% smaller than the company's award-winning UltraOne vacuum cleaner while maintaining the same performance standard, was also launched. The product is aimed at small households in Europe.

Growth potential

## Ergorapido for compact living

Electrolux holds a strong position in floor care in parts of the world where compact vacuum cleaners are in demand, such as Japan and South Korea. The rechargeable, handheld vacuum cleaner Ergorapido is the Group's most sold vacuum cleaner product, with about 1.5 million units sold in 2012.

Accumulated sales volumes of Electrolux Ergorapido







## Floor care

for every-  
day life

Electrolux has a wide range  
of well-designed products  
for cleaning.

## > Small appliances

### Small domestic appliances

In global terms, the market size for small domestic appliances product category is significantly larger than the vacuum-cleaner market and displays significantly higher growth. To capitalize on these opportunities, the Group's offering in this product category has increased substantially in recent years. The major launches are in the upper-price segments, where the focus lies on distinctive design. Sales are conducted across the globe with the largest share in Europe, closely followed by Latin America, while Asia is the fastest-growing market. The offering varies according to market but the primary focus of Electrolux is on five global product groups – coffee-makers, kettles, mixers, food-processors and irons. In 2012, the Group's sales of small domestic appliances rose by 27% and over a three-year period, sales have doubled.

The Group's small domestic appliances are largely sold under the Electrolux brand. The significantly increased presence in the segment has helped strengthen the brand. In North America, products are sold under the Frigidaire brand.

### Strong product launches in Europe

In Europe, sales of coffee-makers is the fastest-growing subcategory within small domestic appliances, which in turn is growing faster than the total market for household appliances. The Favola coffee capsule machine from Electrolux, which is marketed in collaboration with Lavazza, has become a success across Europe and in parts of Africa and the Middle East. Other strong product launches include the UltramixPro stick mixer and the 5Safety premium iron.

### Broadened offering in Latin America

Latin America accounts for the largest share of small domestic appliances of all regions and is growing rapidly as the purchasing power of households increases. By leveraging the Group's strong brand and far-reaching retailer network in the region, Electrolux sales increase at a higher rate than the market. Electrolux has a strong position in the irons, coffee-makers and mixers categories and is now strengthening its offering in other categories, such as juice extractors, pressure cookers and compact ovens. Several products are locally produced and proprietary production of irons started in Argentina in 2012.



The Favola coffee espresso machine was complemented with a milk frother in 2012. It has been launched in Europe, Africa and the Middle East.

### Continued high growth in Asia

Asia is both the largest and fastest-growing market in the world for small domestic appliances. However, the needs of Asian households in terms of cooking and cleaning functions differ from most other markets. Electrolux focuses on launching strong offerings in four categories – rice cookers, mixers, compact ovens and irons – all of which hold potential for rapid growth in the region.

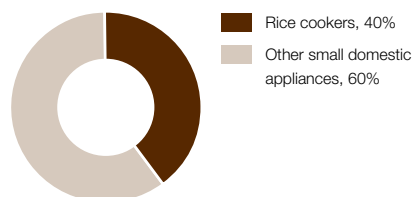


Growth potential

## Rice cookers – a new product category

The Group's sales of small domestic appliances in Southeast Asia and China grew strongly in 2012. Rice cookers comprise about 40% of the small domestic appliance market in Asia/Pacific and 18% globally.

### Rice cookers – share of the market for small domestic appliances in Asia/Pacific



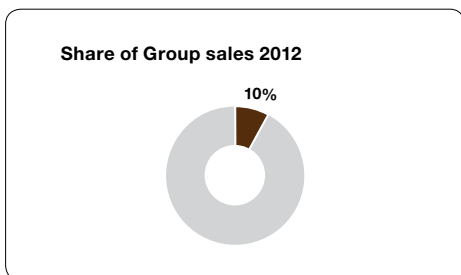


**Small  
appliances**  
providing  
a great  
experience

Coffee makers, irons and mixers  
all make life easier  
and more enjoyable.

# Adjacent product categories New prioritized growth areas

*By leveraging the Group's global strength in such areas as product development, distribution and marketing, Electrolux can generate profitable growth in adjacent product categories, such as air-conditioning equipment and water heaters.*



Adjacent product categories encompasses several areas of operation and product categories for which Electrolux has identified opportunities for profitable growth. For example, Electrolux can take advantage of existing strong product ranges and develop the market's best service and strengthen the offering of spare parts and accessories. Meanwhile, there are adjacent product categories in which Electrolux sees growth opportunities. Air-conditioning equipment and water heaters are two such product categories.

**Unrealized potential for accessories**

Electrolux has identified consumables and accessories as an area with unrealized market potential. In certain industries, sales of accessories account for up to 30% of the sales value of the underlying product. For appliances, the correspond-

ing figure is just a few percent. Electrolux focuses on strengthening the offering in accessories. In 2013, a new product range will be launched in Europe with a new packaging design. The range comprises such products as oven trays, hob cleaners and food probes with digital thermometer.

**Large and growing market**

Although the global market for air-conditioners and water heaters is the same size as the market for refrigerators and freezers, it will probably expand at a faster growth rate moving forward, driven primarily by higher demand in growth markets. Electrolux adapts its offering on the basis of different regional and local needs and has identified growth opportunities in all regions of the world.

**Strong air-care offering**

For air-conditioning equipment, Electrolux already holds a strong position in Brazil, the US and Australia, where the brand is among the market leaders. Electrolux is well advanced in terms of low noise levels and has a strong offering in the areas of service and installation. Aside from households, products are sold to hotels and offices and, in such cases, often together with other Electrolux products. Investments in this product category are also

taking place in markets in Europe, Asia and in other parts of Latin America. In hotter parts of the world, airconditioners are usually one of the first household appliances purchased by households when their purchasing power increases.

**First products in Europe**

In Europe, Electrolux has started selling air-conditioners, dehumidifiers and heat pumps under the Electrolux brand in the premium segment and under the Zanussi brand in the mass-market segment. The acquisition of Olympic Group has also provided the Group with a position in water heaters, with sales and production in Egypt and nearby regions. Air-conditioning equipment is being manufactured in Egypt under the Zanussi brand.

**New products capture market shares in Asia**

In Australia and Asia, new air-care products launched with a focus on such aspects as high energy efficiency have captured market shares in the various markets. Sales of air-conditioning equipment have been a key factor in the positive trend for Electrolux in the region. 2012 also marked the launch of the first products in the new water-heater category in the region.

Product offering

**Air care**



**Water heaters**



**Consumables and accessories**





## Adjacent product categories

— a growth area for Electrolux. Oven trays, hob cleaners, timers and other accessories complement Electrolux product offering.

# Electrolux markets

*The share of Electrolux sales in growth markets is increasing. In 2012, market demand in Europe and North America declined, while the market trend in such regions as Latin America and Southeast Asia was strong. Electrolux target is to strengthen the position in core markets and increase the share of sales in growth markets to at least 50% within a five-year period.*

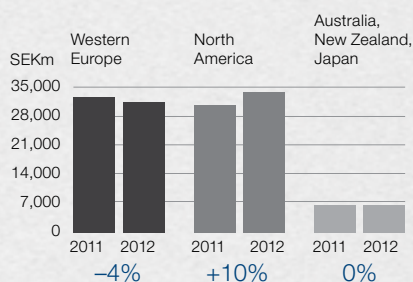
A slowdown in demand in core markets, combined with the rapid emergence of an affluent middle class in densely populated growth countries, has led to a gradual transformation of the market for household appliances. Adapting the business and offering to this new environment is necessary for Electrolux to continue growing profitably. In 2012, focus was directed to the successful integration of the previously acquired appliance manufacturers Egyptian Olympic Group and Chilean CTI. Furthermore, Electrolux launched a large number of products and solutions adapted to various customer segments and regional demands.

### Rising market shares despite fiercer competition

There are fewer, larger and more international manufacturers and retailers in the market for household appliances. The five largest manufacturers of major appliances in the world – Whirlpool, Electrolux, Haier-Group, Bosch-Siemens and LG Electronics – account for almost half of global sales today. In recent years, manufacturers from Asia have increased their market shares in the European, North American and Australian markets. To maintain competitiveness in relation to rapidly expanding manufacturers from low-cost areas, Electrolux will continue to leverage its global and regional economies of scale. Focus is directed to developing innovative products based on consumer insight and under strong brands. Despite the increasingly intense competition, Electrolux captured market shares in North America, Latin America and Southeast Asia in 2012.



**Net sales in core markets**



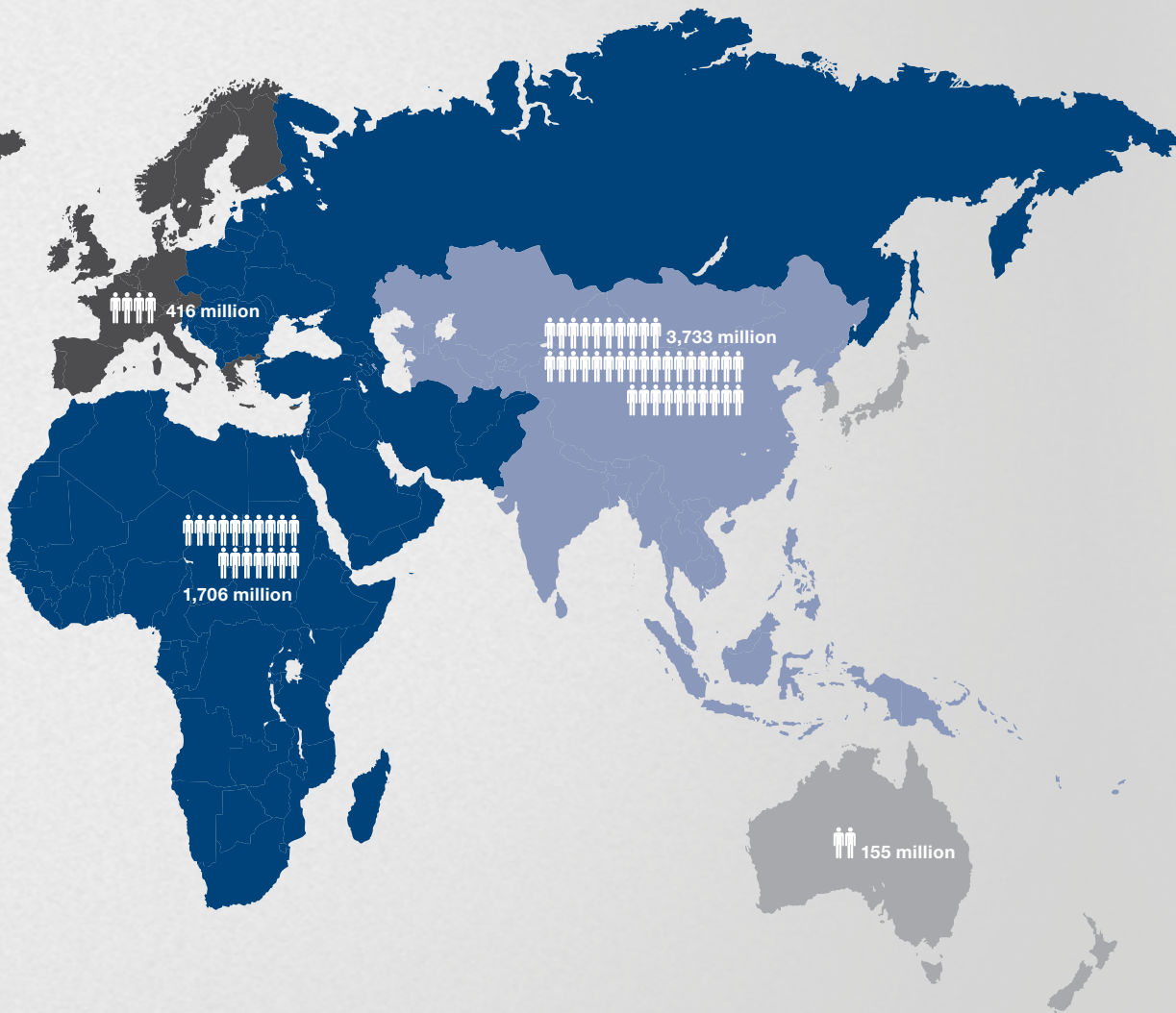
**Net sales in growth markets**



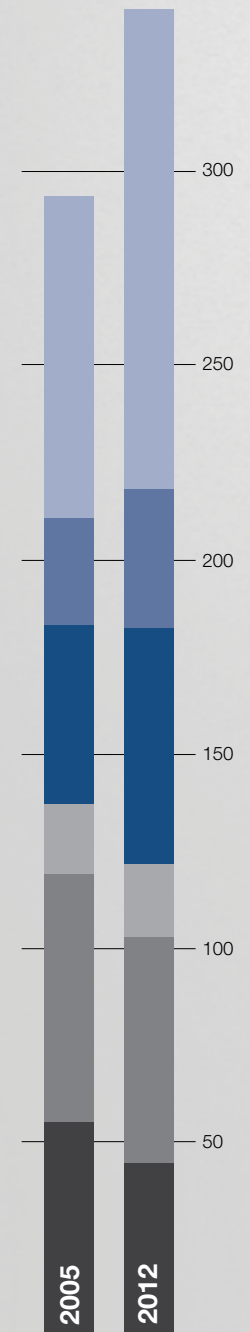
**Quick facts**

Population: 7 billion  
 Average number of persons per household: 3.6  
 Urban population: 52%  
 GDP per capita 2011: USD 10,000  
 Estimated real GDP growth 2012: 2.3%

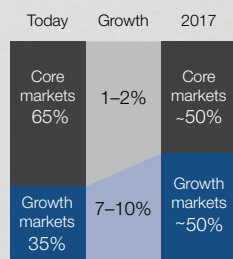
Sources: World Bank and Electrolux estimates.



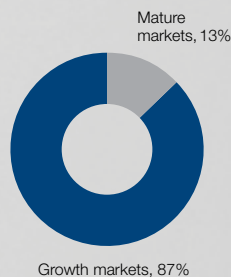
**Growing demand for core appliances**



**Electrolux aims to increase its share of sales in growth markets over the next five years**



**Population, %**



Between 2005 and 2012, the global demand for core appliances increased significantly, mainly due to strong growth in Asia. Demand for core appliances in core markets has simultaneously decreased. In 2012, the demand for core appliances in growth markets constituted 65% of the total market volume compared with 50% in 2005. Electrolux strategy is to capitalize on this increased demand in growth markets. To read more about the Electrolux strategy, see page 34.

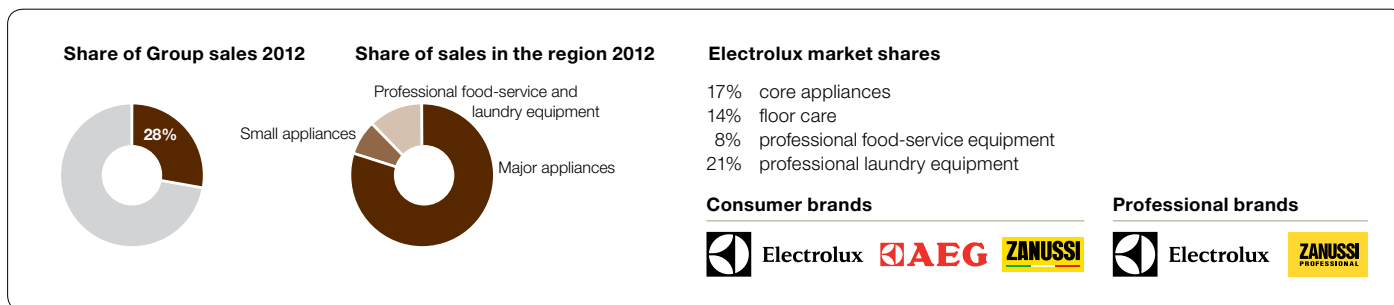
Source: Electrolux estimates.

Demand for core appliances, million units

# Western Europe

## Extensive product launches

*Western Europe is the Group's largest market for consumer durables and products for professional users. In 2012, Electrolux implemented extensive launches of new, innovative appliances under strong brands in the premium and mass-market segments.*



The Western European household appliance market is dominated by replacement products as a result of high penetration in most product categories and low or stagnated population growth. Meanwhile, an increase in the number of households due to a rising share of elderly people, combined with the small living spaces in most homes, has led to higher demand for compact and user-friendly products. Demand for appliances continued to decline in 2012 for the sixth consecutive year. The weak demand in primarily Southern Europe had a negative impact on development.

### A fragmented market

Western Europe is made up of many countries and language areas, which has resulted in widely varying consumer patterns and the establishment of a large number of manufacturers, brands and retailers for appliances. The low degree of consolidation is one reason for overcapacity and

price pressure in the industry. The market for professional kitchens is characterized by the presence of many manufacturers who often specialize in only one product category. Conversely, the market for professional laundry equipment is served by fewer players able to supply a larger product portfolio.

### New products

Electrolux has significant market shares in both appliances and vacuum cleaners in Western Europe, which is the Group's largest market. A well-reasoned strategy with several product launches in recent years has led to Electrolux further strengthening its position, for example, in the built-in segment. Two extensive product launches took place in 2012. The Inspiration Range, encompassing new, innovative kitchen appliances and laundry products was launched under the Electrolux brand in the premium segment. In addition, the Zanussi

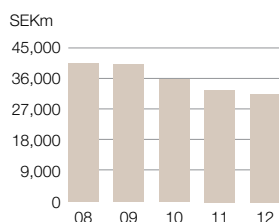
Quadro built-in product range was launched, targeting to the mass-market segment in Europe.

Western Europe represents 30% of the Group's sales of vacuum cleaners, with best sellers including Ergorapido and Ultra Silencer. About 65% of sales of Professional Products takes place in Western Europe. The strongest position is found in restaurants, hospitals and commercial laundries.

### Growth opportunities

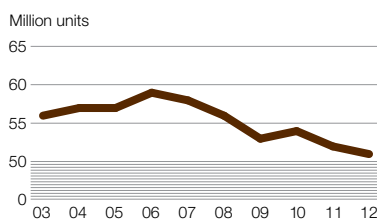
Despite the weak macroeconomic trend, the market for built-in appliances is continuing to grow in the long term and Electrolux is capturing market shares. Attractively designed, rechargeable handheld vacuum cleaners are continuing to capture an increasingly large share of the vacuum-cleaner market. Electrolux is a leader in this category. In addition, the market for small domestic appliances is displaying fast-paced growth in certain categories.

### Net sales in Western Europe



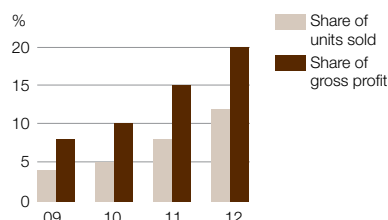
Net sales in Western Europe in 2012 have been impacted by the continued weak market demand particularly in Southern Europe.

### Market demand for core appliances in Western Europe



A total of approximately 51 million core appliances were sold in Western Europe in 2012, corresponding to a decline of 2% compared with 2011.

### Green Range in Europe



Products with the best environmental performance accounted for approximately 12% (8) of total units sold within Major Appliances in Europe in 2012 and for approximately 20% (15) of gross profit. Criteria for inclusion in the Green Range have been raised.



## Making way for climate-smart appliances



Electrolux is developing climate-smart appliances for the new city district Stockholm Royal Seaport in Stockholm, Sweden. The appliances are equipped with IT solutions that inform users about real-time energy usage and cost. The appliances can be defaulted to make the most of off-peak opportunities and save money. Smart appliances also offer new ways to deliver customer care and other after-sales services.

### Quick facts Western Europe

Population: 416 million  
Average number of persons per household: 2.3  
Urban population: 77%

### Significant market: Euro Area

GDP per capita 2011: USD 39,300  
Estimated real GDP growth 2012: -0.4%

Sources: World Bank and Electrolux estimates.

## Competitive product offering in all segments

The European launch of new appliances under the Electrolux brand is the largest of its kind since 2007. Together with AEG products and the launch of Zanussi products for the mass-market segment, Electrolux has a highly competitive product offering in all segments throughout the European market.



## Grand slam for the Swedish Culinary Olympic Team

The Swedish Culinary Olympic Team, which has trained in "the Kitchen of Tomorrow" at the head office of Electrolux in Stockholm, Sweden, since 2008, won gold in all categories at the Culinary Olympics 2012 held in Erfurt, Germany. The leading position of Electrolux in food preparation is also confirmed by the fact that more than half of all European Michelin-starred restaurants use appliances from Electrolux.



Photo: Per Erik Berglund

The Swedish Culinary Olympic Team at The Cube by Electrolux in Stockholm, Sweden.

### Electrolux markets and competitors

#### Core appliances

Major markets

- Germany
- France
- Italy
- Nordics

Major competitors

- Bosch-Siemens
- Indesit
- Whirlpool
- Samsung
- LG Electronics

#### Floor care

Major markets

- Germany
- France
- Nordics

Major competitors

- Dyson
- Miele
- Bosch-Siemens
- Samsung

#### Professional products

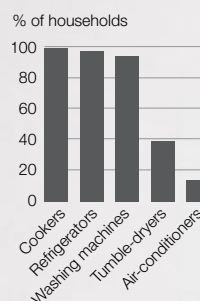
Major markets

- Italy
- Sweden
- France

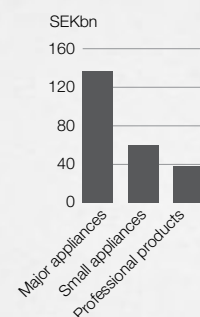
Major competitors

- Ali Group
- Rational
- Miele
- Primus

### Product penetration in Western Europe



### Market value



Source: Electrolux estimates.

# North America Stronger position

*The market for appliances in the US declined during the year, although there were some signs of a recovery in the market following positive development in the housing market. Electrolux strengthened its position in the region and boosted sales through product launches, partnerships with new retailers and price management.*

**Share of Group sales 2012**

31%

**Share of sales in the region 2012**

Major appliances  
Professional food-service and laundry equipment  
Small appliances

**Electrolux market shares**

22% major appliances  
16% floor care

**Consumer brands**

**Professional brand**

North America is a market with high penetration in most product categories. The average living space of households is above that of other regions, which means space is available for both many and large household appliances. The high degree of product penetration combined with relatively low population growth has resulted in replacement products dominating the market.

In 2012, deliveries of core appliances declined by 2%. The volumes remain at the same low level as in 1998 and are about 25% lower than the top levels in 2005 and 2006. Housing construction and sales of homes in the US increased somewhat during the year, which has raised expectations in the market of a turnaround in demand for appliances.

**High degree of consolidation**

The North American market is more uniform than most markets, which has led to a relatively high level of consolidation among producers and retailers. The three largest man-

ufacturers of appliances in the US account for a major part of the market and about 70% of appliances are sold via the four major retailers: Best Buy, Home Depot, Lowe's and Sears. The four largest manufacturers of vacuum cleaners represent more than 50% of the market. Vacuum cleaners are sold mainly through supermarkets, discount stores and department stores, such as Wal-Mart, Target and Sears. The degree of consolidation is also high among manufacturers and retailers of professional food-service and laundry equipment.

**Higher market shares**

Electrolux commands a strong position in appliances and vacuum cleaners in the US and Canada. Despite a weak underlying market, Electrolux has implemented several price increases on appliances over the past two years. Underpinning these actions is a well-reasoned pricing strategy that involves the Group being more selective in relation to

its promotional activities. The Group's appliances are mainly sold under the Frigidaire brand in the mass-market segment and vacuum cleaners under the Eureka brand. The Electrolux brand is positioned in the premium segment for appliances and vacuum cleaners. The Group's professional kitchen business is still small but growing, both in traditional segments and large restaurant chains. Professional laundry equipment is sold via a distributor mainly under the Wascomat brand.

**Growth opportunities**

A lasting turnaround in the construction and housing sectors will result in a rise in demand for appliances. The number of small-scale establishments that serve hot food is increasing rapidly in the US. Electrolux has developed competitive solutions that meet the demands of food chains, such as efficient dishwashers and the High Speed Panini Grill.

**Net sales in North America**

SEKm

40,000  
30,000  
20,000  
10,000  
0

08 09 10 11 12

Net sales in North America have been impacted by higher sales volumes and improvements in price/mix.

**Market demand for core appliances in the US**

Million units

50  
45  
40  
35  
30  
0

96 98 00 02 04 06 08 10 12

A total of approximately 36 million core appliances were sold in the US in 2012, which corresponds to a decline of 2% compared with 2011.

**New cooker center in North America**

Electrolux is consolidating its North American cooker manufacturing and building a new manufacturing facility in Memphis, Tennessee in the US. Memphis offers an optimal geographical location in relation to customers and suppliers. Together with the existing cooking plant in Springfield, the facility in Memphis will establish Tennessee as a cooker production center for Electrolux in North America. The production plant is expected to be fully operational in the second half of 2013.

#### Quick facts North America

Population: 346 million  
Average number of persons per household: 2.6  
Urban population: 82%

#### Significant market: USA

GDP per capita 2011: USD 48,100  
Estimated real GDP growth 2012: 2.2%

Sources: World Bank and  
Electrolux estimates.



## Most effective TV campaign

Frigidaire's "History of Innovation" advertising campaign was named the most effective TV campaign during the third quarter of 2012 by the analysis company Ace Metrix. The film markets the new Orbit Clean dishwasher and Symmetry double oven.

## Home Depot stores

Electrolux has entered an agreement with the world's largest do-it-yourself chain Home Depot to sell appliances under the Electrolux and Frigidaire brands in the chain's stores. Additionally, the retailer Sears presented Electrolux with its highest Supplier Award in 2012 for the company's product innovations and efficient goods handling.



## SuctionSeal technology generates healthy growth

The SuctionSeal technology developed exclusively for Eureka concentrates the airflow in the vacuum cleaner for deep-cleaning suction power for all kinds of surfaces. The technology was launched for Eureka's Airspeed product platform in 2012.

### Electrolux major retailers and competitors

#### Core appliances

Major retailers

- Sears
- Lowe's
- Home Depot
- Best Buy

Major competitors

- Whirlpool
- General Electric
- LG Electronics
- Samsung

#### Floor care

Major retailers

- Wal-Mart
- Target
- Sears

Major competitors

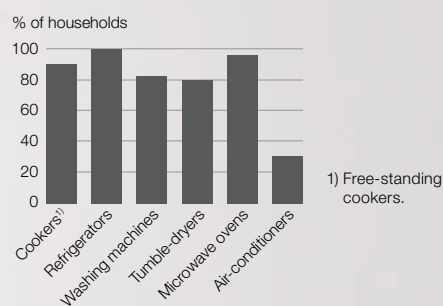
- Dyson
- TTI Group (Dirt Devil, Vax and Hoover)
- Bissel

#### Professional products

Major competitors

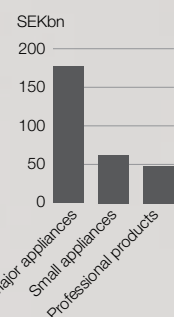
- ITW
- Manitowoc
- Alliance

### Product penetration in North America



Source: Electrolux estimates.

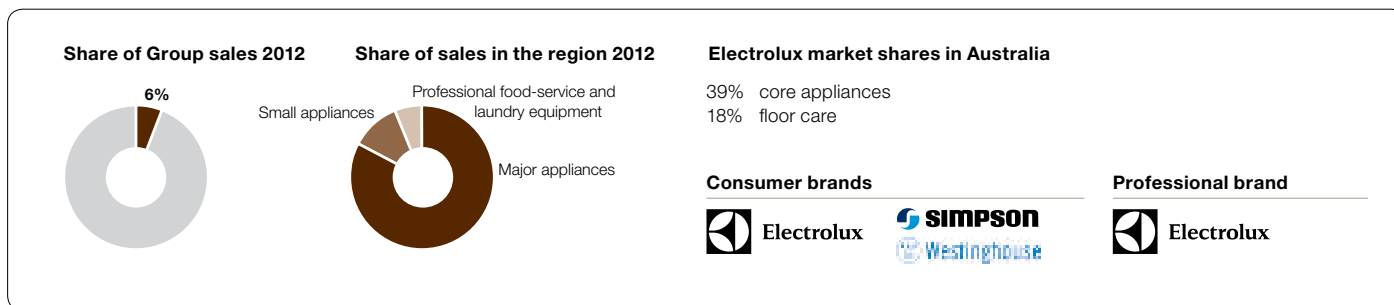
### Market value



Source: Electrolux estimates.

# Australia, New Zealand and Japan Innovative products drive sales

*Electrolux is focusing on launching products adapted to the differing conditions of households in the region. In Australia, new, large cookers and refrigerators were launched during the year. In Japan and South Korea, sales successes are continuing for Electrolux Ergorapido rechargeable handheld vacuum cleaners.*



The majority of Australians live on the East Coast and both the population and the number of households are on the rise. The degree of penetration is high in most product categories and demand is driven primarily by interest in design, innovation and the environment. In 2012, the market remained characterized by price pressure brought on by a strong Australian dollar, making imported products increasingly competitive. Japan is the world's third-largest single market for household appliances. Growth is driven by such factors as innovations developed for small living spaces.

**Consolidated markets**

In Australia, competition between manufacturers of appliances from Asia and Europe is intense. Electrolux is the largest company followed by Fischer & Paykel and South Korean companies Samsung and LG Electronics. The retailer market is dominated by five major chains representing 90% of the

market. Large, domestic manufacturers and retailers such as Hitachi and Panasonic dominate the Japanese appliance market.

**Leading position in Australia**

In Australia, the Electrolux brand holds a strong position in the premium price segment for appliances with a focus on innovation, water and energy efficiency, and design. In addition, the Group's Westinghouse and Simpson brands hold significant market shares in the mass-market segment. The Kelvinator brand holds a strong position in air-conditioners and water heaters, which is a new, rapidly growing product category in the Group. A large portion of the best restaurants in Australia is equipped with professional food-service equipment from Electrolux. In New Zealand, Electrolux has captured market shares in vacuum cleaners in recent years, for example, with its green range.

In Japan and South Korea, Electrolux is a relatively small player, but over the past num-

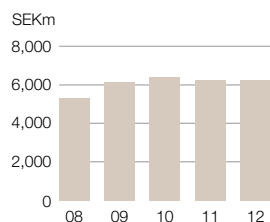
ber of years, it has started to establish a rapidly growing business in small, compact vacuum cleaners. Japan is a large and growing market for the Group's professional products particularly for laundry products.

**Growth opportunities**

Given the hot and dry climate in Australia, many households prefer to cook food outdoors. In recent years, Electrolux has successfully launched a series of outdoor products, such as the En:tice Barbecue.

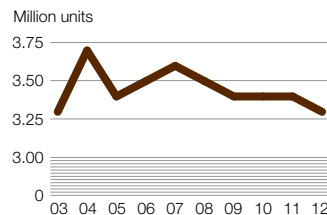
Demand in Japan and South Korea is growing for compact, user-friendly and quiet household appliances. Electrolux has positioned itself in the segment with an attractive and leading offering of vacuum cleaners in both countries. The Ergorapido rechargeable, handheld vacuum cleaner was first launched in Japan in 2010. It is now sold in a variety of versions in more than 2,100 stores in Japan.

**Net sales in Australia, New Zealand and Japan**



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

**Market demand for core appliances in Australia**



Market demand for core appliances in Australia has weakened in recent years.

**Growth for energy-efficient products**

Because of freshwater shortages in Australia both consumers and legislation demand energy-efficient products with low water consumption. Dishwashers and front-load washing machines are therefore fast-growing product categories, and Electrolux controls considerable shares of these markets.



**Quick facts Australia, New Zealand and Japan**

Population: 155 million  
 Average number of persons per household: 2.5  
 Urban population: 91%

**Significant market: Japan**  
 GDP per capita 2011: USD 45,900  
 Estimated real GDP growth 2012: 1,9%

Sources: World Bank and Electrolux estimates.

**Premium products**  
 Ebony Kitchen in Australia

The Electrolux Ebony Kitchen premium range in Australia has been honored with several design awards. With a Scandinavian heritage, Electrolux combines the best global design trends with knowledge about the needs and preferences of Australian consumers.



**Brushroll Clean winner in Japan and South Korea**

The Ergorapido handheld vacuum cleaner with Brushroll Clean technology from Electrolux was launched in a number of markets in 2012. The Brushroll Clean model immediately took over as the best-seller in Japan and South Korea, and was one of the factors behind the significant sales growth in these two countries in 2012.

**Water heaters**  
 – a new product category

For the first time in many years, Electrolux has ventured into an entirely new product category with major growth potential – water heaters. An extensive range of new water heaters was launched in Australia in 2012 under the Kelvinator brand. The products are adapted to the continent's variable climate and access to various energy sources. Moreover, they are cost efficient and save energy for households.

**Electrolux competitors**

**Core appliances**

- Major competitors
- Fischer & Paykel
  - Samsung
  - LG Electronics
  - Panasonic

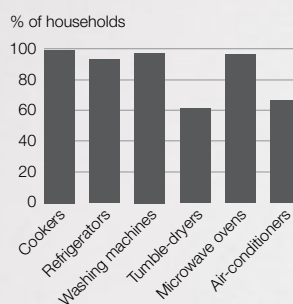
**Floor care**

- Major competitors
- Samsung
  - LG Electronics
  - Dyson

**Professional products**

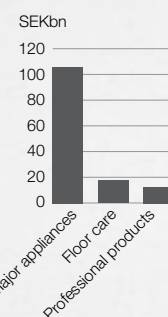
- Major competitors
- ITW
  - Hoshizaki
  - Alliance

**Product penetration in Australia**



Source: Electrolux estimates.

**Market value**

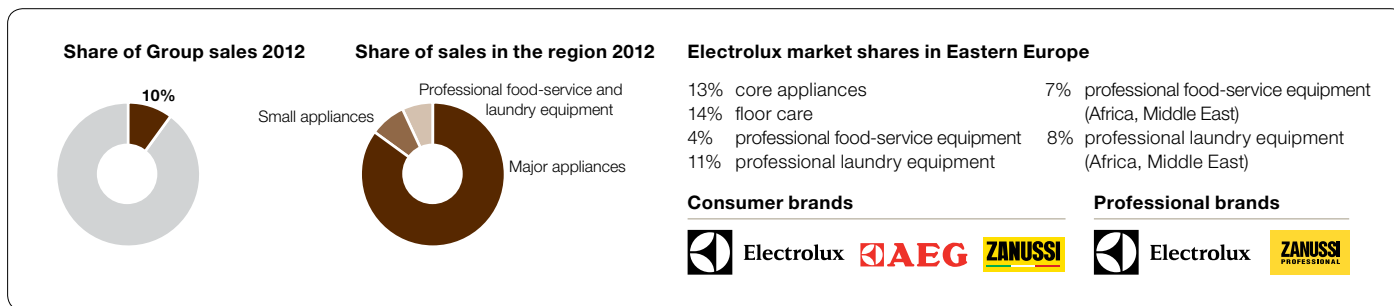


Source: Electrolux estimates.

# Africa, Middle East and Eastern Europe

## Diverse market with growth opportunities

*The acquisition of the Egyptian Olympic Group has given Electrolux a leading position in appliances in the markets in North Africa and the Middle East. The prevailing uncertainty in the region has reduced demand in the short term, yet there is long-term potential in pace with the continued increase in purchasing power.*



Africa and the Middle East comprise more than 70 countries with considerable variations in terms of wealth and degree of urbanization. The demand for appliances in Africa is growing because many people are of the age when it is time to move out and find their own homes. The degree of penetration is low in most product categories, but is displaying high growth due to the rapid rise in purchasing power of the households. In Eastern Europe, where Russia is the largest market, both average prosperity and penetration are higher. A large market for replacement products is emerging in several product categories. In Eastern Europe, Russia displayed the strongest trend in 2012.

**Low degree of consolidation**

With a wide geographical distribution and varying degrees of purchasing power and patterns, it is difficult for manufacturers and retailers to capture large market shares in Africa and the Middle East. Turkey has sev-

eral large domestic manufacturers, such as Arcelik and Vestel, that have strong positions also in nearby regions. The markets of Eastern Europe are dominated by Western manufacturers, such as Electrolux and Bosch-Siemens, while the retailer network is domestic.

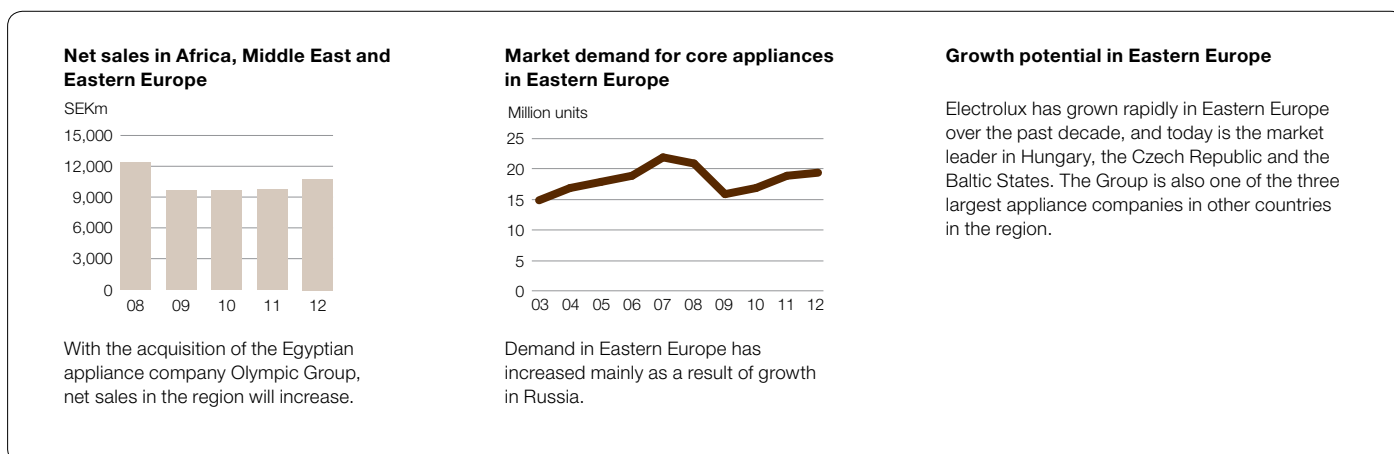
**Proprietary manufacturing on location**

With the acquisition of the Egyptian Olympic Group, Electrolux has established a leading position in appliances in North Africa and the Middle East. Through Olympic Group, Electrolux has proprietary manufacturing in the region for such items as refrigerators, cookers, water heaters and washing machines. The Group manufactures appliances in Ukraine, Rumania, Hungary and Poland and vacuum cleaners in Hungary. About 14% of the Group's total sales of professional food-service and laundry products are in the region and is growing significantly. Sales to commercial laun-

dries are rising in Eastern Europe and, in the Middle East, Electrolux has started delivering laundry equipment to facility management customers.

**Growth opportunities**

In Africa and the Middle East, all product categories are expanding at a high rate, primarily refrigerators, cookers, washing machines and air-conditioning equipment. The integration of Olympic Group, which is proceeding according to plan, is expanding opportunities for Electrolux to capitalize on the rapid pace of growth in the region. An example of an integration activity is the new air-conditioning products that were launched in Egypt under the Zanussi brand in 2012 and are manufactured at Olympic Group's plant. An increasing number of Eastern European households are starting to be able to afford to replace old appliances and even invest in new, more exclusive kitchen products.



## Favola grows with the global coffee trend

The Favola coffee capsule machine is marketed in collaboration with the Italian coffee brand Lavazza. Sales grew substantially in 2012, not only in traditional coffee markets in Western Europe, but also in Eastern Europe and parts of Africa and the Middle East. It was particularly well received in Israel, and Favola captured a significant share of the coffee-maker sales in the country.



### Quick facts Africa, Middle East and Eastern Europe

Population: 1,706 million  
Average number of persons per household: 3.8  
Urban population: 50%

### Significant market: Middle East and Northern Africa

GDP per capita 2011: USD 7,800  
Estimated real GDP growth 2012: 3.8%

### Significant market: Russia

GDP per capita 2011: USD 13,100  
Estimated real GDP growth 2012: 3.5%

Sources: World Bank and Electrolux estimates.

## Successful integration of Olympic Group

The acquisition of the Egyptian appliance manufacturer Olympic Group ensures Electrolux a leading position in markets in North Africa and the Middle East, and strengthens the Group's competitiveness. In 2012, efforts to integrate the new operation progressed successfully in the form of joint initiatives in both manufacturing and the launch of new products, such as water heaters. The Electrolux Code of Conduct was introduced in the Olympic Group and the performance of the business is now measured using the same key ratios as those applied to the remainder of the Group.



## New business for professional products in the Middle East

A focus on new customer categories has presented new business opportunities for Electrolux Professional laundry products. Considerable potential in facility management has been identified in the Middle East.



### Electrolux markets and competitors

#### Core appliances

Major markets

- Russia
- Poland
- Egypt

#### Major competitors

- Bosch-Siemens
- Indesit
- Whirlpool
- Samsung
- LG Electronics

#### Floor care

Major markets

- Poland
- Russia
- Czech Republic
- South Africa

#### Major competitors

- LG Electronics
- Samsung
- Dyson
- Bosch-Siemens

#### Professional products

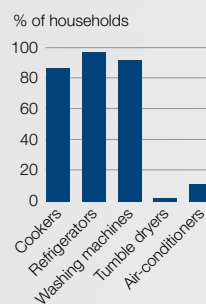
Major markets

- Turkey
- Russia
- Ukraine
- Middle East

#### Major competitors

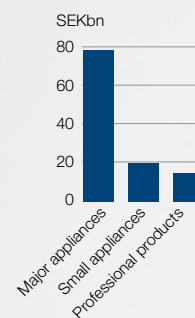
- Ali Group
- Rational
- Alliance
- Vyazama

### Product penetration in Eastern Europe



Source: Electrolux estimates.

### Market value



Source: Electrolux estimates.

# Latin America Products for a rapidly growing middle class

*Electrolux is continuing to expand in Latin America. The acquisition of the Chilean appliance producer CTI has given the Group a leading position in the market in key product categories in Chile and Argentina. Sales in Brazil were positively impacted by tax subsidies for purchasing new appliances.*

**Share of Group sales 2012**

21%

**Share of sales in the region 2012**

Small appliances  
Major appliances

**Electrolux market shares**

Leading positions in core appliances in Brazil, Chile and Argentina.  
49% floor care

**Consumer brands**

**Professional brand**

Brazil represents about 50% of the total Latin American market for appliances. Other major markets include Mexico and Argentina. Latin America is a highly urbanized region for being a growth market. Growth is driven by rising purchasing power of households, which primarily demand more basic cookers, refrigerators and washing machines. Demand for products in the upper-price segments is also increasing among the rapidly emerging middle class in, for example, Brazil and Argentina. Despite the continued decline in the Brazilian economy in 2012, the sale of appliances rose sharply, mainly as a result of the government's extended tax-reduction program for the purchase of domestically manufactured appliances.

**Consolidated market**

The Latin American market is relatively consolidated. In Brazil, the three largest manufacturers, Electrolux, Whirlpool and Mabe, account for more than 70% of sales of appli-

ances. As a result of high import duties and logistical costs, the bulk of products sold in Latin America is produced domestically. The trend of consolidation is also strong among retailers in the region. Sales of household products are often conducted through campaigns and purchasing decisions are made in stores where it is important for manufacturers to have their own sales staff in place.

**Growing shares throughout the region**

The Group's operations in Latin America are growing rapidly and Electrolux is capturing market shares throughout the region. Brazil is the Group's largest individual market with about 70% of sales. The Electrolux brand holds a strong position in all segments in the country thanks to innovative products and close cooperation with the market-leading retail chains. With the acquisition of the Chilean appliance manufacturer CTI, Electrolux has become the largest manufacturer of appliances in Chile and the largest

manufacturer of refrigerators and freezers in Argentina. In the vacuum-cleaner segment, Electrolux has long held a leading position in the region. The Group has also established a fast-expanding business in the small-appliances category. Sales of professional food-service and laundry products remain modest but are growing across the categories.

**Growth opportunities**

Following the acquisition of CTI, Electrolux has established strong relationships with retailers in Chile and Argentina and has extensive distribution and an effective after-market business. By making further investments in production capacity and distribution, Electrolux can expand into other Latin American countries. The market for washing machines is demonstrating strong growth potential as purchasing power and demands for energy and water efficiency increase in the region. The market for small domestic appliances is large and growing rapidly.

**Net sales in Latin America**

SEKm

Year	08	09	10	11	12
Sales (SEKm)	~12,000	~15,000	~18,000	~19,000	~24,000

**Net sales in Latin America, excl. Brazil**

SEKm

Year	08	09	10	11	12
Sales (SEKm)	~3,000	~3,500	~3,500	~4,500	~8,000

- Chile, 27%
- Argentina, 26%
- Mexico, 10%
- Venezuela, 9%
- Other, 28%

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

Electrolux total sales of consumer durables and professional products.



### Quick facts Latin America

Population: 595 million  
Average number of persons per household: 3.7  
Urban population: 79%

### Significant market: Brazil

GDP per capita 2011: USD 12,600  
Estimated real GDP growth 2012: 0.9%

Sources: World Bank and Electrolux estimates.



## New innovative products

Electrolux launched nearly twice as many new products in the region during 2012 compared with 2011, demonstrating a particularly high pace ahead of the important fourth quarter and Christmas shopping period. The Brazilian operations have been pioneering within the Group in terms of developing products based on consumer insight.

## An attractive mix of small domestic appliances

The sales trend for small domestic appliances in Latin America was positive in 2012. Latin America accounts for the largest share of sales of small domestic appliances of all regions. During the year, Electrolux launched several new products in the region, such as the Easyline household mixer.



## Successful integration of CTI

With the acquisition of the Chilean appliance manufacturer CTI, Electrolux has become the largest manufacturer of appliances in Chile and the largest manufacturer of refrigerators and freezers in Argentina.

### Electrolux markets and competitors

#### Core appliances

Major markets

- Brazil
- Chile
- Argentina
- Mexico

#### Major competitors

- Whirlpool
- Mabe
- LG Electronics
- Samsung
- Daewoo

#### Floor care

Major markets

- Brazil
- Chile
- Argentina
- Venezuela

#### Major competitors

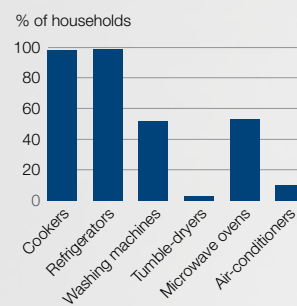
- SEB Group
- Whirlpool
- Black & Decker
- Philips

#### Professional products

Major competitors

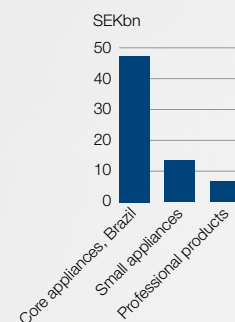
- ITW
- Fagor
- Girbau
- Alliance

### Product penetration in Brazil



Source: Electrolux estimates.

### Market value

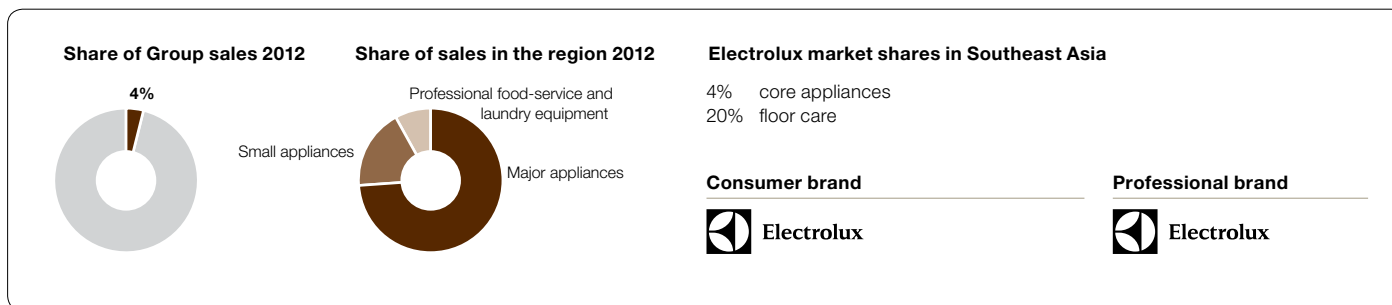


Source: Electrolux estimates.

# Southeast Asia and China

## Continued major growth potential

*With a growing range of innovative products adapted to the specific needs of households, Electrolux sales are continuing to display a strong trend in Southeast Asia and China. Focus is directed to appliances and vacuum cleaners in the premium segment under the Electrolux brand.*



China is the largest market for household appliances in the world, measured by volume. Demand for appliances and vacuum cleaners has been driven by high growth in the country combined with fast-paced urbanization, with a rapidly emerging middle class demanding premium products. Households are often small with limited space to accommodate appliances. Small living spaces also dominate in Southeast Asia, a region undergoing rapid urbanization and population growth. Many households are not equipped with a cooker, but use other alternatives to cook food, such as rice cookers and gas burners. Similar to other growth markets, consumers prioritize refrigerators, washing machines and air-conditioning equipment as prosperity rises. In 2012, demand for appliances continued to rise sharply in Southeast Asia, while it declined slightly in China.

**Major players in China**

Domestic appliance manufacturers Haier Group and Midea dominate in China, par-

ticularly in the lower-price segments. Foreign manufacturers hold only small market shares, although they are growing fast in the premium segment. There is no clear market leader in the Southeast Asian countries, but similar to China, many consumers choose European brands in the upper-price segments. The retailer network in China has undergone significant consolidation. Domestic retail chains Gome and Suning account for a substantial portion of sales of household appliances. Asian consumers often make purchasing decisions in stores. Accordingly, it is essential to have an effective sales and marketing organization that ensures that consumers receive correct advice and a high level of service in stores.

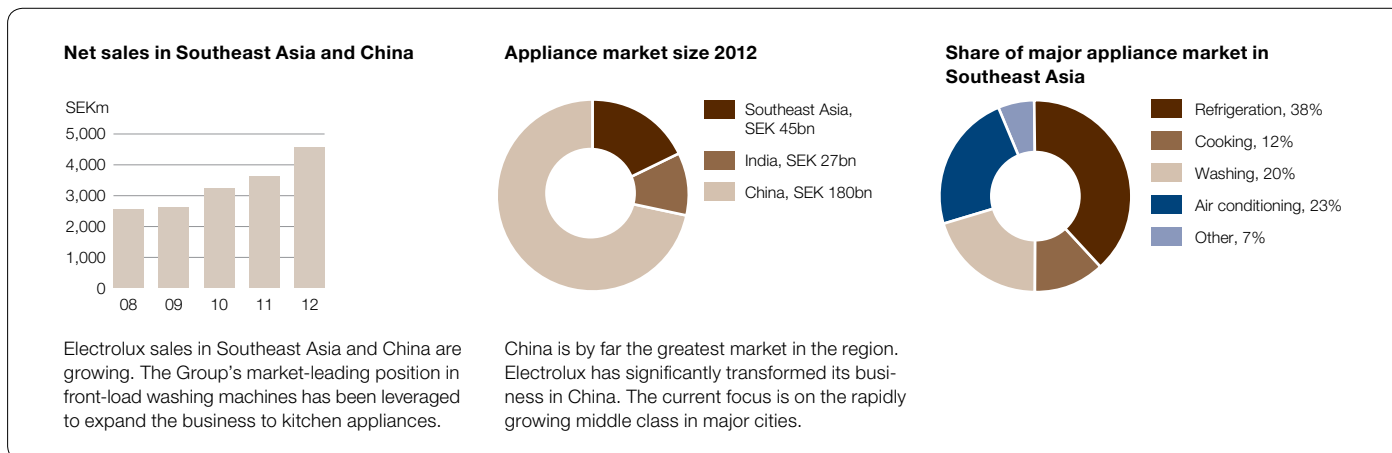
**A priority area for growth**

Electrolux is a reputable brand in Southeast Asia and commands a strong position in the upper-price segments. The Group is a market leader in front-load washing machines

and is rapidly expanding the offering in products for the kitchen. In China, Electrolux is focusing on the rapidly growing middle class in major cities. Products are sold through the largest retailers. Sales rose by more than 30% in 2012, as a result of such factors as successful product launches. A strong service network and proprietary manufacturing in the region have contributed to the rapid increase in sales of the Group's professional food-service and laundry products in Southeast Asia.

**Growth opportunities**

Growing awareness among consumers in the region regarding various environmental challenges is contributing to higher demand for energy and water-efficient products, such as compact and resource-efficient front-load washing machines. In Southeast Asia, the market for small, compact vacuum cleaners and small domestic appliances is also growing very quickly.



#### Quick facts Southeast Asia and China

Population: 3,733 million  
Average number of persons per household: 3.9  
Urban population: 42%

#### Significant market: China

GDP per capita 2011: USD 5,400  
Estimated real GDP growth 2012: 7.9%

Sources: World Bank and Electrolux estimates.



## New production unit in Thailand

Most appliances sold by Electrolux in Asia are produced at the Group's modern and efficient facilities in Rayong, Thailand. A completely new plant for refrigerators and freezers in Rayong was completed in 2012 to satisfy the growing demand. The new cost-efficient and differentiated products manufactured in the facility will help increase market penetration for refrigerators and freezers in the region.



## Small appliances show growth in Asia

Sales of small domestic appliances in Southeast Asia and China grew strongly in 2012. Essentially all product groups in the segment contributed to the growth. Electrolux entered the rice-cooker category with six new models, and more will follow in 2013. Rice cookers are unchallenged as the largest product category in small domestic appliances in Asia, which is also the largest market in the world for small domestic appliances.

## 13 consecutive quarters with double-digit growth

The success of Electrolux in Asia is continuing. Sales have during 13 consecutive quarters shown growth of more than 10%. Underlying this trend is a growing offering of innovative products adapted to the specific needs of households.

### Electrolux markets and competitors

#### Core appliances

Major markets

- Thailand
- Vietnam
- Indonesia
- China

Major competitors

- LG Electronics
- Panasonic
- Haier Group
- Sanyo
- Midea

#### Floor care

Major markets

- China
- Thailand
- Malaysia

Major competitors

- Samsung
- LG Electronics
- Dyson

#### Professional products

Major markets

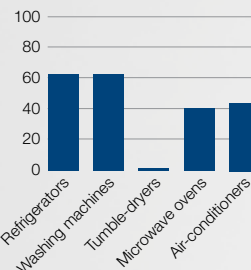
- China
- South Korea
- Thailand
- Malaysia
- Singapore

Major competitors

- Manitowoc
- ITW
- Sailstar
- Image

### Product penetration in China

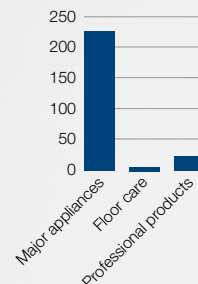
% of households



Source: Electrolux estimates.

### Market value

SEKbn



Source: Electrolux estimates.

# Vision and strategy

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



Electrolux is a leading, global manufacturer in the appliance sector, commanding strong positions in all regions, and the only company to offer complete solutions for both consumers and professional users. But this is not enough. The vision of Electrolux is to become the best appliance company in the world as measured by customers, employees and shareholders.

Customers' perception of Electrolux is based on the products the Group sells and the service it provides. The pace of innovation and the number of product launches have increased in recent years while the demands placed on products have become more rigorous. A new product may only be launched if at least 70% of the consumers

in a test group have expressed a preference for it above similar alternatives in the market.

Electrolux aims to be perceived as the best appliance company in the world by its employees. One of the Group's key tools to measure this is the Employee Engagement Survey (EES), which gauges such factors as motivation and engagement among employees.

The financial goals of Electrolux are intended, for example, to enable the creation of shareholder value. Through the combination of continuous growth, high profitability and a small but efficient capital base, Electrolux shareholders are to receive a high total return. In 2012, the total return on the Electrolux share was 63%.

## Electrolux vision

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

## Financial goals over a business cycle

Average growth of at least 4% annually

Operating margin of at least 6%

Capital turnover rate of at least four times

Return on net assets of at least 20%

## Strategy

**Profitable growth**

**Innovation**

- Products and services
- Brand and design
- Sustainability

**Operational excellence**

**People and Leadership**

## Values

Core values

**Passion for Innovation**

**Customer Obsession**

**Drive for Results**

Foundation

**Respect and Diversity**

**Ethics and Integrity**

**Safety and Sustainability**

### Vision

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

### Financial goals over a business cycle

The financial goals set by Electrolux aim to strengthen the Group's leading, global position in the industry and assist in generating a healthy total return for Electrolux shareholders. ▶▶36

### Strategy

With innovative products under strong brands and by leveraging the Group's global strength and scope, Electrolux aims to create a platform for profitable growth. Dedicated employees with diverse backgrounds and a leadership in sustainability are necessary for Electrolux to achieve its vision. ▶▶38-57

### Values

The Electrolux foundation of guiding business principles in combination with a strong set of values forms the core of the Group's operations. Read more on pages ▶▶48-49 and 52-53.

The Corporate Governance report and Sustainability report also cover this area.

# Financial goals

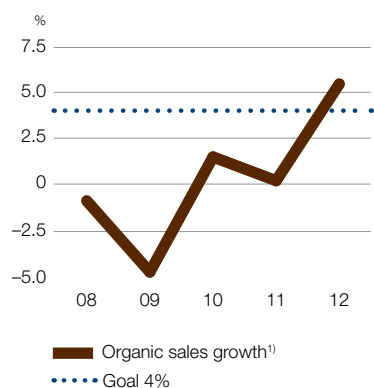
## Goals over a business cycle

*In addition to maintaining and strengthening the Group's leading, global position in the industry, achieving the financial goals will contribute to generating a healthy total return for Electrolux shareholders. In 2012, two of four goals were achieved, of which the goal of at least 4% growth was far exceeded with an organic growth of 5.5%.*

### Average growth of at least 4% annually

In order to achieve higher growth than the market average, the Group continues to strengthen its positions in the premium segment, expand in profitable high-growth product categories, increase sales in growth regions and develop service and aftermarket operations. In addition to organic growth, opportunities exist for implementing the Group's growth strategy more rapidly through acquisitions. Growth for Electrolux improved to 8.3% in 2012, of which 5.5% was organic growth, 3.9% acquisitions and -1.1% changes in exchange rates. This surpassed the goal and was the highest rate of growth in the company in its current structure.

**Sales growth**



1) In comparable currencies.

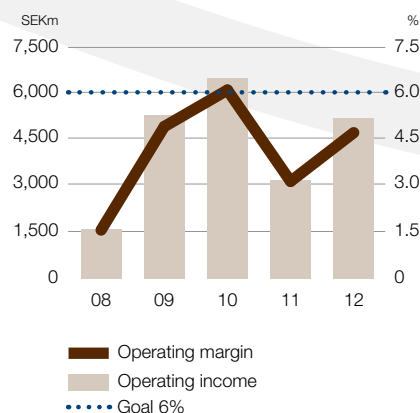
5.5%<sup>2012</sup>

### Operating margin of at least 6%

By maintaining its focus on innovative products, strong brands and improved operational excellence, Electrolux can achieve a high level of profitability despite weak core markets. In 2012, Electrolux achieved an operating margin of 4.7%, excluding items affecting comparability.

Three of the Group's six business areas achieved an operating margin of more than 6%. The operating margin will continue to fluctuate due to changes in general economic conditions and trends in the household appliance market.

**Operating margin**

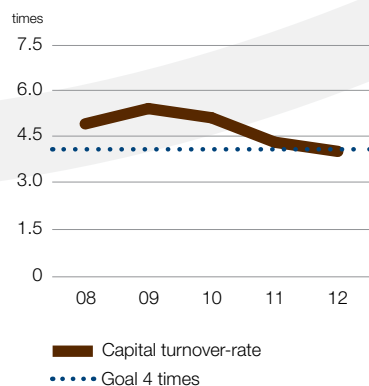


4.7%<sup>2012</sup>

## Capital turnover-rate of at least 4 times

Electrolux strives for an optimal capital structure in relation to the Group's goals for profitability and growth. In recent years, work on reducing working capital has been intensified. It has resulted in a lower level of structural working capital as well as a stronger cash flow. When demand and sales accelerate again, even greater focus will be required to limit the degree of capital intensity. Reducing the amount of capital tied up in operations creates opportunities for rapid and profitable growth. The capital turnover-rate decreased to 4.0 times in 2012.

**Capital turnover-rate**

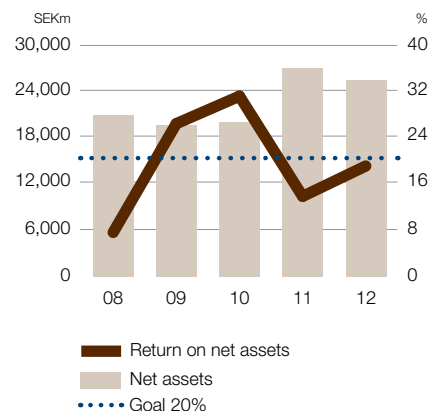


4<sup>2012</sup>  
times

## Return on net assets of at least 20%

Focusing on growth with sustained profitability and a small but effective capital base enables Electrolux to achieve a high long-term return on capital. With an operating margin in excess of 6% and a capital turnover-rate of at least four times, Electrolux would achieve a return on net assets (RONA) of at least 20%. The figure reported for 2012 was 18.8%.

**Return on net assets**



18.8<sup>2012</sup>  
%

Key ratios are excluding items affecting comparability.

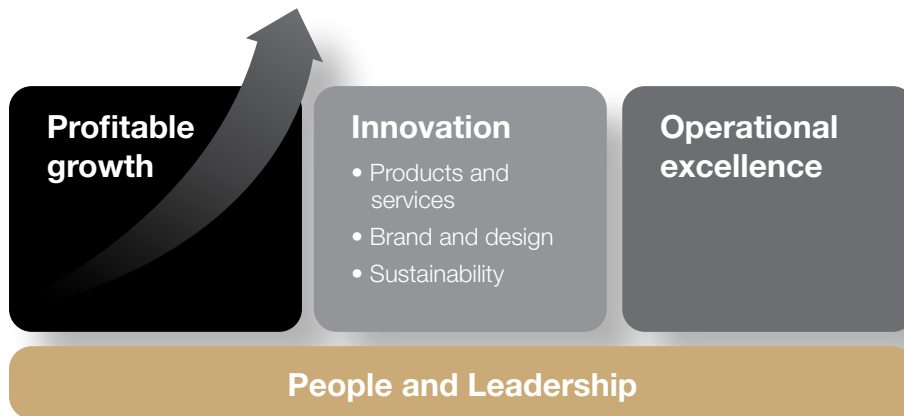
# Electrolux strategy

## Strategy for profitable growth

*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 breadth, yielded profitable growth and higher market shares. The R&D, marketing and design functions currently enjoy close cooperation throughout the product development process in all sectors, but with even

greater focus on customers 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 work to realize the strategy is attributable to all of the strong and dedicated managers and employees.





To outperform market growth and simultaneously enhance profitability in the Group, a number of strategic initiatives are under way. The focus is primarily on increasing the share of sales in growth regions, strengthening the position in Electrolux core markets and in the global premium segment, expanding in rapidly growing prod-

uct categories, developing service and aftermarket operations and reducing complexity and costs in manufacturing. In addition to organic growth, Electrolux also sees the potential to increase the pace of implementation of the growth strategy by way of acquisitions.



**Exchange products/ranges**

Electrolux is speeding up product innovation and increasing the speed to market for new products to expand market shares. In 2012, a wide range of new products were launched across Electrolux markets.

**Growth markets/new channels**

Entering new channels with a competitive product offering is a key priority. Electrolux also aims to increase market shares and capture growth when prosperity rises in growth regions such as Southeast Asia, Latin America and China.

**New products and markets/channels**

Electrolux is continuously expanding its product offering. Now, for the first time, Electrolux is introducing professional cooking systems to the world's most exclusive homes under the Electrolux Grand Cuisine brand. ▶▶ 46

**New/adjacent product categories**

Adjacent product categories, such as air care, water heaters, accessories and small domestic appliances, are growth areas with great potential. To capitalize on these opportunities, the Group's offerings in these product categories have increased substantially in recent years.

Electrolux growth initiatives within different product categories and markets are also described under Electrolux products and markets on pages 6 to 33.

# Innovation Products and services

*Electrolux has increased its rate of product development and introduced a consumer-preference rating system for new products. Moreover, Electrolux will create the market's best service experience and increase sales of consumables and accessories.*

**Main goals 2015**

Changes in Electrolux process for consumer-driven product development, combined with the expanded cooperation between the Group's marketing, R&D and design functions will enable products to be developed faster and will ensure that these will be preferred by more consumers. The main goals are:



All product development at Electrolux is based on in-depth insight into the consumers who will use the new products and utilize the services. By performing countless interviews and home visits, Electrolux gains knowledge of consumer behavior in the use of various household appliances and the needs that exist. Based on this information and by examining trends and new technologies, Electrolux can develop solutions that facilitate the everyday lives of consumers. Electrolux has also leveraged the Group's expertise across the culinary experience to improve food preparation, food preservation and cleaning innovations by combining the know-how from the Group's professional business with the consumer business.

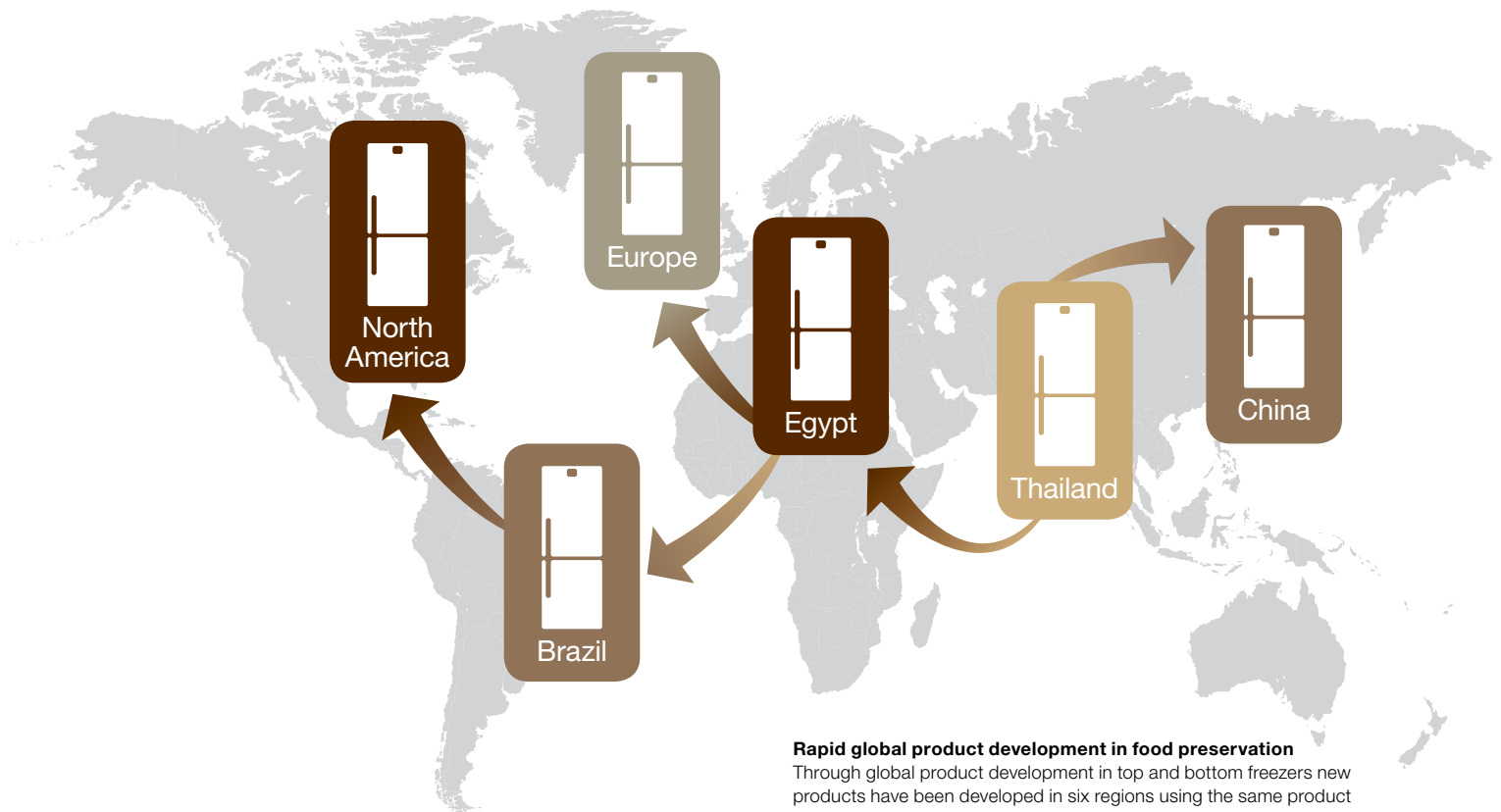
**More rapid process for new products**

The Group's process for consumer-driven product development is used in all new products. In recent years, improvements have been made to the process to accelerate innovation and to deliver more value to consumers. Consumer insight and market knowledge is enhanced by expanding cooperation between the Group's marketing, R&D and design functions, enabling products to reach the market quicker and ensuring that these products are preferred by more

consumers. Various teams within these functions currently exist in each sector in the Group. The process also facilitates sales via new channels, in new markets and in ventures into entirely new product categories. In order for a new product to be launched, at least 70% of the consumers in a test group must have expressed a preference for it over similar alternatives in the market. If this requirement is not met, the product is sent back to the product development team to be reworked. To measure consumer preference, Electrolux has built up a regional network connected to the Group's production units.

**Strong global positions**

Electrolux aims to develop winning products in different categories and regions by focusing on innovation and cost efficiency. The strongest global position currently held is for cookers, enabling, for example, Electrolux cooking solutions for the world's best chefs and restaurants to be leveraged when developing consumer appliances. Electrolux also commands a strong, global position in vacuum cleaners and is growing rapidly in the area of small appliances by utilizing global economies of scale. Other strong positions held by the Group include the market for front-load washing machines and



**Rapid global product development in food preservation**

Through global product development in top and bottom freezers new products have been developed in six regions using the same product architecture and manufacturing principles but with differentiated design, dimensions and offerings.

dishwashers, which are segments with low penetration in most markets. Among adjacent product categories, Electrolux identifies major global potential for air-conditioning equipment and water heaters.

**Products for different segments**

The global product development units in the respective product areas that have been established in recent years contribute to increasing the pace of innovation. The share of product development that encompasses global projects is expected to rise from 10% in 2010 to 35% in 2013. The objective is to further increase the level of differentiation for new launches in the premium segment and concurrently be able to profitably compete in the mass-market segments. Brand differentiation, rapid product development and efficient production are required to reach consumers with products in the mass-market segments. The Group's global manufacturing platforms facilitate the spread of successful launches from one market to another, with adaptations to local preferences.

Electrolux also has a number of development centers for household appliances throughout the world, focusing on such rapidly

growing areas as induction and steam. Electrolux is increasing its investments in new technology to be able to offer consumers more innovative products at a faster pace. The focus is currently on the development of intuitive and user-friendly control panels and solutions for reducing the environmental impact.

**Increased share of service and aftermarket**

Electrolux also has an important role to play after a product has been sold, for example, by offering efficient service, rapid upgrades and a strong range of accessories and consumables. At Electrolux, a comprehensive project is under way to further raise awareness of the importance of the service element in contacts with consumers and retailers. The objective of the program is to strengthen the brand by raising consumer satisfaction at the same time as further developing a profitable aftermarket business. Electrolux has a long-term ambition that the share of a product's sales value comprising service and sales of accessories is to increase to a minimum of 10%.

# A year of product launches

2012 was a year with extensive product launches across all markets. Below is a selection of the products launched.



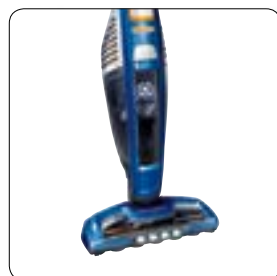
**Zanussi Quadro Range**  
(Europe, Middle East and Africa)

Clean lines and easy to use are the hallmarks of the new full built-in range, Zanussi Quadro, which is for users looking for flexibility and low maintenance.



**Electrolux Grand Cuisine Range**  
(Global)

The Electrolux Grand Cuisine cooking system puts the tools of the professional restaurant within reach of the home chef. Read more on page 46.



**Electrolux Ultra Power Vacuum Cleaner**  
(Europe, Middle East and Africa)

Ultra Power is the most powerful vacuum cleaner in the Electrolux cordless range. Its unique combination of high performance and very long run time, makes it great for both quicker cleaning jobs and longer, tougher ones.



**Electrolux Ecologic 12 kg top-load washing machine**  
(Latin America)

This washing machine has a capacity of 12 kg and is the most water-efficient and economic washing machine in the market.



**Electrolux Precision Brushroll Clean Upright Vacuum**  
(North America)

Electrolux Precision Brushroll Clean is a lightweight vacuum cleaner with cyclonic technology. The Brushroll Clean Technology helps remove hair from the brushroll with the touch of a button.



**Electrolux Professional Ecostore Refrigerators**  
(Global)

Electrolux Professional Ecostore refrigerators are energy-efficient and robust and provide 50 liters more space than equivalent cabinets. Electrolux created Ecostore in response to customer feedback.



**Westinghouse Vulcan Cooker**  
(Australia)

The Vulcan cooker is made with market-leading features and statement design, including large oven capacity, twin fans, full touch controls and new generation cool door.



**Electrolux UltraMix Pro Stick Mixer**  
(Global)

For UltraMix Pro, Electrolux has taken the best features of the professional stick mixer to bring this knowledge to consumers' homes.

# Design Lab 2012

Electrolux Design Lab is an annual global design competition open to design students world-wide. The theme for 2012 was "Design Experience". Aeroball by Jan Ankiersztajn from Poland was awarded first prize for his concept Aeroball in 2012. Aeroball is a collection of luminescent, hovering balls that can filter and fragrance the air in a room.

▶▶ [www.electrolux.com/designlab](http://www.electrolux.com/designlab)



## Design awards

In 2012, Electrolux products received several design awards for combining cutting-edge design with functionality.

## Electrolux Inspiration Range

(Europe, Middle East and Africa)

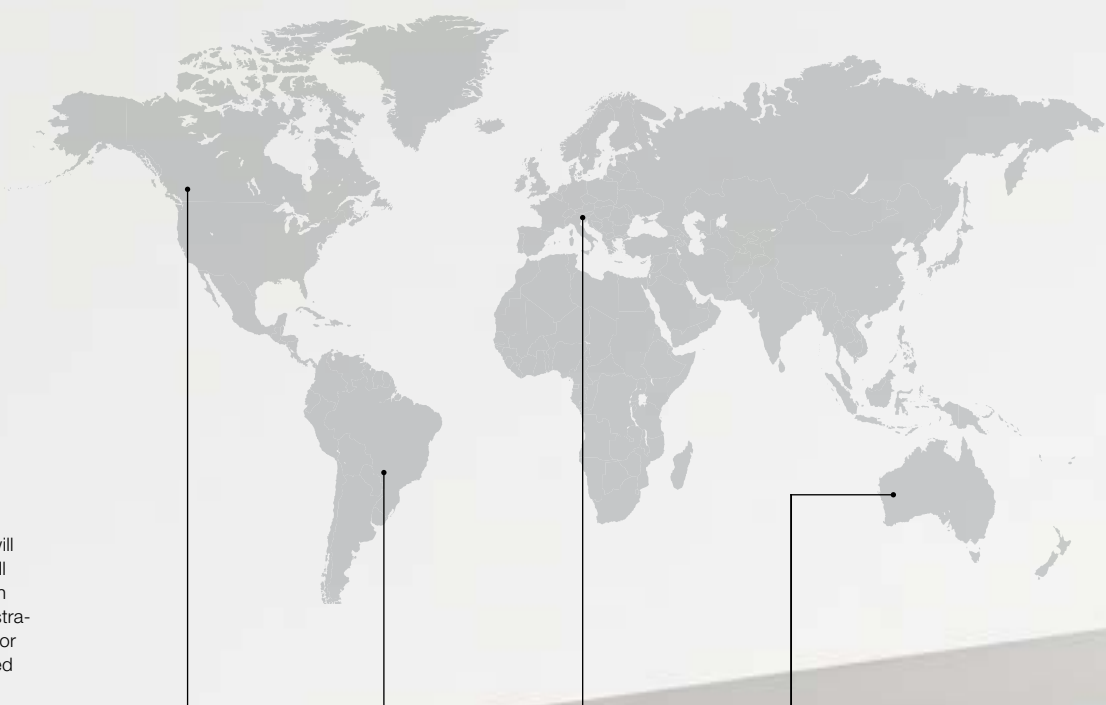
The new Electrolux Inspiration Range is a full offering in all categories. It carries a modern, premium and differentiated design, combined with features derived from Electrolux professional heritage and capabilities.

# Innovation Brand and design

*A rapidly emerging global middle class is demanding ever-more products with innovative design under well-known, global brands. As a global producer of household appliances, Electrolux has a clear competitive edge. With a strong link to the Group's professional operations, new, innovative consumer products are being launched in the premium segment across the world.*

**Global and strategic brands,  
Major Appliances**

To increase value, investments will be made in premium brands in all markets. Electrolux aims to reach more consumer segments with strategic brands and with products for which consumers have expressed a preference.



 <b>GRAND CUISINE</b> <small>BY ELECTROLUX PROFESSIONAL</small>			
 Electrolux	 Electrolux	 Electrolux 	 Electrolux
	 Electrolux 		
	Regional brands	Regional brands	Regional brands



The comprehensive launches of new, innovative appliances and vacuum cleaners that took place during the year strengthened the Group's position in the global premium segment. The launch of a full range of appliances under the Electrolux brand, the Inspiration Range, was one of the Group's largest launches in Europe ever and encompassed more than 2,200 models. The products feature functions and solutions developed by Electrolux for professional users.

Electrolux is also focusing on a number of regional and strategically robust brands, such as AEG and Frigidaire. Its history stretching back 125 years and a strong focus on design and quality has ensured AEG a leading position in appliances in Germany, Austria and the Benelux countries. In North America, Frigidaire is the Group's brand for appliances in the mass-market segment. Frigidaire's 90th anniversary in 2012 was marked by the launch of a range of successful products and an increase in market shares. In the European mass-market segment, the Group carried out a comprehensive launch of new appliances under the Zanussi brand during the year.

#### All-round experience sought

Consumer decisions regarding the purchase of household appliances are more frequently based on visits to various websites, blogs and participation in social media. Therefore, Electrolux is increasingly focusing on smart and cost-efficient solutions that follow and support consumers throughout the purchasing process. The aim is to provide an all-round experience of the brand by creating an intimate dialog with the consumers before the purchase, in conjunction with the purchase and after the purchase has been completed. The majority of the customers who buy Electrolux products visits the Group's websites during the purchasing process, thus making these some of the most important tools for convincing customers.

#### Ever-clearer connection to professional cooking

The lessons learned by Electrolux when developing innovative and efficient solutions for professional kitchens and laundries are used to improve the technology and performance of consumer appliances. In 2012, this connection was made even clearer. The consumer appliances launched in Europe under the Electrolux brand have drawn inspiration from the Group's professional operations and, under the new, ultra-luxury Electrolux Grand Cuisine brand, professional kitchen appliances for consumer homes were launched. Maintaining a continuous dialog with the best chefs and supplying restaurants and hotels across the globe with new products and solutions has not only provided Electrolux with valuable insight that has been conveyed to other parts of the Group, it has also reinforced the Electrolux brand. Combined with a distinct Scandinavian heritage, this plays a key role in shaping the design and in the development of new and sustainable appliances. Electrolux continuously carries out various projects and public relations campaigns to strengthen the Group's leading position in food preparation by demonstrating the clear link to professional cooking. These activities include the mobile restaurant The Cube and the Electrolux Pavilion at the Cannes Film Festival. Read more at [www.electrolux.com](http://www.electrolux.com).



## Electrolux Grand Cuisine

Electrolux Grand Cuisine was launched in London in September 2012. The launch received extensive media coverage across 17 countries with articles being published in The Times, Wall Street Journal, Financial Times and Wallpaper among others and prime time television slots on CNN, Sky News and CNBC.

Read more on page. ►► 46-47



# GRAND CUISINE

BY ELECTROLUX PROFESSIONAL

## Michelin star cooking at home

For more than 90 years, Electrolux has collaborated with the world's top chefs and more than half of all Michelin-star restaurants in Europe currently use Electrolux professional products.

For the first time, Electrolux is introducing these professional cooking products to the world's most exclusive homes. The ultra-luxury kitchen range Electrolux Grand Cuisine is the first home cooking system that gives the ultimate cooking performance its right name.

Electrolux Grand Cuisine cooking system comprises a range of eight cooking products. The system features a combination oven, blast chiller, gas, sear and induction hobs, customized ventilation and a stand mixer. It encompasses all available know-how and functions developed by the world-leading chefs together with Electrolux.

Electrolux Grand Cuisine is delivered, installed and experienced with five-star service including a star chef introduction dinner at home.

Electrolux Grand Cuisine was launched in London in September 2012. The range will gradually be launched in other major cities across the globe. The products, which are sold via consultants and architects, are tailored and adapted to individual needs and are designed to complement both ultra-modern and classically furnished exclusive homes.

The market for this exclusive cooking system is estimated at about 50,000 kitchens per year. In addition to enabling the company to grow in a new exclusive segment, the launch also aims to strengthen the position of the Electrolux brand in the global premium segment.

► [www.grandcuisine.com](http://www.grandcuisine.com)





# Innovation

## Innovating for sustainable growth

*Sustainability is central to the Group's business strategy. It is part of great business leadership to deliver business growth that is high-integrity, low-environmental impact and of high value to society.*

The Electrolux sustainability strategy is to develop smarter, more accessible, resource-efficient solutions that meet people's needs and improve their lives. As a result of strong top-management commitment, integration of the sustainability strategy across the organization has been a main focus area. The strategy is now in its third year and targets three main areas:

- **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.

Sustainability leadership requires clear vision, strong organizational alignment and global commitment. In 2012 and for the sixth consecutive year, Electrolux was recognized as leader of its industry sector in the prestigious Dow Jones Sustainability World Index (DJSI). This positions the Group within the top 10% of the 2,500 largest companies for social and environmental performance.

### Products, services and markets

The Group's most significant environmental impact is carbon dioxide emitted by consumers during product use. Improved product efficiency is therefore a core focus area. Sustainable innovation is among the top four priorities of the R&D program. From 2012, at least one-third of the product-development spend is sustainability-related – the majority invested in energy and water efficiency and design-for-recycling. Energy, water and chemicals reduction goals

have been set for all major product categories. To build consumer awareness of the value of efficient appliances, Electrolux will increase the focus on efficiency and other sustainability benefits in marketing messages globally.

Each business sector offers a green range of the most efficient products, and criteria are raised annually. The Group's ambition is for its products to occupy the number one or two position for fleet average efficiency in all consumer segments globally, with efficient products available to all consumers in all markets. In 2012, the Green Range represented 10% of products sold and 18% of gross profit.

A key challenge is to provide emerging middle classes with energy and cost-efficient appliances by scaling innovation more rapidly from premium to mass markets.

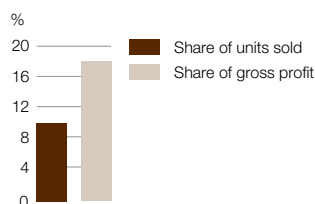
### People and operations

The Group's guiding principles are expressed in the Electrolux Foundation: Respect and diversity, ethics and integrity, and safety and sustainability. Code of Conduct audits are conducted to verify that operations are managed accordingly. In 2013, Electrolux will update the Code of Conduct and launch a group-wide certification program for quality, environment and health and safety.

Electrolux is introducing the Purpose, a program to engage employees in sustainability objectives. It aims to build an understanding of the value Electrolux creates beyond financial and market objectives.

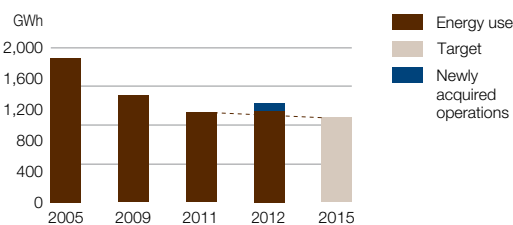
The focus on energy use continued. The Group achieved a six percent relative improvement in efficiency. In absolute terms, the result was a marginal increase in energy use, due to a rise in production volumes. A 2015, 15% relative reduction target was also defined. Completion of a human rights assessment that is in accordance with the UN Guiding Principles, has laid the groundwork for better

### Global Green Range



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

### Energy savings target 2015



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



understanding of the Group's human rights risk areas. Improvements were made in health and safety in the majority of Group factories.

In 2012, the Ethics Program, including training and a helpline operated by a third party, rolled out in seven European countries, and approximately 75% of Group employees now have access to confidential reporting helplines throughout Europe, North and Latin America. The helpline allows employees to report anonymously, without fear of exposure or retaliation.


**Stakeholders and society**

Electrolux endeavors to be a responsible, open and honest societal partner and build trust, partnership and engagement with stakeholders along the value chain. The company keeps track of trends and actively monitors issues of relevance to its industry and markets.

In 2012, to deepen its understanding of stakeholder expectations on human rights, Electrolux hosted a seminar on how to implement the UN Guiding Principles. 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. Learnings are to be shared and applied across the company.

As part of the company's responsible sourcing initiatives, a summit was held in Thailand to engage suppliers in the Group's sustainability strategy.

The new tumble-dryer Eco Care from Electrolux Inspiration Range is included as a Green Range product. The tumble-dryer reuses heat for maximum effect and stops automatically when clothes are dry, which is both more gentle on clothes and energy-smart.



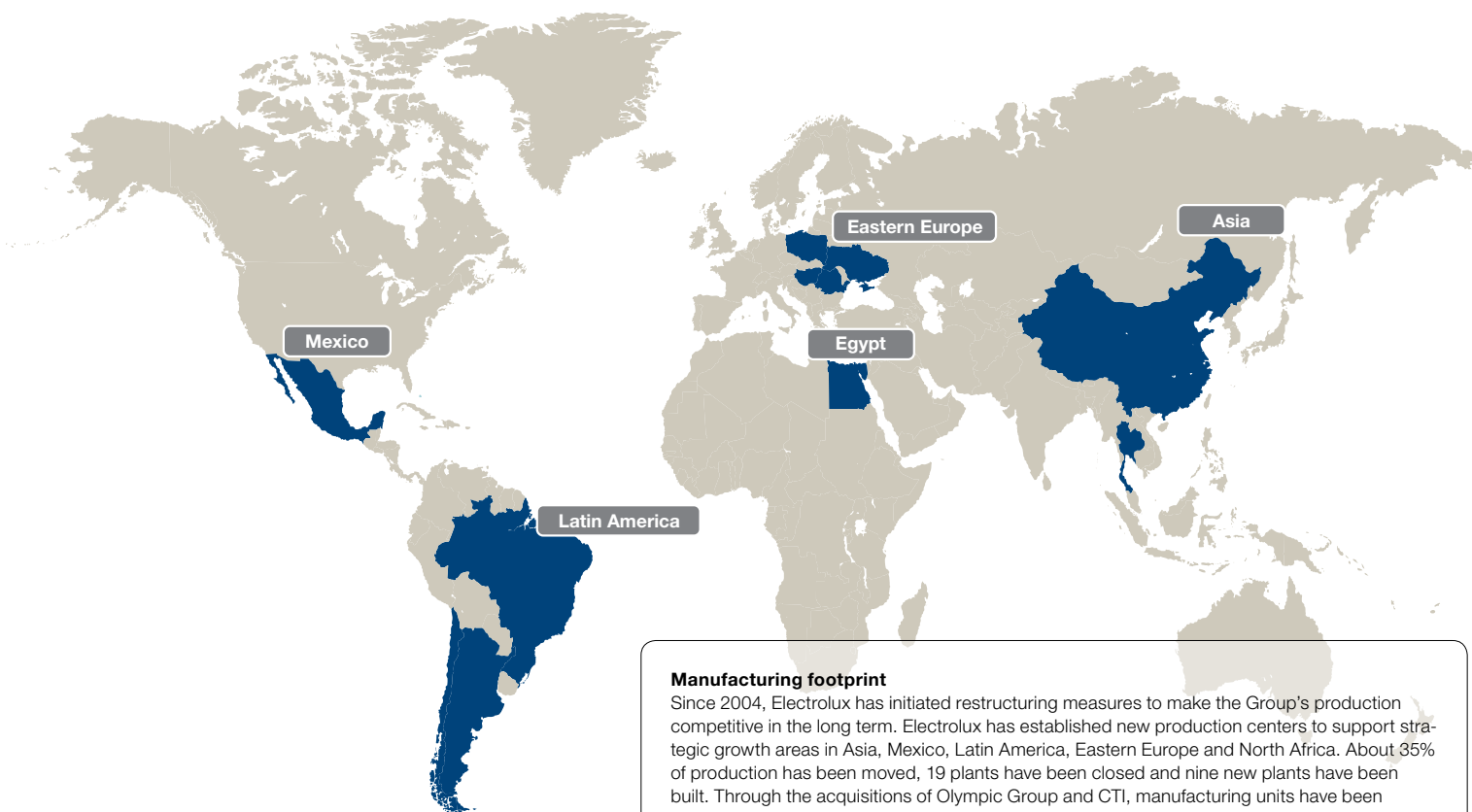
**Dow Jones Sustainability Indexes**  
Member 2012/13

For the sixth consecutive year, Electrolux was recognized as leader of its industry sector in the prestigious Dow Jones Sustainability World Index (DJSI). This positions the Group within the top 10% of the 2,500 largest companies for social and environmental performance.

# Operational excellence

## Efficient operations

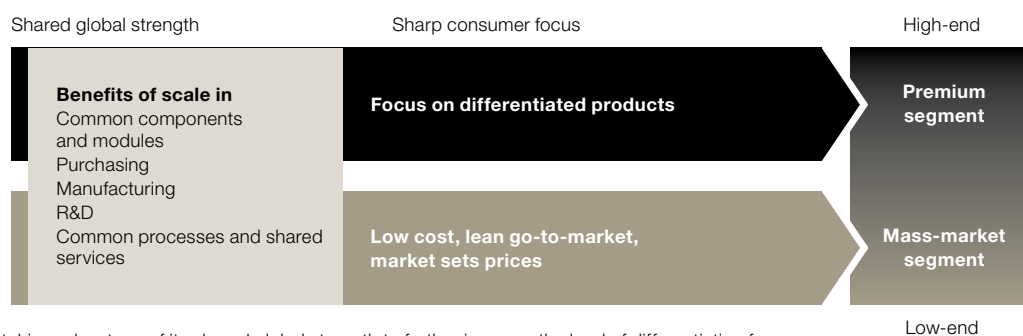
*The Group's manufacturing footprint is continuously adapted and the operations are streamlined. Focus lies on the global optimization of production to release resources for investment in new product development, design and marketing. Reducing the amount of capital tied up in operations creates opportunities for rapid and profitable growth.*



### Manufacturing footprint

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 plants have been closed and nine new plants 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 other operations, new measures were taken in the Group during the year in the area of manufacturing. In Europe, further measures were initiated to adapt the manufacturing footprint. In Memphis, Tennessee in the US, a new cooker 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.

### Profitable growth in all segments



Electrolux is taking advantage of its shared global strength to further increase the level of differentiation for new launches in the premium segment and concurrently be able to profitably compete in the low-price segments.

Electrolux is continuing to improve operational excellence by adapting manufacturing capacity, reducing overhead costs and accelerating efforts to capitalize on the Group's global strength and scope. This will generate annual savings of at least SEK 5.3 billion, with full effect from 2016, of which SEK 1.6 billion refers to the manufacturing footprint program, SEK 0.7 billion to a reduction in overhead costs and SEK 3.0 billion to Global Operations. The total cost of the programs is estimated at SEK 5.1 billion, of which approximately SEK 2.5 billion has been charged to operating income. The resources that are no longer tied up in the programs will primarily be invested in the development of new products and increased marketing activities.

**Global optimization**

Of Electrolux manufacturing in high-cost areas (HCA), about 35% has been discontinued or moved since 2004, meaning that more than 60% of the Group's household appliances are currently manufactured in low-cost areas (LCA), a move that has both strengthened the competitiveness of Electrolux and increased its proximity to strategic growth areas. Production has been relocated primarily from Western Europe and the US to existing or new units in such countries as Thailand, Hungary, Poland and Mexico. Within a few years, more than 70% of manufacturing will take place in low-cost areas. The aim is to increase capacity utilization and optimize manufacturing throughout the world for the respective product categories. In addition to vacuum cleaners and small domestic appliances, conditions exist for global manufacturing of such products as small refrigerators, hoods, hobs, dishwashers and air-conditioning equipment.

**Reduced complexity**

Aside from continued adaptation of manufacturing, measures are being conducted to support the strategic growth by reducing product costs and lowering capital intensity. Activities are conducted to leverage the Group's global strength and breadth and, at an ever-increasing pace, utilize synergies, reduce complexity and optimize purchasing.

The initiative includes:

- Lower product costs by manufacturing fewer varieties, known as modularization.
- Greater share of procurement from low-cost areas.

- Reduced capital intensity through the introduction of shared systems and standards that enhance efficiency.
- Higher productivity through such activities as closer cooperation with sub-suppliers.
- Faster and more efficient processes for product development through global, cross-border units for product development, design and marketing.

In 2012, the initiatives continued to yield clear results. Modularization in various product groups accelerated and now covers 85% of all direct material costs for manufacturing of the Group's products. Furthermore, the lower degree of complexity in manufacturing facilitates a more rapid product-development process. Developing products based on global needs leads to greater efficiency not only in product development and marketing, but also in production, since fewer product platforms are required.

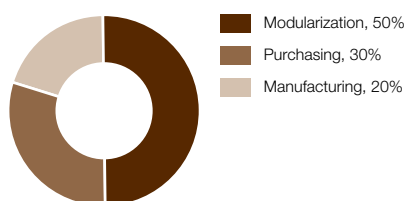
**Continuous improvements**

The Group already conducts several programs aimed at enhancing production efficiency. Since 2005, the Electrolux Manufacturing System (EMS) has been implemented with great success and encompasses all production units. The program focuses on continuous improvements in terms of product quality, costs, inventory reduction, employee safety and environmental impact.

**Integrated acquisitions**

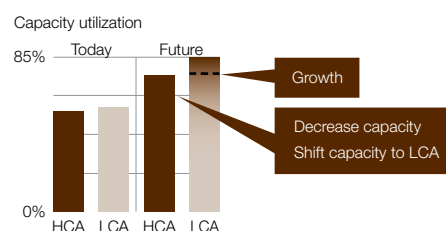
The appliance manufacturers Olympic Group and CTI, which were acquired in 2011, were successfully integrated into the Group and shared control systems and processes were introduced in production. During the year, Electrolux commenced production of new air-conditioning equipment under the Zanussi brand at one of Olympic Group's facilities in Egypt. CTI manufactures appliances and small domestic appliances in Chile and Argentina, and Electrolux intends to invest to increase production and distribution to continue the expansion of operations in Latin America.

**Savings from Global Operations**



Total savings from global operations within modularization, manufacturing and purchasing are expected at SEK 3 billion.

**Need to increase capacity utilization**



Electrolux aims to increase capacity utilization within manufacturing and move capacity to growth regions.

HCA = High cost areas  
LCA = Low cost areas

# People and leadership

## Dedicated employees with an important purpose

*Dedicated employees with diverse backgrounds play a crucial role in creating the innovative corporate culture necessary for Electrolux to achieve its vision. The introduction of a new leadership model puts Electrolux on the path to doing so by acknowledging that growth, innovation and operational excellence begin with people.*

Electrolux has been infused with the spirit of innovation since its very start. The success of its founder Axel Wenner-Gren was built upon proximity to customers and the ability to identify new business opportunities before others. These success factors, combined with a strong set of values, form the core of the Group's operations today. Employee passion for innovation, consumer obsession and motivation to achieve results is what further sets Electrolux apart.

### An important purpose

An innovative corporate culture, combined with dedicated employees from diverse backgrounds, provides Electrolux with the right foundation to develop successful products for consumers across the globe. The purpose of doing so is to make a positive, everyday difference in people's lives and for our planet. At the same time, it is also important to contribute to sustainable development for current and future generations in a world that is evolving at an increasingly rapid pace.

### Managers with a business and people focus

Committed and strong managers play a decisive role in the successful execution of the Electrolux strategy. 2012 marked the implementation of a new leadership model that clearly states that leaders at Electrolux have the responsibility to be both business and people leaders. The model's elements are the basis by which leaders are evaluated and future leadership capabilities are grown. It has also been built in such a way that non-managers are able to incorporate the elements into their own ways of working.

### The best appliance company in the world

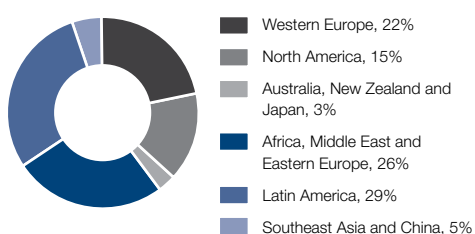
The Electrolux vision is to be the best appliance company in the world as measured by customers, employees and shareholders. One of the Group's key tools to gauge employee perception of the company is the Employee Engagement Survey (EES). The survey measures various aspects of leadership, teams, employee engagement and corporate culture. Results from the most recent survey in 2012 showed improvements in all areas compared with earlier surveys, particularly within leadership and team efficiency. Furthermore, a high number of employees continue to affirm they would recommend Electrolux to others as a place to work. Electrolux offers opportunities to pursue a career in a global company with a strong focus on quality, innovation, design and sustainability.

### Strong values for sustainable operations

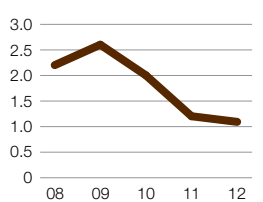
Wherever Electrolux operates in the world, the company applies the same high standards and principles of conduct. Respect, diversity, integrity, ethics, safety and sustainability – the elements that make up the Electrolux foundation – are taken into account by employees during their meetings with customers and colleagues around the globe. During 2012, an ethics-training program and the implementation of a whistleblowing system – the Electrolux Ethics Helpline – continued. The ethics-training program and the implementation of the whistleblowing system will continue throughout the Group during 2013.

Read more about working at Electrolux [www.electrolux.com/careers](http://www.electrolux.com/careers).

Employees by geographic area 2012

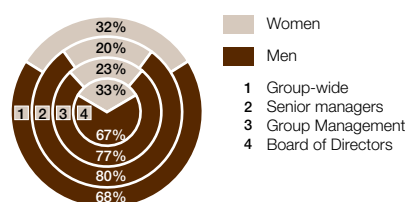


Injury rate<sup>1)</sup>



1) Per 200,000 working hours.

Gender distribution 2012



# An innovative corporate culture



## iJam – unleashing the innovative force of employees

iJam, or Innovation Jam, a 72-hour online brainstorming session open to all Electrolux employees across the globe, was arranged in October 2012. The ambition was to identify new ideas that could help enhance the culinary experience when shopping for food, cooking, eating or entertaining, regardless of whether it is at home, when traveling or at a restaurant visit. The interest shown by employees

in the initiative was considerable. Over 7,000 employees participated and more than 3,500 ideas were submitted. The ten best entries, as voted for by employees, were subsequently evaluated by a jury comprising Electrolux CEO Keith McLoughlin, the heads of the Innovation Triangle and the heads of the business areas. The jury selected three of the ten ideas to advance to further development.

## The Electrolux Awards – rewards for extraordinary performance

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

awards are presented at The Electrolux Award Day: Sustainability Award, Digital Marketing Excellence Award, 360 Marketing Excellence Award, Industrial Design Award, EMS Best Practice Award, Product Award, Invention Award, Customer Care Award and People Leadership Award.



### Group policies

- Code of Ethics
- Workplace Code of Conduct
- Policy on Countering Corruption and Bribery
- Environmental Policy

### Whistleblowing system

- Electrolux Ethics Helpline



**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.



# A successful strategy Success stories

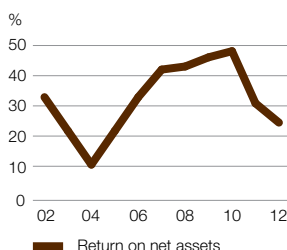
*Electrolux has made a dynamic transformation into an innovative consumer-focused company and changed its operations around the world as described in the annual reports between 2006 and 2011. An important part of Electrolux strategy is to reduce tied up capital to free up resources for investments in new products. Read more about Electrolux working capital program on page 56–57.*

## 2006

### We have transformed the floor-care business

The market for floor-care products underwent rapid changes at the end of the 1990s. Severe competition and low profitability generated intensive pressure for change. This led to a vigorous transformation of the Group's operations, which thereafter have demonstrated highly favorable development. The return on net assets has been affected by the acquired company CTI 2011.

**Return on net assets, Small Appliances**

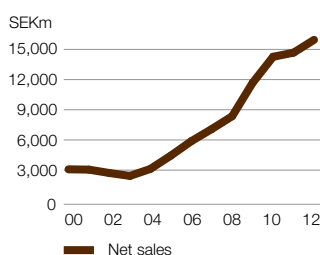


## 2007

### Turnaround of the Brazilian operation

Electrolux entered the Brazilian appliances market in 1996 by acquiring Refripar, one of the largest appliance producers in the country. Refripar's products were positioned in the low-price segment, and the company had high production costs. Today, Electrolux is one of the leading appliance brands in Brazil, with a high rate of growth and favorable profitability.

**Rapid growth in Brazil**

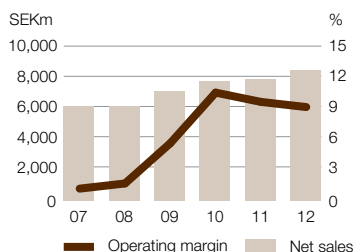


## 2008

### Success in Australia

In Australia, the Group has turned around an unprofitable appliance business acquired in 2001 by focusing on new products in the high-price segments, building the Electrolux brand and by restructuring and improving production efficiency.

**Net sales and operating margin, Major Appliances Asia/Pacific**



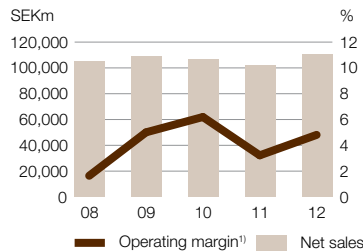


## 2009

### On the right track through the recession

The performance of Electrolux during the recession proves the effectiveness of the strategy. Innovative products, investment in the Electrolux brand and a focus on strong cash flow and greater cost efficiency have paid off. Electrolux emerged stronger than ever from the recession.

**Net sales and operating margin**



1) Excluding items affecting comparability.

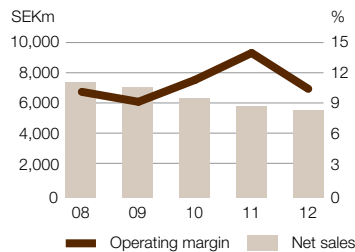


## 2010

### Transformation of Professional Products

A high pace of innovation and improved cost efficiency, combined with a global premium brand and a global service network, generated a record-high operating margin for Professional Products.

**Net sales and operating margin, Professional Products**

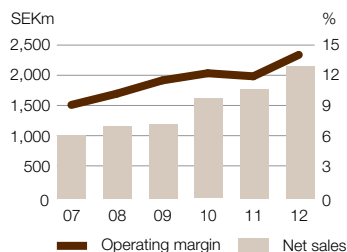


## 2011

### Profitable and fast-growing operations in Southeast Asia

With a strong brand, products adapted to the specific needs of the region and effective marketing and distribution, Electrolux has grown rapidly with high profitability in Southeast Asia.

**Net sales and operating margin, Southeast Asia**



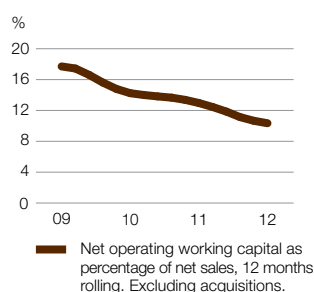
## 2012

### Less capital for more growth

For several years, Electrolux has been working intensively to reduce tied-up capital in the Group. Read more on the next page.

►► 56–57

**Net operating working capital**



A successful strategy

# Less capital for more growth

*In recent years, Electrolux has worked intensively to reduce tied-up capital in the Group. In addition to Group-wide measures to streamline and optimize manufacturing, each business area is focusing on improving working capital to free up resources that can instead be invested in growth activities.*

## The Electrolux working capital program ...

Improving working capital is a prioritized area at Electrolux. The work is conducted in the form of a Group-wide program with a dedicated organization. Activities are ongoing in all parts of the Group to improve working capital in such areas as sales, marketing, procurement, manufacturing and administration. Furthermore, the Group's remuneration model for managers has clear targets linked to capital efficiency. The program to improve working capital focuses on efficiency-enhancement measures in primarily four areas:

- Trade receivables – invoicing process, payment terms and handling of overdue receivables
- Accounts payable – payment terms, invoice processing and payment routines
- Inventory – optimization of inventory levels, review of product range, process improvements within operations and sales organization
- Procurement – enhance synergies and coordination between units

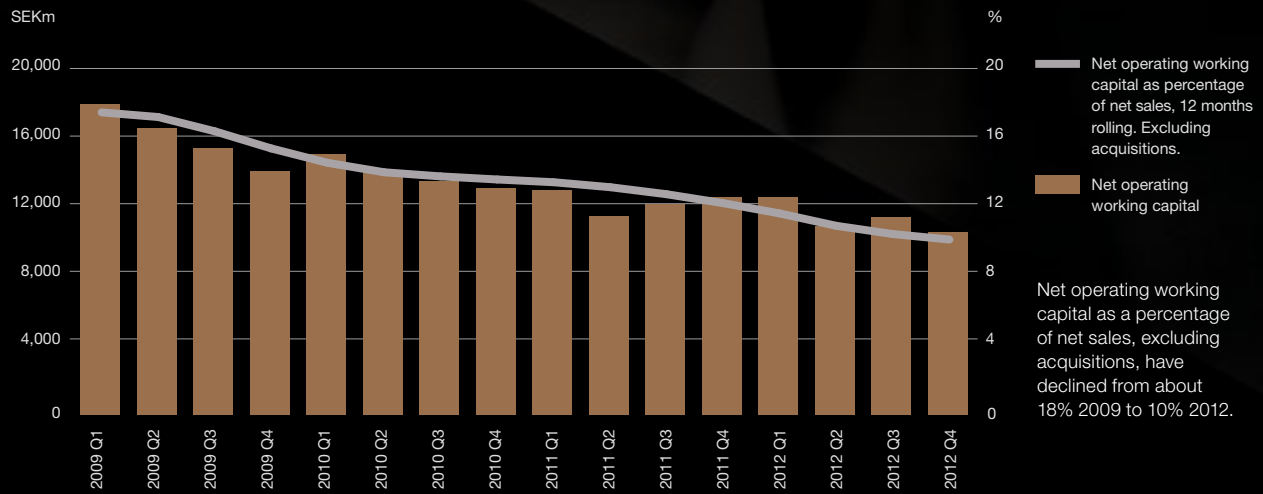
### ... has yielded clear results ...

The working capital program has generated increased profitability through higher efficiency and reduced complexity in operations. Inventory levels have been optimized and processes for administration of invoices and accounts payable ledger have been improved. The program has also yielded an increase in the capital turnover rate excluding acquisitions, and increased the employees' understanding of the business, resulting in more reliable sales forecasts and an improvement in the service level to retailers.

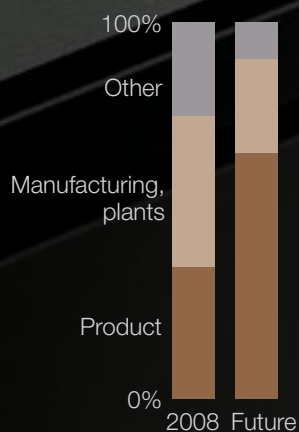
### ... and freed up resources for investments in new products ...

A reduction in the structural working capital – the portion that is not impacted by the global economy – combined with higher margins has strengthened cash flow and thus also the balance sheet. This has created more resources for investments in growth-promoting activities. In 2012, Electrolux investments in product development and marketing accounted for 1.9% and 1.7%, respectively, of sales. It will be possible to increase this share further in the years ahead.

## Net operating working capital



### Structural change of capital expenditure



Going forward, capital expenditure will structurally change and be more related to development of new products.

... but continued discipline will be required in better times.

As sales increase, it will be necessary to have an even stronger focus on limiting the capital intensity. The global initiatives taken by Electrolux to enhance synergies and leverage economies of scale will facilitate this work.



# Management of Electrolux

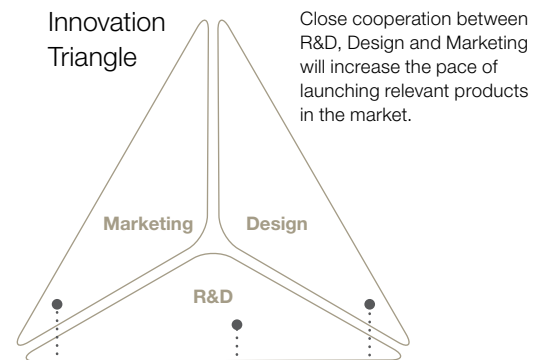
*Electrolux Group Management, with its extensive expertise, diverse cultural backgrounds and experiences from various markets in the world, forms an excellent platform for pursuing profitable growth in accordance with the Group's strategy.*

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.

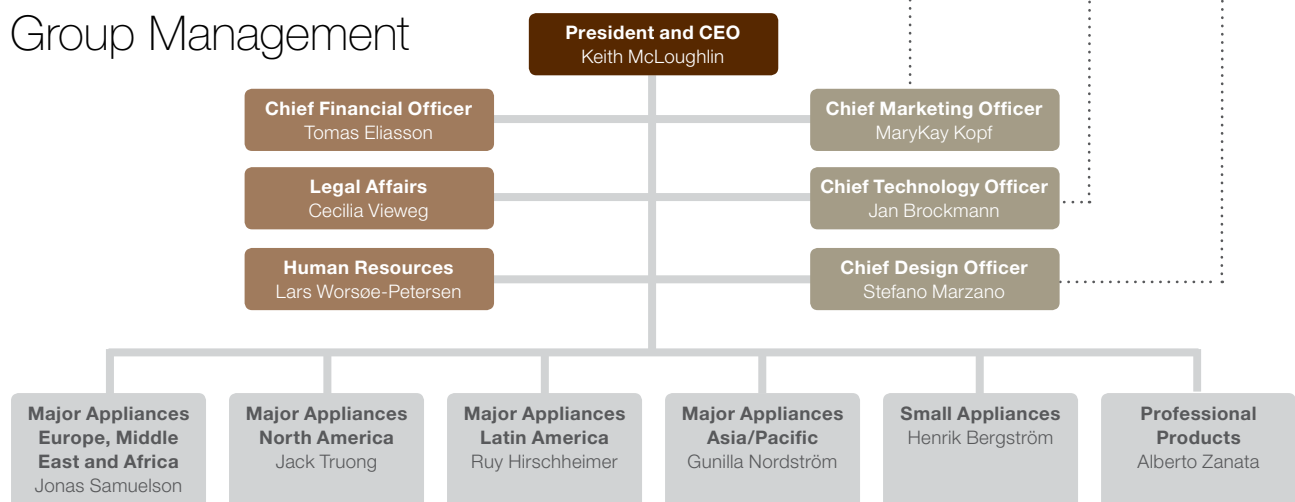
In recent years, a number of major initiatives have been launched aimed at better leveraging the unique, global position of Electrolux. In several areas, global and cross-border organizations have been established to, for example, increase the pace of innovation in product development, reduce complexity 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-development process between the R&D, design and marketing functions.

Dedicated employees who work together play a crucial role in creating the corporate culture necessary for Electrolux to achieve its vision of becoming the best appliance company in the world as measured by customers, employees and shareholders. Leadership at Electrolux in all markets is distinguished by Passion for Innovation, Customer Obsession and Drive for Results. Read more about Electrolux values on page 52.



## Group Management



# Group Management



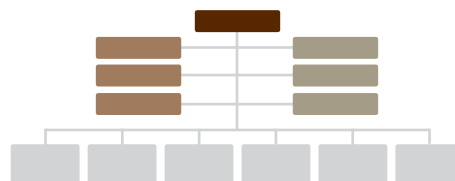
## Keith McLoughlin

 **President and Chief Executive Officer**

Born 1956. B.S. Eng. In Group Management since 2003. 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.

**Board member** of Briggs & Stratton Corporation.

**Holdings** in AB Electrolux: 90,958 B-shares.



## Tomas Eliasson

 **Chief Financial Officer, Senior Vice President**

Born 1962. B. Sc. in Business Administration and Economics. In Group Management since 2012. 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.

**Holdings** in AB Electrolux: 1,565 B-shares.

## MaryKay Kopf


 **Chief Marketing Officer, Senior Vice President**

Born 1965. B.S. Finance, M.B.A. In Group Management since 2011. 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.

**Holdings** in AB Electrolux: 11,706 B-shares.



## Cecilia Vieweg

 **General Counsel, Senior Vice President**

Born 1955. B. of Law. In Group Management since 1999. 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.

**Board Member** of Vattenfall AB, The Association of Swedish Engineering Industries and member of the Swedish Securities Council.

**Holdings** in AB Electrolux: 24,912 B-shares.

## Jan Brockmann


 **Chief Technology Officer, Senior Vice President**

Born 1966. M. Sc. in Mechanical Engineering, M.B.A. In Group Management since 2011. 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.

**Holdings** in AB Electrolux: 2,437 B-shares.



## Lars Worsø-Petersen

 **Head of Human Resources and Organizational Development, Senior Vice President**

Born 1958. M.Econ. In Group Management since 2011. 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.

**Holdings** in AB Electrolux: 1,565 B-shares.

## Stefano Marzano

 **Chief Design Officer, Senior Vice President**

Born 1950. Doctorate in architecture. In Group Management since 2012. 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 THINK at The Amsterdam School of Creative Leadership, 2011. Various academic positions within design, 1982–2011.


**Holdings** in AB Electrolux: 1,565 B-shares.



## Heads of Business Areas



### Jonas Samuelson

 **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. 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.

**Board member** of Polygon AB.

**Holdings** in AB Electrolux: 12,057 B-shares.

### Jack Truong

 **Head of Major Appliances North America, Executive Vice President**

Born 1962. Ph.D. Chem. Eng. In Group Management since 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.

**Holdings** in AB Electrolux: 1,417 B-shares.



### Ruy Hirschheimer

 **Head of Major Appliances Latin America, Executive Vice President**

Born 1948. M.B.A. Doctoral Program in Business Administration. In Group Management since 2008. 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.

**Holdings** in AB Electrolux: 51,507 B-shares.

### Gunilla Nordström

 **Head of Major Appliances Asia/Pacific, Executive Vice President**


Born 1959. M. Sc. In Group Management since 2007. 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.

**Board member** of Atlas Copco AB and Wärtsilä Corporation.

**Holdings** in AB Electrolux: 27,953 B-shares.



### Henrik Bergström

 **Head of Small Appliances, Executive Vice President**

Born 1972. M. Sc. in Business Administration and Economics. In Group Management since 2010. 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.

**Holdings** in AB Electrolux: 8,093 B-shares.

### Alberto Zanata

 **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 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.

**Holdings** in AB Electrolux: 23,612 B-shares.



#### New members 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.

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

# Business areas in brief

The business areas of Electrolux are presented on the following pages. Read more about Electrolux achievements during 2012 and the business area heads' top priorities in their markets going forward.

## Major Appliances Europe, Middle East and Africa



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

### Key achievements 2012

- Comprehensive launches of new products
- Regained market shares
- Improved efficiency, established Stockholm as the new headquarters

### Top priorities going forward

- Improve product mix and price management
- Grow value market shares
- Increase production competitiveness

## Major Appliances North America



**Jack Truong**  
Head of Major Appliances  
North America

### Key achievements 2012

- Increased sales via effective promotional and marketing programs
- Positive price and mix development
- Gained Home Depot as a new customer

### Top priorities going forward

- Mix improvements
- Continue to increase consumer demand via effective promotional and marketing programs
- Start up the new cooker plant in Memphis, Tennessee in the US

### Electrolux markets, market share and average number of employees 2012



24,479

#### Market share:

Core Appliances **17%** in Western Europe  
Core Appliances **13%** in Eastern Europe  
A leading position in markets in North Africa and the Middle East



11,319

#### Market share:

Major Appliances **22%**

### Market demand for 2012 compared to 2011

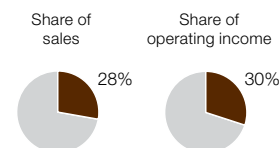
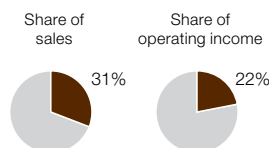
#### Core Appliances:

Western Europe   
Eastern Europe   
Egypt

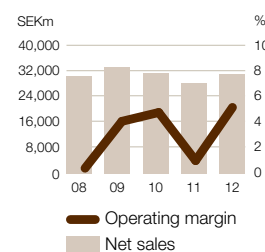
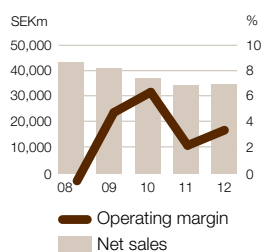
#### Core Appliances:

North America

### Share of net sales and share of operating income 2012



### Net sales and operating margin





Major Appliances  
Latin America



**Ruy Hirschheimer**  
Head of Major Appliances  
Latin America

**Key achievements 2012**

- New product launches
- Growth in Brazil and other markets, such as Argentina, Chile and Mexico
- Integration of the acquired company CTI in Chile

**Top priorities going forward**

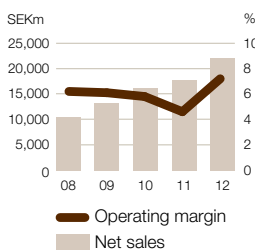
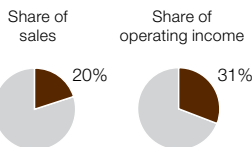
- Expand product offering
- Continue to grow in Brazil
- Strengthen the position in other markets in Latin America



13,812

Electrolux has a leading position in Brazil and the number one position in Chile and a leading position in Argentina

**Core Appliances:**  
Latin America 📈



Major Appliances  
Asia/Pacific



**Gunilla Nordström**  
Head of Major Appliances  
Asia/Pacific

**Key achievements 2012**

- Good growth in Southeast Asia and China with increased profitability
- Built a new plant for refrigerators in Thailand and developed a new range of refrigerators
- Defended the leading positions in Australia and New Zealand in a weak market

**Top priorities going forward**

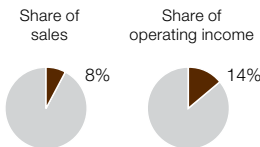
- Accelerate profitable growth in Asia
- Strengthen our leadership position in Australia
- Successful launches of new innovative products in China



3,313

**Market share:**  
Core appliances **39%** in Australia. Small but growing market share in Southeast Asia

**Major Appliances:**  
Australia 📈  
Southeast Asia 📈



Small Appliances



**Henrik Bergström**  
Head of Small Appliances

**Key achievements 2012**

- Strong growth for small domestic appliances and instant clean business
- Strong growth in growth markets
- Significant cash-flow improvement

**Top priorities going forward**

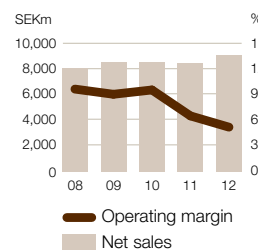
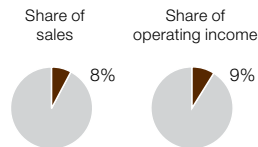
- New floor-care product launches to strengthen business in Europe and North America
- Expand in growth markets
- Grow in small domestic appliances



2,737

Leading position in markets such as Latin America, Europe and North America

**Vacuum cleaners:**  
North America 📈  
Europe 📈



Professional Products



**Alberto Zanata**  
Head of Professional Products

**Key achievements 2012**

- Effective price management in weak markets
- Launch of Electrolux Grand Cuisine, an ultra-luxury kitchen range for home use
- New businesses in restaurant chains

**Top priorities going forward**

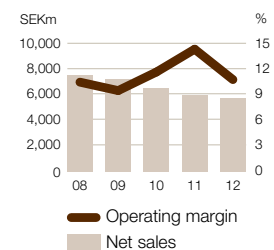
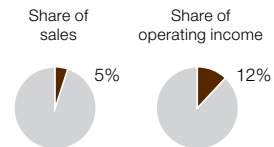
- Grow in growth markets and in new segments
- Expand in the restaurant chain business
- Invest in product innovation



2,581

**Market share:**  
Food service **8%** in Western Europe  
Laundry **21%** in Western Europe


**Professional Products:**  
Europe 📈



# Board of Directors and Auditors




**Marcus Wallenberg**

 **Chairman**  
Born 1956. B. Sc. of Foreign Service. Elected 2005. Member of the Electrolux Remuneration Committee.

**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. **Previous positions:** President and CEO of Investor AB, 1999–2005. Executive Vice President of Investor AB, 1993–1999. **Holdings** in AB Electrolux: 5,000 B-shares. Through company: 50,000 B-shares. Related party: 500 B-shares, 11,777 synthetic shares<sup>1)</sup>.




**Ronnie Leten**

 **Deputy Chairman**  
Born 1956. M.Sc. Applied Econ. Elected 2012. President and CEO of Atlas Copco AB since 2009.

**Previous positions:** Various leading positions within the Atlas Copco Group, 1997–2009 and 1985–1995. Plant Manager of Tenneco Automotive Inc, Belgium, 1995–1997. Various positions within General Biscuits, 1979–1985. **Holdings** in AB Electrolux: 3,000 B-shares.




**Lorna Davis**

 Born 1959. Bachelor of Social Science and Psychology. Elected 2010. Member of the Electrolux Remuneration Committee. Senior Vice Presi-

dent and Global Biscuits Category Head within Mondelez International (previously part of Kraft Foods) since 2011. **Previous positions:** 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. **Holdings** in AB Electrolux: 2,000 B-shares, 1,392 synthetic shares<sup>1)</sup>.




**Hasse Johansson**

 Born 1949. M. Sc. in Electrical Engineering. Elected 2008. Member of the Electrolux Audit Committee.

**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. **Previous positions:** 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. **Holdings** in AB Electrolux: 4,000 B-shares, 6,992 synthetic shares<sup>1)</sup>.




**Keith McLoughlin**

 Born 1956. B.S. Eng. Elected 2011. President and CEO of AB Electrolux.

**Board member** of Briggs & Stratton Corporation. **Previous positions:** 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. **Holdings** in AB Electrolux: 90,958 B-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.

**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. **Previous positions:** 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. **Holdings** in AB Electrolux: 2,000 B-shares.




**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. **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. **Previous positions:** 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. **Holdings** in AB Electrolux: 1,000 B-shares.




**Torben Ballegaard Sørensen**

 Born 1951. M.B.A. Elected 2007. Chairman of the Electrolux Audit Committee. **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. **Previous positions:** 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 Aarhus Stiftsbogtrykkerie, 1981–1988. **Holdings** in AB Electrolux: 5,000 B-shares, 2,800 synthetic shares<sup>1)</sup>.



**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. **Board member** of SCA AB, Telenor ASA, Orkla ASA, Fleming Invest AS and related companies. **Previous positions:** President and CEO of TeliaSonera Norway, 2001–2005. President and CEO of Midelfart & Co, 1995–2001. Senior positions within marketing and sales, 1988–1995. **Holdings** in AB Electrolux: 0 shares.

## Committees of the Board of Directors

### The Remuneration Committee

The Remuneration Committee comprises three Board members: Barbara Milian Thoralfsson (Chairman), Marcus Wallenberg and Lorna Davis.

### The Audit Committee

The Audit Committee is comprised of three Board members: Torben Ballegaard Sørensen (Chairman), Fredrik Persson and Hasse Johansson.

## Employee representatives

### Members



Ola Bertilsson

Born 1955. Representative of the Swedish Confederation of Trade Unions. Elected 2006. **Holdings** in AB Electrolux: 0 shares.



Gunilla Brandt

Born 1953. Representative of the Federation of Salaried Employees in Industry and Services. Elected 2006. **Holdings** in AB Electrolux: 0 shares.



Ulf Carlsson

Born 1958. Representative of the Swedish Confederation of Trade Unions. Elected 2001. **Holdings** in AB Electrolux: 0 shares.

### 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.

### 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 Schör-ling AB, SCA AB and TeliaSonera AB. **Holdings** in AB Electrolux: 0 shares.

#### Björn Irlé

**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.

1) The AGM in 2008, 2009 and 2010 decided that a part of the fees to the Board of Directors should be payable in synthetic shares. A synthetic share is a right to receive in the future 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.

#### Changes in Board of Directors

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.

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

# The Electrolux share

*The performance of the Electrolux share price was strong in 2012 while expectations were high. Strong organic growth and a healthy operating income despite challenging market conditions resulted in strong share-price appreciation during the year, generating a total return of 63%.*

2012 was a strong year for the Electrolux share resulting in a share-price increase of 55%, while the broader Swedish market index, Affärsvärlden General Index, increased by 12% over the same period. The strong price performance was closely linked to consecutive quarters with healthy earnings that met the market expectations of continued growth, profitability and cash-flow generation.

In the second quarter of 2012, Electrolux posted organic growth of 5.8% and gained market share. In the third quarter, the Group was able to maintain growth above its communicated target and deliver an operating margin of 5.4% as a result of improved prices

and product launches. These factors contributed to the momentum of the share. The relative performance of Electrolux to the Swedish market index was strong during the year.

## Total return

The opening price for the Electrolux B shares in 2012 was SEK 109.70. The lowest closing price was SEK 111.50 on January 9. The highest closing price was SEK 179.00 on December 18. The closing price for the B share at year-end 2012 was SEK 170.50, which was 55% higher than at year-end 2011.

Total shareholder return during the year was 62.7%. Over the past ten years, the average total return on an investment in Electrolux shares has been 15.1% annually. The corresponding figure for the SIX Return Index was 12.6%.

## Share volatility

Over the past three years, the Electrolux share has shown a volatility of 35.7% (daily values), compared with an average volatility of 22.5% for Nasdaq OMX Stockholm. The beta value of the Electrolux B shares over the past five years is 1.16. A beta value of more than 1 indicates that the share's sensitivity to market fluctuations is above average.

## Data per share

	2012	2011	2010	2009	2008	2007 <sup>9)</sup>	2006 <sup>9)</sup>	2005	2004	2003
Year-end trading price, B shares, SEK <sup>1)</sup>	170.50	109.70	191.00	167.50	66.75	108.50	116.90	89.50	65.90	67.60
Year-end trading price, B shares, SEK	170.50	109.70	191.00	167.50	66.75	108.50	137.00	206.50	152.00	158.00
Highest trading price, B shares, SEK	179.00	195.60	194.70	184.10	106.00	190.00	119.00	90.50	174.50	191.00
Lowest trading price, B shares, SEK	111.50	95.30	142.50	57.50	53.50	102.00	78.50	62.00	125.50	125.50
Change in price during the year, %	55	-43	14	151	-38	-7	31 <sup>9)</sup>	36	-4	15
Equity per share, SEK	69	73	72	66	58	57	47	88	81	89
Trading price/equity, %	246	151	264	253	116	191	247 <sup>1)</sup>	234	187	178
Dividend, SEK	6.50 <sup>2)</sup>	6.50	6.50	4.00	0	4.25	4.00	7.50	7.00	6.50
Dividend as % of net income <sup>3) 4)</sup>	53	86	39	29	0	36	37	47	46	39
Dividend yield, % <sup>5)</sup>	3.8	5.9	3.4	2.4	0	3.9	3.4 <sup>1)</sup>	3.6	4.6	4.1
Earnings per share, SEK	9.08	7.25	14.04	9.18	1.29	10.41	9.17	6.05	10.92	15.25
Earnings per share, SEK <sup>4)</sup>	12.18	7.55	16.65	13.56	2.32	11.66	10.89	15.82	15.24	16.73
Cash flow, SEK <sup>6)</sup>	25.01	18.97	26.98	29.16	4.22	4.54	7.53	2.45	10.81	9.15
EBIT multiple <sup>7)</sup>	14.1	13.4	10.8	12.8	19.8	7.9	8.0 <sup>1)</sup>	16.1	9.5	6.8
EBIT multiple <sup>8) 7)</sup>	11.3	12.8	9.1	9.1	15.2	7.3	7.1 <sup>1)</sup>	9.1	6.7	6.3
P/E ratio <sup>8)</sup>	18.8	15.1	13.6	18.2	51.7	10.4	12.7 <sup>1)</sup>	34.1	13.9	10.4
P/E ratio <sup>4) 8)</sup>	14.0	14.5	11.5	12.4	28.8	9.3	10.7 <sup>1)</sup>	13.1	10.0	9.4
Number of shareholders	51,800	58,800	57,200	52,000	52,600	52,700	59,500	60,900	63,800	60,400

1) Adjusted for distribution of Husqvarna in June 2006, and for redemption in January 2007.

2) Proposed by the Board.

3) Dividend as percentage of income for the period.

4) Excluding items affecting comparability.

5) Dividend per share divided by trading price at year-end.

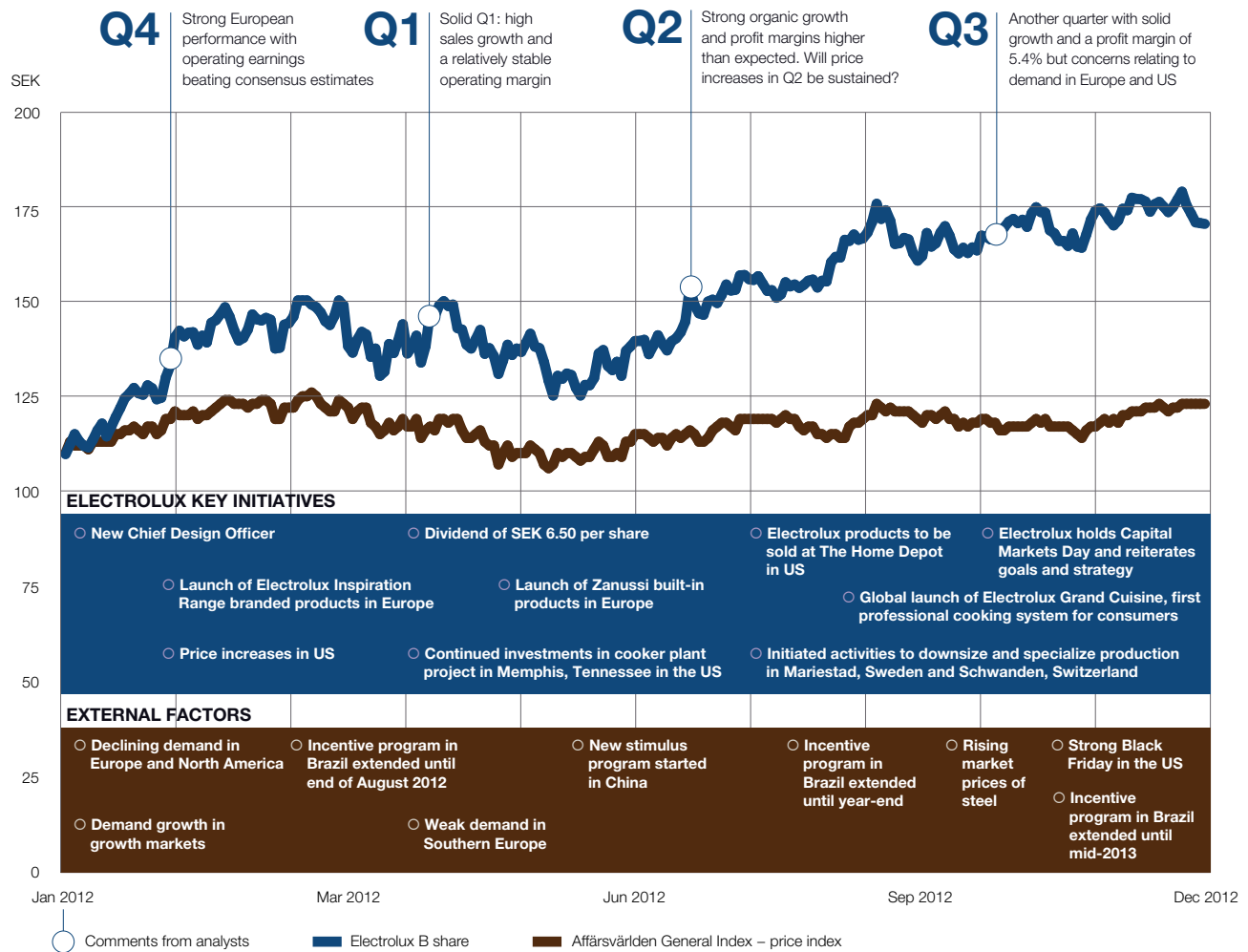
6) Cash flow from operations less capital expenditures, divided by the average number of shares after buy-backs.

7) Market capitalization, plus net borrowings and non-controlling interests, divided by operating income.

8) Trading price in relation to earnings per share.

9) Continuing operations.

## Performance of the Electrolux share during the year



### Recommendations from analysts

	After Q4 2011	After Q1 2012	After Q2 2012	After Q3 2012
Buy	40%	38%	42%	24%
Hold	50%	50%	42%	62%
Sell	10%	12%	17%	14%

The performance of the Electrolux share price was strong in 2012 and expectations were high. High organic growth, solid earnings and cash-flow generation despite uncertain market development resulted in significant increase in the share price relative the Swedish market index during the year.

## > The Electrolux share

The Electrolux share is listed on Nasdaq OMX Stockholm. The market capitalization of Electrolux at year-end 2012 was approximately SEK 53 billion (34), which corresponded to 1.4% (1.0) of the total value of Nasdaq OMX Stockholm. The company's outstanding shares are divided into A shares and B shares. A shares entitle the holder to one vote while B shares entitle the holder to 1/10 of a vote.

### Dividend

The Board of Directors proposes a dividend for 2012 of SEK 6.50 per share, equivalent to 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. Based on the share price of Electrolux B shares at the end of 2012, the dividend yield for 2012 amounted to 3.8%.

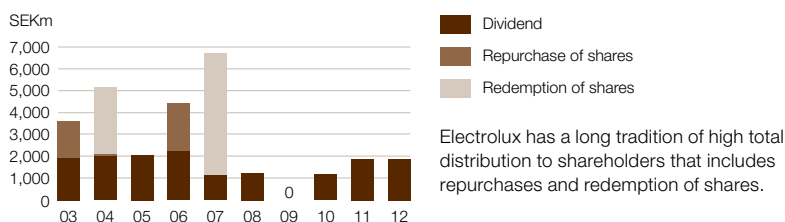
The Group's goal is for the dividend to correspond to at least 30% of income for the period, excluding items affecting comparability. For a number of years, the dividend level has been considerably higher than 30%.

### Share data

Share listing <sup>1)</sup>	Stockholm
Number of shares	308,920,308
of which A shares <sup>2)</sup>	8,212,725
of which B shares <sup>2)</sup>	300,707,583
Number of votes	38,283,483
Number of shares after repurchase	286,134,818
Quota value	SEK 5
Market capitalization at December 31, 2012	SEK 53 billion
GICS code <sup>3)</sup>	25201040
Ticker codes	Reuters ELUXb.ST Bloomberg ELUXB SS

- 1) Trading in Electrolux ADRs was transferred from Nasdaq to the US Over-the-Counter market as of March 31, 2005. One ADR corresponds to two B shares.
- 2) In 2012, no shareholder has requested conversion of shares.
- 3) MSCI's Global Industry Classification Standard (used for securities).

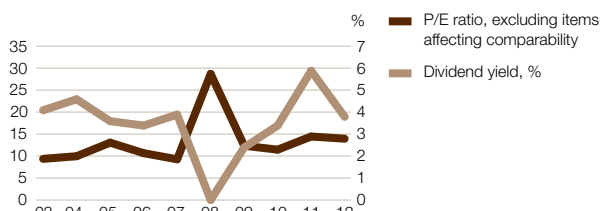
### Total distribution to shareholders



### Total return of Electrolux B shares and trading volume on Nasdaq OMX Stockholm, 2008–2012



### P/E ratio and dividend yield



At year-end 2012, the P/E ratio for Electrolux B shares was 14.0 excluding items affecting comparability. The dividend yield was 3.8% based on the Board's proposal for a dividend of SEK 6.50 per share for 2012.

### Ownership structure

The majority of the total share capital as of December 31, 2012, was owned by Swedish institutions, mutual funds and private investors amounting to 59%. During the year, the proportion of the capital held by foreign owners increased and amounted to approximately 41% (24%) at the end of the year. The volume of shares traded by foreign owners has a significant effect on share liquidity. Foreign investors are not always recorded in the share register as foreign banks and other custodians may be registered for one or several customers' shares, why the actual owners are then usually not displayed in the register.

### Share-based incentive programs

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

At year-end 2012, the incentive programs had an immaterial effect on dilution of the total number of shares.

### Conversion of shares

In accordance with the Articles of Association of AB Electrolux, owners of A shares have the right to have such shares converted to B shares. Conversion reduces the total number of votes in the company. In 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 A shares and 300,707,583 are B shares. 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
Government of Kuwait	0.9	0.7
Other shareholders	55.8	51.7
<b>External shareholders</b>	<b>92.6</b>	<b>100.0</b>
AB Electrolux	7.4	0.0
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

Source: SIS Ägarservice and Electrolux as of December 31, 2012.

The figures are rounded off. Information regarding ownership structure is updated quarterly on [www.electrolux.com/ownership-structure](http://www.electrolux.com/ownership-structure).

### 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
<b>Total</b>	<b>100.0</b>	<b>51,777</b>	<b>100.0</b>

Source: SIS Ägarservice as of December 31, 2012.

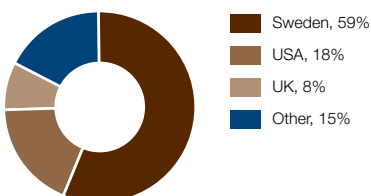
### DJSI World Index

The Group's sustainability performance and strategy help attract and strengthen relations with investors. In 2012 and for the sixth consecutive year, Electrolux was recognized as a leader in the consumer durables industry sector in the prestigious Dow Jones Sustainability Index (DJSI).

Electrolux thereby ranks among the top 10% of the world's 2,500 largest companies for social and environmental performance. The DJSI index family has approximately 6 billion USD in assets under management. Approximately 55 products are based on the indexes in 15 countries.



### Shareholders by country



As of December 31, 2012, approximately 41% of the total share capital was owned by foreign investors.

Source: SIS Ägarservice as of December 31, 2012.

## > The Electrolux share

### Trading volume

Recently, there has been a clear trend toward new trading venues for shares. During 2012, 54% of Electrolux B shares were traded outside Nasdaq OMX Stockholm, compared with 46% during 2011. In 2012, the Electrolux share accounted for 2.8% (2.5) of the shares traded on Nasdaq OMX Stockholm, of a total trading volume of SEK 2,769 billion (3,684).

### Average daily trading value of Electrolux shares on Nasdaq OMX Stockholm

SEK thousand	2012	2011	2010	2009	2008
A shares	93	109	148	228	425
B shares	310,501	357,075	435,958	358,962	364,000

In 2012, an average of 2.1 million Electrolux shares were traded daily on Nasdaq OMX Stockholm.

### Trading in Electrolux B shares

	2012	2011
Number of traded shares, million	528.3	667.7
Value of traded shares, SEKbn	77.6	90.3
Average daily trading volume, million	2.1	2.6
Average daily trading volume (value), SEKm	311	357
Number of issued/cancelled ADRs	476,999	374,712
Number of ADRs outstanding	423,420	441,659

Source: Nasdaq OMX.

### Analysts who cover Electrolux

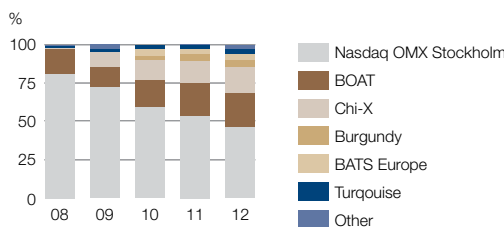
Company	Analyst
ABG Sundal Collier	Andreas Lundberg
Bank of America Merrill Lynch	Ben Maslen
Barclays Capital	Allan Smylie, David Vos
Carnegie	Kenneth Toll Johansson
Cheuvreux	Johan Eliason
Citigroup	Natalia Mamaeva
Credit Suisse	Andre Kukhnin
Danske Bank	Björn Enarson
Deutsche Bank	Martin Wilkie
DnB NOR Markets	Christer Magnergård
Equita	Domenico Ghilotti
Erik Penser	Johan Dahl
Exane BNP Paribas	Jonathan Mounsey
Execution Limited	Rob Virdee
Goldman Sachs	Aaron Ibbottson
Handelsbanken Capital Markets	Rasmus Engberg
JP Morgan	Andreas Willi
Longbow Research	David MacGregor
Nomura	Daniel Cunliffe
Nordea	Stefan Stjernholm
Pareto Securities	David Jacobsson
Redburn Partners	James Moore
SEB Enskilda	Anders Trapp, Stefan Cederberg
Swedbank	Fredrik Nilhov
UBS	David Halldén

### Market share

	2012	2011
Nasdaq OMX Stockholm, %	46.0	53.7
BOAT, %	22.5	21.3
Chi-X, %	17.0	14.1
Burgundy, %	4.3	5.2
BATS Europe, %	4.3	3.2
Turquoise, %	2.9	2.4
Other, %	3.0	0.1
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

Source: Fidessa.

### Trading platforms for the Electrolux share



An increasingly larger portion of Electrolux shares are traded on new trading platforms. Approximately 46% of total trading volume of Electrolux is handled through the Nasdaq OMX Stockholm. BOAT was the second most traded platform with 22% of total trades.



# The Electrolux share

## Electrolux and the capital markets

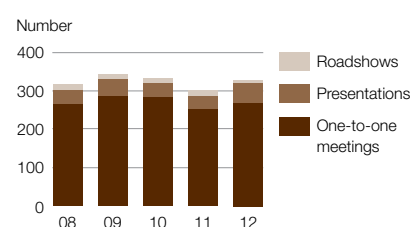
*In its communication with the capital markets, Electrolux aims to supply relevant, reliable, accurate and updated information about the Group's development and financial position.*

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

Electrolux Investor Relations department arranges approximately 300 meetings annually for investors and analysts. Meetings with investors are held at the Group's head

office in Stockholm, Sweden, as well as in the form of roadshows, primarily in major financial markets in Europe and the US. Electrolux also interacts daily with the capital markets. Furthermore, Electrolux arranges Capital Markets Days and the Annual General Meeting, providing shareholders and investors with the opportunity to attend presentations and interact with the company. For additional information, please visit the Group's website [www.electrolux.com/ir](http://www.electrolux.com/ir).

**IR activities**

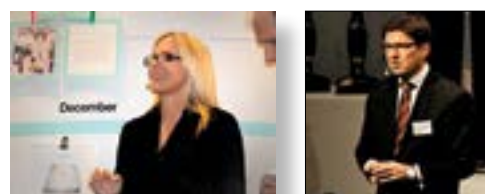


### Capital Markets Day in Stockholm 2012

On November 14, Electrolux arranged a Capital Markets Day in Stockholm to provide the market with more in-depth information regarding its development. The main messages were:

- ▶ Electrolux re-enforced its core strategy and will continue to focus on profitable growth and support the creation of sustainable economic value.
- ▶ Electrolux will continue to improve its operational excellence by adapting manufacturing capacity to demand and accelerating its efforts to leverage the company's global strength and scope.
- ▶ Electrolux will step up its investments in product development, design and marketing to support future growth through product launches.
- ▶ The Group will increase focus on building an acquisition pipeline to support organic growth while utilizing the synergies from the integration of CTI and Olympic Group.
- ▶ Continued improvements in capital efficiency through working-capital reduction and stronger cash-flow generation.

- ▶ The Group reiterated its financial goals over a business cycle and expects an operating margin of at least 6%, a capital turnover-rate of at least 4 times, return on net assets of at least 20% and average sales growth of at least 4%.



At the Capital Markets Day held in Stockholm in November 2012 the attendees saw presentations by Chief Marketing Officer, MaryKay Kopf, and Chief Financial Officer, Tomas Eliasson, amongst others.

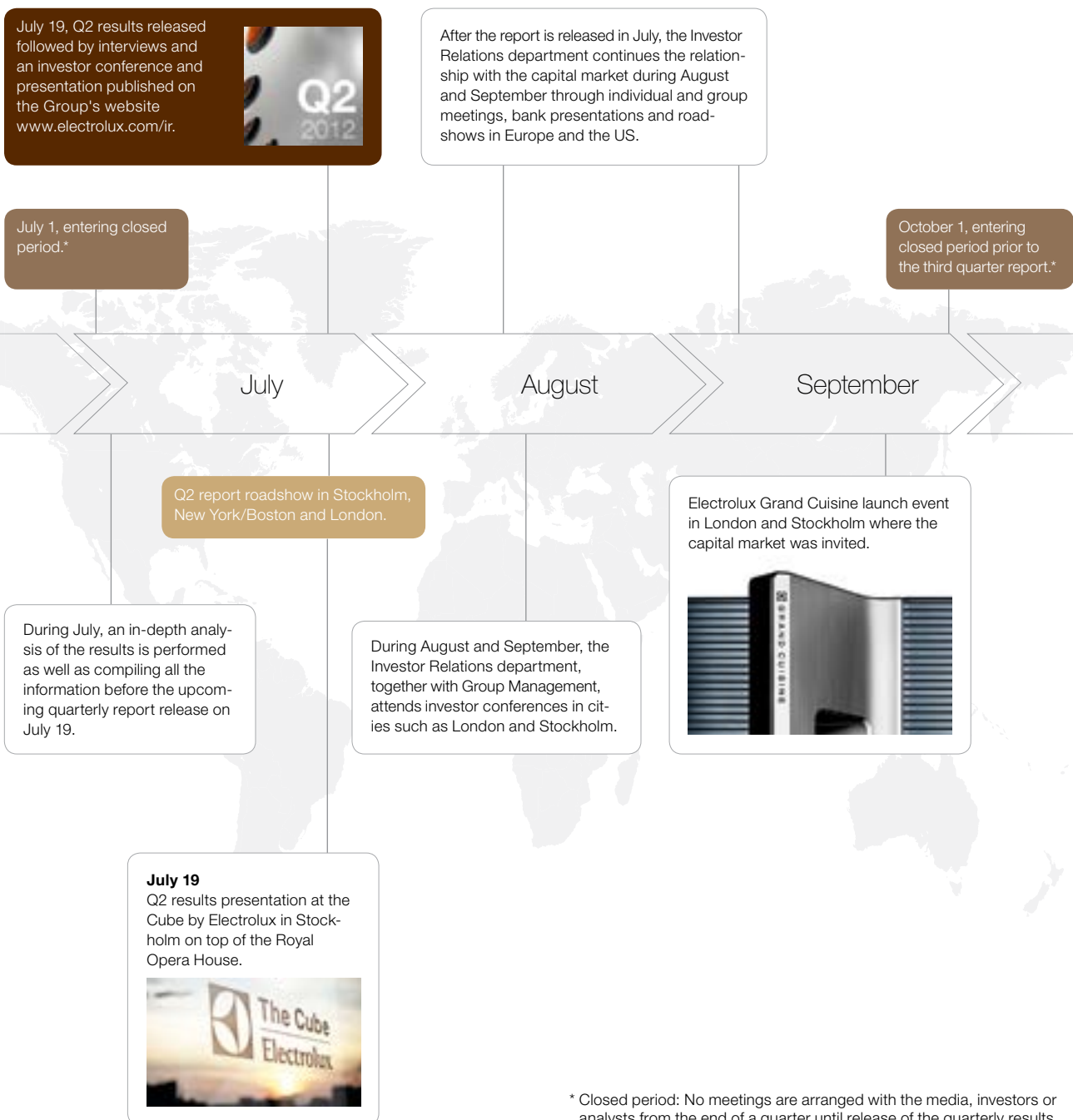
## An example of a reporting quarter, Q3 2012

Electrolux interacts closely with the capital market during the year, the Investor Relations department plays an important role in communicating and coordinating events with media, investors and analysts on a daily basis. Out of a total of approximately

300 investor meetings per year, the CEO and/or CFO attends about one-third of the meetings. An example of the capital-market activities and how Investor Relations department works throughout a quarter is presented below.

Please visit [www.electrolux.com/ir](http://www.electrolux.com/ir) to read about upcoming events.

### Q3 2012 – An example of a reporting quarter



\* Closed period: No meetings are arranged with the media, investors or analysts from the end of a quarter until release of the quarterly results.

## Frequently asked questions by analysts

*Analysts covering Electrolux participate in conference meetings held by the Group in connection with earnings results each quarter. In these telephone-based meetings opportunity is given to analysts to direct detailed questions to the management related to the performance of the company. Below are the most frequently asked question in 2012.*

► **Describe the competitive landscape for Electrolux in 2012 and its impact on prices.**

Price pressure continued to be evident in some of the Group's major markets in 2012. Electrolux continued to improve its price-mix in North America. In the market in Europe, price hikes have been a challenge for the Group over the year.

► **How have demand and volumes developed in your core markets vs growth markets during the year?**

Volume growth in Electrolux core markets declined as a result of continued uncertain economic conditions mainly in Europe. Market demand for core appliances in Western Europe, as well as North America declined by 2%. Market demand in the Group's growth markets, such as Eastern Europe increased by 3% and demand in Latin America and Asia including China continued to show strong growth.

► **How did the prices of raw materials affect the Group in 2012?**

Electrolux purchased raw materials for SEK 20 billion in 2012. The single largest cost was for the procurement of steel, which accounted for almost half of the total cost. In addition to higher steel prices, the Group was affected by higher prices for plastics. Compared with 2011, costs for raw materials were about SEK 400 million higher in 2012. Raw-material prices affect the Group in the short term. In the long term, Electrolux offsets higher raw-material prices through long-term commodity contracts, cost savings, mix improvements and price increases.

► **How has Electrolux market shares developed in its core markets?**

Electrolux has been able to increase or defend its market shares in core markets through its strong position and investments in design, innovation and marketing, despite a very competitive market environment. Our high-end and private label products have been well received by customers, which has enabled the Group to strengthen its position and increase profitability in strategic markets. In growth markets, such as Latin America and Asia including China, the Group increased its market shares during the year.

► **How did the Electrolux mix develop over the year and what has been done to improve it?**

Improving our price-mix through diligent price and product management is central in our strategy. By increasing the sales share of premium and built-in appliances, the mix – and thus profitability – is improved. During the year, a new launch of Electrolux-branded premium products was carried out in the European markets together with the Zanussi brand for the mass-market segment, which had a positive impact on the product mix. However, since countries with high sales prices (such as Italy and Scandinavia) displayed very weak growth during the year, the country mix was not as positive as it has been in the past, offsetting the product mix.

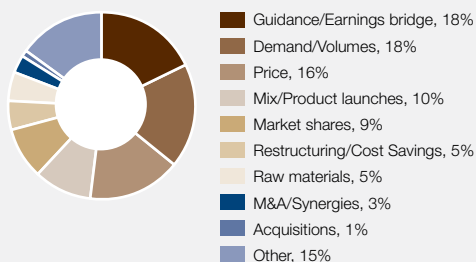
► **Can you provide us with an update regarding your restructuring program?**

In response to global competition, Electrolux has been implementing an extensive restructuring program since 2004. Plants have been closed in high-cost areas, including the US, Germany and Australia, and new plants have been built in Mexico, Eastern Europe and Thailand. 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 and total costs to approximately SEK 3.5 billion of which SEK 1 billion has been charged to operating income.

► **Will you continue to focus on new acquisitions going forward?**

Electrolux has communicated a growth strategy. However, greater focus has been given to increase the pipeline for potential acquisitions in strategic markets where Electrolux aims to strengthen its position and complement its offering within adjacent products, while supporting the overall growth of the Group. There will be more emphasis on opportunities in growth markets, where there are clear synergies for Electrolux.

**Analysts' questions at 2012 quarterly telephone conferences**

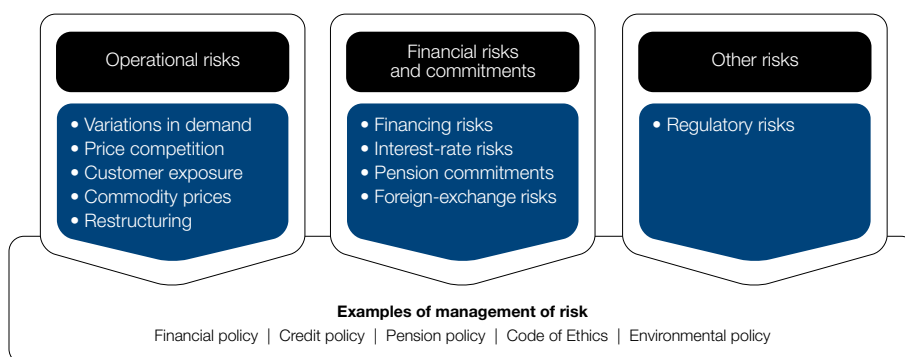


Analysts engage in questions related to the development of the appliance market and the demand in Electrolux core markets. Price and mix and future outlook are important topics which analysts focus on in order to gain better understanding of the operation for which they can base their longer term projections of Electrolux future performance.

The telephone conferences from previous quarters are available at [www.electrolux.com/ir](http://www.electrolux.com/ir).

# Managing risks

2012 was characterized by yet another year of uncertainty in the market with continued price pressure and fluctuations in currencies and raw-material prices. Electrolux monitors and manages its exposure to various types of risks in a structured and proactive manner.



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

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

## Operational risks

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

## Fluctuation in demand

In 2012, demand for appliances declined in the major markets of Electrolux. The North American market contracted by 2% during the year. In Europe, demand in the West declined by 2%, while it grew by 3% in the East. In Latin America, growth remained strong in Brazil throughout the year. In the Asia/Pacific region, demand

in Australia was weak, while the Asian markets continued to grow healthily.

Weak demand in earlier years resulted in Electrolux operations being run at an average of 60% capacity. Decisive actions and savings packages throughout the Group have proven that Electrolux can quickly adjust its cost structure when demand for the Group's products declines.

## Price competition

A number of the markets served by Electrolux are experiencing strong price competition. This is particularly severe in the low-price segments and in product categories with a great deal of overcapacity. In 2012, pressure on prices continued to be evident in some of the Group's major markets. Sales promotions continued in the North American market albeit to a lesser extent than in previous years, at the same time as prices declined continuously in Europe during the year. To offset the price pressure, Electrolux carried out price increases in North America and Latin America in 2012. Price pressure continued to impact the soft market in Australia.

### Sensitivity analysis year-end 2012

Risk	Change	Pre-tax earnings impact, SEKm
<b>Raw materials</b>		
Steel	10%	+/- 800
Plastics	10%	+/- 600
<b>Currencies<sup>1)</sup> and interest rates</b>		
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.

### Cost structure 2012

Cost item	% of total cost
Personnel	16
Depreciation	3
<b>Fixed costs</b>	<b>19</b>
Raw materials and components	43
Sourced products	17
Logistics	7
Product development	2
Brand investments	2
Other <sup>1)</sup>	10
<b>Variable costs</b>	<b>81</b>
<b>Total</b>	<b>100</b>

1) Marketing, IT, energy costs, consultant costs, etc.

### Exposure to customers and suppliers

The weak trend in Electrolux major markets in 2012 impacted the Group's customers, who experienced difficult trading conditions, but this did not result in any major increases in credit losses for Electrolux.

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

### Raw materials and components represent the largest cost item

Materials account for a large share of the Group's costs. In 2012, Electrolux purchased raw materials and components for approximately SEK 44 billion, of which approximately SEK 20 billion referred to the former. The Group's exposure to raw materials comprises mainly steel, plastics, copper and aluminum.

Following stable raw-material prices in the first half of 2012, market prices increased towards the end of the year. Electrolux utilizes bilateral contracts to manage risks related to steel prices. Some raw materials are purchased at market prices. The total cost of raw materials in 2012 was approximately SEK 400 million higher than in 2011.

### Restructuring for competitive production

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

In 2011, additional measures were presented to further adapt capacity in mature markets to lower demand and annual savings were estimated to approximately SEK 1.6 billion as of 2016.

### Financial risks and commitments

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

### Financing risk

For long-term borrowings, the Group's goal is to have an average maturity of at least two years, an even spread of maturities and an average fixed-interest period of one year. At year-end 2012, Group borrowings amounted to SEK 13,088m, of which SEK 11,005m referred to long-term loans with an average maturity of 3.1 years. Loans are raised primarily in EUR and SEK. The average interest rate at year-end for the total borrowings was 3.9%. At year-end 2012, the average fixed-interest period for long-term borrowings was 1.4 years. Long-term loans totaling approximately SEK 2,200m will mature in 2013 and 2014. Liquid funds on December 31, 2012, amounted to SEK 7,403m.

In addition, the Group has two unutilized credit facilities. Since 2010, Electrolux has an unused committed multicurrency revolving credit facility of SEK 3,400m maturing in 2017 as well as an unused multicurrency revolving credit facility of EUR 500m maturing in 2016 with an extension option for up to two more years, whereof a one more year extension until 2017 has already been utilized.

On the basis of the volume of loans and the interest-rate periods in 2012, a change of 1 percentage point in interest rates would affect Group income in the amount of +/- SEK 50m. For additional information on loans, see Notes 2 and 18.

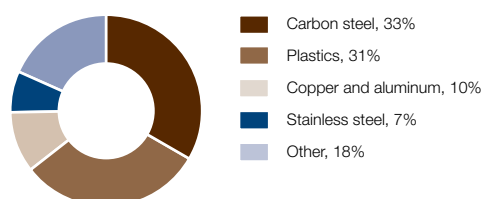
### Pension commitments

At year-end 2012, Electrolux had commitments for pensions and benefits that amounted to approximately SEK 25 billion. Through pension funds, the Group manages pension assets of approximately SEK 20 billion. At year-end, approximately 38% of these assets were invested in equities, 44% in bonds, and 18% in other assets. Net provisions for post-employment benefits amounted to SEK -139m.

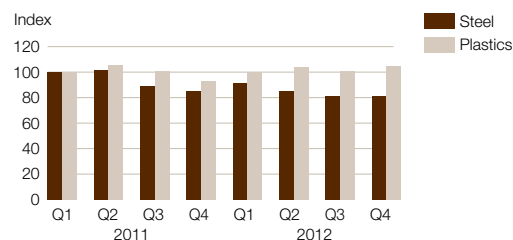
Yearly changes in the value of assets and commitments depend primarily on developments in the interest-rate market and on stock exchanges. Other factors that affect pension commitments include revised assumptions regarding average life expectancy and health-care costs.

Costs for pensions and benefits are recognized in the income statement for 2012 in the amount of SEK 527m. In the interest of accurate control and cost-effective management, the Group's pension commitments are managed centrally by Group Treasury. Electrolux uses interest-rate derivatives to hedge parts of the risks related to pensions. For additional information, see Note 22.

Raw material exposure 2012



Trend for steel and plastics prices, weighted market prices indexed



## Exchange-rate exposure at Electrolux

### Exchange-rate exposure

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

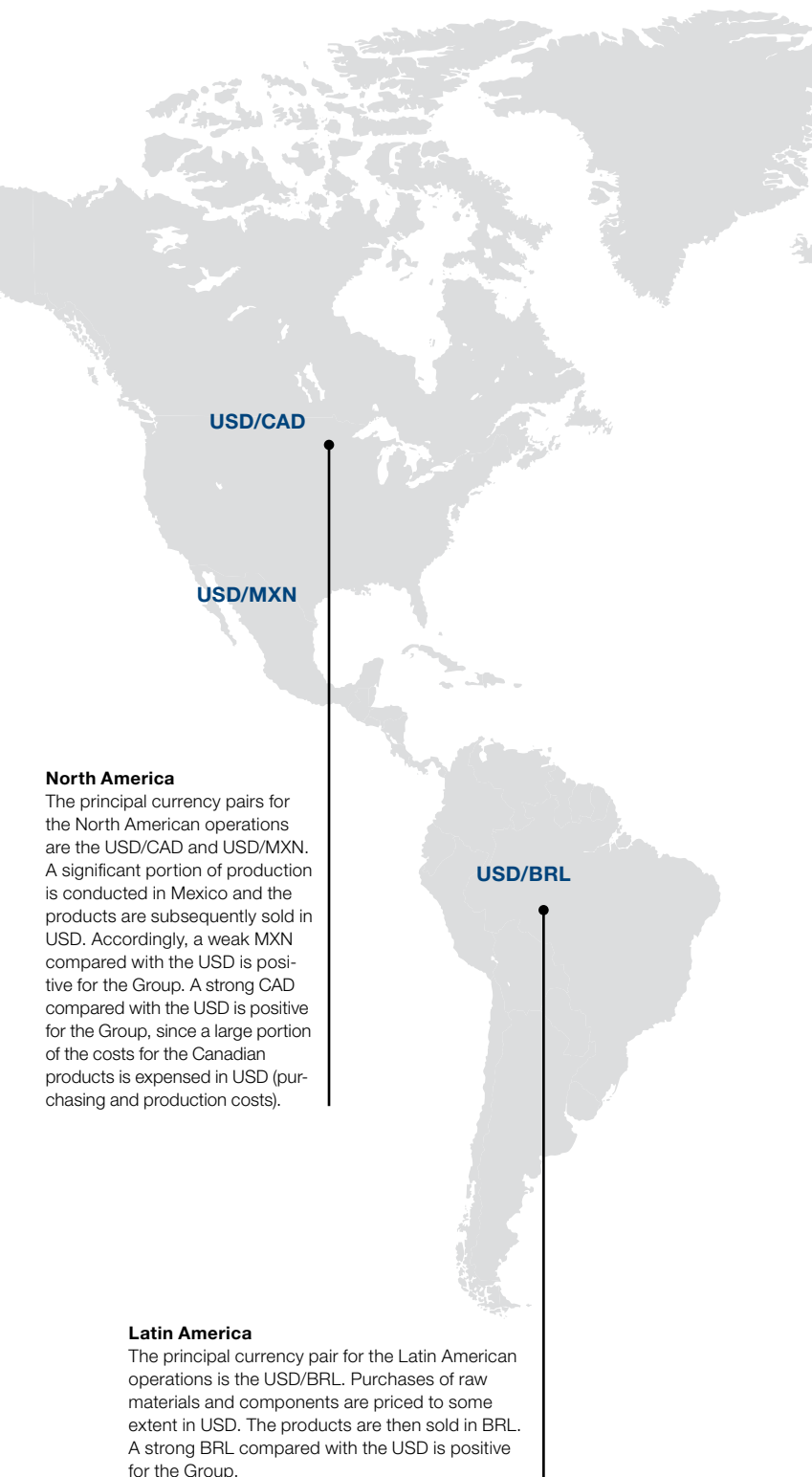
### Sensitivity analysis of currencies

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

### Currency effects 2012

Compared with the previous year, changes in exchange rates for full-year 2012 had a negative impact on operating income. The total currency effect (translation effects, transaction effects and net hedges) amounted to approximately SEK -120m. The effects of changes referred mainly to the operations in Latin America. The transaction effect 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 USD against the BRL.



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

## Principal currency pairs Electrolux (transaction effects)

### Europe

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

EUR/SEK  
EUR/RUB  
EUR/PLN  
EUR/GPB  
EUR/CHF  
EUR/HUF  
EUR/USD

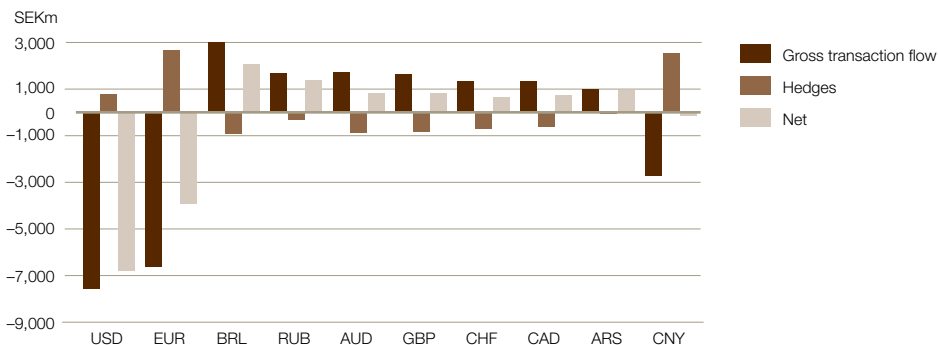
USD/CNY

### Asia/Pacific

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

USD/AUD

Foreign-exchange transaction exposure, forecast 2013





The founder of Electrolux, Axel Wenner-Gren, was a visionary who understood how to develop products for the future. He underlined Passion for Innovation, Customer Obsession, and Drive for Results, and these comprise the core values of Electrolux operations.

# 100 years of innovation



*Innovation will always be the driving force behind development at Electrolux. The new appliances launched in Europe in 2012 have a clear connection to the Group's professional operations. These products feature innovative functions and solutions developed by the Group for the best professional kitchens and laundries.*

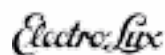
In 1912, Electrolux launched its first vacuum cleaner – Lux I. Over the 100 years since then, Electrolux has launched some of the most innovative vacuum cleaners and appliances in the market. These products have helped make life easier for consumers all over the world and have made Electrolux a leading global manufacturer of household appliances.



**1901**  
AB Lux was founded.



**1912**  
Cooperation between AB Lux and Axel Wenner-Gren begins. The Lux I vacuum cleaner is launched.



**1919**  
AB Electrolux was formed following the merger of AB Lux and Elektromagnetiska AB. Electrolux leads development of the modern, canister vacuum cleaner and the absorption refrigerator.



**1928**  
Electrolux is listed on the London Stock Exchange in 1928 and on the Stockholm Stock Exchange in 1930.



**1957**  
The spelling of the Group's name is changed throughout the world from Elektrolux to Electrolux.





**Passion for Innovation**

“This task is not an easy one, but one that will transform homes around the world.” Next to Wenner-Gren and his team was a basic prototype of an absorption refrigerator created by two young engineers, Baltzar von Platen and Carl Munters. Wenner-Gren believed that absorption refrigeration technology, creating cold through heat using water, had immense potential but needed to be developed further.

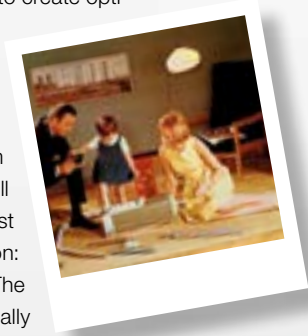


“But the problem is that not all households have running water but every home from China to America will need a refrigeration machine.” Wenner-Gren paused, and looked at each member of the team. “That is why we are going to cool with air, because we all have access to that.”

In 2012, Electrolux launched new refrigerators featuring the best professional technology to create optimal air humidity and preserve fresh food for longer.

**Importance of Design**

The atmosphere in the showroom was different. The crowd was still and gathered around the latest addition to the Electrolux collection: the Modell *xxx* vacuum cleaner. The model shaped by the internationally renowned industrial designer Lurelle Guild, was one of the first vacuum cleaners in history to be created with aesthetic appeal in mind. As cars and trains had become streamlined, Wenner-Gren saw the value in bringing a similar sleek elegance to home appliances. In fact, he had personally tracked down the foremost industrial designers, so that life for Electrolux customers would not only be cleaner and easier, but also more attractive. Looking at the Modell *xxx* vacuum cleaner, Wenner-Gren said to Guild: “You have given Electrolux products attractive design and perfect form.”



In the Electrolux Inspiration Range, launched in Europe in 2012, materials, lines and colors integrate in an innovative, new way in the kitchen. The design of the entire range is characterized by elegant, Scandinavian lines.



**1984**  
Italian appliance manufacturer Zanussi is acquired, making Electrolux the leader in household appliances for consumers and professionals.

**1986**  
Electrolux acquires the third largest appliance company in the US, White Consolidated, with brands such as Frigidaire, Kelvinator and Westinghouse.

**1994**  
Appliance manufacturer AEG is acquired.

**2001**  
The household appliance division of Australian company Email is acquired.

**2011**  
Appliance manufacturers Olympic Group in Egypt, and CTI in Chile, are acquired. The share of the Group's sales in growth markets increases rapidly.

# Events and reports

The Electrolux website [www.electrolux.com/ir](http://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 detailing of Electrolux development on an annual or quarterly basis.



Electrolux Annual Report 2012 consists of:

- Operations and strategy
- Results

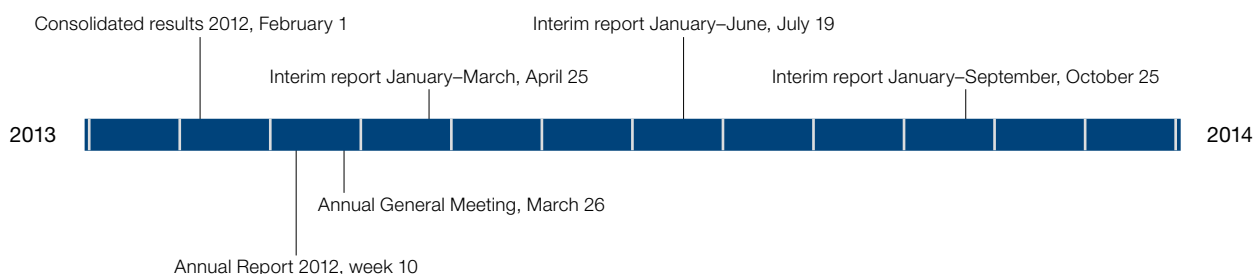
Electrolux annual report is available at [www.electrolux.com/annualreport2012](http://www.electrolux.com/annualreport2012)

Electrolux sustainability reports (GRI) are available at [www.electrolux.com/sustainability](http://www.electrolux.com/sustainability)

Electrolux interim reports are available at [www.electrolux.com/ir](http://www.electrolux.com/ir)



## Financial reports and major events in 2013



Electrolux subscription service can be accessed at [www.electrolux.com/subscribe](http://www.electrolux.com/subscribe).

# 2012

Annual Report  
**Results**

Performance  
Governance  
Sustainability

If you miss the financial review of the annual report, please  
contact Electrolux IR department at [ir@electrolux.se](mailto:ir@electrolux.se)



*Thinking of you*  
**Electrolux**



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# 2012

Annual Report  
**Results**

Performance  
Governance  
Sustainability



*Thinking of you*  
**Electrolux**


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 Concept, text and production  
by Electrolux Investor Relations  
and Solberg.



## 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](http://www.electrolux.com/annualreport2012)



# 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 <sup>1)</sup> , SEK, EUR, USD	12.18	7.55	1.40	1.81
Dividend per share, SEK	6.50 <sup>2)</sup>	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 <sup>3)</sup>	1,144

1) Average number of shares 285.9 millions (284.7).

2) Proposed by the Board of Directors.

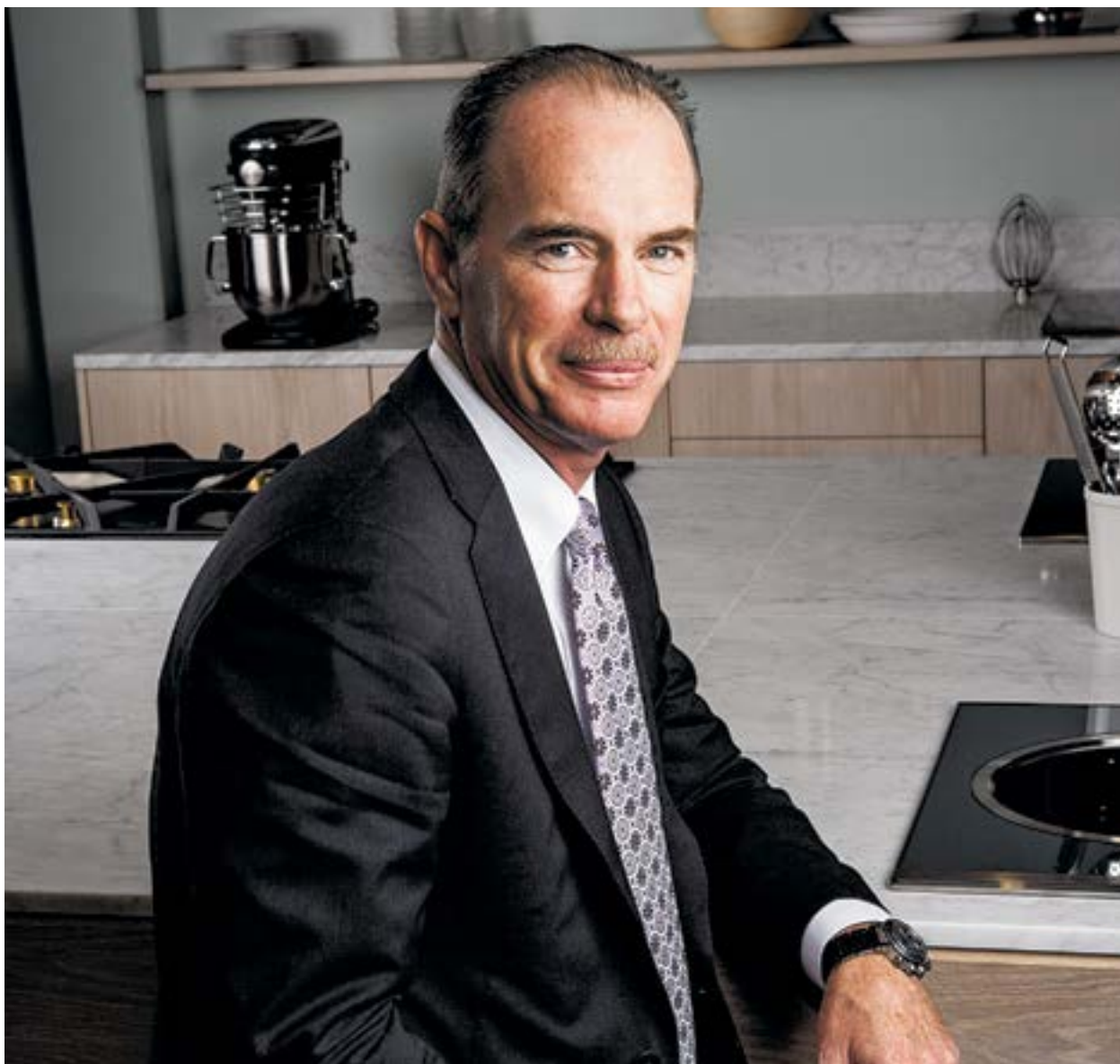
3) Including acquired operations in the amount of 104 GWh.

## 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
<b>Total</b>	<b>109,994</b>	<b>59,478</b>

## 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.

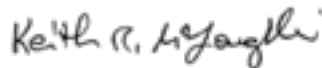
Although the Group is currently less dependent on developments in Europe, the region still represents the single-largest market for our core appliances, professional products and small appliances. The weak performance in Europe is primarily attributable to low consumer confidence, which is spreading 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



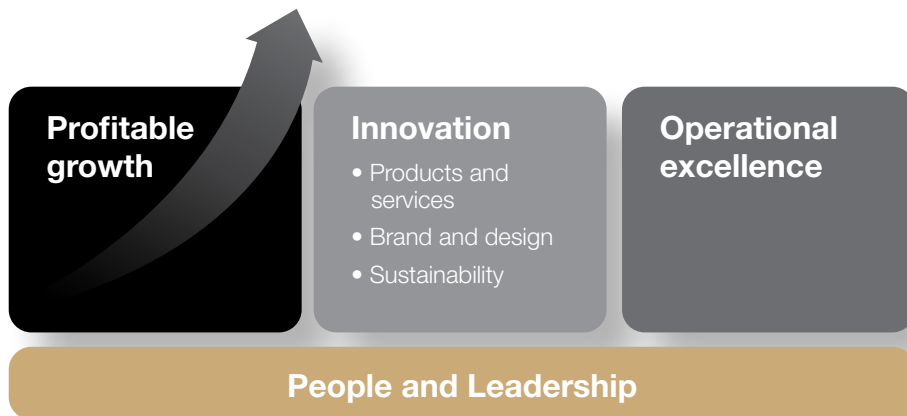
Keith McLoughlin  
President and Chief Executive Officer

# 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

> 4%

Operating margin of at least 6%

> 6%

Capital turnover-rate of 4 or higher

> 4

Return on net assets of at least 20%

> 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 <sup>1)</sup>	9.08		7.25
Dividend per share, SEK	6.50 <sup>2)</sup>		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
<b>Excluding items affecting comparability</b>			
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 <sup>1)</sup>	12.18		7.55
Return on net assets, %	18.8		13.5
<i>Non-recurring costs in the fourth quarter of 2011</i>	–		–825
<i>Operating income excluding non-recurring costs and items affecting comparability</i>	5,182	30	3,980
<i>Margin, %</i>	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

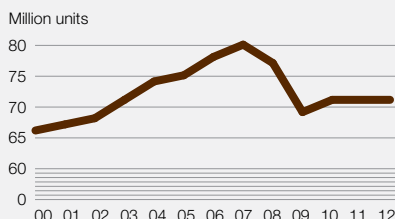
Market demand for appliances in Electrolux core markets continued to decline in 2012 year-over-year, while demand in growth markets continued to grow.

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.

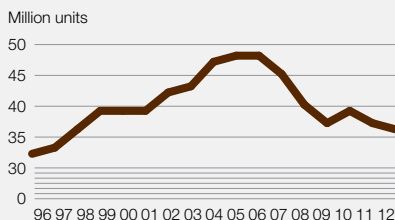
- Strong sales growth in growth markets and in North America.
- Operating income improved substantially for appliances in North America and Latin America.
- Volume growth and price increases contributed to the favorable trend in operating income.
- Weak market conditions in Europe adversely impacted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

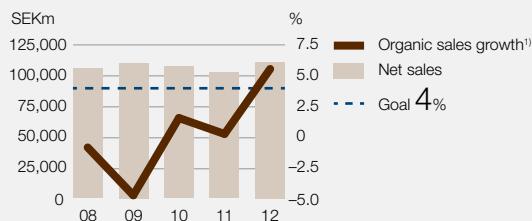
### Financial goals over a business cycle

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-

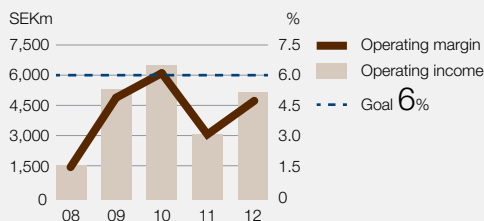
### Financial goals over a business cycle

#### Sales growth



1) In comparable currencies.

#### Operating margin



Key ratios are excluding items affecting comparability.

## Financial overview

SEKm	2012	2011 <sup>1)</sup>	Change, %
<b>Net sales</b>	109,994	101,598	8.3
<b>Change in net sales, %, whereof</b>			
Acquisitions			3.9
Organic growth			5.5
Changes in exchange rates			-1.1
<b>Operating income</b>			
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
<b>Operating income excluding items affecting comparability</b>	5,182	3,155	64
Margin, %	4.7	3.1	
Items affecting comparability	-1,032	-138	
<b>Operating income</b>	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

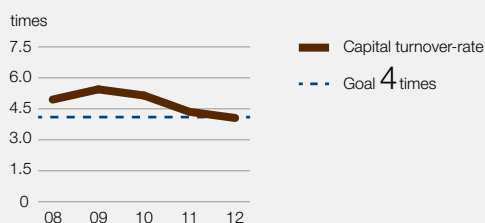
the Inspiration Range, a complete range of appliances under the Electrolux brand. The products are being launched across all core markets in Europe.

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

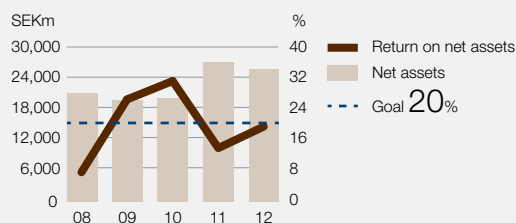
### Electrolux Capital Markets Day in November 2012

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



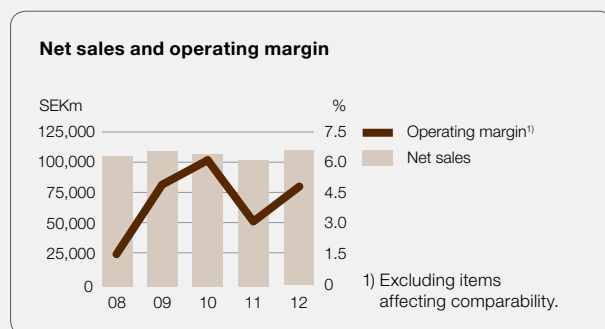
Key ratios are excluding items affecting comparability.

## 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.



### 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

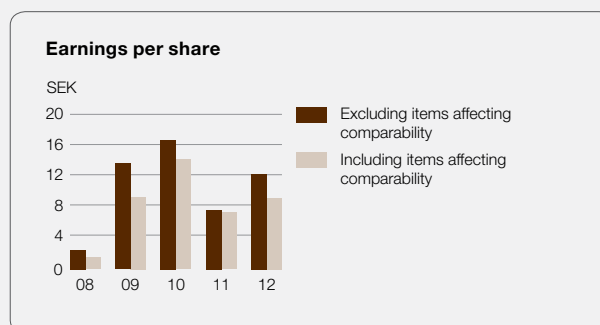
In 2012, further measures to improve manufacturing footprint were initiated. A total of SEK -1,032m was charged to operating income within items affecting comparability, see page 20.

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).



### 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

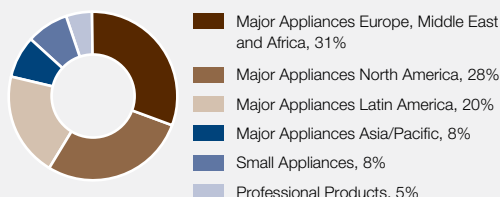
SEKm	Note	2012	2011
<b>Net sales</b>	3,4	<b>109,994</b>	<b>101,598</b>
Cost of goods sold		-87,741	-82,840
<b>Gross operating income</b>		<b>22,253</b>	<b>18,758</b>
Selling expenses		-11,625	-10,821
Administrative expenses		-5,505	-4,972
Other operating income	5	78	230
Other operating expenses	6	-19	-40
Items affecting comparability	3,7	-1,032	-138
<b>Operating income</b>	3,4,8	<b>4,150</b>	<b>3,017</b>
Financial income	9	204	337
Financial expenses	9	-876	-574
<b>Financial items, net</b>		<b>-672</b>	<b>-237</b>
<b>Income after financial items</b>		<b>3,478</b>	<b>2,780</b>
Taxes	10	-879	-716
<b>Income for the period</b>		<b>2,599</b>	<b>2,064</b>
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
<b>Other comprehensive income, net of tax</b>		<b>-1,477</b>	<b>-307</b>
<b>Total comprehensive income for the period</b>		<b>1,122</b>	<b>1,757</b>
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
<b>Earnings per share</b>	20		
For income attributable to the equity holders of the Parent Company:			
Basic, SEK		9.08	7.25
Diluted, SEK		9.06	7.21
<b>Average number of shares</b>	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, laundrettes, 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
<b>Major Appliances</b>		
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
<b>Small Appliances</b>		
	7.8	8.4
<b>Professional Products</b>		
	-5.3	-3.9
<b>Total change</b>	<b>8.3</b>	<b>9.4</b>

- 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](http://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](http://www.electrolux.com/press).



## Major Appliances Europe, Middle East and Africa

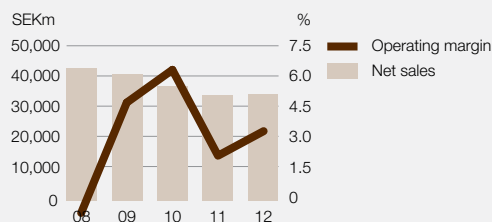
SEKm	2012	2011 <sup>1)</sup>
Net sales	34,278	34,029
Operating income	1,142	709
Operating margin, %	3.3	2.1
Net assets	8,408	9,450
Return on net assets, %	12.7	8.1
Capital expenditure	1,011	1,199
Average number of employees	24,479	20,847

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

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

### Net sales and operating margin



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 <sup>1)</sup>
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

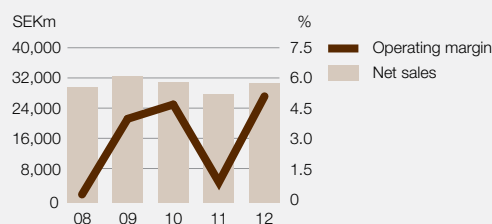
1) Operating income for 2011 include non-recurring costs in the amount of SEK 15m, see page 20.

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.

### Net sales and operating margin



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.

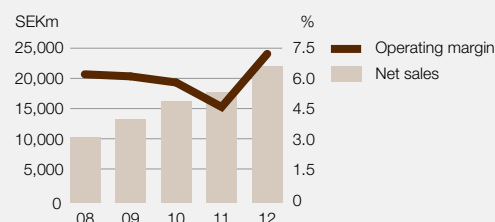
### Major Appliances Latin America

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

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.

#### Net sales and operating margin



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.

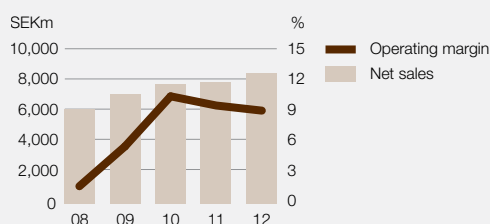
The successful integration of the acquired company CTI in Chile also contributed to the strong results in 2012.

### Major Appliances Asia/Pacific

SEKm	2012	2011 <sup>1)</sup>
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

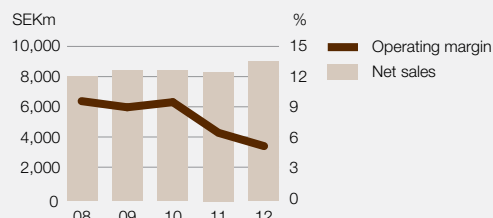
SEKm	2012	2011 <sup>1)</sup>
Net sales	9,011	8,359
Operating income	473	543
Operating margin, %	5.2	6.5
Net assets	1,519	2,210
Return on net assets, %	24.7	31.1
Capital expenditure	196	118
Average number of employees	2,737	2,572

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

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.

### Net sales and operating margin



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.

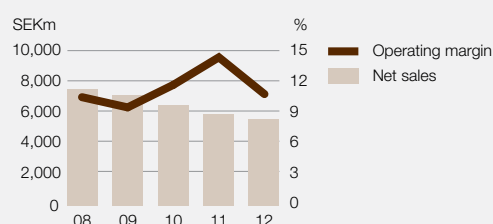
## Professional Products

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

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.

### Net sales and operating margin



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	
<b>Working capital</b>	<b>-6,886</b>	<b>-6.0</b>	<b>-5,180</b>	<b>-4.6</b>
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	
<b>Net assets</b>	<b>25,509</b>	<b>22.2</b>	<b>27,011</b>	<b>23.8</b>
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
<b>January 1, 2012</b>	<b>27,011</b>
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
<b>December 31, 2012</b>	<b>25,509</b>

#### Liquid funds

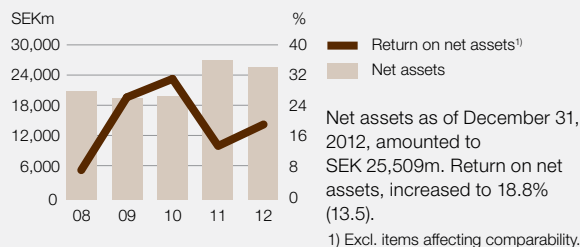
##### Liquidity profile

SEKm	Dec. 31, 2012	Dec. 31, 2011
Liquid funds	7,403	7,839
% of annualized net sales <sup>1)</sup>	13.1	13.9
Net liquidity	4,320	3,272
Fixed interest term, days	16	18
Effective annual yield, %	2.1	3.6

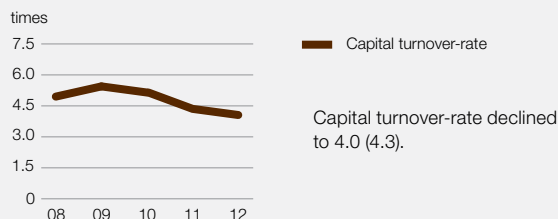
1) Liquid funds plus an unused revolving credit facility of EUR 500m and a committed credit facility of SEK 3,400m divided by annualized net sales.

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

#### Net assets



#### Capital turnover-rate



# Consolidated balance sheet

SEKm	Note	December 31, 2012	December 31, 2011
<b>Assets</b>			
<b>Non-current assets</b>			
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
<b>Total non-current assets</b>		<b>33,543</b>	<b>33,318</b>
<b>Current assets</b>			
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
<b>Total current assets</b>		<b>42,609</b>	<b>43,066</b>
<b>Total assets</b>		<b>76,152</b>	<b>76,384</b>
<b>Equity and liabilities</b>			
<b>Equity attributable to equity holders of the Parent Company</b>			
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
		<b>19,783</b>	<b>20,535</b>
Non-controlling interests		41	109
<b>Total equity</b>		<b>19,824</b>	<b>20,644</b>
<b>Non-current liabilities</b>			
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
<b>Total non-current liabilities</b>		<b>17,440</b>	<b>18,177</b>
<b>Current liabilities</b>			
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
<b>Total current liabilities</b>		<b>38,888</b>	<b>37,563</b>
<b>Total liabilities</b>		<b>56,328</b>	<b>55,740</b>
<b>Total equity and liabilities</b>		<b>76,152</b>	<b>76,384</b>
<b>Pledged assets</b>			
	19	<b>78</b>	<b>94</b>
<b>Contingent liabilities</b>			
	25	<b>1,610</b>	<b>1,276</b>

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**

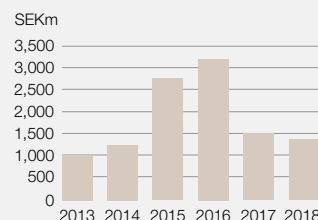
SEKm	Dec. 31, 2012	Dec. 31, 2011
Borrowings	13,088	14,206
Liquid funds	7,403	7,839
<b>Net borrowings</b>	<b>5,685</b>	<b>6,367</b>
Net debt/equity ratio	0.29	0.31
<b>Equity</b>	<b>19,824</b>	<b>20,644</b>
Equity per share, SEK	69.28	72.52
Return on equity, %	13.3	10.4
Equity/assets ratio, %	28.8	30.1

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

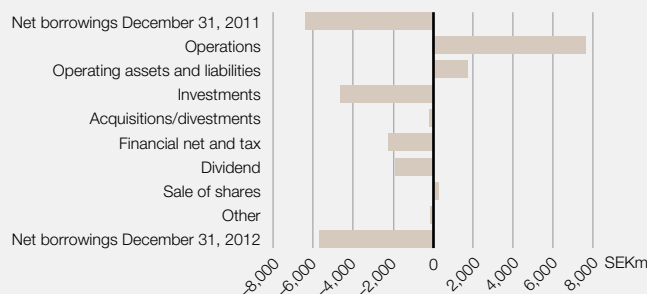
**Net debt/equity and equity/assets ratio**

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

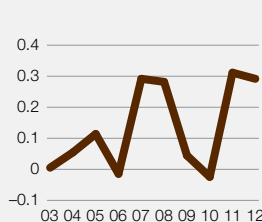
**Equity and return on equity**

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).

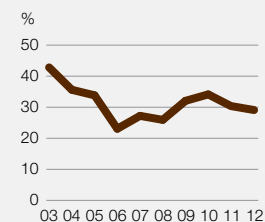
**Cash flow and change in net borrowings**



**Net debt/equity ratio**



**Equity/assets ratio**



## Change in consolidated equity

SEKm	Attributable to equity holders of the Parent Company					Non-controlling interests	Total equity
	Share capital	Other paid-in capital	Other reserves	Retained earnings	Total		
<b>Opening balance, January 1, 2011</b>	<b>1,545</b>	<b>2,905</b>	<b>636</b>	<b>15,527</b>	<b>20,613</b>	<b>—</b>	<b>20,613</b>
<b>Income for the period</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>2,064</b>	<b>2,064</b>	<b>—</b>	<b>2,064</b>
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
<b>Other comprehensive income, net of tax</b>	<b>—</b>	<b>—</b>	<b>-312</b>	<b>—</b>	<b>-312</b>	<b>5</b>	<b>-307</b>
<b>Total comprehensive income for the period</b>	<b>—</b>	<b>—</b>	<b>-312</b>	<b>2,064</b>	<b>1,752</b>	<b>5</b>	<b>1,757</b>
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
<b>Total transactions with equity holders</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>-1,830</b>	<b>-1,830</b>	<b>104</b>	<b>-1,726</b>
<b>Closing balance, December 31, 2011</b>	<b>1,545</b>	<b>2,905</b>	<b>324</b>	<b>15,761</b>	<b>20,535</b>	<b>109</b>	<b>20,644</b>
<b>Income for the period</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>2,596</b>	<b>2,596</b>	<b>3</b>	<b>2,599</b>
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
<b>Other comprehensive income, net of tax</b>	<b>—</b>	<b>—</b>	<b>-1,470</b>	<b>—</b>	<b>-1,470</b>	<b>-7</b>	<b>-1,477</b>
<b>Total comprehensive income for the period</b>	<b>—</b>	<b>—</b>	<b>-1,470</b>	<b>2,596</b>	<b>1,126</b>	<b>-4</b>	<b>1,122</b>
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	—	—	—	—	—	—	—
<b>Total transactions with equity holders</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>-1,878</b>	<b>-1,878</b>	<b>-64</b>	<b>-1,942</b>
<b>Closing balance, December 31, 2012</b>	<b>1,545</b>	<b>2,905</b>	<b>-1,146</b>	<b>16,479</b>	<b>19,783</b>	<b>41</b>	<b>19,824</b>

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

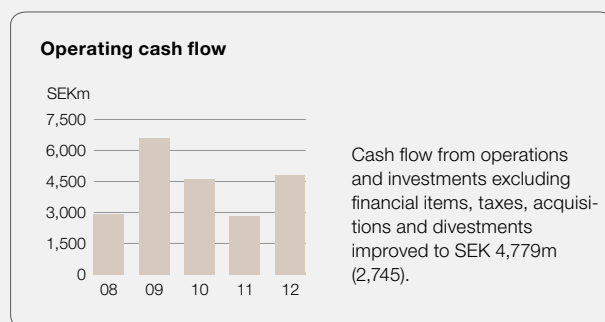
For information on the balance of each item of other comprehensive income within other reserves, see Note 11.

## 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.



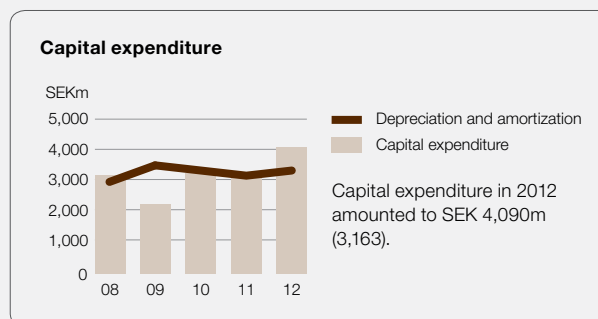
### Capital expenditure, by business area

SEKm	2012	2011
<b>Major Appliances</b>		
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
<b>Small Appliances</b>	196	118
% of net sales	2.2	1.4
<b>Professional Products</b>	161	287
% of net sales	2.9	4.9
Other	52	47
<b>Total</b>	<b>4,090</b>	<b>3,163</b>
% of net sales	3.7	3.1

- 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.

### 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.



### 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
<b>Operations</b>			
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
<b>Cash flow from operations, excluding change in operating assets and liabilities</b>		<b>5,428</b>	<b>4,283</b>
<b>Change in operating assets and liabilities</b>			
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
<b>Cash flow from change in operating assets and liabilities</b>		<b>1,727</b>	<b>1,116</b>
<b>Cash flow from operations</b>		<b>7,155</b>	<b>5,399</b>
<b>Investments</b>			
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 <sup>1)</sup>		528	-212
<b>Cash flow from investments</b>		<b>-4,777</b>	<b>-10,049</b>
<b>Cash flow from operations and investments</b>		<b>2,378</b>	<b>-4,650</b>
<b>Financing</b>			
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	—
<b>Cash flow from financing</b>		<b>-2,269</b>	<b>1,317</b>
<b>Total cash flow</b>		<b>109</b>	<b>-3,333</b>
<b>Cash and cash equivalents at beginning of period</b>		<b>6,966</b>	<b>10,389</b>
Exchange-rate differences referring to cash and cash equivalents		-240	-90
<b>Cash and cash equivalents at end of period</b>		<b>6,835</b>	<b>6,966</b>

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.

#### 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
Alcalá	Spain	Washing machines	Q1 2011

### Items affecting comparability

SEKm	2012	2011
<b>Restructuring provisions and write-downs</b>		
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
<b>Total</b>	<b>-1,032</b>	<b>-138</b>

### 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<sup>1)</sup> 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
<b>Total</b>	<b>825</b>

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

Authorized closures			Estimated closure	
L'Assomption	Canada	Cookers	Q4 2013	

Investments			Start
Porcia	Italy	Washing machines	Q4 2010

Memphis	USA	Cookers	Q2 2012
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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
<b>Total, ten largest shareholders</b>	<b>35.9</b>	<b>47.6</b>
Board of Directors and Group Management, collectively	0.11	0.09

Source: SIS Ågarservice 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](http://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

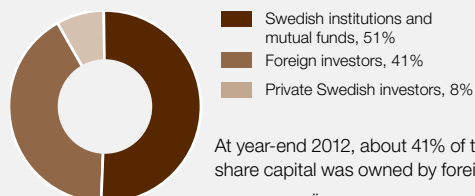
AB Electrolux Articles of Association stipulate that the Annual General Meeting (AGM) shall always resolve on the appointment of the members of the Board of Directors. Apart from that, the articles do not include any provisions for appointing or dismissing members of the Board of Directors or for changing 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](http://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 Ågarservice 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
<b>Total</b>	<b>100</b>	<b>51,777</b>	<b>100</b>

Source: SIS Ågarservice 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.

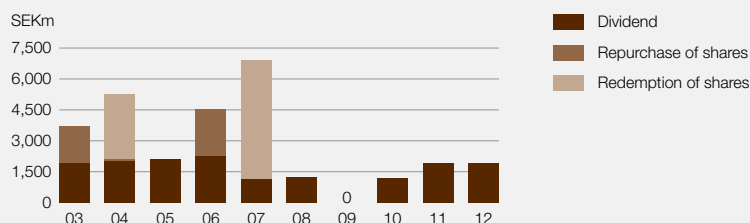
The Board of Directors proposes that the AGM 2013 resolves on a renewed mandate to repurchase own shares equivalent to the previous mandate.

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
<b>Number of shares as of January 1, 2012</b>	<b>8,212,725</b>	<b>300,707,583</b>	<b>308,920,308</b>	<b>24,255,085</b>	<b>284,665,223</b>
Sale of shares	—	—	—	—1,469,595	1,469,595
Conversion of Class A shares into Class B shares	—	—	—	—	—
<b>Total number of shares as of December 31, 2012</b>	<b>8,212,725</b>	<b>300,707,583</b>	<b>308,920,308</b>	<b>22,785,490</b>	<b>286,134,818</b>
<b>As % of total number of shares</b>				<b>7.4</b>	<b>92.6</b>

### 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.

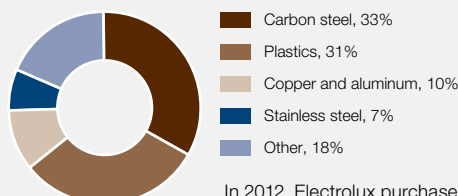
Risks, risk management and risk exposure are described in more detail in Note 1 Accounting principles, Note 2 Financial risk management and in Note 18 Financial instruments.

### Sensitivity analysis 2012

Risk	Change	Pre-tax earnings impact, SEKm
<b>Raw materials</b>		
Steel	10%	+/-800
Plastics	10%	+/-600
<b>Currencies<sup>1)</sup> and interest rates</b>		
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.

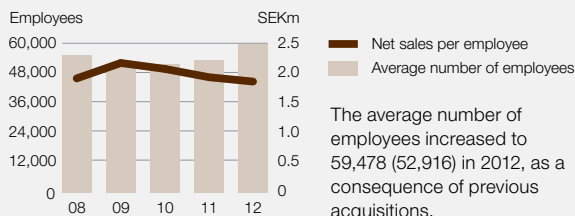
### Variable compensation

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

<b>Number of employees in 2011</b>	<b>57,860</b>
Number of employees in acquired operations	—
Restructuring programs	-460
Other changes	3,190
<b>Number of employees in 2012</b>	<b>60,590</b>

#### Employees



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

### Total comprehensive income for the period

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

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 trans-

lation 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
<b>Assets</b>			
<b>Non-current assets</b>			
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
<b>Total non-current assets</b>		<b>33,436</b>	<b>33,247</b>
<b>Current assets</b>			
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
<b>Total current assets</b>		<b>16,008</b>	<b>14,833</b>
<b>Total assets</b>		<b>49,444</b>	<b>48,080</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
<b>Restricted equity</b>			
Share capital	20	1,545	1,545
Statutory reserve		3,017	3,017
		<b>4,562</b>	<b>4,562</b>
<b>Non-restricted equity</b>			
Retained earnings		14,150	13,193
Income for the period		1,119	2,745
		<b>15,269</b>	<b>15,938</b>
<b>Total equity</b>		<b>19,831</b>	<b>20,500</b>
<b>Untaxed reserves</b>	21	<b>581</b>	<b>597</b>
<b>Provisions</b>			
Provisions for pensions and similar commitments	22	578	395
Other provisions	23	519	337
<b>Total provisions</b>		<b>1,097</b>	<b>732</b>
<b>Non-current liabilities</b>			
Bond loans		6,830	6,168
Other non-current loans		2,743	3,052
<b>Total non-current liabilities</b>		<b>9,573</b>	<b>9,220</b>
<b>Current liabilities</b>			
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
<b>Total current liabilities</b>		<b>18,362</b>	<b>17,031</b>
<b>Total liabilities and provisions</b>		<b>29,032</b>	<b>26,983</b>
<b>Total liabilities, provisions and equity</b>		<b>49,444</b>	<b>48,080</b>
<b>Pledged assets</b>	19	<b>—</b>	<b>5</b>
<b>Contingent liabilities</b>	25	<b>1,692</b>	<b>1,428</b>

## Parent Company change in equity

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

## Parent Company cash flow statement

SEKm	2012	2011
<b>Operations</b>		
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
<b>Cash flow from operations, excluding change in operating assets and liabilities</b>	<b>753</b>	<b>2,864</b>
<b>Change in operating assets and liabilities</b>		
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
<b>Cash flow from operating assets and liabilities</b>	<b>-1,157</b>	<b>963</b>
<b>Cash flow from operations</b>	<b>-404</b>	<b>3,827</b>
<b>Investments</b>		
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
<b>Cash flow from investments</b>	<b>-298</b>	<b>-4,933</b>
<b>Total cash flow from operations and investments</b>	<b>-702</b>	<b>-1,106</b>
<b>Financing</b>		
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
<b>Cash flow from financing</b>	<b>482</b>	<b>-1,954</b>
<b>Total cash flow</b>	<b>-220</b>	<b>-3,060</b>
<b>Liquid funds at beginning of year</b>	<b>2,206</b>	<b>5,266</b>
<b>Liquid funds at year-end</b>	<b>1,986</b>	<b>2,206</b>

# Notes

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# 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

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 impair-

ment 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. Govern-

ment 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) rereasurement 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<sup>1)</sup>. 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.

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 hedging the Group's net investments, it is implemented within the Parent Company in Sweden.

A change up or down by 10% in the value of each currency against the Swedish krona would affect the net investment of the Group by approximately SEK +/- 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 derivatives 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.



Note **3** Segment information

**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
	<b>109,993</b>	<b>101,597</b>	<b>6,108</b>	<b>3,899</b>
Group common costs	1	1	-926	-744
Items affecting comparability	—	—	-1,032	-138
<b>Total</b>	<b>109,994</b>	<b>101,598</b>	<b>4,150</b>	<b>3,017</b>
Financial items, net	—	—	-672	-237
<b>Income after financial items</b>	<b>—</b>	<b>—</b>	<b>3,478</b>	<b>2,780</b>

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	—	—
<b>Total</b>	<b>-1,032</b>	<b>-138</b>

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
<b>Eliminations</b>	<b>1,624</b>	<b>1,596</b>

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 <sup>1)</sup>	8,127	7,414	6,235	6,816	1,892	598
Items affecting comparability	-55	117	1,802	1,120	-1 857	-1,003
	<b>68,748</b>	<b>68,545</b>	<b>43,239</b>	<b>41,534</b>	<b>25 509</b>	<b>27,011</b>
Liquid funds	7,404	7,839	—	—	—	—
Interest-bearing receivables	—	—	—	—	—	—
Interest-bearing liabilities	—	—	13,089	14,206	—	—
Equity	—	—	19,824	20,644	—	—
<b>Total</b>	<b>76,152</b>	<b>76,384</b>	<b>76,152</b>	<b>76,384</b>	<b>—</b>	<b>—</b>

1) Includes common Group functions and tax items.

	Depreciation and amortization		Capital expenditure		Cash flow <sup>1)</sup>	
	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 <sup>2)</sup>	155	174	52	47	-1,457	-1,278
Items affecting comparability	—	—	—	—	-348	-585
Financial items	—	—	—	—	-673	-214
Taxes paid	—	—	—	—	-1,564	-1,625
<b>Total</b>	<b>3,251</b>	<b>3,173</b>	<b>4,090</b>	<b>3,163</b>	<b>2,378</b>	<b>-4,651</b>

1) Cash flow from operations and investments.

2) Includes Group functions.

Cont. Note 3

**Geographical information**

	Net sales <sup>1)</sup>	
	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
<b>Total</b>	<b>109,994</b>	<b>101,598</b>

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
<b>Gain on sale</b>				
Property, plant and equipment	73	198	—	—
Operations and shares	5	32	8	32
Other	—	—	285	266
<b>Total</b>	<b>78</b>	<b>230</b>	<b>293</b>	<b>298</b>

**Note 6** Other operating expenses

	Group		Parent Company	
	2012	2011	2012	2011
<b>Loss on sale</b>				
Property, plant and equipment	-19	-40	-1	-1
Operations and shares	—	—	—	-9
Other	—	—	-37	—
<b>Total</b>	<b>-19</b>	<b>-40</b>	<b>-38</b>	<b>-10</b>

**Note 7** Items affecting comparability

	Group	
	2012	2011
<b>Restructuring and impairment</b>		
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
<b>Total</b>	<b>-1,032</b>	<b>-138</b>

**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	—	—
<b>Total</b>	<b>-1,032</b>	<b>-138</b>

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
<b>Total</b>	<b>3,057</b>

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
<b>Financial income</b>				
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
<b>Total financial income</b>	<b>204</b>	<b>337</b>	<b>2,137</b>	<b>2,727</b>
<b>Financial expenses</b>				
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
<b>Total financial expenses</b>	<b>-876</b>	<b>-574</b>	<b>-1,001</b>	<b>-344</b>

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.

**Note 10** Taxes

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

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
<b>Effective tax rate</b>	<b>25.3</b>	<b>25.8</b>

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
<b>Total</b>	<b>8,455</b>

**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
<b>Opening balance, January 1, 2011</b>	<b>-439</b>	<b>232</b>	<b>230</b>	<b>462</b>	<b>-256</b>	<b>233</b>	<b>606</b>	<b>1,107</b>	<b>2,175</b>	<b>-</b>	<b>2,175</b>
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
<b>Closing balance, December 31, 2011</b>	<b>-399</b>	<b>206</b>	<b>89</b>	<b>447</b>	<b>-250</b>	<b>477</b>	<b>560</b>	<b>723</b>	<b>1 853</b>	<b>-</b>	<b>1 853</b>
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
<b>Opening balance, January 1, 2012</b>	<b>-399</b>	<b>206</b>	<b>89</b>	<b>447</b>	<b>-250</b>	<b>477</b>	<b>560</b>	<b>723</b>	<b>1 853</b>	<b>-</b>	<b>1 853</b>
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
<b>Closing balance, December 31, 2012</b>	<b>-283</b>	<b>76</b>	<b>105</b>	<b>336</b>	<b>-232</b>	<b>669</b>	<b>566</b>	<b>921</b>	<b>2,158</b>	<b>-</b>	<b>2,158</b>
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
<b>Available-for-sale instruments</b>		
<b>Opening balance, January 1</b>	<b>23</b>	<b>114</b>
Gain/loss taken to other comprehensive income	23	-91
Transferred to profit and loss	—	—
<b>Closing balance, December 31</b>	<b>46</b>	<b>23</b>
<b>Cash flow hedges</b>		
<b>Opening balance, January 1</b>	<b>-36</b>	<b>-147</b>
Gain/loss taken to other comprehensive income	-2	-36
Transferred to profit and loss	36	147
<b>Closing balance, December 31</b>	<b>-2</b>	<b>-36</b>
<b>Exchange-rate differences on translation of foreign operations</b>		
<b>Opening balance, January 1</b>	<b>476</b>	<b>699</b>
Net investment hedge	—	284
Translation difference	-1,532	-507
<b>Closing balance, December 31</b>	<b>-1,056</b>	<b>476</b>
Income tax related to other comprehensive income	-2	-104
<b>Other comprehensive income, net of tax</b>	<b>-1,477</b>	<b>-307</b>

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

Note **12** Property, plant and equipment

Group	Land and land improvements	Buildings	Machinery and technical installations	Other equipment	Plants under construction	Total
<b>Acquisition costs</b>						
<b>Opening balance, January 1, 2011</b>	<b>1,001</b>	<b>8,360</b>	<b>30,101</b>	<b>1,787</b>	<b>1,251</b>	<b>42,500</b>
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
<b>Closing balance, December 31, 2011</b>	<b>1,227</b>	<b>8,224</b>	<b>29,110</b>	<b>1,956</b>	<b>2,283</b>	<b>42,800</b>
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
<b>Closing balance, December 31, 2012</b>	<b>1,200</b>	<b>8,214</b>	<b>29,238</b>	<b>1,945</b>	<b>3,696</b>	<b>44,293</b>
<b>Accumulated depreciation</b>						
<b>Opening balance, January 1, 2011</b>	<b>191</b>	<b>4,081</b>	<b>22,369</b>	<b>1,229</b>	<b>—</b>	<b>27,870</b>
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
<b>Closing balance, December 31, 2011</b>	<b>174</b>	<b>3,942</b>	<b>21,618</b>	<b>1,221</b>	<b>232</b>	<b>27,187</b>
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
<b>Closing balance, December 31, 2012</b>	<b>175</b>	<b>3,785</b>	<b>22,151</b>	<b>1,269</b>	<b>220</b>	<b>27,600</b>
<b>Net carrying amount, December 31, 2011</b>	<b>1,053</b>	<b>4,282</b>	<b>7,492</b>	<b>735</b>	<b>2,051</b>	<b>15,613</b>
<b>Net carrying amount, December 31, 2012</b>	<b>1,025</b>	<b>4,429</b>	<b>7,087</b>	<b>676</b>	<b>3,476</b>	<b>16,693</b>

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

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
<b>Total</b>	<b>5,541</b>	<b>410</b>	<b>—</b>	<b>6,008</b>	<b>410</b>	<b>—</b>

## Goodwill and other intangible assets

	Group Other intangible assets				Total other intangible assets	Parent Company Trademarks, software etc.
	Goodwill	Product development	Program software	Other		
<b>Acquisition costs</b>						
<b>Opening balance, January 1, 2011</b>	<b>2,295</b>	<b>2,443</b>	<b>2,156</b>	<b>1,012</b>	<b>5,611</b>	<b>2,283</b>
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	—
<b>Closing balance, December 31, 2011</b>	<b>6,008</b>	<b>2,508</b>	<b>2,887</b>	<b>2,475</b>	<b>7,870</b>	<b>2,682</b>
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	—
<b>Closing balance, December 31, 2012</b>	<b>5,541</b>	<b>2,737</b>	<b>3,418</b>	<b>2,313</b>	<b>8,468</b>	<b>2,948</b>
<b>Accumulated amortization</b>						
<b>Opening balance, January 1, 2011</b>	<b>—</b>	<b>1,237</b>	<b>571</b>	<b>527</b>	<b>2,335</b>	<b>653</b>
Amortization for the year	—	420	268	65	753	204
Fully amortized	—	-264	-30	-32	-326	-3
Exchange-rate differences	—	-17	-1	-20	-38	—
<b>Closing balance, December 31, 2011</b>	<b>—</b>	<b>1,376</b>	<b>808</b>	<b>540</b>	<b>2,724</b>	<b>854</b>
Amortization for the year	—	439	275	175	889	162
Fully amortized	—	-57	-11	-19	-87	—
Exchange-rate differences	—	-79	-21	-37	-137	—
<b>Closing balance, December 31, 2012</b>	<b>—</b>	<b>1,679</b>	<b>1,051</b>	<b>659</b>	<b>3,389</b>	<b>1,016</b>
<b>Carrying amount, December 31, 2011</b>	<b>6,008</b>	<b>1,132</b>	<b>2,079</b>	<b>1,935</b>	<b>5,146</b>	<b>1,828</b>
<b>Carrying amount, December 31, 2012</b>	<b>5,541</b>	<b>1,058</b>	<b>2,367</b>	<b>1,654</b>	<b>5,079</b>	<b>1,932</b>

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.

**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	—	—
<b>Total</b>	<b>2,356</b>	<b>3,036</b>	<b>31,033</b>	<b>31,022</b>

**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	—	—
<b>Total</b>	<b>12,963</b>	<b>11,957</b>	<b>61</b>	<b>51</b>

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
<b>Total</b>	<b>3,607</b>	<b>3,662</b>

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
<b>Trade receivables, net</b>	<b>18,288</b>	<b>19,226</b>
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
<b>Provisions, January 1</b>	<b>—904</b>	<b>—783</b>
Acquisition of operations	—	—63
New provisions	—168	—132
Actual credit losses	352	57
Exchange-rate differences and other changes	46	17
<b>Provisions, December 31</b>	<b>—674</b>	<b>—904</b>

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
<b>Total trade receivables</b>	<b>18,962</b>	<b>20,130</b>
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
<b>Short-term borrowings</b>	<b>2,795</b>	<b>4,170</b>
Derivatives	220	314
Accrued interest expenses and prepaid interest income	68	83
<b>Total short-term borrowings</b>	<b>3,083</b>	<b>4,567</b>
<b>Long-term borrowings</b>	<b>10,005</b>	<b>9,639</b>
<b>Total borrowings</b>	<b>13,088</b>	<b>14,206</b>
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
<b>Liquid funds</b>	<b>7,403</b>	<b>7,839</b>
<b>Net borrowings</b>	<b>5,685</b>	<b>6,367</b>
Revolving credit facilities (EUR 500m and SEK 3,400m) <sup>1)</sup>	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
<b>Liquid funds</b>	<b>7,403</b>	<b>7,839</b>
% of annualized net sales <sup>1)</sup>	13.1	13.9
<b>Net liquidity</b>	<b>4,320</b>	<b>3,272</b>
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.

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
<b>Bond loans<sup>1)</sup></b>						
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	—
<b>Total bond loans</b>					<b>6,829</b>	<b>6,168</b>
<b>Other long-term loans<sup>1)</sup></b>						
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
<b>Total other long-term loans</b>					<b>3,176</b>	<b>3,471</b>
<b>Long-term borrowings</b>					<b>10,005</b>	<b>9,639</b>
<b>Short-term part of long-term loans<sup>2)</sup></b>						
2007–2012	SEK MTN Program	4.500	SEK	2,000	—	2,030
2011–2013	Euro MTN Program	Floating	SEK	1,000	1,000	—
<b>Total short-term part of long-term loans</b>					<b>1,000</b>	<b>2,030</b>
<b>Other short-term loans</b>						
Short-term bank loans in Egypt					634	668
Other bank borrowings and commercial papers					498	575
<b>Total other short-term loans</b>					<b>1,166</b>	<b>1,301</b>
<b>Trade receivables with recourse</b>					<b>629</b>	<b>839</b>
<b>Short-term borrowings</b>					<b>2,795</b>	<b>4,170</b>
<b>Fair value of derivative liabilities</b>					<b>220</b>	<b>314</b>
<b>Accrued interest expenses and prepaid interest income</b>					<b>68</b>	<b>83</b>
<b>Total borrowings</b>					<b>13,088</b>	<b>14,206</b>

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
<b>Total</b>	<b>1,000</b>	<b>1,227</b>	<b>2,745</b>	<b>3,195</b>	<b>1,500</b>	<b>1,338</b>	<b>11,005</b>

### 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	—
<b>Net transaction flow</b>	<b>950</b>	<b>810</b>	<b>2,080</b>	<b>720</b>	<b>670</b>	<b>-170</b>	<b>-3,940</b>	<b>840</b>	<b>1,380</b>	<b>-6,800</b>	<b>3,460</b>	<b>—</b>

### 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
<b>Recognized in the operating income</b>								
<b>Financial assets and liabilities at fair value through profit and loss</b>	<b>-53</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>-408</b>	<b>—</b>	<b>—</b>	<b>—</b>
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	—	—	—
<b>Loans and receivables</b>	<b>222</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>359</b>	<b>—</b>	<b>—</b>	<b>—</b>
Trade receivables/payables	222	—	—	—	359	—	—	—
<b>Available-for-sale financial assets</b>	<b>1</b>	<b>23</b>	<b>—</b>	<b>—</b>	<b>1</b>	<b>-91</b>	<b>—</b>	<b>—</b>
Other shares and participations	1	23	—	—	1	-91	—	—
<b>Total net gain/loss, income and expenses</b>	<b>170</b>	<b>23</b>	<b>—</b>	<b>—</b>	<b>-48</b>	<b>-91</b>	<b>—</b>	<b>—</b>
<b>Recognized in the financial items</b>								
<b>Financial assets and liabilities at fair value through profit and loss</b>	<b>-49</b>	<b>34</b>	<b>8</b>	<b>20</b>	<b>-72</b>	<b>395</b>	<b>24</b>	<b>-6</b>
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	—
<b>Loans and receivables</b>	<b>-254</b>	<b>—</b>	<b>174</b>	<b>—</b>	<b>-37</b>	<b>—</b>	<b>316</b>	<b>—</b>
<b>Other financial liabilities</b>	<b>139</b>	<b>—</b>	<b>—</b>	<b>-710</b>	<b>164</b>	<b>—</b>	<b>—</b>	<b>-626</b>
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
<b>Total net gain/loss, income and expenses</b>	<b>-164</b>	<b>34</b>	<b>182</b>	<b>-690</b>	<b>55</b>	<b>395</b>	<b>340</b>	<b>-632</b>

Cont. Note 18

**Fair value and carrying amount on financial assets and liabilities**

	2012 <sup>1)</sup>		2011 <sup>1)</sup>	
	Carrying amount		Carrying amount	
<b>Financial assets</b>	<b>552</b>		<b>517</b>	
Financial assets at fair value through profit and loss	323		315	
Available-for-sale	229		202	
<b>Trade receivables</b>	<b>18,288</b>		<b>19,226</b>	
Loans and receivables	18,288		19,226	
<b>Derivatives</b>	<b>183</b>		<b>252</b>	
<b>Short-term investments</b>	<b>123</b>		<b>337</b>	
Financial assets at fair value through profit and loss	120		203	
Loans and receivables	3		134	
<b>Cash and cash equivalents</b>	<b>6,835</b>		<b>6,966</b>	
Financial assets at fair value through profit and loss	1,227		311	
Loans and receivables	2,115		3,409	
Cash	3,493		3,246	
<b>Total financial assets</b>	<b>25,981</b>		<b>27,298</b>	
<b>Financial liabilities</b>				
<b>Long-term borrowings</b>	<b>10,005</b>		<b>9,639</b>	
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	
<b>Accounts payable</b>	<b>20,590</b>		<b>18,490</b>	
Financial liabilities at amortized cost	20,590		18,490	
<b>Short-term borrowings</b>	<b>2,795</b>		<b>4,170</b>	
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	
<b>Derivatives</b>	<b>241</b>		<b>324</b>	
<b>Total financial liabilities</b>	<b>33,631</b>		<b>32,623</b>	

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**

Per category	2012 <sup>1)</sup>		2011 <sup>1)</sup>	
	Fair value	Carrying amount	Fair value	Carrying amount
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
<b>Total financial assets</b>	<b>25,981</b>	<b>25,981</b>	<b>27,298</b>	<b>27,298</b>
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
<b>Total financial liabilities</b>	<b>33,765</b>	<b>33,631</b>	<b>32,647</b>	<b>32,623</b>

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 data.

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

### Fair value measurement hierarchy

	2012				2011			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>								
<b>Financial assets</b>	<b>552</b>	<b>—</b>	<b>—</b>	<b>552</b>	<b>517</b>	<b>—</b>	<b>—</b>	<b>517</b>
Financial assets at fair value through profit and loss	323	—	—	323	315	—	—	315
Available for sale	229	—	—	229	202	—	—	202
<b>Derivatives</b>	<b>—</b>	<b>183</b>	<b>—</b>	<b>183</b>	<b>—</b>	<b>252</b>	<b>—</b>	<b>252</b>
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
<b>Short-term investments and cash equivalents</b>	<b>1,347</b>	<b>—</b>	<b>—</b>	<b>1,347</b>	<b>514</b>	<b>—</b>	<b>—</b>	<b>514</b>
Financial assets at fair value through profit and loss	1,347	—	—	1,347	514	—	—	514
<b>Total financial assets</b>	<b>1,899</b>	<b>183</b>	<b>—</b>	<b>2,082</b>	<b>1,031</b>	<b>252</b>	<b>—</b>	<b>1,283</b>
<b>Financial liabilities</b>								
<b>Derivatives</b>	<b>—</b>	<b>241</b>	<b>—</b>	<b>241</b>	<b>—</b>	<b>324</b>	<b>—</b>	<b>324</b>
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
<b>Total financial liabilities</b>	<b>—</b>	<b>241</b>	<b>—</b>	<b>241</b>	<b>—</b>	<b>324</b>	<b>—</b>	<b>324</b>

### 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 con-

tractual 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
<b>Total</b>	<b>–24,672</b>	<b>–1,504</b>	<b>–7,872</b>	<b>–1,371</b>	<b>–35,419</b>

**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
<b>Total</b>	<b>78</b>	<b>94</b>	<b>—</b>	<b>5</b>

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
<b>Share capital, December 31, 2012</b>	
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
<b>Total</b>	<b>1,545</b>
<b>Share capital, December 31, 2011</b>	
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
<b>Total</b>	<b>1,545</b>

**Number of shares**

	Owned by Electrolux	Owned by other share- holders	Total
<b>Shares, December 31, 2011</b>			
Class A shares	—	8,212,725	8,212,725
Class B shares	24,255,085	276,452,498	300,707,583
<b>Conversion of Class A shares into Class B shares</b>			
Class A shares	—	—	—
Class B shares	—	—	—
<b>Sold shares</b>			
Class A shares	—	—	—
Class B shares	-1,469,595	1,469,595	—
<b>Shares, December 31, 2012</b>			
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
<b>Accumulated depreciation in excess of plan</b>			
Brands	349	-28	377
Licenses	122	21	101
Machinery and equipment	85	-8	93
Buildings	2	-	2
Other	23	-1	24
<b>Total</b>	<b>581</b>	<b>-16</b>	<b>597</b>

## 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.

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
<b>Surplus/deficit</b>	<b>2,361</b>	<b>746</b>	<b>—</b>	<b>3,107</b>	<b>1,505</b>	<b>918</b>	<b>—</b>	<b>2,423</b>
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
<b>Net provisions for post-employment benefits</b>	<b>-1,335</b>	<b>650</b>	<b>546</b>	<b>-139</b>	<b>-1,116</b>	<b>831</b>	<b>572</b>	<b>287</b>
Whereof reported as								
Prepaid pension cost in other non-current assets <sup>1)</sup>	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
<b>Total expenses for defined post-employment benefits</b>	<b>55</b>	<b>-7</b>	<b>33</b>	<b>81</b>	<b>-9</b>	<b>-5</b>	<b>43</b>	<b>29</b>
Expenses for defined contribution plans	—	—	—	446	—	—	—	396
<b>Total expenses for post-employment benefits</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>527</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>425</b>
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
<b>Opening balance, January 1</b>	<b>20,712</b>	<b>2,249</b>	<b>638</b>	<b>23,599</b>	<b>18,998</b>	<b>2,068</b>	<b>657</b>	<b>21,723</b>
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
<b>Closing balance, December 31</b>	<b>21,966</b>	<b>2,137</b>	<b>666</b>	<b>24,769</b>	<b>20,712</b>	<b>2,249</b>	<b>638</b>	<b>23,599</b>



## 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
<b>Opening balance, January 1</b>	<b>18,468</b>	<b>1,331</b>	<b>—</b>	<b>19,799</b>	<b>18,069</b>	<b>1,340</b>	<b>—</b>	<b>19,409</b>
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
<b>Closing balance, December 31</b>	<b>18,793</b>	<b>1,391</b>	<b>—</b>	<b>20,184</b>	<b>18,468</b>	<b>1,331</b>	<b>—</b>	<b>19,799</b>

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 <sup>1)</sup>	12	12
Property	5	5
Cash and cash equivalents	1	1
<b>Total</b>	<b>100</b>	<b>100</b>

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

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

**Change in fair value of plan assets**

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

**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
<b>Surplus/deficit</b>	<b>1</b>	<b>-63</b>
Limitation on assets in accordance with Swedish accounting principles	-415	-332
<b>Net provisions for pension obligations</b>	<b>-414</b>	<b>-395</b>
Whereof reported as provisions for pensions	-578	-395

**Amounts recognized in income statement**

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

**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 restructuring	Warranty commitments	Claims	Other	Total	Provisions for restructuring	Warranty commitments	Other	Total
<b>Opening balance, January 1, 2011</b>	<b>1,791</b>	<b>1,555</b>	<b>982</b>	<b>3,195</b>	<b>7,523</b>	<b>58</b>	<b>132</b>	<b>56</b>	<b>246</b>
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	—	—	—	—
<b>Closing balance, December 31, 2011</b>	<b>1,723</b>	<b>1,518</b>	<b>1,042</b>	<b>3,382</b>	<b>7,665</b>	<b>59</b>	<b>223</b>	<b>55</b>	<b>337</b>
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
<b>Opening balance, January 1, 2012</b>	<b>1,723</b>	<b>1,518</b>	<b>1,042</b>	<b>3,382</b>	<b>7,665</b>	<b>59</b>	<b>223</b>	<b>55</b>	<b>337</b>
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	—	—	—	—
<b>Closing balance, December 31, 2012</b>	<b>2,041</b>	<b>1,359</b>	<b>1,119</b>	<b>2,178</b>	<b>6,697</b>	<b>258</b>	<b>223</b>	<b>38</b>	<b>519</b>
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. Provisions 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	—	—
<b>Total</b>	<b>11,829</b>	<b>10,497</b>	<b>789</b>	<b>811</b>

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

Note **25** Contingent liabilities

	Group December 31,		Parent Company December 31,	
	2012	2011	2012	2011
Trade receivables, with recourse	—	—	—	—
<b>Guarantees and other commitments</b>				
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
<b>Total</b>	<b>1,610</b>	<b>1,276</b>	<b>1,692</b>	<b>1,428</b>

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			CTI final purchase-price allocation
	Olympic Group	CTI <sup>2)</sup>	Total	Olympic Group	CTI	Total	
<b>Consideration</b>	—	—	—	2,556	3,804	6,360	3,804
Cash paid <sup>1)</sup>	—	—	—	2,556	3,804	6,360	3,804
<b>Recognized amounts of identifiable assets acquired and liabilities assumed at fair value</b>							
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	—
<b>Total identifiable net assets acquired</b>	<b>—</b>	<b>106</b>	<b>106</b>	<b>1,819</b>	<b>2,126</b>	<b>3,945</b>	<b>2,232</b>
Cash and cash equivalents	—	—	—	34	114	148	114
Borrowings	—	—	—	-723	-499	-1,222	-499
<b>Assumed net debt</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>-689</b>	<b>-385</b>	<b>-1,074</b>	<b>-385</b>
<b>Non-controlling interests</b>	<b>—</b>	<b>-2</b>	<b>-2</b>	<b>-69</b>	<b>-41</b>	<b>-110</b>	<b>-43</b>
<b>Goodwill</b>	<b>—</b>	<b>-104</b>	<b>-104</b>	<b>1,495</b>	<b>2,104</b>	<b>3,599</b>	<b>2,000</b>
<b>Total</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>2,556</b>	<b>3,804</b>	<b>6,360</b>	<b>3,804</b>
<b>Acquired non-controlling interest</b>							
Cash paid	161	3	164	—	17	17	—
<b>Total cash paid for acquisitions</b>	<b>161</b>	<b>3</b>	<b>164</b>	<b>2,556</b>	<b>3,821</b>	<b>6,377</b>	<b>—</b>

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 Compañía 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 Compañía 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
<b>Net assets</b>	<b>—</b>	<b>614</b>
Sales price	—	821
Net borrowings in acquired/divested operations	—	—
<b>Effect on Group cash and cash equivalents</b>	<b>—</b>	<b>821</b>

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](http://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
<b>Total</b>	<b>59,478</b>	<b>52,916</b>

**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) <sup>1)</sup>	(184) <sup>1)</sup>	—	(103) <sup>1)</sup>	(103) <sup>1)</sup>
Subsidiaries	12,928	2,782	15,710	12,280	2,713	14,993
(whereof pension costs)	—	(343)	(343)	—	(322)	(322)
<b>Total Group</b>	<b>13,785</b>	<b>3,272</b>	<b>17,057</b>	<b>13,137</b>	<b>3,100</b>	<b>16,237</b>
(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
<b>Total Group</b>	<b>249</b>	<b>13,536</b>	<b>13,785</b>	<b>218</b>	<b>12,919</b>	<b>13,137</b>

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**

	Ordinary compensation	Compensation for committee work	Total compensation
'000 SEK			
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 Sorensen	494	161	655
Barbara Milian Thoralfsson	494	120	614
Ola Bertilsson	—	—	—
Gunilla Brandt	—	—	—
Ulf Carlsson	—	—	—
<b>Total compensation 2012</b>	<b>5,169</b>	<b>600</b>	<b>5,769</b>
Revaluation of synthetic shares from previous assignment period	1,888	—	1,888
<b>Total compensation cost 2012, including revaluation of synthetic shares</b>	<b>7,057</b>	<b>600</b>	<b>7,657</b>

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

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					
	Annual fixed salary	Variable salary incurred 2012 but paid 2013	Long-term PSP (cost) <sup>1)</sup>	Other remuneration <sup>2)</sup>	Total pension contribution	Social contribution	Annual fixed salary	Variable salary incurred 2011 but paid 2012	Long-term PSP (cost) <sup>1)</sup>	Other remuneration <sup>2)</sup>	Total pension contribution	Social contribution
'000 SEK												
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
<b>Total</b>	<b>58,515</b>	<b>44,478</b>	<b>6,353</b>	<b>11,354</b>	<b>28,091</b>	<b>16,420</b>	<b>53,519</b>	<b>10,459</b>	<b>2,651</b>	<b>8,175</b>	<b>21,518</b>	<b>10,816</b>

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 <sup>1)</sup>	2011 Maximum number of B shares <sup>1)</sup>	2010 Maximum number of B shares <sup>1)</sup>	2012 Maximum value, SEK <sup>2) 3)</sup>	2011 Maximum value, SEK <sup>2) 3)</sup>	2010 Maximum value, SEK <sup>2) 3)</sup>
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 between 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.

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
<b>PwC</b>				
Audit fees <sup>1)</sup>	44	44	7	7
Audit-related fees <sup>2)</sup>	1	4	1	3
Tax fees <sup>3)</sup>	4	5	—	—
All other fees	4	6	2	3
<b>Total fees to PwC</b>	<b>53</b>	<b>59</b>	<b>10</b>	<b>13</b>
Audit fees to other audit firms	2	—	—	—
<b>Total fees to auditors</b>	<b>55</b>	<b>59</b>	<b>10</b>	<b>13</b>

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.

### 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, %
<b>Major Group companies</b>		
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	Compañía 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

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### **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:	<b>15,269,641</b>
A dividend to the shareholders of SEK 6.50 per share <sup>1)</sup> , totaling	<b>1,859,876</b>
To be carried forward	13,409,765
<b>Total</b>	<b>15,269,641</b>

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

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## **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
<b>Net sales and income</b>					
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
<b>Cash flow</b>					
EBITDA <sup>2)</sup>	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 <sup>3)</sup>	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
<b>Margins<sup>2)</sup></b>					
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
<b>Financial position</b>					
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
<b>Data per share</b>					
Income for the period, SEK	9.08	7.25	14.04	9.18	1.29
Equity, SEK	69	73	72	66	58
Dividend, SEK <sup>4)</sup>	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
<b>Key ratios</b>					
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 <sup>5)</sup>	22.2	23.8	18.2	17.1	18.1
Trade receivables as % of net sales <sup>5)</sup>	15.9	17.0	17.7	17.7	17.9
Inventories as % of net sales <sup>5)</sup>	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	—
<b>Other data</b>					
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.



2007	2006	2005	2005 <sup>1)</sup>	2004 <sup>1)</sup>	2003 <sup>1)</sup>	2002 <sup>1)</sup>	Compound annual growth rate, %	
							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
<b>Net sales</b>	<b>2012</b>	<b>25,875</b>	<b>27,763</b>	<b>27,171</b>	<b>29,185</b>	<b>109,994</b>
	2011	23,436	24,143	25,650	28,369	101,598
<b>Operating income</b>	<b>2012</b>	<b>943</b>	<b>1,150</b>	<b>1,461</b>	<b>596</b>	<b>4,150</b>
	<b>Margin, %</b>	<b>3.6</b>	<b>4.1</b>	<b>5.4</b>	<b>2.0</b>	<b>3.8</b>
	<b>2012<sup>1)</sup></b>	<b>943</b>	<b>1,150</b>	<b>1,461</b>	<b>1,628</b>	<b>5,182</b>
	<b>Margin, %</b>	<b>3.6</b>	<b>4.1</b>	<b>5.4</b>	<b>5.6</b>	<b>4.7</b>
	2011	696	745	1,064	512	3,017
	Margin, %	3.0	3.1	4.1	1.8	3.0
	2011 <sup>1)</sup>	696	745	1,098	616	3,155
	Margin, %	3.0	3.1	4.3	2.2	3.1
<b>Income after financial items</b>	<b>2012</b>	<b>792</b>	<b>993</b>	<b>1,251</b>	<b>442</b>	<b>3,478</b>
	<b>Margin, %</b>	<b>3.1</b>	<b>3.6</b>	<b>4.6</b>	<b>1.5</b>	<b>3.2</b>
	<b>2012<sup>1)</sup></b>	<b>792</b>	<b>993</b>	<b>1,251</b>	<b>1,474</b>	<b>4,510</b>
	<b>Margin, %</b>	<b>3.1</b>	<b>3.6</b>	<b>4.6</b>	<b>5.1</b>	<b>4.1</b>
	2011	637	696	1,119	328	2,780
	Margin, %	2.7	2.9	4.4	1.2	2.7
	2011 <sup>1)</sup>	637	696	1,153	432	2,918
	Margin, %	2.7	2.9	4.5	1.5	2.9
<b>Income for the period</b>	<b>2012</b>	<b>559</b>	<b>763</b>	<b>985</b>	<b>292</b>	<b>2,599</b>
	2011	457	561	825	221	2,064
<b>Earnings per share<sup>2)</sup></b>	<b>2012</b>	<b>1.96</b>	<b>2.67</b>	<b>3.43</b>	<b>1.02</b>	<b>9.08</b>
	<b>2012<sup>1)</sup></b>	<b>1.96</b>	<b>2.67</b>	<b>3.43</b>	<b>4.12</b>	<b>12.18</b>
	2011	1.61	1.97	2.90	0.77	7.25
	2011 <sup>1)</sup>	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

<b>Number of shares after buy-backs, million</b>	<b>2012</b>	<b>286.1</b>	<b>286.1</b>	<b>286.1</b>	<b>286.1</b>	<b>286.1</b>
	2011	284.7	284.7	284.7	284.7	284.7
<b>Average number of shares after buy-backs, million</b>	<b>2012</b>	<b>285.4</b>	<b>286.1</b>	<b>286.1</b>	<b>286.1</b>	<b>285.9</b>
	2011	284.7	284.7	284.7	284.7	284.7

## Items affecting comparability

<b>Restructuring provisions, write-downs and capital gains/losses</b>	<b>2012</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>-1,032</b>	<b>-1,032</b>
	2011	—	—	-34	-104	-138

### Net sales, by business area

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

### Operating income, by business area

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

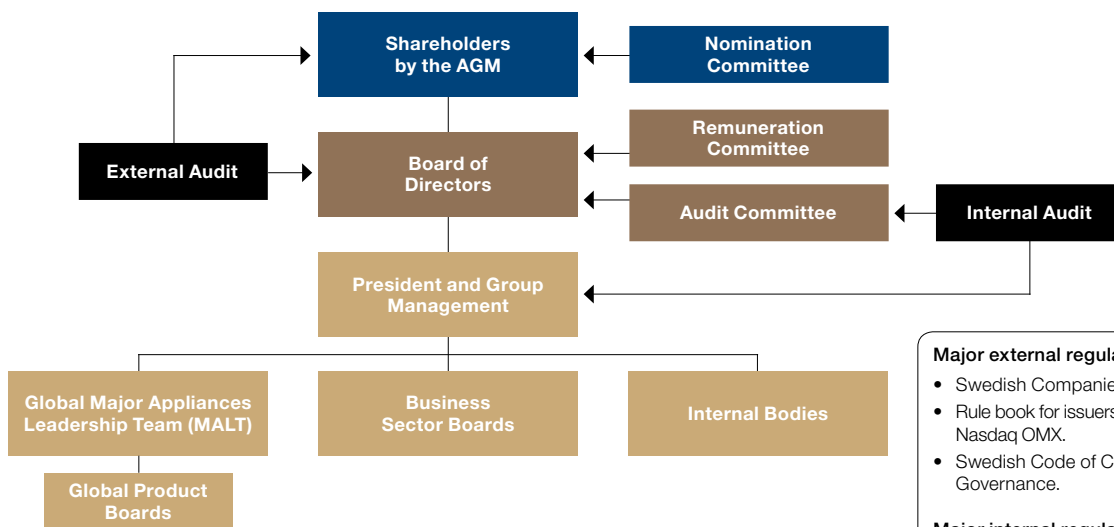
The Electrolux Group is comprised of approximately 157 companies with operations in over 150 countries. The parent company of

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](http://www.sweden.gov.se)
- Nasdaq OMX Stockholm; [www.nasdaqomxnordic.com](http://www.nasdaqomxnordic.com)
- Swedish Code of Corporate Governance and specific features of Swedish corporate governance; [www.corporategovernanceboard.se](http://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 depository 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



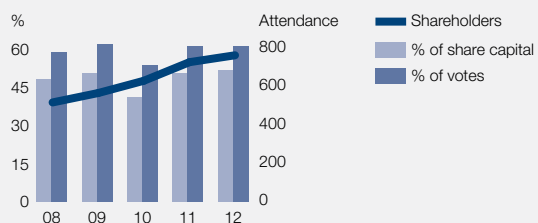
- 51% was owned by Swedish institutions and mutual funds
- 41% by foreign investors
- 8% by Swedish private investors

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

Source: SIS Ågarservice 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](http://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 Sorensen 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](http://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](http://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 necessary.
- 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 Sorensen, 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](mailto: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](http://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](http://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.

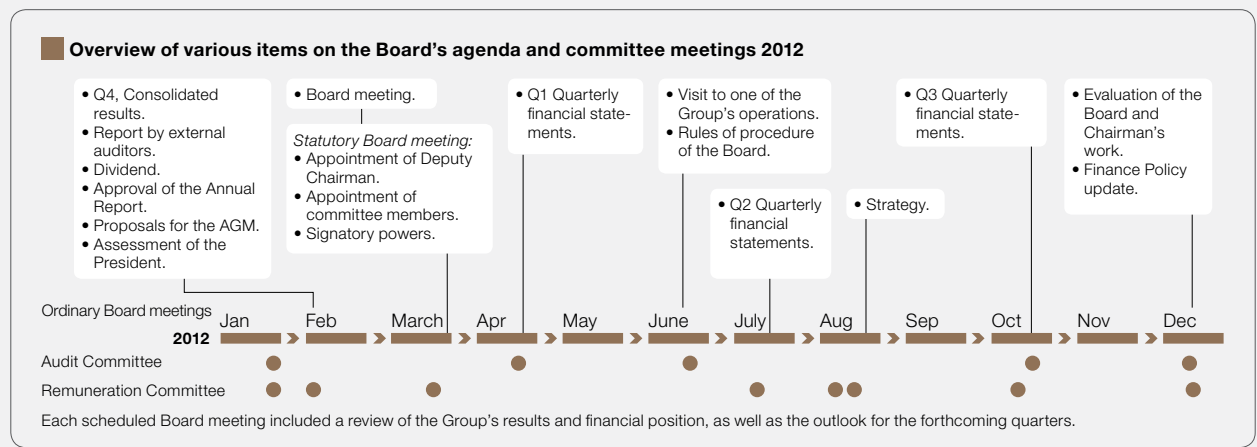
The Board also reviews, primarily through the Group’s Audit Committee, the most important accounting principles applied by the Group in financial reporting, as well as major changes in these principles. The tasks of the Audit Committee also include reviewing reports regarding internal control and financial 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-





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 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 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 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.



**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 Mondelez 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<sup>2)</sup>.

3,000 B-shares.

2,000 B-shares. 1,392 synthetic shares<sup>2)</sup>.

4,000 B-shares. 6,992 synthetic shares<sup>2)</sup>.

90,958 B-shares.

**Independence<sup>3)</sup>**

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 Sorensen 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.

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.

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.

585,000

7/9\*

4/5<sup>1)</sup> ●

2,000 B-shares.

Yes

**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.

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.

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.

500,000

9/9

1,000 B-shares.

1,000 B-shares.

Yes

**Torben Ballegaard Sørensen**

Born 1951. M.B.A. Elected 2007. Chairman of the Electrolux Audit Committee.

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.

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 Aarhus Stiftsbogtrykkerie, 1981–1988.

700,000

9/9

5/5<sup>1)</sup> ●5,000 B-shares.  
2,800 synthetic shares<sup>2)</sup>.

Yes

**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.

Board member of SCA AB, Telenor ASA, Orkla ASA, Fleming Invest AS and related companies.

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.

620,000

9/9

8/8 ●

0 shares.

Yes

**Ola Bertilsson**

Born 1955. Representative of the Swedish Confederation of Trade Unions. Elected 2006.

Board member of SCA AB, Telenor ASA, Orkla ASA, Fleming Invest AS and related companies.

Senior positions within marketing and sales, 1988–1995.

—

9/9

0 shares.

Yes

**Gunilla Brandt**

Born 1953. Representative of the Federation of Salaried Employees in Industry and Services. Elected 2006.

Board member of SCA AB, Telenor ASA, Orkla ASA, Fleming Invest AS and related companies.

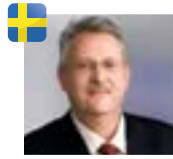
Senior positions within marketing and sales, 1988–1995.

—

9/9

0 shares.

Yes

**Ulf Carlsson**

Born 1958. Representative of the Swedish Confederation of Trade Unions. Elected 2001.

Board member of SCA AB, Telenor ASA, Orkla ASA, Fleming Invest AS and related companies.

Senior positions within marketing and sales, 1988–1995.

—

9/9

0 shares.

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 Irlé**

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](http://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 TellaSonera AB. Holdings in AB Electrolux: 0 shares.

**Björn Irlé  
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**

SEK m	2010	2011	2012
<b>PwC</b>			
Audit fees	46	44	44
Audit-related fees	1	4	1
Tax fees	6	5	4
All other fees	22	6	4
<b>Total fees to PwC</b>	<b>75</b>	<b>59</b>	<b>53</b>
Audit fees to other audit firms	1	–	2
<b>Total fees to auditors</b>	<b>76</b>	<b>59</b>	<b>55</b>

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

**Company Management of Electrolux**

**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](http://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**

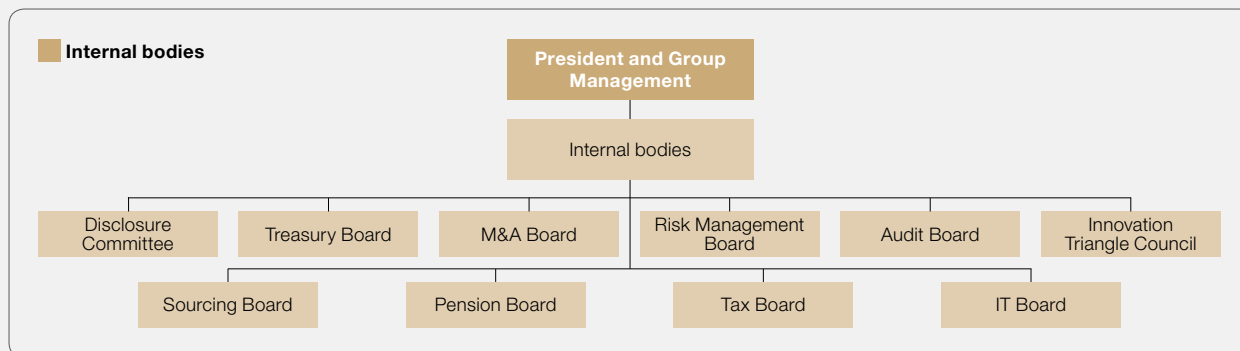
Group Management includes the President, the six sector heads and six group staff heads. The President is appointed by and receives instructions from the Board. The President, in turn, appoints other members of Group Management and is responsible for the ongoing management of the Group in accordance 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](http://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.
- Strengthening 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:

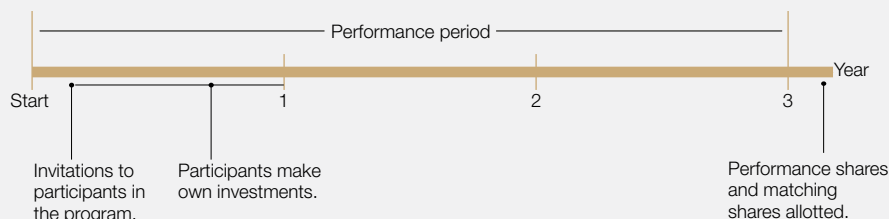
- Fixed compensation.
- Variable compensation.
- Other benefits such as pension and insurance.

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.



**Keith McLoughlin**

President and Chief Executive Officer  
Born 1956. B.S. Eng. In Group Management since 2003.



**Henrik Bergström**

Head of Small Appliances, Executive Vice President  
Born 1972. M. Sc. in Business Administration and Economics. In Group Management since 2010.



**Jan Brockmann**

Chief Technology Officer, Senior Vice President  
Born 1966. M. Sc. in Mechanical Engineering, M.B.A. In Group Management since 2011.



**Tomas Eliasson**

Chief Financial Officer, Senior Vice President  
Born 1962. B. Sc. in Business Administration and Economics. In Group Management since 2012.



**Ruy Hirschheimer**

Head of Major Appliances Latin America, Executive Vice President  
Born 1948. M.B.A. Doctoral Program in Business Administration. In Group Management since 2008.



**MaryKay Kopf**

Chief Marketing Officer, Senior Vice President  
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 Non-wovens, 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<sup>1)</sup>**

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](http://www.electrolux.com/group-management).



**Stefano Marzano**

Chief Design Officer, Senior Vice President  
Born 1950. Doctorate in architecture. In Group Management since 2012.

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 THINK at The Amsterdam School of Creative Leadership, 2011. Various academic positions within design, 1982–2011.

1,565 B-shares

**Gunilla Nordström**

Head of Major Appliances Asia/Pacific, Executive Vice President

Born 1959. M. Sc. In Group Management since 2007.

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.

Board member of Atlas Copco AB and Wärttsilä Corporation.

27,953 B-shares

**Jonas Samuelson**

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.

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.

Board member of Polygon AB.

12,057 B-shares

**Jack Truong**

Head of Major Appliances North America, Executive Vice President

Born 1962. Ph.D. Chem. Eng. In Group Management since 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.

1,417 B-shares

**Cecilia Vieweg**

General Counsel, Senior Vice President  
Born 1955. B. of Law. In Group Management since 1999.

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.

Board member of Vattenfall AB, The Association of Swedish Engineering Industries and member of the Swedish Securities Council.

24,912 B-shares

**Lars Worsøe-Petersen**

Head of Human Resources and Organizational Development, Senior Vice President

Born 1958. M.Econ. In Group Management since 2011.

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.

1,565 B-shares

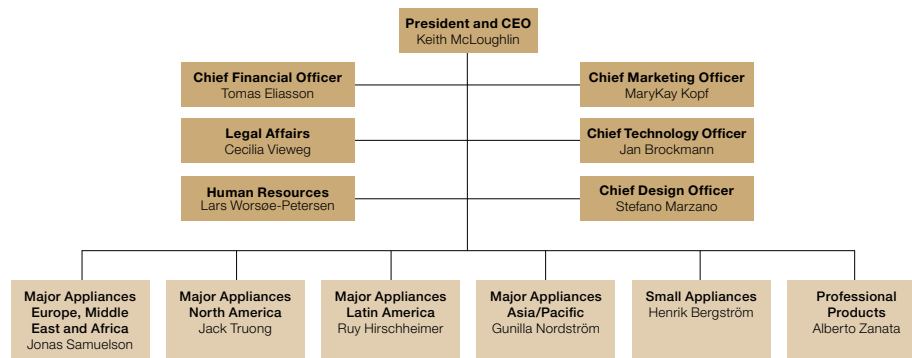
**Alberto Zanata**

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 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.

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.*

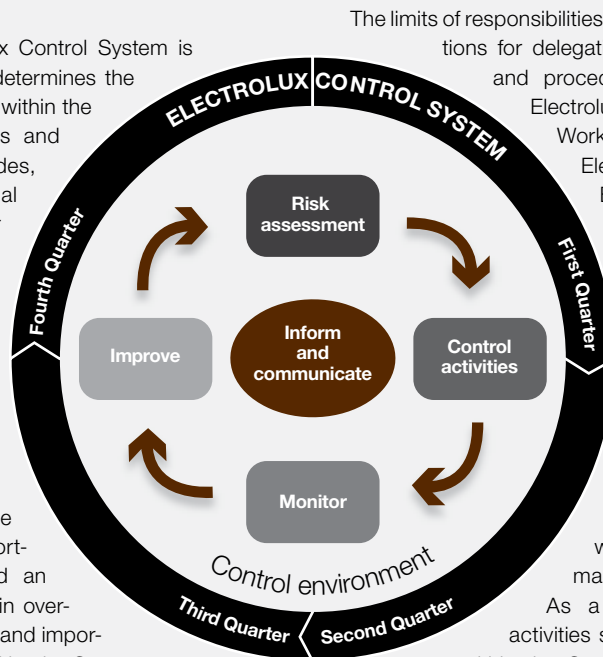


The objective of ECS is to quality assure the internal and external financial reporting.

### 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.

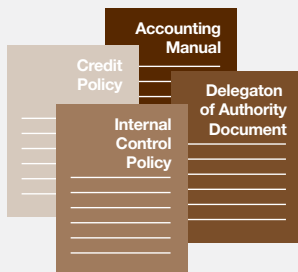


The limits of responsibilities and authorities are given in instructions for delegation of authority, manuals, policies and procedures, and codes, including the Electrolux Code of Ethics, the Electrolux Workplace Code of Conduct, and the Electrolux Policy on Corruption and Bribery, as well as in policies 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
<b>Typically who</b>	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.
<b>Main responsibilities</b>	<ul style="list-style-type: none"> <li>* Monitor and report on the effectiveness of controls.</li> <li>* Identify skilled resources to ensure sustainability.</li> </ul>	<ul style="list-style-type: none"> <li>* Plan, coordinate and monitor the timeliness of the documentation, testing and improvement of controls.</li> <li>* Support the process owners, control operators and management testers.</li> </ul>	<ul style="list-style-type: none"> <li>* Ensure that controls are implemented within the process.</li> <li>* Execute remediation, i.e., improvement activities when controls have been tested and deemed not effective.</li> </ul>	<ul style="list-style-type: none"> <li>* Document control descriptions.</li> <li>* Perform control activities.</li> <li>* Maintain evidence of controls performed.</li> </ul>	<ul style="list-style-type: none"> <li>* Perform testing of controls.</li> <li>* Document and report test results.</li> </ul>

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

### Risk assessment – Example trade receivables



Internal Control and Risk Management – Risks assessed

Closing Routine – Risks assessed

Manage IT – Risks assessed

Order to Cash – Risks assessed

### 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.

<b>Monitor</b>	<p><b>Monitor and improve</b></p> <p>Monitor and test of control activities is performed periodically to ensure that risks are properly mitigated.</p>
<b>Improve</b>	<p>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.</p>

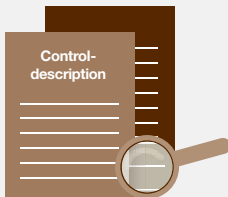

Within the Electrolux Control System, management is responsible for testing key controls. Management testers who are independent of the control operator perform these activities. The Group's Internal Audit function maintains test plans and performs independent testing of selected controls. Testing is 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.

<b>Inform and communicate</b>	<p><b>Inform and communicate</b></p> <p>Inform and communicate within the Electrolux Group regarding risks and controls contributes to ensuring that the right business decisions are made.</p> <p>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.</p>
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<p><b>Test of controls and quality assurance</b></p>  <p>Management testers perform tests of controls in different test phases during the year.</p> <p>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.</p>	<p><b>External reporting</b></p>  <p>The final result after performing the ECS activities is a quality assured internal and external financial reporting.</p>
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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](http://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 Irlé  
*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



# 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.

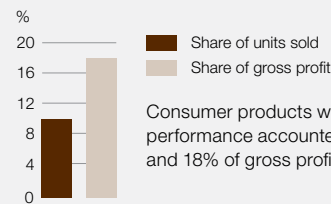
During 2013 the company will continue to refine its product performance monitoring methodology to keep track of product targets, and update its Restricted Materials List (RML).

## 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



## 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](http://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

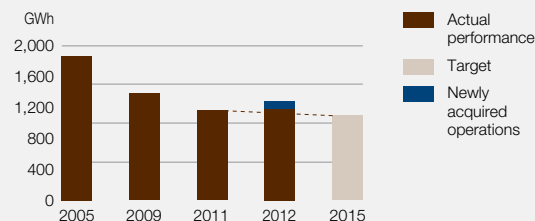
With a Group incident rate (TCIR) of 1.1, almost 70% of factories have achieved below 1.0, considered good performance. The company aims to reduce this by a further 5% in 2013. A '100 days without accident' program was launched to spur positive, safety-focused series of events across the company. To 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.

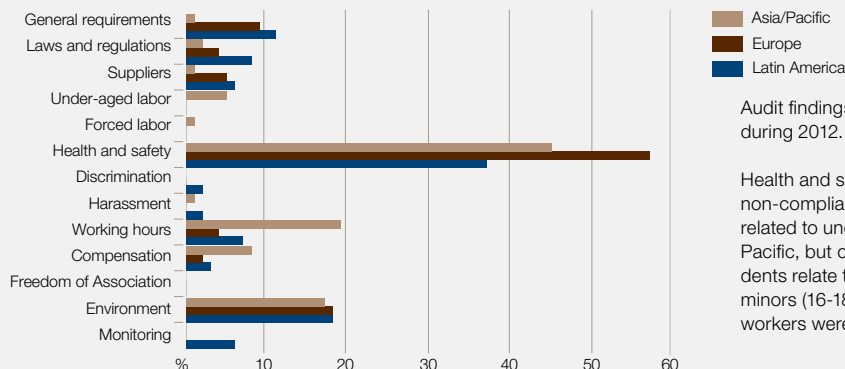
In factories in Schwanden in Switzerland and Mariestad in Sweden – where downsizing is scheduled – agreements for a social plan were signed to mitigate negative consequences for employees. In Revin in France, where washing machines are produced, Electrolux is in dialog with unions, local authorities 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 (UNGPs). 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](http://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](http://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](http://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

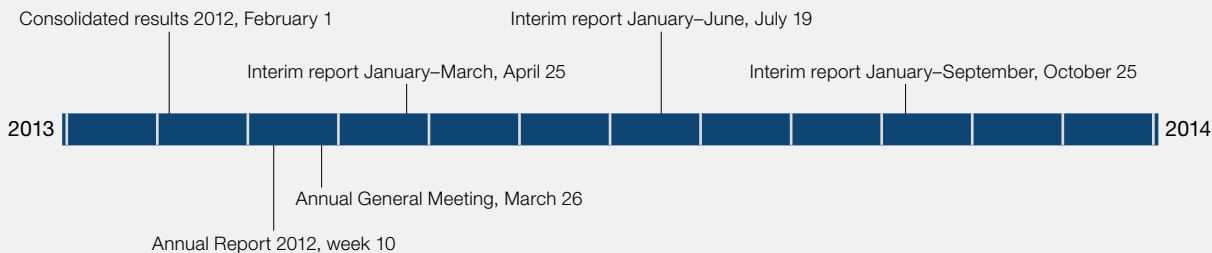
Electrolux annual report is available at [www.electrolux.com/annualreport2012](http://www.electrolux.com/annualreport2012)

Electrolux sustainability reports (GRI) are available at [www.electrolux.com/sustainability](http://www.electrolux.com/sustainability)

Electrolux interim reports are available at [www.electrolux.com/ir](http://www.electrolux.com/ir)



## Financial reports and major events 2013



Electrolux subscription service can be accessed at [www.electrolux.com/subscribe](http://www.electrolux.com/subscribe)



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