

Thinking of you

 **Electrolux**

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Annual report 2009

Part 1 describes Electrolux operations and strategy.

Part 2 consists of the financial review, sustainability report and corporate governance report.



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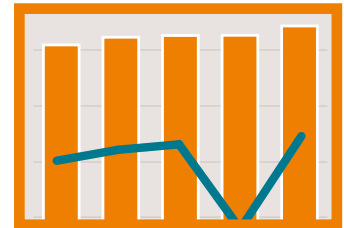
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The result for 2009 is a proof that our strategy to increase the pace of new product offers, invest in marketing and implement efficiencies in our production is working even in an economic downturn. But we still have more to do before we reach our target of an average operating margin of 6% over a business cycle.



CEO comments on the results, page 2.

Operating income increased on the basis of cost savings, higher prices, lower costs for raw materials and an improved mix. Results improved in all regions. Strong cash flow generated by improvements in operating income and working capital.



Report by the Board of Directors, page 5.

For Electrolux, sustainability provides business opportunities. Innovative, energy-lean appliances can contribute to increased market shares. A sustainable approach reduces exposure to non-financial risk and reinforces partnerships with retailers.



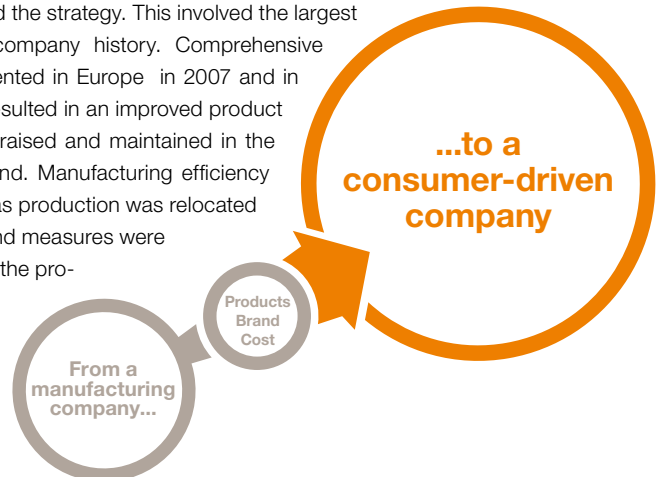
Sustainability matters, page 76.

On right track

Thinking of you
Electrolux

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

Despite deteriorating market conditions in recent years, Electrolux has successfully applied the strategy. This involved the largest product launches in company history. Comprehensive launches were implemented in Europe in 2007 and in the US in 2008. They resulted in an improved product mix. Prices have been raised and maintained in the face of declining demand. Manufacturing efficiency continued to increase, as production was relocated to low-cost countries and measures were implemented to reduce the production-cost structure.



Highlights of 2009

- Net sales amounted to SEK 109,132m (104,792).
- Operating income increased to SEK 3,761m (1,188).
- Net sales declined in comparable currencies due to weak demand in Electrolux main markets.
- Price and mix improvements had a positive impact on sales.
- Cost savings, higher prices, lower costs for raw materials and an improved mix contributed strongly to the improvement in income.
- Results improved in all regions.
- Strong cash flow generated by improvements in operating income and working capital.
- The Board of Directors proposes a dividend for 2009 of SEK 4.00 (0.00) per share.

Key data

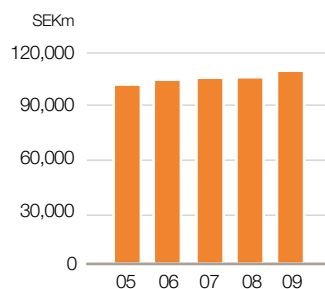
SEKm, EURm, USDm, unless otherwise stated	2009	2008	2009 EURm	2009 USDm
Net sales	109,132	104,792	10,269	14,312
Operating income	3,761	1,188	354	493
Margin, %	3.4	1.1	—	—
Income after financial items	3,484	653	328	457
Income for the period	2,607	366	245	342
Earnings per share, SEK, EUR, USD	9.18	1.29	0.86	1.20
Dividend per share	4.00 ¹⁾	0	—	—
Average number of employees	50,633	55,177	—	—
Net debt/equity ratio	0.04	0.28	—	—
Return on equity, %	14.9	2.4	—	—
Excluding items affecting comparability				
Items affecting comparability	-1,561	-355	—	—
Operating income	5,322	1,543	501	698
Margin, %	4.9	1.5	—	—
Income after financial items	5,045	1,008	475	662
Income for the period	3,851	656	362	505
Earnings per share, SEK	13.56	2.32	1.28	1.78
Return on net assets, %	26.2	7.2	—	—

1) Proposed by the Board of Directors.

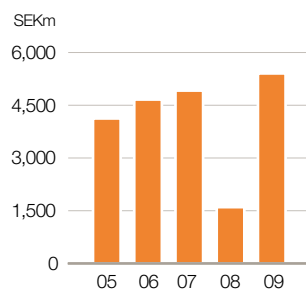
Net sales and employees

Ten largest countries	SEKm	Employees
USA	31,725	9,020
Brazil	11,688	7,636
Germany	7,435	1,984
Australia	5,290	1,605
France	5,119	1,280
Italy	5,044	6,871
Canada	4,379	1,364
Sweden	3,399	2,445
Switzerland	3,266	929
United Kingdom	3,259	459
Other	28,528	17,041
Total	109,132	50,633

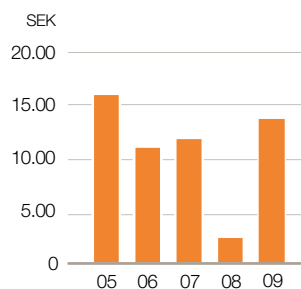
Net sales



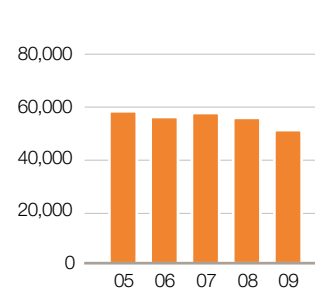
Operating income¹⁾



Earnings per share¹⁾



Number of employees²⁾



1) Excluding items affecting comparability.
2) Average number of employees.



Strong results for 2009 demonstrate our strategy is working

I am presenting a very strong result for the fourth quarter and for the full year 2009, one of the best ever for Electrolux. I am very pleased that all our operations have improved their earnings and maintained their sales at the same time as demand has dramatically declined.

A strong product offering has improved the mix. Stable prices and significant cost reductions have also been key for the improved results. At the same time, cyclically low raw-material prices gave us a tail-wind.

Our results show we have the right strategy. Innovative products, investments in the Electrolux brand and cost efficiencies have paid off. Our strong balance sheet provides us with good growth opportunities.



When Electrolux presented the full-year 2008 report, we had completed a very tough year and expected a continued challenging 2009. We had just taken comprehensive measures to adapt our costs to the weak market demand through decisions to decrease the number of employees. The difficult market was also the reason the AGM decided not to distribute any dividend for 2008 to our shareholders.

Today, one year later, we are presenting a result for 2009 that is one of the best ever for Electrolux. How could we do so well in an environment that can be described as very challenging? The North American market for core appliances declined in 2009 by 8% and the European market declined by 11%, which was worse than we thought one year ago. The North American market has lost a quarter of its size since its peak in 2006 and Europe is down 15% since 2007.

The primary explanation for the strong development in 2009 is that we succeeded in areas that are strategically important for Electrolux: new products, strong brands and cost efficiencies. This confirms how well our strategy is implemented. At the same time, we were helped by some external factors.

“ Notwithstanding a capacity utilization of only 60% compared with a normal above 85%, we have succeeded in delivering an EBIT margin close to 5%. ”

Absolutely most important is the improvement in mix. We sell more advanced and expensive products. Even in the declining market, we have continued to launch and market new products. In North America, we implemented, following a very successful launch of the Electrolux brand in the premium appliances segment, a re-launch of the Frigidaire brand in the mid-price segment. In Europe, we have succeeded in taking market shares within the profitable built-in segment, primarily by strengthening our position in the important German market. Another successful launch is the new UltraOne premium vacuum cleaner, which has clearly contributed to the improvement within our floor-care operations. Our success with another record year in Latin America was due to our product launches and a strong growth in the market in 2009. In the Asia/Pacific region and within the Professional Products sector, we continued to launch products in 2009, which generated an improvement in earnings. This is the fourth consecutive year that Electrolux has improved its mix.

After many years of continuously declining prices, we managed to increase prices in Europe at the beginning of 2009, at the same

“ In 2010, we will further strengthen the Electrolux brand position, which will lead to increased marketing investments. We will continue to develop innovative products that consumers prefer and are willing to pay higher prices for. ”

time as we maintained our price position in the American market. There are many factors, both coincidental and structural, that have contributed to this positive development, but it is fundamentally crucial to have a strong brand to successfully implement price increases.

We have also succeeded in adjusting our cost base to the existing market. Notwithstanding a capacity utilization of only 60% compared with a normal above 85%, we have succeeded in delivering an EBIT margin close to 5%. We have had to make many difficult decisions. However, we are continuing our work to build a competitive manufacturing structure and reduce costs by utilizing our global strength and scope.

After increases in raw-material costs totaling SEK 9 billion from the period 2004 until 2008, our costs decreased by SEK 1 billion in 2009. We see now that prices of many raw materials have begun to rise again, and as the global economy recovers, we anticipate that the costs of our most important raw materials will increase further.

The result for 2009 is a proof that our strategy to increase the pace of new product offers, invest in marketing and implement efficiencies in our production is working even in an economic downturn. In 2010, we will further strengthen the Electrolux brand position, which will lead to increased marketing investments. We will continue to develop innovative products that consumers prefer and are willing to pay higher prices for.

We still have more to do before we reach our target of an average operating margin of 6% over a business cycle, and the very strong cash flow for 2009 has provided us with a balance sheet that gives us opportunities to utilize future business opportunities.

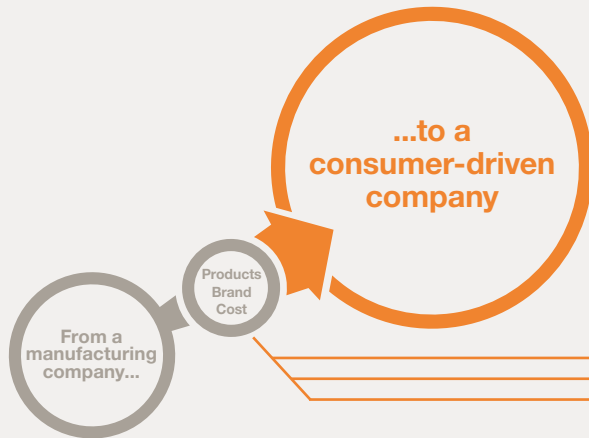
Stockholm, February 3, 2010



Hans Stråberg
President and Chief Executive Officer

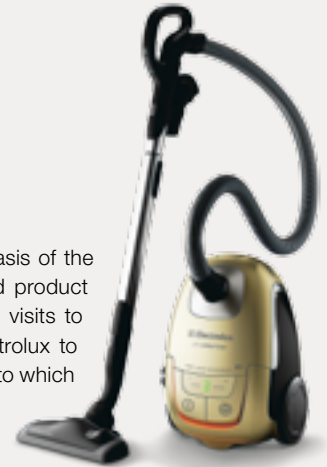
Electrolux strategy

Efforts to transform Electrolux into an innovative, consumer-focused company are paying off. The product offering is being continuously improved. Today, Electrolux is one of the strongest companies in the industry.



Products

All new products are created on the basis of the Group's process for consumer-focused product development. Extensive interviews and visits to consumers' homes have enabled Electrolux to identify global social trends and needs, to which the new products are tailored.



Brand

The Group aims at achieving a significant position in the growing and profitable premium segment. The Electrolux brand is positioned throughout the world as a premium brand that stands for innovative, energy-efficient products with attractive design. The Electrolux brand is now a leader in most major markets.

Cost

The Group's comprehensive restructuring program will soon be completed, which means that Electrolux will have a competitive production structure in which approximately 60% of appliances are manufactured in low-cost countries. All production of vacuum cleaners is already located in such countries. Costs are being continuously reduced by utilizing the Group's global reach and strength.

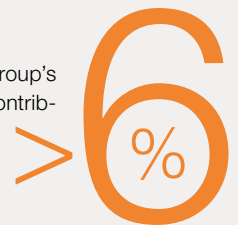
Financial goals

- Operating margin of at least 6% over a business cycle.
- Organic growth of at least 4% annually, on average.
- Capital turnover rate of at least 4.
- Return on capital employed of at least 25%.



Financial goals

Meeting financial goals shall strengthen the Group's leading global position within the industry and contribute to a satisfactory total yield for Electrolux shareholders. The focus is on achieving growth and maintaining profitability.



Next step

On the basis of a strong brand in the premium segment, innovative products and benefits from global economies of scale, Electrolux shall continue to turn around unprofitable product categories and markets.

Report by the Board of Directors for 2009

- Net sales amounted to SEK 109,132m (104,792) and income for the period to SEK 2,607m (366), corresponding to SEK 9.18 (1.29) per share.
- Net sales declined by 5% in comparable currencies, due to weak demand in Electrolux main markets.
- Prices and mix improvements had a positive impact on sales.
- Operating income increased to SEK 3,761m (1,188).
- Cost savings, higher prices, lower costs for raw materials and an improved mix contributed strongly to the improvement in income.
- Results improved in all regions.
- Extra contributions of SEK 3,935m to Group pension funds, resulting in appropriate funding levels and reduced balance-sheet risk exposures to pension commitments.
- Strong cash flow, excluding extra pension contributions, generated by improvements in operating income and working capital.
- The Board of Directors proposes a dividend for 2009 of SEK 4.00 (0.00) per share.

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Key data

SEKm	2009	Change	2008
Net sales	109,132	4.1%	104,792
Operating income	3,761	216.6%	1,188
Margin, %	3.4		1.1
Income after financial items	3,484	433.5%	653
Income for the period	2,607	612.3%	366
Earnings per share, SEK	9.18		1.29
Dividend per share, SEK	4.00 ¹⁾		0
Net debt/equity ratio	0.04		0.28
Return on equity, %	14.9		2.4
Average number of employees	50,633		55,177
Excluding items affecting comparability			
Items affecting comparability	-1,561	1,206	-355
Operating income	5,322	244.9%	1,543
Margin, %	4.9		1.5
Income after financial items	5,045	400.5%	1,008
Income for the period	3,851	487.0%	656
Earnings per share, SEK	13.56		2.32
Return on net assets	26.2		7.2

1) Proposed by the Board of Directors.

Net sales and income

Net sales

Net sales for the Electrolux Group in 2009 amounted to SEK 109,132m, as against SEK 104,792m in the previous year. Sales were adversely impacted by lower volumes, while higher prices and an improved mix had a positive impact. In comparable currencies, net sales declined by 4.8%.

Change in net sales

%	2009
Changes in Group structure	0.0
Changes in exchange rates	8.9
Changes in volume/price/mix	-4.8
Total	4.1

Operating income

Operating income for 2009 increased to SEK 3,761m (1,188), corresponding to 3.4% (1.1) of net sales.

Previous price increases, an improved mix, lower costs for raw materials and cost-efficiency measures contributed to the improvement in income. Operating income in the first quarter of 2009 was negatively impacted by the North American launch in the net amount of SEK -200m. In 2008, non recurring items were charged against operating income in the total amount of approximately SEK 1,945m, see table below.

Impact of cost-reduction measures and non-recurring items in 2008 and the US launch of Electrolux

SEKm, approximately	2009	2008
Cost-reduction measures due to sharp decline in demand in the fourth quarter of 2008	-	-1,045 ¹⁾
Net impact of the Electrolux launch, appliances North America in the first quarter of 2009 and in 2008	-200	-470
Cost-cutting program, appliances Europe	-	-360
Cost for a component problem for dishwashers, appliances Europe	-	-120
Capital gain, real estate, appliances Europe	-	130
Cost for litigation, appliances North America	-	-80
Total	-200	-1,945

1) For additional information, see table on page 9.

Items affecting comparability

In addition to the non-recurring items described above, operating income includes costs for the restructuring program initiated in 2004, see page 8. These costs, amounting to SEK -1,561m (-355), are

- Net sales for 2009 declined by 5% in comparable currencies.
- Sales volumes declined due to weak demand on most of Electrolux main markets.
- Operating income increased to SEK 3,761m (1,188).
- Operating income improved on the basis of cost savings, higher prices, improved mix and lower costs for raw materials.
- Income for the period was SEK 2,607m (366).
- Earnings per share amounted to SEK 9.18 (1.29).

reported as items affecting comparability. Excluding items affecting comparability, operating income amounted to SEK 5,322m (1,543).

Excluding items affecting comparability and the items described in the table above, operating income for 2009 increased by approximately SEK 2,034m, compared to the previous year.

Depreciation and amortization

Depreciation and amortization in 2009 amounted to SEK 3,442m (3,010).

Financial net

Net financial items decreased to SEK -277m (-535). The improvement is mainly due to lower interest rates on borrowings and lower net borrowings.

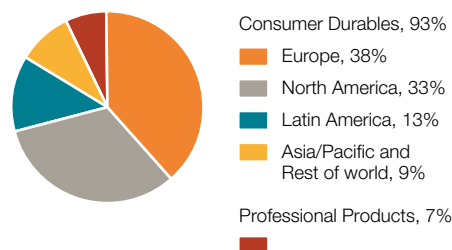
Income after financial items

Income after financial items increased to SEK 3,484m (653), corresponding to 3.2% (0.6) of net sales.

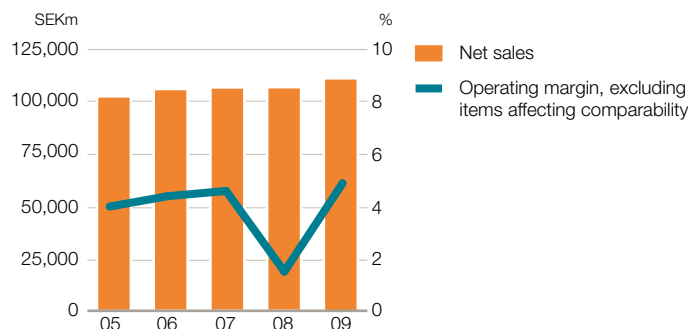
Taxes

Total taxes in 2009 amounted to SEK -877m (-287), corresponding to 25.2% (44.0) of income after financial items. The tax rate for 2009 was positively impacted by reversal of a tax provision following a tax settlement in Europe. The tax rate in 2008 was negatively impacted by the low level of earnings.

Share of sales by business area



Net sales and operating margin



Consolidated income statement

SEKm	Note	2009	2008
Net sales	3,4	109,132	104,792
Cost of goods sold		-86,980	-86,795
Gross operating income		22,152	17,997
Selling expenses		-11,394	-11,788
Administrative expenses		-5,375	-4,839
Other operating income	5	41	218
Other operating expenses	6	-102	-45
Items affecting comparability	3,7	-1,561	-355
Operating income	3,4,8	3,761	1,188
Financial income	9	256	222
Financial expenses	9	-533	-757
Financial items, net		-277	-535
Income after financial items		3,484	653
Taxes	10	-877	-287
Income for the period		2,607	366
Available for sale instruments	11,29	138	-403
Cash flow hedges	11	-112	21
Exchange differences on translation of foreign operations	11	-264	1,589
Income tax related to other comprehensive income		-	-
Other comprehensive income, net of tax		-238	1,207
Total comprehensive income for the period		2,369	1,573
Income for the period attributable to:			
Equity holders of the Parent Company		2,607	366
Non-controlling interests		-	-
Total comprehensive income for the period attributable to:			
Equity holders of the Parent Company		2,369	1,573
Non-controlling interests		-	-
Earnings per share	20		
For income attributable to the equity holders of the Parent Company:			
Basic, SEK		9.18	1.29
Diluted, SEK		9.16	1.29
Average number of shares	20		
Basic, million		284.0	283.1
Diluted, million		284.6	283.2

Income for the period and earnings per share

Income for the period amounted to SEK 2,607m (366), corresponding to SEK 9.18 (1.29) in earnings per share before dilution.

Effects of changes in exchange rates

Changes in exchange rates in comparison with the previous year, including both translation and transaction effects, had an impact of SEK -295m on operating income.

Transaction effects net of hedging contracts amounted to SEK -333m, and referred mainly to the strengthening of the euro and the US dollar against several other currencies. Translation of income statements in subsidiaries had an effect of SEK 38m.

The effect of changes in exchange rates on income after financial items amounted to SEK -278m.

For additional information on effects of changes in exchange rates, see section on foreign exchange risk in Note 2 on page 37.

Share of sales, by currency

	Share of net sales, %	Average exchange rate 2009	Average exchange rate 2008
EUR	30	10.63	9.67
USD	29	7.63	6.59
BRL	8	3.80	3.62
AUD	4	5.98	5.56
CAD	4	6.68	6.21
GBP	4	11.84	12.11
SEK	4	—	—
Other	17	—	—
Total	100	—	—

Value created

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

Total value created in 2009 increased over the previous year to SEK 2,884m (-1,040). The WACC rate for 2009 was 12% (12). The capital-turnover rate was 5.37, as against 4.87 in 2008.

For the definition of value created, see Note 30 on page 69.

Market overview

Some of Electrolux main markets started to show some recovery during the fourth quarter of 2009, although compared to a very weak fourth quarter of 2008. The North American market rose slightly after thirteen consecutive quarters with decline. In the fourth quarter, industry shipments of core appliances in the US increased by 4%. Demand in some markets in Europe, as Germany, France, and Italy showed some stabilization. However, most of Electrolux main markets continued to show a decline although at a lower rate than in previous quarters. The European market has been falling for nine consecutive quarters. Eastern Europe showed a continued downturn in the fourth quarter, declining by 17%. Demand in Western Europe declined by 2% and the total market in Europe by 7%. The market in Brazil continued to increase in the fourth quarter due to temporary tax reductions on domestically-produced appliances.

There are no indications of a strong recovery in any of the Group's main markets, and therefore we only expect a modest improvement from the currently low level of market demand for appliances in 2010.

Structural changes

Electrolux initiated a restructuring program in 2004 to make the Group's production competitive in the long term. When it is fully implemented in 2011, more than half of production of appliances will be located in low-cost countries and savings will amount to approximately SEK 3 billion annually. Restructuring provisions and write-downs are reported as items affecting comparability within operating income.

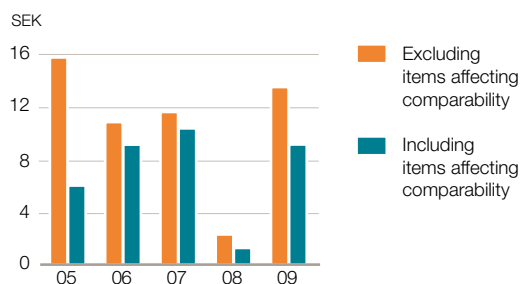
Electrolux introduced throughout 2009 a number of restructuring activities. These activities are described below.

January 2010

Production of cookers in Sweden to be phased out

In 2009, an analysis was performed of a possible phase-out of the cooker production in Motala, Sweden. It was subsequently decided that the Group's production of cookers in Motala will be discontinued. The greater part will be phased out and it is intended that an external part will take over production of large cookers and compact-kitchens. Approximately 240 people are employed at the plant. The cost of the discontinuation is estimated at approximately SEK 90m, which will be charged against operating income, within items affecting comparability in the first quarter of 2010.

Earnings per share



Items affecting comparability

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

1) Deducted from cost of goods sold.

December 2009

North American corporate office operations to be consolidated

To take advantage of synergies, improve coordination and increase efficiencies, it has been decided to consolidate most of the US corporate office operations and support functions into one single location. The new corporate headquarters will be located in Charlotte, North Carolina.

Consolidation will be done gradually and is scheduled to start in the third quarter of 2010. The cost for the consolidation is estimated to SEK 218m, which was charged to operating income in the fourth quarter of 2009, within items affecting comparability.

October 2009

Production of laundry products in North America to be concentrated

Decision has been taken to concentrate production of laundry products in North America to the Group's factory in Juarez, Mexico, while ceasing production at the plant in Webster City and its satellite plant in Jefferson, Iowa. A total of approximately 950 employees will be affected.

Production is expected to be discontinued at the Jefferson plant in the fourth quarter of 2010 and at the Webster City plant in the first quarter of 2011. The cost for the closures is estimated to SEK 560m, which was charged to operating income in the fourth quarter of 2009, within items affecting comparability.

Production at the washing-machine factory in Spain to be discontinued

It has been decided to discontinue production at the washing-machine factory in Alcalà, Spain. A total of approximately 450 employees will be affected.

Production is expected to be discontinued in the first quarter of 2011. The cost for the closure is estimated to SEK 440m, which was charged to operating income in the fourth quarter of 2009, within items affecting comparability.

April 2009

Washing-machine plant in Russia to be closed

Electrolux will close the plant in St. Petersburg, Russia. Production comprises washing machines mainly for the Russian market, with approximately 250 employees.

The closure is scheduled for completion in the second quarter of 2010. The shutdown involves a total cost of SEK 105m, which was taken as a charge against operating income in the first quarter of 2009, within items affecting comparability.

Refrigerator plant in China has been closed

Electrolux discontinued production at the refrigerator plant in Changsha, China, in the first quarter of 2009. The closure of the factory involved a total cost of SEK 162m, which was taken as a charge against operating income in the first quarter of 2009, within items affecting comparability. About 700 employees were affected by the closure. Distribution of appliances is now concentrated to gain a strong position in the premium segment.

March 2009

Higher efficiency at the washing-machine plant in Italy

Electrolux will re-engineer production at the washing-machine plant in Porcia, Italy, in order to increase efficiency and productivity. This involves a cost of SEK 132m, which was taken as a charge against operating income in the first quarter of 2009, within items affecting comparability.

Cost-reduction measures in December 2008

In light of the sharp market decline at the end of 2008, it was decided to reduce the number of employees by more than 3,000. All operations on a global basis were affected.

The costs for these actions, approximately SEK 1 billion, were charged against operating income before items affecting comparability in the fourth quarter of 2008, see table below.

Cost-saving program in the fourth quarter of 2008

SEKm, approximately	Reduction, number of employees	Charge
Consumer Durables, Europe	1,000	800
Consumer Durables, North America	700	45
Consumer Durables, Latin America	500	10
Consumer Durables, Asia/Pacific	630	110
Professional Products	230	40
Group staff	60	40
Total	3,120	1,045

Relocation of production, items affecting comparability, restructuring measures 2007–2011

Plant closures and cutbacks			Closed
Nuremberg	Germany	Dishwashers, washing machines and dryers	(Q1 2007)
Torsvik	Sweden	Compact appliances	(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)

Authorized closures			Estimated closure
St. Petersburg	Russia	Washing machines	(Q2 2010)
Webster City	USA	Washing machines	(Q1 2011)
Alcalà	Spain	Washing machines	(Q1 2011)

Investment			Effected
Porcia	Italy	Washing machines	(Q4 2010)

In 2004, Electrolux initiated a restructuring program to make the Group's production competitive in the long term. When it is fully implemented in 2011, more than half of production of appliances will be located in low-cost countries and savings will amount to approximately SEK 3 billion annually. Restructuring provisions and write-downs are reported as items affecting comparability within operating income. For information on provisions in 2009, see table on page 8.

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, as well as floor-care products. Professional products comprise food-service equipment for hotels, restaurants and institutions, as well as laundry equipment for apartment-house laundry rooms, launderettes, hotels and other professional users.

In 2009, appliances accounted for 85% (85) of sales, professional products for 7% (7) and floor-care products for 8% (8).

Consumer Durables, Europe

SEKm ¹⁾	2009	2008
Net sales	42,300	44,342
Operating income	2,188	-22
Operating margin, %	5.2	0.0
Net assets	7,651	7,448
Return on net assets, %	30.2	-0.2
Capital expenditure	1,187	1,569
Average number of employees	22,154	24,777

1) Excluding items affecting comparability.

Non-recurring items

SEKm	2009	2008
Cost-reduction measures due to sharp decline in demand	-	-800
Cost-cutting program, appliances Europe	-	-360
Cost for a component problem for dishwashers, appliances Europe	-	-120
Capital gain, real estate, appliances Europe	-	130
Total	-	-1,150

Major appliances

Total industry shipments of major appliances in Europe in 2009 declined in volume by 11% over 2008. Shipments declined by 25% in Eastern Europe and by 6% in Western Europe. Demand continued to decline in several of the Group's major markets, including the UK, Spain and the Nordic region. Demand in some markets in Europe showed some stabilization in the fourth quarter. Group sales declined, due to lower volumes.

Operating income was substantially higher in 2009 in comparison with 2008. Factors contributing to the improvement included

- Continued weak demand in Electrolux key markets in Europe and in North America.
- The North American market showed some recovery in the fourth quarter after thirteen quarters of decline. The European market has been falling for nine consecutive quarters. This had an adverse affect on sales volumes.
- Net sales declined by 5% in comparable currencies.
- Sales were adversely impacted by lower volumes, while higher prices and mix improvements had a positive impact.
- Substantial increase in operating income across all regions.
- Cost savings, higher prices, lower costs for raw materials and an improved mix contributed strongly to the improvement in income.
- Average number of employees declined to 50,633 (55,177).

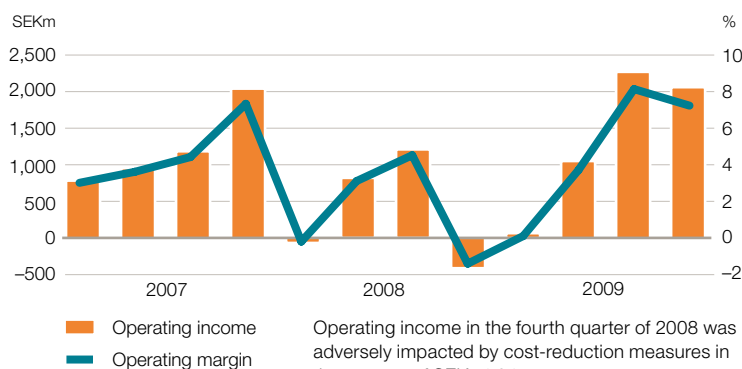
a positive price and mix development and lower costs for raw materials. Personnel cutbacks and other cost-cutting measures during the year also contributed to the improvement in income.

Quelle of Germany, one of the Group's major retailers, went into bankruptcy in the fourth quarter of 2009. This reduced the Group's sales of appliances under private labels. At the same time, Electrolux strengthened its position in the market for built-in products.

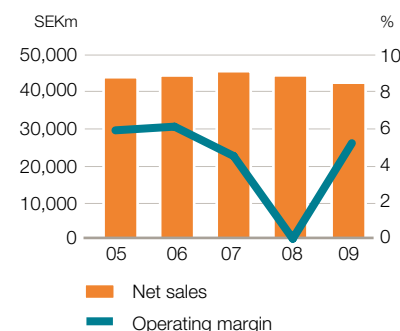
Floor-care products

Demand for vacuum cleaners in Europe in 2009 was lower than in 2008. Group sales declined as a result of lower sales volumes, and operating income was lower. The decline in income was offset to some extent by an improved product mix, lower product costs,

Operating income and margin per quarter for the Group



Consumer Durables, Europe



and cost savings. Launches of premium products as the vacuum cleaner UltraOne contributed to the improvement in product mix.

Consumer Durables, North America

SEKm ¹⁾	2009	2008
Net sales	35,726	32,801
Operating income	1,476	222
Operating margin, %	4.1	0.7
Net assets	7,898	8,333
Return on net assets, %	19.8	3.0
Capital expenditure	470	917
Average number of employees	12,837	14,410

1) Excluding items affecting comparability.

Non-recurring items and launch of Electrolux

SEKm	2009	2008
Cost-reduction measures due to sharp decline in demand	—	-45
Net impact, launch of Electrolux for appliances	-200	-470
Cost for litigation	—	-80
Total	-200	-595

Core appliances

Market demand for core appliances in the US in 2009 declined by 8%. However, demand showed an increase in the fourth quarter of 2009, following thirteen consecutive quarters of decline.

Group sales in comparable currencies were lower in 2009, in comparison with 2008. However, a positive price and mix development provided some compensation for lower sales volumes. Sales volumes were negatively impacted by increased competition within the laundry-product category.

Operating income rose considerably, despite lower volumes. Factors contributing to the improvement in income included a positive price and mix development, higher internal efficiency and lower costs for raw materials. Income was also positively affected by higher productivity at the Group's plants despite lower utilization of capacity.

The re-launch of new products under the Frigidaire brand during the year contributed to mix improvements, as well as the Electrolux brand which increased market share in the kitchen product category.

Floor-care products

Market demand for vacuum cleaners in North America was lower than in the previous year. Group sales increased somewhat as a result of higher volumes, primarily in the low- and mid-range price segments. Operating income and margin were in line with 2008. Income was positively affected by cost-cutting measures and lower product costs.

Consumer Durables, Latin America

SEKm ¹⁾	2009	2008
Net sales	14,165	10,970
Operating income	878	715
Operating margin, %	6.2	6.5
Net assets	3,190	3,565
Return on net assets, %	25.4	23.5
Capital expenditure	311	362
Average number of employees	8,194	7,590

1) Excluding items affecting comparability.

Non-recurring items

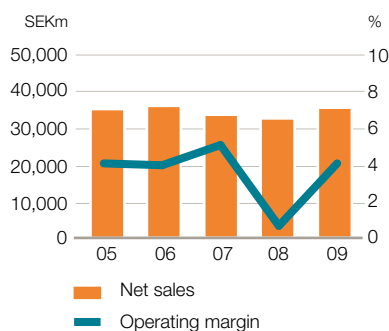
SEKm	2009	2008
Cost-reduction measures due to sharp decline in demand	—	-10
Total	—	-10

Market demand for appliances in Latin America is estimated to have risen in 2009 in comparison with 2008, on the basis of strong growth in Brazil. The increase in Brazil resulted from the Brazilian government's stimulus package, in the form of lower taxes on domestically-produced appliances. Lower interest rates and greater access to credit also contributed to increased consumption. Market demand declined in most of the other Latin American markets.

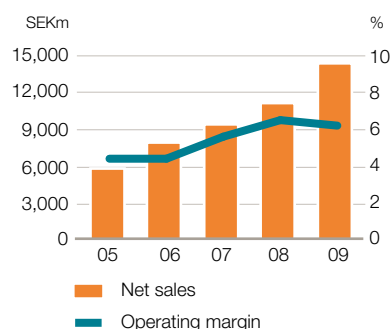
The Group's sales volumes showed a continued increase in 2009 in comparison with 2008. Sales were substantially higher, and the Group captured additional market shares in Brazil. Operating income improved on the basis of positive price and mix development and lower costs for raw materials. Operating margin declined following the weak performance in the first quarter.

Launches of new products during the year contributed to the improvement in the product mix. For the second consecutive year, operating income for the Latin American operation was at a record high.

Consumer Durables, North America



Consumer Durables, Latin America



Consumer Durables, Asia/Pacific and Rest of world

SEKm ¹⁾	2009	2008
Net sales	9,806	9,196
Operating income	619	369
Operating margin, %	6.3	4.0
Net assets	2,082	2,716
Return on net assets, %	26.6	15.5
Capital expenditure	131	185
Average number of employees	3,739	4,465

1) Excluding items affecting comparability.

Non-recurring items

SEKm	2009	2008
Cost-reduction measures due to sharp decline in demand	—	-110
Total	—	-110

Australia and New Zealand

Market demand for appliances in Australia in 2009 is estimated to have been lower than in 2008. Group sales rose on the basis of higher sales volumes and maintained price levels. Operating income showed an improvement as a result of positive development of raw materials and sales prices as well as cost-cutting programs.

Southeast Asia and China

Market demand in Southeast Asia is estimated to have been unchanged in 2009 compared to last year.

Group sales in Southeast Asia showed strong growth in several markets, and the Group captured market shares. The operation in Southeast Asia continued to show good profitability.

The operation in China was positively affected by implemented restructuring measures as well as the repositioning of the Electrolux brand.

Professional Products

SEKm ¹⁾	2009	2008
Net sales	7,129	7,427
Operating income	668	774
Operating margin, %	9.4	10.4
Net assets	1,068	1,327
Return on net assets, %	57.5	63.3
Capital expenditure	107	98
Average number of employees	2,840	3,062

1) Excluding items affecting comparability.

Non-recurring items

SEKm	2009	2008
Cost-reduction measures due to sharp decline in demand	—	-40
Total	—	-40

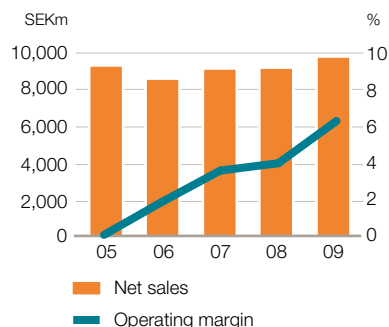
Estimates of market demand for food-service equipment indicate a decline in 2009 in comparison with the previous year.

Group sales of food-service equipment declined as a result of lower sales volumes and operating income deteriorated.

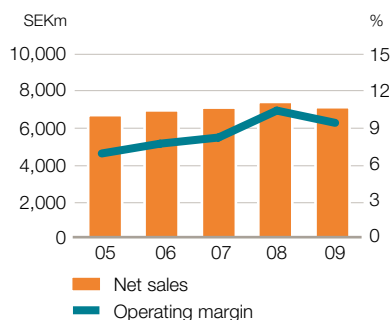
Estimates of market demand for laundry equipment indicate a decline in 2009 in comparison with the previous year.

Group sales of laundry equipment were lower in 2009 in comparison with 2008, as a result of lower sales volumes. Operating income improved, however, on the basis of lower costs for raw materials, favorable exchange rates, price increases and lower costs for production and administration.

Consumer Durables, Asia/Pacific and Rest of world



Professional Products



OPERATIONS, BY BUSINESS AREA

SEKm ¹⁾	2009	2008
Consumer Durables, Europe		
Net sales	42,300	44,342
Operating income	2,188	-22
Margin, %	5.2	0.0
Consumer Durables, North America		
Net sales	35,726	32,801
Operating income	1,476	222
Margin, %	4.1	0.7
Consumer Durables, Latin America		
Net sales	14,165	10,970
Operating income	878	715
Margin, %	6.2	6.5
Consumer Durables, Asia/Pacific and Rest of world		
Net sales	9,806	9,196
Operating income	619	369
Margin, %	6.3	4.0
Professional Products		
Net sales	7,129	7,427
Operating income	668	774
Margin, %	9.4	10.4
Other		
Net sales	6	56
Operating income, common group costs, etc.	-507	-515
Total net sales	109,132	104,792
Operating income	5,322	1,543
Margin, %	4.9	1.5

1) Excluding items affecting comparability.

NET SALES AND OPERATING INCOME 2009 COMPARED TO 2008¹⁾

Change, year-over-year, %	Net sales	Net sales in comparable currencies	Operating income	Operating income in comparable currencies
Consumer Durables				
Europe	-4.6	-10.6	n/a	n/a
North America	8.9	-4.8	564.9	515.0
Latin America	29.1	22.3	22.8	18.3
Asia/Pacific and Rest of world	6.6	-3.0	67.8	58.3
Professional Products				
	-4.0	-11.1	-13.7	-19.9
Total change	4.1	-4.8	244.9	236.7

1) Excluding items affecting comparability.

Financial position

Working capital and net assets

SEKm	Dec. 31, 2009	% of annual- ized net sales	Dec. 31, 2008	% of annual- ized net sales
Inventories	10,050	8.8	12,680	11.0
Trade receivables	20,173	17.7	20,734	17.9
Accounts payable	-16,031	-14.1	-15,681	-13.6
Provisions	-9,447		-13,529	
Prepaid and accrued income and expenses	-7,998		-7,263	
Taxes and other assets and liabilities	-1,901		-2,072	
Working capital	-5,154	-4.5	-5,131	-4.4
Property, plant and equipment	15,315		17,035	
Goodwill	2,274		2,095	
Other non-current assets	5,197		4,602	
Deferred tax assets and liabili- ties	1,874		2,340	
Net assets	19,506	17.1	20,941	18.1
Average net assets	19,411	17.8	20,538	19.6
Return on net assets, %	19.4		5.8	
Return on net assets, excluding items affecting comparability, %	26.2		7.2	
Value creation	2,884		-1,040	

Net assets and working capital

Average net assets for the period amounted to SEK 19,411m (20,538). Net assets as of December 31, 2009, amounted to SEK 19,506m (20,941).

Adjusted for items affecting comparability, i.e., restructuring provisions, average net assets declined to SEK 20,320m (21,529), corresponding to 18.6% (20.5) of net sales.

Working capital as of December 31, 2009, amounted to SEK -5,154m (-5,131), corresponding to -4.5% (-4.4) of annualized net sales.

The return on net assets was 19.4% (5.8), and 26.2% (7.2), excluding items affecting comparability.

Net borrowings

Net borrowings amounted to SEK 665m (4,556). The net debt/equity ratio was 0.04 (0.28). The equity/assets ratio was 31.8% (25.6).

- Extra contributions of SEK 3,935m to Group pension funds.
- Equity/assets ratio was 31.8% (25.6).
- Return on equity was 14.9% (2.4).
- Average net assets, excluding items affecting comparability, declined to SEK 20,320m (21,529).

During 2009, SEK 1,040m of the long-term borrowings matured and SEK 1,639m of new long-term borrowings were raised. Long-term borrowings as of December 31, 2009, including long-term borrowings with maturities within 12 months, amounted to SEK 11,153m with average maturities of 3.9 years, compared to SEK 10,967m and 4.7 years by the end of 2008. A significant portion of long-term borrowings is raised in the Euro and Swedish bond markets.

During 2010 and 2011, long-term borrowings in the amount of SEK 2,244m will mature. Liquid funds as of December 31, 2009, excluding a committed unused revolving credit facility of EUR 500m, amounted to SEK 13,357m.

The provisions for post-employment benefits as of December 31, 2009, decreased to SEK 2,168m (6,864), mainly as a result of extra contributions by SEK 3,935m to pension funds in December, see page 18 and 19.

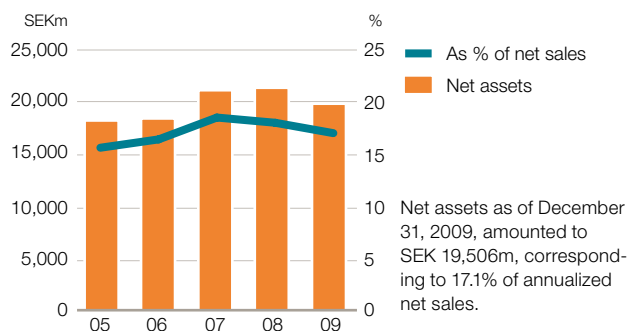
Net borrowings

SEKm	Dec. 31, 2009	Dec. 31, 2008
Borrowings	14,022	13,946
Liquid funds	13,357	9,390
Net borrowings	665	4,556
Net debt/equity ratio	0.04	0.28
Equity	18,841	16,385
Equity per share, SEK	66.24	57.78
Return on equity, %	14.9	2.4
Return on equity, excluding items affecting comparability, %	22.0	4.2
Equity/assets ratio, %	31.8	25.6

Change in net assets

SEKm	Net assets
January 1, 2009	20,941
Change in restructuring provisions	-683
Write-down of assets	-692
Changes in exchange rates	198
Capital expenditure	2,223
Depreciation	-3,442
Changes in working capital, etc.	961
December 31, 2009	19,506

Net assets



Consolidated balance sheet

SEKm	Note	December 31, 2009	December 31, 2008
ASSETS			
Non-current assets			
Property, plant and equipment	12	15,315	17,035
Goodwill	13	2,274	2,095
Other intangible assets	13	2,999	2,823
Investments in associates	29	19	27
Deferred tax assets	10	2,693	3,180
Financial assets	18	434	280
Other non-current assets	14	1,745	1,472
Total non-current assets		25,479	26,912
Current assets			
Inventories	15	10,050	12,680
Trade receivables	17,18	20,173	20,734
Tax assets		1,103	511
Derivatives	18	377	1,425
Other current assets	16	2,947	3,460
Short-term investments	18	3,030	296
Cash and cash equivalents	18	9,537	7,305
Total current assets		47,217	46,411
Total assets		72,696	73,323
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Parent Company			
Share capital	20	1,545	1,545
Other paid-in capital		2,905	2,905
Other reserves		1,814	2,052
Retained earnings		12,577	9,883
		18,841	16,385
Non-controlling interests		–	–
Total equity		18,841	16,385
Non-current liabilities			
Long-term borrowings	18	10,241	9,963
Deferred tax liabilities	10	819	840
Provisions for post-employment benefits	22	2,168	6,864
Other provisions	23	5,449	4,175
Total non-current liabilities		18,677	21,842
Current liabilities			
Accounts payable	18	16,031	15,681
Tax liabilities		2,367	2,329
Other liabilities	24	11,235	10,644
Short-term borrowings	18	3,364	3,168
Derivatives	18	351	784
Other provisions	23	1,830	2,490
Total current liabilities		35,178	35,096
Total liabilities		53,855	56,938
Total equity and liabilities		72,696	73,323
Pledged assets	19	107	120
Contingent liabilities	25	1,185	1,293

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 1.0 year (0.5 year).

At year-end, the average interest rate for the Group's total interest-bearing borrowings was 2.6% (5.0).

Liquid funds

Liquid funds at year-end amounted to SEK 13,357m (9,390). Liquid funds including a revolving credit facility of EUR 500m corresponded to 16.2% (12.9) of annualized net sales.

Liquidity profile

SEKm	Dec. 31, 2009	Dec. 31, 2008
Liquid funds	13,357	9,390
% of annualized net sales ¹⁾	16.2	12.9
Net liquidity	9,576	5,407
Fixed interest term, days	100	22
Effective annual yield, %	2.1	4.5

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

For additional information on the liquidity profile, see Note 18 on page 47.

Rating

Electrolux has investment-grade ratings from Standard & Poor's.

Rating

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

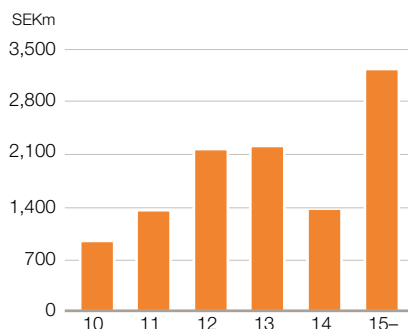
Net debt/equity and equity/assets ratios

The net debt/equity ratio improved to 0.04 (0.28). The equity/assets ratio increased to 31.8% (25.6).

Equity and return on equity

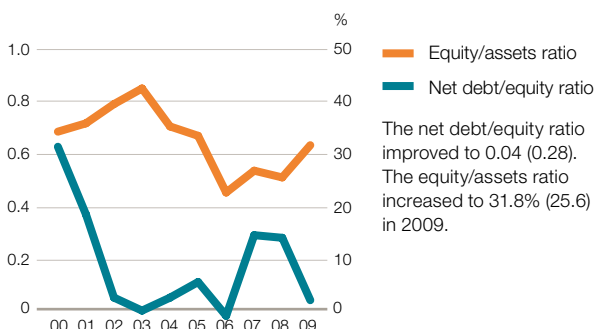
Group equity as of December 31, 2009, amounted to SEK 18,841m (16,385), which corresponds to SEK 66.24 (57.78) per share. Return on equity was 14.9% (2.4). Excluding items affecting comparability, return on equity was 22.0% (4.2).

Long-term borrowings, by maturity



During 2010 and 2011 long-term borrowings in the amount of SEK 2,244m will mature. For Information on borrowings, see Note 18 on page 47.

Net debt/equity ratio



The net debt/equity ratio improved to 0.04 (0.28). The equity/assets ratio increased to 31.8% (25.6) in 2009.

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		
Opening balance, January 1, 2008	1,545	2,905	844	10,745	16,039	1	16,040
Income for the period	—	—	—	366	366	—	366
Available for sale instruments	—	—	-403	—	-403	—	-403
Cash flow hedges	—	—	21	—	21	—	21
Exchange differences on translation of foreign operations	—	—	1,590	—	1,590	-1	1,589
Income tax relating to other comprehensive income	—	—	—	—	—	—	—
Other comprehensive income, net of tax	—	—	1,208	—	1,208	-1	1,207
Total comprehensive income for the period	—	—	1,208	366	1,574	-1	1,573
Share-based payment	—	—	—	-41	-41	—	-41
Sale of shares	—	—	—	17	17	—	17
Dividend SEK 4.25 per share	—	—	—	-1,204	-1,204	—	-1,204
Total transactions with equity holders	—	—	—	-1,228	-1,228	—	-1,228
Closing balance, December 31, 2008	1,545	2,905	2,052	9,883	16,385	—	16,385
Income for the period	—	—	—	2,607	2,607	—	2,607
Available for sale instruments	—	—	138	—	138	—	138
Cash flow hedges	—	—	-112	—	-112	—	-112
Exchange differences on translation of foreign operations	—	—	-264	—	-264	—	-264
Income tax relating to other comprehensive income	—	—	—	—	—	—	—
Other comprehensive income, net of tax	—	—	-238	—	-238	—	-238
Total comprehensive income for the period	—	—	-238	2,607	2,369	—	2,369
Share-based payment	—	—	—	18	18	—	18
Sale of shares	—	—	—	69	69	—	69
Total transactions with equity holders	—	—	—	87	87	—	87
Closing balance, December 31, 2009	1,545	2,905	1,814	12,577	18,841	—	18,841

For additional information about share capital, number of shares and earnings per share, see Note 20 on page 54.

Cash flow

Operating cash flow

Cash flow from operations and investments in 2009 showed a strong improvement amounting to SEK 5,330m (1,194). Exclusive of extra contribution to pension funds, cash flow amounted to SEK 9,265m.

In the fourth quarter, SEK 3,935m was paid to the Group's pension funds. This included payments to pension funds in Germany, the US and the UK. The payments have reduced the Group's pension net debt, limited risk exposure and volatility in pension liabilities.

The strong cash flow was generated by the improvement in income from operations and by changes in operating assets and liabilities. The Group's ongoing structural efforts to reduce tied-up capital contributed to the strong cash flow in 2009. Inventory levels declined steadily during the year. The Group's inventories, trade receivables and accounts payable developed favorably in relation to net sales, see table on page 14.

Outlays for the ongoing restructuring and cost-cutting programs amounted to approximately SEK 1,130m.

Capital expenditure, by business area

SEKm	2009	2008
Consumer Durables		
Europe	1,187	1,569
% of net sales	2.8	3.5
North America	470	917
% of net sales	1.3	2.8
Latin America	311	362
% of net sales	2.2	3.3
Asia/Pacific and Rest of world	131	185
% of net sales	1.3	2.0
Professional Products		
	107	98
% of net sales	1.5	1.3
Other	17	27
Total	2,223	3,158
% of net sales	2.0	3.0

- Extra payments of SEK 3,935m to Group pension funds reduced balance-sheet risk exposure to pension commitments.
- Strong cash flow, excluding extra contributions to pension funds, generated by improvements in operating income and working capital.
- Ongoing structural efforts to reduce tied-up capital contributed to the strong cash flow.
- Capital expenditure declined to SEK 2,223m, as against SEK 3,158m in 2008.
- R&D costs decreased to 1.8% (2.0) of net sales.

Capital expenditure

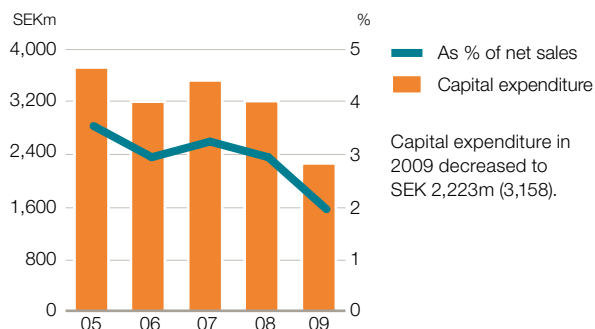
Capital expenditure in property, plant and equipment in 2009 decreased to SEK 2,223m (3,158). Capital expenditure corresponded to 2.0% (3.0) of net sales. Investments during 2009 referred mainly to manufacturing systems for new products, and to reinvestment. In 2008, investments included new plants in connection with relocation of production. In 2008, production started at the new plant for front-loaded washing machines in Juarez, Mexico.

Costs for R&D

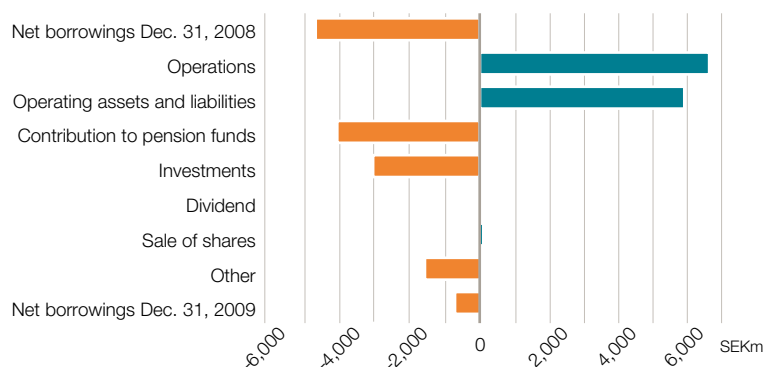
Costs for research and development in 2009, including capitalization of SEK 370m (544), amounted to SEK 1,991m (2,092), corresponding to 1.8% (2.0) of net sales. R&D projects during the year mainly referred to development of new products and design projects within appliances in Europe, North America and Latin America as well as within floor-care operations.

For definitions, see Note 30 on page 69.

Capital expenditure



Cash flow and change in net borrowings



Consolidated cash flow statement

SEKm	Note	2009	2008
Operations			
Operating income		3,761	1,188
Depreciation and amortization		3,442	3,010
Capital gain/loss included in operating income		—	-198
Restructuring provisions		434	1,134
Share-based compensation		18	-41
Financial items paid, net		-348	-729
Taxes paid		-929	-918
Cash flow from operations, excluding change in operating assets and liabilities		6,378	3,446
Change in operating assets and liabilities			
Change in inventories		2,276	923
Change in trade receivables		1,209	1,869
Change in other current assets		487	-178
Change in accounts payable		628	-686
Extra contributions to pension funds		-3,935	—
Change in operating liabilities and provisions		1,254	-425
Cash flow from change in operating assets and liabilities		1,919	1,503
Cash flow from operations		8,297	4,949
Investments			
Divestment of operations	26	4	-34
Capital expenditure in property, plant and equipment	12	-2,223	-3,158
Capitalization of product development	13	-370	-544
Other		-378	-19
Cash flow from investments		-2,967	-3,755
Cash flow from operations and investments		5,330	1,194
Financing			
Change in short-term investments		-2,734	-128
Change in short-term borrowings		-1,131	-681
New long-term borrowings	18	1,639	5,289
Amortization of long-term borrowings	18	-1,040	-2,923
Dividend		—	-1,204
Sale of shares		69	17
Cash flow from financing		-3,197	370
Total cash flow		2,133	1,564
Cash and cash equivalents at beginning of period		7,305	5,546
Exchange-rate differences referring to cash and cash equivalents		99	195
Cash and cash equivalents at end of period		9,537	7,305

Share capital and ownership

Share capital and ownership structure

As of February 1, 2010, the share capital of AB Electrolux amounted to SEK 1,545m, corresponding to 308,920,308 shares. The share capital of Electrolux consists of A-shares and B-shares. An A-share entitles the holder to one vote and a B-share to one-tenth of a vote. All shares entitle the holder to the same proportion of assets and earnings and carry equal rights in terms of dividends. 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 A-shares have the right to have such shares converted to B-shares. The purpose of the conversion clause is to give holders of A-shares an opportunity to achieve an improved liquidity in their shareholdings. Conversion reduces the total number of votes in the company. In January 2010, at the request of shareholders, 439,150 A-shares were converted to B-shares. The total number of votes thereafter amounts to 39,048,843 and the total number of shares to 308,920,308 shares, of which 9,063,125 are A-shares and 299,857,183 are B-shares.

According to the register of Euroclear Sweden, there were approximately 52,000 shareholders in AB Electrolux as of December 31, 2009. Investor AB is the largest shareholder, owning 12.7% of the

Major shareholders

	Share capital, %	Voting rights, %
Investor AB	12.7	28.8
BlackRock Funds	5.5	4.3
AllianceBernstein	5.2	4.1
Swedbank Robur Funds	3.7	2.9
Alecta Pension Insurance	3.3	3.8
AMF Insurance & Funds	1.9	1.5
SHB Funds	1.8	1.4
Second Swedish National Pension Fund	1.5	1.1
Government of Norway	1.5	1.1
Fourth Swedish National Pension Fund	1.3	1.0
Total, ten largest shareholders	38.4	50.1
Board of Directors and Group Management, collectively	0.09	0.07

Source: SIS Ägarservice as of December 31, 2009, and Electrolux.

share capital and 28.8% of the voting rights. Information on the shareholder structure is updated quarterly at www.electrolux.com

The Group's pension fund owned 450,000 B-shares in AB Electrolux as of February 1, 2010.

Electrolux will be delisted from the LSE

Electrolux has applied for delisting from the London Stock Exchange (LSE). The Electrolux B-share has been listed on the LSE since 1928.

The LSE listing has been a part of a strategy to increase international ownership in Electrolux. However, this listing is no longer deemed necessary due to the deregulation of international capital markets and the increased foreign ownership of shares on the Nasdaq OMX Stockholm.

In recent years, trading of Electrolux shares on the LSE has been limited. The delisting will become effective during the first quarter of 2010.

Electrolux has also exited its other international listings in recent years, including those of Paris, Zurich and Geneva as well as New York's Nasdaq.

Articles of Association

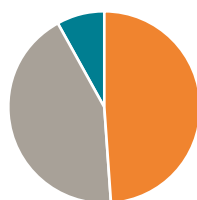
AB Electrolux Articles of Association stipulate that the AGM shall always resolve on the appointment of the members of the Board of Directors. Apart from that, the articles do not include any provisions for appointing or dismissing members of the Board of Directors or for changing the articles.

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

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

Part of the Group's long-term financing is subject to conditions which stipulate that a lender 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



- Swedish institutions and mutual funds, 49%
- Foreign investors, 43%
- Private Swedish investors, 8%

At year-end, about 43% of the total share-capital was owned by foreign investors.

Source: SIS Ägarservice as of December 31, 2009.

Distribution of shareholdings

Shareholding	Ownership, %	Number of shareholders	As % of shareholders
1-1,000	3.6	46,012	88.5
1,001-10,000	4.4	5,135	9.9
10,001-20,000	3.3	232	0.4
20,001-	88.7	607	1.2
Total	100	51,986	100

Source: SIS Ägarservice as of December 31, 2009.

Distribution of funds to shareholders

Proposed dividend

The Board of Directors proposes a dividend for 2009 of SEK 4.00 (0) per share, for a total dividend payment of SEK 1,138m (0). The proposed dividend corresponds to 30% of income for the period, excluding items affecting comparability. Tuesday, April 6, 2010, 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 also has a long tradition of high total distribution to shareholders that includes repurchase and redemptions of shares as well as dividends.

No dividend was paid for 2008, as a consequence of the low income for the period, the sharp decline in demand and the great uncertainty on the development of the market for 2009.

Repurchase and transfer of shares

Electrolux has during several years, on the basis of authorizations by the Annual General Meetings (AGM), acquired and transferred own shares, see graph below. The purpose of the repurchase programs has been to adapt the Group's capital structure, thus contributing to increased shareholder value. The mandate has enabled Electrolux to purchase up to 10% of the total number of outstanding shares.

In accordance with the proposal by the Board of Directors, the AGM 2009 decided to authorize the Board to transfer own shares on the account of company acquisitions during the period up until the AGM in 2010. The Board of Directors did not request any mandate from the AGM to repurchase additional shares in the company.

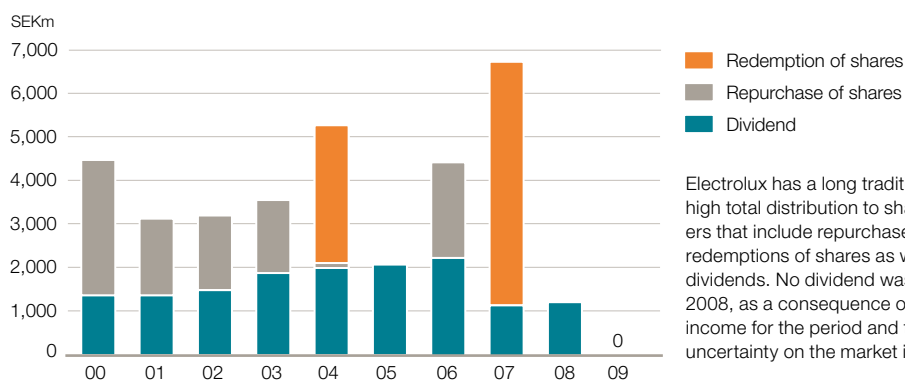
The AGM also authorized transfers of up to 3,000,000 repurchased B-shares to cover costs that may arise as a result of the previous employee stock-option programs for 2002-2003 and the Electrolux Performance Share Program 2007.

As of December 31, 2009, Electrolux held 24,498,841 B-shares, corresponding to 7.9% of the total number of outstanding shares, see table below. There has been no change as of February 1, 2010.

Number of shares

	Outstanding A-shares	Outstanding B-shares	Shares held by Electrolux	Shares held by other shareholders
Number of shares as of January 1, 2009	9,502,275	299,418,033	25,338,804	283,581,504
Shares sold under the terms of the employee stock option programs	—	—	-839,963	839,963
Shares allotted under the Performance Share Program	—	—	—	—
Total number of shares as of December 31, 2009	9,502,275	299,418,033	24,498,841	284,421,467
As % of total number of shares			7.9	

Total distribution to shareholders



Electrolux has a long tradition of high total distribution to shareholders that include repurchases and redemptions of shares as well as dividends. No dividend was paid for 2008, as a consequence of the low income for the period and the uncertainty on the market in 2009.

Risks and uncertainty factors

The turbulence in financial markets and the downturn in the business cycle during 2008 and 2009 have emphasized the importance of limiting and controlling risks.

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. The global economic trend is an uncertainty factor in terms of the development of earnings in 2010.

Price competition

A number of the markets in which Electrolux operates features strong price competition. 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. 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.

Access to financing

The Group's loan-maturity profile for 2010 and 2011 represents maturities of approximately SEK 2,200m in long-term borrowings.

Electrolux has an unused revolving credit facility for long- or short-term back-up.

Risks, risk management and risk exposure are described in more detail in:

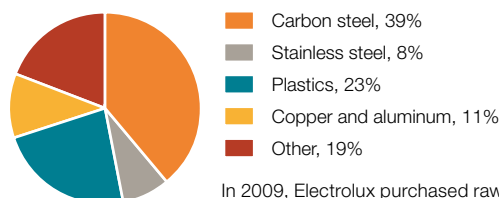
- Note 1 Accounting principles on page 29.
- Note 2 Financial risk management on page 37.
- Note 18 Financial instruments on page 47.

Sensitivity analysis

Risk	Change		Pre-tax earnings impact, SEKm
Raw materials			
Steel	10%	+/-	900
Plastics	10%	+/-	400
Currencies¹⁾ and interest rates			
EUR/SEK	-10%	+	529
USD/SEK	-10%	+	385
BRL/SEK	-10%	-	254
AUD/SEK	-10%	-	246
GBP/SEK	-10%	-	224
Interest rate	1 percentage point	+/-	60

1) Includes translation and transaction effects.

Raw materials exposure



In 2009, Electrolux purchased raw materials for approximately SEK 19 billion. Purchases of steel accounted for the largest cost.

Employees

People Vision

The Electrolux People Vision is to have an innovative culture with diverse, outstanding employees that drive changes and go beyond in delivering on the Group's strategy and performance objectives. The Electrolux culture features diversity and innovation. Development of innovative products is a vital part of it. Diversity is a prerequisite for Electrolux ability to compete in a global market. Personnel with diverse backgrounds create greater understanding of consumer need in different countries.

Electrolux has a number of tools that contribute to the realization of the People Vision, including leadership development programs at all levels of management, the Talent Management program, succession planning, the internal Open Labor Market (OLM), and the web-based Employee Attitude Survey (EAS).

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.

Number of employees

The average number of employees in 2009 was 50,633 (55,177), of whom 2,445 (2,865) were in Sweden. At year-end, the total number of employees was 51,750 (52,034).

Salaries and remuneration in 2009 amounted to SEK 13,162m (12,662), of which SEK 973m (1,061) refers to Sweden.

Proposal for remuneration guidelines for Group Management

The Board of Directors will propose the following guidelines for remuneration and other terms of employment for the President and CEO and other members of Group Management of Electrolux to the Annual General Meeting (AGM) 2010. The proposed guidelines for 2010 are essentially in accordance with the guidelines which were approved by the AGM in 2009.

The principles shall be applied for employment agreements entered into after the AGM in 2010 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. 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 on page 61.

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

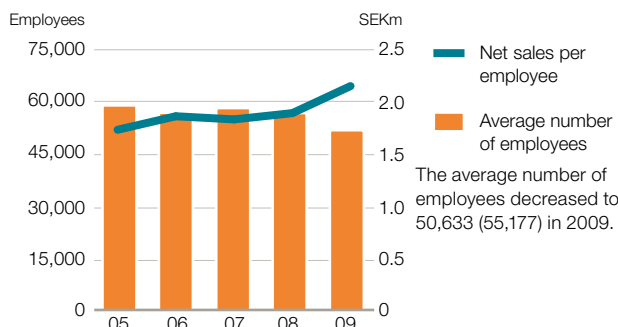
The targets shall principally relate to financial performance, for shorter (up to 1 year) or longer (3 years or longer) periods.

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.

Number of employees

Average number of employees in 2008	55,177
Number of employees in divested operations	0
Restructuring programs	-3,702
Other changes	-842
Average number of employees in 2009	50,633

Employees



Short Term Incentive (STI)

Group Management members shall participate in a STI plan under which they may receive variable compensation. The main objectives in the STI shall be on financial targets. 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 size and may amount up to a maximum of 100% of ABS. Reflecting market norms, the STI entitlement for Group Management members in the USA is 150% of ABS if the maximum performance level is reached. At midpoint they are entitled to payment up to 100% of ABS. For the President and CEO, the maximum STI entitlement amounts to 110% of ABS; at midpoint the STI is calculated at 70% of ABS.

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 AGM. 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 on page 61.

Proposal for performance-based long-term share program 2010

The Board of Directors will present a proposal to the AGM in 2010 for a performance-based long-term share program in 2010. The proposed program will include performance targets for average annual growth in earnings per share (EPS). The proposed program will include up to 160 senior managers and key employees, making participation conditional upon the saving of money in 2010 by the participants to acquire Electrolux B-shares. In addition to providing performance based shares, the 2010 program will also provide free matching shares, provided the participant is still employed on the last day of the performance period and also still has full ownership of the shares acquired in connection with the participation. For each share owned, the participant will receive one free share in 2013.

Details of the program will be included in the information for the AGM 2010.

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.

Insurable 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

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 where 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

Keith McLoughlin new Chief Operations Officer Major Appliances

Keith McLoughlin was appointed Chief Operations Officer Major Appliances in July 2009. Keith McLoughlin is responsible for a new global organization for R&D, purchasing and manufacturing with the objective of taking full advantage of the Group's global reach and economies of scale. Keith McLoughlin is a member of Group Management and reports to the President and CEO Hans Stråberg. Previously, Keith McLoughlin was head of Electrolux Major Appliances North America.

Kevin Scott new head of Major Appliances North America

Kevin Scott was appointed new head of Major Appliances North America in July 2009. He succeeded Keith McLoughlin, who has a new appointment as head of global operations for major appliances, see above. Kevin Scott is a member of Group Management and reports to the President and CEO Hans Stråberg. Previously, Kevin Scott held various management positions within Electrolux Major Appliances North America. Prior to joining Electrolux, Mr Scott held senior positions with DuPont and Pepsi.

Alberto Zanata new head of Professional Products

Alberto Zanata was appointed new head of Electrolux Professional Products in June 2009. He succeeded Dr. Detlef Münchow, who has left the Group. Alberto Zanata is a member of Group Management and reports to the President and CEO Hans Stråberg. Previously, Mr Zanata has held various management positions within Electrolux operations for professional products.

Asbestos litigation in the US

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

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

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

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

Environmental activities

In 2009, Electrolux operated 51 manufacturing facilities in 17 countries. Manufacturing comprises mainly assembly of components made by suppliers. Other processes include metalworking, molding of plastics, painting and enameling.

Chemicals such as lubricants and cleaning fluids are used as process aids. Chemicals used in Group products include insulation materials, paint and enamel. Production processes generate an environmental impact in the form of water and airborne emissions, solid 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 four plants in Sweden. Permits are required by authorities for all of these plants, which account for approximately 3% of the total value of the Group's production. Three of these plants are required to submit notification. The permits cover, e.g., thresholds or maximum permissible values for air and waterborne emissions and noise. No significant non-compliance with Swedish environmental legislation was reported in 2009.

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 2009.

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

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 2009 amounted to SEK 5,928m (5,808), of which SEK 3,243m (3,026) referred to sales to Group companies and SEK 2,685m (2,782) to external customers. All of the Parent Company's sales was made within Europe. After appropriations of SEK 20m (20) and taxes of SEK 174m (38), income for the period amounted to SEK 3,355m (633).

Non-restricted equity in the Parent Company at year-end amounted to SEK 12,694m.

Net financial exchange-rate differences during the year amounted to SEK 455m (-171).

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

Group contributions in 2009 amounted to SEK 45m (153). Group contributions net of taxes amounted to SEK 33m (110) and are reported in retained earnings. See "Change in equity" on the next page.

For information on the number of employees as well as salaries and remuneration, see Note 27 on page 61.

For information on shareholdings and participations, see Note 29 on page 67.

INCOME STATEMENT

SEKm	Note	2009	2008
Net sales		5,928	5,808
Cost of goods sold		-4,368	-5,046
Gross operating income		1,560	762
Selling expenses		-865	-761
Administrative expenses		-367	-312
Other operating income	5	160	33
Other operating expenses	6	-1,083	-328
Operating income		-595	-606
Financial income	9	3,989	2,643
Financial expenses	9	-233	-1,462
Financial items, net		3,756	1,181
Income after financial items		3,161	575
Appropriations	21	20	20
Income before taxes		3,181	595
Taxes	10	174	38
Income for the period		3,355	633

BALANCE SHEET

SEKm	Note	December 31, 2009	December 31, 2008
ASSETS			
Non-current assets			
Intangible assets	13	1,363	1,103
Property, plant and equipment	12	278	374
Deferred tax assets		167	—
Other non-current assets	14	25,093	25,016
Total non-current assets		26,901	26,493
Current assets			
Inventories	15	102	237
Receivables from subsidiaries		12,004	13,095
Trade receivables		319	371
Derivatives with subsidiaries		801	818
Derivatives		376	1,382
Other receivables		86	88
Prepaid expenses and accrued income		113	96
Short-term investments		2,934	216
Cash and bank		3,869	4,045
Total current assets		20,604	20,348
Total assets		47,505	46,841

EQUITY AND LIABILITIES

SEKm	Note	December 31, 2009	December 31, 2008
Equity			
Restricted equity			
Share capital	20	1,545	1,545
Statutory reserve		3,017	3,017
		4,562	4,562
Non-restricted equity			
Retained earnings		9,339	8,477
Income for the period		3,355	633
		12,694	9,110
Total equity		17,256	13,672
Untaxed reserves	21	684	704
Provisions			
Provisions for pensions and similar commitments	22	374	356
Other provisions	23	210	262
Total provisions		584	618
Non-current liabilities			
Payable to subsidiaries		—	66
Bond loans		5,803	4,904
Other non-current loans		3,709	4,274
Total non-current liabilities		9,512	9,244
Current liabilities			
Payable to subsidiaries		16,328	18,381
Accounts payable		321	336
Other liabilities		75	84
Short-term borrowings		926	1,047
Derivatives with subsidiaries		535	1,292
Derivatives		341	693
Accrued expenses and prepaid income	24	943	770
Total current liabilities		19,469	22,603
Total liabilities and provisions		29,565	32,465
Total liabilities, provisions and equity		47,505	46,841
Pledged assets	19	4	36
Contingent liabilities	25	1,818	1,720

CHANGE IN EQUITY

SEKm	Share capital	Restricted reserves	Non-restricted equity	Total
Opening balance, January 1, 2008	1,545	3,017	9,846	14,408
Share-based payments	—	—	-8	-8
Revaluation of external shares	—	—	-403	-403
Income for the period	—	—	633	633
Dividend payment	—	—	-1,204	-1,204
Sale of shares	—	—	139	139
Cash-flow hedges	—	—	-3	-3
Group contribution	—	—	110	110
Closing balance, December 31, 2008	1,545	3,017	9,110	13,672
Share-based payments	—	—	5	5
Revaluation of external shares	—	—	138	138
Income for the period	—	—	3,355	3,355
Sale of shares	—	—	69	69
Cash-flow hedges	—	—	-14	-14
Write-down of revaluation fund	—	—	-2	-2
Group contribution	—	—	33	33
Closing balance, December 31, 2009	1,545	3,017	12,694	17,256

CASH FLOW STATEMENT

SEKm	2009	2008
Operations		
Income after financial items	3,161	575
Depreciation and amortization	222	188
Capital gain/loss included in operating income	926	292
Taxes paid	-4	-5
Cash flow from operations, excluding change in operating assets and liabilities	4,305	1,050
Change in operating assets and liabilities		
Change in inventories	135	124
Change in trade receivables	52	67
Change in current intra-group balances	386	-1 444
Change in other current assets	991	-1,020
Change in other current liabilities and provisions	-237	446
Cash flow from operating assets and liabilities	1,327	-1,827
Cash flow from operations	5,632	-777
Investments		
Change in shares and participations	-1,037	-315
Capital expenditure in intangible assets	-394	-407
Capital expenditure in property, plant and equipment	-21	-46
Other	201	-583
Cash flow from investments	-1,251	-1,351
Total cash flow from operations and investments	4,381	-2,128
Financing		
Change in short-term investments	-2,718	-211
Change in short-term borrowings	123	-684
Change in intra-group borrowings	-2,110	2,610
New long-term borrowings	1,531	5,568
Amortization of long-term borrowings	-1,441	-2,914
Dividend	—	-1,204
Sale of shares	58	128
Cash flow from financing	-4,557	3,293
Total cash flow	-176	1,165
Liquid funds at beginning of year	4,045	2,880
Liquid funds at year-end	3,869	4,045

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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 34.

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

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

Principles applied for consolidation

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

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

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

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

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

Definition of Group companies

The consolidated financial statements include AB Electrolux and all companies in which the Parent Company has the power to

govern the financial and operating policies, generally accompanying a shareholding of more than 50% of the voting rights referring to all shares and participations.

The following applies to acquisitions and divestments during the year:

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

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

Associated companies

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

Related party transactions

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

Foreign currency translations

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

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

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

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

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

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

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

Segment reporting

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

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

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

Revenue recognition

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

Items affecting comparability

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

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

Borrowing costs

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

Taxes

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

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

Intangible fixed assets

Goodwill

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

Trademarks

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

Product development expenses

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

Computer software

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

Property, plant and equipment

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

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

Impairment of non-current assets

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

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

Classification of financial assets

The Group classifies its financial assets in the following categories:

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

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

Financial assets at fair value through profit or loss

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

Loans and receivables

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

Held-to-maturity investments

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

Available-for-sale financial assets

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

Recognition and measurement of financial assets

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

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

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

Leasing

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

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

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

Inventories

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

Trade receivables

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

Cash and cash equivalents

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

Provisions

Provisions are recognized when the Group has a present obligation as a result of a past event, and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognized, as a provision is the best estimate of the expenditure required to settle the present obligation at the balance sheet date. Where the effect of time value of money is material, the amount recognized is the present value of the estimated expenditures.

Provisions for warranty are recognized at the date of sale of the products covered by the warranty and are calculated based on historical data for similar products.

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

Post-employment benefits

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

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

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

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

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

Borrowings

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

Financial derivative instruments and hedging activities

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

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

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

Fair value hedge

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

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

Cash flow hedge

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

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

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss previously reported in other comprehensive income is recognized when the forecast transaction is ultimately recognized in the income statement. When a forecast transaction is no longer

to occur, the cumulative gain or loss that was reported in other comprehensive income is immediately transferred to the income statement within financial items or as cost of goods sold depending on the purpose of the transaction.

Net investment hedge

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

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

Derivatives that do not qualify for hedge accounting

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

Share-based compensation

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

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

Government grants

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

New or amended accounting standards in 2009

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

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

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

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

New or amended accounting standards after 2009

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

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

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

IAS 27 Consolidated and Separate Financial Statements (Amendment). The change implies, among other things, that minority interest shall always be recognized even if the minority interest is negative, transactions with minority interests shall always be recorded in equity and in those cases when a partial disposal of a subsidiary results in that the entity loses control of the subsidiary,

any remaining interest should be revaluated to fair value. The change in the standard will influence the accounting of future transactions. The standard is effective for annual periods beginning on or after July 1, 2009.

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

New interpretations of accounting standards

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

The following interpretation was applied during 2009.

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

The following interpretation shall be applied from 2010.

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

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

Critical accounting policies and key sources of estimation uncertainty**Use of estimates**

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

The discussion and analysis of the Group's results of operations and financial condition are based on the consolidated financial statements, which have been prepared in accordance with IFRS, as adopted by the EU. The preparation of these financial statements requires management to apply certain accounting

methods and policies that may be based on difficult, complex or subjective judgments by management or on estimates based on experience and assumptions determined to be reasonable and realistic based on the related circumstances. The application of these estimates and assumptions affects the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the balance-sheet date and the reported amounts of net sales and expenses during the reporting period. Actual results may differ from these estimates under different assumptions or conditions. Electrolux has summarized below the accounting policies that require more subjective judgment of the management in making assumptions or estimates regarding the effects of matters that are inherently uncertain.

Asset impairment

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

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

Deferred taxes

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

Current taxes

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

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

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

Trade receivables

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

Post-employment benefits

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

Restructuring

Restructuring charges include required write-downs of assets and other non-cash items, as well as estimated costs for personnel reductions and other direct costs related to the termination of the activity. The charges are calculated based on detailed plans for activities that are expected to improve the Group's cost structure and productivity. In general, the outcome of similar historical events in previous plans are used as a guideline to minimize these uncertainties. The restructuring programs announced during 2009 had a total charge against operating income of SEK 1,561m.

Warranties

As is customary in the industry in which Electrolux operates, many of the products sold are covered by an original warranty, which is included in the price and which extends for a predetermined period of time. Provisions for this original warranty are estimated based on historical data regarding service rates, cost of repairs,

etc. Additional provisions are created to cover goodwill warranty and extended warranty. While changes in these assumptions would result in different valuations, such changes are unlikely to have a material impact on the Group's results or financial situation. As of December 31, 2009, Electrolux had a provision for warranty commitments amounting to SEK 1,796m. Revenues from extended warranty is recognized on a linear basis over the contract period unless there is evidence that some other method better represents the stage of completion.

Accrued expenses – Long-term incentive programs

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

Disputes

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

Parent Company accounting principles

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

Subsidiaries

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

Anticipated dividends

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

Taxes

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

Group contribution

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

Pensions

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

Intangible assets

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

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

Property, plant and equipment and intangible assets

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

Financial statement presentation

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

Note 2 Financial risk management

Financial risk management

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

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

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

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

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

Interest-rate risk on liquid funds and borrowings

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

Liquid funds

Liquid funds as defined by the Group consist of cash and cash equivalent, short-term investments, derivatives, and prepaid inter-

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

Interest-rate risk in liquid funds

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

Borrowings

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

Interest-rate risk in borrowings

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

Capital structure and credit rating

The Group defines its capital as equity stated in the balance sheet including non-controlling interests. In 2009, the Group's capital was SEK 18,841m (16,385). The Group's objective is to have a capital structure resulting in an efficient weighted cost of capital and sufficient credit worthiness where operating needs and the needs for potential acquisitions are considered.

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

Rating

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

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

Financing risk

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

Foreign exchange risk

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

Transaction exposure from commercial flows

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

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

Translation exposure from consolidation of entities outside Sweden

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

Foreign exchange sensitivity from transaction and translation exposure

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

Sensitivity analysis of major currencies

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

Exposure from net investments (balance sheet exposure)

The net of assets and liabilities in foreign subsidiaries constitute a net investment in foreign currency, which generates a translation difference in connection with consolidation. This exposure can have an impact on the Group's total comprehensive income, and on the capital structure, and is hedged according to the Financial Policy. The Financial Policy stipulates the extent to which the net investments can be hedged and also sets the benchmark for risk measurement. The benchmark is to hedge only net investments

with an equity capitalization exceeding 60%, unless the exposure of any other currency is considered too high by the Group, in which case this also should be hedged. The effect of this is that only a limited number of currencies are hedged on a continuous basis. Group Treasury is allowed to deviate from the benchmark under a given risk mandate. Hedging of the Group's net investments is implemented within the Parent Company in Sweden.

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

Commodity-price risks

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

Credit risk

Credit risk in financial activities

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

Credit risk in trade receivables

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

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

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

Note 3 Segment information

Reportable segments – Business areas

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

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

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

Items affecting comparability

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

Inter-segment sales exist with the following split:

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

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

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

1) Includes Group functions.

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

1) Cash flow from operations and investments.

2) Includes Group functions.

Geographical information

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

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

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

Note 4 Net sales and operating income

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

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

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

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

Note 5 Other operating income

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

Note 6 Other operating expenses

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

Note 7 Items affecting comparability

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

Classification by function in the income statement

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

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

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

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

Note 8 Leasing

Financial leases

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

Operating leases

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

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

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

Note 9 Financial income and financial expenses

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

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

Note 10 Taxes

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

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

Theoretical and actual tax rates

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

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

Non-recognized deductible temporary differences

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

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

Changes in deferred tax assets and liabilities

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

Net deferred tax assets and liabilities

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

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

Note 11 Other comprehensive income

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

Note 12 Property, plant and equipment

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

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

Property, plant and equipment

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

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

Note 13 Goodwill and other intangible assets**Intangible assets with indefinite useful lives**

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

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

Value in use is calculated using the discounted cash-flow model and based on a three-year forecast made by Group Management. The forecast is built up from the estimate of the units within each business area. The preparation of the forecast requires a number

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

Goodwill, value of trademark and discount rate

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

Goodwill and other intangible assets

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

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

Note 14 Other non-current assets

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

Note 15 Inventories

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

Note 16 Other current assets

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

Miscellaneous short-term receivables include VAT and other items.

Note 17 Trade receivables

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

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

Provisions for impairment of receivables

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

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

Timing analysis of trade receivables

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

Note 18 Financial instruments

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

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

Net borrowings

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

Net borrowings

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

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

Liquid funds

Liquid funds as defined by the Group consist of cash and cash equivalents, short-term investments, derivatives and prepaid interest expenses and accrued interest income. The table below presents the key data of liquid funds. The carrying amount of liquid funds is approximately equal to fair value.

Liquidity profile

	December 31,	
	2009	2008
Cash and cash equivalents	9,537	7,305
Short-term investments	3,030	296
Derivatives	377	1,390
Prepaid interest expenses and accrued interest income	413	399
Liquid funds	13,357	9,390
% of annualized net sales ¹⁾	16.2	12.9
Net liquidity	9,576	5,407
Fixed-interest term, days	100	22
Effective yield, % (average per annum)	2.1	4.5

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

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

Interest-bearing liabilities

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

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

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

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

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

Borrowings

Issue/maturity date	Description of loan	Interest rate, %	Currency	Nominal value (in currency)	Carrying amount, December 31,	
					2009	2008
Bond loans¹⁾						
2005–2010	SEK MTN Program	3.650	SEK	500	–	505
2007–2011	SEK MTN Program	5.250	SEK	250	264	266
2007–2012	SEK MTN Program	4.500	SEK	2,000	2,114	2,116
2008–2013	Euro MTN Program	Floating	EUR	85	873	924
2008–2014	Euro MTN Program	Floating	USD	42	302	324
2008–2016	Euro MTN Program	Floating	USD	100	719	770
2009–2011	SEK MTN Program	4.250	SEK	500	499	–
2009–2014	Euro MTN Program	Floating	EUR	100	1,033	–
Total bond loans					5,804	4,905
Other long-term loans¹⁾						
1996–2036	Fixed rate loans in Germany	7.870	EUR	42	420	461
2005–2010	Long-term bank loans in Sweden	Floating	EUR	20	–	223
2007–2010	Long-term bank loans in Sweden	Floating	SEK	200	–	200
2007–2013	Long-term bank loans in Sweden	Floating	SEK	300	300	300
2008–2011	Fixed rate loans in Thailand	6.290	THB	965	208	214
2008–2011	Long-term bank loans in Sweden	Floating	USD	45	324	347
2008–2013	Long-term bank loans in Sweden	Floating	SEK	1,000	1,000	1,000
2008–2015	Long-term bank loans in Sweden	Floating	EUR	120	1,239	1,312
2008–2015	Long-term bank loans in Sweden	Floating	PLN	338	847	892
Other long-term loans					99	109
Total other long-term loans					4,437	5,058
Long-term borrowings					10,241	9,963
Short-term part of long-term loans²⁾						
2005–2009	SEK MTN Program	3.400	SEK	500	–	499
2007–2009	SEK MTN Program	Floating	SEK	300	–	300
2007–2009	SEK MTN Program	4.980	SEK	200	–	205
2005–2010	SEK MTN Program	3.650	SEK	500	501	–
2005–2010	Long-term bank loans in Sweden	Floating	EUR	20	211	–
2007–2010	Long-term bank loans in Sweden	Floating	SEK	200	200	–
Total short-term part of long-term loans					912	1,004
Other short-term loans						
	Commercial paper program	Floating	SEK	–	–	–
	Short-term bank loans in China	Floating	CNY	419	–	473
	Short-term bank loans in Thailand	Floating	THB	453	–	100
	Other bank borrowings and commercial papers				582	569
Total other short-term loans					582	1,142
Trade receivables with recourse					1,870	1,022
Short-term borrowings					3,364	3,168
Fair value of derivative liabilities					343	699
Accrued interest expenses and prepaid interest income					74	116
Total borrowings					14,022	13,946

1) The interest-rate fixing profile of the borrowings has been adjusted with interest-rate swaps.

2) Long-term borrowings with maturities within 12 months are classified as short-term borrowings in the Group's balance sheet.

Short-term borrowings pertain mainly to countries with capital restrictions. The average maturity of the Group's long-term borrowings including long-term borrowings with maturities within 12

months was 3.9 years (4.7), at the end of 2009. The table below presents the repayment schedule of long-term borrowings.

Repayment schedule of long-term borrowings, December 31

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

Other interest-bearing investments

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

Commercial flows

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

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

Forecasted transaction flows and hedges

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

Fair value estimation

Valuation of financial instruments at fair value is done at the most accurate market prices available. This means that instruments, which are quoted on the market, such as, for instance, the major bond and interest-rate future markets, are all marked-to-market with the current price. The foreign-exchange spot rate is then used to convert the value into SEK. For instruments where no reliable price is available on the market, cash flows are discounted using the deposit/swap curve of the cash flow currency. In the event that no proper cash flow schedule is available, for instance, as in the case with forward-rate agreements, the underlying schedule is used for valuation purposes. To the extent option instruments are used, the valuation is based on the Black & Scholes formula.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments. Effective January 1, 2009, the Group adopted the amendment to IFRS 7 for financial instruments that are measured in the balance sheet at fair value. This requires disclosure of fair value measurements by level of the following fair value hierarchy:

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

Level 2: Inputs other than quoted prices included in Level 1 that are observable for assets or liabilities, either directly, i.e., as prices or indirectly, i.e., derived from prices.

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

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

Fair value measurement hierarchy

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

Changes in level 3 instruments

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

Financial derivative instruments

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

Financial derivatives at fair value

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

Maturity profile of financial liabilities and derivatives

The table below presents the undiscounted cash flows of the Group's contractual liabilities related to financial instruments based on the remaining period at the balance sheet to the 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 year < 2 years	> 2 years < 5 years	> 5 years	Total
Loans	-1,774	-1,641	-6,291	-3,330	-13,036
Net settled derivatives	63	35	24	—	122
Gross settled derivatives	-94	—	—	—	-94
Whereof outflow	-27,362	-22	—	—	-27,384
Whereof inflow	27,268	22	—	—	27,290
Accounts payable	-16,031	—	—	—	-16,031
Total	-17,836	-1,606	-6,267	-3,330	-29,039

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

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

Specification of gains and losses on fair value hedges

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

Net gain/loss, income and expense on financial instruments

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

Note 19 Assets pledged for liabilities to credit institutions

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

The major part of real-estate mortgages is related to Brazil. In the process of finalizing the tax amounts to be paid, in some cases,

buildings are pledged for estimated liabilities to the Brazilian tax authorities.

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

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

Number of shares

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

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

Earnings per share

	2009	2008
Income for the period	2,607	366

Earnings per share

Basic, SEK	9.18	1.29
Diluted, SEK	9.16	1.29

Average number of shares

Basic	284.0	283.1
Diluted	284.6	283.2

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

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

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

Note 21 Untaxed reserves, Parent Company

	December 31, 2009	December 31, 2008
Accumulated depreciation in excess of plan		
Brands	460	503
Licenses	60	15
Machinery and equipment	147	183
Buildings	3	3
Other	14	—
Total	684	704

Note 22 Post employment benefits

Post-employment benefits

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

In some countries, the companies make provisions for compulsory severance payments. These provisions cover the Group's commitment to pay employees a lump sum upon reaching retirement age, or upon the employees' dismissal or resignation. These plans are listed below as Other post-employment benefits.

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

The Group's major defined benefit plans cover employees in the US, UK, Switzerland, Germany, France, Italy and Sweden. The

Italian and French plans are unfunded and the plans in the US, UK, Switzerland and Sweden are funded. During 2009, the German plans, which earlier were unfunded, have been partly funded.

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

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

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

Amounts recognized in balance sheet

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

1) Pension assets are related to Sweden and Switzerland.

Reconciliation of changes in net provisions for post-employment benefits

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

Amounts recognized in income statement

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

For the Group, total expenses for pensions, healthcare and other post-employment benefits have been recognized as operating expenses and classified as cost of goods sold, selling expenses

or administrative expenses depending on the function of the employee. In the Parent Company a similar classification has been made.

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

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

Reconciliation of change in fair value of plan assets

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

The pension plan assets include ordinary shares issued by AB Electrolux with a fair value of SEK 75m (20). In 2010, the Group expects to pay the total of SEK 898m in contributions by employer

and benefits paid directly by the company. In 2009, this amounted to SEK 5,094m, of which SEK 4,714m were contributions to the Group's pension funds.

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

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

1) Includes hedge funds and infrastructure investments.

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

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

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

Healthcare benefits sensitivity analysis

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

Amounts for annual periods

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

Parent Company

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

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

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

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

Change in fair value of plan assets

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

Amounts recognized in balance sheet

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

Amounts recognized in income statement

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

The Swedish Pension Foundation

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

Note 23 Other provisions

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

Provisions for restructuring represent the expected costs to be incurred as a consequence of the Group's decision to close some factories, rationalize production and reduce personnel, both for newly acquired and previously owned companies. The provisions for restructuring are only recognized when Electrolux has both a detailed formal plan for restructuring and has made an announcement of the plan to those affected by it at the balance-sheet date. The amounts are based on management's best estimates and are adjusted when changes to these estimates are known. The larger part of the restructuring provisions as per December 31, 2009, will be used during 2010 and the first half of 2011. Provisions for warranty commitments are recognized as a consequence of the Group's policy to cover the cost of repair of defective products. Warranty is normally granted for one to two years after the sale. 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.

Note 24 Other liabilities

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

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

Note 25 Contingent liabilities

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

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

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

Asbestos litigation in the US

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

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

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

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

Major agreement with Husqvarna after the spin-off

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

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

Tax effects of the distribution relating to Husqvarna

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

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

Note 26 Divested operations

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

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

Note 27 Employees and remuneration

Employees and employee benefits

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

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

Average number of employees, by geographical area

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

Salaries, other remuneration and employer contributions

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

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

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

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

Of the Board members in the Group, 77 were men and 12 women, of whom 7 men and 4 women in the Parent Company. Senior managers in the Group consisted of 186 men and 40 women, of

whom 9 men and 3 women in the Parent Company. The total pension cost for Board members and senior managers in the Group amounted to 37m (48) in 2009.

Employee absence due to illness

	2009		2008	
	Employees in the Parent Company	All employees in Sweden	Employees in the Parent Company	All employees in Sweden
%				
Absence due to illness, as % of total normal working hours	5.2	4.9	6.2	6.0
of which 60 days or more	52.5	52.2	56.8	56.7
Absence due to illness, by category¹⁾				
Women	7.7	7.0	9.2	8.8
Men	3.7	3.8	4.7	5.0
29 years or younger	2.4	2.3	4.1	4.1
30–49 years	5.3	5.0	6.3	6.2
50 years or older	5.8	5.4	7.4	7.2

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

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

Compensation to the Board of Directors

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

Compensation to Board members 2009

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

Synthetic shares

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

Remuneration Committee

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

The Remuneration Committee establishes principles for remuneration for the President and the other members of Group Management, subject to subsequent approval by the AGM. Proposals submitted by the Remuneration Committee to the Board include targets for variable compensation, the relationship between fixed and variable salary, changes in fixed or variable salary, criteria for

assessment of long-term variable salary, pensions and other benefits. The Remuneration Committee acts as grandparent, approving the President's proposals on the above subjects for members of the Group Management.

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

Remuneration Guidelines for Group Management

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

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

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

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

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

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

Compensation and terms of employment for the President

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

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

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

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

The notice period for the company is 12 months, and for the President six months. The President is entitled to 12 months sever-

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

Pensions for the President

The retirement age for the President is 60.

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

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

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

Compensation and terms of employment for other members of Group Management

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

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

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

One member of Group Management is covered by contracts that entitle to variable compensation based on achieved financial targets during the years 2007–2009 and 2008–2010. The first contract will be settled in 2010 with SEK 10m. The second contract's pay-out is estimated at SEK 11m in 2011. The compensation is paid provided the individual is employed until the end of 2010. Individual members of Group Management are entitled to

additional variable compensation arrangements agreed in connection with the recruitment due in parts provided the member is still employed until the end of 2009. These payments will amount to SEK 0.4m in 2010. For 2009 SEK 4.3m has been paid as recruitment compensation.

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

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

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

Pensions for other members of Group Management

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

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

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

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

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

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

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

Compensation paid to Group Management

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

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

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

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

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

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

Compensation cost incurred for Group Management

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

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

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

Share-based compensation

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

2002 and 2003 option programs

In 2002, a stock option plan for employee stock options was introduced for less than 200 senior managers. The options can be used to purchase Electrolux B-shares at an exercise price that was 10% above the average closing price of the Electrolux

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

Option program 2003

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

1) In 2003, the President was granted 4 lots, Group Management members 2 lots and all other senior managers 1 lot.

2) Re-calculation of the stock-option programs, in accordance with the stock-option plan document due to the spin-off of Husqvarna and the 2007 share redemption. Each stock option entitles the option holder to purchase 2.17 shares.

3) Exercise price for the stock-option program 2003 was re-calculated due to the share redemption in 2007. Pre-redemption exercise price is presented in parentheses.

Change in number of options per program

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

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

2) The weighted average share price for exercised options is SEK 120.16.

Options provided to Group Management

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

Performance share program 2007, 2008 and 2009

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

Allocation of shares under the 2007 program is determined on the basis of three levels of value creation, calculated according to the Group's previously adopted definition of this concept. The three levels are Entry, Target, and Stretch. Entry is the minimum level that must be reached to enable allocation. Stretch is the maximum level for allocation and may not be exceeded regardless of the value created during the period. The number of shares allocated at Stretch is 50% greater than at Target. Under the 2008 and 2009 programs, the allocation is determined on average annual growth in earnings per share. If the minimum level is

reached, the allocation will amount to 25% of the maximum number of shares. There is no allocation if the minimum level is not reached. If the maximum is reached, 100% of shares will be allocated. Should the average annual growth be below the maximum but above the minimum, a proportionate allocation will be made. The shares will be allocated after the three-year period free of charge. Participants are permitted to sell the allocated shares to cover personal income tax arising from the share allocation, but the remaining shares must be held for another two years.

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

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

Number of potential shares per category and year

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

1) Each value is converted into a number of shares. The number of shares is based on a share price of SEK 166.62 for 2007, SEK 85.39 for 2008 and SEK 92.19 for 2009, calculated as the average closing price of the Electrolux B-share on the Nasdaq OMX Stockholm during a period of ten trading days before the day participants were invited to participate in the program, adjusted for net present value of dividends for the period until shares are allocated. The recalculated weighted average fair value of shares at grant for the 2007, 2008 and 2009 programs is SEK 99.90 per share.

2) Total maximum value for all participants at grant is SEK 146m.

3) The 2007 program did not meet its financial targets and no shares were distributed. The 2008 program is not expected to meet the minimum level and no cost is currently recorded for the program. The current expectation is that the performance of the 2009 program be approximately at midpoint.

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

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

Repurchased shares for LTI programs

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

Delivery of shares for the 2006 program

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

Note 28 Fees to auditors

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

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

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

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

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

Note 29 Shares and participations

Participation in associated companies

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

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

Companies classified as assets available for sale

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

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

Associated companies

	2009									
	Participation, %	Carrying amount	Relation to Electrolux ¹⁾				Income statement		Balance sheet	
			Receivables	Liabilities	Sales	Purchases	Income	Net results	Total assets	Total liabilities
Sidème, France	39.3	16	85	—	336	—	711	1	210	176
European Recycling Platform, ERP, France	24.5	3	—	56	—	93	164	3	273	258
Total	—	19	85	56	336	93	875	4	483	434

1) From Electrolux perspective.

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

	2008									
	Participation, %	Carrying amount	Relation to Electrolux ¹⁾				Income statement		Balance sheet	
			Receivables	Liabilities	Sales	Purchases	Income	Net results	Total assets	Total liabilities
Sidème, France	39.3	16	64	1	275	1	514	-4	185	151
Viking Financial Services, USA	50.0	8	—	—	—	—	1	1	15	—
European Recycling Platform, ERP, France	24.5	3	—	—	—	101	176	3	253	240
Total	—	27	64	1	275	102	691	—	453	391

1) From Electrolux perspective.

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

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

Note 30 Definitions

Capital indicators

Annualized net sales

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

Net assets

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

Working capital

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

Liquid funds

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

Interest-bearing liabilities

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

Total borrowings

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

Net liquidity

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

Net borrowings

Total borrowings less liquid funds.

Net debt/equity ratio

Net borrowings in relation to equity.

Equity/assets ratio

Equity as a percentage of total assets less liquid funds.

Earnings per share

Earnings per share

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

Other key ratios

Organic growth

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

EBITDA margin

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

Operating cash flow

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

Operating margin

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

Return on equity

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

Return on net assets

Operating income expressed as a percentage of average net assets.

Interest coverage ratio

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

Capital turnover rate

Net sales divided by average net assets.

Value creation

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

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

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

Electrolux Value Creation model

Net sales

– Cost of goods sold

– Selling and administration expenses

+/- Other operating income and expenses

= Operating income, EBIT¹⁾

– WACC x average net assets¹⁾

= Value creation

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

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

1) Excluding items affecting comparability.

Proposed distribution of earnings

	Thousands of kronor
The Board of Directors and the President propose that income for the period and retained earnings	3,354,645
Total	12,694,459
be distributed as follows:	
A dividend to the shareholders of SEK 4.00 per share ¹⁾ , totaling	1,137,816
To be carried forward	11,556,643
Total	12,694,459

1) Calculated on the number of outstanding shares as per February 1, 2010. The number of repurchased shares may decrease if employees exercise their options, which would increase the total dividend payment. The Board of Directors and the President propose April 6, 2010 as record day for the right to dividend.

The Board of Directors has proposed that the Annual General Meeting 2010 resolves on a dividend to the shareholders of SEK 4.00 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 206 thousand.

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 and the President and Chief Executive Officer declare 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, February 2, 2010

Marcus Wallenberg
Chairman of the Board of Directors

Peggy Bruzelius
Deputy Chairman of the Board of Directors

Hasse Johansson
Board member

John S. Lupo
Board member

Johan Molin
Board member

Caroline Sundewall
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*

Hans Stråberg
Board member and President and Chief Executive Officer

Audit report

To the Annual General Meeting of the shareholders of

AB Electrolux (publ)

Corporate identity number 556009-4178

We have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the Board of Directors and the President of AB Electrolux for the year 2009. The company's annual accounts and the consolidated accounts are included in the printed version on pages 5–70. The Board of Directors and the President are responsible for these accounts and the administration of the company as well as for the application of the Annual Accounts Act when preparing the annual accounts and the application of International Financial Reporting Standards, IFRSs, as adopted by the EU and the Annual Accounts Act when preparing the consolidated accounts. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual accounts and the consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the Board of Directors and the President and significant estimates made by the Board of Directors and the President when preparing the annual accounts and

consolidated accounts as well as evaluating the overall presentation of information in the annual accounts and the consolidated accounts. As a basis for our opinion concerning discharge from liability, we examined significant decisions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the company of any Board member or the President. We also examined whether any Board member 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 our audit provides a reasonable basis for our opinion set out below.

The annual accounts have been prepared in accordance with the Annual Accounts Act and give a true and fair view of the company's financial position and results of operations in accordance with generally accepted accounting principles in Sweden. The consolidated accounts have been prepared in accordance with International Financial Reporting Standards, IFRSs, as adopted by the EU and the Annual Accounts Act and give a true and fair view of the Group's financial position and results of operations. The statutory administration report is consistent with the other parts of the annual accounts and the consolidated accounts.

We recommend to the Annual General Meeting of shareholders that the income statements and balance sheets of the Parent Company and the Group be adopted, that the profit of the Parent Company be dealt with in accordance with the proposal in the administration report and that the members of the Board of Directors and the President be discharged from liability for the financial year.

Stockholm, February 24, 2010
PricewaterhouseCoopers AB

Anders Lundin
Authorized Public Accountant
Partner in Charge

Björn Irlé
Authorized Public Accountant

Eleven-year review

SEKm	2009	2008	2007	2006 ¹⁾	2005 ¹⁾
Net sales and income					
Net sales	109,132	104,792	104,732	103,848	100,701
Organic growth, %	-4.8%	-0.9%	4.0	3.3	4.5
Depreciation and amortization	3,442	3,010	2,738	2,758	2,583
Items affecting comparability	-1,561	-355	-362	-542	-2,980
Operating income	3,761	1,188	4,475	4,033	1,044
Income after financial items	3,484	653	4,035	3,825	494
Income for the period	2,607	366	2,925	2,648	-142
Cash flow					
EBITDA	8,764	4,553	7,575	7,333	6,607
Cash flow from operations excluding changes in operating assets and liabilities	6,378	3,446	5,498	5,263	5,266
Changes in operating assets and liabilities	1,919	1,503	-152	-703	-1 804
Cash flow from operations	8,297	4,949	5,346	4,560	3,462
Cash flow from investments	-2,967	-3,755	-4,069	-2,386	-4,485
of which capital expenditures	-2,223	-3,158	-3,430	-3,152	-3,654
Cash flow from operations and investments	5,330	1,194	1,277	2,174	-1,023
Operating cash flow ²⁾	5,330	1,228	1,277	1,110	-653
Dividend, redemption and repurchase of shares	69	-1,187	-6,708	-4,416	-2,038
Capital expenditure as % of net sales	2.0	3.0	3.3	3.0	3.6
Margins³⁾					
Operating margin, %	4.9	1.5	4.6	4.4	4.0
Income after financial items as % of net sales	4.6	1.0	4.2	4.2	3.4
EBITDA margin, %	8.0	4.3	7.2	7.1	6.6
Financial position					
Total assets	72,696	73,323	66,089	66,049	
Net assets	19,506	20,941	20,743	18,140	17,942
Working capital	-5,154	-5,131	-2,129	-2,613	-3,799
Trade receivables	20,173	20,734	20,379	20,905	20,944
Inventories	10,050	12,680	12,398	12,041	12,342
Accounts payable	16,031	15,681	14,788	15,320	14,576
Equity	18,841	16,385	16,040	13,194	
Interest-bearing liabilities	14,022	13,946	11,163	7,495	
Net borrowings	665	4,556	4,703	-304	
Data per share					
Income for the period, SEK	9.18	1.29	10.41	9.17	-0.49
Equity, SEK	66	58	57	47	
Dividend, SEK ⁴⁾	4.00	—	4.25	4.00	7.50
Trading price of B-shares at year-end, SEK	167.50	66.75	108.50	137.00	
Key ratios					
Value creation	2,884	-1,040	2,053	2,202	1,305
Return on equity, %	14.9	2.4	20.3	18.7	
Return on net assets, %	19.4	5.8	21.7	23.2	5.4
Net assets as % of net sales ⁵⁾	17.1	18.1	18.6	16.5	15.7
Trade receivables as % of net sales ⁵⁾	17.7	17.9	18.3	19.1	18.3
Inventories as % of net sales ⁵⁾	8.8	11.0	11.1	11.0	10.8
Net debt/equity ratio	0.04	0.28	0.29	-0.02	
Interest coverage ratio	7.54	1.86	7.49	6.13	
Dividend as % of equity	6.0	—	7.5	8.5	
Other data					
Average number of employees	50,633	55,177	56,898	55,471	57,842
Salaries and remuneration	13,162	12,662	12,612	12,849	13,987
Number of shareholders	52,000	52,600	52,700	59,500	60,900
Average number of shares after buy-backs, million	284.0	283.1	281.0	288.8	291.4
Shares at year end after buy-backs, million	284.4	283.6	281.6	278.9	293.1

1) Continuing operations exclusive of outdoor products, Husqvarna, which was distributed to the Electrolux shareholders in June 2006.

2) Cash flow from divestments excluded.

3) Items affecting comparability are excluded.

4) 2009: Proposed by the Board.

5) Net sales are annualized.

2005	2004	2003	2002	2001	2000	1999	Compound annual growth rate, %	
							5 years	10 years
129,469	120,651	124,077	133,150	135,803	124,493	119,550	-2.0	-0.9
4.3	3.2	3.3	5.5	-2.4	3.7	4.1		
3,410	3,038	3,353	3,854	4,277	3,810	3,905		
-3,020	-1,960	-463	-434	-141	-448	-216		
3,942	4,807	7,175	7,731	6,281	7,602	7,204	-4.8	-6.3
3,215	4,452	7,006	7,545	5,215	6,530	6,142	-4.8	-5.5
1,763	3,259	4,778	5,095	3,870	4,457	4,175	-4.4	-4.6
10,372	9,805	10,991	12,019	10,699	11,860	11,325	-2.2	-2.5
8,428	7,140	7,150	9,051	5,848	8,639	7,595	-2.2	-1.7
-1 888	1 442	-857	1,854	3,634	-2,540	1,065		
6,540	8,582	6,293	10,905	9,482	6,099	8,660	-0.7	-0.4
-5,827	-5,358	-2,570	-1,011	1,213	-3,367	-3,137		
-4,765	-4,515	-3,463	-3,335	-4,195	-4,423	-4,439	-13.2	-6.7
713	3,224	3,723	9,894	10,695	2,732	5,523		
1,083	3,224	2,866	7,665	5,834	2,552	3,821	10.6	3.4
-2,038	-5,147	-3,563	-3,186	-3,117	-4,475	-1,099		
3.7	3.7	2.8	2.5	3.1	3.6	3.7		
5.4	5.6	6.2	6.1	4.7	6.5	6.2		
4.8	5.3	6.0	6.0	3.9	5.6	5.3		
8.0	8.1	8.9	9.0	7.9	9.5	9.5		
82,558	75,096	77,028	85,424	94,447	87,289	81,644	-0.6	-1.2
28,165	23,988	26,422	27,916	37,162	39,026	36,121	-4.1	-6.0
-31	-383	4,068	2,216	6,659	9,368	8,070		
24,269	20,627	21,172	22,484	24,189	23,214	21,513	-0.4	-0.6
18,606	15,742	14,945	15,614	17,001	16,880	16,549	-8.6	-4.9
18,798	16,550	14,857	16,223	17,304	12,975	11,132	-0.6	3.7
25,888	23,636	27,462	27,629	28,864	26,324	25,781	-4.4	-3.1
8,914	9,843	12,501	15,698	23,183	25,398	23,735	7.3	-5.1
2,974	1,141	-101	1,398	10,809	16,976	13,423	-10.2	-26.0
6.05	10.92	15.25	15.58	11.35	12.40	11.40	-3.4	-2.1
88	81	89	87	88	77	70	-3.9	-0.5
7.50	7.00	6.50	6.00	4.50	4.00	3.50	-10.6	1.3
206.50	152.00	158.00	137.50	156.50	122.50	214.00	2.0	-2.4
2,913	3,054	3,449	3,461	262	2,423	1,782		
7.0	13.1	17.3	17.2	13.2	17.0	17.1		
13.0	17.5	23.9	22.1	15.0	19.6	18.3		
21.0	21.2	23.6	23.1	29.3	30.4	30.6		
18.1	18.2	18.9	18.6	19.1	18.1	18.2		
13.9	13.9	13.4	12.9	13.4	13.1	14.0		
0.11	0.05	0.00	0.05	0.37	0.63	0.50		
4.32	5.75	8.28	7.66	3.80	4.34	4.55		
8.5	8.6	7.3	6.9	5.1	5.2	5.0		
69,523	72,382	77,140	81,971	87,139	87,128	92,916	-6.9	-5.9
17,033	17,014	17,154	19,408	20,330	17,241	17,812	-5.0	-3.0
60,900	63,800	60,400	59,300	58,600	61,400	52,600	-4.0	-0.1
291.4	298.3	313.3	327.1	340.1	359.1			
293.1	291.2	307.1	318.3	329.6	341.1			

Quarterly information

NET SALES AND INCOME

SEKm		Q1	Q2	Q3	Q4	Full year
Net sales	2009	25,818	27,482	27,617	28,215	109,132
	2008	24,193	25,587	26,349	28,663	104,792
Operating income	2009	-386	1,052	2,290	805	3,761
	Margin, %	-1.5	3.8	8.3	2.9	3.4
	2009¹⁾	38	1,027	2,234	2,023	5,322
	Margin, %	0.1	3.7	8.1	7.2	4.9
	2008	-5	254	1,286	-347	1,188
	Margin, %	0.0	1.0	4.9	-1.2	1.1
Income after financial items	2009	-493	932	2,244	801	3,484
	Margin, %	-1.9	3.4	8.1	2.8	3.2
	2009¹⁾	-69	907	2,188	2,019	5,045
	Margin, %	-0.3	3.3	7.9	7.2	4.6
	2008	-149	140	1,192	-530	653
	Margin, %	-0.6	0.5	4.5	-1.8	0.6
Income for the period	2009	-346	658	1,631	664	2,607
	2008	-106	99	847	-474	366
	2009	-1.22	2.32	5.74	2.34	9.18
	2009¹⁾	0.21	2.23	5.55	5.57	13.56
	2008	-0.38	0.36	2.99	-1.68	1.29
	2008 ¹⁾	-0.50	1.74	2.90	-1.82	2.32
Value creation	2009	-619	389	1,667	1,447	2,884
	2008	-695	175	532	-1,052	-1,040

1) Excluding items affecting comparability.

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

NUMBER OF SHARES BEFORE DILUTION

Number of shares after buy-backs, million	2009	283.6	284.1	284.3	284.4	284.4
	2008	283.4	283.6	283.6	283.6	283.6
Average number of shares after buy-backs, million	2009	283.6	283.9	284.2	284.4	284.0
	2008	282.1	283.5	283.6	283.6	283.1

ITEMS AFFECTING COMPARABILITY

Restructuring provisions, write-downs and capital gains/losses	2009	-424	25	56	-1,218	-1,561
	2008	34	-539	108	42	-355

NET SALES, BY BUSINESS AREA

SEKm		Q1	Q2	Q3	Q4	Full year
Consumer Durables, Europe	2009	10,175	9,935	10,905	11,285	42,300
	2008	10,525	10,500	11,345	11,972	44,342
Consumer Durables, North America	2009	9,144	9,848	8,869	7,865	35,726
	2008	7,275	8,214	8,384	8,928	32,801
Consumer Durables, Latin America	2009	2,625	3,326	3,813	4,401	14,165
	2008	2,404	2,548	2,713	3,305	10,970
Consumer Durables, Asia/Pacific and Rest of the world	2009	2,145	2,521	2,399	2,741	9,806
	2008	2,228	2,369	2,190	2,409	9,196
Professional Products	2009	1,727	1,850	1,629	1,923	7,129
	2008	1,753	1,944	1,709	2,021	7,427

OPERATING INCOME, BY BUSINESS AREA

SEKm		Q1	Q2	Q3	Q4	Full year
Consumer Durables, Europe	2009	125	257	977	829	2,188
	Margin, %	1.2	2.6	9.0	7.3	5.2
	2008	-192	294	514	-638	-22
Consumer Durables, North America	Margin, %	-1.8	2.8	4.5	-5.3	0.0
	2009	-177	498	705	450	1,476
	Margin, %	-1.9	5.1	7.9	5.7	4.1
Consumer Durables, Latin America	2008	-154	113	306	-43	222
	Margin, %	-2.1	1.4	3.6	-0.5	0.7
	2009	50	142	318	368	878
Consumer Durables, Asia/Pacific and Rest of world	Margin, %	1.9	4.3	8.3	8.4	6.2
	2008	156	133	182	244	715
	Margin, %	6.5	5.2	6.7	7.4	6.5
Consumer Durables, Asia/Pacific and Rest of world	2009	60	104	201	254	619
	Margin, %	2.8	4.1	8.4	9.3	6.3
	2008	105	147	101	16	369
Professional Products	Margin, %	4.7	6.2	4.6	0.7	4.0
	2009	105	165	173	225	668
	Margin, %	6.1	8.9	10.6	11.7	9.4
Common Group costs, etc.	2008	183	225	185	181	774
	Margin, %	10.4	11.6	10.8	9.0	10.4
	2009	-125	-139	-140	-103	-507
Total Group, excluding items affecting comparability	2008	-137	-119	-110	-149	-515
	2009	38	1,027	2,234	2,023	5,322
	Margin, %	0.1	3.7	8.1	7.2	4.9
Items affecting comparability	2008	-39	793	1,178	-389	1,543
	Margin, %	-0.2	3.1	4.5	-1.4	1.5
	2009	-424	25	56	-1,218	-1,561
Total Group, including items affecting comparability	2008	34	-539	108	42	-355
	2009	-386	1,052	2,290	805	3,761
	Margin, %	-1.5	3.8	8.3	2.9	3.4
	2008	-5	254	1,286	-347	1,188
	Margin, %	0.0	1.0	4.9	-1.2	1.1

Sustainability matters

Strategy and analysis

For Electrolux, prioritizing sustainability provides business opportunities. Innovative, energy-efficient appliances can contribute to increased market shares. A sustainable approach reduces exposure to non-financial risk and reinforces partnerships with customers and suppliers. Improving the efficiency of operations generates considerable cost savings. Trust in Group conduct strengthens the Electrolux brand and fosters employee commitment.

Through its work with sustainability, Electrolux is better prepared to meet future markets. Population and economies are growing exponentially and people are enjoying higher living standards, including modern appliances. It is therefore a responsibility and a key to the Group's success to offer these consumers the most energy-lean technologies. Interest for efficient products will escalate. Helping shape a sustainable market allows Electrolux to stay ahead of competitors.

While socio-economic growth is good, it places a strain on limited resources. Most acute will be lack of fresh water, food and energy. Smart functions and efficient appliances can contribute to their conservation. Today's dishwashers consume about half the water an average model used a decade ago—12 liters compared to 22 liters. That is about a tenth of the water the average Western consumer would use to wash the same load by hand.

Long-standing engagement

Demonstrating responsibility towards society and the environment has been a priority for Electrolux for decades. The need to drastically curb energy use is at the top of business and government agendas. Consumers' desire to make a positive difference through ethical and green purchasing is also accelerating growth for green products in many key markets.

There is a strong business case for shaping the market and further integrating sustainability into the company's identity.

Electrolux regards its green product offering as setting the brand apart. Both market and stakeholder expectations are evolving quickly. Competition is increasing as more companies are exploring opportunities that lie in a proactive approach.

A values-driven approach

Sustainability is built into the heart of the company. The vision and values program, *Our Electrolux*, is a framework of values, norms and processes, comprising three core values and the foundation, consisting of three principles of conduct. The principles 'ethics and integrity', 'respect and diversity' and 'safety and sustainability' are strongly embedded into the governance structure through Group codes, policies and procedures.

The Group's core values 'Customer obsession', 'Passion for innovation' and 'Drive for results' also support a sustainable business culture. Together, they emphasize a strong customer focus, the pursuit to persistently renew processes, products and business models as well as a striving to generate long-term benefits.

Setting priorities

The Electrolux business strategy is founded on consumer insight for developing innovative products, a strong brand and cost-efficiency. Environmental, social and economic factors are central to succeeding in every aspect of the strategy. On the basis of a stakeholder-informed materiality process, Electrolux has prioritized four areas:

A principled business – The Group's foundation is 'respect and diversity', 'ethics and integrity', 'safety and sustainability', which are principles of conduct for employee and company alike.

Climate challenge – Through the three-part climate strategy, Electrolux strives to reduce carbon deriving from both products and business operations.

Responsible sourcing – Extending the Group's standards of conduct throughout the supply chain.

Reporting realm

Electrolux reports annually on sustainability strategies and performance using a three-tiered approach, shaped by the information needs of different stakeholders.

- **Annual report:** *Sustainability Matters* reviews how four key areas of sustainability were factored into the Group's business strategy. It meets the needs of shareholders and details the Group's focus, goals and performance.
- **Sustainability online:** The online report includes a clickable index which allows Socially Responsible Investors to follow performance in accordance with the Global Reporting Initiative (GRI). Covering a wider range of issues, this helps improve transparency and accountability.

- **Sustainability strategies report:** This is an outlook report aimed at key audiences such as employees, retailers, customers and other business contacts. It is forward-looking, focusing on how environmental and social challenges are driving innovation and shaping strategies and partnerships.

Restructuring – Both as a global company and local employer, the Group applies an open and transparent approach to decisions that affect stakeholders during restructuring.

This Global Reporting Initiative (GRI) summary focuses on the above priorities. In addition, Electrolux is continuing efforts to address other issues of relevance to the appliance industry, such as producer responsibility for recycling and product responsibility as well as the restriction and management of hazardous substances. More information on the Group's progress in these regards is available in the extended GRI report, which is available on-line at www.electrolux.com/sustainability.

Generating value

The Group's approach has generated results. This year, there is even greater strategic focus and engagement for sustainability within the organization, including the Board.

In an era of retailer consolidation, Electrolux has fewer and more powerful customers. Their expectations for transparency and sustainable product offerings are on the rise. Strong relationships with customers such as IKEA and Wal-Mart can be attributed in part to the Group's proactive environmental performance, social engagement and energy-smart products.

Savings in cost and CO₂

The Electrolux three-part climate strategy, comprising of climate-smart products, consumer awareness and energy efficiency in operations, is on track. Each business sector has launched a range of appliances with outstanding energy and water efficiency. The Green Range share of net sales in the Nordic region has increased by 10% during 2009, indicating that growth in the market for efficient products continues, however tempered by the economic downturn.

Many policy-makers have targeted the reduction of consumer-generated CO₂ as a key area in tackling climate change. Electrolux supports this focus and advocates consumer tax incentives to replace energy-thirsty, old appliances with efficient alternatives.

2009 saw the introduction of these measures in key markets. Tax credits to encourage consumers to purchase energy-smart products have been introduced in the US and Brazil. With the USD 300m (SEK 2,290m) American Recovery and Reinvestment Act, the US administration authorized states to create rebates

This summary report is based on the Global Reporting Initiative (GRI) framework.

Four issues that are most relevant and material to Group performance are discussed in this report. They have been identified through 35 in-depth interviews with internal and external stakeholders and survey responses of 500 Electrolux employees.

The online GRI report offers greater coverage. It includes additional topics such as compliance with legislation with regard to chemicals such as EU REACH and RoHS; producer responsibility for recycling such as EU WEEE Directive; and product safety.

Standard disclosures in GRI reporting include all operations that can potentially affect Group performance. Data covers majority-owned operations for production, warehouses and office facilities.

Data has been collected over the 2009 calendar year and is based on 51 factories, 28 warehouses and 49 offices. To compensate for changing structure, to improve quality of the indicators and to enable comparisons, data from previous years has been revised to reflect the current structure of Electrolux. The number of employees was reduced by 8% during 2009.

with an expected value of USD 50–200 (SEK 380–1,500) for the purchase of a dishwasher, washing machine or refrigerator carrying an Energy Star efficiency rating. In total, 80% of the rebates will be allocated to major appliances, offering the potential for increased sales of the Green Range in 2010. In Australia, there are state-level rebate schemes for efficient appliances, such as the New South Wales, AUD 150 (SEK 900) rebate program for every purchase of a water-efficient washing machine. This has spurred a shift in the market towards frontload washers.

The 2009 target to reduce energy consumption in operations by 15% compared to 2005 levels was exceeded, thereby saving 24% energy, and generating approximately 163,000 tons less CO₂ in 2009 than in 2005 (see page 90). The result was in part influenced by decreased production volumes.

Electrolux formulated and launched a new savings target to reduce energy use by 15% by 2012 compared with 2008 consumption levels. This absolute reduction in consumption will be achieved through increased focus on employee engagement, energy management and investment routines as well as integration into business systems.

The targets' value is not only measurable in carbon savings. They are expected to generate a cost savings of SEK 200m per year compared to 2005 when the 2012 target has been met. Under the

GRI Application Level B



Electrolux has reported its sustainability performance in accordance with the GRI's Application Level B, self-declared and GRI-checked. This includes information provided both in this GRI summary report and on-line at www.electrolux.com/sustainability.

		2002 In Accordance	C	C+	B	B+	A	A+
Mandatory	Self Declared							
	Third Party Checked			Report Externally Assured		Report Externally Assured		Report Externally Assured
Optional	GRI Checked				●			

Green Spirit program, Group factories, offices and warehouses are managing and monitoring the target, and results are reported to the Group on a monthly basis.

Agent for change

Expanding the Responsible Sourcing Program to Latin America and Eastern Europe has enabled Electrolux to help safeguard human rights and working conditions for its suppliers in these regions. Incidents of non-compliance to the Code of Conduct and Environmental Policy were reduced between the first and second audit by 72% in Latin America, 73% in Eastern Europe and 39% in Asia, (see pages 83 and 91).

Rising to challenges

There is a growing sense of urgency about the sustainability challenges the world faces, not least climate change.

The Intergovernmental Panel on Climate Change states that in order to limit climate change to two degrees Celsius, absolute greenhouse gas emissions need to be cut by approximately 80% by 2050 compared to 1990. To meet this, the EU aims to reduce its emissions by 20% by 2020.

The Group's targets exceed these goals. In its new savings target for operations, the Group intends to attain this already in 2012.

A global approach to product and brand management

Raising the efficiency bar for the entire product offering in all markets remains a challenge. Local legislation, energy-labeling schemes and consumer demand vary between markets. The Group must merge local requirements with the ambition to promote a uniform and global approach to sustainability.

Energy labels help create market demand for energy-efficient products. It is important that they effectively differentiate products available on the market, without confusing consumers. If this is not achieved, labels may be detrimental to the further development of efficient appliances. Electrolux actively advocates improved labeling systems, particularly among legislators in Australia and the EU. As an instrument to further promote energy efficiency, Electrolux is redefining Green Range criteria in 2010.

Maintaining high standards

Like others in its industry, Electrolux is shifting production to low-cost countries. In this context, it is becoming increasingly important to uphold the same principles as defined by the Electrolux Code of Conduct. This includes how the Group manages its own operations and its suppliers.

In order to comply with the Group's expectations, some suppliers rely on quick fixes, rather than embrace a long-term commitment to change. The Group requires that suppliers shoulder responsibility to uphold high standards.

The Responsible Sourcing Program has recorded increased incidents of non-compliance of overtime and compensation issues. This may in part be due to the fact that some suppliers, particularly in the Far East, have been more hard hit by the economic downturn than others.

Constructive dialogue

A plant closing is a difficult decision for everyone involved—especially for affected employees and communities. During 2008 and 2009, closings were announced in China, Italy, Russia, Spain, Sweden, and the US. In order to work towards continued development of the community, the restructuring process is adapted to local needs and priorities. In the Electrolux experience, where feasible, supporting the search for investors to take over plants and their employees has the greatest long-term benefits for all involved. This approach was first adopted in Västervik, Sweden, in 2005, repeated in Scandicci, Italy, in 2008 and in Changsa, China, in 2009. It is currently applied in Motala, Sweden, and Alcala, Spain, (see page 84). Success lies with constructive dialogue with interest groups such as unions, municipal authorities and potential investors and that the long-term interests of employees remain in sharp focus.

Looking ahead

2010 will see increased activity. The Group will continue to work on a coordinated ethics program that includes mandatory ethics training and an employee hotline to report suspected violations of Group policies. Company-wide energy-reduction targets spur further progress, and targets for managing transport as well as water, waste and emissions in production facilities are to follow. New Green Range products will be introduced in all business sectors in 2010. There will be greater focus on stakeholder dialogue to understand and respond to the challenges that lie ahead.

An expansion of the Responsible Sourcing teams enables the Group to cover a greater number of suppliers and continue with development projects.

In the long term, Electrolux is preparing for more stringent environmental legislation worldwide, particularly in terms of energy consumption. In Europe, Minimum Energy Performance Standards (MEPS) for all major appliances will be in effect within the next few years, starting with refrigerators, freezers, and washing machines. Stricter rules for energy labeling, restrictions on hazardous substances and producer responsibility for the recycling of appliances (EU WEEE Directive) are also expected.

Climate change is a challenge facing the global community. In the medium term, growing interest among stakeholders for reporting carbon impacts will require Electrolux to measure and manage carbon in its supply chain. In order to prepare for this step-change, Electrolux requires suppliers to measure the energy consumed in manufacturing its products as of 2010.

Like in all industries, climate change will require appliance manufacturers to rethink their production processes. The Group's long-term challenge is to respond to the need for more appliances while generating dramatically less carbon emissions and saving more resources. The Group's biggest contribution to the solution is to design products that reduce total emissions, also in expanding markets. In Latin America and Asia, the appliance market has not yet reached the saturation point. Electrolux can help consumers leap-frog to cutting-edge, environmentally-smart technologies.

Sustainability-related risks and opportunities

Understanding sustainability-related risks enables the Group to transform them into opportunities to improve the business, the environment and society. Electrolux has identified four main priorities for sustainability, together with associated challenges, opportunities and ways to address them.

1

A principled business

A sustainable approach starts at home: with safe workplaces, mutual respect and common values, and minimal negative impact on the environment. Electrolux is founded on the principles: 'ethics and integrity', 'respect and diversity' and 'safety and sustainability'. These govern individual actions and the way the Group works. The principles are embedded into the Group's governance structure through the Electrolux Code of Ethics, Workplace Code of Conduct, Policy on Countering Corruption and Bribery and Environmental Policy.

Electrolux operates in more than 150 countries. As a global company under a common brand, the actions of any individual operation can either positively or negatively influence stakeholders' perception of Electrolux. Actively working with sustainability issues therefore helps anticipate business risks and develop opportunities.

In Code of Conduct compliance work, Electrolux also applies a risk-based approach to training and monitoring. The focus is on regions that pose particular challenges because of poor enforcement of existing national laws regarding labor and human rights.

For sustainability performance in relation to the Electrolux Foundation, see the following page. Graphs relating to Code of Conduct assessments and employee data are available on page 91. For information on operational and financial risks, see page 64 in Part 1 of the Annual Report.

Recognition of performance

For the third consecutive year, Electrolux is the only manufacturer of major household appliances listed in the prestigious Dow Jones Sustainability World Index for long-term economic, environmental and social performance. The Group is thus among the top 10% of the 2,500 companies listed in the Dow Jones Global Indexes in terms of sustainability. In addition, the Group has been ranked highly in several other sustainability rankings including:

- FTSE4Good Series, UK.
- SAM Sustainability Yearbook 2010. Electrolux ranked as a gold class member, sector leader and sector mover.
- Global Climate 100 Index, KLD Research and Analytics, USA.
- Brand Emissions Leader, a ranking by ENDS Carbon and Edinburgh University Business School of 600 brands sold in the UK.



Supporting universal standards of business conduct

Electrolux operates its business according to international standards and has environmental certification of its operations according to ISO 14001. Electrolux endorses the ten principles of the United Nations Global Compact, which cover human rights, labor standards, business ethics and the environment.



Cont. 1 A principled business

Performance review

Principle/Activity	Challenge	2009 Performance	Next step
Dialogue with Board on sustainability strategies.	<ul style="list-style-type: none"> Fully integrate sustainability into business strategy. 	<ul style="list-style-type: none"> Board informed on strategy, priorities and approach. 	<ul style="list-style-type: none"> Ongoing.
Include stakeholder input in identifying sustainability priorities.	<ul style="list-style-type: none"> Understand expectations and respond to different stakeholder and market concerns. Integrate into company decision-making processes. Leverage strategic partnerships with NGOs, universities, customers and suppliers to reach sustainability objectives. 	<ul style="list-style-type: none"> Structured dialogue with investors, employees and interested stakeholders on materiality. Issue-specific discussions with industry partners, organizations, unions and policy-makers. Participation in the development of ISO 26000, guidelines for managing social responsibility. 	<ul style="list-style-type: none"> Develop a process for stakeholder dialogue that is integrated into business strategies. Further develop strategic partnerships.
Our Electrolux – Embedding a common set of values.	<ul style="list-style-type: none"> Integrate a common values system among all employees in a company that traditionally has been entrepreneurial and decentralized. Integrate Our Electrolux into the Talent Management processes including appraisal talks. 	<ul style="list-style-type: none"> Integrated into leadership programs. 550 workshops involving 3,000 employees. Integrated 3 values and 3 foundation principles in appraisal talks and talent review process. 	<ul style="list-style-type: none"> 4,000 employees to complete the workshop by Q3, 2010. Implement the values, foundation and leadership model into the Electrolux Employee Attitude Survey. 12,000 employees complete appraisal talks by Q1, 2010.
Ethics and integrity – Communicating an ethics program that includes the Code of Ethics and related policies.	<ul style="list-style-type: none"> Develop a program to inform all employees about policies for business ethics. Inform employees of policies as well as practices that help develop sound judgment on the acceptance and offering of gifts and events. 	<ul style="list-style-type: none"> A global program and a system for reporting breaches have been adopted. Roll-out of guidelines for gifts and events, based on the Electrolux Policy on Countering Corruption and Bribery. More than 20 workshops on guidelines for gifts and events for selected functions across all business sectors in Europe, China and Australia. 	<ul style="list-style-type: none"> The program will be implemented in 2010. Ongoing. Ongoing. Workshops on gifts and events will be held in US, Brazil, Latin America, Asia/Pacific and Russia in 2010. Content is being integrated into a Group US e-learning program.
Ethics and integrity, safety and sustainability – Improving Code of Conduct methodology, including environmental requirements through the Workplace Standard.	<ul style="list-style-type: none"> Integrate customers' environmental and social requirements into Group standards. Ensure support among retailers for this approach. 	<ul style="list-style-type: none"> Workplace Standard has been rolled out. 	<ul style="list-style-type: none"> Implement and monitor compliance according to the standard and improve performance.
Ethics and integrity – Monitoring Code of Conduct performance compliance.	<ul style="list-style-type: none"> Uphold principles of the Code of Conduct, especially in regions with higher risks from human and labor rights perspectives. 	<ul style="list-style-type: none"> 10 (12) of 21 plants in risk defined regions were externally audited for Code of Conduct and environmental compliance. 	<ul style="list-style-type: none"> Ongoing.
Safety – Global approach to health and safety (H&S) management and behavioral change.	<ul style="list-style-type: none"> End objective of zero accidents. Introduce uniform and consistent working methods for H&S. Consistent metrics for measuring safety. Global behavioral-based safety program. 	<ul style="list-style-type: none"> The global total case incident rate (TCIR) increased by 23% while the number of workdays lost due to injuries decreased by 42%. Initiation of STOP™ program in Latin America, Asia/Pacific and 5 European plants. Over 75,000 Safety Audits were conducted during the year, an increase of 46%. 	<ul style="list-style-type: none"> 2010 targets: Sites with TCIR greater than 1.0: 10% reduction. Sites with TCIR less than 1.0: 5% reduction. Increase management involvement. Implement STOP™ at all sites globally. Conduct employee safety perception survey.
Respect and diversity – Development of an innovative culture with diverse employees in terms of cultural backgrounds and gender.	<ul style="list-style-type: none"> Create teams that better reflect consumers in the Group's markets. Focus more on gender equality, especially among senior management teams. Currently 15% (12) are female. 	<ul style="list-style-type: none"> Support local joint business diversity initiatives in key Group markets. 	<ul style="list-style-type: none"> Ongoing.

2 Climate challenge

Electrolux has a role to play in the climate challenge. About 2% of Europe's overall CO₂ emissions are generated by the use of approximately 630 million appliances. Through its three-part climate strategy, the company can contribute to positive change, reduce its negative impacts, while at the same time generating business opportunities.

Product life-cycle approach

The largest share of the Group's total environmental impact refers to the use of products. This applies particularly to the energy consumed by large appliances such as refrigerators and washing machines. According to the German research organization Öko Institut, the use of appliances often accounts for more than 75% of a product's total environmental impact. (See life-cycle diagram on page 82.) Electrolux can therefore contribute most to tackling climate change by developing a product-led approach.

Electrolux is committed to reducing the energy consumed by its products and to promoting appliances with outstanding overall environmental performance.

Climate strategy

The Electrolux three-part climate strategy is a group-wide response to the climate challenge that goes beyond meeting local legislation and addressing regulatory risks, entailing:

1. Developing and promoting energy-efficient products
2. Reducing the Group's energy use in operations
3. Raising awareness of the importance of efficient appliances in tackling climate change.

Each business sector within Electrolux is promoting its own range of water- and energy-efficient appliances. Electrolux raises the bar for products qualifying for the range on a yearly basis. Although locally defined to meet each market need and regulatory demands, the series is based on environmental parameters defined by the Group.

Electrolux also aims at expanding the market for climate-smart products by influencing consumer purchasing through marketing, communications and proactive public policy work.

Group Management evaluates associated risks and implications of climate change on an annual basis. In response to these risks, and as part of the Group's responsibility as a corporate citizen, Electrolux is actively taking part in the solution. For Electrolux, the most significant risks relate to legislation requiring phase-out of the least energy-efficient products and adjustments in operations; behavioral changes of consumers; energy pricing; as well as stakeholder expectations.

In order to manage these risks, Electrolux continually assesses new legislation and shifts in stakeholder demands.

Energy legislation and product labeling

The most relevant global trends in legislation affecting the Group involve energy and water efficiency of appliances during their use. Electrolux product strategies are designed to meet and exceed these.

Energy efficiency and product energy labeling are core issues for the appliance industry. In Europe and North America, which are the Group's major markets, regulations require that most appliances bear a label indicating the product's energy efficiency and consumption levels. Energy efficiency is thus a relevant factor in purchasing decisions. Similar labeling regulations exist in Australia, Brazil, China, India, Japan and Mexico.

Electrolux products are within all regulatory limits and they are represented in the highest energy-efficiency classes. The Group is prepared for upcoming, more stringent energy-efficiency standards in the EU and the US. Future regulation may also include fluorinated gases used as foam-blowing agents and refrigerants presently used in some products. In Europe, minimum efficiency-performance standards (MEPS) and other environmental requirements will be in effect in 2010. Revised rules for energy labeling will also be launched in the EU during 2010. These changes in legislation and the need to modify products could potentially have a material impact on Electrolux. However, the Group has not quantitatively collated their financial implications on Group level.

Electrolux qualifies for 2008–2010 tax credits for the sale of Energy Star appliances manufactured in the US. The energy-efficiency parameters for qualifying for the credits have been raised for each product type, compared to previous generations of credits.

Benefits for Electrolux

A proactive approach to climate change generates business advantages:

- It reflects key consumer and retailer concerns.
- It leverages product innovation and increases sales margins.
- It reduces operational costs and exposure to fluctuating energy prices. Cutting energy consumption has a direct impact on operating costs. The Group's energy target is expected to generate an annual cost saving of SEK 200m compared to 2005 when the 2012 target is met.
- It helps Electrolux stay ahead of legislation in the growing number of markets where manufacturers are subject to gradually more stringent energy-efficiency standards and producer- responsibility regulations (see box).
- It contributes to the Group's positioning as a sustainability leader.

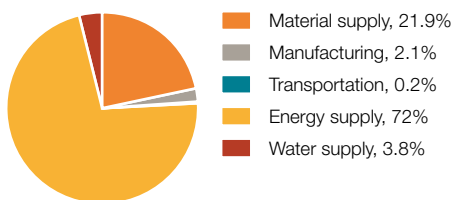
Information on performance relating to the three-part climate strategy is available on the following page. Graphs relating to energy use in products are available on page 88, and energy use in operations are available on page 90. Other environmental performance graphs are found on page 87 and 89.

Cont. 2 Climate challenge

Three-part climate strategy performance review

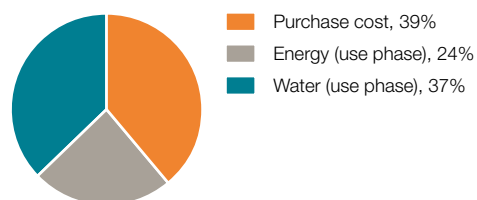
Strategy	Challenge	2009 Performance	Next step
<p>Promote a green range of products in each business area. Green Range incorporates state-of-the-art energy and water-efficient appliances.</p>	<ul style="list-style-type: none"> Adopt common criteria that are relevant for the Group's major markets and collate sales and profitability. Realize the potential of a Green Range offering. Define efficiency targets of the product fleet. 	<ul style="list-style-type: none"> Launch completed in major markets. Annually report global Green Range sales and profitability. Global Green Range for major appliances accounted for 21% of total sold units and 30% of gross profit for consumer durables. 	<ul style="list-style-type: none"> Continue to build on the ranges of top environmental performing products.
<p>Reduce energy consumption in operations by 15%. This reduces the Group's CO₂ emissions and improves operating margins.</p>	<ul style="list-style-type: none"> The first target focused on behavioral changes, the second focuses on energy management, investments and efficiency. 	<ul style="list-style-type: none"> Exceeded 2009 objective, saving 24% (14.5) of energy and 163,000 tons of CO₂ since 2005. Defined new 15% energy-savings target for 2012 compared to 2008 consumption levels. The Green Spirit Program has been fully integrated into Electrolux Manufacturing System worldwide. 	<ul style="list-style-type: none"> Integrate energy-efficiency criteria into investment routines. Coordinate global purchasing of efficient technologies. Integrate into Electrolux Manufacturing System's performance assessment and site certification as of 2010. Transportation: Map CO₂ emissions impact and mode of transport group-wide in 2010. Define targets in 2010 for water and waste reductions in factories and for reducing the carbon impact from transportation.
<p>Raise awareness among consumers and policymakers of how efficient appliances can reduce total CO₂ emissions.</p>	<ul style="list-style-type: none"> One in three appliances in operation is over 10 years old. In Europe, 188 million of the 630 million appliances are inefficient by today's standards. The challenge is to convince consumers to exchange these appliances with energy-lean ones, which would result in an annual reduction of 22 Mton CO₂. Difficulty in measuring the degree the Group has impacted consumer awareness of the role of efficient appliances. Performance standards and legislation vary between countries. Electrolux supports their global harmonization. 	<ul style="list-style-type: none"> The North American and European Eco-savings sites, launched in 2008, are ongoing. They are on-line services that calculate savings on electricity and water consumption offered by efficient appliances. Global launch of Water Savings, an on-line service that calculates individual, regional and national water savings of using dishwashers, compared to washing by hand. Dialogue with representatives of governments, policy-makers and intergovernmental organizations. 	<ul style="list-style-type: none"> Ongoing initiatives directed to policy-makers and awareness-raising. Ongoing.

Life cycle impact



The diagrams are based on data from the average washing machine sold in Europe. Approximately 80% of the total environment impact of an appliance during its life cycle is generated when it is used, compared to less than 10% during production. Electrolux can therefore contribute most by developing a product-led approach.

Life cycle cost



The purchasing price often accounts for less than half of the total life-cycle cost and efficient appliances mean both economic and environmental savings. Source: Öko-Institut e.V., Institute for Applied Ecology, 2004.

3

Responsible Sourcing Program

Instilling high environmental and labor standards among suppliers is the joint responsibility of Group Purchasing and Sustainability Affairs, through the Responsible Sourcing Program. During 2009, a revised purchasing process was launched by Global Purchasing with a common system for identifying and approving potential suppliers. The process ensures that compliance to the Electrolux Code of Conduct and Environmental Policy is mandatory, non-negotiable aspects of evaluating potential and existing suppliers.

The Group has a global, risk-based approach to monitoring the supply chain. Supplier transparency helps assure that the Group's products are manufactured with respect for human rights, health and safety and the environment.

The benefits of responsible sourcing include optimized costs, improved relationships with suppliers and customers as well as better logistics. The program reduces the risk of serious non-compliances that could lead to disruptions in product deliveries. In addition, incidents of non-compliance to the Code of Conduct could affect brand reputation.

Global Purchasing builds long-term relationships

As Electrolux raises expectations on suppliers for quality and cost efficiency, the Group also boosts their ability to perform by sharing technologies as well as production and organizational expertise. With the Purchasing Development Program, Group Purchasing has been helping suppliers prepare for special assignments or to meet higher standards since 2007. Electrolux engages specialists group-wide to transfer knowledge in production, management and organization to suppliers. Value is mutual, not only in improved quality, but also in cementing long-term relationships and loyalty.

Graphs relating to the Responsible Sourcing Program are available on page 91.

As an independent audit function and part of Group Sustainability Affairs, the Responsible Sourcing Program is aimed at creating long-term, sustainable improvement among suppliers.

It supports and collaborates with Group Purchasing to foster supplier ownership of high environmental and workplace standards. The program includes developing projects with individual actions for specific suppliers.

Performance review

Strategy	Challenge	2009 Performance	Next step
Develop the Responsible Sourcing Program in Latin America and Eastern Europe.	<ul style="list-style-type: none"> Increase the number of suppliers located in a greater number of low-cost countries. 	<ul style="list-style-type: none"> Continue developing the program in all regions. 	<ul style="list-style-type: none"> Increase the number of Responsible Sourcing specialists.
Integrate Responsible Sourcing in global and local purchasing procedures.	<ul style="list-style-type: none"> Define a coordinated approach. 	<ul style="list-style-type: none"> Internal training sessions and joint audits with quality departments. Code of Conduct priorities integrated into regular purchasing procedures for identifying and evaluating suppliers group-wide. 	<ul style="list-style-type: none"> Ongoing. Increase monitoring.
Supplier development program (Environmental and Code of Conduct compliance).	<ul style="list-style-type: none"> Encourage supplier ownership for upholding high environmental and social standards. 	<ul style="list-style-type: none"> Pilot successfully completed in China. 	<ul style="list-style-type: none"> Broaden the scope of strategic suppliers. Increase the number of projects in all regions. Establish a supplier development team in Asia/Pacific.
Raise the levels of environmental criteria.	<ul style="list-style-type: none"> Increase understanding among suppliers for their environmental impacts and what is required to address them. In the long term, develop a system to collect carbon data from suppliers. 	<ul style="list-style-type: none"> Integrated into the Workplace Standard. 	<ul style="list-style-type: none"> Request that suppliers measure their energy use.
Conduct audits.	<ul style="list-style-type: none"> Increase the number of audits. 	<ul style="list-style-type: none"> 290 (262) audits conducted. 	<ul style="list-style-type: none"> Ongoing.
Supplier development program (Technology and expertise transfer).	<ul style="list-style-type: none"> By sharing technologies and expertise, equip suppliers to meet high expectations and special assignments. 	<ul style="list-style-type: none"> Approximately 30 suppliers take part in the Group Purchasing program annually in Europe and China. 	<ul style="list-style-type: none"> The program will expand in Latin America, particularly in Mexico in 2010.

4 Restructuring

As a local employer and a global company, Electrolux has a role to play in society. Whether contributing to positive change for local communities or responsibly managing the consequences of restructuring, the Group aims to do so in dialogue with people and organizations affected by the decisions it makes.

To remain competitive and access new markets, Electrolux is shifting location of production. Setting up operations in emerging economies creates positive changes for local communities. It generates indirect effects by prioritizing local suppliers and transferring cutting-edge technologies to these markets, and helps regions leap-frog to the latest technologies. In addition, new facilities are aligned with Group practices through Code of Conduct monitoring procedures together with requirements for ISO 14001 certification of plants.

A decision to close a plant or downsize production affects individuals and communities. Responsible management of the consequences of these decisions is an Electrolux priority. When a factory restructuring is under evaluation, a procedure is followed adapted to local needs and priorities. A wide range of stakeholders are consulted, which may include labor-union representatives, local, regional and national politicians and public authorities.

After the decision to close or downsize has been made, employees are offered assistance such as pre-retirement schemes, training programs and career coaching.

In light of the sharp market decline last year, Electrolux further reduced its staff by more than 3,100 in the fourth quarter of 2008 and in 2009, in addition to the ongoing restructuring process. Operations worldwide were affected (see table 'Employee turnover', on page 91).

Restructuring activities announced or completed during 2009

Activity	Challenge	2009 Performance	Next step
Adelaide (Beverley), Australia Closure of the washer/dryer plant during 2008.	<ul style="list-style-type: none"> Relocate production to Rayong, Thailand. Find job opportunities in Electrolux cooking plant in Dudley Park, Australia, for affected employees. Job support and training for remaining affected employees. 	<ul style="list-style-type: none"> 369 employees were affected in 2008. 150 employees transitioned to other positions. Of those seeking employment in 2009: 4 were retrained. 12 are fulfilling expatriate roles. Completed closure. 	<ul style="list-style-type: none"> N/A
Changsa, China Closing of the refrigerator plant during 2009.	<ul style="list-style-type: none"> Pursue external investors. 	<ul style="list-style-type: none"> 700 employees were affected. 60 employees rehired by new factory owner. 	<ul style="list-style-type: none"> N/A
Scandicci, Italy Phase-out of production of a refrigerator plant during 2009.	<ul style="list-style-type: none"> Re-hiring of 370 employees by new factory owner. 	<ul style="list-style-type: none"> 430 employees were affected. 370 employees received employment with the new factory owner. Social plan for 60 redundancies. 	
Alcalà, Spain Announcement of the closure of the washing machine factory in 2011.	<ul style="list-style-type: none"> Relocate production to Rayong, Thailand. Pursue external investors. 	<ul style="list-style-type: none"> 450 employees affected. Rayong was audited for Code of Conduct compliance during 2009. 	<ul style="list-style-type: none"> Ongoing. Continue the search for replacement jobs.
Motala Sweden, Announcement of the phase-out of cooker production, by year-end 2010.	<ul style="list-style-type: none"> Relocate production to Swidnica, Poland. Pursue external investors to take over production and factory facility. 	<ul style="list-style-type: none"> 240 employees affected. 	<ul style="list-style-type: none"> Continue the search for replacement jobs.
Susegana, Italy Optimizing cost base by refocusing product mix.	<ul style="list-style-type: none"> Agree on social plan. Re-engineer the factory to match new mission. 	<ul style="list-style-type: none"> Social plan agreed for 220 (280) redundancies. Remaining 60 employees in temporary social plan, completed by 2011. Factory optimization completed 2010. 	
Webster City and Jefferson, Iowa, US Closure of vacuum cleaner production, 2009 and laundry production in Q4, 2010 (Jefferson) and Q1 2011 (Webster City).	<ul style="list-style-type: none"> Coordinate employee support with governments and agencies. Job support and training for affected employees. Relocate production to Juarez, Mexico. 	<ul style="list-style-type: none"> 940 employees affected. Work with the Iowa Workforce Development Agency to arrange for delivery of State and Federal programs and benefits to employees. 	<ul style="list-style-type: none"> Ongoing.
St. Petersburg, Russia Closure of the washing machine factory, Q2, 2010.	<ul style="list-style-type: none"> Job support and training for affected employees. 	<ul style="list-style-type: none"> 215 employees affected. Outplacement program. Direct contact with potential new employers. 	<ul style="list-style-type: none"> Search for replacement jobs (via mass media, internet).

An inclusive approach

Accountability to consumers, customers, employees, shareholders and others affected by the Group's operations involves sharing experience and addressing concerns. Stakeholder insight also enables Electrolux to better understand its markets and societal trends.

Understanding consumers is the basis for the Electrolux brand promise "Thinking of you". Consumer insight is decisive for both the business strategy and product development. Comprehensive interviews and visits to households throughout the world enable the Group to identify global trends in society and respond to them in the product offering.

Long-term relationships bring sustainable success

Strong, long-term relationships with retailers are central to the business model. Sustainability-related issues are an important part of the dialogue with customers. Electrolux has long cooperated informally with retailers to promote environmentally-sound appliances and enhance consumer awareness. Growing numbers of customers are stipulating formal commitments to social and environmental performance standards in their contracts.

Dialogue with stakeholders

Employee contributions are highly valued. The Group's Board of Directors comprises non-executive members, the President and, in accordance with Swedish law, three employee representatives and three deputies. They thereby provide employee input into company decision-making. Annual employee attitude surveys gauge opinion and seek feedback from personnel on how the strategy is being implemented and how they perceive the organizational climate.

Dialogue with investors and owners, many of which are pension funds with long-term commitments to Electrolux, is also ongoing. Their primary concerns are that Electrolux understands and acts on emerging issues and that the Group is transparent with regard to long- and short-term risks and opportunities.

Media-related activities focus on products, markets and business strategy, enabling Electrolux to broaden its interface with opinion-formers. Also, continuous analyses of media trends enable company strategists to track relevant global and local issues.

Shared agenda

The Electrolux staff for Sustainability Affairs is responsible for Group dialogue with internal and external stakeholders on sustainability-related issues, such as climate change, producer responsibility for recycling and responsible sourcing. Identification and choice of partners are primarily based on the weight the organizations carry for issues relevant to the Group. Stakeholders

include environmental organizations such as the Worldwide Fund for Nature (WWF) and Business for Social Responsibility (BSR). Frequency of engagement is issue- and agenda-driven.

Since 2004, Electrolux has taken part in the development of ISO 26000 social responsibility guidelines to be launched in 2010, and in the harmonization of product performance standards through the International Electrotechnical Commission.

Prior to, and during, climate negotiations in Denmark, Electrolux President Hans Stråberg was among the CEOs that endorsed initiatives, such as Caring for Climate, aimed at advancing practical solutions and shaping both public policy and attitudes on climate change. He also met with high-level EU and European national policy-makers to discuss the urgency of a uniform and strict monitoring process for compliance to environmental product legislation.

Electrolux also maintains a continuous dialogue with representatives from governments and intergovernmental organizations. This is conducted both directly and through membership in appliance industry associations (see page 88).

Public policy discussions with governmental authorities cover issues such as climate change, energy efficiency, producer responsibility for recycling, product responsibility as well as the introduction of government incentives for consumer purchases of energy-efficient appliances.

Ongoing dialogue and feedback from stakeholders are compiled and reported to Group Management on a regular basis, and reflected in their decision-making. Sustainability Affairs also conducts dialogue with target audiences on the reporting process.

Each market and business area is responsible for maintaining dialogue with representatives from relevant interest groups. Local operations cooperate and engage with non-governmental organizations such as WWF in Italy, the Ovarian Cancer Research Fund and the United Way in the United States and the Ethos Institute for Companies and Social Responsibility in Brazil. Electrolux also cooperates with other corporations that have similar goals through, e.g., the UN Global Compact and its Nordic network, as well as the Confederation of Swedish Enterprise.

Management and performance

Electrolux defines its sustainability strategies, monitors performance, coordinates training and aggregates its targets at Group level. At the same time, each business area is responsible for implementation locally. This combination helps ensure that learning can be leveraged across markets while Electrolux is meeting local needs and requirements.

Through its management approach, Electrolux aims to integrate sustainability throughout its entire operations.

Organizational responsibility

The Board assesses ethical risks and opportunities annually. Sustainability-related strategies and policies are defined by Group Management.

During the year, the Group launched a new organizational platform, Major Appliances Global Operations, to develop management practices with regard to product innovation, purchasing and factory management. This will further facilitate the global execution of sustainability strategies.

Responsibility at the business sector level covers environmental management, human resources as well as health and safety issues. In addition, the business areas manage the impacts of operations on communities, both during operation and restructuring.

Electrolux Sustainability Affairs supports business areas and Group functions with expertise, training, issue identification and monitoring. Sustainability Affairs is part of Group Staff Communications and Branding.

Group Purchasing is ultimately responsible for compliance with the Code of Conduct along the supply chain. The Responsible Sourcing Program enables the Group to maintain local presence and support purchasers and suppliers with training, audits and development activities. The manager of the program reports to Group Sustainability Affairs.

Policies

The Electrolux Code of Ethics comprises rules of conduct for relations with employees, business partners, shareholders and other stakeholders.

Elements of the Electrolux Code of Ethics are described in greater detail in the Code of Conduct, the Policy on Countering Corruption and Bribery, and the Environmental Policy. All of the above are based on universal standards of business practice, including those of the International Labour Organization and the OECD Guidelines for Multinational Enterprises.

Codes and policies also reflect the Electrolux commitment to the ten principles of the UN Global Compact. The Board reviews ethical and sustainability-related policies on an annual basis. All of the above policies have been endorsed by Group Management.

The Electrolux Workplace Code of Conduct defines high employment standards for all Electrolux employees in all countries and business areas as well as for all subcontractors. The Code covers issues such as child and forced labor, health and safety, workers' rights and environmental compliance.

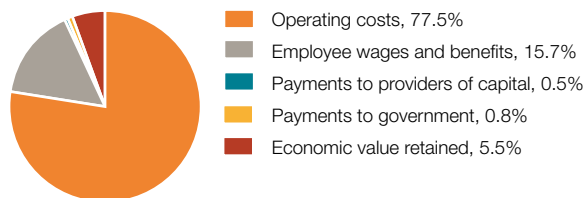
The Electrolux Environmental Policy outlines the Group's commitment to improve environmental performance in production, product use and disposal. The policy prescribes a proactive approach to legislation.

2009 saw the introduction of the Workplace Standard, which clarifies and specifies the management practices required to meet the Group's sustainability codes and policies. The Standard has also been informed by an analysis of the sustainability requirements of major customers to ensure that the Group is meeting and exceeding their expectations.

Human resource-related policies such as the Grandparent Principle and the Recruitment Policy are designed to ensure fair and transparent hiring practices. The Compensation Policy defines a consistent approach to remuneration. The purpose of the policy Appointment of Senior Managers is to ensure that Electrolux appoints the right people to achieve strategic objectives in line with Group policies. Training of the policy has been conducted

Direct economic value (GRI EC1)

SEKm	2009	2008
Revenues	109,429	105,232
Economic value distributed		
Operating costs	84,769	83,798
Employee wages and benefits	17,201	17,014
Payments to providers of capital	533	1,961
Payments to government	877	287
Community investments	NA	NA
Economic value retained	6,049	2,172



The direct economic value is defined as net sales plus revenues from financial investments and sales of assets.

Policy	Policy holder*	Policy approver
Code of Ethics	VP, Group Sustainability Affairs	Board of Directors
Workplace Code of Conduct	VP, Group Sustainability Affairs	Senior Vice President, Communications and Branding
Policy on Countering Bribery and Corruption	Senior Associate General Counsel	Senior Vice President, Legal Affairs
Environmental Policy	VP, Group Sustainability Affairs	Senior Vice President, Communications and Branding

*Responsible for developing, communicating, monitoring and enforcing.

throughout the global Human resource community. Compliance is followed up annually. Non-compliant units are requested to have short- and long-term action plans in place.

External assurance

This summary report, which is included in the Annual Report, and the online GRI report have been GRI-checked to ensure the correct application of their reporting framework.

Third-party assurance of compliance with ISO 14001 is conducted annually at all certified facilities. In addition, third-party assurance of compliance with the Code of Conduct is conducted within risk-defined regions. At year end, Electrolux operated 21 (20) plants in Asia, Latin America and Eastern Europe. Ten (12) of these were externally audited during 2009. In total, 290 (262) Code of Conduct audits took place among suppliers, 33 (19) of which were externally audited.

Training and monitoring

In order to integrate management procedures throughout the Group, Electrolux runs training programs covering environmental certification according to ISO 14001, the Code of Conduct, occupational safety and human resources. These are also supported by internal and third party performance monitoring.

In order to instill an understanding for, and adherence to, the Group's foundation and core values and the Policy on Countering Corruption and Bribery, group-wide workshops and training pro-

grams were held during the year (see page 80). In addition, workshops on the Workplace Standard took place in China and Thailand.

Environmental performance

Group Management has stipulated that an environmental management system is to be implemented for each business area's entire operation. All manufacturing units are mandated to be certified according to ISO 14001. In 2009, 94% (92) of all factories were certified. Newly acquired units must complete the certification process within three years after acquisition.

Reducing energy use is a Group objective. Sustainability Affairs is responsible for sharing best practice as well as monitoring performance group-wide. Energy savings targets are implemented in offices, factories, and warehouses. Target achievement in factories is managed through the Electrolux Manufacturing System, a global program for implementation of efficient production. In addition, the system is used for monitoring and eliminating waste, reducing water use and increasing safety and quality within production processes. Together with regional logistics departments, Sustainability Affairs coordinates the reduction of CO₂ related to transportation.

Labor practices, human rights and society

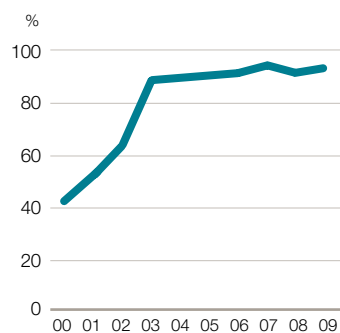
At year-end, the Awareness-Learning-Feedback-Assessment (ALFA) tool was deployed in all Electrolux business areas to measure how units have progressed relative to the Code of Conduct and to assess the status of health and safety, as well as related management practices. Sustainability Affairs provides business areas with feedback and suggestions for improvements.

A key priority is to ensure that group-wide policies are communicated, with particular focus on the Code of Ethics and the Code of Conduct.

People Vision

The Electrolux People Vision is to have an innovative culture with diverse, outstanding employees that drive change and go beyond in delivering on the Group's strategy and performance objectives. Human resource policies, leadership programs and an internal recruitment tool help to realize the vision. Sustainability is included

ISO 14001 certification



Share of factories with more than 50 employees that have certified ISO 14001 environmental management systems. Two factories are currently in the process of certification.

Direct material balance

Data from 51 manufacturing units, %	2009	2008	2007	2006
Finished products (incl. packaging)	91.8	91.2	90.9	91.7
External material and energy recycling	7.3	7.8	8.1	7.2
Waste to landfill (non-hazardous)	0.7	0.8	0.9	0.8
Hazardous waste	0.18	0.20	0.15	0.17
Emission to air	0.008	0.010	0.012	0.025
Emission to water	0.001	0.001	0.001	0.003
Total incoming material	100	100	100	100

In 2009, the high utilization of material in production was maintained.

in induction programs for all new senior managers. Ethics training is also part of the Electrolux Leadership program.

As of this year, employee performance is measured in appraisal talks according to the Group's three core values and the foundation, with its three principles of conduct.

Health and safety

Individual business regions are responsible for ensuring that health and safety is effectively managed and management is held accountable for the safety performance in their areas. Local units are responsible for taking action and reporting safety data in accordance with prevailing laws and regional requirements.

At Electrolux factory facilities, health and safety is monitored through the Electrolux Manufacturing System. In 2009, safety performance goals were set at a reduction of 10% total case incident rate (TCIR) for those factories with a TCIR greater than 1.0 and 5% reduction for those factories with a TCIR less than 1.0.

Society

The Electrolux public policy agenda is primarily coordinated with industry organizations such as the European Appliance Industry Association (CECED) and the American Home Appliance Manufacturers Association (AHAM).

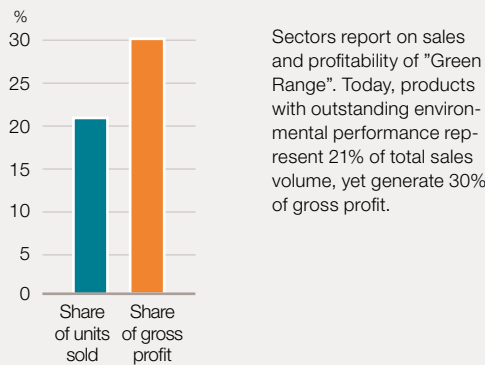
A public policy outcome currently supported by Electrolux is the creation of market frameworks that promote purchases of energy-efficient appliances. Since performance standards and legislation vary between countries, Electrolux supports their global harmonization.

Electrolux observes neutrality with regard to political parties and candidates. Neither the Electrolux name, nor any resources controlled by Group companies may be used to promote the interests of political parties or candidates.

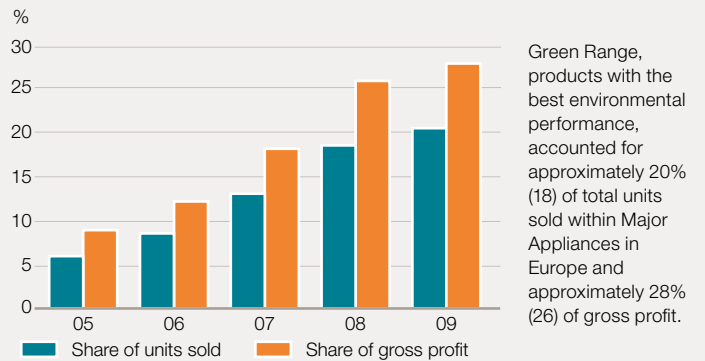
Workplace Code of Conduct

Electrolux applies common management practices for the Workplace Code of Conduct and monitors and reports on progress for all facilities with more than 30 employees. An electronic assessment tool, Awareness-Learning-Feedback-Assessment (ALFA), supports internal implementation of the Workplace Code of Conduct and monitors Electrolux units regarding compliance.

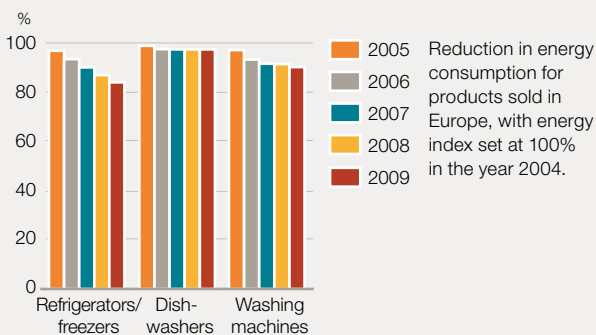
Global Green Range



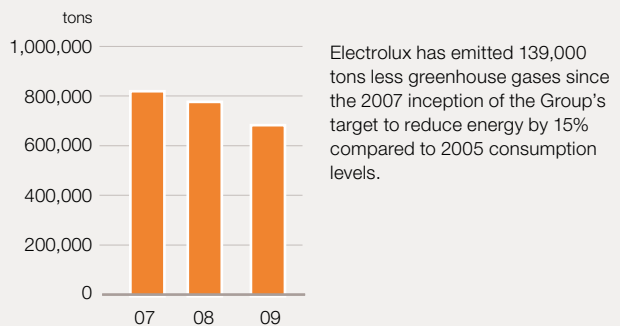
Green Range Europe



Fleet average



Direct and indirect GHG emissions (GRI EN16)



Direct energy consumption by primary energy source (GRI EN3)

GJ	2009	2008
Non-renewable primary source		
Oil	44,889	55,929
Coal	0	32,734
Natural gas	2,076,175	2,367,545
LPG	146,282	148,097
Renewable primary source		
Biofuel	0	0
Ethanol	0	0
Hydrogen	0	288

Indirect energy consumption by primary source (GRI EN4)

GJ	2009	2008
District heating	115,364	133,044
District cooling	7,632	13,067
Steam	1,937	2,044
Electricity	2,542,494	2,775,964
Renewables	0	0

Water withdrawal by source (GRI EN8)

m ³ /year	2009	2008
Surface water	863,260	937,204
Ground water	4,510,856	5,208,902
Rainwater	74,072	54,000
Wastewater, other organizations	78,800	91,907
Municipal water	3,493,969	4,661,990

Direct and indirect GHG emissions (GRI EN16)

tons	2009	2008
Direct emissions (EN3)		
Energy generation	119,161	150,683
Fugitive emissions	260,442	275,100
Indirect emissions (EN 4)		
Electricity	290,579	327,227
District heating/cooling	3,443	9,546
Steam	424	1,659

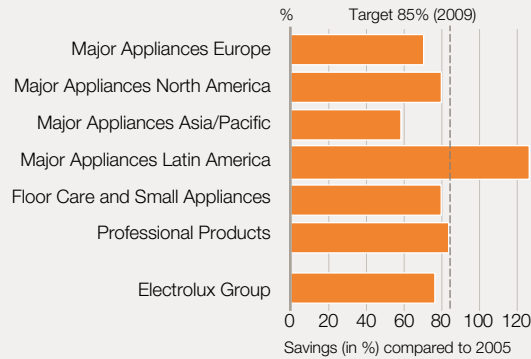
Calculations are based on WRI's "Calculation Tool for Direct Emissions from Stationary Combustion Calculation worksheets. July 2005. Version 3.0". Indirect emissions have been calculated using Electricity Emission Factors - All Fuels (Electricity Purchase Service Sector v3(1)). Emission factors have been shifted three years (2006 to 2009) to allow year-on-year comparisons. Data for 2008 has been revised.

Weight of waste by type and disposal method (GRI EN22)

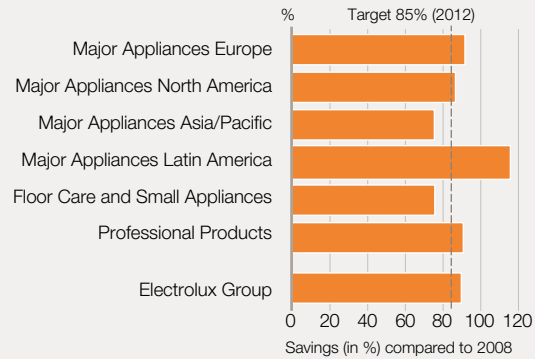
tons	2009	2008	2007	2006
Hazardous waste				
	4,116	4,770	4,056	3,958
Non-hazardous waste				
Composting	507	279	11	0
Recycling	150,397	175,250	212,372	168,645
Incineration	2,013	2,387	2,515	3,594
Landfill	18,682	21,468	22,982	19,856
Deep well injection	435	273	0	0

Energy savings targets (GRI EN18)

Step 1: Target 15% 2009. Baseline year: 2005.
Status: Completed and exceeded



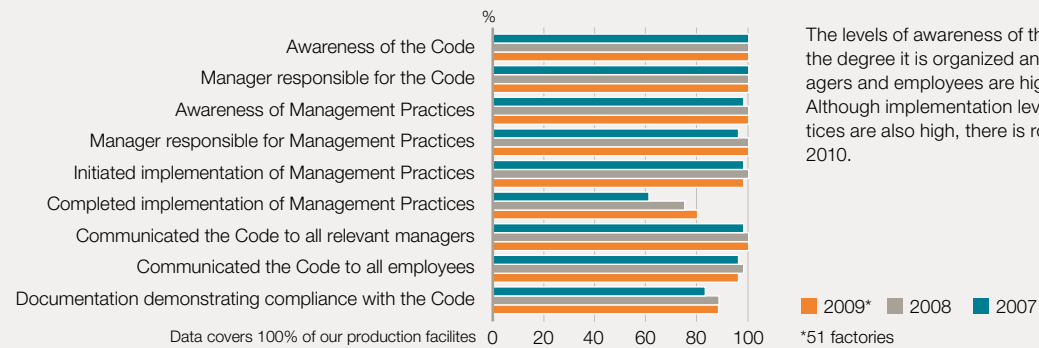
Step 2: Target 15% 2012. Baseline year: 2008
Status: Ongoing and on track



Business sector, %	2009	2008	2007
Major Appliances, Europe	70	77	87
Major Appliances, North America	80	93	94
Major Appliances, Asia/Pacific	58	75	86
Major Appliances, Latin America	126	109	109
Floorcare and Small Appliances	79	105	94
Professional Products	83	93	88
Electrolux Group	76	86	91

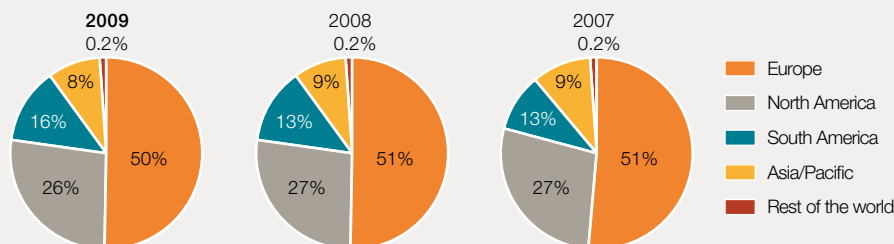
The Group target to reduce energy consumption 15% by year-end 2009, compared to the 2005 level was exceeded. Energy consumption has been reduced 24%, corresponding to a reduction of 163,000 tons of CO2. 2009 data is based on 51 factories, 25 warehouses and 34 offices, compared to 52 factories, 17 warehouses and 25 offices in 2005.

ALFA assessment of the Group production units



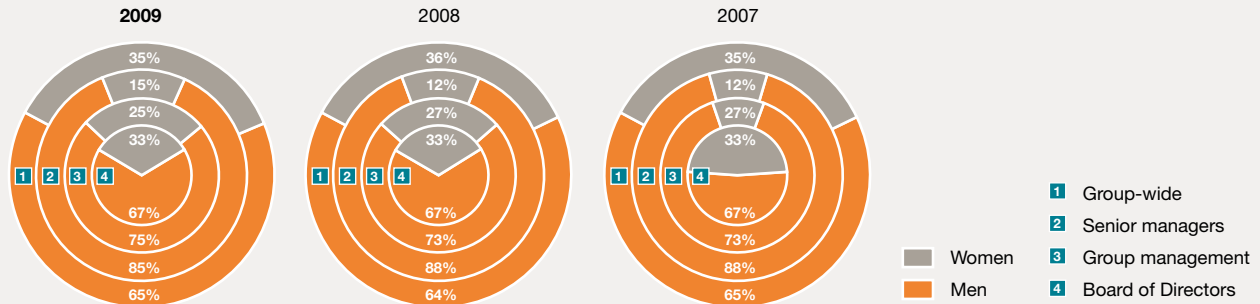
The levels of awareness of the Code of Conduct, and the degree it is organized and communicated to managers and employees are high throughout the Group. Although implementation levels for management practices are also high, there is room for improvement in 2010.

Employees by geographical area (GRI LA1)



The ratio of employees between geographical areas has changed slightly between 2008 and 2009, with an increase in South America. There were 50,633 employees in 2009. The corresponding figure for 2008 was 55,177.

Gender distribution



Employee turnover (GRI LA2) and collective bargaining (GRI LA4)

	2009	2008
Total employees – Male	32,955	35,562
Total employees – Female	17,678	19,615
Employee turnover – All employees, %	17 ¹⁾	22
Employee turnover – Male, %	18 ¹⁾	23
Employee turnover – Female, %	15 ¹⁾	22
Employees covered by collective bargaining agreements, %	62 ²⁾	63

1) Data covering 51 production facilities, 28 warehouses and 49 offices corresponding to 45,483 employees.

2) 25,990 of 37,476 employees at 51 production facilities were covered by collective bargaining agreements.

Health and safety (GRI LA7)

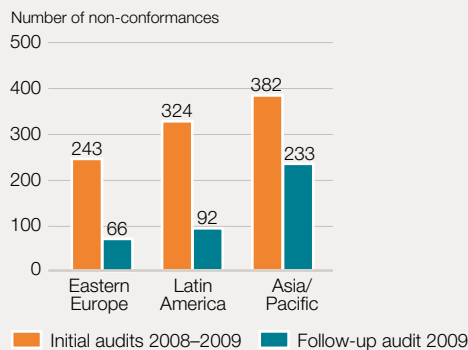
	2009	2008	2007	2006
Number of work-related injuries ¹⁾	1,012	836	1,435	1,170
Injury rate ¹⁾	2.6	2.2	3.2	2.9
Number of workdays lost due to occupational injuries ¹⁾	10,686	18,350	17,469	22,801
Lost day rate ¹⁾	27	48	46	56
Number of work-related fatalities	0	0	1	0

1) Per 200,000 hours worked (TCIR).

Key health and safety data for the Group's operations. In 2009, data was collected covering 51 production facilities and 28 warehouses corresponding to 39,239 employees.

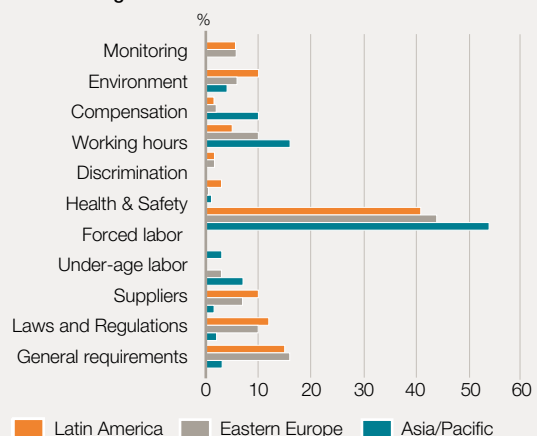
Responsible Sourcing Program

Follow-up audit comparisons



Follow-up audits were carried out at 18 suppliers in Europe, 18 suppliers in Latin America and 23 suppliers in Asia/Pacific during 2009. Initial audits of the same suppliers were completed in 2008 and 2009. The outcome of the audits indicates considerable improvements by most suppliers, and insufficient improvements by a few. One conclusion made by insufficient audit results is that activities other than auditing are required to support further progress among suppliers.

Audit findings



Audit findings from 290 supplier audits conducted during 2009. Health and safety issues are major problem areas in all regions, together with working hour issues. Environmental compliance is a growing concern, mainly due to stricter requirements set by Electrolux.

Issues relating to under-aged labor is mainly a problem in Asia. A majority of cases recorded are related to insufficient protection of authorized minors (16–18 years). In Europe and Latin America under-aged labor issues are related to insufficient recruitment screening. In China, 24 (15) cases of under-aged workers (below 16 years) were uncovered in 2009.

Corporate governance report 2009

The Electrolux Group is comprised of approximately 160 companies with operations in over 50 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.

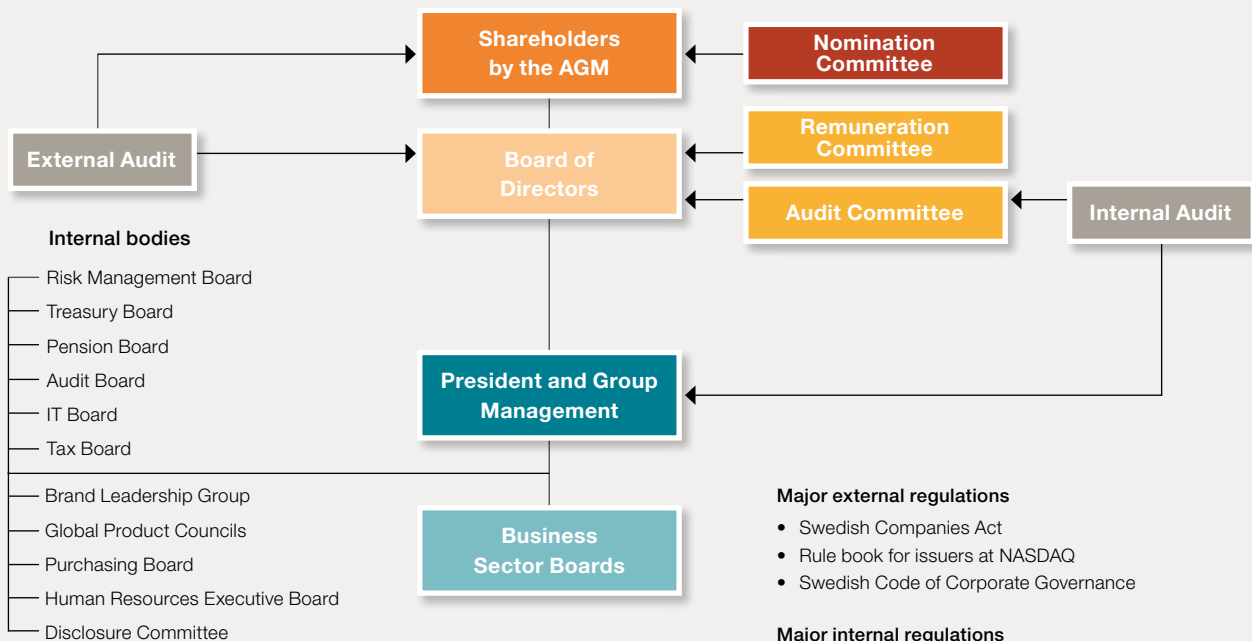
The governance of Electrolux is based on the Swedish Companies Act, the rule book for issuers at NASDAQ and the Swedish Code of Corporate Governance (the "Code"), as well as other relevant Swedish and foreign laws and regulations.

This corporate governance report has been drawn up as a part of Electrolux application of the Code. The report has not been audited by the Group's external auditors. Electrolux does not report any deviations from the Code in 2009.

Highlights

- A new organization headed by Keith McLoughlin has been created in order to fully take advantage of the Group's global presence and economies of scale within the areas of research & development, purchasing and manufacturing within Major Appliances.
- Two new members of Group Management has been appointed: Kevin Scott, Head of Major Appliances North America, and Alberto Zanata, Head of Professional Products.
- Electrolux has applied for delisting from the London Stock Exchange. The delisting will occur during the first quarter of 2010.

Governance structure



Major external regulations

- Swedish Companies Act
- Rule book for issuers at NASDAQ
- 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 Countering Bribery and Corruption and Workplace Code of Conduct

For further information regarding:

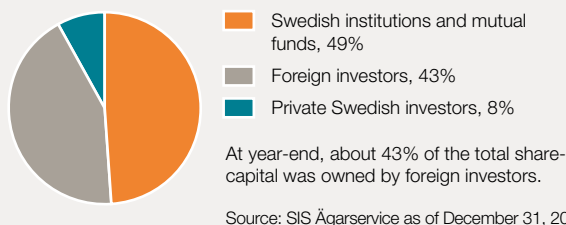
- Swedish Companies Act; www.sweden.gov.se/sb/d/9171/a/82648
- NASDAQ OMX Stockholm; www.nasdaqomxnordic.com
- Swedish Code of Corporate Governance and specific features of Swedish corporate governance; www.corporategovernanceboard.se

AB Electrolux 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.

Ownership structure

Electrolux shares are registered with Euroclear Sweden AB. This means that no share certificates are issued, and that Euroclear Sweden keeps a share register of owners and custodians in the company.

According to the share register at year-end 2009, the Group had a total of approximately 52,000 shareholders. The number of Electrolux shareholders in Sweden at year-end was approximately 48,700. Investor AB is the largest shareholder, with approximately 12.7% of the share capital and approximately 28.8% of the voting rights.



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 page 20. The information on ownership structure is updated quarterly on the Group's website, www.electrolux.com/corpgov.

Voting rights

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

Nomination Committee

Nomination Committee

Each year, the Annual General Meeting (AGM) resolves upon the nomination process for the Board of Directors and, when appropriate, the auditors. The process involves the appointment of a Nomination Committee comprised of six members. The Committee shall include one representative of each of the four largest shareholders, in terms of the number of votes, who wish to appoint such representatives together with the Chairman of the Board and one additional Director.

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

- Chairman of the AGM
- Board members
- Chairman of the Board
- Remuneration to individual Board members
- Remuneration for committee work
- Nomination Committee for the next year
- Auditors and auditors' fees, when these matters are to be decided by the following AGM

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 2009

The Nomination Committee for the AGM 2009 was comprised of six members. Petra Hedengran of Investor AB led the Nomination Committee's work.

The Nomination Committee has not considered that there are reasons to propose any changes to the composition of the Board of Directors for the forthcoming year. A report regarding the work of the Nomination Committee was presented at the AGM 2009. Further information regarding the Nomination Committee and its work can be found on the Group's website, www.electrolux.com/corpgov.

Nomination Committee for the AGM 2010

The Nomination Committee for the AGM 2010 is based on the ownership structure as of August 31, 2009, and was announced in a press release on September 30, 2009.

The Nomination Committee's members are:

- Petra Hedengran, Investor AB, Chairman
- Ramsay J. Brufer, Alecta Pension Insurance
- Carina Lundgren Markow, Folksam Group
- Marianne Nilsson, Swedbank Robur Funds
- Marcus Wallenberg, Chairman of Electrolux
- Peggy Bruzelius, Deputy Chairman of Electrolux

No changes in the composition of the Nomination Committee had occurred as of February 2, 2010. Shareholders wishing to submit proposals to the Nomination Committee should send an e-mail to nominationcommittee@electrolux.com.

Shareholders by the AGM

General Meetings of shareholders

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

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

Extraordinary General Meetings (EGM) 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 certificate 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 in good time prior 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.

Annual General Meeting 2009

The AGM on March 31, 2009, was attended by shareholders representing a total of 50.4% of the share capital and 61.6% of the voting rights in the company. The President's speech was broadcast live via the Group's website and is also presented on www.electrolux.com/corpgov, together with the minutes and resolutions. The meeting was held in Swedish, with simultaneous interpretation into English.

The Annual General Meeting resolved, among other things, to adopt the Board of Director's proposal not to issue any dividend for the financial year 2008. This was a consequence of weak results, the anticipation of continued weak market development and ongoing cost savings programs.

Marcus Wallenberg was re-elected as Chairman. The meeting also adopted the Board's proposed guidelines for remuneration to the Group Management of Electrolux, as well as the scope

and main principles of the performance-based, long-term Electrolux share program 2009.

All Board members, as well as the Group's auditor in charge, were present at the meeting.

Annual General Meeting 2010

The next AGM of Electrolux will be held on March 30, 2010, at the Berwald Hall, Stockholm, Sweden.

For additional information on the next AGM, see page 103.

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 Peggy Bruzelius.

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

For additional information regarding the Board of Directors, see page 104. The information is updated regularly at the Group's website, www.electrolux.com/board_of_directors.aspx.

Independence

The Board is considered to be in compliance with relevant requirements for independence.

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. Hans Stråberg 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. Hans Stråberg has no major shareholdings, nor is he a part-owner in companies having significant business relations with Electrolux. As already mentioned, Hans Stråberg 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/corpgov.

Composition of the Board¹⁾

	Nationality	Independence ²⁾	Audit Committee	Remuneration Committee	Total remuneration, SEK ³⁾
Marcus Wallenberg, Chairman of the Board	SE	No		●	1,655,000
Peggy Bruzelius, Deputy Chairman of the Board	SE	Yes	●		750,000
Hasse Johansson	SE	Yes			475,000
John S. Lupo	US	Yes			475,000
Johan Molin	SE	Yes		●	530,000
Hans Stråberg, President and CEO	SE	No			—
Caroline Sundewall	SE	Yes	●		560,000
Torben Ballegaard Sørensen	DK	Yes	●		560,000
Barbara Milian Thoralfsson	US	Yes		●	595,000
Ola Bertilsson, Employee representative	SE	—			—
Gunilla Brandt, Employee representative	SE	—			—
Ulf Carlsson, Employee representative	SE	—			—
Total					5,600,000

- Chairman
- Member

1) For the period from the AGM 2009 to the AGM 2010.

2) For additional information, see Independence on page 94.

3) For additional information, see Remuneration to Board members on page 96.

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

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.

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 six other ordinary meetings during the year. Four of these meetings are held in conjunction with 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 2009

During the year, the Board held eight scheduled meetings, one extraordinary meeting and one meeting per capsulam. All scheduled meetings were held in Stockholm, Sweden.

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, served as secretary at all of 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.

Major issues addressed by the Board

- The washing machine factory in Porcia, Italy, is to be made more efficient in order to increase productivity.
- The washing machine factory in St. Petersburg, Russia, will be closed during the second quarter of 2010.
- The factory for basic washing machines in Alcalà, Spain, will be closed during the first quarter of 2011.
- Production of laundry products in North America will be concentrated to the Group's factory in Juarez, Mexico, during the fourth quarter of 2010 and the first quarter of 2011. The factories in Webster City and Jefferson (Iowa), USA, will be closed.
- Application filed for delisting from the London Stock Exchange. The delisting will become effective during the first quarter of 2010.
- Most of the North American corporate offices and support functions will be consolidated. The new headquarters will be located in Charlotte (North Carolina) starting Q3 2010.
- Production of cookers in Motala, Sweden, will be phased out. The majority of production will be phased out, and the intent is to find an external part who will take over the remaining production.

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

The Deputy Chairman of the Board undertakes a separate annual evaluation of the Chairman's work.

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, in accordance with a resolution made at the AGM 2009, remained unchanged as follows:

Chairman of the Board	SEK 1,600,000
Deputy Chairman of the Board	SEK 550,000
Director	SEK 475,000
Chairman of the Audit Committee	SEK 200,000
Member of the Audit Committee	SEK 85,000
Chairman of the Remuneration Committee	SEK 120,000
Member of the Remuneration Committee	SEK 55,000

The AGM 2009 also resolved to approve the Nomination Committee's proposal to pay a part of the remuneration to the Board in the form of so-called synthetic shares. The aim of providing synthetic shares is to further enhance the connection between the owners' and the Directors' common interest of a good long-term development for Electrolux. A synthetic share implies the right to receive, at a future point in time, payment of an amount equivalent to the market value of a B-share in the company at date of payment.

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. Remuneration to the President is proposed by the Remuneration Committee and determined by the Board.

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

Participation of the Board in 2009

	Board meetings	Committee meetings
Marcus Wallenberg	10/10	8/8
Peggy Bruzelius	9/10	4/4
Hasse Johansson	10/10	
John S. Lupo	10/10	
Johan Molin	9/10	7/8
Hans Stråberg	10/10	
Caroline Sundewall	10/10	4/4
Torben Ballegaard Sørensen	10/10	4/4
Barbara Milian Thoralfsson	10/10	8/8
Ola Bertilsson	10/10	
Gunilla Brandt	10/10	
Ulf Carlsson	10/10	

Remuneration Committee Audit Committee

Committees

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 members and Chairmen of the Committees are appointed at the statutory Board meeting following election.

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

Remuneration Committee

The Remuneration Committee's primary task is to propose guidelines for the remuneration to the members of Group Management. The Committee also proposes adjustments of the remuneration to the President and CEO, for resolution by the Board, and resolves on adjustments of the remuneration to other members of Group Management.

The Remuneration Committee's tasks include:

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

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

In 2009, the Remuneration Committee held eight scheduled meetings. Significant issues addressed include preparation of a new long-term incentive program for 2010, preparation of a proposal for a review of the remuneration to the President and CEO, follow-up of previously approved long-term incentive programs and the review of the company's strategy for remuneration, relative to the external job market

The Head of Human Resources and Organizational Development participated in the meetings and was responsible for preparations.

Audit Committee

The main tasks of the Audit Committee are 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'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 and Special Assignments as regards 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.

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: Peggy Bruzelius (Chairman), Caroline Sundewall and Torben Ballegaard Sørensen. 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 2009, the Audit Committee held four scheduled meetings. 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 all of the Audit Committee meetings. Cecilia Vieweg, General Counsel, has served as secretary at all of the meetings.

External Audit

External auditors

The AGM in 2006 re-elected PricewaterhouseCoopers AB (PwC) as the Group's external auditors for a four-year period, until the AGM in 2010. 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.

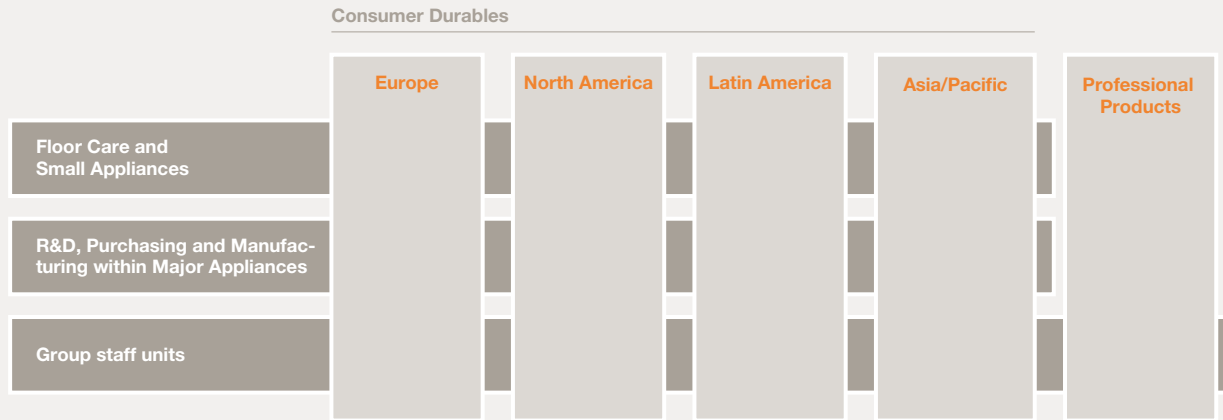
The audit is conducted in accordance with the Swedish Companies Act and the generally accepted Swedish auditing standards issued by FAR SRS, which is the institute for the accountancy profession in Sweden (Swedish GAAS). The auditing standards issued by FAR SRS are based on international auditing standards issued by the International Federation of Accountants (IFAC GAAS).

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 page 105. For details regarding fees paid to the auditors and their non-audit assignments in the Group, see Note 28.

Company structure

Business areas



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 100. For additional information on risk management, see page 64 in part 1.

Management and company structure

Electrolux operations are divided into five business areas which include six sectors and a total of 25 product lines. Within Major Appliances, the business sectors are geographically defined, while the sectors Professional Products and Floor Care and Small Appliances are global. There are four Group staff units that support all business sectors: Finance, Communications and Branding, Legal Affairs, and Human Resources and Organizational Development.

A new global organization with responsibility for product development, purchasing and manufacturing within major appliances was established in 2009 in order to fully take advantage of the Group's global presence and economies of scale.

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

Group policies and guidelines

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.

COMPASS was initiated during 2008 as a group-wide project. Its aim is to clarify joint processes and improve their efficiency in order to strengthen control and lower costs. Transparent information also allows better decision data to be developed.

Electrolux has determined that all of its operations will be undertaken on an environmentally, socially and ethically responsible basis. A proactive approach in this regard reduces risks, strengthens the brand, increases the motivation of personnel and ensures good relations with the individuals within the communities with which the Group interacts. Key policies in this context include the Electrolux Code of Ethics, the Electrolux Workplace Code of Conduct and the Electrolux Policy on Countering Corruption and Bribery.

The Electrolux People Vision is to have an innovative culture with diverse, outstanding employees that drive changes and go beyond in delivering on the Group's strategy and performance objectives. The Electrolux culture features diversity and innovation. Development of innovative products is a vital part of this vision. Diversity is a prerequisite for Electrolux ability to compete in a global market. Personnel with diverse backgrounds create a greater understanding of consumer needs in different countries.

For additional information on Electrolux People Vision, see page 54 in part 1.

President and Group Management

President and Group Management

Group Management includes the President, the six sector heads, the four Group staff heads and the head of R&D, Purchasing and Manufacturing within Major Appliances. 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.

For details regarding members of Group Management, see page 106. The information is updated regularly at the Group's website www.electrolux.com/group_management.aspx.

Changes in Group Management

- A new global organization for product development, purchasing and manufacturing has been established. This organization is led by Keith McLoughlin, previous Head of Major Appliances North America. Keith McLoughlin is a member of Group Management and reports to the President and CEO. The Group Management has, thereby, been expanded to a total of twelve members.
- Alberto Zanata was appointed Head of Professional Products in June.
- Kevin Scott took up the position as Head of Major Appliances North America in August.

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 and other members of Group Management is, then, resolved upon by the Board, based on proposals from the Remuneration Committee.

Remuneration may comprise fixed compensation, variable compensation in the form of short-term performance targets (up to 1 year) and long-term performance targets (3 years or longer), pension terms and benefits such as insurance. Variable compensation is based on both financial and non-financial targets.

Electrolux strives to offer a total remuneration that is fair and competitive in relation to the home country or region of each Group Management member. Remuneration terms shall emphasize "pay for performance" and shall vary with the performance of the individual and of the Group. The remuneration offered by Electrolux is to ensure that right personnel are recruited and retained.

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

Business Sector Boards

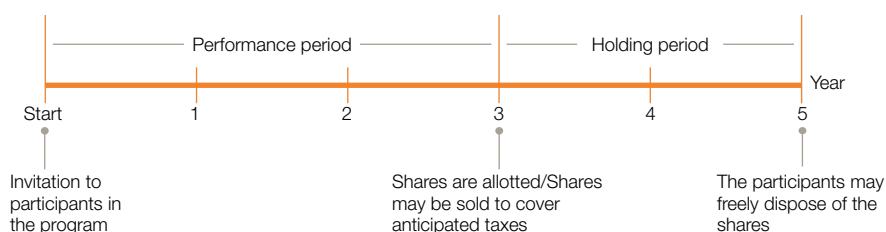
Business sectors

The sector heads are comprised of members of Group Management and have responsibility for the income statements and balance sheets 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.

In the external reporting, the Group's operations are divided into five business areas. Operations within Consumer Durables are divided into four geographic business areas: Europe, North America, Latin America, and Asia/Pacific and Rest of world. Professional Products is the fifth business area.

Share Program 2009



The AGM decided to invite Electrolux senior management, including Group Management, to participate in the Share Program 2009. The long-term incentive program consists of a three-year "performance period" followed by a two-year "holding period". After this, the participant may freely dispose of the shares.

Electrolux earnings per share in 2008, SEK 2.32 excluding items affecting comparability, must improve by an average of at least 5% annually in order for shares to be allotted.

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 92. 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.

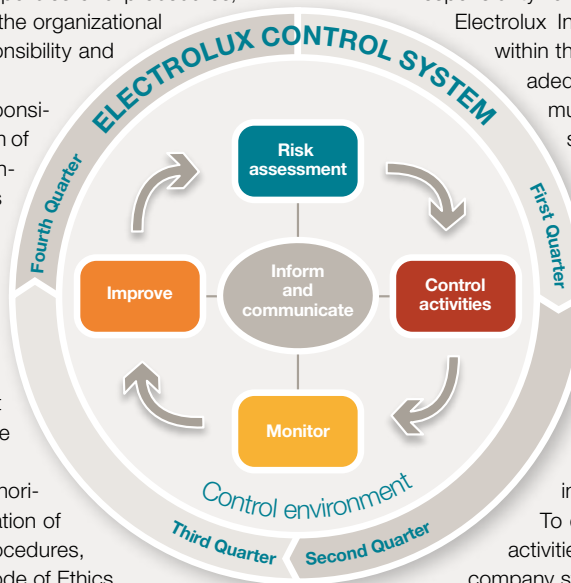
The limits of responsibilities and authorities are given in instructions for delegation of authority, manuals, policies and procedures, and codes, including the Electrolux Code of Ethics, the Electrolux Workplace Code of Conduct, and the Electrolux Policy on Countering Bribery and Corruption, as well 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 ultimate responsibility for internal controls within their area of responsibility. Group Management is described on page 99.

The Electrolux Control System 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 on next page.



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, clarifies responsibilities and is 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

Role	Sector/Group staff internal control coordinator	Reporting unit internal control coordinator	Process owner	Control operator	Management tester
 Typically who	Senior person within the Finance organization in the Sector or Group Staff function.	Controller or CFO for the reporting unit.	Person with overall responsibility for the process, e.g., warehouse manager, purchase manager, sales manager.	Person performing the daily activities within the process, i.e. warehouse operator, accounts payable clerk, accounts receivable clerk.	Person with process knowledge but not performing daily activities in the process to ensure independence.
Main responsibilities	<ul style="list-style-type: none"> * Monitor and report on the effectiveness of controls. * Identify skilled resources to ensure sustainability. 	<ul style="list-style-type: none"> * Plan, coordinate and monitor the timeliness of the documentation, testing and improvement of controls. * Support the process owners, control operators and management testers. 	<ul style="list-style-type: none"> * Ensure that controls are implemented within the process. * Execute remediation, i.e., improvement activities when controls have been tested and deemed not effective. 	<ul style="list-style-type: none"> * Document control descriptions. * Perform control activities. * Maintain evidence of control performed. 	<ul style="list-style-type: none"> * Perform testing of controls. * Document and report test results.
Approximate number of roles assigned	15	110	415	3,700	150

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

Risk assessment

Risk assessment

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

At the beginning of each calendar year, the Electrolux Control System 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, 18 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.

Since 2004, all larger reporting units perform the ECS activities. These larger units cover approximately 70% of the total external sales and external assets of the Group.

During 2009, 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.

Control activities

Control activities

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

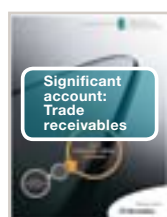
Control activities include both general and detailed controls aimed at preventing, detecting and correcting errors and irregularities. In the Electrolux Control System the following controls are implemented, documented and tested;

- 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.

Risk assessment – Example trade receivables

Control activities – Example trade receivables



Internal Control and Risk Management – Risks assessed

Closing Routine – Risks assessed

Manage IT – Risks assessed

Order to Cash – Risks assessed

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 order/deliveries when the credit limit is exceeded.	Application control

Monitor

Monitor and improve

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

Improve

The effectiveness of control activities are monitored continuously at four levels: Group, sector, reporting unit, and process. Monitoring involves both formal and informal procedures

applied by management, process owners and control operators, including reviews of results in comparison with budgets and plans, analytical procedures, and key-performance indicators.

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

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

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

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

Inform and communicate

Inform and communicate

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

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

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.

Test of controls and quality assurance



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

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



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

Annual General Meeting

The Annual General Meeting will be held at 5 pm on Tuesday, March 30, 2010, at the Berwald Hall, Dag Hammarskjölds väg 3, 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 24, 2010, and
- give notice of intent to participate, thereby stating the number of assistants attending, to Electrolux on Wednesday, March 24, 2010.

Notice of participation

Notice of intent to participate can be given

- by mail to AB Electrolux, C-J, SE-105 45 Stockholm, Sweden
- by telephone +46 8 738 64 10, on weekdays between 9 am and 4 pm
- by fax +46 8 738 63 35
- on the Internet on the Group's website, www.electrolux.com/agm

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

Proxy forms in Swedish and English are available on the company's website www.electrolux.com/agm.

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 24, 2010, shareholders should contact their bank or trustee well in advance of that date.

Dividend

The Board of Directors proposes a dividend for 2009 of SEK 4.00 per share, for a total dividend payment of approximately SEK 1,138m. The proposed dividend corresponds to 30% of income for the period, excluding items affecting comparability. Tuesday, April 6, 2010, 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 also has a long tradition of high total distribution to shareholders that include repurchases and redemptions of shares as well as dividends.

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 cur-

rency 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.

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 SEB, Skandinaviska Enskilda Banken AB and Saab AB. Honorary Chairman of ICC (International Chamber of Commerce). Deputy Chairman of Telefonaktiebolaget LM Ericsson. Board Member of Astra Zeneca 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: 20,000 B-shares. Through company: 5,000 B-shares. Related party: 1,500 B-shares.



Peggy Bruzelius

Deputy Chairman

Born 1949. M. Econ. Hon. Doc. in Econ. Elected 1996. Chairman of the Electrolux Audit Committee. **Board Chairman** of Lancelot Asset Management AB and the Swedish National Agency for Higher Education. Board Member of Axfood AB, Industry and Commerce Stock Exchange Committee, Axel Johnson AB, Akzo Nobel nv, Scania AB, Husqvarna AB, Syngenta AG, Diageo Plc and the Association of the Stockholm School of Economics. **Previous positions:** Executive Vice-President of SEB, Skandinaviska Enskilda Banken AB, 1997–1998. President and CEO of ABB Financial Services AB, 1991–1997. **Holdings** in AB Electrolux: 6,500 B-shares.



Hasse Johansson

Born 1949. M. Sc. in Electr. Eng. Elected 2008. **Previous positions:** Executive Vice-President and Head of Research and Development of Scania CV AB, 2001–2009. Founder of Mecel AB (part of Delphi Corporation). Senior management positions with Delphi Corporation, 1990–2001. **Holdings** in AB Electrolux: 1,000 B-shares.



John S. Lupo

Born 1946. B. Sc. in Marketing. Elected 2007. **Board Member** of Citi Trends Inc. and Cobra Electronics Corp., USA. **Previous positions:** Principle of Renaissance Partners Consultants, 2000–2008. Executive Vice-President of Basset Furniture, 1998–2000. Chief Operating Officer of Wal-Mart International, 1996–1998. Senior Vice-President Merchandising of Wal-Mart Stores Inc., 1990–1996. **Holdings** in AB Electrolux: 700 ADR.



Johan Molin

Born 1959. B. Sc. in Econ. Elected 2007. Member of the Electrolux Remuneration Committee. President and CEO of ASSA ABLOY AB since 2005. **Board Member** of ASSA ABLOY AB. **Previous positions:** CEO of Nilfisk-Advance, 2001–2005. President of Industrial Air Division, Atlas Copco Airpower, Belgium, 1998–2001. Management positions within Atlas Copco, 1983–2001. **Holdings** in AB Electrolux: 1,000 B-shares.



Hans Stråberg

President and Chief Executive Officer
Born 1957. M. Eng. Elected 2002. President and CEO of AB Electrolux since 2002. **Board Member** of Stora Enso Oyj, N Holding AB, Roxtec AB, the Confederation of Swedish Enterprise and the Association of Swedish Engineering Industries. **Previous positions:** Joined Electrolux 1983. Management positions in the Group until appointed President and CEO. **Holdings** in AB Electrolux: 66,614 B-shares, 30,000 options.



Caroline Sundewall

Born 1958. M.B.A. Elected 2005. Member of the Electrolux Audit Committee. Independent Business consultant since 2001. **Board Chairman** of Streber Cup Foundation. Board Member of TeliaSonera AB, Haldex AB, Lifco AB, Pågen-gruppen AB, Ahlsell AB, TradeDoubler AB, Svolder AB, Merzig Förvaltnings AB and the Association of Exchange-listed Companies. **Previous positions:** Business commentator at Finans-tidningen, 1999–2001. Managing editor of the business desk section at Sydsvenska Dagbladet, 1992–1999. Business controller at Ratos AB, 1989–1992. **Holdings** in AB Electrolux through company: 2,000 B-shares.



Torben Ballegaard Sørensen

Born 1951. M.B.A. Elected 2007. Member of the Electrolux Audit Committee. **Board Member** of Egmont Fonden, Denmark, LEGO A/S, Pandora Holding A/S, Systematic Software Engineering A/S, Tajco A/S, Årstiderne Architects A/S, Monberg-Thorsen A/S and VTI Technology OY, Finland. **Previous positions:** President and CEO of Bang & Olufsen a/s, 2001–2008. Executive Vice-President LEGO A/S, 1996–2001. Senior Vice-President LEGO A/S, 1988–1996. Managing Director of Computer Composition International, CCI-Europe, 1988–1996. Managing Director, Aarhus Stiftsbogtrykkerie 1981–1988. **Holdings** in AB Electrolux: 800 B-shares.



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, Tandberg ASA, Fleming Invest AS, Stokke AS and Norfolier AS. **Previous positions:** President of TeliaSonera Norway, 2001–2005. President of Midelfart & Co, 1995–2001. Leading positions within marketing and sales, 1988–1995. **Holdings** in AB Electrolux through company: 10,000 B-shares.

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.

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.



Peter Karlsson

Born 1965. Representative of the Swedish Confederation of Trade Unions. Elected 2006.

Holdings in AB Electrolux: 0 shares.



Bengt Liwång

Born 1945. Representative of the Federation of Salaried Employees in Industry and Services. Elected 2005.

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: 18,827 B-shares, 4,696 options.

Auditors

At the Annual General Meeting in 2006, PricewaterhouseCoopers AB (PwC) was re-elected as auditors for a four-year period until the Annual General Meeting in 2010.

Anders Lundin

PricewaterhouseCoopers AB

Born 1956. Authorized Public Accountant. Partner in Charge.

Other audit assignments: AarhusKarlshamn AB, Husqvarna AB, AB Industrivärden, Loomis AB, Melker Schöring AB and SCA AB.

Holdings in AB Electrolux: 0 shares.

Björn Irlie

PricewaterhouseCoopers AB

Born 1965. Authorized Public Accountant.

Holdings in AB Electrolux: 0 shares.

Holdings in AB Electrolux as of December 31, 2009.
The information is regularly updated at
www.electrolux.com/board_of_directors.aspx

Group Management



Hans Stråberg

President and Chief Executive Officer

Born 1957. M. Eng. In Group Management since 1998. Joined Electrolux, 1983. Head of product area Dishwashers and Washing Machines, 1987. Head of product division Floor Care Products, 1992. Executive Vice-President of Frigidaire Home Products, USA, 1995. Head of Floor Care Products and Small Appliances and Executive Vice-President of AB Electrolux, 1998. Chief Operating Officer of AB Electrolux, 2001. President and CEO, 2002. **Board Member** of Stora Enso Oyj, N Holding AB, Roxtec AB, the Confederation of Swedish Enterprise and the Association of Swedish Engineering Industries. **Holdings** in AB Electrolux: 66,614 B-shares, 30,000 options.



Morten Falkenberg

Head of Floor Care and Small Appliances, Executive Vice-President

Born 1958. B. Econ. In Group Management since 2006. Sales/marketing positions in Carlsberg Group, Denmark, 1980–1987. Senior management positions within Coca-Cola Company, 1987–2000. Senior Vice-President of Alliances/Partnerships for TDC Mobile, 2001–2003. Joined Electrolux as Head of Floor Care and Small Appliances Europe, 2003. Head of Floor Care and Small Appliances and Executive Vice-President of AB Electrolux, 2006. **Board Member** of Velux A/S. **Holdings** in AB Electrolux: 21,165 B-shares, 0 options.



Anderson Guimarães

Head of Major Appliances Europe, Executive Vice-President

Born 1959. M.B.A. In Group Management since 2008. Brand management and marketing manager with Procter & Gamble, Brazil, 1990–1991, and Johnson & Johnson, Canada, 1991–1997. Marketing Director with Danone, Brazil, 1997–1998. Senior management positions with Philips Electronics, Brazil and the Netherlands, 1998–2007. Joined Electrolux as Senior Vice-President Product and Branding within Major Appliances Europe, 2008. Head of Major Appliances Europe and Executive Vice-President of AB Electrolux, 2008. **Holdings** in AB Electrolux: 2,000 B-shares, 0 options.



Carina Malmgren Heander

Senior Vice-President, Human Resources and Organizational Development

Born 1959. B. Econ. In Group Management since 2007. Project Director at Adtranz Signal (Bombardier), 1989–1998. Vice-President Human Resources of ABB AB, 1998–2003. Senior Vice-President Human Resources of Sandvik AB, 2003–2007. Joined Electrolux as Senior Vice-President of Group Staff Human Resources and Organizational Development, 2007. **Board Member** of Cardo AB and IFL at the Stockholm School of Economics. **Holdings** in AB Electrolux: 2,700 B-shares, 0 options.



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, 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., USA, 1997–1998. Joined Electrolux as Head of Brazilian Major Appliances operations, 1998. Head of Major Appliances Latin America, 2002. Executive Vice-President of AB Electrolux, 2008. **Holdings** in AB Electrolux: 33,621 B-shares, 0 options.



Lars Göran Johansson

Senior Vice-President, Communications and Branding

Born 1954. M. Econ. In Group Management since 1997. Positions within KREAB Communications Consultancy, 1978–1991, President, 1985–1991. Headed the Swedish “Yes to the EU Foundation” campaign for the referendum that determined Sweden’s membership in the EU, 1992–1994. Joined Electrolux, 1995. Communications and Branding include the responsibility for Investor Relations as well as Public and Environmental Affairs. **Holdings** in AB Electrolux: 19,327 B-shares, 4,696 options.

Holdings in AB Electrolux as of December 31, 2009. The information is regularly updated at www.electrolux.com/group_management.aspx



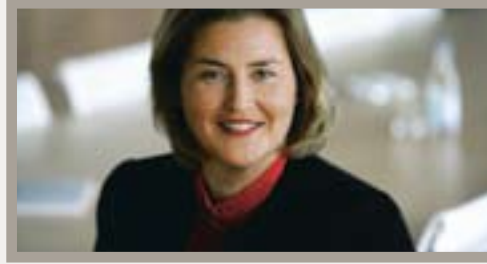
Keith R. McLoughlin

Head of R&D, Purchasing and Manufacturing within Major Appliances, Executive Vice-President

Born 1956. B.S. Eng. In Group Management since 2003. Senior management positions with DuPont, USA, 1981–2003. Vice-President and General Manager of DuPont Nonwovens, 2000–2003, and of DuPont Corian, 1997–2000. Joined Electrolux as Head of 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.

Board Member of Briggs & Stratton Corp.

Holdings in AB Electrolux: 29,125 B-shares, 0 options.



Gunilla Nordström

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

Born 1959. M. Sc. In Group Management since 2007. Senior management positions with 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. Joined Electrolux as Head of Major Appliances Asia/Pacific and Executive Vice-President of AB Electrolux, 2007.

Board Member of Videocon Industries Limited, India, and Luleå University of Technology.

Holdings in AB Electrolux: 2,700 B-shares, 0 options.



Jonas Samuelson

Chief Financial Officer

Born 1968. M. Sc. in Business Adm. and Econ. In Group Management since 2008. Business development and finance positions in General Motors, USA, 1996–1999. Treasurer and Director 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. Joined Electrolux as Chief Financial Officer, 2008.

Holdings in AB Electrolux: 2,700 B-shares, 0 options.



Kevin Scott

Head of Major Appliances North America, Executive Vice-President

Born: 1959. Ph.D. in Chem. Eng. In Group Management since 2009. Technical, manufacturing, brand marketing and business management positions with DuPont, USA, 1985–1994. Construction, purchasing and operations finance management positions with PepsiCo, 1994–1999. Senior general management positions within DuPont, Switzerland, 1999–2003. Joined Electrolux as General Manager, Consumer Services Group, within Major Appliances North America, 2003. General Manager Refrigeration within Major Appliances North America, 2006. Head of Major Appliances North America and Executive Vice-President, 2009.

Holdings in AB Electrolux: 0 shares, 0 options.



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. Joined Electrolux as Senior Vice-President and General Counsel, with responsibility for legal, intellectual property, risk management and security matters, 1999.

Board Member of Haldex AB, Vattenfall AB and member of the Swedish Securities Council.

Holdings in AB Electrolux: 18,827 B-shares, 4,696 options.



Alberto Zanata

Head of Professional Products, Executive Vice-President

Born 1960. University degree in Electr. Eng. with Business Adm. In Group Management since 2009. Joined Electrolux Professional Products, 1989. Senior management positions within factory management, marketing, product management and business development, 1989–2002. Head of Professional Products in North America, 2003. Head of Professional Products and Executive Vice-President of AB Electrolux, 2009.

Holdings in AB Electrolux: 13,543 B-shares, 0 options.

Events and reports

On the Electrolux website www.electrolux.com/ir you will find additional and updated information about, for instance, the Electrolux shares and corporate governance. At the beginning of 2010, a new platform for financial statistics was launched (see right). The platform allows for graphic illustrations of Electrolux development on annual or quarterly basis. It is also possible to compare, for example, net sales with operating margin or, as shown here, operating income with operating margin, both excluding items affecting comparability.

Electrolux Annual Report 2009 consists of two parts:

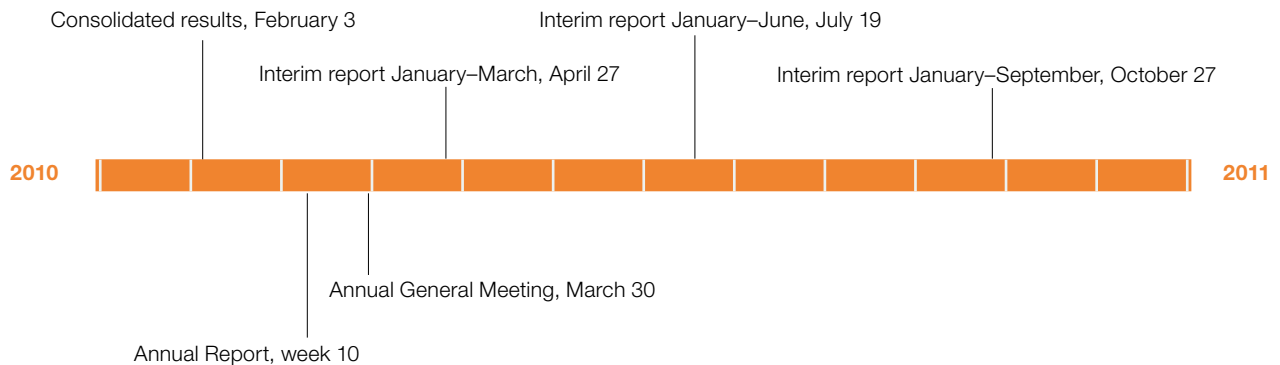
- Operations and strategy
- Financial review, Sustainability report and Corporate governance report

Electrolux Interim reports can be found at www.electrolux.com/ir



Consolidated results 2009	Quarterly results			
	Q1	Q2	Q3	Q4
Operating income	1,100	1,100	1,100	1,100
Operating margin	10.0%	10.0%	10.0%	10.0%
Net sales	11,000	11,000	11,000	11,000
Operating margin excluding items affecting comparability	10.0%	10.0%	10.0%	10.0%
Operating income excluding items affecting comparability	1,100	1,100	1,100	1,100

Financial reports and major events in 2010



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Sustainability

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Thinking of you

 **Electrolux**