

Products and services  
Brand and design  
Operational excellence



*Thinking of you*  
**Electrolux**

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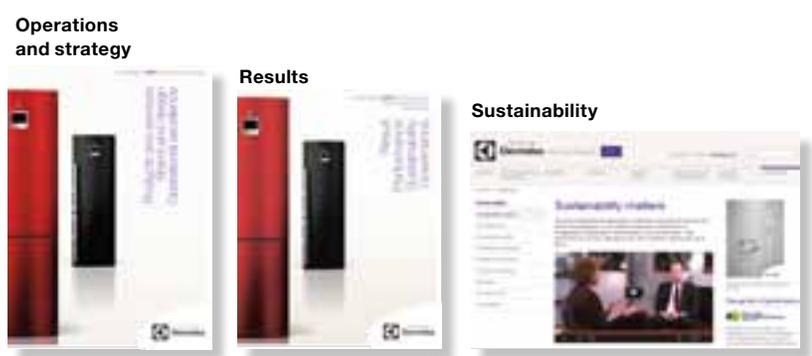
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# Operation and strategy

In 2011 Electrolux took a number of strategic decisions that will be highly significant for the Group's long-term development. ▶▶ 4 |

Electrolux expanded its presence in growth markets and continued to launch a long line of products and solutions adapted to global and regional demands. ▶▶ 20 | By expanding cooperation between the Group's marketing, R&D and design functions, it will be possible to develop products faster and ones that more consumers will prefer. ▶▶ 38

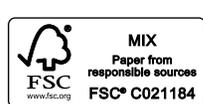


**Cover** Electrolux Inspiration Range, which will be launched in Europe in 2012.

Electrolux has reported its sustainability work in accordance with GRI's guidelines. The report can be found on [www.electrolux.com/sustainability](http://www.electrolux.com/sustainability)



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# Electrolux

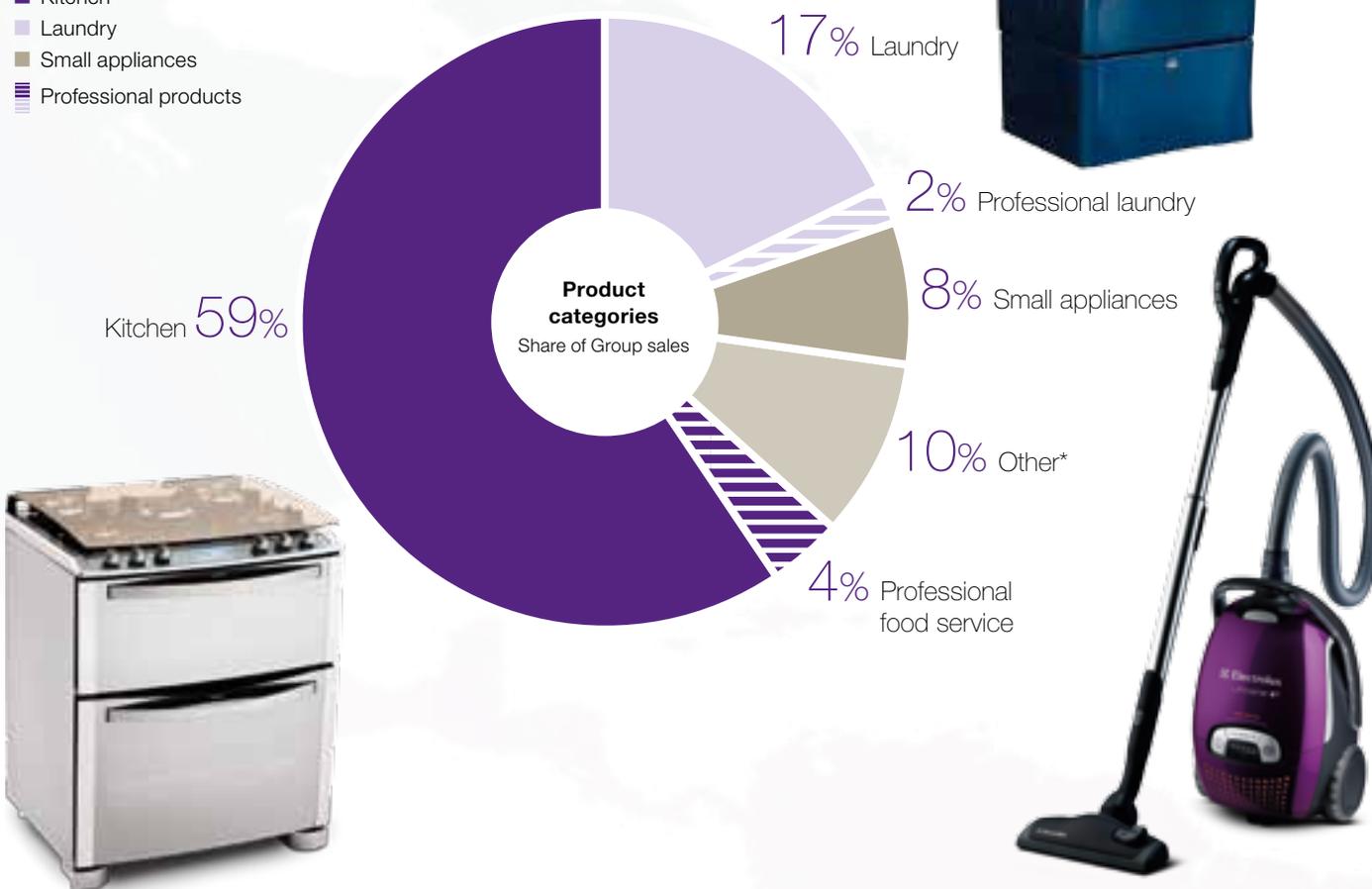
## A global leader with a customer focus

*Electrolux has been doing business since 1919. Today, the company is a global leader in home appliances and appliances for professional use, selling more than 40 million products to customers in 150 countries every year. Electrolux focuses on innovations that are thoughtfully designed and based on extensive consumer insight to meet the real needs of consumers and professionals. In 2011, Electrolux had sales of SEK 102 billion and 58,000 employees.*

Electrolux is the only appliances manufacturer in the industry to offer complete solutions for professionals and consumers. The Group's process for consumer-driven product development is used in all new products. The focus is on innovative and energy-efficient products in the premium segments. ▶▶ 7

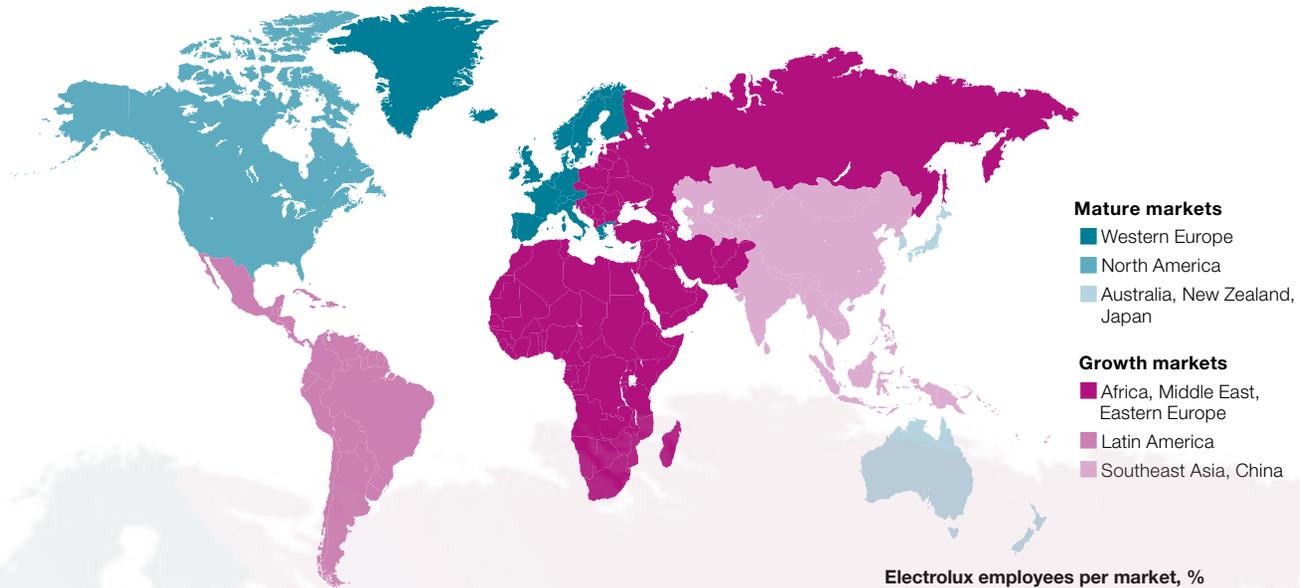
### Our Products

- Kitchen
- Laundry
- Small appliances
- Professional products

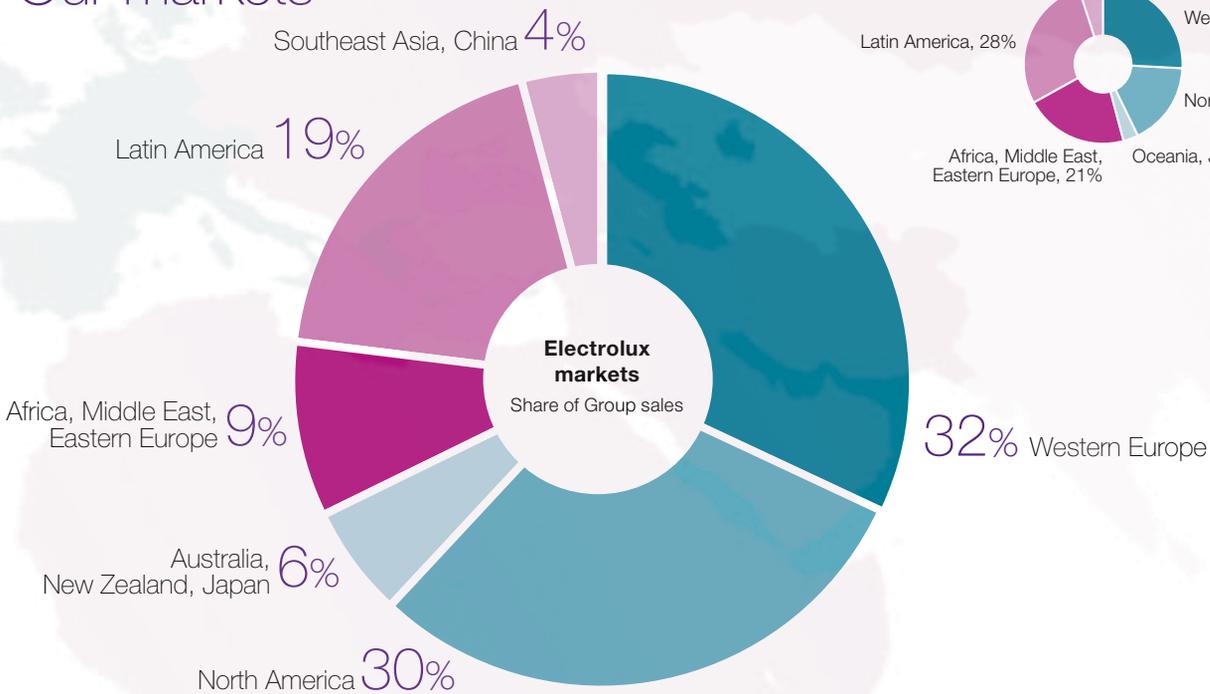


\* Other, incl. air care, services and spare parts

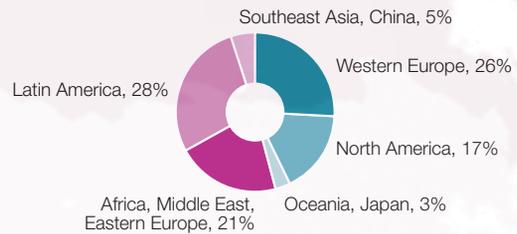
The Group's products are sold in more than 150 markets. The largest of these are in Europe and North America. In 2011, Electrolux expanded its presence in growth markets such as Africa, the Middle East, Asia and Latin America. ▶▶ 20



## Our markets



Electrolux employees per market, %



## Strategy

To become a global market leader, Electrolux must continue to be an innovative consumer-focused company with a strong brand and a competitive cost position. Focus is on growth with consistent profitability. ▶▶ 34

**50%** Electrolux aims to increase share of sales in growth markets to 50% in a five year period.

# 2011 Summary

Net sales increased by 1.9% in comparable currencies.

Strong growth in emerging markets as Latin America and Asia offset lower sales in Europe and North America. Electrolux market shares are estimated to have grown in Southeast Asia and Latin America.

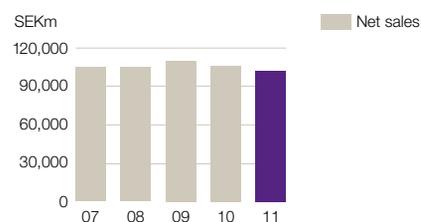
Through the acquisitions of the appliances companies Olympic Group in Egypt and CTI in Chile, Electrolux increases its exposure to growth markets.

Lower sales prices and increased costs for raw materials had an adverse impact on operating income.

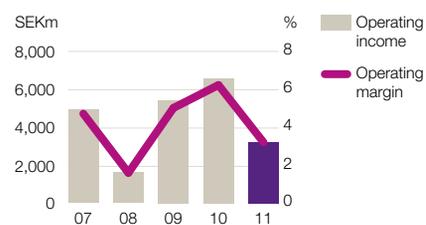
Efforts to reduce working capital contributed to a solid balance sheet.

The Board proposes an unchanged dividend of SEK 6.50 per share and a renewed mandate to repurchase own shares.

## Net sales



## Operating income and operating margin<sup>1)</sup>



1) Excluding items affecting comparability.

# Factors impacting profitability

**Raw-material costs** were SEK 2 billion higher than in 2010.

**Weak market** conditions in mature markets decreased sales and capacity utilization within manufacturing.

2010 marked the first year in which Electrolux – in its current structure – achieved its **operating margin goal of 6%** over a full year, excluding items affecting comparability.

**Price pressure** was intensive during the year, particularly in Europe and North America.

Electrolux achieved an **operating margin of 3.9%** despite higher raw-material costs and turbulent conditions in the Group's major markets of Europe and North America.

**Non-recurring costs** of SEK 825m were charged to operating income for overhead reductions and WEEE related costs for earlier years.

**Improvements including increased efficiency**, e.g., through global synergies and previous restructuring had a positive impact on earnings.

Year	Operating margin (%)
2010	6.1%
2011	3.9%
2011	3.1%

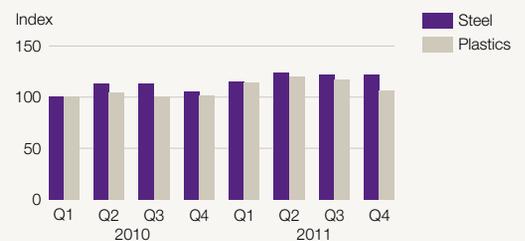
# In a turbulent environment ...

*The operations of Electrolux are exposed to a number of strong external factors that affect the Group's opportunities to increase profitability and return, and thus its ability to achieve the Group's financial goals. In 2011, profitability was negatively impacted primarily by the following factors.*

## Higher costs for raw materials

Raw materials account for a large share of the Group's costs. In 2011, Electrolux purchased components and raw materials for approximately SEK 41 billion, of which the latter represented approximately SEK 20 billion. The raw materials to which the Group is primarily exposed comprise steel, plastics, copper and aluminum, of which the share of the total attributable to plastics has increased over the past few years. Raw material market prices rose at the start of 2011 to thereafter decline. The total cost of raw materials in 2011 was about SEK 2 billion higher than in 2010.

**Price development, plastics and steel**



## Price pressure in the major Electrolux markets

Strong price competition has been evident in most of the Group's markets for a prolonged period, and has been particularly severe in low-price segments, in product segments where there is substantial overcapacity and in markets with low levels of consolidation among manufacturers. In 2011, price pressure was intensive in the Group's mature markets. Sales campaigns continued to dominate the market in North America in parallel with a gradual decline in the price of appliances in Europe.

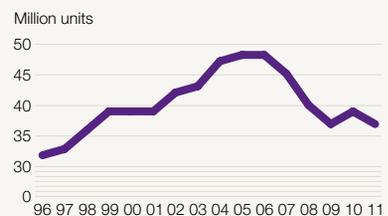
**Shipments of core appliances in Europe, excl. Turkey**



## Weak demand in mature markets

The major markets of Electrolux are Europe and North America. The substantial global increase in demand for household appliances experienced since 2005 was attributable to strong expansion in various growth markets, principally Asia. Demand for appliances in mature markets declined during the same period. This trend continued during 2011. In Western Europe, demand declined by 3%. Deliveries of appliances totaled 52 million units, down by 12% on the record year of 2006. In North America, demand decreased by 4%. Overall, approximately 37 million appliances were sold, which corresponded to levels in 1998 and was about 23% lower than top levels set in 2006.

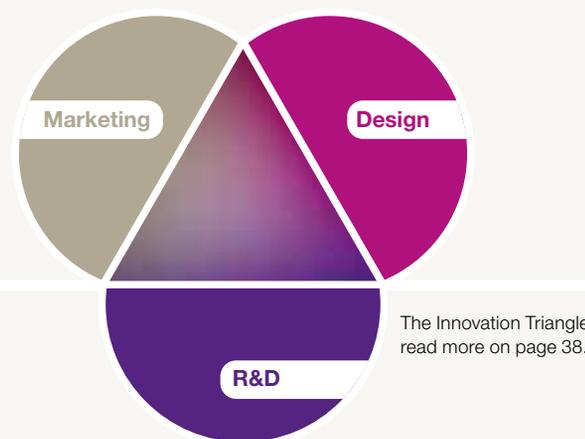
**Shipments of core appliances in US**



# ... Electrolux stepped up its strategic initiatives

*During 2011, Electrolux implemented a number of activities to offset the effects of weaker demand in mature markets, price pressure and higher raw-material costs, but the main reason for these was to create a platform for continued competitive operations and profitable growth.*

- Price hikes announced in North America and Europe.
- Acquisition of the Olympic Group and CTI, thus increasing pro forma sales for Electrolux in growth markets to 35% of total sales.
- Increased production and procurement in low-cost areas.
- Greater synergies and modularization through utilization of global economies of scale.
- Coordination of marketing, design and R&D resources through the “innovation triangle”.
- Launch completed of an extensive customer-care program to develop the market’s best service.
- Initiation of even closer collaboration between the Group’s operations in consumer durables and professional products.
- Implementation of a faster product-development process.
- Reduction of staffing levels to reduce overhead costs by the end of the year.
- Initiated actions to improve manufacturing capacity utilization by optimizing manufacturing footprint.
- New innovative products launched in key markets.
- Focus placed on a wider range of small domestic appliances in all regions.
- Stringent consumer tests introduced prior to launches of new products.
- Reduced procurement costs and increased productivity.
- Reduction in tied-up working capital.



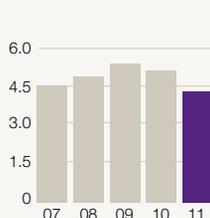
## Financial goals

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

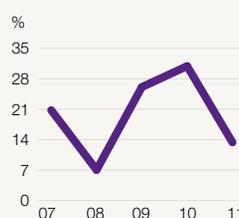
Operating margin **Goal: >6%**



Capital-turnover rate **Goal: >4**



Return on net assets **Goal: >25%**



Sales growth **Goal: >4%**



Read more about Electrolux strategy on page 34. The Group’s financial development including Board of Directors Report and Notes is described in a separate folder at the very back of this Annual Report. ▶▶

# 12 months in a challenging environment

*2011 was a year in a challenging market. 2011 was also a year in which we took a number of strategic decisions that will be highly significant for our long-term development. We are now intensifying our focus on growth. We acquired CTI and Olympic Group, which combined with strong organic growth have increased our pro-forma sales in growth markets from 25% in 2009 to 35% in 2011.*

My first year as President and CEO of Electrolux has passed. It was an eventful and dramatic year, particularly against the backdrop of rising raw-material prices and the sharp fall in prices in our major markets, while at that same time demand in mature markets weakened. All of this took place in an environment characterized by increasing socio-economic insecurity. 2011 also marked a year in which we took a number of strategic decisions that will be highly significant for our long-term development. While profit for 2011 did not reach the same high level as for 2010, Electrolux remains a very strong company – and with more distinct focus on growth. Allow me to describe a few of the key events that occurred during 2011 that demonstrate how we strengthened Electrolux in line with our strategic focus.

## February 2, 2011 Presentation of 2010 year-end report and implementation of an important reorganization

As we leave a successful 2010 behind us – a year in which we achieved three of our four financial goals – we restructure the organization to enhance the focus on our products. We create “The Innovation Triangle”, which aims to promote closer collaboration within the Group between the marketing, product development and design units. The objective is to develop more successful products while also accelerating the pace of the development process by leveraging synergies at global and regional levels. To focus and deepen the significance of the innovation triangle, we now have, for the first time in the history of Electrolux, a Chief Technology Officer, a Chief Marketing Officer and a Chief Design Officer on the Group Management team. As a result of this change, we have created a forum for highly dynamic discussions in the management team. One of the principal

elements of the new cooperation is the introduction of uniform launch criteria throughout the Group. Among other factors, this stipulates that no product may reach the market unless it is the preferred choice of at least 70% of a consumer test panel in relation to similar alternatives.

## March 18 Electrolux named one of the world’s most ethical companies

Irrespective of which products and solutions we develop, we endeavor to continuously improve our products’ performance. Our ambition is not only confined to product development, but to all of our ethical work and our involvement in such issues as the ever-increasing problems of water shortages in rapidly growing metropolitan areas of growth countries and the pollution of our seas. After many years of hard and resolute work, we received recognition of this when the Ethisphere Institute, a think-tank dedicated to examining the ethical and social work of companies throughout the world, named Electrolux as one of the world’s most ethical companies. In addition to our ethical framework, the assessment was based on our entire sustainability program, including our investments in innovations. Additional confirmation of our sustainability strategy during the year was, of course, our inclusion, for the fifth consecutive year, in the prestigious Dow Jones Sustainability World Index (DJSI World).

## April 4 We implement price hikes in North America

Already back in early 2011, we announced our intentions to raise prices for all products in the US market for the purpose of restoring profitability. On April 4, we raised prices and a second price increase



was also implemented in August. As sales in the US have largely been driven by promotions and thus the net impact of the price increases was limited in 2011. In early 2012, we have started raising prices in some of our major markets in Europe. We realize, of course, the challenges that this entails. The weak economy in Europe and the US means that we will receive no support from strong market growth. However, we are forced to act due to the steep cost increases that has impacted us over the past two years mainly for steel, plastics and sourced products.

## August 22

### We made our second acquisition

At the beginning of my CEO statement, I mentioned that we achieved three of our four financial goals in 2010. We achieved our goals for operating margin, capital-turnover rate and return on net assets, although we did not meet our growth goal of 4%. We are now intensifying our focus on growth. During the year, we acquired CTI and Olympic Group, which combined with strong organic growth increased our pro-forma sales in growth markets from 25% in 2009 to 35% in 2011. These acquisitions not only enable us to become leaders in new markets, but also to quickly leverage synergies associated with the new companies in a global organization that works efficiently across borders. A prioritized aspect of our strategy is to continue to increase sales in such growth markets as Latin America, Africa and Asia. The rapidly emerging middle class in cities in these markets constitutes a key target group. Based on consumer insight, we will use our global platform to continue to develop products specifically adapted to regional requirements, such as our Keyhole Hob in Asia and our Ultra Clean washing machine in Brazil. By continuing to grow organically, the share of our sales in growth markets will reach 50% within a five-year period. Through further acquisitions, this goal could be achieved even sooner.

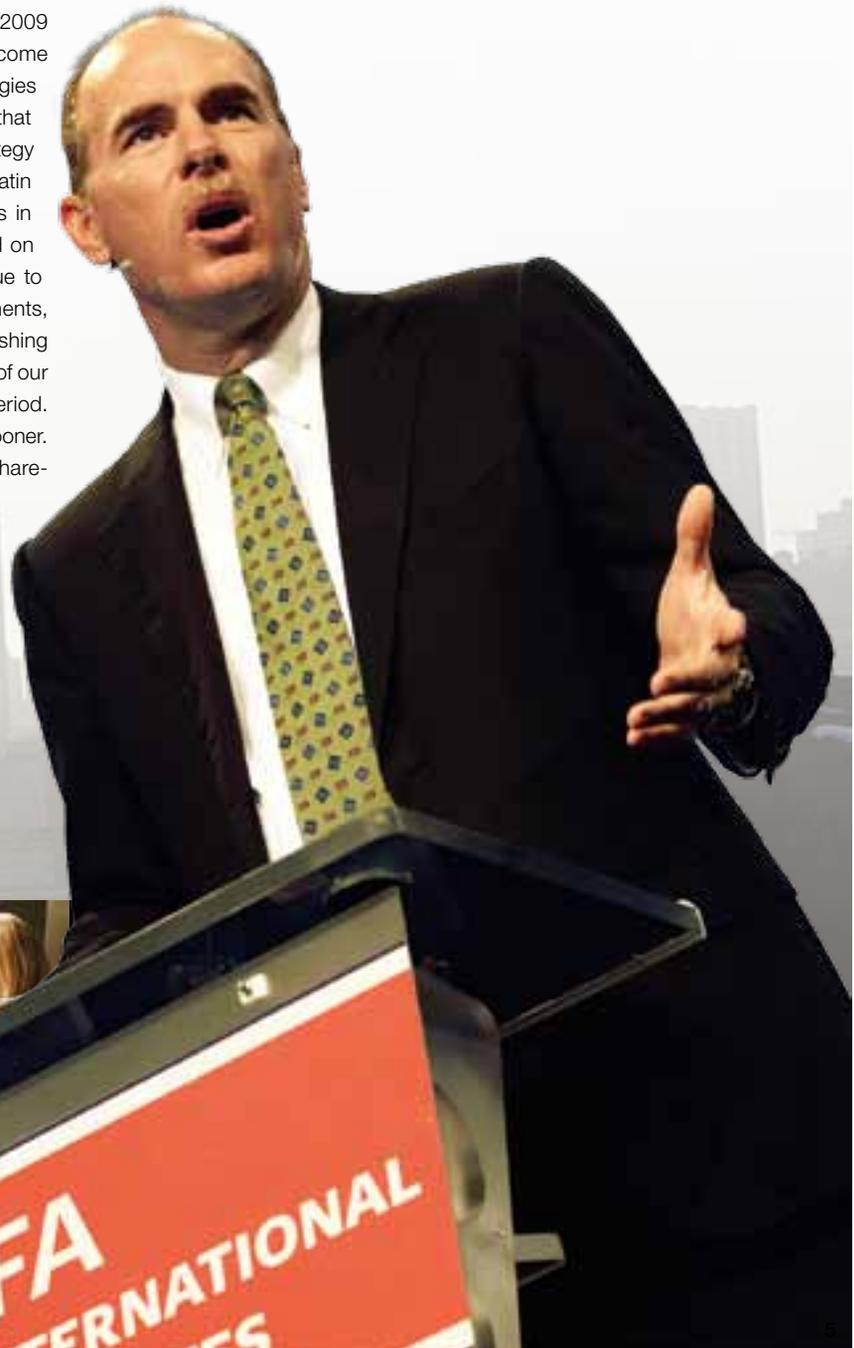
But naturally, expansion must be profitable and generate shareholder value.

## September 5

### We discuss key industry trends at the IFA trade show in Berlin

At the IFA trade fair in Berlin, one of the world's largest fairs for consumer electronics and household appliances, highly relevant trends for our business were discussed. At Electrolux, we continuously engage in dialog with users of our products. Our in-depth insight into what consumers want and need provides us with an important competitive edge. In 2011, we initiated a number of activities aimed at providing users with the best products and the market's best service. This is building an even stronger platform for profitable growth for Electrolux. At the IFA trade show, we displayed our new range of AEG products and during the second half of 2011 the AEG products have started to gain market shares in Europe and contributed to a positive mix.

365  
days



## November 15

### **We host our capital markets day and among other things announce measures to reduce costs**

Appliance volumes in North America in 2011 are on a par with 1998 levels and are down about 25% on the peak levels noted in 2006. Volumes in Western Europe are in line with 1999 levels and are more than 10% lower than the corresponding peak level. For the years ahead, it is difficult to see what could trigger a recovery in demand in our mature markets that would return them to their former peak levels. In conjunction with our annual capital markets day, we therefore announced new measures aimed at continuing to adapt production capacity, costs and the organization to prevailing market conditions. We must put our foot on the accelerator and brake at the same time, which is a difficult balancing act. It means that we accelerate our production capacity in growth markets, such as Southeast Asia and China, to ensure that we do not lose our positions. Over the past years, we have grown strongly in Southeast Asia and, by adjusting our product offering, we are achieving profitability in China. A globally optimized manufacturing structure will ensure that we are more competitive in all of our markets.

## February 2, 2012

### **We present our year-end report for 2011 and summarize a tough but eventful year**

We post an underlying operating income of SEK 4 billion for 2012. Although this is SEK 2 billion below the preceding year's level, it is a solid result in light of the challenges we faced in our major markets in

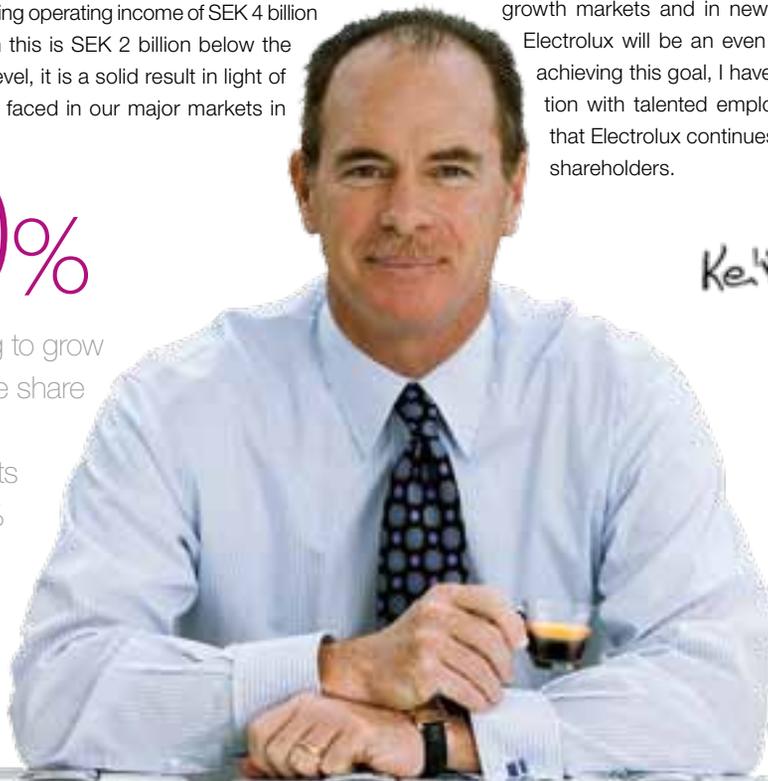
North America and Europe. Lower sale prices, increased raw-material costs and weak demand in our key mature markets meant that we experienced a headwind corresponding to nearly SEK 4 billion. As I described earlier, we acted and took strategic decisions to strengthen our competitiveness to reduce the impact on income caused by these external circumstances. At the same time, we have not been afraid to act aggressively by acquiring new companies and investing in new products. Several of our businesses continue to perform strongly. The operations in Latin America and Asia are recording new solid results, and profitability for the professional business and small appliances business remains at a very high level.

Although 2011 was an interesting and eventful year, it feels good to leave it behind us and cast our gaze to the future. The implementation rate of our strategy is increasing in order to consolidate our position as a global leader in appliances. In addition to integrating the acquired companies, we will also accelerate the pace of production launches in 2012. We will utilize the know-how we possess in our professional business. We will be even better at leveraging our position as the only company in our industry to offer products and solutions for both consumers and professional users in over 150 countries.

We see a continued period of volatility and uncertainty ahead of us in the socio-economic landscape. As such, we will manage the company in a way that keeps us prepared to address this unpredictability, while keeping an eye on the horizon and investing in our future. By maintaining strong control over costs and being receptive to new business opportunities, we will further strengthen our positions in growth markets and in new product areas. In one year's time, Electrolux will be an even stronger company. To assist me in achieving this goal, I have a dedicated, international organization with talented employees who work tirelessly to ensure that Electrolux continues to generate sustainable value for all shareholders.

# 50%

"By continuing to grow organically, the share of our sales in growth markets will reach 50% within a five-year period."



*Keith R. McLoughlin*

Stockholm, February 2012  
Keith McLoughlin  
President and CEO

By maintaining strong control over costs and being receptive to new business opportunities, we will further strengthen our positions in growth markets and in new product areas.

Photographer: Victor Brott

# Electrolux products

*In 2011, Electrolux sold more than 40 million products in over 150 markets. Electrolux consumer durables comprise products for the kitchen, fabric care and cleaning. The Group's professional products comprise corresponding products for professional users, for example, industrial kitchens, restaurants and laundries. Electrolux is the only appliances manufacturer in the industry to offer complete solutions for professionals and consumers. The focus is on innovative and energy-efficient products in the premium segments.*



59%

**Kitchen** For household kitchens throughout the world, Electrolux sells cookers, ovens, refrigerators, freezers, dishwashers and hoods. Electrolux is the leader in cooking products and new functions are continuously developed that facilitate preparation, storage and dish washing. ▶▶8

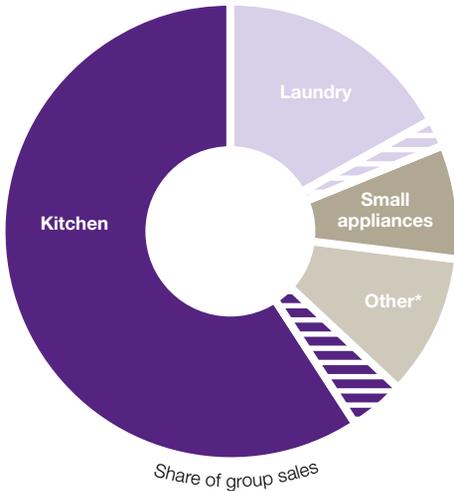


17%

**Laundry** Washing machines and tumble-dryers are the core of the Electrolux product offering for cleaning and care of textiles. Innovations and a growing preference for higher capacity, user-friendliness and resource efficiency are driving demand for Electrolux products. ▶▶14

**Professional products** Electrolux offers a range of products and solutions for professional kitchens and laundries. High productivity, maximum utilization of resources and an extensive service network are key factors for purchases by professionals. Electrolux has a global presence.

6%



8%

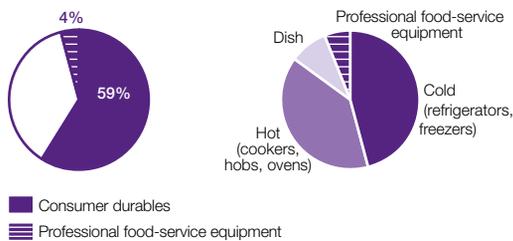
**Small appliances** Electrolux vacuum cleaners, small domestic appliances and accessories are sold to consumers worldwide. A strong, global distribution network and an attractive product offering based on global product development represent key competitive advantages. ▶▶16

\*Other, incl. air care, services and spare parts.

# Kitchen products

*Electrolux is the only manufacturer in the world to offer households, restaurants and industrial kitchens complete solutions for kitchen appliances. The strongest and most profitable position is in cookers, ovens and hobs.*

**Share of Group sales 2011**    **Product categories of kitchen products**



Products for the kitchen accounted for a full 63% of the Group's sales in 2011. Electrolux is the only manufacturer in the world to offer households, restaurants and industrial kitchens complete solutions including cookers, ovens, hoods, dishwashers, refrigerators and freezers. For consumer durables, Electrolux commands significant market shares in all major categories of kitchen appliances. A substantial portion of sales relates to refrigerators and freezers. The strongest and most profitable position is in cookers, ovens and hobs. Electrolux is a leading supplier of professional food-service equipment, with Europe representing the Group's strongest position.

A major part of the Group's kitchen products are sold under the Electrolux brand. Other important consumer brands include

AEG and Zanussi in Europe and Frigidaire in North America. Professional food-service equipment is sold mainly under the Electrolux brand. Products are also sold under the Zanussi brand in addition to Molteni, which is an exclusive cooker brand.

**Electrolux products simplify cooking**

Although consumers in mature markets are devoting less and less time to preparing food on weekdays, interest is increasing in more advanced leisure and gourmet cooking, while interest in health and well-being is growing rapidly. Ovens, cookers and hobs are technically advanced products, making it easier to adapt them to various needs, depending on the customer group or market. Electrolux is a renowned leader in this product category and has developed

numerous new functions that simplify cooking for households and professionals. About 100 million restaurant meals are prepared each day in kitchens fitted with Electrolux professional products.

**Steam retains the flavor**

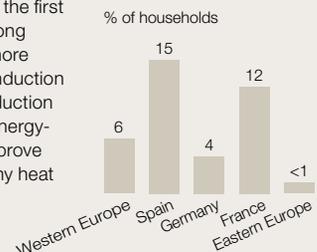
Steam ovens have long been used in the restaurant world for the simple reason that the food cooked in them tastes much better. Cooking with steam retains the natural flavors and colors as well as most of the vitamins and minerals in the raw ingredients. Electrolux has launched steam ovens for home use in Europe with great success and the products have also been launched in Australia and New Zealand.



## Effective induction

Induction hobs comprise a segment that is growing rapidly, due primarily to their speed and energy efficiency. As one of the first companies in this category, Electrolux commands a strong position. Induction hobs have been sold in Europe for more than ten years. In the US, Electrolux launched the first induction hobs in the market in 2008. In professional kitchens, induction hobs are a standard feature. Induction hobs are more energy-efficient than other electrical hobs. They also help to improve the work environment since chefs are not affected by any heat from the hobs.

**Penetration for induction hobs**





## Inspiration Range

The Inspiration Range is the new, full range of consumer appliances from Electrolux spanning all categories and will be launched under the Electrolux brand in Europe during 2012. The appliances are based on new, high-end platforms, offering features and functions built on the Group's know-how and expertise in professional products, matched with a modern and distinctive design.

## Strong position in built-in segment

Built-in kitchen appliances are becoming increasingly common throughout the world, and this trend is particularly pronounced in Europe, the Middle East, Southeast Asia and Australia. Electrolux is a leading global player in the segment and has, in recent years, strengthened its position through new partnerships with leading kitchen manufacturers and with the launch of new, innovative ranges of built-in products.

# Touchline screen



## Simple, intuitive, fast

Both consumers and professional users want kitchen-appliance features that work logically and intuitively, without needing to read manuals. In recent years, Electrolux has developed new, intuitive control panels on appliances, making them easier to use.

The professional air-o-steam Touchline oven has quickly been recognized in the market as the pioneer in state-of-the-art kitchen technology. It features three intuitive cooking modes: automatic, program and manual and is available in 30 different languages.

### Efficient dishwashers

The development of new, water-efficient dishwashers for both households and professional users has made rapid progress at Electrolux. Low noise levels, customized dishwashing programs and effective baskets are some of the other needs met by Electrolux. The Electrolux Reallife and AEG Electrolux Proclean dishwashers have been developed for “real life” in modern households, for consumers who want everything to fit in the dishwasher, and dishes that will always be clean no matter how the machine is loaded.

### Low energy consumption extremely important for professionals

In 2012, the Electrolux ecostore, a completely new range of refrigerators and freezers for professional users will be launched. These will represent the leading edge in energy efficiency and innovative storage solutions. The Electrolux ecostore cabinets defrost automatically as needed, thanks to the innovative Frost Watch Control. This line is one of the few in the market that uses the environmentally friendly gas cyclopentane for insulation. These factors play a key role in sustainability and costs in

kitchens where refrigerator doors are repeatedly opened and closed.

### Cookers for top chefs

The Electrolux Thermaline S90 cooker range offers an array of cooking functions and a flexible design. Thermaline meets the most demanding kitchen requirements, and is used by many restaurants in the Michelin Guide and in the open kitchens of big international hotels. In 2012, a completely new cooker range will be launched under the Electrolux Thermaline range with even better functions and improved performance. Very

few complete solutions for the professional kitchen market are valued higher by top chefs. However, Molteni is one of them, and Molteni is part of Electrolux.





**Molteni**

Molteni is a highly exclusive cooker range "hand-crafted" to customer specifications. No two appliances are the same. Each one is studied and designed together with the chef who will use it, thus reflecting the personal tastes and preferences of the user.

## XP – flexible solution for professional kitchens

Buyers of professional food-service equipment have widely differing requirements, implying that manufacturers must be able to deliver flexible solutions. The importance of design is increasing steadily, as many restaurant kitchens are in full view of guests. In 2011, Electrolux launched two entirely new modular cooking ranges, the XP 700 and XP 900, meeting the users' demands for attractive design, high performance, modern technology, energy efficiency and ergonomic solutions. The more than 200 different modules on offer allow the cooking range to be adapted to various cooking processes, irrespective of where in the world these may be.

# Stars of the Kitchen



*Through its partnerships with the greatest restaurants in the world, Electrolux maintains a constant dialog with award-winning kitchens. In fact, Electrolux is the only appliances manufacturer in the world that delivers a comprehensive range of kitchen products, from mixers to ovens, to both consumers and restaurants.*

## **Reach for the stars**

In many of the world's greatest restaurants, when ingredients are turned into culinary miracles, it's likely that they are prepared with an Electrolux appliance. Electrolux Professional traditionally has a strong presence in the Michelin Guide-awarded restaurants arena worldwide. Below is a selection of exclusive restaurants to which Electrolux is a proud supplier.

**Acqua Pazza**, Italy

**Alain Ducasse au Plaza Athénée**, France

**Ca l'Arpa**, Spain

**Daniel**, USA

**De Hoefslag**, The Netherlands

**Frank Buchholz**, Germany

**Hofmann**, Spain

**Le Grand Hotel du Cap Ferrat**, France

**Le Louis XV - Alain Ducasse**, Monaco

**Mathias Dahlgren Matbaren**, Sweden

**Mathias Dahlgren Matsalen**, Sweden

**Purnell's**, UK

**Sadler**, Italy

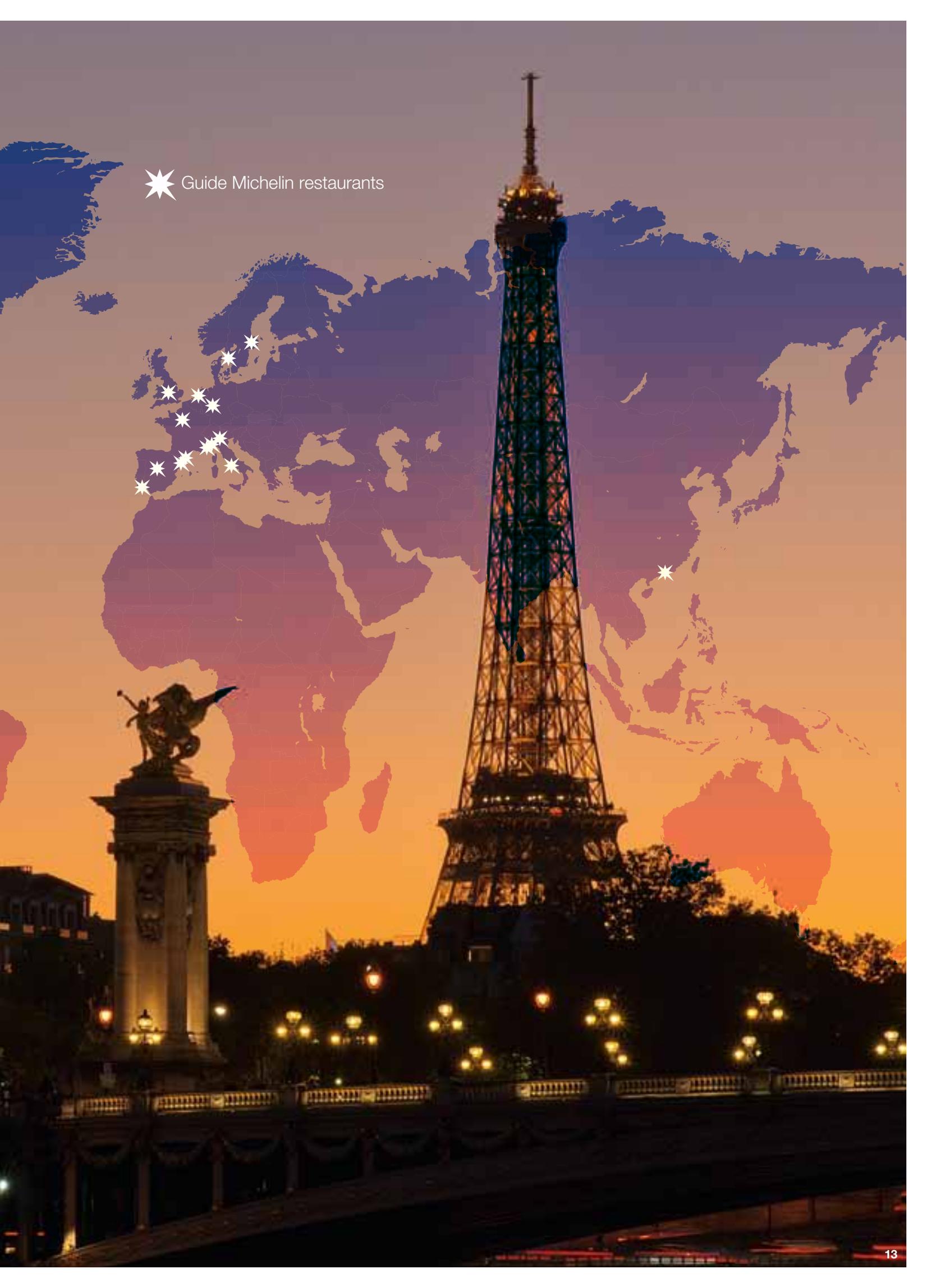
**Santceloni**, Spain

**Spoon by Alain Ducasse**, Hong Kong

**Thörnströms kök**, Sweden

**Vila Joya**, Portugal

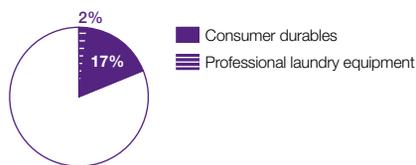
★ Guide Michelin restaurants



# Laundry products

*Washing machines and tumble-dryers are a global product category with major growth potential, particularly due to increased water shortages around the world. Electrolux is working to produce high-performance water and energy-efficient solutions for both households and professional users.*

Share of Group sales 2011



Electrolux holds a strong global position in washing machines and tumble-dryers and is a leading producer of energy- and water-efficient products. The largest global market share is in front-load washing machines, where the Group is a leading producer and thus benefits from strong growth in the segment.

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

In professional laundry equipment, approximately 65% of sales are generated in Europe where a particularly strong position has been achieved in hospitals and commercial laundries. In just one year, professional washing machines from Electrolux are used to wash about 18 million tons of clothing, linen and similar items. In the US, about half of the Group's professional laundry equipment is sold under the Wascomat brand via a distributor. Professional laundry products are only sold under the Electrolux brand in the rest of the world.

### Better performance and greater flexibility

Today's consumers and professional users are generally satisfied with the results of washing machines and tumble-dryers, but they would like to see appliances that are

faster, quieter and more energy-efficient, and that make laundry handling more efficient. They also want machines that are simple and intuitive to use. Since most washing machines and tumble-dryers usually run with half loads, technology must be able to adapt programs and energy consumption to the load. For professional users, Electrolux sells premium laundry solutions for different segments such as laundry rooms in apartment buildings, hotels and hospitals. All solutions provide the latest features for excellent laundry results, energy-savings and profitability, such as Automatic Weighing System, which weighs the wash load in each cycle and then uses the correct amount of water. Drawing from the Group's professional knowledge, Electrolux has developed the corresponding technology for the consumer market. The Eco-valve technology adapts the wash program and electricity and water consumption to the load.

### Innovative and efficient consumer durables

Just as for professional users, Electrolux has developed combined washing machines and tumble-dryers for consumers. These can wash and dry up to 6 kg of washing successively. Electrolux has also developed Steam System and Cool Clean functions. Steam System is a new method for garment care. A steam function freshens delicate garments

## High demands from professional users



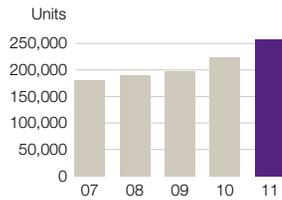
Operating costs represent a major portion of the life-cycle costs for professional laundry products. Irrespective of the application, buyers are demanding innovations that lead to lower costs by reducing the consumption of energy, water and laundry detergent without compromising on washing and rinsing results. There is also a need for solutions that are ergonomic and reduce the risk of spreading infection via dirty textiles. Electrolux barrier-washing machines facilitate this work. Dirty washing is placed in the machine in one room and the clean washing is taken out through a hatch in another room. The two functions are separated to reduce the risk of bacteria spreading.

The new Line 5000 tumble-dryers were successfully launched in 2011. These machines have 30% shorter drying time, consume 20% less energy and have 20% higher drying capacity compared with earlier generation tumble-dryers.

Electrolux washing machines in laundromats in Europe and the US can be equipped with a service that sends a text message to customers when their washing is nearly done.



**Front-load washing machines – a growing segment in Southeast Asia**



Front-load washing machines is a fast-growing product category, Electrolux controls a considerable share of this market.

Source: Electrolux estimate.

**Rapid growth for front-load washing machines**

Washing machines are either top- or front-loaded. While top-load washing machines have traditionally dominated markets in North America, Southeast Asia and Australia, demand for front-load machines is steadily growing in these regions. Front-load washing machines consume less water and energy during a wash cycle, have greater load capacity and give better wash results. In 2011, sales of front-load washing machines increased by 15% in Southeast Asia. In the professional user segment, where low resource consumption is a key factor, front-load machines are used almost exclusively.

without the need for dry cleaning. Cool Clean is a wash program developed for cold-water laundry detergent. Several Electrolux washing machines for consumers are classed as A+++ or A++, entailing 30% and 20% less energy consumption, respectively, than energy class A.

**Ultrasound removes stains**

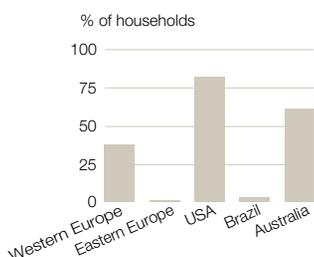
The new washing machine, Ultra Clean, is proof that technological progress in garment care is moving fast at Electrolux. This innovative machine uses ultrasound combined with water to remove stains from garments. The washing machine is available in Brazil. For more information, see page 39.

**Low penetration of tumble-dryers around the world**

At present, a large share of households in mature markets have a washing machine. Access to tumble-dryers is lower and varies greatly according to continent. In fact, it is only in North America, where many houses have large areas devoted to laundry, that tumble-dryers have a high degree of penetration.

Electrolux has launched a number of innovative and energy-efficient tumble-dryers over the years. The market's first tumble-dryers to meet the Woolmark Apparel Care – Gold Specification were launched in 2011. Using a new and innovative drying technology, delicate woolen garments are dried carefully and efficiently.

**Penetration, tumble-dryers**



Access to tumble-dryers is low and highly dependent on the market. Nine out of ten US consumers who choose Electrolux-branded washing machines buy washing machines and tumble-dryers at the same time.

Source: Electrolux estimate.



Small appliances

# Floor-care products

*Although there are regional differences in vacuum-cleaner design, performance and function are still the most important factors for consumers worldwide. As one of the few global manufacturers of vacuum cleaners, Electrolux can focus on global product development.*

**Share of Group sales 2011**



Electrolux is one of the largest manufacturers of vacuum cleaners in the world and holds market-leading positions in most regions. A large share of the Group's vacuum cleaners are developed and sold in the global market. A special focus lies on innovative and energy-efficient vacuum cleaners in premium segments. Electrolux is also market-leading in the central-vacuum-cleaner segment and holds a substantial market share in vacuum-cleaner accessories. All Electrolux vacuum cleaners are manufactured in low-cost areas.

In Asia and Latin America, most of the Group's vacuum-cleaners are sold under the Electrolux brand. The Electrolux brand also dominates in Europe, complemented by AEG in central Europe. Volta, Tornado,

Progress and Zanussi are focused on the mid and lower price segments. The Eureka brand accounts for the largest proportion of the Group's vacuum-cleaner sales in North America, while more premium vacuum cleaners are sold under the Electrolux brand.

**Green Range**  
**70%**  
 recycled plastic



**Ergorapido – a forerunner and trendsetter**

A growing number of small households is generating a greater need for compact, efficient vacuum cleaners with an aesthetically pleasing design that enables them to be left on show. There is also a growing need in many households for vacuum cleaners that are ready for immediate use. Sales of attractively designed, rechargeable vacuum cleaners have grown substantially over the past decade. Electrolux Ergorapido was one of the first models when these were launched in 2004 and has since been released in a range of new versions, most

## Green progress

Although there is still no energy labeling for vacuum cleaners, the demand for sustainable products is growing. Sales of the Electrolux Green Range of vacuum cleaners doubled in 2011, following launches in all major European markets and in all five continents – from North America to Oceania. Ergorapido Plus Green is now also part of the series of six different green models. One reason for this strong growth is focused marketing activities, including the Vac from the Sea campaign. To read more, see page 41.



**Ultra Silencer Green comprises 30% of total sales of Ultra Silencer in 2011.**





## UltraOne = Number One

The top-of-the-range Electrolux UltraOne combines a powerful motor with low noise levels and effective energy consumption, which has proved a winning concept. This premium vacuum cleaner has received top ratings in 11 countries since it was launched in 2009 and is the direct result of a dynamic collaboration between top designers and engineers.

recently as the environmentally friendly Ergorapido Plus Green. Electrolux holds a leading position in this segment in Europe and a strong position in other parts of the world where compact vacuum cleaners are in demand, such as Japan.

### Quiet, please!

According to surveys conducted by Electrolux, noise is the single greatest source of irritation when vacuuming. With its 68 decibels, Electrolux Ultra Silencer is one of the quietest vacuum cleaners in the market due to its patent-pending Silent Air Technology. The noise level is equal to the sound of a normal conversation. To reduce noise, Electrolux engineers and developers reduced the number of uneven surfaces

and seams inside the vacuum cleaner so that air can pass smoothly. The nozzle is the part of the vacuum cleaner with the single greatest impact on performance and thus requires optimal design and function. Electrolux has also developed a unique nozzle for the UltraOne vacuum cleaner that minimizes the source of irritating noise and gives excellent cleaning results.



## Design for different consumer preferences

There are regional differences in vacuum-cleaner design. Based on consumer preferences, Electrolux sells mainly canister vacuum cleaners, but also has a strong offering in upright products, in such markets as North America and the UK, where this category dominates. Eureka Airspeed is a range of upright vacuum cleaners, specially designed for effective carpet cleaning. The recent launch of these in the US was a great success. The Electrolux Nimble vacuum cleaner has been launched in the US and the UK and received top ratings in several independent tests, in particular, because it is so easy to maneuver.

Electrolux Nimble

Small appliances

# Small domestic appliances

*Electrolux strategy is to expand in growing, adjacent product categories where the Group's global strength in production, product development, distribution, sourcing, design and marketing communication can be used to create profitable growth. Small domestic appliances is one of these categories. Sales grew by 26% in 2011.*

Electrolux currently has a small global market share in small domestic appliances but is growing rapidly worldwide, especially in Latin America and Europe. Increased presence in the segment contributes to strengthening the Electrolux brand. The major launches are in higher price segments where the focus lies on distinctive design. The offering varies according to market but the Group's primary focus is on five global product groups – coffee-makers, kettles, mixers, food-processors and irons. Most of these products are sold under the Electrolux brand.

**Rapid growth in Latin America**

The Latin American market for small domestic appliances is one of the fastest growing globally. By leveraging the Group's brand strength and retailer network, Electrolux sales are grow-

ing faster than the market in Latin America. The largest Electrolux categories in this region are irons, coffee-makers and mixers.

## Entering North America

At the end of 2011, Electrolux launched a range of small appliances for kitchens under the Frigidaire brand in the North American market. The new range shares the same visual branding as its major appliances counterpart and has a robust, professional feel. All products feature a dark gray base, and they are stylish enough to stand on their own, but they also fit in well in a kitchen fully furnished with Electrolux products.

**New products in Europe**

Coffee-makers is the largest growing sub-category within small domestic appliances in Western Europe, and it is also growing faster than the total home appliance market. During 2011, Electrolux launched a new espresso machine in cooperation with the Italian coffee brand Lavazza. Other key launches within the small domestic category during the year included new premium irons, a range of water-filtration jugs and mixers, including the Ultra-mix Pro.

**Potential for growth in Asia**

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



## Great coffee with Favola

As a result of a collaboration with the Italian coffee brand Lavazza, a new espresso maker from Electrolux – Favola – was launched in six different colors and two different models in European markets during 2011. The thoughtful design by Electrolux is inspired by lines and shapes from Scandinavian nature.



### Entering North America

At the end of 2011, Electrolux launched a range of small appliances for kitchens and garment care under the Frigidaire brand in the North American market. Electrolux sees a potential for expansion in the rapidly growing market for small appliances in North America. During 2009 and 2010, when sales of other household appliances declined, sales of small

domestic appliances in the US increased by 9.4%. Most of this growth was in premium segments.

### Safety and performance come first

Consumer insight lay behind the development of Electrolux 5Safety, a high-performance steam iron with a safe grip, extra large stand and three different auto shut-off systems.

When consumers were asked about ironing, four of ten areas of concern were related to safety. The iron's features are based on knowledge and experience from the Group's professional laundry-equipment operation.

## Clean water fast

Clean and clear water is important for consumers all over the world. To meet this demand, Electrolux has launched AquaSense, a water-filter can that provides households with clean water faster than all other alternatives in the market, without compromising on quality.



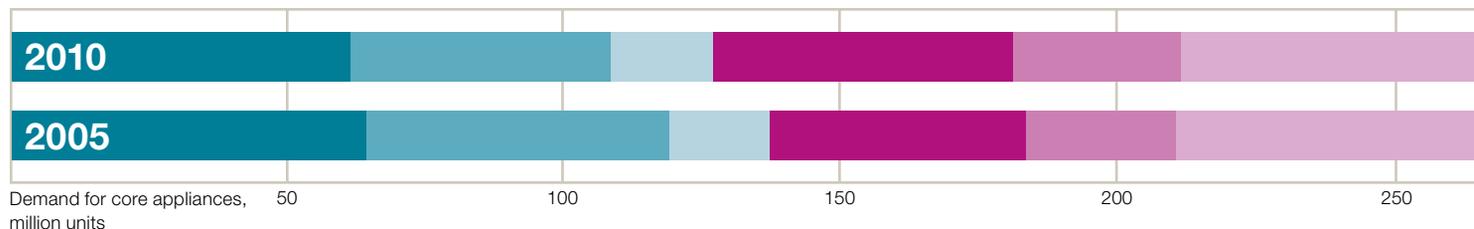
# Electrolux markets

*Over the past decade, Electrolux has made the transformation into an innovative, consumer-focused company. Now growth is becoming more important. From previously having been heavily exposed to mature markets, the share of sales in growth markets, such as Africa, the Middle East, Asia and Latin America, is to increase rapidly. The acquisition of appliances manufacturers CTI in Chile and Olympic Group in Egypt combined with strong organic growth has boosted the share of Electrolux pro forma sales in growth markets from 25% in 2009 to 35% in 2011.*

A slowdown in demand in Western Europe and North America, combined with the rapid emergence of an affluent middle class in densely populated growth markets, has led to a gradual transformation of the market for household appliances. Adapting the business and offering to this new environment is necessary to continue growing profitably. In 2011, Electrolux expanded its presence in growth markets and launched a long line of products and solutions adapted to global and regional demands. Furthermore, the Electrolux business is being increasingly impacted by such strong global trends as population growth, an expanding global middle class, higher life expectancy and rapid urbanization. These developments mean that there is increasingly limited supply of resources to satisfy the needs of a growing number of people, and more and more consumers have higher disposable incomes. Electrolux focuses on solutions based on lower consumption of these resources and on identifying new alternatives. Other factors also accentuate the fact that Electrolux operates in a global industry. There are fewer, larger and more international manufacturers and retailers, which means that global brands and products are ever-more important. The five largest manufacturers of major appliances in the world – Whirlpool, Electrolux, Haier, Bosch-Siemens and LG Electronics – accounted for approximately 45% of the market in 2010. To maintain competitiveness in relation to rapidly expanding manufacturers from low-cost areas, it is important to leverage both global and regional economies of scale.



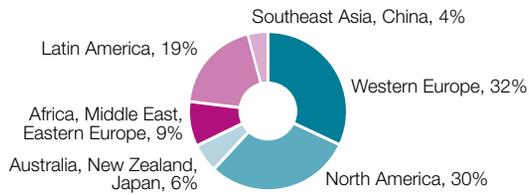
## Growing demand for core appliances



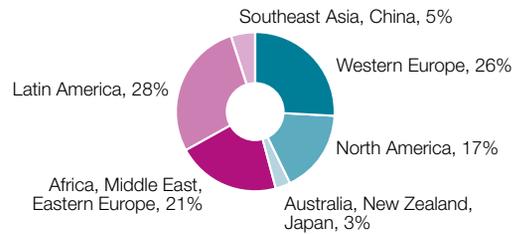
Between 2005 and 2010, the global demand for core appliances significantly increased, particularly due to strong growth in Asia. Demand for core appliances in mature markets has simultaneously decreased. In 2010, the demand in growth markets constituted 60% of the total market volume compared to 50% in 2005. Electrolux strategy is to capture this increased demand in growth markets. To read more about Electrolux strategy, see page 34.

Source: Electrolux estimates.

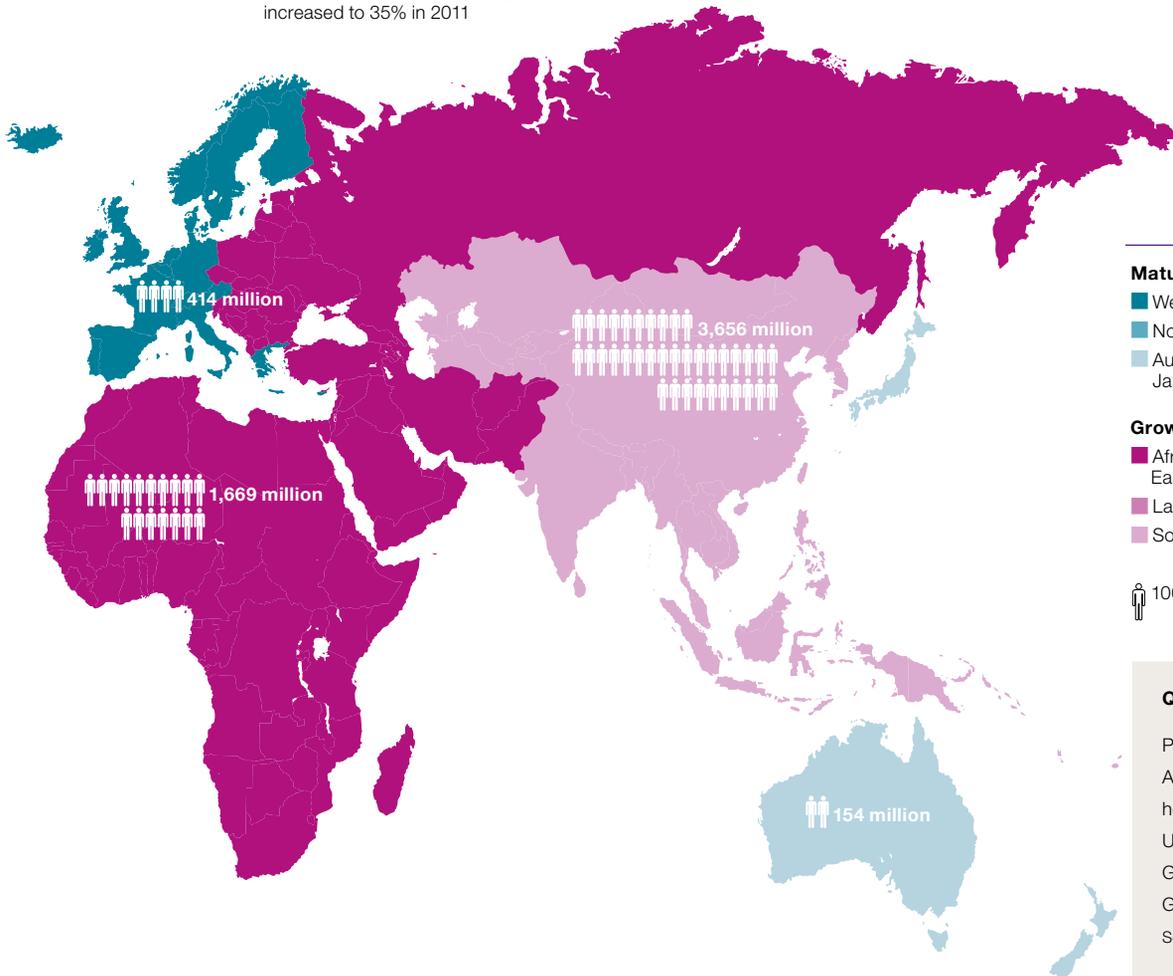
**Electrolux net sales per market, %**



**Electrolux employees per market, %**



Electrolux pro forma sales in growth markets increased to 35% in 2011



**Mature markets**

- Western Europe
- North America
- Australia, New Zealand, Japan

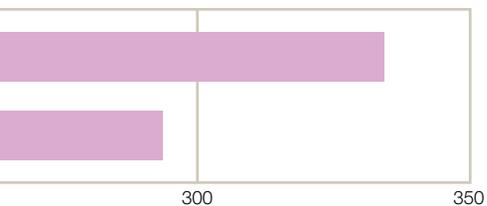
**Growth markets**

- Africa, Middle East, Eastern Europe
- Latin America
- Southeast Asia, China

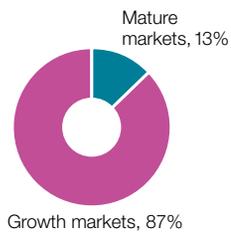
100 million people

**Quick facts 2010**

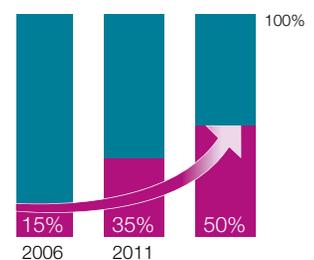
Population: 6.8 billion  
 Average number of persons per household: 3.6  
 Urban population: 51 %  
 GDP per capita 2010: USD 9,200  
 GDP growth 2010: 4.2 %  
 Sources: World Bank and Electrolux estimates.



**Population, %**



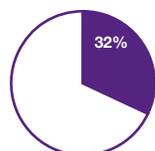
**Electrolux aims to increase share of sales in growth markets over a five-year period**



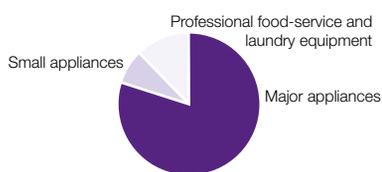
# Western Europe – a fragmented market

*Western Europe is the Group's largest market for consumer durables and products for professional users. Electrolux focuses on growth through the launch of new, innovative appliances in the premium segments. Built-in appliances is a priority area.*

**Share of Group sales 2011**



**Share of sales in the region 2011**



The market in Western Europe is dominated by replacement products as a result of high penetration in most product categories and low or stagnated population growth. Meanwhile, an increase in the number of households due to a rising share of older people combined with the small living spaces in most homes, has led to higher demand for compact and user-friendly products. Therefore, the market for built-in appliances is a growing segment in Europe.

In 2011, deliveries of core appliances amounted to about 52 million units, down by 12% on the record year of 2006. The sharp deceleration in primarily Southern Europe had a negative impact on development. The market remained subject to price pressure and intensified competition from Asian manufacturers, among others.

### A fragmented market

Europe is a complex market. Many countries and language areas have resulted in widely varying consumer patterns and the establishment of a large number of manufacturers, brands and retailers for appliances. The low degree of consolidation among manufacturers is one reason for overcapacity and price pressure in the industry. The European market features many small, local and independent retail chains that focus on electrical and electronic products as well as kitchen interiors. Kitchen specialists currently account for approximately 25% of sales of household appliances in Western Europe. The corresponding figure for Germany and Italy is approximately 40%.

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

### The Group's position

Electrolux is the only producer in the market that can provide solutions for both consumers and professional users of kitchen appliances and laundry products. In recent years, the Group has further strengthened its position in the built-in segment for core appliances, mainly in the German market. In 2010 and 2011, the Group launched new built-in products in the premium segment under the AEG brand. In 2012, the Group will move forward with the launch of an entirely new range of built-in products under the Electrolux brand.

For professional users, Electrolux has a strong position with independent restaurants and institutions.

Electrolux is one of the leading producers of floor-care products in the world and one of few with a global distribution network. The Electrolux brand dominates the Group's sales in Europe, one of the Group's largest markets.

### Fast-growing product categories

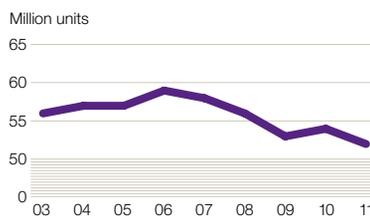
The market for built-in appliances continues to show growth and interest is strong in energy- and water-efficient appliances. Dishwashers comprise a fast-growing segment in the region. Electrolux manufactures dishwashers designed and adapted for all types of kitchens and households. In 2011, the Group launched new, innovative and water-efficient dishwashers under the AEG brand. Attractively designed, rechargeable and instant vacuum cleaners displayed substantial growth. The market for bagless vacuum cleaners also grew.

**Net sales in Western Europe**



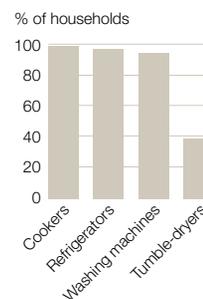
Net sales in Western Europe have been impacted by the slowdown in market demand.

**Shipments of core appliances in Western Europe**



A total of approximately 52 million core appliances were sold in Western Europe in 2011, a decline by 3% compared with 2010.

**Product penetration**



Source: Electrolux estimates.

Consumer brands



Professional brands



Quick facts Western Europe 2010

Population: 414 million  
 Average number of persons per household: 2.3  
 Urban population: 77 %  
**Significant market: European Union**  
 GDP per capita 2010: USD 32,300  
 GDP growth 2010: 2.0 %  
 Sources: World Bank and Electrolux estimates.

Electrolux market shares

16% core appliances  
 14% floor care  
 9% professional food-service equipment  
 22% professional laundry equipment

# Built-in kitchen commonplace



In 2010 and 2011, the Group launched an entirely new range of built-in products in the premium segment under the AEG brand in several markets in Northern and Central Europe. A number of the new products have been recognized by the market and awarded various design prizes, including the IF Design Award and the Reddot Design Award.

# Working hand-in-hand

Electrolux is the only supplier offering a complete range of high-performance products for professional kitchens and laundries under the same brand. Electrolux Professional solutions are frequently used under the same roof, working "hand-in-hand" in hotels and in hospitals, for instance. Europe is the largest market for Electrolux. Approximately 75% of Group sales of kitchen equipment and 65% of laundry equipment are sold in Europe.



Markets and competitors

**Core appliances**

Major markets  
 • Germany  
 • France  
 • Italy  
 • UK

Major competitors  
 • Bosch-Siemens  
 • Indesit  
 • Whirlpool

**Floor care**

Major markets  
 • Germany  
 • France  
 • Nordics

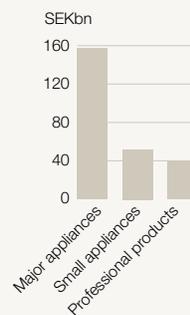
Major competitors  
 • Dyson  
 • Miele  
 • Bosch-Siemens  
 • Samsung

**Professional products**

Major markets  
 • Italy  
 • Sweden  
 • France  
 • Germany

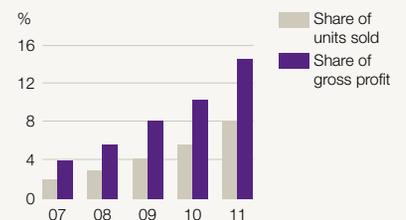
Major competitors  
 • Ali Group  
 • Rational  
 • Primus

Market value



Source: Electrolux estimates.

Green Range in Europe

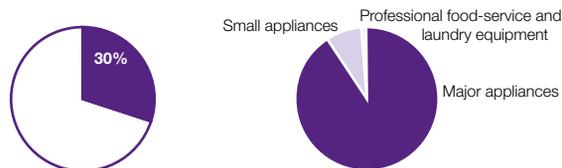


Green Range, products with the best environmental performance, accounted for approximately 8% (6) of total units sold within Major Appliances in Europe in 2011 and approximately 15% (10) of gross profit. Criteria for inclusion in the Green Range have been raised.

# North America – growth in share of replacement appliances

*The weak economic environment, cautious consumers and low activity in the housing-construction sector resulted in continued low sales of household appliances in North America in 2011. Electrolux was able to defend its position in the region.*

**Share of Group sales 2011**      **Share of sales in the region 2011**



North America is a mature market with high penetration in most product categories. The average living space of households is above that of other regions, which means space is available for both many and large household appliances. A high degree of product penetration combined with relatively low population growth has resulted in replacement products dominating the market. Due to the turbulent economic climate, this trend has been amplified in recent years. Replacement appliances accounted for a major share of total sales in the market 2011. A total of 37 million appliances were sold in 2011, which is on a par with 1998 volumes and represents a decline of 23% compared with the peak year of 2006.

**A consolidated market**

The market in North America is more uniform than most markets, which has led to a relatively high level of consolidation among producers and retailers. The three largest manufacturers of appliances in the US account for a major part of the market and about 70% of appliances are sold via the four major retailers Sears, Lowe's, Home Depot and Best Buy. The four largest manufacturers of vacuum cleaners represent over 50% of the market. Vacuum cleaners are

sold mainly through supermarkets, discount stores and department stores, such as Wal-Mart, Target and Sears. The degree of consolidation is also high among manufacturers and retailers of food-service and laundry equipment.

**The Group's position**

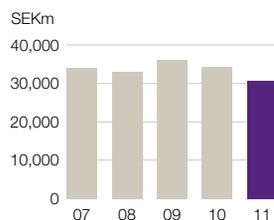
Electrolux commands a strong position in appliances and vacuum cleaners in the US and Canada. The Group's appliances are mainly sold under the Frigidaire brand in the mass-market segment and vacuum cleaners under the Eureka brand. The extensive launch of innovative appliances under the Electrolux brand in 2008 and 2009 has yielded a strong position for the Group in the profitable premium segment, which Electrolux can leverage when demand rebounds.

The Group's professional kitchen business is still small but growing both in traditional segments and chains. Electrolux Professional laundry equipment is sold via a distributor with a growing share of sales under the Electrolux brand beside the traditional Wascomat brand.

**Fast-growing product categories**

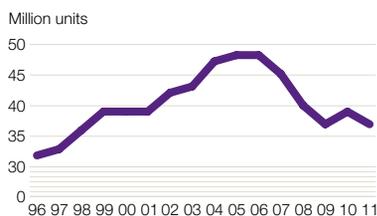
The share of discretionary sales and purchases made in connection with new housing has drastically declined in recent years as a result of heightened economic uncertainty. A possible recovery in the new-housing sector will result in a rise in demand for primarily cookers and ovens. Electrolux has a competitive offering in the segment and healthy relationships with leading retailers and kitchen manufacturers in the region. In 2011, the Group launched its first range of small appliances for US households, including coffee-makers, toaster ovens, toasters, slow cookers and irons. This product category demonstrated a high rate of growth.

**Net sales in North America**



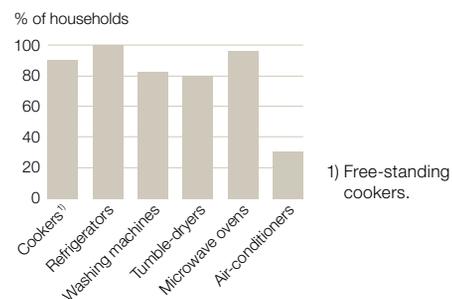
Net sales in North America have been impacted by the slowdown in market demand.

**Shipments of core appliances in North America**



A total of approximately 37 million core appliances were sold in North America in 2011, which corresponds to a decline of 4% compared to 2010.

**Product penetration**



Source: Electrolux estimates.

Consumer brands



Professional brand



Quick facts North America 2010

Population: 343 million  
 Average number of persons per household: 2.6  
 Urban population: 82 %  
**Significant market: USA**  
 GDP per capita 2010: USD 47,200  
 GDP growth 2010: 3.0 %  
 Sources: World Bank and Electrolux estimates.

# Vacuum cleaner **Airspeed**

The Eureka Airspeed upright vacuum cleaner has become the largest and most important upright platform for the Group in North America. Using a modular approach, several versions adapted to different consumer needs have been introduced since 2010.



**Electrolux market shares**  
 21% major appliances  
 14% floor care

## New products



In 2010 and 2011, new appliances under the Frigidaire brand were launched, including induction hobs, French Door Refrigerators (see image to the left), washing machines with extra-large capacity and a large number of energy-efficient products for the kitchen and laundry room.

## Air care

Air care is an important product category in North America and Electrolux offers air-conditioning equipment and dehumidifiers under the Frigidaire brand.



### Markets and competitors

**Core appliances**

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

- Major competitors
- Whirlpool
  - General Electric
  - LG
  - Samsung

**Floor care**

- Major retailers
- Wal-Mart
  - Target
  - Sears

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

**Professional products**

- Major competitors
- ITW
  - Manitowoc
  - Alliance

### Market value



Source: Electrolux estimates.

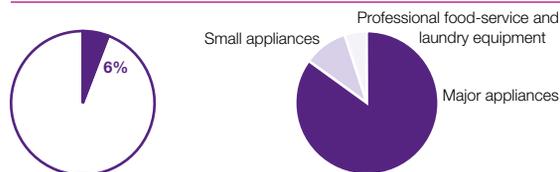


In the US, ENERGY STAR is used as the energy-performance rating system for household appliances. The US Environmental Protection Agency (EPA) named Electrolux the Major Appliances North America ENERGY STAR Partner of the Year in 2011.

# Australia, New Zealand and Japan – major variations

*Electrolux is the largest manufacturer of appliances in Australia and has built up a particularly strong position in the premium segment. In Japan, the Group has applied a niche strategy to establish the brand in the market. Focus is now directed to broader expansion.*

**Share of Group sales 2011**      **Share of sales in the region 2011**



While Australia covers a large land mass, nearly all of its inhabitants live in cities on the East Coast. Both the population and the number of households are on the rise and the degree of penetration is high in most product categories. Demand is driven primarily by interest in design, innovation and the environment. 2011 was characterized by price pressure brought on by a strong AUD, making imported products increasingly competitive. Japan is the world's third-largest single market for household appliances. Although the number of inhabitants is declining, the number of households is growing due to a rapidly aging population. The growth for household appliances is driven by such factors as innovations based on small living spaces.

**High degree of consolidation**

In Australia, competition between manufacturers from Asia and Europe is intense. The retailer market is dominated by five major chains representing 90% of the market.

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

**The Group's position**

Electrolux is the largest supplier of appliances in Australia. The Electrolux brand is positioned in the premium price segment with a focus on innovation, water- and energy-efficiency, and design. The Group's Westinghouse and Simpson brands command strong

positions in the mass-market segment. The Kelvinator brand holds a strong position in air-conditioners. A large portion of the best restaurants in Australia is equipped with food-service equipment from Electrolux. In Japan, Electrolux is a relatively small player but in recent years has started to establish a rapidly growing business in small, compact vacuum cleaners.

**Fast-growing product categories**

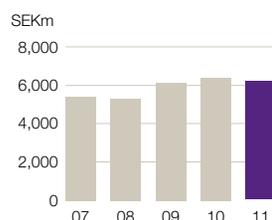
Thanks to its Electrolux E:line built-in appliances, the Group has increased its market shares in an important and profitable product category. Freshwater shortages have meant that both consumers and legislation demand energy-efficient products with low water consumption. Dishwashers and front-load washing machines are therefore fast-growing product categories, and Electrolux controls considerable shares of these markets. Demand in Japan is growing for compact, user-friendly and quiet household appliances. Electrolux has positioned itself in the segment with its attractive offering of vacuum cleaners in the country. Japan is the world's largest market for canister vacuum cleaners. In 2010, Electrolux launched the rechargeable, handheld Ergorapido vacuum cleaner, which is now sold in more than 1,500 stores in the country.

**Innovations for Australian households**

Water shortages are a problem in Australia. The Electrolux Water Aid washing machine, automatically adapts the water level to the load size. However, given the hot and dry climate in Australia, many households prefer to cook food outdoors. The acclaimed Electrolux En:V Barbecue was designed with the needs of the consumer in mind for an efficient and easy-to-use barbecue that can serve as a centerpiece around which guests can gather.

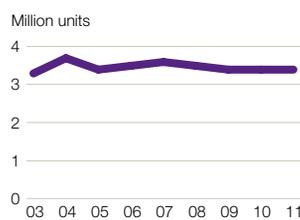
Furthermore, Electrolux has launched one of the first side-by-side refrigerators with a five-star energy rating in Australia.

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



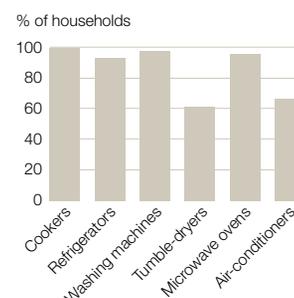
Australia is Electrolux main market in the region. In Japan, Electrolux is a relatively small player but in recent years has started to establish a rapidly growing business in small, compact vacuum cleaners.

**Growth of shipments of core appliances in Australia**



Market demand for appliances in Australia has seen no growth in recent years.

**Product penetration in Australia**



Source: Electrolux estimates.

Consumer brands



Professional brand



Quick facts Australia, New Zealand and Japan 2010

Population: 154 million  
 Average number of persons per household: 2.5  
 Urban population: 71 %  
**Significant market: Australia**  
 GDP per capita 2010: USD 55,700  
 GDP growth 2010: 2.7 %  
 Source: World Bank and Electrolux estimates.

# Learning from professionals

An increasing number of consumers desire products and solutions similar to those found at the best restaurants. Electrolux is the only appliances manufacturer in the industry to offer complete solutions for consumers and professionals. Electrolux equips many of the best restaurants.



**Electrolux market shares in Australia**  
 41% core appliances  
 22% floor care

# Small appliances in a large market

Following the Group's successful 2010 launch of the rechargeable, handheld Ergorapido vacuum cleaner in Japan, Electrolux is now advancing with a product specially adapted to small Japanese households. The Ergothree was launched at the end of 2011 amid great media fanfare in Tokyo and will be available in Japanese stores in early 2012.



# Electrolux En:tice Barbecue



Given the hot and dry climate in Australia, many households prefer to cook food outdoors. In 2011, Electrolux launched the En:tice Barbecue, which delivers the same level of sophistication as expected from indoor kitchen appliances.

Markets and competitors

**Core appliances**

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

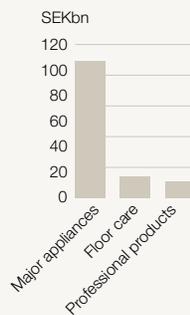
**Floor care**

- Major competitors
- Samsung
  - LG
  - Dyson

**Professional products**

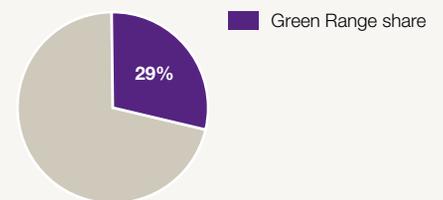
- Major competitors
- ITW
  - Hoshizaki
  - Alliance

Market value



Source: Electrolux estimates.

Green Range vacuum cleaner sales in New Zealand 2011



Green Range products with 70% recycled plastics comprised 29% of total full size canister vacuum cleaner sales in New Zealand during 2011.

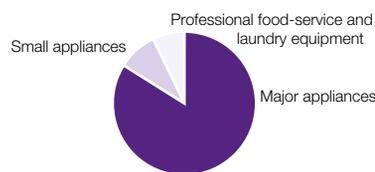
# Africa, Middle East and Eastern Europe – acquisition for expansion

*The acquisition of the Egyptian Olympic Group creates a leading position for Electrolux in appliances in the fast-expanding markets in North Africa and the Middle East. Electrolux has grown rapidly in Eastern Europe and currently commands major market shares for appliances and vacuum cleaners in the region.*

**Share of Group sales 2011**



**Share of sales in the region 2011**



Africa and the Middle East comprise 75 countries with considerable variation in terms of wealth and degree of urbanization. South Africa and Turkey are the largest markets in the region. The population in Africa is growing at an exponential rate, and the number of households is rising even more rapidly because many people are of the age when it is time to find their own home. The degree of penetration is low in most product categories, but is displaying high growth due to the rapid rise in purchasing power. Refrigerators are one of the first products required when the prosperity of a country increases. In Eastern Europe, where Russia is the largest market, both average prosperity and penetration are higher. A large market for replacement products is emerging in several product categories, such as cookers, laundry equipment and refrigerators/freezers.

**Multitude of manufacturers and retailers**

With a wide geographical distribution and varying degrees of purchasing power, it is difficult for manufacturers and retailers to capture large market shares in Africa and the Middle East. Turkey has several large domestic manufacturers that have also established strong positions in nearby regions. The markets of Eastern Europe are dominated by Western manufacturers, while the retailer network is domestic.

**The Group's position**

The acquisition of the Egyptian Olympic Group gives Electrolux a leading position in appliances in North Africa and the Middle East. Electrolux has grown rapidly in the Eastern European markets in recent decades. At present, Electrolux commands 14% of the appliances market in Eastern Europe and is the market leader in Hungary, the Czech Republic and the Baltic countries. In other countries in the region, Electrolux is one of the three largest appliances companies. The 2010 acquisition of a washing-machine factory in the Ukraine has helped strengthen the Group's competitiveness in Russia and the Ukraine.

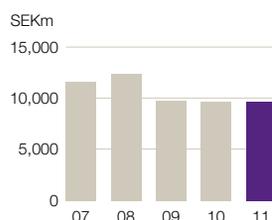
**With Olympic Group, Electrolux can grow faster**

Olympic Group is a leading major appliance company in the rapidly expanding markets in North Africa and the Middle East. Olympic Group, which has been the local partner of Electrolux in the region for a period of almost 30 years, has about 7,100 employees and manufactures such items as refrigerators, cookers, water heaters and washing machines. Integrating Olympic into the operations of Electrolux will facilitate even more rapid growth in the region. In Egypt, for example, with its 80 million inhabitants, GDP per capita has doubled since 2005 and a growing number can afford to purchase their first appliances or change to new appliances.

**Fast-growing product categories**

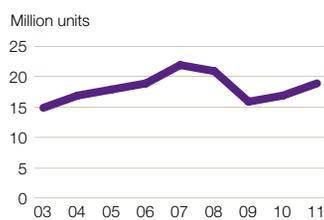
In Africa and the Middle East, all product categories are expanding at a high rate, primarily refrigerators, cookers and washing machines. Many Eastern European households can now afford to replace old appliances and even invest in new, more exclusive kitchen products. This trend increases demand for built-in products, a segment in which Electrolux is the leader. The improvement in the standard of living in the region has also ensured that demand for such products as dishwashers and tumble-dryers is rising fast.

**Net sales in Africa, Middle East and Eastern Europe**



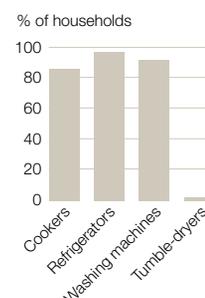
With the acquisition of the Egyptian appliances company Olympic Group net sales in the region will increase.

**Shipments of core appliances in Eastern Europe, excl. Turkey**



Demand in Eastern Europe has increased mainly on the basis of growth in Russia.

**Product penetration in Eastern Europe**



Source: Electrolux estimates.

Consumer brands



Professional brands



# Acquisition of Olympic Group

The Middle East and Africa is a market with 1.3 billion people. Through the acquisition of Olympic Group in Egypt, Electrolux will be able to capture the growth in this large market. Olympic Group is a leading manufacturer of appliances in the Middle East, with a volume market share in Egypt of about 30%.

**Quick facts Africa, Middle East and Eastern Europe 2010**

Population: 1,669 million  
 Average number of persons per household: 3.8  
 Urban population: 50 %  
**Significant market: Arab world**  
 GDP per capita 2010: USD 5,400  
 GDP growth 2010: 3.5 %  
**Significant market: Russia**  
 GDP per capita 2010: USD 10,400  
 GDP growth 2010: 4.0 %  
 Sources: World Bank and Electrolux estimates.



**Electrolux market shares**  
 14% core appliances (Eastern Europe)  
 30% core appliances (Egypt)  
 12% floor care (Eastern Europe)  
 8% professional food-service equipment (Africa, Middle East)  
 9% professional laundry equipment (Africa, Middle East)



## Electrolux is expanding in Eastern Europe

Electrolux is expanding in Eastern Europe. One example is the acquisition of the washing machine factory in Ivano-Frankivsk in the Ukraine. The factory will function as part of the Electrolux supply base for markets in Central and Eastern Europe. The Ukraine participates in the free trade framework within the Commonwealth of Independent States (CIS), which includes Russia, Kazakhstan, Armenia, Azerbaijan and other countries.

**Markets and competitors**

**Core appliances**

- Major markets
- Russia
  - Poland
  - Egypt

- Major competitors
- Bosch-Siemens
  - Indesit
  - Whirlpool

**Floor care**

- Major markets
- Poland
  - Russia
  - Czech Republic
  - South Africa

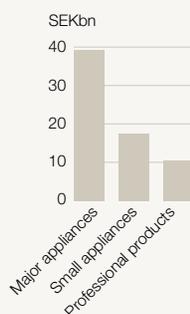
- Major competitors
- LG
  - Samsung
  - Dyson
  - Bosch-Siemens

**Professional products**

- Major markets
- Turkey
  - Russia
  - Ukraine
  - Middle East

- Major competitors
- Ali Group
  - Rational
  - Alliance
  - Vyazama

**Market value Eastern Europe**

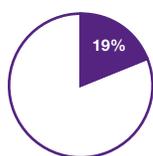


Source: Electrolux estimates.

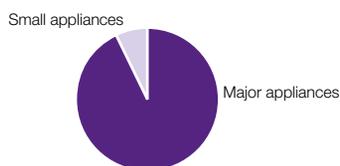
# Latin America – penetration increasing rapidly

*From having built up a profitable and sizeable operation in Brazil over a short period of time, Electrolux is now advancing with its growth strategy in other markets in the region. The acquisition of the Chilean appliances manufacturer CTI has afforded Electrolux a market-leading position in key product categories in Chile and Argentina.*

**Share of Group sales 2011**



**Share of sales in the region 2011**



Latin America is a highly urbanized region for a growth market and displays a relatively high rate of expansion in terms of purchasing power and number of households. Brazil represents about 40% of the Latin American market for appliances. Other major markets include Mexico and Argentina. Growth in the region is driven by rising purchasing power of households, which primarily demand more basic cookers, refrigerators and washing machines. The rapidly emerging middle class in, for example, Brazil and Argentina has also resulted in higher demand for products in the premium segments. In 2011, the market in Brazil was characterized by a certain degree of price pressure and mix deterioration as a result of rapid consolidation among retailers.

**Consolidated market**

The Latin American market is relatively consolidated. In Brazil, the three largest manufacturers account for about 70% of sales of appliances. As a result of high import duties and logistical costs, the bulk of products sold in Latin America are produced domestically. The trend of consolidation has also been strong among retailers in the region. In Brazil, three of the largest domestic retailers – Casas Bahia, Globex and Pão de açúcar – merged in 2010. The new company, Grupo Pão de açúcar, has a dominant position in the market. Sales of household products are often conducted through campaigns and purchasing decisions are made in stores where a large part of the manufacturers have their own sales staff in place.

**The Group's position**

Brazil is the largest market in Latin America for Electrolux and the Group is the second-largest manufacturer of appliances in the country. The Electrolux brand holds a strong position in all segments thanks to innovative products and close cooperation with the market-leading retail chains. The acquisition of the Chilean appliances manufacturer CTI has strengthened Electrolux leading position in the region and makes Electrolux the market leader for core appliances and small domestic appliances in Chile and the largest manufacturer of refrigerators, freezers and washing machines in Argentina. In the vacuum-cleaner segment, Electrolux has long held a leading position in the region. The Group has also established a fast-expanding business in the small appliances segment.

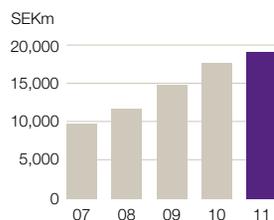
**Acquisition for growth**

CTI was established back in 1905 and currently employs 2,200 people in Chile and Argentina. Manufacturing ranges from refrigerators, freezers, washing machines, cookers and ovens to tumble-dryers and heat pumps. The company has established strong relationships with retailers in Chile and Argentina and has extensive distribution and a well-structured aftermarket business. Electrolux is planning further investments in production capacity and distribution with the aim of expanding activities to other Latin American countries.

**Fast-growing product categories**

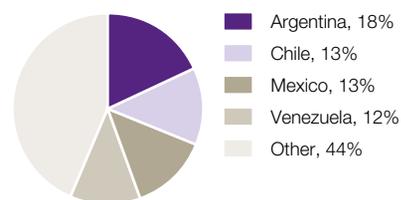
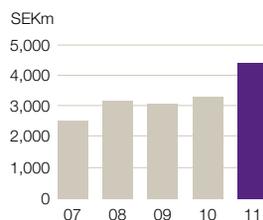
The market for washing machines is demonstrating immense growth potential as purchasing power and demands for energy and water efficiency increase in the region. Electrolux continuously launches new products adapted to varying needs in the segment, such as the innovative Ultra Clean washing machine in Brazil, see page 39.

**Net sales in Latin America**



Net sales in Latin America have increased over the years due a strong product offering and market growth. The acquisition 2011 of CTI in Chile will positively impact sales going forward.

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



Electrolux total sales of consumer durables and professional products.



**Quick facts Latin America 2010**

Population: 589 million  
 Average number of persons per household: 3.7  
 Urban population: 79 %  
**Significant market: Brazil**  
 GDP per capita 2010: USD 10,700  
 GDP growth 2010: 7.5 %  
 Sources: World Bank and Electrolux estimates.

# Small domestic appliances

Sales of small domestic appliances, such as coffee-makers, toasters and irons, under the Electrolux brand are growing rapidly in the region. Electrolux is continuously launching new products in the segment and is today one of the strongest brands in Brazil of such products as coffee-makers and irons. The acquired appliances company CTI has extensive operations within small domestic appliances in Chile under the Somela brand.



**Electrolux market shares**  
 41% floor care

## 70% Consumer preference

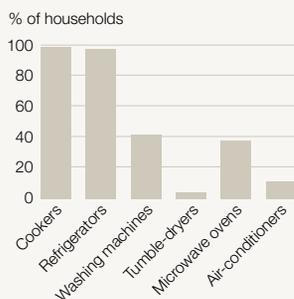
The Brazilian operations have been pioneering within the Group in terms of developing products based on consumer insight. At least 70% of a consumer test-group has to express a preference for the product compared to similar alternatives in the market before launching. The premium refrigerator Infinity i-Kitchen with a touch screen panel achieved 95% consumer preference.



## Acquisition of CTI

With the acquisition of the Chilean appliances manufacturer CTI, Electrolux has strengthened its leading position in the region. CTI holds the number one position within core appliances and small domestic appliances in Chile and has a leading position in Argentina through its subsidiaries.

### Product penetration in Brazil



Source: Electrolux estimates.

### Markets and competitors

**Core appliances**

- Major markets
- Brazil
  - Chile
  - Argentina
  - Mexico

- Major competitors
- Whirlpool
  - Mabe

**Floor care**

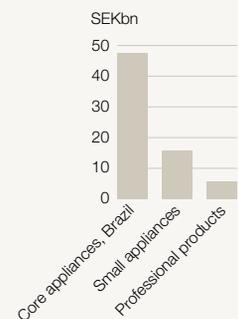
- Major markets
- Brazil
  - Mexico
  - Argentina
  - Venezuela

- Major competitors
- SEB Group
  - Whirlpool
  - Black & Decker
  - Philips

**Professional products**

- Major competitors
- ITW
  - Fagor
  - Girbau
  - Alliance

### Market value



Source: Electrolux estimates.

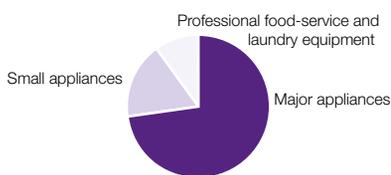
# Southeast Asia and China – continued high growth rate

*The innovative products developed by Electrolux to meet the specific needs of Southeast Asian households in terms of temperature, humidity and food culture have generated sharp growth, high profitability and increasing market shares. In China, Electrolux has made a significant transformation of the business.*

**Share of Group sales 2011**



**Share of sales in the region 2011**



China is the world's largest manufacturer of household appliances and also the largest market measured in terms of volume. Demand has been driven by high growth combined with rapid urbanization. This urbanization trend will continue in parallel with an eventual easing of population growth and the rise in the number of households. Penetration in various product categories is high in cities while it is lower in rural areas. Households are often small with limited space to accommodate many appliances. Small living spaces also dominate in Southeast Asia – a region undergoing rapid urbanization and population growth. There is a considerable difference in the degree of product penetration between the various countries in Southeast Asia. Many households are not equipped with a cooker, but use other alternatives to cook food, such as rice-cookers and gas burners. Similar to other growth markets, consumers prioritize refrigerators, washing machines and air-conditioning equipment as prosperity rises.

**Major players in China**

There is no clear market leader in Southeast Asia. Although consumers prefer European brands, market shares remain low. In China, a rapid consolidation of the number of manufacturers is currently under way, with Haier and Midea far ahead in terms of size in the country. Foreign manufacturers still only hold small market shares, although they are growing fast in the premium segment. There are no

retailers with a region-wide network in Southeast Asia. However, there is a trend toward increased consolidation among retailers in various countries. In China, the market is dominated by two large domestic retailer chains – Gome and Suning – specializing in electronics.

**The Group's position**

Electrolux is a reputable brand in Southeast Asia and commands a strong position in the premium segments for appliances. The Group's market-leading position for front-load washing machines has been leveraged to expand the business to kitchen appliances.

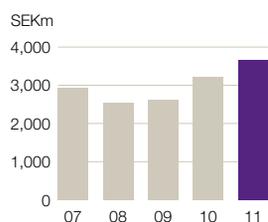
**Structural measures in China**

In China, Electrolux has implemented structural actions and repositioned its product offering after some difficult years since the Group entered China in the mid-1990s. Sales to retailers in rural areas have been discontinued and the current focus is on the rapidly growing middle class in major cities. Electrolux sells its products through the largest retailers. In 2011, Electrolux increased its sales in the country by approximately 30% through successful launches of new products.

**Fast-growing product categories**

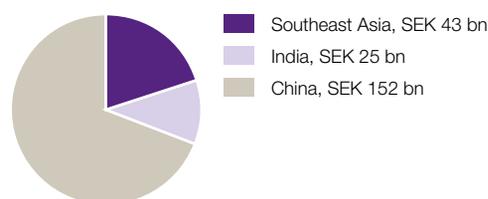
The exponential growth of the middle class in the region has generated heightened demand for such products as air-conditioning equipment, refrigerators and washing machines. In China, Electrolux successfully launched a new range of refrigerators. In Southeast Asia, Electrolux has launched new models for air-conditioning equipment that consume 20–30% less energy than conventional models. Built-in products for the kitchen comprise another expanding segment, driven partly by the urbanization taking place throughout the region. In Southeast Asia, the market for vacuum cleaners and small domestic appliances is also growing rapidly, albeit from relatively low levels.

**Net sales in Southeast Asia and China**



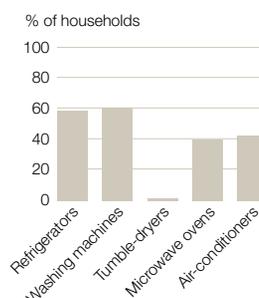
Electrolux sales in Southeast Asia are growing. The Group's market-leading position for front-load washing machines has been leveraged to expand the business to kitchen appliances.

**Appliances, market size 2010**



China is by far the greatest market in the region. Electrolux has significantly transformed its business in China. The current focus is on the rapidly growing middle class in major cities.

**Product penetration in China**



Source: Electrolux estimates.

Consumer brand



Professional brand



### Quick facts Southeast Asia and China 2010

Population: 3,656 million

Average number of persons per household: 3.9

Urban population: 40 %

**Significant market: China**

GDP per capita 2010: USD 4,400

GDP growth 2010: 10.4 %

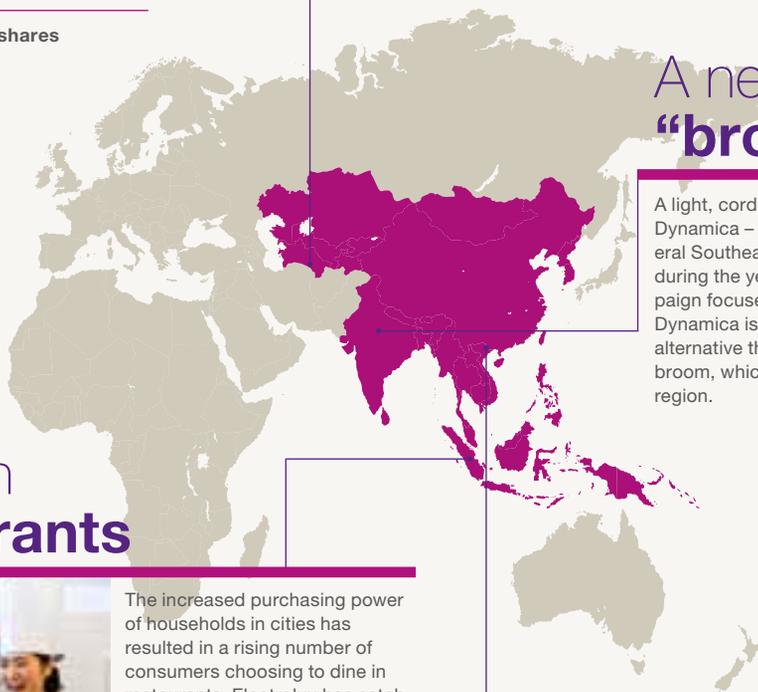
Sources: World Bank and Electrolux estimates.



## Keyhole Hob

The Electrolux Keyhole Hob, launched in Southeast Asia and China, was developed using the insight of the special requirements imposed by Asian cooking. The compact and elegant hob combines the power of gas and the option of induction control.

**Electrolux market shares in Southeast Asia**  
4% core appliances  
19% floor care



## A new "broom"

A light, corded stick cleaner – Dynamica – was launched in several Southeast Asian countries during the year. The launch campaign focused on the fact that Dynamica is a more hygienic alternative than the traditional broom, which is common in the region.



## Dining in restaurants



The increased purchasing power of households in cities has resulted in a rising number of consumers choosing to dine in restaurants. Electrolux has established and is reinforcing a distribution network to sell food-service equipment to the growing segment of restaurants and fast-food establishments in Southeast Asia.

## Air care

Sales of air-conditioning equipment have been a key factor in the positive trend for Electrolux in Southeast Asia in recent years. The market for air-conditioning equipment in Southeast Asia is almost as large as for refrigerators. Consumer insight shows that most people living in large Asian cities would find life very difficult without air-conditioning.

### Markets and competitors

#### Core appliances

Major markets

- Thailand
- Vietnam
- Indonesia
- China

Major competitors

- LG
- Panasonic
- Haier Group
- Midea

#### Floor care

Major markets

- China
- Thailand
- Malaysia

Major competitors

- Samsung
- LG
- Dyson

#### Professional products

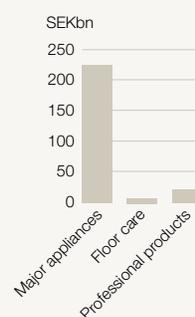
Major markets

- China
- South Korea
- Thailand
- Malaysia
- Singapore

Major competitors

- Manitowoc
- ITW
- Sailstar
- Image

### Market value

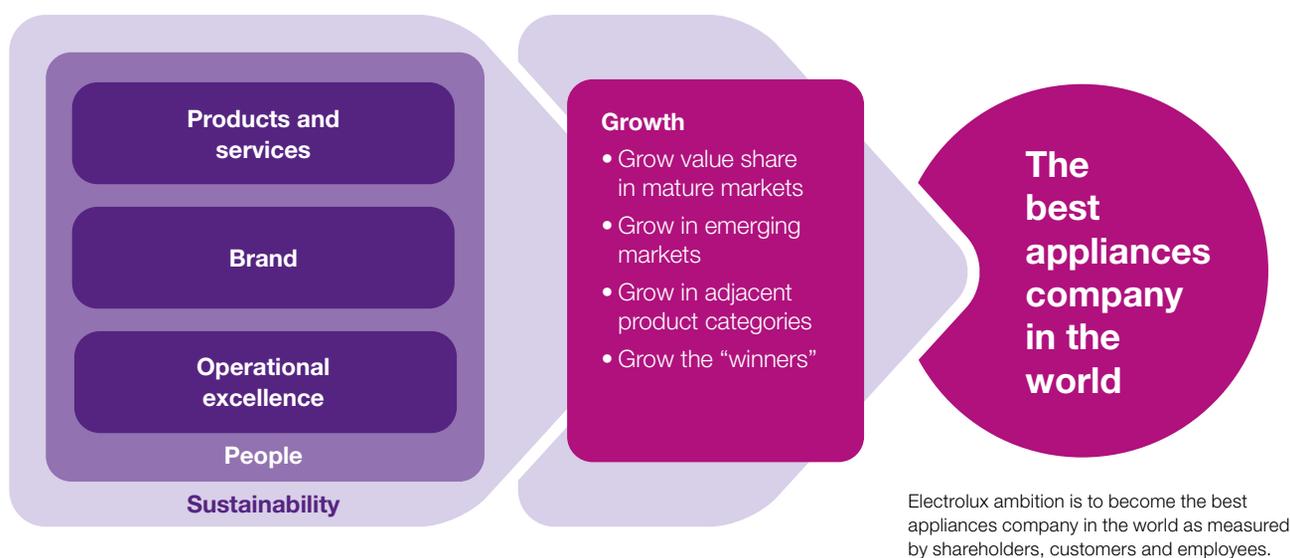


Source: Electrolux estimates.

Read more about Electrolux operations in Southeast Asia. ➔54

# Electrolux **strategy**

*Electrolux is the most global manufacturer in the appliances sector, commanding strong positions in all regions. Electrolux is also the only player that offers solutions for both consumers and professional users. All product development in the Group is based on consumer insight. With innovative products under a strong brand in the premium segment and by leveraging the Group's global strength and scope, Electrolux aims to create a platform for profitable growth.*



## **Products and services**

The Group's process for consumer-driven product development is used in all new products. In recent years, a number of changes have been made to the process to further raise the level of ambition for what is delivered to consumers. **▶▶36**

## **Brand**

The launch of innovative, Electrolux-branded products in Europe, North America and other markets worldwide has strengthened the Group's position in the global premium segment. Commanding a significant position in the premium segment is a crucial component of the Group's strategy for profitable growth. **▶▶40**

## **Operational excellence**

Electrolux continues to adapt its manufacturing footprint and streamline operations to enhance productivity. The focus lies on global optimization of the business to further reduce costs and raise the rate of growth. **▶▶44**

## **People**

An innovative culture and employees from diverse backgrounds create the ideal conditions for developing innovative products, finding new ways to work, solving problems and performing beyond expectations. **▶▶46**

## **Sustainability**

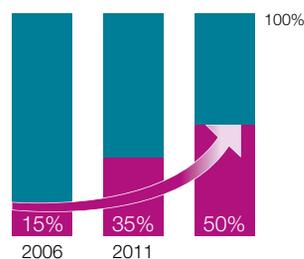
To achieve leadership in its industry, Electrolux intends to demonstrate how the company improves people's lives by understanding their evolving needs and delivering smarter, more resource-efficient solutions. **▶▶48**

## Strategy for growth

### Global challenges

As a result of lifestyle changes, consumers are demanding products that simplify their lives and make cooking, garment care and cleaning more convenient. Rapid global urbanization means less space to live in. This trend, in turn, increases the need for quiet, compact household appliances that can be easily integrated into the rest of the home environment. A growing, affluent middle class, increasingly concentrated to urban areas, is boosting demands for more efficient use of the world's resources. In only 15 years time, two-thirds of the world's population will live in areas with limited water supply and there is a great concern about energy availability. New technology is required to meet these challenges.

### Increased sales in growth markets over a five-year period



The acquisition of appliances manufacturers CTI in Chile and Olympic Group in Egypt combined with strong organic growth has boosted the share of Electrolux pro forma sales in growth markets from 25% in 2009 to 35% in 2011.

### Focus on growth

In order to outperform market growth, Electrolux continues to strengthen its positions in the premium segment, expand in profitable high-growth product categories, increase sales in growth regions and develop service and aftermarket operations. In addition to organic growth, opportunities exist for implementing the Group's growth strategy more rapidly, through acquisitions or the establishment of business partnerships. In 2011, the Group implemented two strategically important acquisitions in rapidly growing markets that will ultimately contribute to higher organic growth.

## Financial goals over a business cycle

The financial goals set by Electrolux aim to strengthen the Group's leading, global position in the industry and assist in generating a healthy total yield for Electrolux shareholders. The objective is growth with consistent profitability. Key ratios exclude items affecting comparability. ▶▶50

Operating margin of 6%

> 6%

Capital-turnover rate of 4 or higher

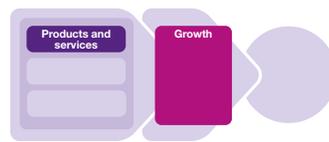
> 4

Return on net assets of at least 25%

> 25%

Average annual growth of 4% or higher

> 4%



# Products and services

*Electrolux will increase the pace of its product development at the same time as the products launched are to be ranked among the best in the market based on a strict rating system. The focus rests on growing sales in the premium segment across the globe. The Group is also implementing an extensive program to further strengthen the Electrolux service operation.*

**Growth**

- Develop best-in-class products
- Speed up product innovation
- Give best-in-class service

Electrolux develops new products based on consumer insight. Each year, the company performs thousands of interviews and home visits to observe how consumers use their household appliances and to assess their attitudes to them. Based on this information and by examining macro trends and new technologies, Electrolux can learn how to further enhance the everyday lives of consumers.

**Faster and more accurate**

The Group’s process for consumer-driven product development is used in all new products. In recent years, a number of changes have been made to the process to further raise the level of ambition for what is delivered to the consumers. By expanding cooperation between the Group’s marketing, R&D and design functions, it will be possible to develop products faster and these will be preferred by more consumers. Various teams within these functions are being activated throughout the world with the aim of enhancing consumer insight and market know-how. Electrolux has introduced requirements stating that a product may not be launched unless at least 70% of a test group has expressed a preference for it in relation to similar alternatives in the market. If this requirement is not met, the product is sent back to the product development team to be reworked. To measure customer preference, Electrolux has built up a regional network connected to the Group’s production units. One example of cross-border collaboration at Electrolux is the establishment of the new Center of Excellence for Food Preparation. This center combines the know-how of experts from the Group’s professional operations with the consumer business.

**Electrolux in different product categories**

Electrolux aims to develop winning products in different categories and regions by focusing on innovation and cost efficiency. The strongest global position currently held is for cookers, enabling, for example,

Electrolux cooking solutions for the world’s best chefs and restaurants to be leveraged when developing consumer appliances. Electrolux also commands a strong global position for vacuum cleaners and is growing rapidly in the area of small appliances by utilizing global economies of scale. Other strong positions held by the Group include the market for front-load washing machines and dishwashers, which are segments with low penetration in most markets. Among closely related product categories, Electrolux identifies major global potential for air-conditioning products and water heaters.

**Global collaborations for more efficient product development**

Developing products based on global needs leads to greater efficiency not only in product development and marketing, but also in production, since fewer product platforms are required. The cooperation between the various Electrolux global product councils for appliances accelerated in 2011 with global units for product development in the respective product categories. This increases the pace of innovation. Currently, Electrolux has a number of global product development centers for household appliances that focus on areas including induction, steam, built-in appliances and front-load washing machines. The objective is to further increase the level of differentiation for new launches in the premium segment and concurrently be able to profitably compete in the low-price segments. Brand differentiation, rapid product development and efficient production are required to reach consumers with products in the low-price segments.

To be able to offer consumers more innovative products at a faster pace, Electrolux established a global technology center in 2011 responsible for identifying the latest technology of significance for the Group’s global product offering. The focus is currently on development of more user-friendly functions and solutions that increase the degree of energy efficiency and recycling, among other aims.

**Speed up product innovation**



Electrolux has introduced requirements stating that a product may not be launched unless at least 70% of a consumer test group has expressed a preference for it in relation to similar alternatives in the market.

**Winning strategy through innovation and cost competitiveness**

	<b>Cooking</b>	<ul style="list-style-type: none"> <li>• Traditionally a strong category</li> <li>• Steam ovens, induction hobs, hoods</li> </ul>
	<b>Refrigeration</b>	<ul style="list-style-type: none"> <li>• Challenging category with over-capacity</li> <li>• Focus on pockets of growth and sub-categories</li> </ul>
	<b>Dish washing</b>	<ul style="list-style-type: none"> <li>• Low penetration and a growth area; opportunity to convert consumers from hand washing to machine washing</li> </ul>
	<b>Laundry</b>	<ul style="list-style-type: none"> <li>• Largest category; driven by demand for large capacity and higher efficiency</li> </ul>
	<b>Air care</b>	<ul style="list-style-type: none"> <li>• Strong position in North America and Latin America; opportunity to grow</li> </ul>
	<b>Floor care &amp; Small domestic appliances</b>	<ul style="list-style-type: none"> <li>• Strong position to build from in Europe</li> <li>• Profitable business sharing its global strength</li> </ul>
	<b>Professional products</b>	<ul style="list-style-type: none"> <li>• Only major appliances company with a true professional base</li> <li>• Large replacement market growth through the chain business</li> </ul>

**Best service in the market**

Electrolux also has an important role to play after a product has been sold, for example, by offering expanded service, upgrades and more accessories. Effective customer care is a decisive factor that enables the Group to build long-term relationships with consumers and thus facilitate future sales. At Electrolux, a comprehensive project is under way to further raise awareness of the importance of the service element in contacts with consumers and retailers. This work has resulted in a global customer-care program

that is founded on all of the good examples of service and customer care developed in the Group over the years. The objective of the program, which is being gradually implemented in Electrolux markets, is to strengthen the brand by raising customer satisfaction at the same time as a profitable aftermarket business is further developed. Using a similar method as when developing new products, interviews are conducted with consumers and retailers to ascertain what is expected of Electrolux.

**Goals 2015**

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

Reduce the time from innovation to launch by 30%.

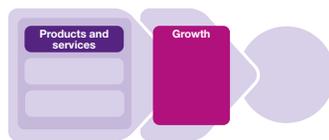
**-30%**

Reduce the number of product variants by 20% as a result of modularization.

**-20%**

Increase investments in the development of advanced technology by 20%.

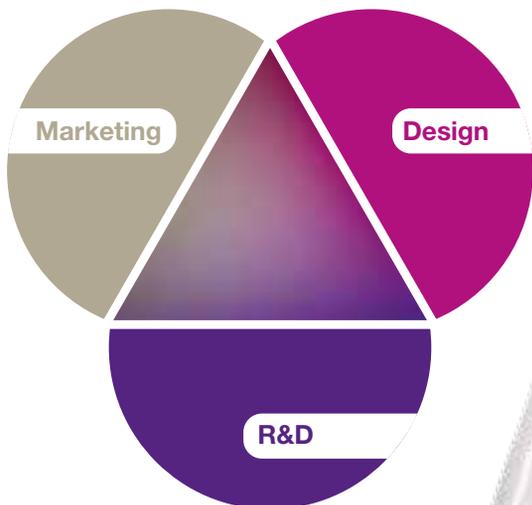
**+20%**



## Products and services Innovative products

*Electrolux develops innovative products that can be sold worldwide on the basis of shared global needs, as well as products that are tailored to local requirements. In recent years, Electrolux has launched a series of new innovative products in Asia and Latin America, that sets new standards.*

Through close cooperation between the Group's marketing, R&D and design functions – The Electrolux Innovation Triangle – it is possible to develop innovative products at a fast rate.



## Clean and quiet in Japanese homes – Ergothree

Japan is a particularly challenging market for manufacturers of vacuum cleaners. Japanese homes are small and space is regarded as an extra luxury. Vacuum cleaners need to be quiet to minimize disturbance for family members and neighbors. Japanese consumers are meticulous about cleanliness in their homes and thus clean them regularly and thoroughly. No manufacturer has been able to combine all of these needs in a single vacuum cleaner – but the Electrolux Ergothree changes all of this. Ergothree is an ultra-compact and easy-to-use vacuum cleaner designed specifically for Japan. It combines the cleaning performance of UltraOne with the low noise level of Ultrasilencer. When Ergothree was launched in Tokyo in late 2011, more than 100 journalists attended the event, from editors of women's and interior design magazines to writers for popular blogs and internet media.





## Perfect technology for stain removal – Ultra Clean

Washing machines is a segment that is expanding rapidly in growth markets worldwide. The factors behind this trend include greater prosperity among households and low penetration. In Brazil, consumer insight has shown that stain removal is a particularly important issue for the country's households. The new Electrolux Ultra Clean washing machine solves this problem using a pen that combines water and ultrasound to effectively remove stains on garments. About 90% of the participants in the test group expressed a preference for this washing machine compared with similar alternatives in the market. Ultrasound is the ultimate technology for garment care, from both an environmental and user perspective, thus indicating the direction that future products will follow. The Ultra Clean washing machine is developed for the premium segment and has a load capacity of 15 kg, which is the largest capacity in the market. Following a highly favorable reception in the Brazilian market, Ultra Clean will now be launched in other markets in the region.



Ultra Clean was named the winner in the main category at the 2011 Electrolux Product Awards. This is the second consecutive year that the prize has been won by a product from Brazil. In 2010, the innovative Infinity refrigerator took the honors.



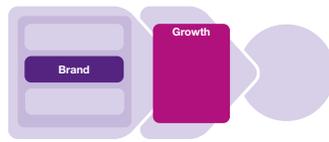
## Gas and induction combined – Keyhole Hob

The Keyhole Hob is a unique product launched by Electrolux in China and Southeast Asia in 2010. It combines the power of gas with the control offered by induction in a simple and elegant design solution. Consumer insight tells us that gas and induction are a perfect combination for Asian households, which need gas to facilitate stir-fry and induction for soups requiring a controlled simmer. The reception among consumers has been positive. The hob was awarded the gold medal at the 2010 Singapore Design Awards as well as two awards in China, a Platinum from China's Most Successful Design Awards and the Hong Ding, an annual award by China's authority on Home Appliances. Electrolux has also developed a specially adapted hood that efficiently removes steam and odors.

Keyhole Hob was also the first induction hob in the Asian market. Cooking on induction hobs is time- and energy-efficient, which are some of the reasons behind the rapid growth in the product category. In the past, Electrolux was the first manufacturer to launch induction hobs in Europe and the US.

### The Innovation Triangle

Electrolux now has the formal structure in Group Management referred to as The Innovation Triangle in place. In 2011, the Group instituted the new roles of Chief Technology Officer and Chief Marketing Officer and, in early 2012, the new Chief Design Officer role. This is to get R&D, Marketing and Design functions in synergy during the entire product creation process with an even clearer focus on customers and consumers.



# Brand

*Commanding a significant position in the premium segment is a crucial component of the Group's strategy for profitable growth. The rapid emergence of a large global middle class is increasing demand for products with innovative design under a well-known, global brand. As one of the few global producers of household appliances, Electrolux has a clear competitive edge.*

**Growth**

- Create innovative marketing
- Differentiate brand platform
- Invest in premium brands

The launch of innovative, Electrolux-branded products in Europe, North America and other markets worldwide has strengthened the Group's position in the global premium segment. The position of the Electrolux brand as a global, premium brand is confirmed by such activities as the extensive launch of appliances under the Electrolux brand in North America in 2008. As a result of the launch, the proportion of consumers that associate Electrolux with household appliances in the premium segment has increased from 10% in 2007 to nearly 70% in 2011. This position will greatly benefit the Group when demand rebounds. Electrolux is also focusing on a number of regional and strategically robust brands. One of them is the 125-year-old AEG brand. Its long history, with a strong focus on design and quality, has ensured AEG a leading position in the German market, the Benelux countries and Austria. The 2011 launch of new, innovative AEG-labeled appliances for the built-in segment in Europe has further bolstered this position.

### Strong consumer dialog using PR and Internet

Consumer decisions regarding the purchase of household appliances are more frequently based on visits to websites and participation in social media. Instead of launching broad advertising campaigns, Electrolux is increasingly focusing on smart and cost-efficient PR and web-campaigns. The aim of these activities is to maintain a dialog with consumers and create awareness of the brand that will ensure that Electrolux is top-of-mind among consumers when the time has come to make a purchase. The majority of the customers who subsequently buy Electrolux products visit the Group's websites during the purchasing process, thus making the websites one of the most important tools for convincing customers. Electrolux thus develops Internet solutions that are well conceived, stimulating and innovative and that support the consumer throughout the purchasing process, from start to finish. Visit [www.electrolux.com](http://www.electrolux.com) to read more.

### Professional connection and Scandinavian heritage

Electrolux holds a unique market position as a manufacturer of kitchen and laundry products for consumers and professional users. The lessons learned by Electrolux when developing innovative and efficient solutions for professional kitchens are used to improve the technology in kitchen appliances for consumers. Maintaining a continuous dialog with chefs and supplying restaurants and hotels across the globe with new products and solutions not only provides valuable insight that can be transferred to other parts of the Group, it also builds the Electrolux brand. Being the brand of choice for the best chefs establishes credibility for Electrolux in terms of quality and innovation. The Group's professional connection, combined with a distinct Scandinavian heritage, plays a key role in shaping the products' design and in the development of new and sustainable appliances. Scandinavian design values – freedom, intuition, authenticity, comfort and simplicity – render the products more visible than others in the retailers' stores.

### Innovative marketing

Electrolux Design Lab, Ergorapido, Vac from the Sea and the Cube are a few examples that clearly demonstrate the Group's focus on design, innovation and sustainability.



### Global and strategic brands, major appliances

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





reddot design award  
winner 2011



### Design awards

Electrolux products received several design awards during 2011 for combining cutting-edge design with functionality.

## Design Lab 2011

Electrolux Design Lab is an annual design competition that helps strengthen dialog with design students regarding tomorrow's design and product development. The theme of the competition's ninth edition was intelligent mobility. A total of 1,300 students from more than 50 countries took the chance to submit ideas. Adrian Mankovecký from Bratislava, Slovakia, won for his portable washing machine for stain-removal. Visit [www.electrolux.com/designlab](http://www.electrolux.com/designlab)



## Vac from the Sea

The Electrolux Vac from the Sea initiative raises awareness of the large volumes of plastic waste floating in the oceans while it is difficult to source sufficient amounts of recycled plastic to produce green vacuum cleaners. Vac from the Sea has become one of the most successful campaigns in Electrolux history and was honored by the United Nations with the International Public Relations Association Golden Award. In 2011, Vac from the Sea continued its journey in new countries ranging from Taiwan and New Zealand to Brazil. Sales teams have crafted and created their own activities on the theme of sea plastic. See [www.electrolux.com/vacfromthesea](http://www.electrolux.com/vacfromthesea)



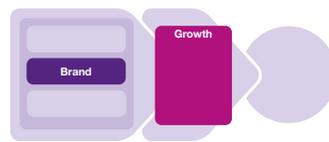
## Innovative design

Consumer surveys have shown that household cleaning patterns have changed. Instead of regularly vacuuming large areas, a need has developed to immediately clean up small spills. Electrolux therefore developed a combined, upright handheld vacuum cleaner – Ergorapido – featuring a design enabling it to be left in sight. There was a huge response, and an entirely new, global segment for vacuum cleaners was created. Although the competition has grown in strength, Electrolux, with the Ergorapido, remains the market leader in the segment. Since the launch in 2004, 5.7 million models of the vacuum cleaner have been sold. New versions of the style icon are launched continuously, the most recent being the Ergorapido Plus Green.



## The Cube

The Cube by Electrolux is a pop-up restaurant celebrating the professional heritage of Electrolux. It offers a spectacular and inspiring restaurant dining experience in the most extraordinary locations across Europe. The restaurant adventure began in Brussels, Belgium, in spring 2011 on top of Arc du Triumf du Cinquantenaire and continued its journey to Milan, Italy, in late 2011. Read more about The Cube by Electrolux on page 42.



# The Cube by Electrolux

*The Cube by Electrolux offers a spectacular and inspiring gastronomic experience with some of the world's best chefs in the kitchen. The driving force behind the Cube is close cooperation between the Electrolux consumer durables and professional products operations.*

Milan



Brussels



Two restaurant Cubes are currently travelling around Europe. At each location they arrive at, a memorable dining experience is offered for up to 18 guests per sitting. The semitransparent structure, which stays for a period of three to four months in each city, is located in spectacular and often lofty locations, including atop the Arc du Triumf du Cinquanteaire in Brussels and overlooking the Piazza del Duomo in Milan. The Cube itself, which is of Scandinavian design, contains Michelin star cooks who, in addition to preparing spectacular meals, share professional tricks and tips to inspire guests to stretch their own creative boundaries when cooking for themselves. Just as in the chefs' own restaurants, the food is prepared using kitchen appliances from Electrolux. The Cube utilizes professional products and appliances intended for consumer kitchens, including steam ovens and induction hobs.





Photographer: Neil Farnin

Milan

# view

The Cube by Electrolux offers guests a wonderful and unusual dining experience. While enjoying their meal, guests are able to interact and get tips from the best chefs in the world. A substantial number of Michelin-starred restaurants use products from Electrolux.

**Wherever the Cube by Electrolux appears in Europe, it has two key tasks to perform:**

**Strengthening the premium image of the Electrolux brand.** In Belgium, few consumers associated Electrolux with appliances in the premium segments. Through demonstrating the significance Electrolux kitchen appliances have for the very best chefs and restaurants, and by creating this spectacular venue for meeting the products, many Belgians have had their eyes opened to the strong values of the Electrolux brand.

**Creating a venue for dialog with stakeholders.** The Cube provides journalists, distributors and other stakeholders with the opportunity to experience firsthand the design and function of Electrolux products. In Belgium, the daily press and trade papers have written several hundred articles about the Cube and the positive attention generated by the Cube in Milan is almost unachievable via typical marketing channels.

# 100%

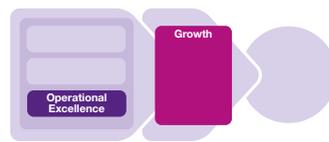
**A sustainable concept**

The Cube features innovative and sustainable architecture and engineering. It is powered by solar and wind energy and 100% of the material used for construction is recyclable. Most food served is organic and locally produced and is prepared utilizing the market's most energy-efficient kitchen equipment – from Electrolux.

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Brussels | Milan | Stockholm | London... The Cube is travelling around Europe.

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# Operational excellence

*Electrolux continues to adapt its manufacturing footprint and streamline operations to enhance productivity. The focus lies on global optimization of the business to further reduce costs and raise the rate of growth. In 2011, appliances manufacturers were acquired in Chile and Egypt, which will strengthen the Group's competitiveness.*

**Growth**

- Increase modularization
- Adapt manufacturing capacity
- Optimize purchasing globally

Electrolux is continuing to improve operational excellence by adapting manufacturing capacity, reducing overhead costs and accelerating efforts to capitalize on the Group's global strength and scope.

### Adaptation of manufacturing capacity

The Group's manufacturing restructuring program, launched in 2004, is in the final phase and has yielded annual savings of about SEK 3 billion to date and costs amounting to approximately SEK 8 billion. About 35% of manufacturing in high-cost areas (HCAs) has been moved and more than 60% of the Group's household appliances are currently manufactured in low-cost areas (LCAs) that are close to rapidly growing markets for household appliances.

The sharp decline in recent years of demand for household appliances in the US and Europe has resulted in continued low capacity utilization at Electrolux plants. Electrolux is pursuing a strategy of reducing exposure in mature markets and increasing sales in growth markets. To facilitate this effort and simultaneously raise capacity utilization adjustments of the manufacturing footprint will be extended to 2015. Production will continue to be relocated from primarily Europe and the US to existing units in low-cost areas. The cost of these further measures is anticipated to amount to SEK 3.5 billion and generate savings of at least SEK 1.6 billion, with full effect from 2015. The aim is to optimize manufacturing throughout the world for the respective product categories. In addition to vacuum cleaners and small domestic appliances, conditions exist for global manufacturing of such products as small refrigerators, hoods, hobs, dishwashers and air-conditioning equipment.

### More efficient operations

Aside from continued adaptation of manufacturing, measures are being conducted to support the strategic growth by reducing prod-

uct costs and lowering capital intensity. In late 2009, the Global Operations program was launched in Electrolux. By applying this global initiative, Electrolux will further reduce costs and enhance efficiency. The initiative includes:

- Lower product costs by manufacturing fewer varieties, known as modularization, and greater share of procurement from low-cost areas.
- Reduced capital intensity through the introduction of shared systems and standards that enhance efficiency.
- Higher productivity through such activities as closer cooperation with sub-suppliers.
- Faster and more efficient processes for product development through global, cross-border units for product development, design and marketing.

In 2011, the initiatives started to yield clear results. Manufacturing was optimized and procurement costs reduced at the same time as the roll-out of modularization was accelerated. The initiative is expected to generate annual savings of SEK 3.0 billion with full impact from 2015. Costs are expected amount to SEK 1.0 billion in 2011 and 2012.

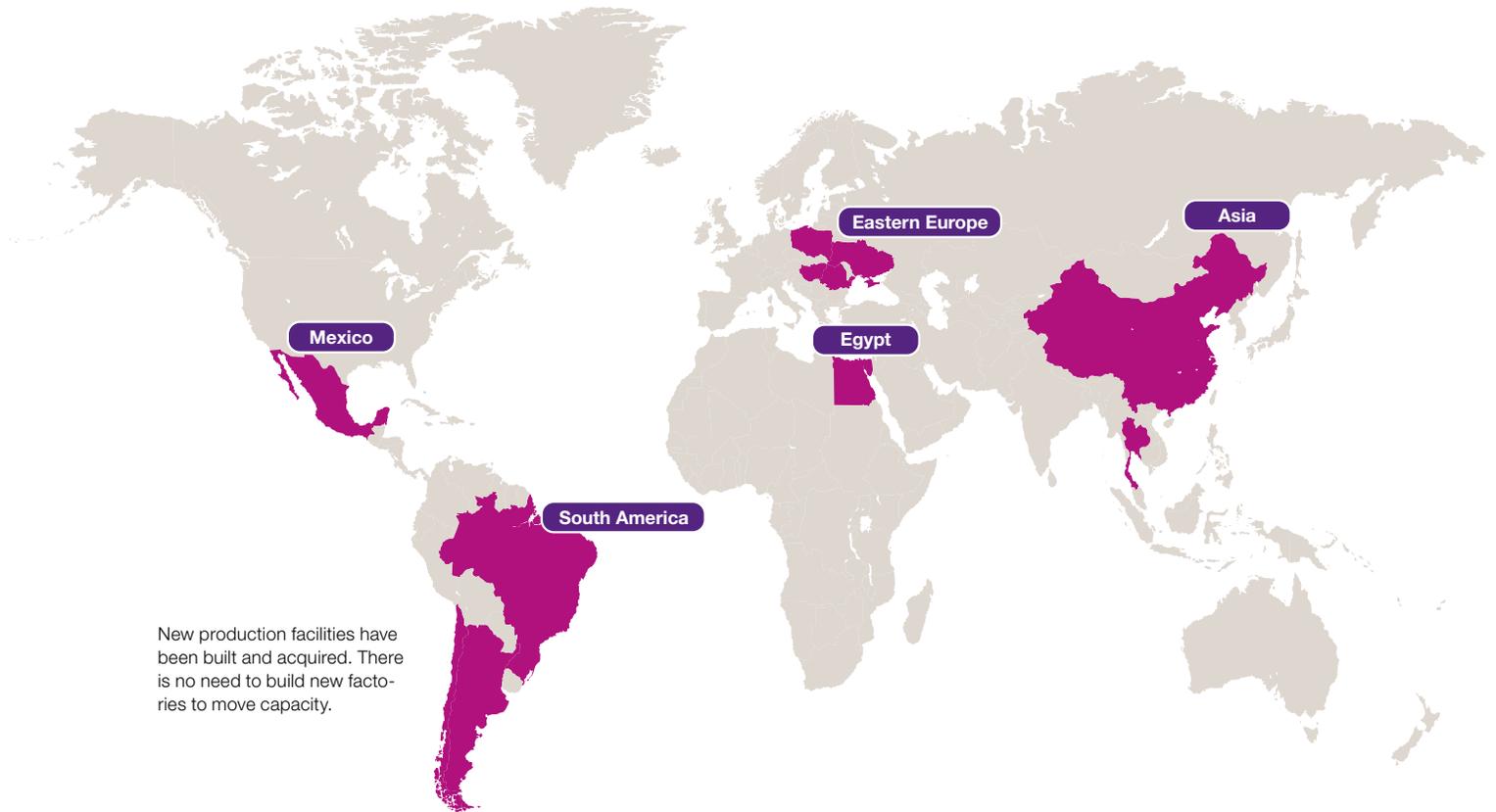
Additionally, overhead costs are being reduced across all regions. Activities were initiated in the fourth quarter of 2011 and will generate annual savings amounting to SEK 680m. Total costs of SEK 630m were charged to operating income in 2011.

### Continuous improvements with EMS

As part of efforts to improve efficiency, the Group already has a program in place that aims to lower production costs and raise customer satisfaction. Since 2005, the Electrolux Manufacturing System (EMS) has been implemented with great success in the

### Utilizing global strength with consumer focus





New production facilities have been built and acquired. There is no need to build new factories to move capacity.

Group and encompasses all production units. Through continuous improvements, EMS targets employee safety, product quality, costs, inventory reduction and environmental impact.

Electrolux exceeded its 28% energy-reduction target, a year ahead of schedule, saving in the process more than SEK 300m annually in energy costs since 2005.

**Acquisitions to increase competitiveness**

In 2011, Electrolux implemented two important acquisitions aimed at enhancing the Group's competitiveness and contributing to higher sales in growth markets. The acquisition of the Egyptian appliances manufacturer Olympic Group ensures Electrolux a leading position in appliances in the rapidly expanding markets in North Africa and the Middle East. Olympic Group operates ten efficient production plants for appliances. The acquisition of the Chilean appliances manufacturer CTI bolsters the leading position of Electrolux in Latin America. CTI has three production plants for appliances in Chile and Argentina.

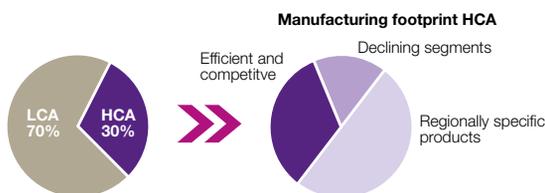
**Greater procurement levels from low-cost areas**

A number of activities have been implemented in recent years to reduce the cost of materials, which account for just over half of the

Electrolux currently has production facilities in 19 countries. Modern, highly-productive plants have been built in recent years in Asia, Mexico and Eastern Europe. In 2011, new measures were implemented in the field of manufacturing. A production line for dishwashers will be discontinued in Kinston, North Carolina, in the US. It was decided to close the operation in L'Assomption, Canada, and relocate this volume to a newly built plant in Memphis, Tennessee, in the US. It was also decided to construct a new refrigerator plant in Rayong, Thailand, to meet the demands of the Southeast Asian market. New manufacturing units were added in Chile, Argentina and Egypt as a consequence of the acquisitions of CTI and Olympic Group.

Group's total costs. The proportion of procurement from low-cost areas will increased from 30% in 2004 to approximately 70% in a couple of years. Since procurement from Asian suppliers is increasing, an Asian procurement organization has been established. The aim is to strengthen the Group's global ability to interact with suppliers, conduct quality controls and responsible sourcing and increase efficiency.

**Target manufacturing footprint by 2015**



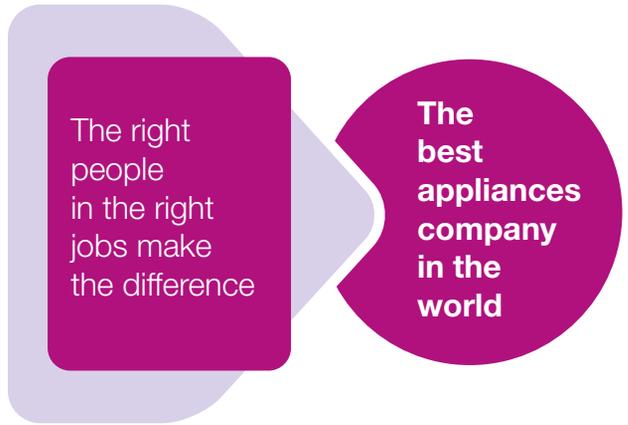
More than 60% of the Group's household appliances are currently manufactured in LCAs near rapidly expanding growth markets. The target is to have 70% of production capacity in LCAs. About 30% of manufacturing capacity will remain in HCAs as there is a need to be close to the end market for region-specific products, such as cookers, top-load washing machines and larger refrigerators and freezers. Production at efficient and competitive plants will not be moved, nor will production of products in declining segments.

LCA = Low cost areas  
HCA = High cost areas



# People

*Electrolux aims to recruit, develop and retain the best talent. Working at Electrolux offers opportunities to pursue a career in a global company with a strong focus on quality, innovation, design and a well-respected approach to sustainability. Each year, the Group's employees help nearly 40 million consumers in more than 150 countries choose a product from Electrolux.*



*"Let us have the courage to make new discoveries and promote them through our actions. And let our old way of thinking be replaced by a new way, a way that leads to even greater performance and fantastic new advancements."*

Axel Wenner-Gren, founder of Electrolux.

A culture of innovation and employees with diverse backgrounds are essential for developing innovative products for different markets.

### The Electrolux corporate culture

The Electrolux corporate culture is imbued with the spirit from the time of its founder, Axel Wenner-Gren. His success was built on proximity to customers and the ability to identify new business opportunities before of others. The Electrolux corporate culture in combination with a strong set of values forms the core of the Group's operations. The employees' passion for innovation, their consumer obsession and motivation to achieve results set Electrolux apart. Respect, diversity, integrity, ethics, safety and the environment characterize all employee actions in their meetings with customers and colleagues around the globe.

Wherever Electrolux operates in the world, the company applies the same high standards and principles of conduct. In 2011, an ethics training program was initiated and the implementation of a whistle-blowing system – the Electrolux Ethics Helpline – was started.

For more information about working at Electrolux, visit [www.electrolux.com/careers](http://www.electrolux.com/careers)

### Employee Engagement Index

Electrolux aims to be the best appliances company in the world as measured by employees, customers and shareholders. The goal is to be recognized as the best appliances company by the company's employees already by 2015. One of the Group's key tools to gauge employee perception of the company is the Employee Engagement Index (EEI). The EEI measures employees' motivation and commitment as well as goal clarity and strategic alignment. The results of the EEI surveys can be compared with the opinions of employees in other companies. The results of the latest survey show that employees are committed to their work and understand how to contribute to the strategy. They appreciate the leadership and the opportunity to influence their work and their personal development. In an external comparison, the results obtained in the latest survey were very positive for Electrolux.



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

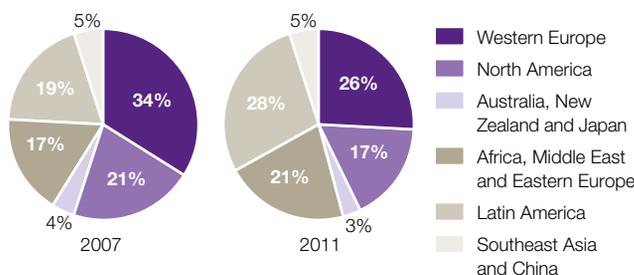


**Customer Obsession** The people who buy and use our products are the sole purpose of our work. We are dependent on them. They do us a favor by choosing our products. Their wants, wishes and views guide our actions.

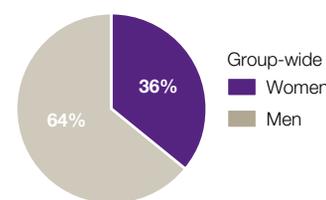


**Drive for Results** We strive for a visible, measurable benefit from everything we do. We do not confuse effort with results, and value matters more to us than mere volume. We focus on the essential and aim at simple, informal, lean and direct ways of doing things.

### Employees by geographical area



### Gender distribution



A number of important tools are available in the Group for employees:

- Leadership development
- Talent Management and succession planning
- OLM, an internal database for vacant positions
- EEI, a web-based personnel survey

Electrolux has approximately 58,000 employees. The Electrolux strategy of accelerating growth in emerging markets has led to rapid increase in the number of employees in, for example, Asia and Latin America in recent years.

## Electrolux Award Day

To become the best appliances company in the world, Electrolux recognizes and awards outstanding employee achievements that drive change and deliver on Group strategy and performance objectives. Whether a team of 20 or two, Electrolux wants to reward great ideas.

Electrolux encourages and rewards outstanding results. One example is through The Electrolux Awards, which consists of seven categories all comprising essential parts of the Group's strategy; Products and services, Brand, Operational Excellence and Sustainability. Below are the winning contributions presented at Electrolux Award Day on February 14, 2012.



President Keith McLoughlin together with the winners at The Electrolux Award Day on February 14, 2012. The Electrolux Award Day is held at Electrolux head office in Stockholm, where all finalists are invited to present their projects to the organization.

## Sustainability Award

Two winners – “Energy Star Partner of the Year” and “Vac from the Sea”. Energy Star Partner of the Year will strengthen Electrolux relationship with customers and other key stakeholders. Vac from the Sea raises awareness about an important environmental issue, the importance of taking care of our plastic waste and our oceans. To read more about Vac from the Sea, see page 41.

## EMS Best Practice Award

The factory in Forli in Italy and the Quality Improvement Oven Assembly team won for demonstrating consistent and innovative progress in driving EMS best practices and for delivering operational excellence in terms of results.

## Digital Marketing Excellence Award

The winner Electrolux Major Appliances China “Mini Blog” campaign is an excellent example of the power of digital marketing in engaging with consumers to build brand awareness and consideration.

## 360 Marketing Excellence Award

The Electrolux Major Appliances Southeast Asia campaign “Moment to Shine” won. The campaign is an outstanding example of how effective 360 Marketing Campaigns can drive business results.

## Product Award

Two winners – Eureka Airspeed and Apollo Maxiklasse. The Eureka Airspeed vacuum cleaner in North America delivers true benefits to the consumers in terms of cleaning results and usability. The Apollo Maxiklasse oven sets a new standard for built-in ovens by addressing consumer needs of cooking results, capacity and cleaning. To read more about Eureka Airspeed, see page 25.

## Industrial Design Award

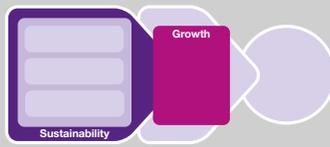
The winner Keyhole Hob from Major Appliances Asia/Pacific was designed by Alex Gray and Scott King. The design concept is a brilliant combination of gas and induction executed in a simple yet striking design. To read more about Keyhole Hob, see page 39.

## Invention Award

Andreas Psilander won for his invention the “Inline Carbonator” which presents an innovative and elegant technical solution for effective water carbonation.

## Customer Care Award

The “Net Promoter Score” team won for the “Net Promoter Score” (NPS) project which is an excellent example of how a simple methodology can bring the voice of the consumer into the heart of the organization across functions and markets. NPS is used to measure consumers' satisfaction with your brands, to benchmark and identify key drivers of satisfaction and dissatisfactions, and to drive continuous improvement.



# Sustainability

*Great business leadership is about meeting today's needs and turning tomorrow's challenges into opportunities. For Electrolux it means growing sustainably with the highest integrity and the best environmental performance.*

**Growth**

- Growing the market for more efficient appliances
- Integrity and efficiency build a sustainable business
- Collaboration along the value chain

Realizing sustainability objectives is core to achieving industry leadership. For Electrolux, the overarching aim of its sustainability work is to improve people's lives by understanding their evolving needs in a changing world and delivering smarter, more resource-efficient solutions.

In 2010, Electrolux launched the strategy to integrate sustainability more deeply into its business. Grounded by measurable targets, the strategy comprises three main areas: how product innovation and promotion take place, how the business is run, and how the company raises awareness of the issues that matter most to its industry and consumers.

**A measured approach**

The strategy continues to deliver impressive results. Electrolux exceeded its energy-reduction target by 8 percentage points, a year ahead of schedule, saving more than SEK 300m annually in energy costs since 2005. The year's activities also focused on internal alignment to the strategy and launching the "Ethics at Electrolux" program. Future InSight, a platform for dialog, was set up to explore how Group contributions can make a difference to consumers, customers, employees, shareholders and the wider world.

The next steps include setting impact-reduction goals for energy, water and chemicals for all major product categories, and making a commitment to further enhance efficiency in operations.

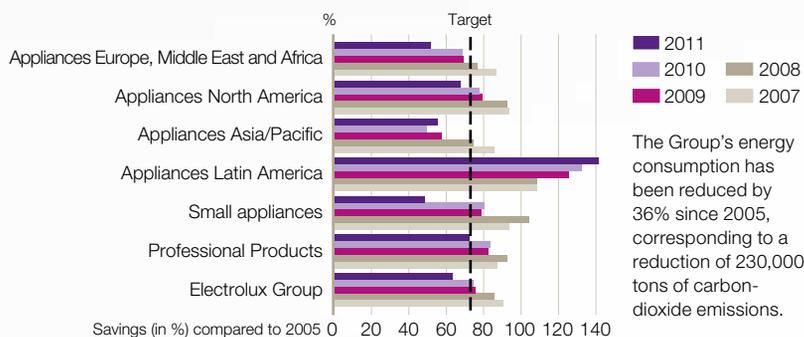
Sustainability leadership requires clarity of vision, global organizational alignment and commitment. Electrolux has demonstrated that it is up to the challenge. In 2011 and for the fifth consecutive year, Electrolux was recognized as leader in its industry sector in the prestigious Dow Jones Sustainability World Index (DJSI). Electrolux thereby ranks among the top 10% of the 2,500 largest companies for social and environmental performance.

## Products, services and markets

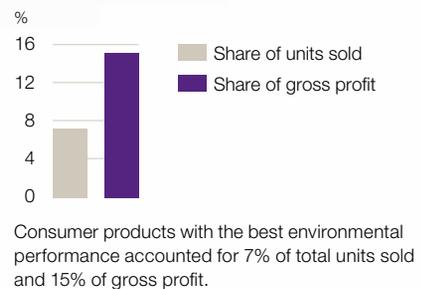
Electrolux is committed to making it easier for consumers to save energy and water by driving innovation and growing the market for appliances that are more efficient across the life cycle.

- The company aims to raise the bar on environmental performance of appliances and is setting long-term targets for reductions in energy, water and chemical use for products in all markets.
- Every business sector has a range of environmentally leading-edge products on offer. Sales of the Group's green ranges, the most energy- and water-efficient appliances, accounted for 7% of sold units and 15% of gross profit.
- Sustainable innovation is among the top four priorities of the R&D program. Criteria for inclusion in the green ranges were raised for laundry products in North America and food preservation in Europe.

**2012 Energy-savings target**



**Global Green Range**



Succeeding in this business is about sustainably improving people's lives by bringing to market more efficient and affordable appliances.

**UN Global Compact**

Electrolux supports the UN Global Compact Ten Principles on human rights, labor, environment and anti-corruption. The Electrolux Code of Ethics, Workplace Code of Conduct, Policy on Bribery and Corruption and Environmental Policy are strongly aligned with these principles.



## People and operations

Electrolux strives to continually improve its operations and way of doing business for the benefit of both people and the environment. Employees also play an active role in sustainability efforts. All employees are expected to adhere to the six guiding sustainability principles known as the "Electrolux foundation", and achieving the targets set in the strategy depends on their commitment.

- The Group Ethics Program, including training and an ethics helpline, was rolled out, beginning with 8,100 employees in Latin America.
- The Group made progress on operational targets, and exceeded the 2012 energy-reduction goal of 28% by 8 percentage points. A new target of a further 3.5% energy reduction will form the basis for activities in 2012. Performance in 2011 was also in line with both the 2014 15% carbon-reduction target for transportation and the 20% water-reduction target.
- In terms of health and safety, the Group's objective for 2016 is to operate 25% of its plants at best practice levels for its industry. In 2011, the accident rate was reduced by 42% this year, thus taking the Group a few steps closer to realizing its vision of achieving accident-free facilities.

## Stakeholders and society

Electrolux is strongly committed to dialog, raising awareness and building partnerships to reinforce trust in the company and develop sustainable solutions along the value chain.

- The company was named US Energy Star Partner of the Year for Appliances.
- Future InSight was launched, which is a strategy report and platform for dialog on the role Electrolux has in tackling global challenges and the opportunities that exist by doing so.
- The Group created partnerships with stakeholders across the value chain, for example, by engaging suppliers in the Group's energy-reduction activities and actively participating in the development of smart grid technology.

Read more in the comprehensive Sustainability Report based on GRI criteria, available in the online Annual Report.



# Financial goals over a business cycle

*The financial goals of Electrolux are intended to enable the generation of shareholder value. In addition to maintaining and strengthening the Group's leading global position in the industry, achieving these goals contributes to generating a healthy total return for Electrolux shareholders. The weak demand trend in the Group's major markets resulted in the achievement of only one of the four goals in 2011.*

## Operating margin of at least 6%

In 2011, Electrolux achieved an operating margin of 3.9%, excluding items affecting comparability and non-recurring costs. The lower operating margin compared with the preceding year was due to weaker demand in mature markets, price pressure, higher costs for raw materials and non-recurring costs. Electrolux aims to improve its profitability by maintaining its focus on innovative products, strong brands, operational excellence and higher sales in profitable product categories and rapidly growing markets. The Group's operating margin will continue to fluctuate due to changes in general economic conditions and trends in the household-appliances market. Electrolux specifies an average goal for its operating margin measured over a business cycle.



**Operating margin**



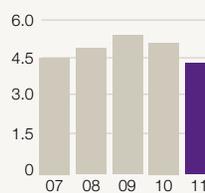
Operating margin, excluding items affecting comparability and non-recurring costs, amounted to 3.9% (6.1). Weak demand in mature markets, price pressure and increased costs for raw materials had a negative impact.



## Capital-turnover rate of at least four

Electrolux strives for an optimal capital structure in relation to the Group's goals for profitability and growth. Extensive investment has been made in new, modern production facilities in low-cost areas, and production has been discontinued in high-cost areas. In recent years, efforts to reduce working capital have been intensified. This has involved reviewing all aspects, from supplier contracts and inventory management to invoicing of customers. It has resulted in a lower level of structural working capital in the Group, meaning the share of capital that is not affected by changes in business conditions, and a stronger cash flow. Reducing the amount of capital tied up in operations creates opportunities for rapid and profitable growth. The capital-turnover rate amounted to 4.3 in 2011, which surpassed the goal.

**Capital-turnover rate**



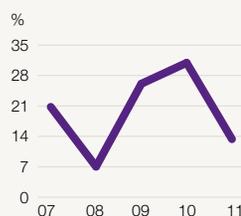
The capital-turnover rate was 4.3 (5.1) and was above target. The decline in capital-turnover for 2010 relates to extra pension contributions of SEK 4 billion. Capital-turnover rates for 2011 have been impacted by the acquisitions of Olympic Group and CTI in 2011.

## Return on net assets of at least 25%

Focusing on growth with sustained profitability and a small but effective capital base enables Electrolux to achieve a high long-term return on capital. With an operating margin in excess of 6% and a capital-turnover rate of at least 4, Electrolux would achieve a return on net assets (RONA) of at least 25%. The figure reported for 2011 was 13.5%, which was lower than the goal. Net assets have been impacted by the acquisitions of CTI and Olympic Group.

> 25%

### Return on net assets



The return on net assets was 13.5% (31,0) excluding items affecting comparability. Net assets have been impacted by the acquisitions of Olympic Group and CTI and non-recurring items.

> 4%

## Average growth of at least 4% annually

Net sales growth including acquisitions amounted to 1.9% measured in comparable currencies. The weak demand trend in the Group's largest markets, Europe and the US, impacted sales negatively. In order to achieve higher growth than the market, Electrolux continues to strengthen its positions in the premium segment, expand in profitable high-growth product categories, increase sales in growth areas and develop service and aftermarket operations. In addition to organic growth, opportunities exist for implementing the Group's growth strategy more rapidly, through acquisitions or the establishment of business partnerships. In 2011, the Group implemented two strategically important acquisitions in rapidly growing markets that will ultimately contribute to higher organic growth. Through the acquisition of the Egyptian appliances manufacturer Olympic Group, Electrolux gains a market-leading position in North Africa and the Middle East. The acquisition of the Chilean appliances manufacturer CTI further improves the Group's leading position in Latin America.

### Sales growth



Net sales increased by 1.9% in comparable currencies. Acquisitions had an impact on net sales by 1.7%.

Key ratios are excluding items affecting comparability.

# Our achievements

*Electrolux has made a dynamic transformation into an innovative consumer-focused company and changed its operations around the world as described in the annual reports between 2006 and 2010. The Group's current strategy is to grow in growth markets. Read more about the Electrolux growth strategy in Southeast Asia on page 54.*

## 2006



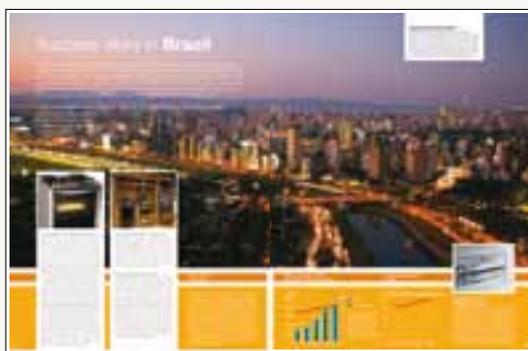
We have transformed the floor-care business.

### Return on net assets for Small Appliances



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

## 2007



Turnaround of the Brazilian operation.

### Rapid growth in Brazil



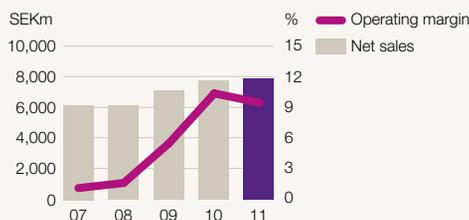
Electrolux entered the Brazilian appliances market in 1996 by acquiring Refripar, one of the largest appliances producers in the country. Refripar's products were positioned in the low-price segment, and the company had high production costs. Today, Electrolux is one of the leading appliances brands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

## 2008



Success in Australia.

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



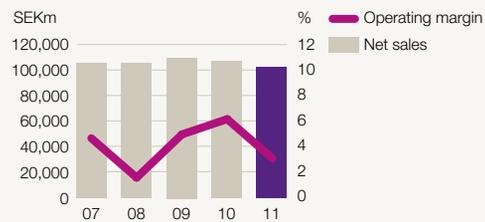
In Australia, the Group has turned around an unprofitable appliances business acquired in 2001 by focusing on new products in the high-price segments, building the Electrolux brand and by restructuring and improving production efficiency.

## 2009



On the right track through the recession.

### Net sales and operating margin



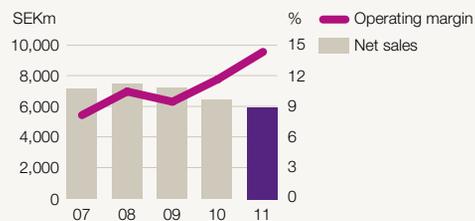
Electrolux performance during the recession proves the effectiveness of the strategy. Innovative products, investment in the Electrolux brand and a focus on strong cash flow and greater cost efficiency have paid off. Electrolux emerged stronger than ever from the recession.

## 2010



Transformation of Professional Products.

### Net sales and operating margin, Professional Products



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

## 2011



Profitable and fast-growing operations in Southeast Asia.

### Net sales and operating margin, Southeast Asia



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

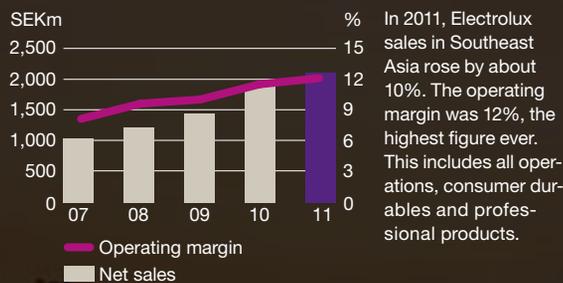
## Electrolux in Southeast Asia

# Profitable and fast-growing operations

*Electrolux has been active in the Southeast Asian market since the end of the 1970s, primarily through sales of vacuum cleaners, but also through sales of appliances via distributors and products for professional users. The operations have grown in pace with the rapidly expanding economies in the region.*

The Electrolux brand was positioned in the premium segment from the very start. The focus has been on establishing a strong position in a range of market niches in order to create a platform for broader expansion. The market-leading position in front-load washing machines that Electrolux established at an early stage has facilitated growth in kitchen appliances. In 2011, sales increased by approximately 10% with an operating margin of 12%. Through a strong brand, products adapted to the specific needs of the region and effective marketing and distribution, the Group's intention is to grow rapidly with high profitability in Southeast Asia.

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



### 1 Investments in a strong brand...

In Southeast Asia, price has traditionally played a greater role in purchasing decisions than brand, but the rapidly emerging middle class in cities is increasingly choosing products in the premium segment, and preferably from European producers. These consumers adapt fast to new technology. Large products such as refrigerators are often placed in living rooms, so pleasing design is important. The Group's strategy has always been to launch innovative products in the higher price segments under the Electrolux brand. As a result, the Group now holds a strong position in the premium segment in all countries throughout the region, and a brand that is associated with European quality.

### 2 ...more innovative products adapted to the needs of Asian households...

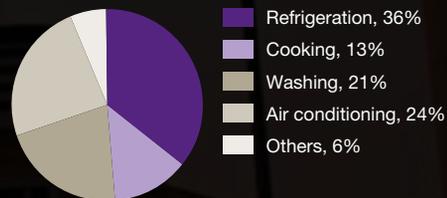
The innovative products that Electrolux has developed for the specific needs of Southeast Asian households in regard to temperature, humidity and cuisine have led to substantial growth and increasing market shares. Electrolux has focused on a limited and strong offering in front-load washing machines, for example, and built-in appliances for the kitchen. The platform created by these offerings provides more scope for a broader product expansion in the future. In 2012, Electrolux will launch new, innovative refrigerators, top-load washing machines and free-standing cookers in the premium segment.

- 1 Establish Electrolux as a premium brand throughout the entire region.
- 2 Invest in new products adapted to the needs of Asian consumers and broaden the product offering.
- 3 Create effective marketing campaigns and increased presence in stores.
- 4 Establish competitive close-to-market production and efficient distribution.

#### High growth

Southeast Asia comprises Singapore, Vietnam, Indonesia, the Philippines, Malaysia and Thailand. This region, with a total of 523 million inhabitants, is experiencing rapid urbanization and intense population growth. In 2010, the average GDP per capita was USD 3,400 and this is expected to continue to increase rapidly over the coming years. As prosperity increases, consumers will prioritize refrigerators, washing machines and air-conditioning equipment. Among the fast-growing middle class in cities, demand for household appliances in the higher price segments is increasing.

#### Shares of appliances market



#### 3 ...direct store sales and strong campaigns...

Asian consumers often make purchasing decisions in stores. Electrolux has built up an efficient sales organization to take care of customers in stores, and to demonstrate product features. Competition for customers is often intense, which means that store personnel require the support of strong marketing campaigns and smart visual merchandising. Close collaboration with leading retailers in the region is part of the Group's strategy for increasing sales.

#### 4 ...with efficient production and distribution...

Most appliances sold by Electrolux in the region are produced in the Group's modern and efficient plants in Thailand. The high quality of the products is reflected by the record-low need for service in 2011. During the year, a decision was made concerning the construction of a new refrigerator plant in Rayong in Thailand to meet growing demand in the region. Focus also lies on the continued reduction of working capital to free resources for investment in new products and more marketing.

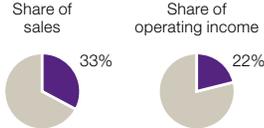
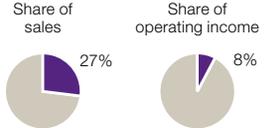
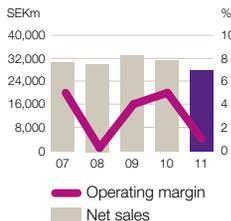
#### ...will ensure continued profitable growth.

A strong brand, a broader product offering and even closer collaboration with retailers in the region will lead to continued rapid growth and high profitability.

# Business areas in brief 2011

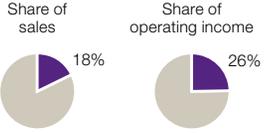
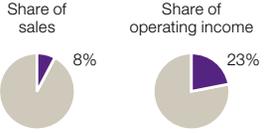
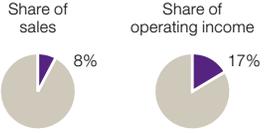
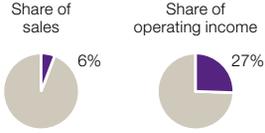
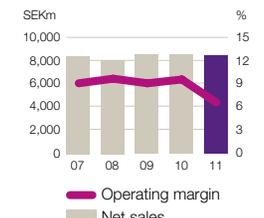
These are Electrolux business areas. Customer needs and functional preferences for products are becoming increasingly global. However, there are structural differences between the markets in which Electrolux operates. What distinguishes these markets, and what is driving growth? What does Electrolux focus on?

## Major Appliances

	Europe, Middle East and Africa	North America
		
	<b>Jonas Samuelson</b> Head of Europe, Middle East and Africa	<b>Jack Truong</b> Head of North America
<b>Average number of employees</b>	<b>20,847</b>	<b>11,174</b>
<b>Share of sales and share of operating income</b>	Share of sales: 33% Share of operating income: 22% 	Share of sales: 27% Share of operating income: 8% 
<b>Electrolux organic growth strategy</b>	<ul style="list-style-type: none"> <li>• Grow in specific product categories, e.g., built-in products.</li> <li>• Grow in growth markets as Eastern Europe, Middle East and Africa</li> <li>• Promote water- and energy-efficient products.</li> <li>• Expand product offering.</li> </ul>	<ul style="list-style-type: none"> <li>• Gain a strong, long-term position in the profitable premium segment.</li> <li>• Channel expansion.</li> <li>• Expand product offering.</li> <li>• Promote water- and energy-efficient products.</li> </ul>
<b>Market growth</b>	<ul style="list-style-type: none"> <li>• Total demand for the European market was unchanged in 2011. Demand in Western Europe declined by 3%. Demand in Eastern Europe rose by 9%, mainly as a result of increased demand in Russia.</li> </ul>	<ul style="list-style-type: none"> <li>• Total demand declined by 4%. Room air-conditioners showed strong growth, rising by almost 20%.</li> </ul>
<b>Electrolux market share</b>	Core Appliances in Western Europe: <b>16%</b> Core Appliances in Eastern Europe: <b>14%</b> Appliances in Egypt: <b>30%</b>	Major Appliances <b>21%</b>
<b>Market characteristics, drivers and distribution channels</b>	<p><b>Market characteristics</b></p> <ul style="list-style-type: none"> <li>• Complex market with different brands in different countries with different consumer patterns.</li> <li>• Low level of consolidation among manufacturers.</li> </ul> <p><b>Drivers</b></p> <ul style="list-style-type: none"> <li>• Replacement.</li> <li>• New housing and renovations.</li> <li>• Design.</li> <li>• Energy- and water-efficient products.</li> <li>• Improved household purchasing power in Eastern Europe, Middle East and Africa.</li> </ul> <p><b>Distribution channels</b></p> <ul style="list-style-type: none"> <li>• Many small, local and independent retailers.</li> <li>• Growing share of sales through kitchen specialists.</li> </ul>	<p><b>Market characteristics</b></p> <ul style="list-style-type: none"> <li>• Similar consumer patterns across the market.</li> <li>• High level of consolidation among producers and retailers.</li> </ul> <p><b>Drivers</b></p> <ul style="list-style-type: none"> <li>• Replacement.</li> <li>• New housing and renovations.</li> <li>• Design.</li> <li>• Energy- and water-efficient products.</li> </ul> <p><b>Distribution channels</b></p> <ul style="list-style-type: none"> <li>• Kitchen specialists such as those in Europe account for only a small share of the market.</li> <li>• The four largest retailers account for 70% of the market.</li> </ul>
<b>Major competitors</b>	Bosch-Siemens, Indesit, Whirlpool.	Whirlpool, General Electric, LG, Samsung.
<b>2011 in brief</b>	<ul style="list-style-type: none"> <li>• Olympic Group was acquired. Operating income declined mainly because of lower sales prices and a negative country mix due to higher sales in Eastern Europe and lower sales in Western Europe. Product mix improved as a result of the successful launch of new premium products. Higher costs for raw materials and reduction of staffing levels had an adverse impact on operating income.</li> </ul>	<ul style="list-style-type: none"> <li>• Sales decreased due to lower sales volumes. Operating income declined mainly due to lower sales volumes and reduced capacity utilization in production. Increased costs for raw materials, sourced products and transportation had a negative impact on operating income.</li> </ul>
<b>Net sales and operating margin</b>		

Small Appliances

Professional Products

Latin America	Asia/Pacific	Small Appliances	Professional Products
<p><b>Ruy Hirschheimer</b> Head of Latin America</p> 	<p><b>Gunilla Nordström</b> Head of Asia/Pacific</p> 	<p><b>Henrik Bergström</b> Head of Small appliances</p> 	<p><b>Alberto Zanata</b> Head of Professional Products</p> 
<p><b>11,537</b></p>	<p><b>3,296</b></p>	<p><b>2,572</b></p>	<p><b>2,581</b></p>
<p>Share of sales: 18% Share of operating income: 26%</p> 	<p>Share of sales: 8% Share of operating income: 23%</p> 	<p>Share of sales: 8% Share of operating income: 17%</p> 	<p>Share of sales: 6% Share of operating income: 27%</p> 
<ul style="list-style-type: none"> <li>Grow in markets outside Brazil, such as Argentina and Mexico. Strengthen the position in Brazil.</li> <li>Expand product offering.</li> </ul>	<ul style="list-style-type: none"> <li>Grow in the premium segment.</li> <li>Promote water- and energy-efficient products.</li> <li>Grow in Southeast Asia.</li> <li>Invest in new products adapted to the needs of Asian consumers and broaden the product offering.</li> </ul>	<ul style="list-style-type: none"> <li>Capture the growth in emerging markets.</li> <li>Grow in small domestic appliances.</li> <li>Grow in the premium segment.</li> <li>Expand product offering.</li> </ul>	<ul style="list-style-type: none"> <li>Investments in product development and concentration of product portfolio.</li> <li>Focus on Electrolux as a global premium brand.</li> <li>Development of a global service network.</li> </ul>
<ul style="list-style-type: none"> <li>Strong growth across the whole region as a result of improved household purchasing power.</li> </ul>	<ul style="list-style-type: none"> <li>Market demand for appliances in Australia increased somewhat. Market demand in Southeast Asia and China showed a considerable increase.</li> </ul>	<ul style="list-style-type: none"> <li>Demand for vacuum cleaners declined in Europe and North America. Demand for small domestic appliances grew strongly in several markets, e.g., in Latin America.</li> </ul>	<ul style="list-style-type: none"> <li>Global demand is estimated to have declined somewhat.</li> </ul>
<ul style="list-style-type: none"> <li>Electrolux has a leading position in Brazil.</li> <li>Through the acquisition of CTI, The Group has the number one position in Chile and a leading position in Argentina.</li> </ul>	<p>Core appliances <b>41%</b> in Australia. Small but growing market share in Southeast Asia.</p>	<p>Leading position in markets such as Latin America, Europe and North America.</p>	<p><b>Food service 9%</b> in Western Europe. <b>Laundry 22%</b> in Western Europe.</p>
<p>Market characteristics</p> <ul style="list-style-type: none"> <li>Majority of production is domestic due to high import tariffs and logistic costs.</li> <li>Relatively high level of consolidation among producers.</li> </ul> <p>Drivers</p> <ul style="list-style-type: none"> <li>Improved household purchasing power.</li> <li>Growing middle class.</li> </ul> <p>Distribution channels</p> <ul style="list-style-type: none"> <li>High level of consolidation among retailers, especially in Brazil.</li> </ul>	<p>Market characteristics</p> <ul style="list-style-type: none"> <li>No clear market leader in the region as a whole. Relatively high level of consolidation in Australia and China.</li> <li>Southeast Asian consumers find European brands appealing, but their market shares are still small.</li> </ul> <p>Drivers</p> <ul style="list-style-type: none"> <li><b>Asia</b> Improved household purchasing power. Growing middle class.</li> <li><b>Australia</b> Replacement, new housing and renovations. Design. Water-efficient products.</li> </ul> <p>Distribution channels</p> <ul style="list-style-type: none"> <li><b>Asia</b> Majority of sales through small, local stores. In urban areas, a large proportion of appliances is sold through department stores, superstores and retail chains. In China, two major retailers dominates the market.</li> <li><b>Australia</b> Five large retail chains account for approximately 90% of the market.</li> </ul>	<p>Market characteristics</p> <ul style="list-style-type: none"> <li>Globalized industry. The majority of production occurs in low-cost areas.</li> </ul> <p>Drivers</p> <ul style="list-style-type: none"> <li>Growth markets: Rising income levels and increased demands on hygiene.</li> <li>Mature markets: Replacement, design and innovations. Need of compact products due to growing number of small households.</li> </ul> <p>Distribution channels</p> <ul style="list-style-type: none"> <li>Majority of sales at department stores, superstores or through retail chains.</li> </ul>	<p>Market characteristics</p> <ul style="list-style-type: none"> <li><b>Food service</b> Half of all equipment is sold in North America. European market is dominated by many small independent restaurants.</li> <li><b>Laundry</b> Five largest producers represent approximately 55% of the global market.</li> </ul> <p>Drivers</p> <ul style="list-style-type: none"> <li>Energy- and water-efficient products. US restaurant chains expanding. Replacement. Growing population.</li> </ul> <p>Distribution channels</p> <ul style="list-style-type: none"> <li><b>Food service</b> High consolidation of dealers in North America. Fragmented market in Europe.</li> <li><b>Laundry</b> Great proportion of direct sales although trend is towards a growing share of sales through dealers.</li> </ul>
<p>Whirlpool, Mabe.</p>	<p>Fischer &amp; Paykel, Samsung, LG, Haier, Panasonic, Midea.</p>	<p>Dyson, Miele, Bosch-Siemens, Samsung, LG, SEB Group, Whirlpool, Black &amp; Decker, Philips, TTI Group (Dirt Devil, Vax and Hoover), Bissel.</p>	<p>Ali Group, Rational, Primus, ITW, Alliance.</p>
<ul style="list-style-type: none"> <li>Sales rose as a result of higher sales volumes and Electrolux continued to capture market shares in Brazil and in other Latin American markets. Sales have been positively impacted by the acquisition of CTI. Operating income declined due to a weaker customer mix and increased costs for raw materials.</li> </ul>	<ul style="list-style-type: none"> <li>Sales declined in Australia, primarily as a result of price pressure in the market. Sales in Southeast Asia and China continued to display strong growth and Electrolux market shares are estimated to have grown. The operations in Southeast Asia continued to demonstrate favorable profitability throughout 2011.</li> </ul>	<ul style="list-style-type: none"> <li>Increased sales of premium vacuum cleaners in Europe and the Airspeed product range in North America as well as strong sales growth for cordless handheld vacuum cleaners in most regions had a positive impact on the product mix. Operating income declined due to lower sales prices and increased costs for sourced products.</li> </ul>	<ul style="list-style-type: none"> <li>Operating income for food-service equipment deteriorated due to lower sales volumes primarily in Southern Europe, where Electrolux commands a strong position. Operating income for laundry equipment improved as a result of price increases and higher sales volumes. Operating income for the whole business area improved.</li> </ul>
			

# Group Management

## Keith McLoughlin

 **President and Chief Executive Officer**

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

Senior management positions within DuPont in USA, 1981–2003. Vice-President and General Manager of DuPont Norwovens, 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. President and Chief Executive Officer of AB Electrolux, 2011.

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

**Holdings** in AB Electrolux: 63,913 B-shares.



## Henrik Bergström

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

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

Business Development and General Management positions within Electrolux Major Appliances Latin America, 1997–2002. Managing Director of Electrolux in Latin America and Caribbean, 2002–2008. Vice-President and General Manager for three business areas in Electrolux Major Appliances North America, 2008–2010. Head of Electrolux Asia Sourcing Operations, 2009–2010. Head of Small Appliances and Executive Vice-President of AB Electrolux, 2010.

**Holdings** in AB Electrolux: 6,621 B-shares.



## Jan Brockmann

 **Chief Technology Officer, Senior Vice-President**

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

Management positions within Valeo Group, 1994–1999. Project Manager in Roland Berger Strategy Consultants GmbH, 2000–2001. Senior management positions within Volkswagen Group, 2001–2010. Joined Electrolux as Head of R&D, Major Appliances, 2010. Group Chief Technology Officer, 2011.

**Holdings** in AB Electrolux: 1,999 B-shares.



## Tomas Eliasson

 **Chief Financial Officer, Senior Vice-President** as of February 13, 2012.

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

Management positions within ABB Group, 1987–2002. Chief Financial Officer in Seco Tools AB, 2002–2006. Chief Financial Officer of ASSA ABLOY AB, 2006–2012.

**Holdings** in AB Electrolux: 0 shares.



## Ruy Hirschheimer

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

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

Executive Vice-President of Alcoa Aluminum in Brazil, 1983–1986. President and CEO of J.I. Case Brazil, 1990–1994. President and CEO of Bunge Foods, 1994–1997. Senior Vice-President of Bunge International Ltd. in USA, 1997–1998. 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: 35,877 B-shares.



## MaryKay Kopf

 **Chief Marketing Officer, Senior Vice-President**

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

Senior management positions within DuPont in North America, Europe, Middle East and Africa, and globally, 1991–2003. Joined Electrolux in 2003 as Vice-President Brand Marketing, Major Appliances North America, 2003. Group Chief Marketing Officer, 2011.

**Holdings** in AB Electrolux: 4,136 B-shares.



## Stefano Marzano

 **Chief Design Officer, Senior Vice-President** as of January 10, 2012

Born 1950. Doctorate in architecture. In Group Management since 2012.

Senior designer, Philips-IRE Major Domestic Appliances Division, 1973–1978. Design Group Leader, Philips Data Systems and Telecommunications Division, 1978–1982. Director, Philips-Ire Design Centre (Major Domestic Appliances Division), 1982–1989. Vice-President and Head of Corporate Industrial Design, Whirlpool International (a Whirlpool and Philips joint venture), 1989–1991. Executive Vice-President and Chief Design Officer, Philips, 1991–2011. Joined Electrolux as Group Chief Design Officer, 2012.

**Holdings** in AB Electrolux: 0 shares (January 10, 2012).



## Gunilla Nordström

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

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

Senior management positions within Telefonaktiebolaget LM Ericsson and Sony Ericsson in Europe, Latin America and Asia, 1983–2005. President of Sony Ericsson Mobile Communications (China) Co. Ltd. and Corporate Vice-President of Sony Ericsson Mobile Communications AB, 2005–2007. Joined Electrolux as Head of Major Appliances Asia/Pacific and Executive Vice-President of AB Electrolux, 2007.

**Board Member** of Atlas Copco AB.

**Holdings** in AB Electrolux: 6,166 B-shares.



## Lars Worsøe Petersen

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

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

Joined Electrolux as head of Human Resources Electrolux in Denmark, 1994. Vice-President Human Resources within Electrolux Major Appliances Europe, 1999–2000. Head of Electrolux Holding A/S in Denmark, 2000–2002. Head of Human Resources for Electrolux Major Appliances North America, 2002–2005. Head of Group Staff Human Resources at Husqvarna AB, 2005–2011. Rejoined Electrolux as Head of Group Staff Human Resources and Organizational Development, 2011.

**Holdings** in AB Electrolux: 0 shares.



## Jonas Samuelson

### **Head of Major Appliances Europe, Middle East and Africa, Executive Vice-President**

Born 1968. M. Sc. in Business Administration and Economics. In Group Management since 2008.

Business development and finance positions within General Motors in USA, 1996–1999. Treasurer and Director of Commercial Finance and Business Support in Saab Automobile AB, 1999–2001. Senior management positions within controlling and finance in General Motors North America, 2001–2005. Chief Financial Officer of Munters AB, 2005–2008. Chief Financial Officer of AB Electrolux, 2008–2011 as well as Chief Operations Officer and Head of Global Operations Major Appliances during 2011. Head of Major Appliances Europe, Middle East and Africa and Executive Vice-President of AB Electrolux, 2011.

**Board Member** of Polygon AB.

**Holdings** in AB Electrolux: 5,004 B-shares.



## Jack Truong

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

Born 1962. Ph.D. Chem. Eng. In Group Management since 2011.

Research & Development and Business Management positions within 3M in USA, 1989–1997. Business Director, 3M Home Care Business, Europe, Middle East and North Africa, 1997–2001. Managing Director of 3M Thailand Ltd., 2001–2003. Vice-President and General Manager of 3M Global Office Supplies Division, 2003–2009. Vice-President and General Manager of 3M Global Construction and Home Improvement Division, 2009–2011. Joined Electrolux as Head of Major Appliances North America and Executive Vice-President of AB Electrolux, 2011.

**Holdings** in AB Electrolux: 0 shares.



## Cecilia Vieweg

### **General Counsel, Senior Vice-President**

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

Attorney of Berglund & Co Advokatbyrå, 1987–1990. Corporate Legal Counsel of AB Volvo, 1990–1992. General Counsel of Volvo Car Corporation, 1992–1997.

Attorney and partner of Wahlin Advokatbyrå, 1998. Joined Electrolux as Senior Vice-President and General Counsel, with responsibility for legal, intellectual property, risk management and security matters, 1999.

**Board Member** of Vattenfall AB, PMC Group AB and member of the Swedish Securities Council.

**Holdings** in AB Electrolux: 14,410 B-shares.



## Alberto Zanata

### **Head of Professional Products, Executive Vice-President**

Born 1960. University degree in Electrical Engineering with Business Administration. In Group Management since 2009.

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, 2003–2008. Head of Professional Products and Executive Vice-President of AB Electrolux, 2009.

**Holdings** in AB Electrolux: 16,364 B-shares.



### Changes in Group Management

**Tomas Eliasson** joined Electrolux in February 2012 as Chief Financial Officer. His predecessor, Jonas Samuelson, has been appointed Head of Major Appliances Europe, Middle East and Africa. Enderson Guimarães, the former head of this business area, has left the Group.

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

**Lars Worsøe Petersen**, Head of Human Resources and Organizational Development, joined Electrolux in October 2011. He succeeded Carina Malmgren Heander, who heads a new business unit of domestic products based on professional solutions.

**Jack Truong** joined Electrolux in August 2011 as Head of Major Appliances North America. He succeeded Kevin Scott, who left the Group.

**MaryKay Kopf** was appointed Chief Marketing Officer in February 2011.

**Jan Brockmann** was appointed Chief Technology Officer in February 2011.

Holdings in AB Electrolux as of December 31, 2011. The information is regularly updated at [www.electrolux.com/group-management](http://www.electrolux.com/group-management)

# Board of Directors and Auditors



**Marcus Wallenberg**

**Chairman**

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

**Board Chairman** of LKAB, SEB (Skandinaviska Enskilda Banken AB) and Saab AB. Board Member of AstraZeneca Plc, Stora Enso Oyj, the Knut and Alice Wallenberg Foundation and Temasek Holdings Limited.

**Previous positions:** President and CEO of Investor AB, 1999–2005. Executive Vice-President of Investor AB, 1993–1999.

**Holdings** in AB Electrolux: 5,000 B-shares. Through company: 50,000 B-shares. Related party: 1,000 B-shares. 11,282 Synthetic shares<sup>1</sup>.



**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. Board Member of Axfood AB, Akzo Nobel nv, Husqvarna AB, Syngenta AG and Diageo Plc.

**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. 3,878 Synthetic shares<sup>1</sup>.



**Lorna Davis**

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

Senior Vice-President and Global Biscuits Category Head within Kraft Foods since 2011.

**Board Chairman** of Kraft Foods China.

**Previous positions:** President of Kraft Foods China, 2007–2011. Senior positions within the food industry, mainly within Danone in China and the UK.

**Holdings** in AB Electrolux: 2,000 B-shares. 1,334 Synthetic shares<sup>1</sup>.



**Hasse Johansson**

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

**Board Chairman** of Dynamate Industrial Services AB, Lindholmen Science Park AB, Alelion Batteries AB and VINNOVA (Swedish Governmental Agency for Innovation Systems). Board Member of Fouriertransform AB, Skyllbergs Bruk AB and Calix Group AB.

**Previous positions:** Executive Vice-President and Head of R&D of Scania CV AB, 2001–2009. Founder of Mecel AB (part of Delphi Corporation). Senior management positions within Delphi Corporation, 1990–2001.

**Holdings** in AB Electrolux: 4,000 B-shares. 6,699 Synthetic shares<sup>1</sup>.



**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: 1,200 ADR<sup>2</sup>. 0 Synthetic shares<sup>1</sup>.



**Keith McLoughlin**

Born 1956. B.S. Eng. Elected 2011.

President and CEO of AB Electrolux as of January 1, 2011.

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

**Previous positions:** Senior positions within Electrolux: Head of Major Appliances North America and Executive Vice-President of AB Electrolux, 2003; also Head of Major Appliances Latin America, 2004–2007; Chief Operations Officer Major Appliances, 2009. Senior management positions within DuPont, USA, 1981–2003.

**Holdings** in AB Electrolux: 63,913 B-shares. 0 Synthetic shares<sup>1</sup>.



**Ulrika Saxon**

Born 1966. Studies in Economics at Stockholm School of Economics. Elected 2011. President of Bonnier Tidskrifter AB since 2005 and member of Bonnier AB group management.

**Board Chairman** of Svensk Filmindustri, SF Bio, Bonnier Publications in Denmark, Bonnier International Magazines, Mediafy and Mag+. Board Member of several companies within the Bonnier Group, among others, Dagens Nyheter and Bonnier Corporation in USA.

**Previous positions:** Senior positions in various companies within the Bonnier Group since 1998 and in Matsgård Media, 1991–1998.

**Holdings** in AB Electrolux: 1,000 B-shares. 0 Synthetic shares<sup>1</sup>.



**Torben Ballegaard Sørensen**

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

**Board Member** of Egmont Fonden, LEGO A/S, Pandora Holding A/S, Systematic Software Engineering A/S, Tajco A/S, AS3-Companies A/S, Monberg-Thorsen A/S in Denmark and VTI Technology OY in Finland.

**Previous positions:** President and CEO of Bang & Olufsen a/s, 2001–2008. Executive Vice-President of LEGO A/S, 1996–2001. Managing Director of Computer Composition International, CCI-Europe, 1988–1996. Chief Financial Officer of Aarhus Stiftsbogtrykkerie, 1981–1988.

**Holdings** in AB Electrolux: 800 B-shares. 2,682 Synthetic shares<sup>1</sup>.



**Barbara Milian Thoralfsson**

Born 1959. M.B.A., B.A. Elected 2003. Chairman of the Electrolux Remuneration Committee. Director of Fleming Invest AS, Norway, since 2005.

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

**Previous positions:** President and CEO of Telia-Sonera Norway, 2001–2005. President and CEO of Midelfart & Co, 1995–2001. Leading positions within marketing and sales, 1988–1995.

**Holdings** in AB Electrolux: Through company: 10,000 B-shares. 0 Synthetic shares<sup>1</sup>.

## 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.



**Viveca Brinkenfeldt Lever**

Born 1960. Representative of the Federation of Salaried Employees in Industry and Services. Elected 2010.

**Holdings** in AB Electrolux: 0 shares.

## Secretary of the Board

**Cecilia Vieweg**

Born 1955. B. of Law. General Counsel of AB Electrolux. Secretary of the Electrolux Board since 1999.

**Holdings** in AB Electrolux: 14,410 B-shares.

## Auditors

**Anders Lundin**

**PricewaterhouseCoopers AB**

Born 1956. Authorized Public Accountant. Partner in Charge.

**Other audit assignments:** AarhusKarlshamn AB, AB Industrivärden, Melker Schörling AB, Husqvarna AB and SCA AB.

**Holdings** in AB Electrolux: 0 shares.

**Björn Irle**

**PricewaterhouseCoopers AB**

Born 1965. Authorized Public Accountant.

**Holdings** in AB Electrolux: 0 shares.

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

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

1) The AGM in 2008, 2009 and 2010 decided that a part of the fees to the Board of Directors should be payable in synthetic shares. A synthetic share is a right to receive in the future a payment corresponding to the stock-market value of a Class B-share in Electrolux at the time of payment. For additional information regarding synthetic shares, see Note 27.

2) American Depository Receipt.

### Changes in Board of Directors

Caroline Sundewall and Johan Molin declined re-election to the Board and Keith McLoughlin and Ulrika Saxon were appointed new Board members at the AGM in March 2011.

Holdings in AB Electrolux as of December 31, 2011.

The information is regularly updated at [www.electrolux.com/board-of-directors](http://www.electrolux.com/board-of-directors)

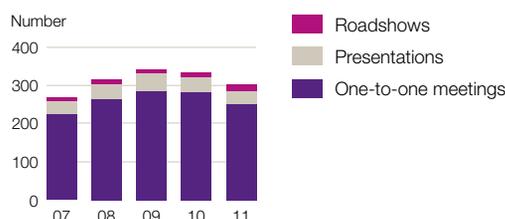
# Electrolux and the capital markets

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

Financial information is supplied continuously in annual and interim reports. Telephone conferences are arranged in connection with the publication of interim reports, at which Group Management presents results followed by analyses. Additional market and financial information is available on the Group's website.

The Electrolux Investor Relations department arranges approximately 300 meetings annually for investors and analysts. About one-third of these are attended by Group Management. Meetings with investors are held at the Group's head office in Stockholm, Sweden, as well as in the form of roadshows, primarily in major financial markets in Europe and the US. Electrolux also interacts daily with the capital markets.

## IR activities



## Capital Markets Day in Stockholm

On November 15, Electrolux arranged a Capital Markets Day in Stockholm to provide the market with more in-depth information regarding its development. The main messages were:

- Electrolux is a consumer-driven company undergoing change that will continue to launch new products with support from investments in product innovation.
- Electrolux will continue to improve its operational excellence by adapting capacity to prevailing demand and accelerating its efforts to leverage the company's global strength and scope.
- The Group's exposure to growth markets will rise to about 50% over the next five years.
- While the overriding strategy pursued by Electrolux stands firm, the pace of implementation will increase.
- Under very difficult circumstances in 2011, Electrolux has the capacity to generate an underlying EBIT margin of approximately 4%, which boosts the Group's conviction that it will achieve the financial goal of 6% over a business cycle.

## A reporting day

### 11:30 a.m. – 12:00 noon Internal presentation

CEO Keith McLoughlin holds an internal presentation for employees to inform them of the results and establish the objectives. Later during the day, the results are also presented to the top management in the Group. The respective sector heads hold telephone conferences with their sectors.

### 12:00 noon – 2:30 p.m. Continued interaction with the capital markets and media

The Group's IR department answers more in-depth questions from equity analysts and investors. Further questions from media are answered. Overseas media interviews are conducted with the CEO.

### 8:00 a.m. – 11:30 a.m. Interviews with European media

The CEO answers questions from European media. In 2011, Reuters, Bloomberg, Dow Jones and the Financial Times, among others, published interviews following the results. Questions from media are answered by press service.

8:00 a.m. published on [www.electrolux.com/ir](http://www.electrolux.com/ir)

### 8:00 a.m. – 11:30 a.m. Telephone meetings with the capital markets

Electrolux results are interpreted and analyzed by equity analysts, investors and owners. The Group's IR department answers first initial questions.

### 8:00 a.m. Interim report and CEO letter are published

The interim report and CEO letter are distributed to the capital markets and media at the same time as they are published on the Group's website [www.electrolux.com/ir](http://www.electrolux.com/ir)

### 3:00 p.m. – 4:00 p.m. Telephone conference

The CEO, the CFO and the Head of IR present the results and subsequent analyses to the capital markets. Following the presentation, questions from the capital markets are answered.

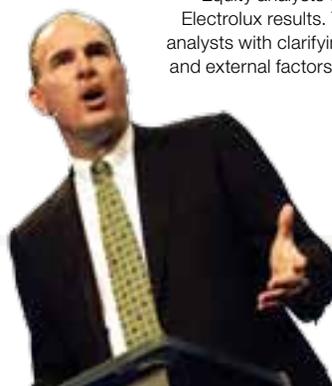
### 4:00 p.m. – 12:00 p.m. Continued interaction with the capital markets

Equity analysts conduct in-detail analyses of Electrolux results. The IR department supports analysts with clarifying information about internal and external factors' effect on Electrolux results.

(All hours are approximate.)

## Roadshows

Roadshows involving the CEO, the CFO and IR representatives are regularly arranged for 2–3 days in connection with interim reports to provide investors with further information. Roadshows are primarily held in Stockholm, London, Frankfurt, New York and Boston.



# Frequently asked questions by analysts

► **Describe the competitive landscape for Electrolux in 2011 and its impact on prices.**

Price pressure was evident in the Group's major markets in 2011. Promotions continued in North America at the same time as prices declined steadily during the year in Europe. To offset the intense price pressure, Electrolux carried out two price increases in North America in 2011. Further price hikes have been announced in North America and Europe for early 2012.

► **How did the prices of raw materials affect the Group in 2011?**

Electrolux purchased raw materials for SEK 20 billion in 2011. The single largest cost was for the procurement of steel, which accounted for almost half the total cost. In addition to higher steel prices, the Group was affected by higher prices for plastics and base metals. Compared with 2010, costs for raw materials were about SEK 2 billion higher in 2011. Raw-material prices affect the Group in the short term. In the long term, Electrolux offsets higher raw-material prices through cost savings, mix improvements and price increases.

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

In response to global competition, Electrolux has been implementing an extensive restructuring program since 2004. Plants have been closed in high-cost areas, including the US, Germany and Australia, and new plants built in Mexico, Eastern Europe and Thailand, among other countries. In total, the program will result in costs of approximately SEK 11.7 billion and generate annual savings of approximately SEK 4.6 billion compared with the base year 2004.

► **How will your newly acquired assets generate value for Electrolux shareholders?**

Electrolux carried out two acquisitions in 2011. In Egypt, the Group acquired Olympic Group, which is the market leader in the country and is also exposed to North Africa and the Middle East. The second acquisition is related to the South American company CTI, which is a market leader in Chile and holds a strong position in Argentina. Both of these acquisitions are a good match for the Group's growth strategy, whose aim is that growth markets will account for 50% of sales within a five-year period. Both Olympic and CTI have high underlying profitability and by growing these assets, Electrolux will generate value for its shareholders.

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

Improving our mix is central to our strategy. By selling a higher share of premium and built-in appliances, the mix – and thus profitability – is improved. During the year, a major launch of AEG products was carried out in the built-in segment, which had a positive impact on the mix. However, since countries with high sales prices (such as Italy) displayed very weak growth during the year, the mix trend was not as positive as it has been in the past.

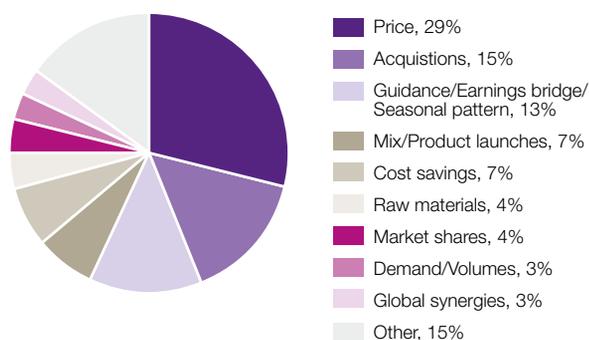
► **How did the principal drivers behind the Group's income develop during the year and what can be said about the company's seasonal patterns?**

Key external factors that benefited Electrolux during parts of 2009 and 2010 had a negative impact in 2011. Raw-material costs rose by SEK 2 billion. Price pressure was intense and demand was weak in the Group's major markets. In 2011, Electrolux demonstrated a seasonal pattern that has been relatively clear in recent years, with higher profitability in the second half of the year than in the first. Seasonal variations eased somewhat as the share of replacement volumes increased. Nevertheless, Electrolux reported higher profit in the second half of the year compared with the first.

► **How did the market shares of Electrolux develop in the largest markets during the year?**

Electrolux gained market shares during the second half of the year in Europe. Although market shares were still lower than in the preceding year, they were higher than in the first half of the year as a result of the launch of new AEG appliances. In North America, the market share of Electrolux was in line with the preceding year.

**Analysts' questions at 2011 quarterly telephone conferences**



# The Electrolux share

The Electrolux share is listed on Nasdaq OMX Stockholm. The market capitalization of Electrolux at year-end 2011 was approximately SEK 34 billion (60), which corresponded to 1.0% (1.4) of the total value of Nasdaq OMX Stockholm. The company's shares outstanding are divided into A-shares and B-shares. A-shares entitle the holder to one vote while B-shares entitle the holder to 1/10 of a vote.

### Dividend

The Board of Directors proposes a dividend for 2011 of SEK 6.50 per share, equivalent to a total dividend payment of approximately SEK 1,850m. The proposed dividend corresponds to approximately 86% of income for the period, excluding items affecting comparability. Based on the share price at the end of 2011, the dividend yield for 2011 amounted to 5.9%.

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

### Performance of the Electrolux share

Following very strong income and share-price performance in 2009 and 2010, the market had very high expectations of Electrolux in early 2011. Strong price pressure, higher raw-material costs and weak demand from the Group's major markets resulted in a decline in the Group's profitability in 2011. Factors behind the fall in the Electrolux share price during the year included the weaker income trend combined with poor overall performance of the Swedish stock exchange.

### Yield

The opening price for the Electrolux B-share in 2011 was SEK 191.00. The highest closing price was SEK 195.60 on January 3. The lowest closing price was SEK 95.30 on September 12. The closing price for the B-share at year-end 2011 was SEK 109.70, which was 43% lower than at year-end 2010. Total return during the year was -39%.

Over the past ten years, the average total return on an investment in Electrolux shares has been 8.5%. The corresponding figure for SIX Return Index was 6.0%.

### Share volatility

Over the past three years, the Electrolux share has shown a volatility of 48% (daily values), compared with an average volatility of 29% for Nasdaq OMX Stockholm. The beta value of the Electrolux share over the past five years is 1.12\*. A beta value of more than 1 indicates that the share's sensitivity to market fluctuations is above average.

\*) Compared to Nasdaq OMX STO.

### Conversion of shares

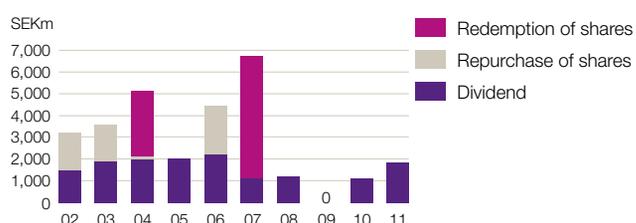
In accordance with the Articles of Association of AB Electrolux, owners of A-shares have the right to have such shares converted to B-shares. Conversion reduces the total number of votes in the company. In 2011, at the request of shareholders, 850,400 A-shares were converted to B-shares.

### Incentive programs

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

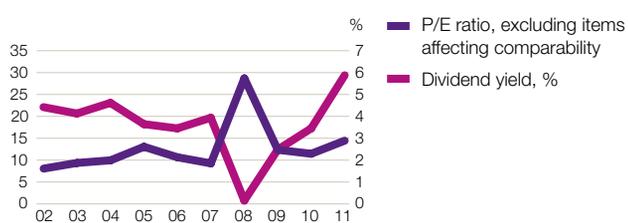
No B-shares were allotted under the 2008 performance-based share program. At year-end 2011, the incentive programs corresponded to a maximum dilution of 1.59% of the total number of shares, or 4,598,651 B-shares.

### Total distribution to shareholders



Electrolux has a long tradition of high total distribution to shareholders that includes repurchases and redemption of shares.

### P/E ratio and dividend yield



At year-end 2011, the P/E ratio for Electrolux B-shares was 14.5, excluding items affecting comparability. The dividend yield was 5.9% based on the Board's proposal for a dividend of SEK 6.50 per share for 2011.

## Trading volume

Lately, there has been a clear trend towards new trading venues for shares. During 2011, 46% of Electrolux B-shares were traded outside Nasdaq OMX Stockholm, compared with 41% during 2010. In 2011, the Electrolux share accounted for 2.5% (3.0) of the shares traded on Nasdaq OMX Stockholm, of a total trading volume of SEK 3,684 billion (3,627).

Trading in Electrolux B-shares	2011	2010
Number of traded shares, million	667.7	656.9
Value of traded shares, SEKbn	90.3	110.5
Average daily trading volume, million	2.6	2.6
Average daily trading volume (value), SEKm	357	436
Number of issued/cancelled ADRs	374,712	1,565,380
Number of ADRs outstanding	441,659	646,363
<b>Market share</b>		
Nasdaq OMX Stockholm, %	53.7	59.3
BOAT, %	21.3	17.6
Chi-X, %	14.1	12.9
Burgundy	5.2	3.1
BATS Europe	3.2	4.3
Turquoise, %	2.4	2.2
Other	0.1	0.6
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

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

SEK thousand	2011	2010	2009	2008	2007
A-shares	109	148	228	425	47
B-shares	357,075	435,958	358,962	364,400	523,817

In 2011, an average of 2.6 million Electrolux shares were traded daily on Nasdaq OMX Stockholm.

## DJSI World Index

The Group's sustainability performance and strategy help attract and strengthen relations with investors. In 2011 and for the fifth consecutive year, Electrolux was recognized as a leader in the consumer durables industry sector in the prestigious Dow Jones Sustainability Index (DJSI). Electrolux thereby ranks among the top 10% of the world's 2,500 largest companies for social and environmental performance. With 60 DJSI licenses in 16 countries, assets managers with DJSI portfolios valued at USD 8 billion are recommended to invest in Electrolux.



## Share data

Share listing <sup>1)</sup>	Stockholm
Number of shares	308,920,308
of which A-shares <sup>2)</sup>	8,212,725
of which B-shares <sup>2)</sup>	300,707,583
Number of shares after repurchase	284,665,223
Quota value	SEK 5
Market capitalization at December 31, 2011	SEK 34 billion
GLCS code <sup>3)</sup>	25201040
Ticker codes	Reuters ELUXb.ST Bloomberg ELUXB SS

1) Trading in Electrolux ADRs was transferred from Nasdaq to the US Over-the-Counter market as of March 31, 2005. One ADR corresponds to two B-shares.

2) In 2011, at the request of shareholders, 850,400 A-shares were converted into B-shares.

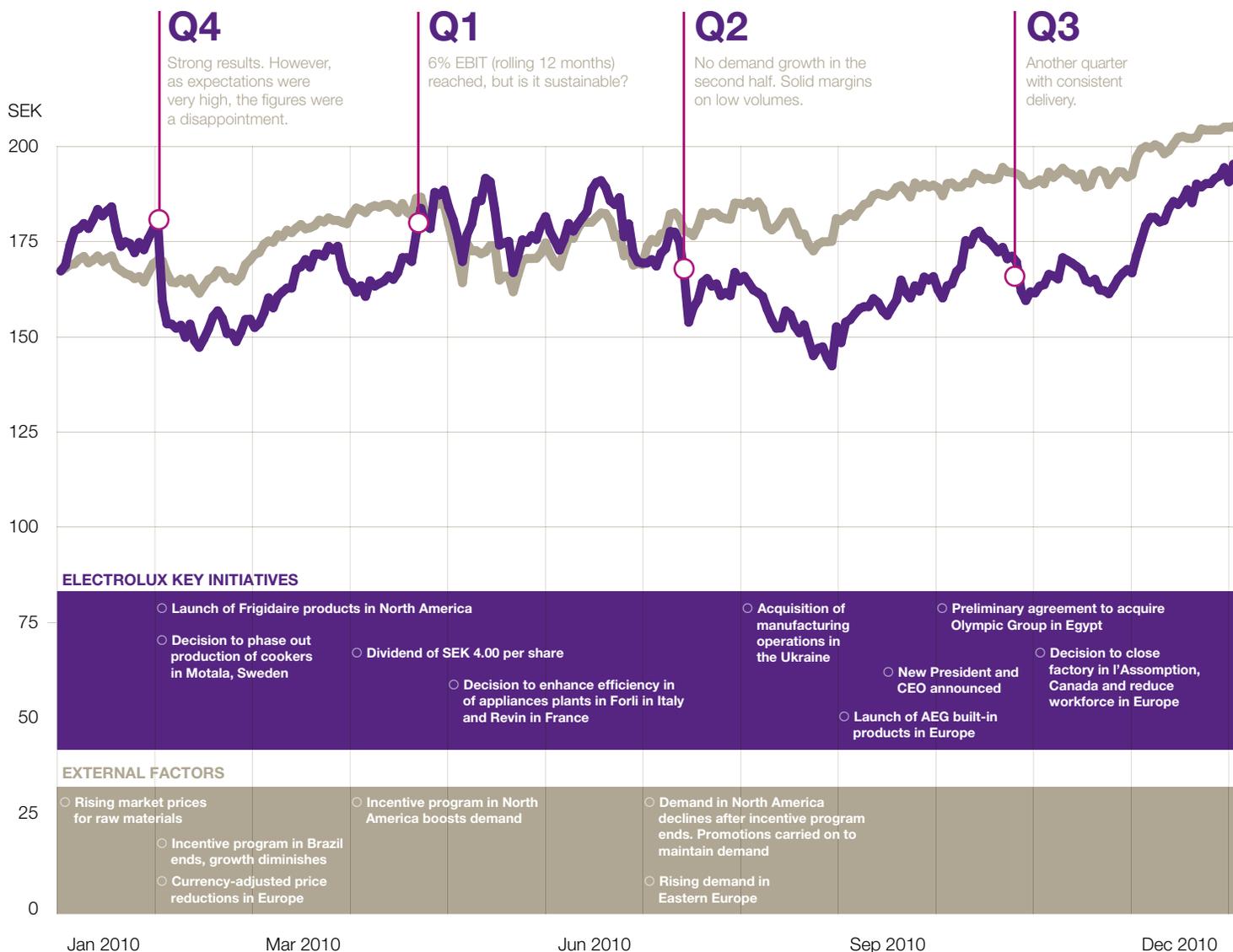
3) MSCI's Global Industry Classification Standard (used for securities).

## Total return of Electrolux B-shares and trading volume on Nasdaq OMX Stockholm, 2007–2011



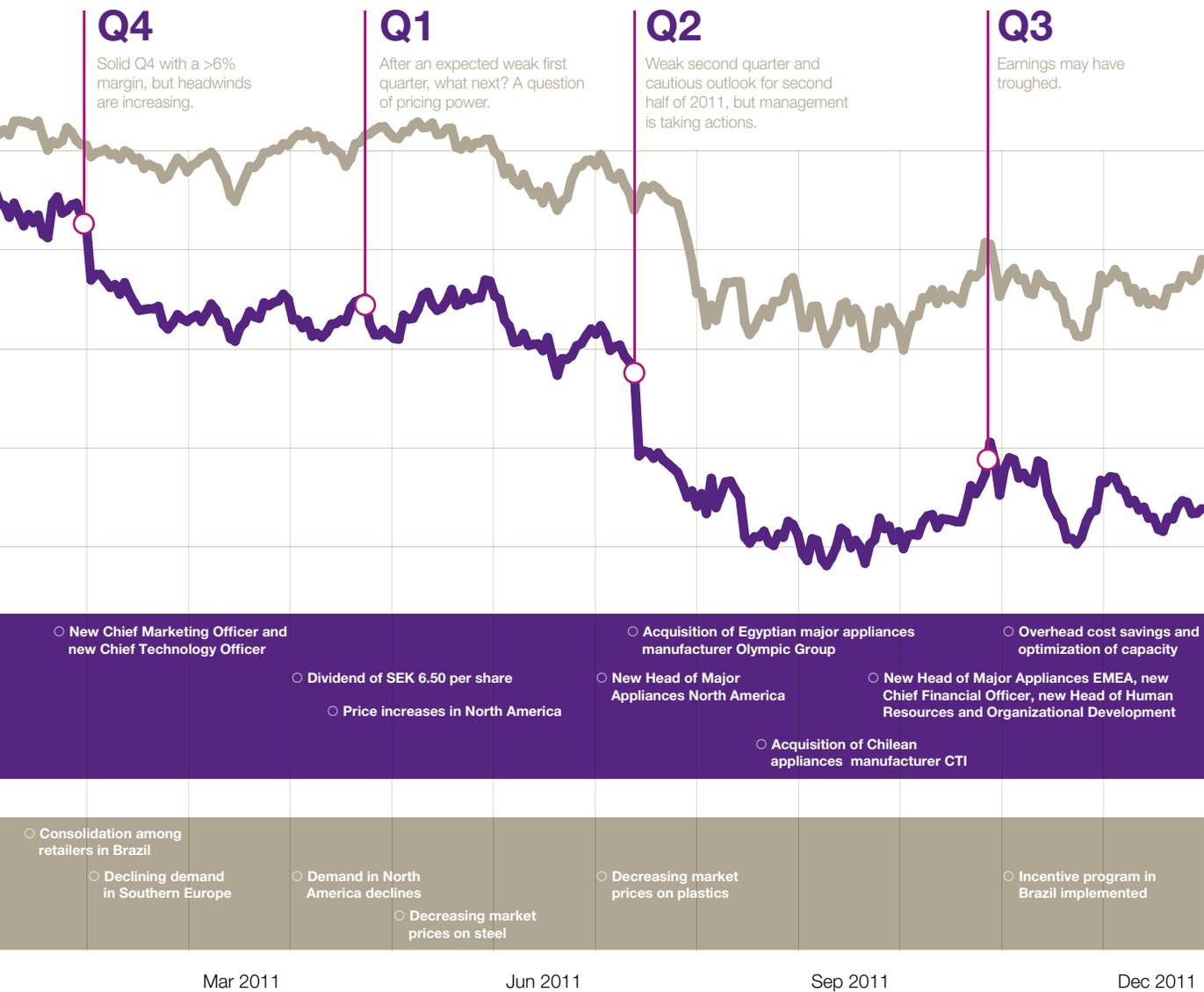
# Electrolux B vs. Swedish index

The performance of the Electrolux share price was strong in 2009 and 2010. In 2011, expectations were high. Lower income and a weak general trend on the Swedish stock exchange resulted in a decline in the share price during the year.



Recommendations from analysts	After Q4 09	After Q1 10	After Q2 10	After Q3 10
Buy	38%	45%	70%	70%
Hold	33%	35%	25%	20%
Sell	29%	20%	5%	10%

-  Comments from analysts
-  Electrolux B-share
-  Affärsvärden general index – price index



After Q4 10	After Q1 11	After Q2 11	After Q3 11
60%	57%	65%	60%
27%	33%	30%	35%
13%	10%	5%	5%

**Data per share**

	2011	2010	2009	2008	2007 <sup>9)</sup>	2006 <sup>9)</sup>	2005	2004	2003	2002
Year-end trading price, B shares, SEK <sup>1)</sup>	109.70	191.00	167.50	66.75	108.50	116.90	89.50	65.90	67.60	58.80
Year-end trading price, B shares, SEK	109.70	191.00	167.50	66.75	108.50	137.00	206.50	152.00	158.00	137.50
Highest trading price, B shares, SEK	195.60	194.70	184.10	106.00	190.00	119.00	90.50	174.50	191.00	197.00
Lowest trading price, B shares, SEK	95.30	142.50	57.50	53.50	102.00	78.50	62.00	125.50	125.50	119.50
Change in price during the year, %	-43	14	151	-38	-7	31 <sup>9)</sup>	36	-4	15	-12
Equity per share, SEK	73	72	66	58	57	47	88	81	89	87
Trading price/equity, %	151	264	253	116	191	247 <sup>1)</sup>	234	187	178	158
Dividend, SEK	6.50 <sup>2)</sup>	6.50	4.00	0	4.25	4.00	7.50	7.00	6.50	6.00
Dividend as % of net income <sup>3) 4)</sup>	86	39	29	0	36	37	47	46	39	36
Dividend yield, % <sup>5)</sup>	5.9	3.4	2.4	0	3.9	3.4 <sup>1)</sup>	3.6	4.6	4.1	4.4
Earnings per share, SEK	7.25	14.04	9.18	1.29	10.41	9.17	6.05	10.92	15.25	15.58
Earnings per share, SEK <sup>4)</sup>	7.55	16.65	13.56	2.32	11.66	10.89	15.82	15.24	16.73	16.90
Cash flow, SEK <sup>6)</sup>	18.97	26.98	29.16	4.22	4.54	7.53	2.45	10.81	9.15	23.14
EBIT multiple <sup>7)</sup>	13.4	10.8	12.8	19.8	7.9	8.0 <sup>1)</sup>	16.1	9.5	6.8	5.9
EBIT multiple <sup>4) 7)</sup>	12.8	9.1	9.1	15.2	7.3	7.1 <sup>1)</sup>	9.1	6.7	6.3	5.6
P/E ratio <sup>4) 8)</sup>	14.5	11.5	12.4	28.8	9.3	10.7 <sup>1)</sup>	13.1	10.0	9.4	8.1
P/E ratio <sup>8)</sup>	15.1	13.6	18.2	51.7	10.4	12.7 <sup>1)</sup>	34.1	13.9	10.4	8.8
Number of shareholders	58,800	57,200	52,000	52,600	52,700	59,500	60,900	63,800	60,400	59,300

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

2) Proposed by the Board.

3) Dividend as percentage of income for the period.

4) Excluding items affecting comparability.

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

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

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

8) Trading price in relation to earnings per share.

9) Continuing operations.

**Ownership structure**

The majority of the total share capital as of December 31, 2011, was owned by Swedish institutions and mutual funds (approximately 66%). At year-end, approximately 10% of the shares were owned by Swedish private investors.

During 2011, the proportion held by foreign owners decreased slightly and amounted to approximately 24% at the end of the year. The volume of shares traded by foreign owners has a significant effect on share liquidity. Foreign investors are not always recorded in the share register. 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.

**Major shareholders**

	Share capital, %	Voting rights, %
Investor AB	15.5	29.9
Alecta	9.0	8.4
Swedbank Robur funds	4.8	3.9
Nordea funds	3.1	2.5
AMF insurance and funds	2.4	2.0
SEB funds	1.9	1.5
Didner & Gerge funds	1.4	1.1
SHB funds	1.2	1.0
Government of Norway	1.1	0.9
Carnegie funds	1.0	0.8
Unionen	1.0	0.8
Other shareholders	49.7	47.2
<b>External shareholders</b>	<b>92.1</b>	<b>100.0</b>
AB Electrolux	7.9	0.0
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

Source: SIS Source: SIS Ägarservice and Electrolux as of December 31, 2011. The figures are rounded off. Information regarding ownership structure is updated quarterly on <http://www.electrolux.com/ownership-structure>

**Shareholders by country**



As of December 31, 2011, approximately 24% of the total share capital was owned by foreign investors.

Source: SIS Ägarservice as of December 31, 2011.

**Distribution of shareholdings**

Shareholding	Ownership, %	Number of shareholders	As % of shareholders
1-1,000	4.5%	51,201	87.0%
1,001-10,000	5.9%	6,671	11.3%
10,001-20,000	1.7%	353	0.6%
20,001-	87.9%	617	1.0%
<b>Total</b>	<b>100.0%</b>	<b>58,842</b>	<b>100%</b>

Source: SIS Ägarservice as of December 31, 2011.

## Press releases 2011

- Jan 20 Electrolux further strengthens organization for Innovation and Marketing
- Feb 2 Consolidated Results 2010 and CEO Keith McLoughlin's comments**
- Feb 17 Keith McLoughlin and Ulrika Saxon proposed new Board members of Electrolux
- Feb 18 Notice convening the Annual General Meeting of AB Electrolux
- Feb 28 Conversion of shares
- Mar 4 Annual Report 2010
- Mar 4 Electrolux Annual Report 2010 now on www.electrolux.com
- Mar 18 Electrolux named one of the World's Most Ethical Companies 2011
- Mar 31 Electrolux Annual General Meeting 2011
- Apr 1 Bulletin from AB Electrolux Annual General Meeting 2011
- Apr 5 Change in reporting for Electrolux business areas
- Apr 27 Interim report January–March 2011 and CEO Keith McLoughlin's comments**
- Apr 29 Conversion of shares
- May 9 Electrolux raises the bar in sustainability reporting
- Jun 8 Electrolux issues bond loan
- Jun 13 Electrolux to implement price increases in Europe
- Jul 1 Jack Truong appointed Head of Major Appliances North America
- Jul 10 Electrolux acquires Olympic Group
- Jul 19 Interim report January–June 2011 and CEO Keith McLoughlin's comments**
- Aug 19 Electrolux confirms discussions with Sigdo Koppers
- Aug 22 Electrolux acquires Chilean appliance company CTI
- Aug 31 Conversion of shares
- Sep 1 Dates for financial reports from Electrolux in 2012
- Sep 7 Portable Spot Cleaner wins Electrolux Design Lab 2011
- Sep 9 Dow Jones Sustainability World Index names Electrolux Durable Household Products sector leader
- Sep 9 Electrolux has completed the acquisition of Olympic Group
- Sep 16 Electrolux issues bond loan
- Sep 23 Nomination Committee appointed for Electrolux Annual General Meeting 2012
- Sep 28 Jonas Samuelson appointed Head of Major Appliances Europe and Tomas Eliasson appointed CFO
- Sep 29 Lars Worsøe Petersen appointed Head of Human Resources and Organizational Development and Carina Malmgren Heander will lead a new business unit
- Sep 30 Conversion of shares
- Oct 14 Electrolux has closed the cash tender offers of CTI and Somela
- Oct 28 Interim report January–September 2011 and CEO Keith McLoughlin's comments**
- Nov 15 Electrolux hosts Capital Markets Day
- Nov 30 Conversion of shares
- Dec 13 Electrolux signs revolving credit facility
- Dec 20 Electrolux specifies overhead cost savings

## Analysts who cover Electrolux

Company	Analyst
ABG Sundal Collier	Andreas Lundberg
Bank of America Merrill Lynch	Ben Maslen
Barclays Capital	Allan Smylie
Carnegie	Kenneth Toll Johansson
Cheuvreux	Johan Eliason
Citigroup	Natalia Mamaeva
Credit Suisse First Boston	Andre Kukhnin
Danske Bank	Björn Enarson
Deutsche Bank	Stefan Lycke
DnB NOR Markets	Christer Magnergård
Equita	Domenico Ghilotti
Erik Penser	Johan Dahl

Company	Analyst
Exane BNP Paribas	Jonathan Mounsey
Execution Noble	Rob Virdee
Goldman Sachs	James Rutland, Aaron Ibbotson
Handelsbanken Capital Markets	Rasmus Engberg
JP Morgan	Andreas Willi
Longbow Research	David MacGregor
Nordea	Ann-Sofie Nordh, Johan Trocmé
Pareto Öhman	David Jacobsson
Redburn Partners	James Moore
SEB Enskilda	Anders Trapp, Stefan Cederberg
Swedbank	Fredrik Nilhov
UBS	David Halldén

# Managing risks to **maximize returns**

*The Group's major markets were characterized by considerable uncertainty in 2011.*

*Raw-material prices continued to rise and price pressure prevailed in the Group's major markets.*



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

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

### Operational risks

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

### Fluctuation in demand

In 2011, demand for appliances declined in the major markets of Electrolux. The North American market contracted by 4% during the year. In Europe, demand in the West declined by 3%, while it grew by 9% in the East. In Latin America, growth diminished in Brazil towards the latter part of the year. In the Asia/Pacific region, demand in Australia increased due to high growth of air-conditioning equipment and the Asian markets continued to grow healthily.

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

### Price competition

Most of the markets served by Electrolux are experiencing strong price competition. This is particularly severe in the low-price segments and in product categories with a great deal of overcapacity. In 2011, pressure on prices was evident in the Group's major markets. Sales promotion continued in the North American market at the same time as prices declined continuously during the year in Europe. To offset the intense price pressure, Electrolux carried out two price increases in North America in 2011. Further price hikes have been announced in North America and Europe for early 2012. Price pressure also prevailed in Australia.

### Exposure to customers and suppliers

The weak trend in the major Electrolux markets in 2011 impacted the Group's retailers who experienced difficult trading conditions but this did not result in any increases in credit losses for Electrolux.

### Sensitivity analysis, year-end 2011

Risk	Change	Pre-tax earnings impact, SEKm
<b>Raw materials</b>		
Steel	10%	+/- 900
Plastics	10%	+/- 600
<b>Currencies<sup>1)</sup> and interest rates</b>		
USD/SEK	-10%	+810
EUR/SEK	-10%	+410
BRL/SEK	-10%	-300
AUD/SEK	-10%	-260
GBP/SEK	-10%	-180
Interest rate	1 percentage point	+/- 60

1) Includes translation and transaction effects.

### Cost structure 2011

Cost item	% of total cost
Personnel	16
Depreciation	3
<b>Fixed costs</b>	<b>19</b>
Raw materials and components	40
Transports	7
Product development	2
Brand investments	2
Other <sup>1)</sup>	30
<b>Variable costs</b>	<b>81</b>
<b>Total</b>	<b>100</b>

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

Electrolux has a comprehensive process for evaluating credits and tracking the financial situation of retailers. Management of credits as well as responsibility and authority for approving credit decisions are regulated by the Group's credit policy. Credit insurance is used in specific cases to reduce credit risks.

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

Materials account for a large share of the Group's costs. In 2011, Electrolux purchased raw materials and components for approximately SEK 41 billion, of which approximately SEK 20 billion referred to the former. The Group's exposure to raw materials comprises mainly steel, plastics, copper and aluminum.

Market prices of raw materials rose in the early part of 2011. Following this initial rise, market prices declined towards the end of the year. Electrolux utilizes bilateral contracts to manage risks related to steel prices. Some raw materials are purchased at spot prices. The total cost of raw materials in 2011 was approximately SEK 2 billion higher than in 2010. The total cost of raw materials in SEK was, however, in line with the previous year due to lower purchased volumes and weaker USD and EUR relative to SEK.

**Restructuring for competitive production**

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

The restructuring program was launched in 2004. The total cost of the program is approximately SEK 11.7 billion and it will generate annual savings of approximately SEK 4.6 billion compared with the base year 2004.

**Financial risks and commitments**

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

**Financing risk**

For long-term borrowings, the Group's goal is to have an average maturity of at least two years, an even spread of maturities and an average fixed-interest period of one year. At year-end 2011, Group borrowings amounted to SEK 14,206m, of which SEK 11,669m referred to long-term loans with an average maturity of 3.0 years. Loans are raised primarily in EUR and SEK. The average interest rate at year-end for the total borrowings was 3.7%. At year-end 2011, the average fixed-interest period for long-term borrowings was 1.2 years. Long-term loans totaling approximately SEK 4,100m will mature in 2012 and 2013. Liquid funds on December 31, 2011, amounted to SEK 7,839m.

In addition, the Group has two unutilized credit facilities; Since 2010, Electrolux has an unused committed multicurrency revolving credit facility of SEK 3,400m maturing 2017. In December 2011 an unused committed multicurrency revolving credit facility from 2005, of EUR 500m, with maturity in 2012, was replaced. The new committed multicurrency revolving credit facility of EUR 500m maturing 2016 has an extension option for up to two more years.

On the basis of the volume of loans and the interest-rate periods in 2011, a change of 1 percentage point in interest rates would affect Group income in the amount of +/- SEK 60m. For additional information on loans, see Notes 2 and 18.

**Pension commitments**

At year-end 2011, Electrolux had commitments for pensions and benefits that amounted to approximately SEK 24 billion.

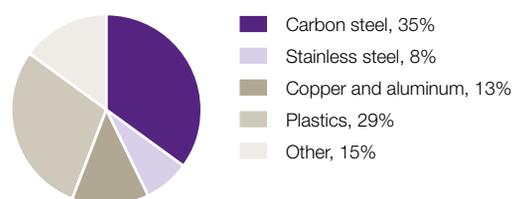
The Group manages through pension funds pension assets of approximately SEK 20 billion. At year-end, approximately 35% of these assets were invested in equities, 47% in bonds, and 18% in other assets.

Net provisions for post-employment benefits amounted to SEK 287m.

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

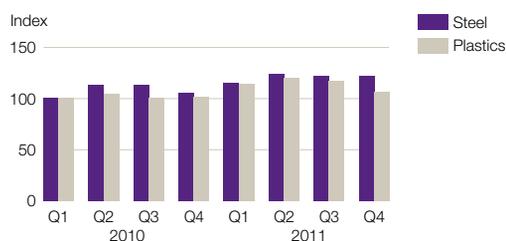
Costs for pensions and benefits are recognized in the income statement for 2011 in the amount of SEK 425m. In the interest of accurate control and cost-effective management, the Group's pension commitments are managed centrally by Group Treasury. Electrolux uses interest-rate derivatives to hedge parts of the risks related to pensions. For additional information, see Note 22.

**Raw material exposure 2011**



In 2011, Electrolux purchased raw materials for approximately SEK 20 billion. Purchases of steel accounted for the largest cost.

**Trend for steel and plastics prices, weighted market prices indexed**



## Exchange-rate exposure at Electrolux

### Exchange-rate exposure

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

### Sensitivity analysis of currencies

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

### Currency effects 2011

The total currency effect (translation effects, transaction effects and net hedges) amounted to approximately SEK 150m. The translation effect was a negative SEK 325m, which was principally due to a stronger SEK, on average, relative to the USD and EUR in 2011 compared with 2010.

The transaction effect was a positive SEK 400m, which was primarily due to a stronger BRL and AUD, on average, relative to the USD, and the weakness of the EUR in relation to a number of European currencies in 2011 compared with 2010. Net hedging effects amounted to a positive SEK 75m.



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

## Principal currency pairs Electrolux (transaction effects)

### Europe

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

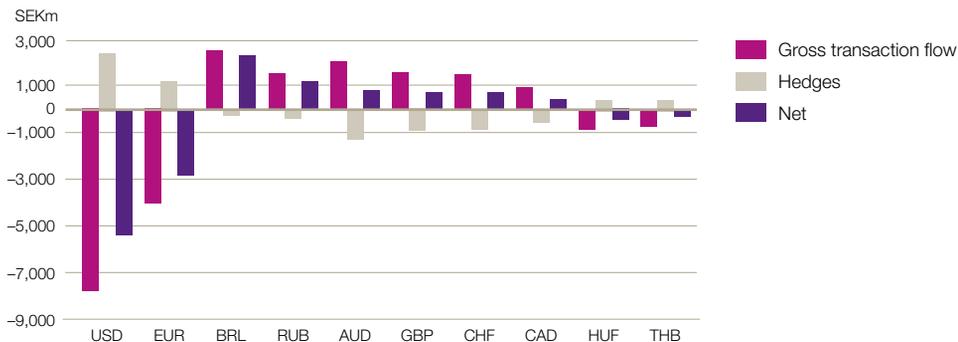
EUR/SEK  
 EUR/RUB  
 EUR/PLN  
 EUR/GPB  
 EUR/CHF  
 EUR/HUF  
 EUR/USD

### Asia/Pacific

The principal currency pair for the business in the Asia/Pacific region is the USD/AUD. Purchases of raw materials and components are priced to some extent in USD. The products are subsequently sold in AUD. A strong AUD compared with the USD is positive for the Group.

USD/AUD

Foreign-exchange transaction exposure, forecast 2012



# The history of Electrolux

*More than 90 years have passed since the company was established by Axel Wenner-Gren. This visionary understood how to develop products for the future. Axel Wenner-Gren underlined Passion for Innovation, Customer Obsession, and Drive for Results, and these values still comprise the foundation for Electrolux operations.*



1901



ElectroLux

1919

Electrolux



1962  
Carlo Vivarelli

## Then



### Passion for Innovation

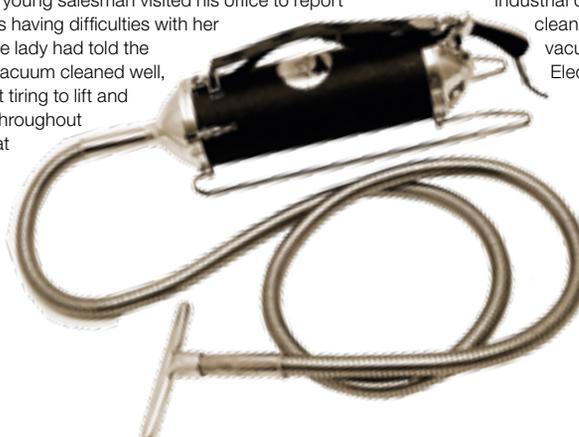
"This task is not an easy one, but one that will transform homes around the world," Axel Wenner-Gren said to the team of engineers and scientists sitting before him. Next to Wenner-Gren was a basic prototype of an absorption refrigerator created by two young engineers, Baltzar von Platen and Carl Munters, for a University degree project. Wenner-Gren's decision to acquire the patent for the absorption refrigeration technology, which used electricity, gas or kerosene to circulate water and safely turn heat into cold, was his first step toward diversifying Electrolux.

However, it was a bold step, because although Electrolux had secured its spot as the world leader in vacuum cleaners, absorption refrigeration was a concept that was far from fully developed.

"We now know that you can create cold through heat using water," Wenner-Gren said to the engineers. "But the problem with this technology is that not all households have running water and every home from China to America will need a refrigeration machine." Wenner-Gren paused, and looked at each member of the team. "That is why we are going to cool with air, because we all have access to that."

### Customer Obsession

Axel Wenner-Gren unfolded a sketch made during a board room meeting for a team of Electrolux engineers to examine. On the page was a drawing of a vacuum cleaner. Rather than standing like the traditionally shaped bucket, however, Wenner-Gren had sketched the vacuum cleaner laying on its side, with rounded edges and sled-like runners attached to the base. "This will be our next model," Wenner-Gren explained. The idea had come to him a few days earlier when a young salesman visited his office to report that a customer was having difficulties with her vacuum cleaner. The lady had told the salesman that her vacuum cleaned well, but that she found it tiring to lift and carry the machine throughout the house. From that moment, Wenner-Gren was resolute on making the vacuum cleaner move easier.



### Drive for Results

Axel Wenner-Gren barely noticed the stores as he walked down the biggest shopping street in Vienna. The year was 1908, Wenner-Gren was on his way to a meeting and his broad steps and freshly pressed suit signalled a sense of purpose. That is, however, until something caught his eye, brought him to a stop, and pulled him to a shop window for a closer look. Propped on display was a machine that must have weighed 20 kilos with a price tag that could suck up the savings of almost any wealthy household. Window shoppers either smirked

at or ignored the industrial display, but Wenner-Gren couldn't take his eyes away from it. In his mind, the machine became smaller, lighter, sleeker and less expensive. He envisioned women gliding small vacuum cleaners around their houses. He would bring convenience to houses around the world.

### Importance of Design

Axel Wenner-Gren had visited Electrolux showrooms in around thirty countries, and was always amazed by how captivated people would get, even though nothing was actually for sale. The atmosphere in the showroom on this day was different, however. The crowd was still, hushed, and gathered around the latest addition to the Electrolux collection: the Model XXX vacuum cleaner. The Model XXX shaped by the internationally renowned industrial designer Lurelle Guild, was one of the first vacuum cleaners in history to be created with aesthetic appeal in mind. As cars and trains had become streamlined, Wenner-Gren saw the value in bringing a similar sleek elegance to home appliances. In fact, he had personally tracked down the foremost industrial designers, so that life for Electrolux customers would not only be cleaner and easier, but also more attractive. Looking at the Model XXX vacuum cleaner, Wenner-Gren said to Guild: "You have given Electrolux products attractive design and perfect form."

"This will be our next model"

Axel Wenner-Gren



“The Electrolux Spirit acknowledges no obstacles and submits to no defeats. It is a combination of enthusiasm, loyalty, aggressiveness and belief, which is inspired by confidence in our organization and products, and faith in our success and our future.”

Axel Wenner-Gren, founder



1990s – 2011



*Thinking of you*  
**Electrolux**

2011 update of logotype

**The Electrolux symbol turns 50**

The current Electrolux logo, designed by Carlo Vivarelli from Switzerland, was introduced to the world in 1962. The original design would undergo some changes over the next 50 years, but the simple, geometric form is still intact and distinguishes Electrolux from the crowd.

# Today

**Passion for Innovation**

Fresh produce is valuable and should be handled as such. Consumers want refrigerators and freezers that preserve the nutritional value and freshness of food and lead to less being discarded. The latest models in the Electrolux range of refrigerators and freezers are equipped with FreshFrostFree technology, which means that fresh produce can now be preserved longer. In addition, food is cooled faster and vitamins are retained longer.



**Customer Obsession**

Understanding consumer needs is the basis for all products developed by Electrolux. Since it was launched in 2004, the Ergorapido vacuum cleaner has been a success in homes all over the world. As well as helping to change cleaning habits, the timeless, elegant design of this product has become a natural feature in home decors. The latest version of the vacuum cleaner is the Ergorapido Plus Green.



Professional products operation has existed since the 1940s

**Drive for Results**

Electrolux is the only appliances manufacturer in the industry to offer complete solutions for professionals and consumers. The Group's professional products operation has existed since the 1940s and has developed through organic growth and several key acquisitions. Today, Electrolux is a leading producer of innovative, resource-efficient products for professional kitchens and laundries all over the world.



**Importance of Design**

In December 2010, the new Casa Electrolux concept was opened in a newly built facility in Sao Paulo, Brazil. Casa Electrolux is a product “embassy” where consumers, retailers, architects and other opinion-makers can experience the design and function of more than 200 innovative Electrolux products.

# Events and reports

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



Electrolux Annual Report 2011 consists of:

- Operations and strategy
- Financial review, Corporate Governance Report, and Sustainability Report

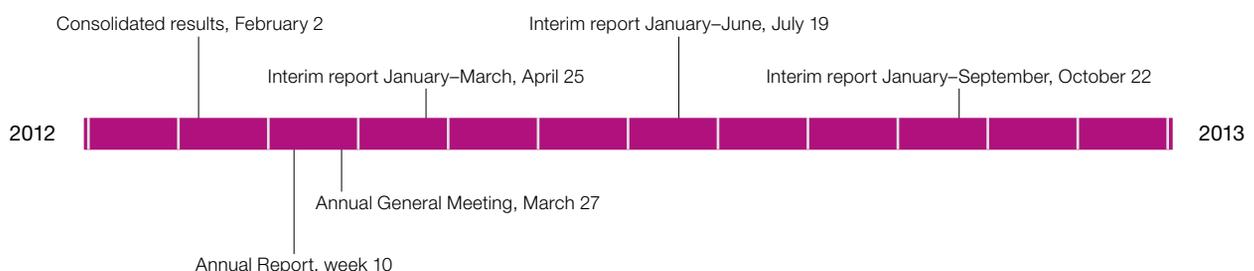
Electrolux annual report is available at [www.electrolux.com/annualreport2011](http://www.electrolux.com/annualreport2011)

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

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



## Financial reports and major events in 2012



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



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Result  
Performance  
Sustainability  
Governance



*Thinking of you*  
**Electrolux**

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Concept, text and production  
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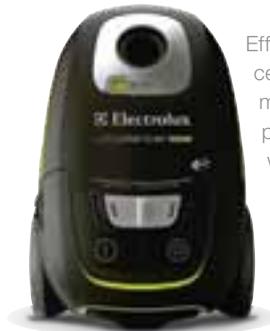
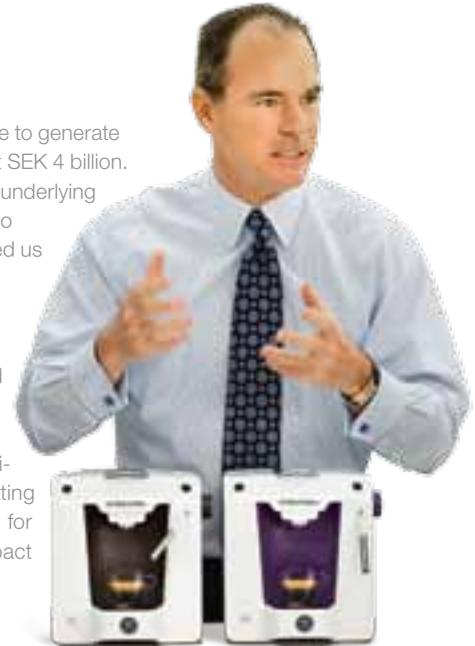


In a very tough environment, we were able to generate an underlying operating income of almost SEK 4 billion. At the same time, we generated a strong underlying cash flow, which is a result of our efforts to reduce working capital, which has enabled us to maintain a strong balance sheet.

**CEO comments on the results ▶▶ 2**

Operating income for 2011 decreased compared to 2010. Weak demand in Electrolux main markets, lower sales prices and increased costs for raw materials had an adverse impact on operating income. In addition, non-recurring costs for overhead reductions had an adverse impact on operating income.

**Board of Directors Report ▶▶ 5**



Efficient products are crucial to continued business success. Each year Electrolux identifies new criteria for the most environmentally sound appliances among all Group products. Each market has a Green Range of energy- and water-efficient products based on these criteria.

**Sustainability focus areas ▶▶ 100**

## Operations and strategy



## Results



## Sustainability



Electrolux reports its sustainability work in accordance with GRI. The report can be found on Electrolux website [www.electrolux.com/sustainability](http://www.electrolux.com/sustainability)

# Highlights of 2011

- Net sales increased by 1.9% in comparable currencies.
- Operating margin, excluding items affecting comparability and non-recurring costs, amounted to 3.9% (6.1).
- Price pressure and increased costs for raw materials had an adverse impact on operating income.
- Acquisitions of the appliances companies Olympic Group in Egypt and CTI in Chile.
- Efforts to reduce working capital have contributed to a solid balance sheet.
- The Board proposes a dividend for 2011 of SEK 6.50 (6.50) per share.
- The Board proposes a renewed AGM mandate to repurchase own shares.

## Key data

SEKm, EURm, USDm, unless otherwise stated	2011	2010	2011 EURm	2011 USDm
Net sales	101,598	106,326	11,264	15,679
Operating income	3,017	5,430	334	466
Margin, %	3.0	5.1		
Income after financial items	2,780	5,306	308	429
Income for the period	2,064	3,997	229	319
Earnings per share <sup>1)</sup> , SEK, EUR, USD	7.25	14.04	0.80	1.12
Dividend per share	6.50 <sup>2)</sup>	6.50		
Average number of employees	52,916	51,544		
Net debt/equity ratio	0.31	-0.03		
Return on equity, %	10.4	20.6		
Return on net assets, %	13.7	27.8		

## Excluding items affecting comparability

Items affecting comparability	-138	-1,064	-15	-21
Operating income	3,155	6,494	350	487
Margin, %	3.1	6.1		
Income after financial items	2,918	6,370	324	450
Income for the period	2,148	4,739	238	331
Earnings per share <sup>1)</sup> , SEK	7.55	16.65	0.84	1.17
Return on net assets, %	13.5	31.0		

## Non-recurring costs in the fourth quarter of 2011

Operating income excluding non-recurring costs and items affecting comparability	3,980	6,494		
Margin, %	3.9	6.1		

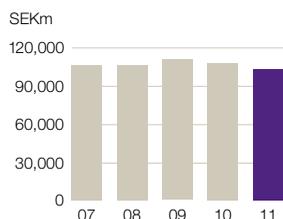
1) Average number of shares 284.7 millions (284.6).

2) Proposed by the Board of Directors.

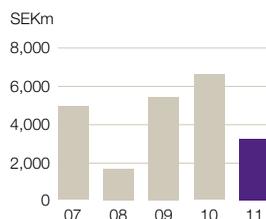
## Net sales and employees

Ten largest countries	SEKm	Employees
USA	26,637	7,914
Brazil	14,633	10,755
Germany	5,474	1,740
Australia	5,285	1,606
Sweden	4,210	2,184
Italy	4,092	5,804
Canada	4,037	1,264
Switzerland	4,027	834
France	3,809	1,105
United Kingdom	2,544	404
Other	26,850	19,306
<b>Total</b>	<b>101,598</b>	<b>52,916</b>

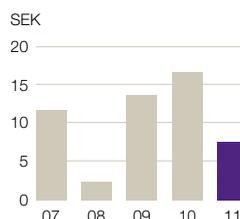
## Net sales



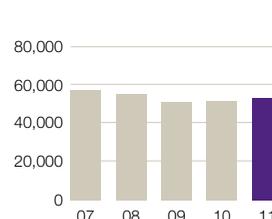
## Operating income<sup>1)</sup>



## Earnings per share<sup>1)</sup>



## Number of employees<sup>2)</sup>



1) Excluding items affecting comparability.

2) Average number of employees.

# Maneuvering in a tough environment

*The appliance market in the fourth quarter of 2011 remained very competitive. The headwinds of price pressure, higher raw-material costs and weak demand grew stronger as the year progressed. Despite this challenging environment, we were able to generate an underlying operating income of SEK 4 billion in 2011. Furthermore, we have taken actions to increase prices, take out costs, acquire companies in emerging markets and change the organization to strengthen the company's position as we entered 2012.*

Already at the end of 2010, demand for appliances started to decline, while costs for raw materials increased and prices for our products began to decrease. This downward trend gained momentum as 2011 progressed, with rising raw-material costs and lower prices having a headwind on results of more than SEK 3 billion in 2011. In this very tough environment, we were able to generate an underlying operating income of almost SEK 4 billion, which is above the level achieved in previous years with similar conditions to 2011. At the same time we generated a strong underlying cash flow, which is a result of our intensified efforts to reduce working capital, which has enabled us to maintain a strong balance sheet.

In 2011, we initiated and implemented a number of activities. We finalized the acquisitions of the Egyptian company Olympic Group and the Chilean company CTI. As a result of these acquisitions in combination with the strong organic growth demonstrated by Electrolux in Latin America, Southeast Asia and Eastern Europe, our pro-forma sales in growth markets accounted for approximately 35% of total sales in 2011.

The Electrolux strategy to develop innovative and thoughtfully-designed product solutions based on end-user insight was strengthened in 2011 through the establishment of The Innovation Triangle in Group Management.

Photographer: Victor Brott



# 35%

Our pro-forma sales in growth markets accounted for approximately 35% of total sales in 2011.

Decisions were taken to further adapt our production capacity in North America and Western Europe in order to increase capacity utilization. Actions were also taken to reduce overhead costs in line with the current business environment. Furthermore, we are continuing our efforts to enhance efficiency and reduce costs by capitalizing on our shared global strength and scope. These efforts will generate a positive impact at an escalating pace.

The Electrolux strategy to develop innovative and thoughtfully-designed product solutions based on end-user insight was strengthened in 2011 through the establishment of The Innovation Triangle in Group Management. The new and strengthened roles for the R&D, Marketing and Design functions will generate synergies throughout the product-creation process, with an even clearer focus on customers and consumers. This will enable Electrolux to take more relevant, innovative product solutions to market at a faster pace.

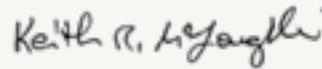
We are continuing to launch new products and the introduction of new and innovative products under the AEG brand received strong market response. In Latin America, we began to harvest the rewards of the new products launched in early 2011. 2012 will be an intensive launch year, which will require increased investments in marketing and product development.

While we expect the trend going forward to shift in a more positive direction in the form of gradual improvements in prices, mix and lower costs, we do not anticipate that demand in mature markets will recover in the first half of 2012. However, there could be a certain degree of improvement in the US market by the end of 2012, supported by a modest growth in the housing market.

As we find ourselves in a more favorable commodity market, we do not anticipate costs from raw materials to exceed the 2011 level by more than SEK 500m, with the majority of the impact in the first half of the year. During 2012, we will also see increased costs for sourced products and transportation, which makes it even more important to be successful with our price increases.

The result in 2011, achieved in a period of significant economic decline, demonstrates that our strategy of increasing the pace of new product offerings, investing in profitable growth areas and implementing efficiency enhancements in production is a successful one. In 2012, we will further strengthen the Electrolux brand position, we will continue to develop innovative products that consumers prefer, we will further improve our operational efficiency and we will maintain a strong balance sheet to be prepared for both uncertainties and opportunities.

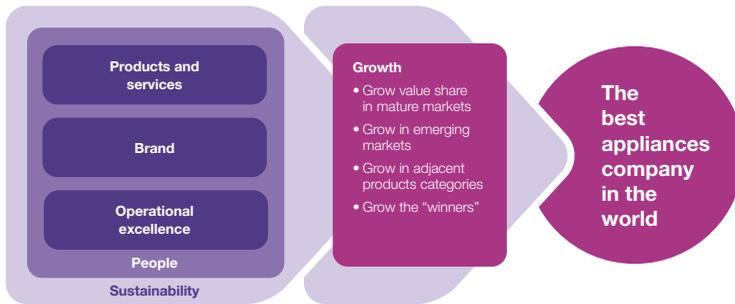
Stockholm, February 2, 2012,  
in connection with the presentation of the fourth quarter and full-year results of 2011



Keith McLoughlin  
President and Chief Executive Officer

# Electrolux strategy

*Electrolux is the most global manufacturer in the appliances sector, commanding strong positions in all regions. Electrolux is also the only player that offers solutions for both consumers and professional users. All product development in the Group is based on consumer insight. With innovative products under a strong brand in the premium segment and by leveraging the Group's global strength and scope, Electrolux aims to create a platform for profitable growth.*



Electrolux ambition is to become the best appliances company in the world, measured by shareholders, customers and employees.

## Products and services

The Group's process for consumer-driven product development is used in all new products. In recent years, a number of changes have been made to the process to further raise the level of ambition for what is delivered to consumers.

## Brand

The launch of innovative, Electrolux-branded products in Europe, North America and other markets worldwide has strengthened the Group's position in the global premium segment. Commanding a significant position in the premium segment is a crucial component of the Group's strategy for profitable growth.

## Operational excellence

Electrolux continues to adapt its manufacturing footprint and streamline operations to enhance productivity. The focus lies on global optimization of the business to further reduce costs and raise the rate of growth.

## People

An innovative culture and employees from diverse backgrounds create the ideal conditions for developing innovative products, finding new ways to work, solving problems and performing beyond expectations.

## Sustainability

To achieve leadership in its industry, Electrolux intends to demonstrate how the company improves people's lives by understanding their evolving needs and delivering smarter, more resource-efficient solutions.

## Financial goals over a business cycle

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

Operating margin of 6%

> 6%

Capital-turnover rate of 4 or higher

> 4

Return on net assets of at least 25%

> 25%

Average annual growth of 4% or more

> 4%

# Report by the Board of Directors for 2011

- Net sales amounted to SEK 101,598m (106,326) and income for the period to SEK 2,064m (3,997), corresponding to SEK 7.25 (14.04) per share.
- Net sales increased by 1.9% in comparable currencies. Acquisitions had an impact on net sales by 1.7%.
- Weak demand in mature markets while demand in emerging markets showed strong growth.
- Operating income decreased to SEK 3,017m (5,430), corresponding to an operating margin of 3.0% (5.1).
- Lower sales prices and increased costs for raw materials had an adverse impact on operating income.
- Non-recurring costs of SEK 825m were charged to operating income for overhead reductions and WEEE related costs for earlier years.
- Operating income amounted to SEK 3,980m (6,494), corresponding to a margin of 3.9% (6.1), excluding items affecting comparability and non-recurring costs.
- Acquisitions of the appliances companies Olympic Group in Egypt and CTI in Chile.
- The Board of Directors proposes a dividend for 2011 of SEK 6.50 (6.50) per share.
- The Board proposes a renewed AGM mandate to repurchase own shares.

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## Key data

SEKm	2011	Change, %	2010
Net sales	101,598	-4	106,326
Operating income	3,017	-44	5,430
Margin, %	3.0		5.1
Income after financial items	2,780	-48	5,306
Income for the period	2,064	-48	3,997
Earnings per share, SEK	7.25		14.04
Dividend per share, SEK	6.50 <sup>1)</sup>		6.50
Net debt/equity ratio	0.31		-0.03
Return on equity, %	10.4		20.6
Average number of employees	52,916		51,544

## Excluding items affecting comparability

Items affecting comparability	-138		-1,064
Operating income	3,155	-51	6,494
Margin, %	3.1		6.1
Income after financial items	2,918	-54	6,370
Income for the period	2,148	-55	4,739
Earnings per share, SEK	7.55		16.65
Return on net assets, %	13.5		31.0

## Non-recurring costs in the fourth quarter of 2011

Non-recurring costs in the fourth quarter of 2011	-825		-
Operating income excluding non-recurring costs and items affecting comparability	3,980	-39	6,494
Margin, %	3.9		6.1

1) Proposed by the Board of Directors.

# Net sales and income

## Net sales

Net sales for the Electrolux Group in 2011 amounted to SEK 101,598m, as against SEK 106,326m in the previous year. Changes in exchange rates had a negative impact on net sales. The acquisitions of Olympic Group in Egypt and CTI in Chile had a positive impact on net sales by 1.7%. Net sales were slightly positive in comparable currencies, excluding acquisitions.

Strong sales growth in Latin America and Asia/Pacific offset lower sales in mature markets as Europe and North America. Olympic Group and CTI are included in Electrolux consolidated accounts for 2011 as of September and October, respectively, see page 18 and 19.

### Change in net sales

%	2011
Changes in Group structure	1.7
Changes in exchange rates	-6.3
Changes in volume/price/mix	0.2
<b>Total</b>	<b>-4.4</b>

## Operating income

Operating income for 2011 decreased to SEK 3,017m (5,430), corresponding to 3.0% (5.1) of net sales. Weak demand in Electrolux main markets, lower sales prices and increased costs for raw materials had an adverse impact on operating income for 2011.

The contribution from the acquired companies Olympic Group and CTI including related acquisition adjustments was slightly negative. Expenses related to the acquisitions amounted to SEK 99m in 2011, see page 18 and 19.

Electrolux has been tangibly affected by the decline in consumer confidence in the mature markets. To improve cost efficiency, a number of cost-savings activities are being implemented, see page 18. Activities to reduce staffing levels in all regions were initiated in the fourth quarter of 2011 and will continue in 2012. Non-recurring costs for these activities have been charged to operating income in the amount of SEK 635m, see table below. In addition, non-recurring historical WEEE<sup>1)</sup> related costs in Hungary for the period 2005 to 2007 amounting to SEK 190m have been charged to operating income, see table below.

- Net sales for 2011 increased by 1.9% in comparable currencies. Acquisitions had an impact on net sales by 1.7%.
- Sales growth in Asia/Pacific, Latin America and Small Appliances offsets lower sales in Europe and North America.
- Operating income amounted to SEK 3,155m (6,494), corresponding to a margin of 3.1% (6.1), excluding items affecting comparability.
- Operating income declined mainly due to lower sales prices and increased costs for raw materials.
- Income for the period was SEK 2,064m (3,997).
- Earnings per share amounted to SEK 7.25 (14.04).

### Non-recurring costs

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

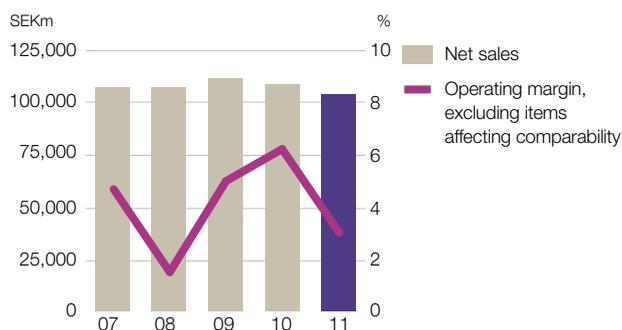
1) Producer responsibility related to Waste Electrical and Electronic Equipment (WEEE).

### Items affecting comparability

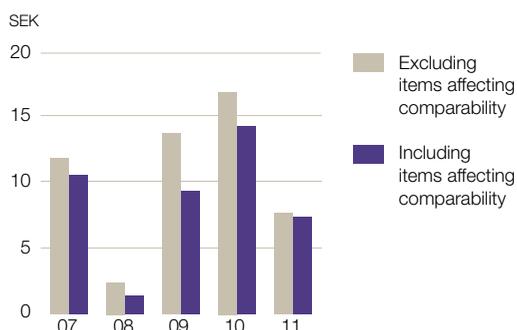
Operating income for 2011 includes items affecting comparability in the amount of SEK -138m (-1,064), referring to restructuring provisions, see table on page 18.

Excluding items affecting comparability and the non-recurring costs described above, operating income for 2011 amounted to SEK 3,980m (6,494), corresponding to a margin of 3.9% (6.1).

## Net sales and operating margin



## Earnings per share



# Consolidated income statement

SEKm	Note	2011	2010
<b>Net sales</b>	3,4	<b>101,598</b>	<b>106,326</b>
Cost of goods sold		-82,840	-82,697
<b>Gross operating income</b>		<b>18,758</b>	<b>23,629</b>
Selling expenses		-10,821	-11,698
Administrative expenses		-4,972	-5,428
Other operating income	5	230	14
Other operating expenses	6	-40	-23
Items affecting comparability	3,7	-138	-1,064
<b>Operating income</b>	3,4,8	<b>3,017</b>	<b>5,430</b>
Financial income	9	337	332
Financial expenses	9	-574	-456
<b>Financial items, net</b>		<b>-237</b>	<b>-124</b>
<b>Income after financial items</b>		<b>2,780</b>	<b>5,306</b>
Taxes	10	-716	-1,309
<b>Income for the period</b>		<b>2,064</b>	<b>3,997</b>
Available for sale instruments	11,29	-91	77
Cash flow hedges	11	111	-117
Exchange-rate differences on translation of foreign operations	11	-223	-1,108
Income tax related to other comprehensive income		-104	-30
<b>Other comprehensive income, net of tax</b>		<b>-307</b>	<b>-1,178</b>
<b>Total comprehensive income for the period</b>		<b>1,757</b>	<b>2,819</b>
Income for the period attributable to:			
Equity holders of the Parent Company		2,064	3,997
Non-controlling interests		-	-
Total comprehensive income for the period attributable to:			
Equity holders of the Parent Company		1,752	2,819
Non-controlling interests		5	-
<b>Earnings per share</b>	20		
For income attributable to the equity holders of the Parent Company:			
Basic, SEK		7.25	14.04
Diluted, SEK		7.21	13.97
<b>Average number of shares</b>	20		
Basic, million		284.7	284.6
Diluted, million		286.1	286.0

### Financial net

Net financial items declined to SEK -237m (-124). The decline is mainly due higher interest rates and increased net debt. The acquisitions of Olympic Group and CTI have impacted net debt.

### Income after financial items

Income after financial items decreased to SEK 2,780m (5,306), corresponding to 2.7% (5.0) of net sales.

### Taxes

Total taxes in 2011 amounted to SEK -716m (-1,309), corresponding to a tax rate of 25.7% (24.7).

### Income for the period and earnings per share

Income for the period amounted to SEK 2,064m (3,997), corresponding to SEK 7.25 (14.04) in earnings per share before dilution.

### Effects of changes in exchange rates

Compared to the previous year, changes in exchange rates for the full-year 2011 had a positive impact on operating income, including translation, transaction effects and hedging contracts and amounted to SEK 150m.

The effects of changes in exchange rates referred mainly to the operations in Europe, Latin America and Asia/Pacific. The strengthening of the Australian Dollar and the Brazilian Real against the US Dollar and weakening of the Euro against several other currencies have positively affected operating income. Transaction effects amounted to approximately SEK 400m. Results from hedging contracts had a positive impact of approximately SEK 75m on operating income, compared to the previous year.

Compared to the previous year, translation of income statements in subsidiaries had a negative impact on operating income of approximately SEK -325m, mainly due to the weakening of the Euro and the US Dollar against the Swedish krona.

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

### Market overview

The overall European market for appliances was unchanged over the previous year. Demand in Western Europe declined by 3% and declined in for Electrolux important markets in Southern Europe. Demand in Eastern Europe increased by 9%. Demand in

the North American market declined by 4%. The market in Brazil increased and most other markets in Latin America also improved.

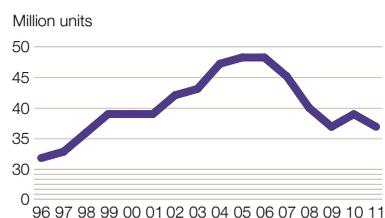
Demand for appliances in Europe in 2012 is expected to be flat or decline by up to two percent. Demand for appliances in North America is expected to be flat or increase by up to two percent.

### Operations, by business area

SEKm <sup>1)</sup>	2011	2010
<b>Major Appliances Europe, Middle East and Africa</b>		
Net sales	34,029	36,596
Operating income	709	2,297
Margin, %	2.1	6.3
<b>Major Appliances North America</b>		
Net sales	27,665	30,969
Operating income	250	1,442
Margin, %	0.9	4.7
<b>Major Appliances Latin America</b>		
Net sales	17,810	16,260
Operating income	820	951
Margin, %	4.6	5.8
<b>Major Appliances Asia/Pacific</b>		
Net sales	7,852	7,679
Operating income	736	793
Margin, %	9.4	10.3
<b>Small Appliances</b>		
Net sales	8,359	8,422
Operating income	543	802
Margin, %	6.5	9.5
<b>Professional Products</b>		
Net sales	5,882	6,389
Operating income	841	743
Margin, %	14.3	11.6
<b>Other</b>		
Net sales	1	11
Operating income, common group costs, etc.	-744	-534
<b>Total net sales</b>	<b>101,598</b>	<b>106,326</b>
<b>Operating income</b>	<b>3,155</b>	<b>6,494</b>
<b>Margin, %</b>	<b>3.1</b>	<b>6.1</b>

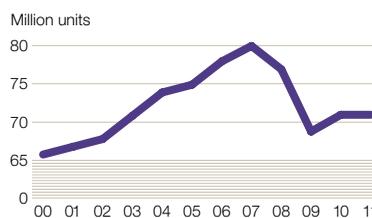
1) Excluding items affecting comparability.

### Shipments of core appliances in North America



A total of approximately 37 million core appliances were sold in North America in 2011, which corresponds to a decline of 4% compared to 2010.

### Shipments of core appliances in Europe, excl. Turkey



A total of approximately 71 million core appliances were sold in Europe in 2011, which were in line with the previous year. Demand in Western Europe declined by 3% while Eastern Europe increased by 9%.

# Operations by business area

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

In 2011, appliances accounted for 86% (86) of sales, professional products for 6% (6) and small appliances for 8% (8).

## Major Appliances Europe, Middle East and Africa

SEKm <sup>1)</sup>	2011	2010
Net sales	34,029	36,596
Operating income excluding non-recurring costs	1,399	2,297
Operating income	709	2,297
Operating margin, %	2.1	6.3
Net assets	9,450	6,813
Return on net assets, %	8.1	31.4
Capital expenditure	1,199	1,409
Average number of employees	20,847	19,245

1) Excluding items affecting comparability.

## Non-recurring costs

SEKm	2011	2010
Reduction of staffing levels	500	—
WEEE related costs	190	—

Overall demand for appliances in Europe 2011 was unchanged in comparison with the previous year. Demand in Western Europe declined by 3%. Demand declined in for Electrolux important markets in Southern Europe such as Italy. Demand in Eastern Europe rose by 9%, mainly as a result of increased demand in Russia.

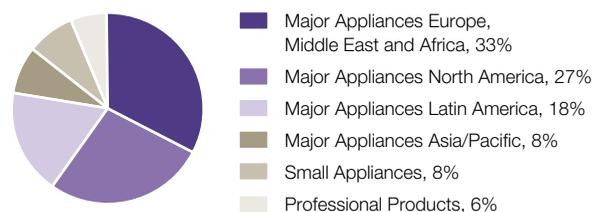
Group sales in Europe declined in 2011, mainly because of lower sales prices and a negative country mix. Higher sales in Eastern Europe and lower sales in Western Europe had a negative impact on the Group's sales mix. The acquired company Olympic Group in Egypt contributed to increased sales.

- Continued weak demand in Electrolux major markets in 2011.
- The North American market decreased by 4%. The European market was unchanged.
- Net sales increased by 1.9% in comparable currencies. Acquisitions had an impact on net sales by 1.7%.
- Sales were positively impacted by volume growth in emerging markets, while lower sales prices had a negative impact on net sales.
- Lower sales prices and higher costs for raw materials had an adverse impact on operating income.
- Solid results in a tough environment for operations in Latin America, Asia/Pacific and for Small Appliances and Professional Products.
- Average number of employees increased to 52,916 (51,544).

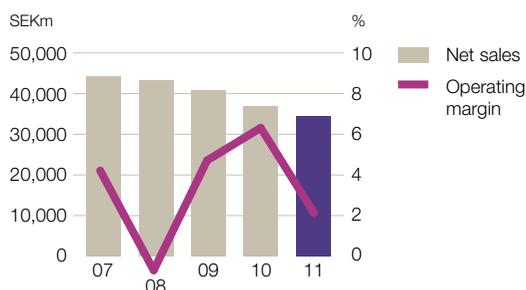
Operating income for 2011 declined. Costs for measures to reduce overheads in Europe amounting to SEK 500m and WEEE related costs in Hungary totaling SEK 190m were charged to operating income in 2011. In addition, lower sales prices, a negative country mix and higher costs for raw materials had a negative impact on operating income. Meanwhile, the product mix improved as a result of the successful launch of new premium products.

The contribution from Olympic Group including related acquisition adjustments was slightly negative. Read more about the acquisition of Olympic Group on page 19 and in Note 26.

## Share of sales by business area



## Major Appliances Europe, Middle East and Africa



**Major Appliances North America**

SEKm <sup>1)</sup>	2011	2010
Net sales	27,665	30,969
Operating income excluding non-recurring costs	265	1,442
Operating income	250	1,442
Operating margin, %	0.9	4.7
Net assets	5,316	7,012
Return on net assets, %	4.8	21.8
Capital expenditure	700	692
Average number of employees	11,174	11,727

1) Excluding items affecting comparability.

**Non-recurring costs**

SEKm	2011	2010
Reduction of staffing levels	15	—

Market demand in North America for core appliances declined by 4% during the year. Major appliances, including room air-conditioners and microwave ovens, declined by 1%. Room air-conditioners showed strong growth during the year, rising by almost 20%.

Group sales in North America decreased compared to the year-earlier period due to lower sales volumes.

Operating income declined mainly due to lower sales volumes, reduced capacity utilization in production. In addition, increased costs for raw materials, sourced products and transportation had a negative impact on operating income.

Measures to reduce overheads amounting to SEK 15m were charged to operating income for 2011.

**Major Appliances Latin America**

SEKm <sup>1)</sup>	2011	2010
Net sales	17,810	16,260
Operating income	820	951
Operating margin, %	4.6	5.8
Net assets	7,468	3,146
Return on net assets, %	21.2	30.4
Capital expenditure	526	650
Average number of employees	11,537	11,246

1) Excluding items affecting comparability.

Market demand for appliances in Brazil is estimated to have increased in 2011 compared to the previous year. Several other Latin American markets showed favorable growth during the year.

The Group's sales rose as a result of higher sales volumes and Electrolux continued to capture market shares in Brazil and in other Latin American markets, the latter of which accounted for about 22% of consolidated sales in Latin America during 2011. Sales have been positively impacted by the acquisition of the Chilean appliances manufacturer CTI.

Operating income declined compared to the previous year on the basis of a weaker customer mix and increased costs for raw materials. The consolidation that has taken place among several retailers in the Brazilian market had an adverse impact on the customer mix compared to 2010, although to a lesser extent during the latter part of 2011.

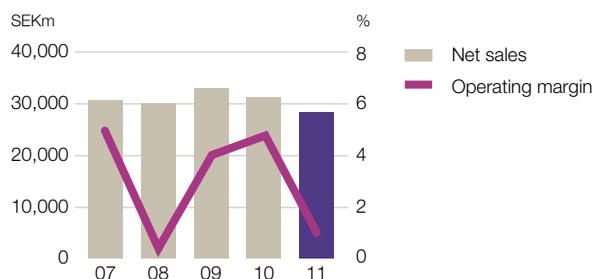
The contribution from the acquisition of CTI, including related acquisition adjustments, was positive. Read more about the acquisition of CTI on page 18 and in Note 26.

**Net sales and operating income 2011 compared to 2010<sup>1)</sup>**

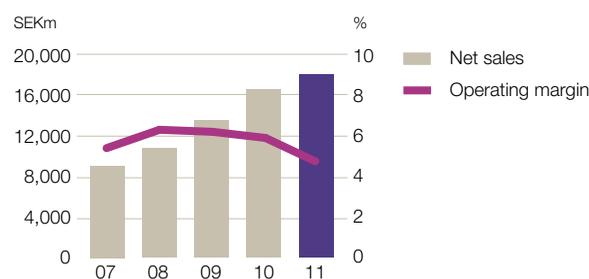
Change, year-over-year, %	Net sales	Net sales in comparable currencies	Operating income	Operating income in comparable currencies
<b>Major Appliances:</b>				
Europe, Middle East and Africa	-7.0	-2.2	-69.1	-67.2
North America	-10.7	-1.3	-82.7	-81.1
Latin America	9.5	16.5	-13.8	-8.1
Asia/Pacific	2.3	3.2	-7.2	-7.9
<b>Small Appliances</b>	-0.7	6.0	-32.3	-29.5
<b>Professional Products</b>	-7.9	-3.7	13.2	18.5
<b>Total change</b>	<b>-4.4</b>	<b>1.9</b>	<b>-51.4</b>	<b>-48.9</b>

1) Excluding items affecting comparability.

**Major Appliances North America**



**Major Appliances Latin America**



### Major Appliances Asia/Pacific

SEKm <sup>1)</sup>	2011	2010
Net sales	7,852	7,679
Operating income excluding non-recurring costs	756	793
Operating income	736	793
Operating margin, %	9.4	10.3
Net assets	2,040	2,020
Return on net assets, %	37.5	40.6
Capital expenditure	286	198
Average number of employees	3,296	3,165

1) Excluding items affecting comparability.

### Non-recurring costs

SEKm	2011	2010
Reduction of staffing levels	20	—

Market demand for appliances in Australia is estimated to have increased in 2011 compared to the previous year.

Group sales declined, primarily as a result of price pressure in the market. The strong AUD enabled producers that import products to reduce their prices.

Operating income declined for 2011, mainly as a consequence of lower sales prices, increased costs for raw materials and sourced products.

Market demand in Southeast Asia and China is estimated to have grown in 2011 compared to the previous year. Electrolux sales in markets in Southeast Asia and China display strong growth and Electrolux market shares are estimated to have grown. The operations in Southeast Asia showed a favorable profitability throughout 2011.

Measures to reduce overheads amounting to SEK 20m had a negative impact on operating income for the whole region.

### Small Appliances

SEKm <sup>1)</sup>	2011	2010
Net sales	8,359	8,422
Operating income excluding non-recurring costs	588	802
Operating income	543	802
Operating margin, %	6.5	9.5
Net assets	2,210	1,723
Return on net assets, %	31.1	48.3
Capital expenditure	118	116
Average number of employees	2,572	2,625

1) Excluding items affecting comparability.

### Non-recurring costs

SEKm	2011	2010
Reduction of staffing levels	45	—

Market demand for vacuum cleaners in Europe and North America declined in 2011, compared with the previous year.

Group sales increased in comparable currencies compared to the previous year, primarily as a result of higher sales volumes and an improved product mix. The acquisition of CTI's subsidiary Somela, a small appliances manufacturer in Chile, made a positive contribution to sales.

Operating income decreased, primarily due to higher costs for sourced products and lower sales prices. An improved product mix and sales growth for small domestic appliances though had a positive impact on operating income.

Measures to reduce overheads amounting to SEK 45m were charged to operating income in 2011.

### Professional Products

SEKm <sup>1)</sup>	2011	2010
Net sales	5,882	6,389
Operating income	841	743
Operating margin, %	14.3	11.6
Net assets	932	874
Return on net assets, %	91.8	82.8
Capital expenditure	287	96
Average number of employees	2,581	2,671

1) Excluding items affecting comparability.

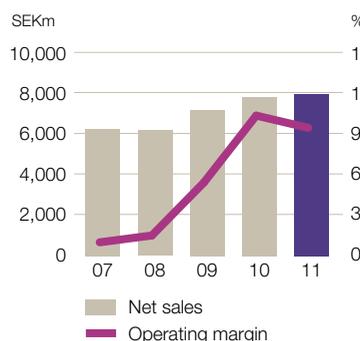
Market demand in Europe for food-service equipment is estimated to have declined in 2011 compared to the previous year.

Operating income for food-service equipment deteriorated due to lower sales volumes primarily in Southern Europe, where Electrolux commands a strong position, and increased raw-material costs. Price increases largely offset the higher costs for raw materials.

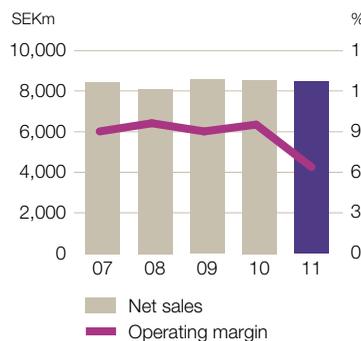
Market demand for professional laundry equipment is estimated to have declined somewhat in the Group's major markets in Western Europe and sales volumes declined. Replacement products are accounting for a large share of the current demand in the market at the same time as demand for spare parts is rising.

Operating income for professional laundry equipment improved however, compared to 2010, as a result of price increases and higher sales volumes, which offset the rising costs of raw materials.

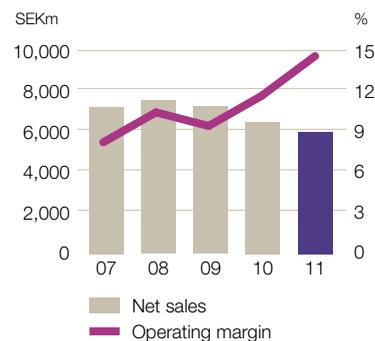
### Major Appliances Asia/Pacific



### Small Appliances



### Professional Products



# Financial position

## Working capital and net assets

SEKm	Dec. 31, 2011	% of annual- ized net sales	Dec. 31, 2010	% of annual- ized net sales
Inventories	11,957	10.5	11,130	10.2
Trade receivables	19,226	17.0	19,346	17.7
Accounts payable	-18,490	-16.3	-17,283	-15.8
Provisions	-9,776		-10,009	
Prepaid and accrued income and expenses	-6,598		-7,095	
Taxes and other assets and liabilities	-1,499		-1,991	
<b>Working capital</b>	<b>-5,180</b>	<b>-4.6</b>	<b>-5,902</b>	<b>-5.4</b>
Property, plant and equipment	15,613		14,630	
Goodwill	6,008		2,295	
Other non-current assets	8,717		6,706	
Deferred tax assets and liabilities	1,853		2,175	
<b>Net assets</b>	<b>27,011</b>	<b>23.8</b>	<b>19,904</b>	<b>18.2</b>
Average net assets	22,091	21.7	19,545	18.4
Return on net assets, %	13.7		27.8	
Return on net assets, excluding items affecting comparability, %	13.5		31.0	

## Net assets and working capital

Average net assets for the period amounted to SEK 22,091m (19,545). Net assets as of December 31, 2011, amounted to SEK 27,011m (19,904). Net assets have been impacted by the acquisitions of Olympic Group and CTI with SEK 7,544m.

Adjusted for items affecting comparability, i.e., restructuring provisions, average net assets increased to SEK 23,354m (20,940), corresponding to 23.0% (19.7) of net sales.

Working capital as of December 31, 2011, amounted to SEK -5,180m (-5,902), corresponding to -4.6% (-5.4) of annualized net sales.

The return on net assets was 13.7% (27.8), and 13.5% (31.0), excluding items affecting comparability.

## Net borrowings

Net borrowings amounted to SEK 6,367m (-709). The net debt/equity ratio was 0.31 (-0.03). The equity/assets ratio was 30.1% (33.9).

- Equity/assets ratio was 30.1% (33.9).
- Return on equity was 10.4% (20.6).
- Efforts to reduce working capital have contributed to a solid balance sheet.
- Net assets have been impacted by the acquisitions of Olympic Group and CTI with SEK 7,544m.
- Net borrowings amounted to SEK -6,367m (-709).

Electrolux has issued in total SEK 3,500m in bond loans under the EMTN program during 2011.

During 2011, SEK 1,161m of long-term borrowings were amortized. Long-term borrowings as of December 31, 2011, including long-term borrowings with maturities within 12 months, amounted to SEK 11,669m with average maturities of 3.0 years, compared to SEK 9,590m and 3.3 years at the end of 2010. A significant portion of long-term borrowings is raised in the Euro and Swedish bond markets. In 2011, a bilateral loan of SEK 1,000m, maturing 2013, was prolonged to 2017.

During 2012 and 2013, long-term borrowings in the amount of approximately SEK 4,100m will mature. Liquid funds as of December 31, 2011, amounted to SEK 7,839m (12,805), excluding short-term back-up facilities, see page 14.

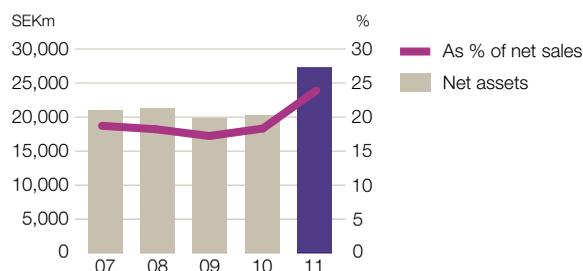
## Net borrowings

SEKm	Dec. 31, 2011	Dec. 31, 2010
Borrowings	14,206	12,096
Liquid funds	7,839	12,805
<b>Net borrowings</b>	<b>6,367</b>	<b>-709</b>
Net debt/equity ratio	0.31	-0.03
<b>Equity</b>	<b>20,644</b>	<b>20,613</b>
Equity per share, SEK	72.52	72.41
Return on equity, %	10.4	20.6
Return on equity, excluding items affecting comparability, %	10.8	24.4
Equity/assets ratio, %	30.1	33.9

## Change in net assets

SEKm	Net assets
<b>January 1, 2011</b>	<b>19,904</b>
Acquisitions of operations	7,544
Divestments of operations	-614
Change in restructuring provisions	-68
Write-down of assets	-137
Changes in exchange rates	-697
Capital expenditure	3,163
Depreciation	-3,173
Other changes in fixed assets and working capital, etc.	1,089
<b>December 31, 2011</b>	<b>27,011</b>

## Net assets



Net assets as of December 31, 2011, amounted to SEK 27,011m, corresponding to 23.8% of annualized net sales.

# Consolidated balance sheet

SEKm	Note	December 31, 2011	December 31, 2010
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	12	15,613	14,630
Goodwill	13	6,008	2,295
Other intangible assets	13	5,146	3,276
Investments in associates	29	18	17
Deferred tax assets	10	2,980	2,981
Financial assets	18	517	577
Other non-current assets	14	3,036	2,836
<b>Total non-current assets</b>		<b>33,318</b>	<b>26,612</b>
<b>Current assets</b>			
Inventories	15	11,957	11,130
Trade receivables	17,18	19,226	19,346
Tax assets		666	367
Derivatives	18	252	386
Other current assets	16	3,662	3,569
Short-term investments	18	337	1,722
Cash and cash equivalents	18	6,966	10,389
<b>Total current assets</b>		<b>43,066</b>	<b>46,909</b>
<b>Total assets</b>		<b>76,384</b>	<b>73,521</b>
<b>Equity and liabilities</b>			
<b>Equity attributable to equity holders of the Parent Company</b>			
Share capital	20	1,545	1,545
Other paid-in capital	20	2,905	2,905
Other reserves	20	324	636
Retained earnings	20	15,761	15,527
		<b>20,535</b>	<b>20,613</b>
Non-controlling interests		109	—
<b>Total equity</b>		<b>20,644</b>	<b>20,613</b>
<b>Non-current liabilities</b>			
Long-term borrowings	18	9,639	8,413
Deferred tax liabilities	10	1,127	806
Provisions for post-employment benefits	22	2,111	2,486
Other provisions	23	5,300	5,306
<b>Total non-current liabilities</b>		<b>18,177</b>	<b>17,011</b>
<b>Current liabilities</b>			
Accounts payable	18	18,490	17,283
Tax liabilities		1,717	1,868
Other liabilities	24	10,497	10,907
Short-term borrowings	18	4,170	3,139
Derivatives	18	324	483
Other provisions	23	2,365	2,217
<b>Total current liabilities</b>		<b>37,563</b>	<b>35,897</b>
<b>Total liabilities</b>		<b>55,740</b>	<b>52,908</b>
<b>Total equity and liabilities</b>		<b>76,384</b>	<b>73,521</b>
<b>Pledged assets</b>	19	<b>94</b>	<b>70</b>
<b>Contingent liabilities</b>	25	<b>1,276</b>	<b>1,062</b>

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 1.2 year (0.9).

At year-end, the average interest rate for the Group's total interest-bearing borrowings was 3.7% (3.2).

**Liquid funds**

At year-end, liquid funds amounted to SEK 7,839m (12,805). Liquid funds corresponded to 6.9% (11.7) of annualized net sales. The acquisitions of Olympic Group and CTI have impacted liquid funds negatively for 2011.

Electrolux has two unutilized back-up credit facilities. In 2011, Electrolux replaced an existing committed revolving credit facility with a new committed EUR 500m multi-currency revolving credit facility maturing in 2016, with extension options for up to two more years. Electrolux also has an additional unused committed credit facility of SEK 3,400m maturing 2017.

**Liquidity profile**

SEKm	Dec. 31, 2011	Dec. 31, 2010
Liquid funds	7,839	12,805
% of annualized net sales <sup>1)</sup>	13.9	18.9
Net liquidity	3,272	9,122
Fixed interest term, days	18	34
Effective annual yield, %	3.6	2.8

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

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

**Rating**

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

**Rating**

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

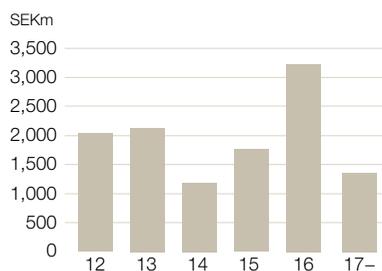
**Net debt/equity and equity/assets ratio**

The net debt/equity ratio was 0.31 (-0.03). The equity/assets ratio decreased to 30.1% (33.9).

**Equity and return on equity**

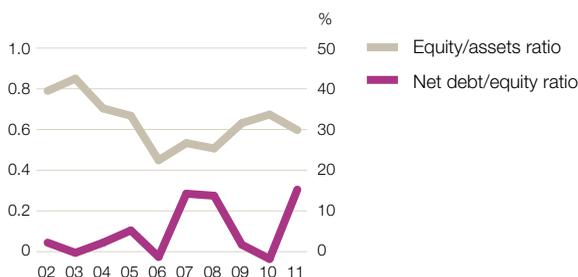
Total equity as of December 31, 2011, amounted to SEK 20,644m (20,613), which corresponds to SEK 72.52 (72.41) per share. Return on equity was 10.4% (20.6). Excluding items affecting comparability, return on equity was 10.8% (24.4).

**Long-term borrowings, by maturity**



In 2012 and 2013, long-term borrowings in the amount of approx. SEK 4,100m will mature. For information on borrowings, see Note 18.

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



The net debt/equity ratio increased to 0.31 (-0.03). The equity/assets ratio decreased to 30.1% (33.9) in 2011.

# Change in consolidated equity

SEKm	Attributable to equity holders of the Parent Company					Non-controlling interests	Total equity
	Share capital	Other paid-in capital	Other reserves	Retained earnings	Total		
<b>Opening balance, January 1, 2010</b>	<b>1,545</b>	<b>2,905</b>	<b>1,814</b>	<b>12,577</b>	<b>18,841</b>	—	<b>18,841</b>
<b>Income for the period</b>	—	—	—	<b>3,997</b>	<b>3,997</b>	—	<b>3,997</b>
Available for sale instruments	—	—	77	—	77	—	77
Cash flow hedges	—	—	-117	—	-117	—	-117
Exchange-rate differences on translation of foreign operations	—	—	-1,108	—	-1,108	—	-1,108
Income tax relating to other comprehensive income	—	—	-30	—	-30	—	-30
<b>Other comprehensive income, net of tax</b>	—	—	<b>-1,178</b>	—	<b>-1,178</b>	—	<b>-1,178</b>
<b>Total comprehensive income for the period</b>	—	—	<b>-1,178</b>	<b>3,997</b>	<b>2,819</b>	—	<b>2,819</b>
Share-based payment	—	—	—	73	73	—	73
Sale of shares	—	—	—	18	18	—	18
Dividend SEK 4.00 per share	—	—	—	-1,138	-1,138	—	-1,138
<b>Total transactions with equity holders</b>	—	—	—	<b>-1,047</b>	<b>-1,047</b>	—	<b>-1,047</b>
<b>Closing balance, December 31, 2010</b>	<b>1,545</b>	<b>2,905</b>	<b>636</b>	<b>15,527</b>	<b>20,613</b>	—	<b>20,613</b>
<b>Income for the period</b>	—	—	—	<b>2,064</b>	<b>2,064</b>	—	<b>2,064</b>
Available for sale instruments	—	—	-91	—	-91	—	-91
Cash flow hedges	—	—	111	—	111	—	111
Exchange-rate differences on translation of foreign operations	—	—	-228	—	-228	5	-223
Income tax relating to other comprehensive income	—	—	-104	—	-104	—	-104
<b>Other comprehensive income, net of tax</b>	—	—	<b>-312</b>	—	<b>-312</b>	<b>5</b>	<b>-307</b>
<b>Total comprehensive income for the period</b>	—	—	<b>-312</b>	<b>2,064</b>	<b>1,752</b>	<b>5</b>	<b>1,757</b>
Share-based payment	—	—	—	29	29	—	29
Sale of shares	—	—	—	—	—	—	—
Dividend SEK 6.50 per share	—	—	—	-1,850	-1,850	—	-1,850
Acquisition of non-controlling interests	—	—	—	-9	-9	105	96
Dividend to non-controlling interests	—	—	—	—	—	-1	-1
<b>Total transactions with equity holders</b>	—	—	—	<b>-1,830</b>	<b>-1,830</b>	<b>104</b>	<b>-1,726</b>
<b>Closing balance, December 31, 2011</b>	<b>1,545</b>	<b>2,905</b>	<b>324</b>	<b>15,761</b>	<b>20,535</b>	<b>109</b>	<b>20,644</b>

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

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

# Cash flow

## Operating cash flow

Cash flow from operations and investments in the full year of 2011 amounted to SEK -4,650m (3,206). The acquisitions of CTI and Olympic Group have impacted cash flow by SEK -5,855m. Excluding acquisitions and divestments, cash flow from operations and investments amounted to SEK 906m (3,199). The decline referred mainly to the deterioration in income.

The Group's ongoing structural efforts to reduce tied-up capital has contributed to the cash flow from operating assets and liabilities.

Outlays for the ongoing restructuring and cost-cutting programs amounted to approximately SEK -660m in 2011.

Investments during the year referred mainly to new products and production capacity.

### Capital expenditure, by business area

SEKm	2011	2010
<b>Major Appliances</b>		
Europe, Middle East and Africa	1,199	1,409
% of net sales	3.5	3.9
North America	700	692
% of net sales	2.5	2.2
Latin America	526	650
% of net sales	3.0	4.0
Asia/Pacific	286	198
% of net sales	3.6	2.6
<b>Small Appliances</b>	118	116
% of net sales	1.4	1.4
<b>Professional Products</b>	287	96
% of net sales	4.9	1.5
Other	47	60
<b>Total</b>	<b>3,163</b>	<b>3,221</b>
% of net sales	3.1	3.0

- Cash flow was negatively impacted by acquisitions and the decline in earnings.
- Capital expenditure was in line with the previous year, amounting to SEK 3,163m (3,221).
- R&D costs increased to 2.0% (1.9) of net sales.

## Capital expenditure

Capital expenditure in property, plant and equipment in 2011 amounted to SEK 3,163m (3,221). Capital expenditure corresponded to 3.1% (3.0) of net sales. Investments during 2011 referred mainly to investments within production for efficiency improvements for new products and production capacity.

## Costs for R&D

Costs for research and development in 2011, including capitalization of SEK 374m (396), amounted to SEK 2,043m (1,993), corresponding to 2.0% (1.9) of net sales.

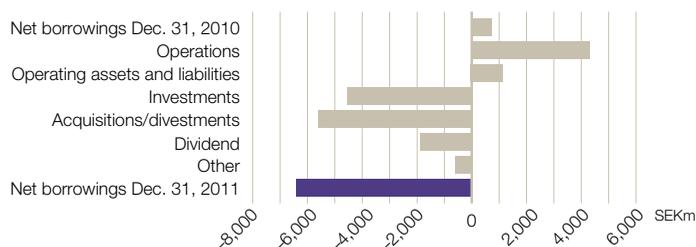
For definitions, see Note 30.

## Capital expenditure



Capital expenditure in 2011 amounted to SEK 3,163m (3,221).

## Cash flow and change in net borrowings



# Consolidated cash flow statement

SEKm	Note	2011	2010
<b>Operations</b>			
Operating income		3,017	5,430
Depreciation and amortization		3,173	3,328
Capital gain/loss included in operating income		-207	4
Restructuring provisions		110	294
Share-based compensation		29	73
Financial items paid, net		-214	-72
Taxes paid		-1,625	-1,316
<b>Cash flow from operations, excluding change in operating assets and liabilities</b>		<b>4,283</b>	<b>7,741</b>
<b>Change in operating assets and liabilities</b>			
Change in inventories		269	-1,755
Change in trade receivables		244	-216
Change in other current assets		200	-977
Change in accounts payable		1,379	2,624
Change in operating liabilities and provisions		-976	263
<b>Cash flow from change in operating assets and liabilities</b>		<b>1,116</b>	<b>-61</b>
<b>Cash flow from operations</b>		<b>5,399</b>	<b>7,680</b>
<b>Investments</b>			
Acquisition of operations	26	-6,377	—
Divestment of operations	26	821	7
Capital expenditure in property, plant and equipment	12	-3,163	-3,221
Capitalization of product development	13	-374	-396
Capitalization of computer software	13	-744	-688
Other		-212	-176
<b>Cash flow from investments</b>		<b>-10,049</b>	<b>-4,474</b>
<b>Cash flow from operations and investments</b>		<b>-4,650</b>	<b>3,206</b>
<b>Financing</b>			
Change in short-term investments		1,444	1,306
Change in short-term borrowings		-619	-1,768
New long-term borrowings	18	3,503	380
Amortization of long-term borrowings	18	-1,161	-1,039
Dividend		-1,850	-1,138
Sale of shares		—	18
<b>Cash flow from financing</b>		<b>1,317</b>	<b>-2,241</b>
<b>Total cash flow</b>		<b>-3,333</b>	<b>965</b>
<b>Cash and cash equivalents at beginning of period</b>		<b>10,389</b>	<b>9,537</b>
Exchange-rate differences referring to cash and cash equivalents		-90	-113
<b>Cash and cash equivalents at end of period</b>		<b>6,966</b>	<b>10,389</b>

# Structural changes and acquisitions

## Actions to improve operational excellence

At Electrolux Capital Markets Day in November 2011, management presented the Group's strategy to create sustainable economic value by; capitalizing on profitable growth opportunities, speeding up the product-innovation cycle and continuing to improve operational excellence.

To improve cost efficiency, a number of cost-savings activities are being implemented. Electrolux has been tangibly affected by the decline in consumer confidence in mature markets. To adapt the manufacturing capacity, further restructuring measures within manufacturing will be implemented which are estimated to generate annual savings of SEK 1.6 billion as of 2016. Costs for these measures amount to approximately SEK 3.5 billion.

At the same time, overhead costs will be reduced by approximately SEK 680m. Activities to reduce staffing levels in all regions were initiated in the fourth quarter of 2011 and will continue in 2012. Costs for these actions amounting to SEK 635m were charged against operating income in the fourth quarter, see table on page 6.

Activities to capitalize on the Group's shared global strength and scope to escalate the pace in unlocking global synergies, increase modularization and optimize purchasing are being implemented. Costs for these activities amount to a total of about SEK 1 billion in 2011 and 2012. The annual savings are estimated to approximately SEK 3 billion as of 2015.

In total, these actions to improve operational excellence will provide annual savings of SEK 5.3 billion. Costs for these activities amount to SEK 5.1 billion.

## Improving efficiency within dish-washing production

To optimize and improve global efficiency and capacity utilization within the Group's dish-washing manufacturing, one production line of dishwashers at the manufacturing facility in Kinston, North Carolina in the US, will be discontinued. The production will be transferred to one of the Group's production facilities in Europe. The costs for these activities of SEK 104m were charged to operating income in 2011, within items affecting comparability. The plant in Kinston will continue to produce dishwashers for the North American market.

## Acquisition of Chilean appliances company CTI

During the fourth quarter, Electrolux completed the acquisition of the Chilean appliances company Compañía Tecno Industrial S.A. (CTI) and its subsidiaries. In Chile, CTI group manufactures refrigerators, stoves, washing machines and heaters, sold under the brands Fensa and Mademsa, and is the leading manufacturer with a volume market share of 36%. CTI group also holds a leading position in Argentina with the GAFA brand and in Chile, Somela is the largest supplier of small domestic appliances. CTI group has 2,200 employees and two manufacturing sites in Chile and one site in Argentina.

The acquisition is part of Electrolux strategy to grow in emerging markets. The acquisition makes Electrolux the largest supplier of appliances in Chile and Argentina, and further enhances Electrolux position as a leading appliances company in the fast-growing Latin American markets.

## Items affecting comparability

Restructuring provisions and write-downs	2011	2010
SEKm		
Appliances plant in Kinston, North Carolina, USA	-104	—
Appliances plant in L'Assomption, Canada	—	-426
Workforce reduction in manufacturing, Europe	-54	-356
Appliances plant in Revin, France	—	-71
Appliances plant in Forli, Italy	—	-136
Appliances plant in Motala, Sweden	—	-95
Reversal of unused restructuring provisions	20	20
<b>Total</b>	<b>-138</b>	<b>-1,064</b>

CTI group is included in the consolidated accounts of Electrolux as of October 1, 2011, within the business areas Major Appliances Latin America and Small Appliances. The total consideration paid for the acquired shares in CTI group is SEK 3,804m, which was paid in cash in October 2011. The preliminary purchase price allocation concludes that goodwill mounts to a value of SEK 2,104m. Expenses related to the acquisition amounted to SEK 56m in 2011 and has been reported as administrative expenses in Electrolux income statement of 2011. The acquisition is described in more detail in Note 26.

### Acquisition of Olympic Group

During the third quarter, Electrolux completed the acquisition of the Egyptian major appliances manufacturer Olympic Group for Financial Investments S.A.E. (Olympic Group). Olympic Group is a leading manufacturer of appliances in the Middle East with a volume market share in Egypt of approximately 30%. The company has 7,100 employees and manufactures washing machines, refrigerators, cookers and water heaters. The acquisition is part of Electrolux strategy to grow in emerging markets like the Middle East and Africa.

Olympic Group is included in the consolidated accounts of Electrolux as of September 1, 2011, within the business area Major Appliances Europe, Middle East and Africa.

The total consideration for the acquired shares in Olympic Group is SEK 2,556m, which was paid in cash at the beginning of September 2011. The purchase price allocation concludes that goodwill amounts to a value of SEK 1,495m. Expenses related to the acquisition amounted to SEK 24m in 2010 and to SEK 43m in 2011 and have been reported as administrative expenses in Electrolux income statement. The acquisition is described in more detail in Note 26.

### Consideration

SEKm	Olympic Group	CTI	Total
Cash paid	2,556	3,804	6,360
<b>Total</b>	<b>2,556</b>	<b>3,804</b>	<b>6,360</b>

### Recognized amounts of identifiable assets acquired and liabilities assumed at fair value

SEKm			
Property, plant and equipment	555	382	937
Intangible assets	516	1,012	1,528
Inventories	577	734	1,311
Trade receivables	195	763	958
Other current and non-current assets	236	310	546
Accounts payable	-223	-189	-412
Other operating liabilities	-574	-886	-1,460
Current assets classified as held for sale	537	—	537
<b>Total identifiable net assets acquired</b>	<b>1,819</b>	<b>2,126</b>	<b>3,945</b>
Cash and cash equivalents	34	114	148
Borrowings	-723	-499	-1,222
<b>Assumed net debt</b>	<b>-689</b>	<b>-385</b>	<b>-1,074</b>
<b>Non-controlling interests</b>	<b>-69</b>	<b>-41</b>	<b>-110</b>
<b>Goodwill</b>	<b>1,495</b>	<b>2,104</b>	<b>3,599</b>
<b>Total</b>	<b>2,556</b>	<b>3,804</b>	<b>6,360</b>

Olympic Group and CTI are included in Electrolux consolidated accounts as of September and October, respectively.

### Relocation of production, items affecting comparability, restructuring measures

Plant closures and cutbacks			Closed
Torsvik	Sweden	Compact appliances	Q1 2007
Nuremberg	Germany	Dishwashers, washing machines and dryers	Q1 2007
Adelaide	Australia	Dishwashers	Q2 2007
Fredericia	Denmark	Cookers	Q4 2007
Adelaide	Australia	Washing machines	Q1 2008
Spennymoor	UK	Cookers	Q4 2008
Changsha	China	Refrigerators	Q1 2009
Scandicci	Italy	Refrigerators	Q2 2009
St. Petersburg	Russia	Washing machines	Q2 2010
Motala <sup>1)</sup>	Sweden	Cookers	Q1 2011
Webster City	USA	Washing machines	Q1 2011
Alcalá	Spain	Washing machines	Q1 2011

1) Divestment

Authorized closures			Estimated closure
L'Assomption	Canada	Cookers	Q4 2013
Investment			Starting
Porcia	Italy	Washing machines	Q4 2010
Memphis	USA	Cookers	Q2 2012

In 2004, Electrolux initiated a restructuring program to make the Group's production competitive in the long term. This program is in its final phase and has so far yielded annual savings of about SEK 3bn. About 35% of manufacturing in high-cost areas have been moved and more than 60% of the Group's household appliances are currently manufactured in low-cost areas that are near rapidly-growing markets for household appliances. In 2011, additional measures were presented to further adapt capacity in mature markets to lower demand. The total cost for the whole program will be approximately SEK 12bn and savings will amount to approximately SEK 5bn annually as of 2016. Restructuring provisions and write-downs are reported as items affecting comparability within operating income.

For information on provisions in 2011, see table on page 18.

# Share capital and ownership

## Share capital and ownership structure

As of February 1, 2012, the share capital of AB Electrolux amounted to SEK 1,545m, corresponding to 308,920,308 shares. The share capital of Electrolux consists of Class A shares and Class B shares. An A-share entitles the holder to one vote and a B-share to one-tenth of a vote. All shares entitle the holder to the same proportion of assets and earnings and carry equal rights in terms of dividends. In accordance with the Swedish Companies Act, the Articles of Association of Electrolux also provide for specific rights of priority for holders of different types of shares, in the event that the company issues new shares or certain other instruments.

According to Electrolux Articles of Association, owners of Class A shares have the right to have such shares converted to Class B shares. The purpose of the conversion clause is to give holders of Class A shares an opportunity to achieve improved liquidity in their shareholdings. Conversion reduces the total number of votes in the company. In 2011, at the request of shareholders, 850,400 Class A shares were converted to Class B shares. After the conversion, the total number of votes amounts to 38,283,483.

The total number of registered shares in the company thereafter amounts to 308,920,308 shares, of which 8,212,725 are Class A shares and 300,707,583 are Class B shares, see table on page 21.

### Major shareholders

	Share capital, %	Voting rights, %
Investor AB	15.5	29.9
Alecta Pension Insurance	9.0	8.4
Swedbank Robur Funds	4.8	3.9
Nordea Funds	3.1	2.5
AMF Insurance & Funds	2.4	2.0
SEB Funds	1.9	1.5
Didner & Gerge Funds	1.4	1.1
SHB Funds	1.2	1.0
Government of Norway	1.1	0.9
Carnegie Funds	1.0	0.8
<b>Total, ten largest shareholders</b>	<b>41.4</b>	<b>52.0</b>
Board of Directors and Group Management, collectively	0.12	0.10

Source: SIS Ägarservice as of December 31, 2011, and Electrolux.

According to the register of Euroclear Sweden, there were approximately 58,840 shareholders in AB Electrolux as of December 31, 2011. Investor AB is the largest shareholder, owning 15.5% of the share capital and 29.9% of the voting rights. Information on the shareholder structure is updated quarterly at [www.electrolux.com](http://www.electrolux.com).

One of the Group's pension funds owned 450,000 Class B shares in AB Electrolux as of February 1, 2012.

## Articles of Association

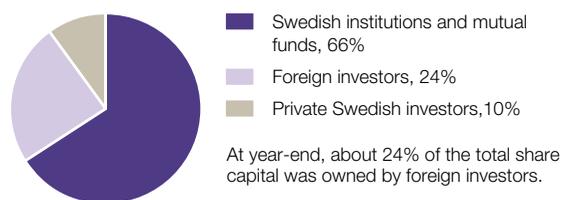
AB Electrolux Articles of Association stipulate that the Annual General Meeting (AGM) shall always resolve on the appointment of the members of the Board of Directors. Apart from that, the articles do not include any provisions for appointing or dismissing members of the Board of Directors or for changing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

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

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

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

## Ownership structure



## Distribution of shareholdings

Shareholding	Ownership, %	Number of shareholders	As % of shareholders
1-1,000	4.5	51,201	87.0
1,001-10,000	5.9	6,671	11.3
10,001-20,000	1.7	353	0.6
20,001-	87.9	617	1.0
<b>Total</b>	<b>100</b>	<b>58,842</b>	<b>100</b>

Source: SIS Ägarservice as of December 31, 2011.

# Distribution of funds to shareholders

## Proposed dividend

The Board of Directors proposes a dividend for 2011 of SEK 6.50 (6.50) per share, for a total dividend payment of approximately SEK 1,850m (1,850). The proposed dividend corresponds to approximately 85% (40) of income for the period, excluding items affecting comparability. Friday, March 30, 2012, 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 repurchases and redemptions of shares as well as dividends.

## Acquisition of own shares

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

In accordance with the proposal by the Board of Directors, the AGM 2011 decided to authorize the Board for the period until the 2012 AGM to resolve on acquisitions of shares in the company and that the company may acquire as a maximum so many Class B shares that, following each acquisition, the company holds at a maximum 10% of all shares issued by the company.

## Proposal for a renewed mandate on acquisition of own shares

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

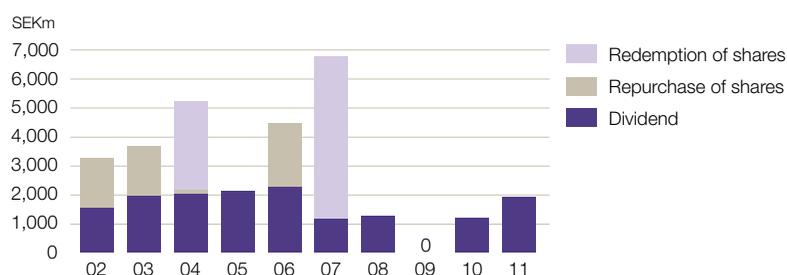
The Board of Directors proposes that the AGM 2012 resolves on a renewed mandate to repurchase own shares equivalent to the previous mandate.

As of February 1, 2012, Electrolux holds 24,255,085 Class B shares in Electrolux, corresponding to 7.9% of the total number of shares in the company.

## Number of shares

	Outstanding A-shares	Outstanding B-shares	Outstanding shares, total	Shares held by Electrolux	Shares held by other shareholders
<b>Number of shares as of January 1, 2011</b>	<b>9,063,125</b>	<b>299,857,183</b>	<b>308,920,308</b>	<b>24,255,085</b>	<b>284,665,223</b>
Shares sold under the terms of the employee stock option programs	—	—	—	—	—
Shares allotted under the Performance Share Program	—	—	—	—	—
<b>Conversion of Class A shares into Class B shares</b>	<b>-850,400</b>	<b>850,400</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Total number of shares as of December 31, 2011</b>	<b>8,212,725</b>	<b>300,707,583</b>	<b>308,920,308</b>	<b>24,255,085</b>	<b>284,665,223</b>
<b>As % of total number of shares</b>				<b>7.9%</b>	<b>92.1%</b>

## Total distribution to shareholders



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

# Risks and uncertainty factors

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

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

## Risks and uncertainty factors

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

### Variations in demand

Demand for appliances is affected by the general business cycle. A deterioration in these conditions may lead to lower sales volumes as well as a shift of demand to low-price products, which generally have lower margins. Utilization of production capacity may also decline in the short term. In 2011, demand declined in the Group's major markets while, demand increased in emerging markets as Asia/Pacific. The global economic trend is an uncertainty factor in terms of the development in the future.

### Price competition

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

enced strong price pressure during 2011. The Group's strategy is based on innovative products and brand-building, and is aimed, among other things, at minimizing and offsetting price competition for its products. A continued downturn in market conditions involves a risk of increasing price competition.

### Changes in prices for raw materials and components

The raw materials to which the Group is mainly exposed comprise steel, plastics, copper and aluminum. Market prices of raw materials rose in the early part of 2011. Bilateral agreements are used to manage price risks. To some extent, raw materials are purchased at spot prices. There is considerable uncertainty regarding trends for the prices of raw materials.

### Exposure to customers and suppliers

Electrolux has a comprehensive process for evaluating credits and tracking the financial situation of retailers. Management of credits as well as responsibility and authority for approving credit decisions are regulated by the Group's credit policy. Credit insurance is used in specific cases to reduce credit risks. The weak trend in the major Electrolux markets in 2011 impacted the Group's retailers who experienced difficult trading conditions but this did not result in any increases in credit losses for Electrolux.

### Access to financing

The Group's loan-maturity profile for 2012 and 2013 represents maturities of approximately SEK 4,100m in long-term borrowings.

In addition, Electrolux has two unutilized back-up credit facilities. In 2011, Electrolux replaced an existing revolving credit facility with a new committed EUR 500m multi-currency revolving credit facility maturing in 2016, with extension options for up to two more years. Electrolux also has an additional committed credit facility of SEK 3,400m maturing 2017.

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

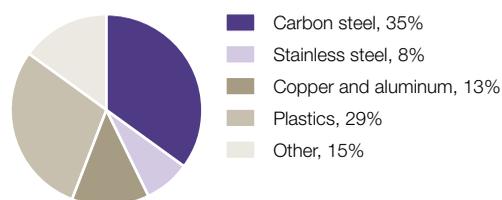
- Note 1 Accounting principles.
- Note 2 Financial risk management.
- Note 18 Financial instruments.

## Sensitivity analysis 2011

Risk	Change	Pre-tax earnings impact, SEKm
<b>Raw materials</b>		
Steel	10%	+/-900
Plastics	10%	+/-600
<b>Currencies<sup>1)</sup> and interest rates</b>		
USD/SEK	-10%	+810
EUR/SEK	-10%	+410
BRL/SEK	-10%	-300
AUD/SEK	-10%	-260
GBP/SEK	-10%	-180
Interest rate	1 percentage point	+/-60

1) Includes translation and transaction effects.

## Raw-materials exposure 2011



In 2011, Electrolux purchased raw materials for approximately SEK 20 billion. Purchases of steel accounted for the largest cost.

# Employees

## Electrolux corporate culture

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

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

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

In 2011, an ethics training program was initiated and the implementation of a whistleblowing system – the Electrolux Ethics Helpline – started.

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

## 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 increased in 2011 to 52,916 (51,544), of whom 2,184 (2,296) were in Sweden. At year-end, the total number of employees increased to 57,860 (50,920) on the basis of acquisitions.

Salaries and remuneration in 2011 amounted to SEK 13,137m (12,678), of which SEK 1,076m (1,053) refers to Sweden.

## Proposal for remuneration guidelines for Group Management

The Board of Directors will propose the following guidelines for remuneration to and other terms of employment for the President and CEO and other members of Group Management of Electrolux

to the Annual General Meeting (AGM) 2012. Group Management currently comprises thirteen executives. The proposed guidelines for 2012 are essentially in accordance with the guidelines approved by the AGM in 2011.

The principles shall be applied for employment agreements entered into after the AGM in 2012 and for changes made to existing employment agreements thereafter.

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

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

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

## Fixed compensation

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

## Variable compensation

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

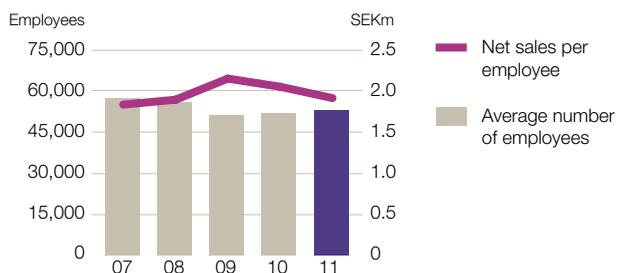
The targets shall principally relate to financial performance, for shorter (up to 1 year) or longer (3 years or longer) periods.

Non-financial targets may also be used in order to strengthen the focus on delivering on the Group's strategic plans or to clarify

## Number of employees

<b>Number of employees in 2010</b>	<b>50,920</b>
Number of employees in acquired operations	9,400
Restructuring programs	-1,870
Other changes	-590
<b>Number of employees in 2011</b>	<b>57,860</b>

## Employees



The average number of employees increased to 52,916 (51,544) in 2011.

that an own investment in Electrolux shares or other commitment is required. The targets shall be specific, clear, measurable and time bound and be determined by the Board of Directors.

#### *Short Term Incentive (STI)*

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

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

STI payments for 2012 are estimated<sup>1)</sup> to range between no pay-out at minimum level and SEK 56.3m at maximum level.

#### *Long Term Incentive (LTI)*

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

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

#### *Proposal for performance-based long-term share program 2012*

The Board of Directors will present a proposal to the AGM in 2012 for a performance-based long-term share program in 2012. The proposed program will include performance targets for average annual growth in earnings per share (EPS). The proposed program will include up to 180 senior managers and key employees, making participation conditional upon the saving of money in 2012 by the participants to acquire Electrolux B-shares. In addition to providing performance-based shares, the 2012 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 2015. Details of the program will be included in the information for the AGM 2012.

Cost for LTI awards for 2012 are estimated<sup>1)</sup> to range between SEK 15m at minimum level and SEK 195m at maximum level.

Details of the program will be included in the information for the AGM 2012.

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

#### *Extraordinary arrangements*

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

Cost for extraordinary arrangements during 2011 equals to SEK 3.2m. Extraordinary arrangements which have not yet been paid out are estimated to amount to approximately SEK 12m.

#### **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

## **Changes in Group Management**

### **Stefano Marzano appointed Chief Design Officer**

Stefano Marzano has been appointed Chief Design Officer, a new role at Electrolux. As of January 2012, Stefano Marzano is head of a new Group staff function gathering all the design-related competencies in the Group. This enables Electrolux to increase the relevance and speed of innovative product solutions taken to market. Stefano Marzano has had a long career at Royal Philips Electronics, for the past 20 years as Chief Design Officer.

In January 2011, Electrolux appointed Jan Brockmann and MaryKay Kopf to new roles within Group Management as Chief Technology Officer and Chief Marketing Officer, respectively. With the appointment of Stefano Marzano, the formal structure referred to as the Innovation Triangle is completed. This is to get R&D, Marketing and Design functions in synergy during the entire product creation process with an even clearer focus on customers and consumers.

### **Lars Worsøe Petersen is new Head of Human Resources**

Since October 2011, Lars Worsøe Petersen is new Head of Group Staff Human Resources and Organizational Development. He succeeded Carina Malmgren Heander who is Head of a new Professional-Domestic business unit. Lars Worsøe Petersen was Head of Group Staff Human Resources at Husqvarna AB.

### **CFO Jonas Samuelson is new Head of Major Appliances Europe, Middle East and Africa**

Since October 2011, Jonas Samuelson is new Head of Major Appliances Europe, Middle East and Africa. Mr. Samuelson's previous position was Chief Financial Officer and Head of Global Operations Major Appliances. He succeeded Enderson Guimarães, who has left Electrolux.

### **Tomas Eliasson appointed new CFO**

Tomas Eliasson has been appointed new Chief Financial Officer. Tomas Eliasson assumed his new position in mid February. Mr. Eliasson was previously Chief Financial Officer and Executive Vice-President of ASSA ABLOY AB.

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

Since August 2011, Jack Truong is new Head of Major Appliances North America. Jack Truong has previously held several senior management positions with the 3M Company in the US, Europe and Asia. Mr. Truong succeeded Kevin Scott, who has left Electrolux.

## **Asbestos litigation in the US**

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

As of December 31, 2011, the Group had a total of 2,714 (2,800) cases pending, representing approximately 2,843 (approximately 3,050) plaintiffs. During 2011, 1,005 new cases with 1,006 plaintiffs were filed and 1,091 pending cases with approximately 1,211 plaintiffs were resolved.

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**

At the end of 2011, Electrolux operated 61 manufacturing facilities in 19 countries. Manufacturing comprises mainly assembly of components made by suppliers. Other processes include metal-working, molding of plastics, painting and enameling.

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

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

**Mandatory permits and notification in Sweden and elsewhere**

Electrolux operates four plants in Sweden. Permits are required by authorities for all of these plants, which account for approximately 2% 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 water-borne emissions and noise. No significant non-compliance with Swedish environmental legislation was reported in 2011.

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 2011.

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

# Parent Company income statement

<b>Income statement</b>			
SEKm	Note	2011	2010
<b>Net sales</b>		<b>6,660</b>	<b>5,989</b>
Cost of goods sold	1	-5,023	-4,506
<b>Gross operating income</b>		<b>1,637</b>	<b>1,483</b>
Selling expenses		-1,109	-923
Administrative expenses		-295	-620
Other operating income	5	298	379
Other operating expenses	6	-10	-106
<b>Operating income</b>		<b>521</b>	<b>213</b>
Financial income	9	2,727	3,478
Financial expenses	9	-344	-58
<b>Financial items, net</b>		<b>2,383</b>	<b>3,420</b>
<b>Income after financial items</b>		<b>2,904</b>	<b>3,633</b>
Appropriations	21	32	55
<b>Income before taxes</b>		<b>2,936</b>	<b>3,688</b>
Taxes	10	-191	-335
<b>Income for the period</b>		<b>2,745</b>	<b>3,353</b>

## Total comprehensive income for the period

SEKm	Note	2011	2010
<b>Income for the period</b>		<b>2,745</b>	<b>3,353</b>
<b>Other comprehensive income</b>			
Available for sale instruments		-91	77
Cash flow hedges		-23	-7
Income tax relating to other comprehensive income		6	7
<b>Other comprehensive income, net of tax</b>		<b>-108</b>	<b>77</b>
<b>Total comprehensive income for the period</b>		<b>2,637</b>	<b>3,430</b>

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

Net sales for the Parent Company in 2011 amounted to SEK 6,660m (5,989), of which SEK 3,266m (3,396) related to sales to Group companies and SEK 3,394m (2,593) to external customers. The majority of the Parent Company's sales was made within Europe. After appropriations of SEK 32m (55) and taxes of SEK -191m (-335), income for the period amounted to SEK 2,745m (3,353).

Non-restricted equity in the Parent Company at year-end amounted to SEK 15,938m.

Net financial exchange-rate differences during the year amounted to SEK 247m (497).

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 2011 amounted to SEK 165m (198). Group contributions and the income tax related to group contributions are reported in the income statement. Income tax related to cash flow hedges reported in other comprehensive income amounts to SEK 6m (7).

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

The parent company reports Group contributions in the income statement as of the fourth quarter of 2011. The income statement for 2010 has been restated.

# Parent Company balance sheet

SEKm	Note	December 31, 2011	December 31, 2010
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets	13	1,828	1,630
Property, plant and equipment	12	272	262
Deferred tax assets		125	3
Financial assets	14	31,022	26,622
<b>Total non-current assets</b>		<b>33,247</b>	<b>28,517</b>
<b>Current assets</b>			
Inventories	15	51	140
Receivables from subsidiaries		10,841	11,378
Trade receivables		558	404
Derivatives with subsidiaries		658	1,059
Derivatives		235	386
Other receivables		68	226
Prepaid expenses and accrued income		126	87
Short-term investments		90	998
Cash and bank		2,206	5,266
<b>Total current assets</b>		<b>14,833</b>	<b>19,944</b>
<b>Total assets</b>		<b>48,080</b>	<b>48,461</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
<b>Restricted equity</b>			
Share capital	20	1,545	1,545
Statutory reserve		3,017	3,017
		<b>4,562</b>	<b>4,562</b>
<b>Non-restricted equity</b>			
Retained earnings		13,193	11,736
Income for the period		2,745	3,353
		<b>15,938</b>	<b>15,089</b>
<b>Total equity</b>		<b>20,500</b>	<b>19,651</b>
<b>Untaxed reserves</b>	21	<b>597</b>	<b>629</b>
<b>Provisions</b>			
Provisions for pensions and similar commitments	22	395	370
Other provisions	23	337	246
<b>Total provisions</b>		<b>732</b>	<b>616</b>
<b>Non-current liabilities</b>			
Bond loans		6,168	4,686
Other non-current loans		3,052	3,150
<b>Total non-current liabilities</b>		<b>9,220</b>	<b>7,836</b>
<b>Current liabilities</b>			
Payable to subsidiaries		12,338	16,044
Accounts payable		597	502
Tax liabilities		181	160
Other liabilities		107	79
Short-term borrowings		2,056	960
Derivatives with subsidiaries		627	444
Derivatives		314	458
Accrued expenses and prepaid income	24	811	1,082
<b>Total current liabilities</b>		<b>17,031</b>	<b>19,729</b>
<b>Total liabilities and provisions</b>		<b>26,983</b>	<b>28,181</b>
<b>Total liabilities, provisions and equity</b>		<b>48,080</b>	<b>48,461</b>
<b>Pledged assets</b>	19	<b>5</b>	<b>5</b>
<b>Contingent liabilities</b>	25	<b>1,428</b>	<b>1,608</b>

# Parent Company change in equity

SEKm	Restricted equity		Non-restricted equity		Total equity
	Share capital	Statutory reserve	Fair value reserve	Retained earnings	
<b>Opening balance, January 1, 2010</b>	<b>1,545</b>	<b>3,017</b>	<b>20</b>	<b>12,674</b>	<b>17,256</b>
<b>Income for the period</b>	—	—	—	<b>3,353</b>	<b>3,353</b>
Available for sale instruments	—	—	77	—	77
Cash flow hedges	—	—	-7	—	-7
Income tax relating to other comprehensive income	—	—	7	—	7
<b>Other comprehensive income, net of tax</b>	—	—	<b>77</b>	—	<b>77</b>
<b>Total comprehensive income for the period</b>	—	—	<b>77</b>	<b>3,353</b>	<b>3,430</b>
Share-based payment	—	—	—	85	85
Sale of shares	—	—	—	18	18
Dividend SEK 4.00 per share	—	—	—	-1,138	-1,138
<b>Total transactions with equity holders</b>	—	—	—	<b>-1,035</b>	<b>-1,035</b>
<b>Closing balance, December 31, 2010</b>	<b>1,545</b>	<b>3,017</b>	<b>97</b>	<b>14,992</b>	<b>19,651</b>
<b>Income for the period</b>	—	—	—	<b>2,745</b>	<b>2,745</b>
Available for sale instruments	—	—	-91	—	-91
Cash flow hedges	—	—	-23	—	-23
Income tax relating to other comprehensive income	—	—	6	—	6
<b>Other comprehensive income, net of tax</b>	—	—	<b>-108</b>	—	<b>-108</b>
<b>Total comprehensive income for the period</b>	—	—	<b>-108</b>	<b>2,745</b>	<b>2,637</b>
Share-based payment	—	—	—	62	62
Sale of shares	—	—	—	—	—
Dividend SEK 6.50 per share	—	—	—	-1,850	-1,850
<b>Total transactions with equity holders</b>	—	—	—	<b>-1,788</b>	<b>-1,788</b>
<b>Closing balance, December 31, 2011</b>	<b>1,545</b>	<b>3,017</b>	<b>-11</b>	<b>15,949</b>	<b>20,500</b>

# Parent Company cash flow statement

SEKm	2011	2010
<b>Operations</b>		
Income after financial items	2,904	3,633
Depreciation and amortization	265	255
Capital gain/loss included in operating income	-31	66
Taxes paid	-285	-5
<b>Cash flow from operations, excluding change in operating assets and liabilities</b>	<b>2,853</b>	<b>3,949</b>
<b>Change in operating assets and liabilities</b>		
Change in inventories	89	-38
Change in trade receivables	-154	-85
Change in current intra-group balances	934	861
Change in other current assets	270	-124
Change in other current liabilities and provisions	-176	473
<b>Cash flow from operating assets and liabilities</b>	<b>963</b>	<b>1,087</b>
<b>Cash flow from operations</b>	<b>3,816</b>	<b>5,036</b>
<b>Investments</b>		
Change in shares and participations	-3,661	-1,441
Capital expenditure in intangible assets	-402	-448
Capital expenditure in property, plant and equipment	-81	-114
Other	-789	-21
<b>Cash flow from investments</b>	<b>-4,933</b>	<b>-2,024</b>
<b>Total cash flow from operations and investments</b>	<b>-1,117</b>	<b>3,012</b>
<b>Financing</b>		
Change in short-term investments	908	1,936
Change in short-term borrowings	-56	-628
Change in intra-group borrowings	-3,519	-868
New long-term borrowings	3,495	-
Amortization of long-term borrowings	-960	-1,014
Dividend	-1,850	-1,138
Sale of shares	39	97
<b>Cash flow from financing</b>	<b>-1,943</b>	<b>-1,615</b>
<b>Total cash flow</b>	<b>-3,060</b>	<b>1,397</b>
<b>Liquid funds at beginning of year</b>	<b>5,266</b>	<b>3,869</b>
<b>Liquid funds at year-end</b>	<b>2,206</b>	<b>5,266</b>

# Notes

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# Notes

## Note 1 Accounting and valuation principles

### Basis of preparation

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The consolidated financial statements have been prepared under the historical cost convention, as modified by revaluation of available-for-sale financial assets and financial assets and liabilities (including derivative instruments) at fair value through profit or loss. Some additional information is disclosed based on the standard RFR 1 from the Swedish Financial Reporting Board and the Swedish Annual Accounts Act. As required by IAS 1, Electrolux companies apply uniform accounting rules, irrespective of national legislation, as defined in the Electrolux Accounting Manual, which is fully compliant with IFRS. The policies set out below have been consistently applied to all years presented with the exception for new accounting standards where the application follows the rules in each particular standard. For information on new standards, see the section on new or amended accounting standards on page 37.

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

The financial statements were authorized for issue by the Board of Directors on February 1, 2012. The balance sheets and income statements are subject to approval by the Annual General Meeting of shareholders on March 27, 2012.

### Principles applied for consolidation

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

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

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

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

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

### Definition of Group companies

The consolidated financial statements include AB Electrolux and all companies in which the Parent Company has the power to govern the financial and operating policies, generally accompanying a shareholding of more than 50% of the voting rights referring to all shares and participations. When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognized in profit or loss.

The following applies to acquisitions and divestments 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 2011, the Group comprised 226 (230) operating units, and 160 (149) companies.

### Associated companies

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

### Related party transactions

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

### Foreign currency translations

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

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

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

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

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-rate differences that were recorded in other comprehensive income are transferred to income for the period as part of the gain or loss on sales.

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

### Segment reporting

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

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

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

### Revenue recognition

Sales are recorded net of value-added tax, specific sales taxes, returns, and trade discounts. Revenues arise from sales of finished products and services. Sales are recognized when the significant risks and rewards connected with ownership of the goods

have been transferred to the buyer and the Group retains neither a continuing right to dispose of the goods, nor effective control of those goods and when the amount of revenue can be measured reliably. This means that sales are recorded when goods have been put at the disposal of the customers in accordance with agreed terms of delivery. Revenues from services are recorded when the service, such as installation or repair of products, has been performed. Revenues from sale of extended warranty are recognized on a linear basis over the contract period.

### Items affecting comparability

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

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

### Borrowing costs

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

### Taxes

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

Cont. Note 1

## Intangible fixed assets

### Goodwill

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

### Trademarks

Trademarks are reported at historical cost less amortization and impairment. The Electrolux trademark in North America, acquired in 2000, is regarded as an indefinite life intangible asset and is not amortized. One of the Group's key strategies is to develop Electrolux into the leading global brand within the Group's product categories. This acquisition has given Electrolux the right to use the Electrolux brand worldwide, whereas it previously could be used only outside of North America. All other trademarks are amortized over their useful lives, estimated to 5 to 10 years, using the straight-line method.

### Product development expenses

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

### Computer software

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over useful lives, between 3 and 5 years, using the straight-line method with the exception for the development costs of the Group's common business system, which amortization is based on the usage and go-live dates of the entities and continues over useful life. The applied principle gives an amortization period of approximately 12 years for the system.

### Client relationships

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

### Property, plant and equipment

Property, plant, and equipment are stated at historical cost less straight-line accumulated depreciation, adjusted for any impairment charges. Historical cost includes expenditures that are directly attributable to the acquisition of the items including borrowing costs where applicable. Subsequent costs are included in the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and are of material value. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. This applies mainly to components for machinery. All other repairs and maintenance are charged to the income statement during the period in which they

are incurred. Land is not depreciated as it is considered to have an unlimited useful life. All other depreciation is calculated using the straight-line method and is based on the following estimated useful lives:

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

### Impairment of non-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.

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

### Classification of financial assets

The Group classifies its financial assets in the following categories:

- Financial assets at fair value through profit or loss
- Loans and receivables
- 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. See also Note 18 on page 51 where the fair value and the carrying amount of financial assets and liabilities are listed according to classification.

### Financial assets at fair value through profit or loss

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

### **Loans and receivables**

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

### **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 2011 and 2010, 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 financial assets are recognized on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are initially recognized at fair value plus transaction costs except for those carried at fair value through profit or loss. Financial assets are derecognized when the rights to receive cash flows from the asset have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Financial assets at fair value through profit or loss and available-for-sale financial assets are subsequently carried at fair value. Loans, receivables, and held-to-maturity investments are carried at amortized cost using the effective interest method. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets at fair value through profit or loss category are included in the income statement in the period in which they arise. Unrealized gains and losses arising from changes in the fair value of financial assets classified as available-for-sale are recognized in other comprehensive income. When securities classified as available-for-sale are sold or impaired, the accumulated fair-value adjustments are included in income for the period as gains and losses from investment securities and reported as operating result.

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

The Group assesses at each balance-sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss is recognized in the income for the period. Impairment losses recognized in the income statement are reversed through the income statement, except for equity instruments.

### **Leasing**

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.

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

### **Inventories**

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

### **Trade receivables**

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

### **Cash and cash equivalents**

Cash and cash equivalents consist of cash on hand, bank deposits and other short-term highly liquid investments with a maturity of 3 months or less.

### **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

Cont. Note 1

recognized, as a provision is the best estimate of the expenditure required to settle the present obligation at the balance-sheet date. Where the effect of time value of money is material, the amount recognized is the present value of the estimated expenditures.

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

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

### Post-employment benefits

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

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

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

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

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

### Borrowings

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

### Accounts payable

Accounts payable are initially recognized at fair value. After initial recognition, accounts payable are valued at amortized cost using the effective interest method.

### Financial derivative instruments and hedging activities

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently measured at their fair value. The method of recognizing the resulting gain or loss depends

on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either hedges of the fair value of recognized assets or liabilities or a firm commitment (fair value hedges); hedges of highly probable forecast transactions (cash flow hedges); or hedges of net investments in foreign operations.

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

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

### Fair value hedge

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

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

### Cash flow hedge

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

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

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

### Net investment hedge

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

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

### Derivatives that do not qualify for hedge accounting

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

### Share-based compensation

The instruments granted for share-based compensation programs 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 which is 2.5 years. At each balance-sheet date, the Group revises the estimates to the number of shares that are expected to vest. Electrolux recognizes the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

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

### Government grants

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

### New or amended accounting standards in 2011

The International Accounting Standards Board (IASB) has not issued any major standards or amendments with effect in 2011.

### New or amended accounting standards after 2011

The following new standards and amendments to standards have been issued but are not effective for the financial year beginning January 1, 2012, and will not be early adopted. No significant impact on the financial result or position is expected upon their eventual application with the exception for IAS 19, which is described below.

**IAS 1** Financial Statement Presentation: Presentation of Items of Other Comprehensive Income (Amendments)<sup>1)</sup>. The amendments prescribe how to group items presented in OCI on the basis of whether they are potentially reclassifiable to profit or loss subsequently. The standard will not have any impact on Electrolux financial results or position. The standard is effective for annual periods beginning on or after July 1, 2012.

**IAS 19** Employee Benefits (Amendments)<sup>1)</sup>. IAS 19 prescribes the accounting and disclosure by employers for employee benefits. The amended standard requires an entity to regularly determine the present value of defined benefit obligations and the fair value of plan assets and to recognize the net of those values in the financial statements as a net defined benefit liability. The amended standard removes the option to use the corridor approach (see page 36 for a description) presently used by Electrolux. The standard also requires an entity to apply the discount rate on the net defined benefit liability (asset) in order to calculate the net interest expense (income). The standard thereby removes the use of an expected return on the plan assets. All changes in the net defined benefit liability (asset) will be recognized as they occur, as follows: (i) service cost and net interest in profit or loss; and (ii) remeasurement in other comprehensive income.

The standard will have the following preliminary impact on the presentation of Electrolux financial results and position: All historical actuarial gains or losses will be included in the measurement of the net defined benefit liability. This will initially increase the liabilities of Electrolux and reduce the equity (after deduction for deferred tax). Future changes in the net defined benefit liability from changes in, e.g., discount rate will be presented in other comprehensive income. Electrolux will classify the defined benefit liability as a financial liability and present the net interest on the net liability in the financial net. The removal of the expected return will worsen the net interest with the difference between the expected return and the discount rate applied on the plan assets. For 2011, the changes would have increased the net defined benefit liability by approximately SEK 3,500m and reduced retained earnings by SEK 2,800m. The modified net interest calculation and the removal of the amortization of the actuarial losses would have decreased the income for the period by approximately SEK 200m. The standard will be applied as of Q1, 2013 with full retrospective application.

**IFRS 10** Consolidated Financial Standards<sup>1)</sup>, **IFRS 11** Joint Arrangements<sup>1)</sup> and **IFRS 12** Disclosure of Interests in Other Entities<sup>1)</sup>. IFRS 10 provides a single consolidation model that identifies control as the basis for consolidation in all types of entities.

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

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

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

IFRS 12 combines, enhances and replaces the disclosure requirements for subsidiaries, joints arrangements, associates and unconsolidated structured entities. The new standards will have no immediate impact on Electrolux financial result or position but may influence the accounting for consolidation purposes in the future. The standards are effective for annual periods beginning on or after January 1, 2013.

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

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

#### **New interpretations of accounting standards**

The International Financial Reporting Interpretation Committee (IFRIC) did not issue any new interpretations that were applicable to Electrolux.

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

#### **Critical accounting policies and key sources of estimation uncertainty**

##### **Use of estimates**

Management of the Group has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these financial statements in conformity with IFRS. Actual results 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 2011 amounted to SEK 15,613m. The carrying amount for goodwill at year-end 2011 amounted to SEK 6,008m. 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, 2011, Electrolux had a net amount of SEK 1,853m recognized as deferred tax assets in excess of deferred tax liabilities. As of December 31, 2011, the Group had tax loss carry-forwards and other deductible temporary differences of SEK 6,739m, which have not been included in computation of deferred tax assets.

##### **Current taxes**

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

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

#### **Trade receivables**

Receivables are reported net of allowances for doubtful receivables. The net value reflects the amounts that are expected to be collected, based on circumstances known at the balance-sheet date. Changes in circumstances such as higher than expected defaults or changes in the financial situation of a significant customer could lead to significantly different valuations. At year-end 2011, trade receivables, net of provisions for doubtful accounts, amounted to SEK 19,226m. The total provision for doubtful accounts at year-end 2011 was SEK 904m.

#### **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 2011 was 6.5% in average based on historical results. The discount rate used to estimate liabilities at the end of 2010 and the calculation of expenses during 2011 was 4.9% in average.

#### **Restructuring**

Restructuring charges include required write-downs of assets and other non-cash items, as well as estimated costs for personnel reductions and other direct costs related to the termination of the activity. The charges are calculated based on detailed plans for activities that are expected to improve the Group's cost structure and productivity. In general, the outcome of similar historical events in previous plans are used as a guideline to minimize these uncertainties. The total provision for restructuring at year-end 2011 was SEK 1 723m.

#### **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, 2011, Electrolux had a provision for warranty commitments amounting to SEK 1,518m. 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.

#### **Long-term incentive programs**

Electrolux records a provision for the expected employer contributions, social security charges, arising when the employees receive shares under the 2009–2011 share programs. Employer contributions are paid based on the benefit obtained by the employee when receiving shares. The establishment of the provision requires the estimation of the expected future benefit to the employees. Electrolux bases these calculations on a valuation model, which requires a number of estimates that are inherently uncertain. The uncertainty is due to the unknown share price at the time 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 which exceptions from IFRS and additions shall be made. The Parent Company reports Group contribution in the income statement for the first time 2011. Corresponding changes have been made in the 2010 financial statements. 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.

Cont. Note 1

### Taxes

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

### Group contribution

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

### Pensions

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

### Intangible assets

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

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

### Property, plant and equipment and intangible assets

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

### Financial statement presentation

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

## Note 2 Financial risk management

### Financial risk management

The Group is exposed to a number of risks 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 commercial flows and net investments in foreign subsidiaries

- Commodity-price risk affecting the expenditure on raw materials and components for goods produced
- Credit risk relating to financial and commercial activities

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

The management of financial risks has largely been centralized to Group Treasury in Stockholm. Local financial issues are also managed by three regional treasury centers located in Singapore, North America, and Latin America. Measurement of risk in Group Treasury is performed by a separate risk-controlling function on a daily basis. The method used for measuring risk in the financial position is parametric Value-at-Risk (VaR). The method shows the maximum potential loss in one day with a probability of 97.5% and is based on the statistical behavior of the FX spot and interest-rate markets during the last 150 business days. To emphasize recent movements in the market, the weight of the rates decrease further away from the valuation date. By measuring the VaR risk, Group Treasury is able to monitor and follow up on the Group's risks across a wide variety of currencies and markets. The main limitation of the method is that events not showing in the statistical data will not be reflected in the risk value. Also, due to the confidence level, there is a 2.5% risk that the loss will be larger than indicated by the risk figure. 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 equivalents, short-term investments, derivatives, prepaid interest expenses and accrued interest income. Electrolux goal is that the level of liquid funds including unutilized committed credit facilities shall correspond to at least 2.5% of annualized net sales. In addition, net liquid funds defined as liquid funds less short-term borrowings shall exceed zero, taking into account fluctuations arising from acquisitions, divestments, and seasonal variations. 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.

### Interest-rate risk in liquid funds

Group Treasury manages the interest-rate risk of the investments in relation to a benchmark. 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 70m (110). For more information, see Note 18 on page 51.

### Borrowings

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

### Interest-rate risk in borrowings

The benchmark for the long-term loan portfolio is an average interest-fixing period of 12 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 3 years. Derivatives, such as interest-rate swap agreements, are used to manage the interest-rate risk by changing the interest from fixed to floating or vice versa. On the basis of 2011 long-term interest-bearing borrowings with an interest fixing period of 1.2 (0.9) years, a one-percentage point shift in interest rates would impact the Group's interest expenses by approximately SEK +/-60m (60) in 2012. 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 2011, the Group's capital was SEK 20,644m (20,613). 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. The rating for long-term debt was changed from BBB to BBB+ in November 2010 by Standard & Poor's.

### Rating

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

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

### Financing risk

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

### Foreign exchange risk

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

### Transaction exposure from commercial flows

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

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

Cont. Note 2

### 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 Russian ruble, the British pound 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 +/- 330m (550), as a static calculation. The model assumes the distribution of earnings and costs effective at year-end 2011 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 2011	Profit or loss impact 2010
Currency			
BRL/SEK	-10%	-304	-314
AUD/SEK	-10%	-257	-273
GBP/SEK	-10%	-180	-202
CHF/SEK	-10%	-164	-134
RUB/SEK	-10%	-155	-164
CAD/SEK	-10%	-118	-97
DKK/SEK	-10%	-66	-72
HUF/SEK	-10%	82	-15
EUR/SEK	-10%	411	319
USD/SEK	-10%	810	601

### 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. From January 1, 2011, the hedging policy was changed. Net investments are only hedged to ensure any of the following objectives; 1) to protect key ratios important to the Group's credit rating, 2) financial covenants (if any), and 3) to protect net investments corresponding to financial investments such as excess liquidity. Group Treasury is allowed to deviate from the benchmark under a given risk mandate. The benchmark for hedging is set by the Audit Committee for objectives 1) and 2), and for objective 3), the benchmark is set by the Treasury Board. Hedging

of the Group's net investments is implemented within the Parent Company in Sweden.

A change up or down by 10% in the value of each currency against the Swedish krona would affect the net investment of the Group by approximately SEK +/- 2,980m (2,740), as a static calculation at year-end 2011. A similar valuation of all financial instruments used for hedging net investments would have an effect on the Group's equity of approximately SEK +/- 0m (570). At year-end, no such instruments were outstanding.

For 2011, the hedging policy stated that the benchmark was 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.

### 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 (900) and in plastics with approximately SEK +/- 600m (500), based on volumes in 2011.

### 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 use Continuous Linked Settlement (CLS). CLS eliminates temporal settlement risk since both legs of a transaction are settled simultaneously.

#### Credit risk in trade receivables

Electrolux sells to a substantial number of customers in the form of large retailers, buying groups, independent stores, and professional users. Sales are made on the basis of normal delivery and payment terms. The Electrolux Group Credit Policy defines how credit management is to be performed in the Electrolux Group to achieve competitive and professionally performed credit sales, limited bad debts, and improved cash flow and optimized profit. On a more detailed level, it also provides a minimum level for customer and credit-risk assessment, clarification of responsibilities and the framework for credit decisions. The credit-decision process combines the

parameters risk/reward, payment terms and credit protection in order to obtain as much paid sales as possible. In some markets, Electrolux uses credit insurance as a mean of protection. Credit limits that exceed SEK 300m are decided by the Board of Directors. For many years, Electrolux has used the Electrolux Rating Model (ERM) to have a common and objective approach to credit-risk assessment that enables more standardized and systematic credit evaluations to minimize inconsistencies in decisions. The ERM is based on a risk/reward approach and is the basis for the customer assessment. The ERM consists of three different parts, Customer and Market Information, Warning Signals and a Credit Risk Rating (CR2). The risk of a customer is determined by the CR2 in which customers are classified.

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

### Note 3 Segment information

#### Reportable segments – Business areas

The Group has six reportable segments. Products for the consumer durables market, i.e., major appliances and small appliances, have five reportable segments: Major Appliances Europe, Middle East and Africa; Major Appliances North America; Major Appliances Latin America; Major Appliances Asia/Pacific; and Small Appliances (previously named Floor Care and Small Appliances). Products within major appliances comprise mainly of refrigerators, freezers, cookers, dryers, washing machines, dishwashers, room air-conditioners and microwave ovens. Small appliances include vacuum cleaners and other small appliances. Professional products have one reportable segment. As of 2011, Small Appliances is reported as a separate segment. The financial information of 2010 for the segments involved has been restated.

	Net sales		Operating income	
	2011	2010	2011	2010
Major Appliances Europe, Middle East and Africa	34,029	36,596	709	2,297
Major Appliances North America	27,665	30,969	250	1,442
Major Appliances Latin America	17,810	16,260	820	951
Major Appliances Asia/Pacific	7,852	7,679	736	793
Small Appliances	8,359	8,422	543	802
Professional Products	5,882	6,389	841	743
	<b>101,597</b>	<b>106,315</b>	<b>3,899</b>	<b>7,028</b>
Group common costs	1	11	-744	-534
Items affecting comparability	–	–	-138	-1,064
<b>Total</b>	<b>101,598</b>	<b>106,326</b>	<b>3,017</b>	<b>5,430</b>
Financial items, net	–	–	-237	-124
<b>Income after financial items</b>	–	–	<b>2,780</b>	<b>5,306</b>

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

#### Items affecting comparability

	Impairment/restructuring	
	2011	2010
Major Appliances Europe, Middle East and Africa	-34	-658
Major Appliances North America	-104	-406
Major Appliances Latin America	–	–
Major Appliances Asia/Pacific	–	–
Small Appliances	–	–
Professional Products	–	–
<b>Total</b>	<b>-138</b>	<b>-1,064</b>

Inter-segment sales exist with the following split:

	2011	2010
	Major Appliances Europe, Middle East and Africa	349
Major Appliances North America	908	1 169
Major Appliances Asia/Pacific	339	94
<b>Eliminations</b>	<b>1,596</b>	<b>1,573</b>

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

	Assets December 31,		Equity and liabilities December 31,		Net assets December 31,	
	2011	2010	2011	2010	2011	2010
Major Appliances Europe, Middle East and Africa	29,877	27,481	20,427	20,668	9,450	6,813
Major Appliances North America	8,138	9,072	2,822	2,060	5,316	7,012
Major Appliances Latin America	11,634	7,228	4,166	4,082	7,468	3,146
Major Appliances Asia/Pacific	4,293	3,920	2,253	1,900	2,040	2,020
Small Appliances	4,951	4,057	2,741	2,334	2,210	1,723
Professional Products	2,643	2,492	1,711	1,618	932	874
Other <sup>1)</sup>	6,892	6,462	6,294	6,507	598	-45
Items affecting comparability	117	4	1,120	1,643	-1,003	-1,639
	<b>68,545</b>	<b>60,716</b>	<b>41,534</b>	<b>40,812</b>	<b>27,011</b>	<b>19,904</b>
Liquid funds	7,839	12,805	–	–	–	–
Interest-bearing receivables	–	–	–	–	–	–
Interest-bearing liabilities	–	–	14,206	12,096	–	–
Equity	–	–	20,644	20,613	–	–
<b>Total</b>	<b>76,384</b>	<b>73,521</b>	<b>76,384</b>	<b>73,521</b>	<b>–</b>	<b>–</b>

1) Includes common Group functions and tax items.

Cont. Note 3

	Depreciation and amortization		Capital expenditure		Cash flow <sup>1)</sup>	
	2011	2010	2011	2010	2011	2010
Major Appliances Europe, Middle East and Africa	1,460	1,397	1,199	1,409	-1,099	1,910
Major Appliances North America	809	1,061	700	692	1,794	1,363
Major Appliances Latin America	314	266	526	650	-3,116	825
Major Appliances Asia/Pacific	173	188	286	198	725	773
Small Appliances Professional Products	139	147	118	116	-13	525
Other <sup>2)</sup>	104	116	287	96	760	863
Items affecting comparability	174	153	47	60	-1,278	-1,290
Financial items	—	—	—	—	-585	-375
Taxes paid	—	—	—	—	-214	-72
<b>Total</b>	<b>3,173</b>	<b>3,328</b>	<b>3,163</b>	<b>3,221</b>	<b>-4,651</b>	<b>3,206</b>

1) Cash flow from operations and investments.

2) Includes Group functions.

**Geographical information**

	Net sales <sup>1)</sup>	
	2011	2010
USA	26,637	29,782
Brazil	14,633	14,231
Germany	5,474	5,974
Australia	5,285	5,514
Sweden (country of domicile)	4,210	3,353
Italy	4,092	4,609
Canada	4,037	4,390
Switzerland	4,027	3,667
France	3,809	4,223
United Kingdom	2,544	2,898
Other	26,850	27,685
<b>Total</b>	<b>101,598</b>	<b>106,326</b>

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

Tangible and non-tangible fixed assets located in the Group's country of domicile, Sweden, amounted to SEK 2,361m (2,093). Tangible and non-tangible fixed assets located in all other countries amounted to SEK 24,406m (18,107). Individually, material countries in this aspect are Italy with SEK 2,958m (2,877), USA with SEK 3,012m (2,836) and Egypt with SEK 2,734m (0), respectively.

**Note 4 Net sales and operating income**

The Group's net sales in Sweden amounted to SEK 4,210m (3,353). Exports from Sweden during the year amounted to SEK 3,863m (4,379), of which SEK 3,124m (3,664) were to Group subsidiaries. The vast majority of the Group's revenues consisted of product sales. Revenue from service activities amounted to SEK 1,258m (1,247).

Operating income included net exchange-rate differences in the amount of SEK -53m (71). The Group's Swedish factories accounted for 1.6% (2.4) of the total value of production. Costs for research and development amounted to SEK 1,669m (1,597) and are included in the item Cost of goods sold.

The Group's depreciation and amortization charge for the year amounted to SEK 3,173m (3,328). Salaries, remunerations and employer contributions amounted to SEK 16,237m (16,375) and expenses for post-employment benefits amounted to SEK 425m (741).

Government grants relating to expenses have been deducted in the related expenses by SEK 156m (96). 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 2011, these grants amounted to SEK 121m (220).

**Note 5 Other operating income**

	Group		Parent Company	
	2011	2010	2011	2010
<b>Gain on sale</b>				
Property, plant and equipment	198	14	—	—
Operations and shares	32	—	32	—
Other	—	—	266	379
<b>Total</b>	<b>230</b>	<b>14</b>	<b>298</b>	<b>379</b>

**Note 6 Other operating expenses**

	Group		Parent Company	
	2011	2010	2011	2010
<b>Loss on sale</b>				
Property, plant and equipment	-40	-23	-1	-1
Operations and shares	—	—	-9	-10
Other	—	—	—	-95
<b>Total</b>	<b>-40</b>	<b>-23</b>	<b>-10</b>	<b>-106</b>

## Note 7 Items affecting comparability

	Group	
	2011	2010
<b>Restructuring and impairment</b>		
Appliances plant in Kinston, North Carolina, USA	-104	—
Appliances plant in L'Assomption, Canada	—	-426
Reduced workforce in Major Appliances, Europe	-54	-356
Appliances plant in Revin, France	—	-71
Appliances plant in Forli, Italy	—	-136
Appliances plant in Motala, Sweden	—	-95
Reversal of unused restructuring provisions	20	20
<b>Total</b>	<b>-138</b>	<b>-1,064</b>

### Classification by function in the income statement

	Group	
	2011	2010
Cost of goods sold	-138	-1,062
Selling expenses	—	—
Administrative expenses	—	-2
Other operating income and expenses	—	—
<b>Total</b>	<b>-138</b>	<b>-1,064</b>

Items affecting comparability in 2011 relates to costs for relocation of production from the dishwasher factory in Kinston, North Carolina, and an addition to the downsizing program in Europe that was initiated in 2010. Items affecting comparability in 2010 relates to restructuring costs for the phase-out of the cooker-production factory in Motala, Sweden, and downsizing in several other production units within Major Appliances Europe. Included in the 2010 charge is also the closure of the cooker-production facility in L'Assomption, Canada, announced in December 2010.

## Note 8 Leasing

### Financial leases

At December 31, 2011, the net carrying amount of the Group's financial leases totals SEK 4m (149). The building with the North American head office in Charlotte, North Carolina, that was previously leased was acquired during the year. Future financial lease payments amount to SEK 5m.

### Operating leases

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

	Operating leases
2012	733
2013–2016	1,638
2017–	583
<b>Total</b>	<b>2,954</b>

Expenses in 2011 for rental payments (minimum leasing fees) amounted to SEK 839m (807). Among the Group's operating leases there are neither material contingent expenses, nor restrictions.

## Note 9 Financial income and financial expenses

	Group		Parent Company	
	2011	2010	2011	2010
<b>Financial income</b>				
Interest income				
From subsidiaries	—	—	328	641
From others	336	329	31	48
Dividends from subsidiaries	—	—	2,150	2,560
Group contribution from subsidiaries	—	—	217	227
Other financial income	1	3	1	2
<b>Total financial income</b>	<b>337</b>	<b>332</b>	<b>2,727</b>	<b>3,478</b>
<b>Financial expenses</b>				
Interest expenses				
To subsidiaries	—	—	-23	-233
To others	-598	-404	-474	-275
Group contribution to subsidiaries	—	—	-52	-29
Exchange-rate differences				
On loans and forward contracts as hedges for foreign net investments	—	—	284	218
On other loans and borrowings, net	74	-16	-58	279
Other financial expenses	-50	-36	-21	-18
<b>Total financial expenses</b>	<b>-574</b>	<b>-456</b>	<b>-344</b>	<b>-58</b>

Interest income from others, for the Group and the Parent Company, includes gains and losses on financial instruments held for trading. Interest expenses to others, for the Group and the Parent Company, include gains and losses on derivatives used for managing the Group's interest fixing and premiums on forward contracts in the amount of SEK -37m (-109) used as hedges for foreign net investments. For information on financial instruments, see Note 18 on page 51.

Note **10** Taxes

	Group		Parent Company	
	2011	2010	2011	2010
Current taxes	-973	-1,779	-307	-165
Deferred taxes	257	470	116	-170
<b>Taxes included in income for the period</b>	<b>-716</b>	<b>-1,309</b>	<b>-191</b>	<b>-335</b>
Deferred tax related to OCI	-104	-30	6	7
<b>Taxes included in total comprehensive income</b>	<b>-820</b>	<b>-1,339</b>	<b>-185</b>	<b>-328</b>

Deferred taxes in 2011 include a positive effect of SEK 7m (-16) due to changes in tax rates. The consolidated accounts include deferred tax liabilities of SEK 157m (165) related to untaxed reserves in the Parent Company.

**Theoretical and effective tax rates**

%	2011	2010
Theoretical tax rate	31.2	31.3
Non-taxable/non-deductible income statement items, net	-2.5	2.6
Non-recognized tax losses carried forward	2.9	2.1
Utilized non-recognized tax losses carried forward	-5.0	-6.7
Other changes in estimates relating to deferred tax	6.5	-11.2
Withholding tax	1.3	1.0
Other	-8.6	5.6
<b>Effective tax rate</b>	<b>25.8</b>	<b>24.7</b>

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

**Non-recognized deductible temporary differences**

As of December 31, 2011, the Group had tax loss carry-forwards and other deductible temporary differences of SEK 6,739m (4,461), which have not been included in computation of deferred tax assets. The non-recognized deductible temporary differences will expire as follows:

	December 31, 2011
2012	277
2013	281
2014	237
2015	13
2016	348
And thereafter	4,328
Without time limit	1,255
<b>Total</b>	<b>6,739</b>

**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
<b>Opening balance, January 1, 2010</b>	<b>-676</b>	<b>274</b>	<b>404</b>	<b>228</b>	<b>107</b>	<b>47</b>	<b>315</b>	<b>1,175</b>	<b>1,874</b>	<b>-</b>	<b>1,874</b>
Recognized in total comprehensive income	200	-30	-155	259	-16	3	-73	252	440	-	440
Exchange-rate differences	37	-12	-19	-25	-5	-7	-9	-99	-139	-	-139
<b>Closing balance, December 31, 2010</b>	<b>-439</b>	<b>232</b>	<b>230</b>	<b>462</b>	<b>86</b>	<b>43</b>	<b>233</b>	<b>1,328</b>	<b>2,175</b>	<b>-</b>	<b>2,175</b>
Of which deferred tax assets	82	258	535	462	95	43	233	2,173	3,881	-900	2,981
Of which deferred tax liabilities	-521	-26	-305	-	-9	-	-	-845	-1,706	900	-806
<b>Opening balance, January 1, 2011</b>	<b>-439</b>	<b>232</b>	<b>230</b>	<b>462</b>	<b>86</b>	<b>43</b>	<b>233</b>	<b>1,328</b>	<b>2,175</b>	<b>-</b>	<b>2,175</b>
Recognized in total comprehensive income	65	-33	-162	-13	-1	2	228	67	153	-	153
Acquisition of operations	-36	5	-	-	5	-	-	-339	-365	-	-365
Other	-	-	-	-	-	-	-	-43	-43	-	-43
Exchange-rate differences	11	2	21	-2	2	-1	16	-116	-67	-	-67
<b>Closing balance, December 31, 2011</b>	<b>-399</b>	<b>206</b>	<b>89</b>	<b>447</b>	<b>92</b>	<b>44</b>	<b>477</b>	<b>897</b>	<b>1 853</b>	<b>-</b>	<b>1 853</b>
Of which deferred tax assets	109	256	515	447	100	44	477	2,092	4,040	-1,060	2,980
Of which deferred tax liabilities	-508	-50	-426	-	-8	-	-	-1,195	-2,187	1,060	-1,127

Other deferred tax assets include tax credits related to the production of energy-efficient appliances amounting to SEK 331m (1,036).

Note **11** Other comprehensive income

	2011	2010
<b>Available-for-sale instruments</b>		
<b>Opening balance, January 1</b>	<b>114</b>	<b>37</b>
Gain/loss taken to other comprehensive income	-91	77
Transferred to profit and loss	—	—
<b>Closing balance, December 31</b>	<b>23</b>	<b>114</b>
<b>Cash flow hedges</b>		
<b>Opening balance, January 1</b>	<b>-147</b>	<b>-30</b>
Gain/loss taken to other comprehensive income	-36	-147
Transferred to profit and loss	147	30
<b>Closing balance, December 31</b>	<b>-36</b>	<b>-147</b>
<b>Exchange-rate differences on translation of foreign operations</b>		
<b>Opening balance, January 1</b>	<b>699</b>	<b>1,807</b>
Net investment hedge	284	218
Translation difference	-507	-1,326
<b>Closing balance, December 31</b>	<b>476</b>	<b>699</b>
Income tax related to other comprehensive income	-104	-30
<b>Other comprehensive income, net of tax</b>	<b>-307</b>	<b>-1,178</b>

Income taxes related to items of other comprehensive income were SEK -34m (29) for financial instruments for cash flow hedging and SEK -70m (-59) for financial instruments for hedging of translation of foreign operations.

Note **12** Property, plant and equipment

Group	Land and land improvements	Buildings	Machinery and technical installations	Other equipment	Plants under construction	Total
<b>Acquisition costs</b>						
<b>Opening balance, January 1, 2010</b>	<b>1,073</b>	<b>8,714</b>	<b>31,131</b>	<b>1,972</b>	<b>900</b>	<b>43,790</b>
Acquired during the year	25	320	1,294	284	1,451	3,374
Transfer of work in progress and advances	—	79	832	1	-912	—
Sales, scrapping, etc.	-10	-64	-871	-337	-56	-1,338
Exchange-rate differences	-87	-689	-2,285	-133	-132	-3,326
<b>Closing balance, December 31, 2010</b>	<b>1,001</b>	<b>8,360</b>	<b>30,101</b>	<b>1,787</b>	<b>1,251</b>	<b>42,500</b>
Acquired during the year	77	128	1,057	325	1,576	3,163
Acquisition of operations	224	268	288	38	119	937
Divestment of operations	-26	-108	-25	-1	—	-160
Transfer of work in progress and advances	1	81	494	34	-610	—
Sales, scrapping, etc.	-31	-209	-2,218	-211	-12	-2,681
Exchange-rate differences	-19	-296	-587	-16	-41	-959
<b>Closing balance, December 31, 2011</b>	<b>1,227</b>	<b>8,224</b>	<b>29,110</b>	<b>1,956</b>	<b>2,283</b>	<b>42,800</b>
<b>Accumulated depreciation</b>						
<b>Opening balance, January 1, 2010</b>	<b>202</b>	<b>4,246</b>	<b>22,515</b>	<b>1,514</b>	<b>-2</b>	<b>28,475</b>
Depreciation for the year	10	235	2,268	160	—	2,673
Transfer of work in progress and advances	-2	-40	46	-6	2	—
Sales, scrapping, etc.	-10	-48	-867	-334	—	-1,259
Impairment	7	41	148	—	—	196
Exchange-rate differences	-16	-353	-1,741	-105	—	-2,215
<b>Closing balance, December 31, 2010</b>	<b>191</b>	<b>4,081</b>	<b>22,369</b>	<b>1,229</b>	<b>—</b>	<b>27,870</b>
Depreciation for the year	8	214	2,008	190	—	2,420
Divestment of operations	—	-73	-23	-1	—	-97
Transfer of work in progress and advances	2	9	-242	-1	232	—
Sales, scrapping, etc.	-23	-213	-2,192	-183	—	-2,611
Impairment	—	3	64	—	—	67
Exchange-rate differences	-4	-79	-366	-13	—	-462
<b>Closing balance, December 31, 2011</b>	<b>174</b>	<b>3,942</b>	<b>21,618</b>	<b>1,221</b>	<b>232</b>	<b>27,187</b>
<b>Net carrying amount, December 31, 2010</b>	<b>810</b>	<b>4,279</b>	<b>7,732</b>	<b>558</b>	<b>1,251</b>	<b>14,630</b>
<b>Net carrying amount, December 31, 2011</b>	<b>1,053</b>	<b>4,282</b>	<b>7,492</b>	<b>735</b>	<b>2,051</b>	<b>15,613</b>

Cont. Note 12

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

SEK 5m due to the divestment of a real estate in Sweden. Total impairments in 2011 were SEK 3m (236) on buildings and land, and SEK 64m (386) on machinery and other equipment, whereof SEK 62m (192) are related to the restructuring costs for the factory in Kinston, North Carolina in USA.

**Property, plant and equipment**

Parent Company	Land and land improve- ments	Buildings	Machinery and technical installations	Other equipment	Plants under construction	Total
<b>Acquisition costs</b>						
<b>Opening balance, January 1, 2010</b>	<b>4</b>	<b>57</b>	<b>874</b>	<b>363</b>	<b>7</b>	<b>1,305</b>
Acquired during the year	—	—	44	10	60	114
Transfer of work in progress and advances	—	—	1	—	-1	—
Sales, scrapping, etc.	—	—	-1	-93	—	-94
<b>Closing balance, December 31, 2010</b>	<b>4</b>	<b>57</b>	<b>918</b>	<b>280</b>	<b>66</b>	<b>1,325</b>
Acquired during the year	—	—	36	25	20	81
Transfer of work in progress and advances	—	—	31	23	-54	—
Sales, scrapping, etc.	—	—	-160	-12	—	-172
<b>Closing balance, December 31, 2011</b>	<b>4</b>	<b>57</b>	<b>825</b>	<b>316</b>	<b>32</b>	<b>1,234</b>
<b>Accumulated depreciation</b>						
<b>Opening balance, January 1, 2010</b>	<b>2</b>	<b>54</b>	<b>666</b>	<b>305</b>	<b>—</b>	<b>1,027</b>
Depreciation for the year	—	—	56	18	—	74
Sales, scrapping, etc.	—	—	56	-94	—	-38
<b>Closing balance, December 31, 2010</b>	<b>2</b>	<b>54</b>	<b>778</b>	<b>229</b>	<b>—</b>	<b>1,063</b>
Depreciation for the year	—	—	41	20	—	61
Sales, scrapping, etc.	—	—	-152	-10	—	-162
<b>Closing balance, December 31, 2011</b>	<b>2</b>	<b>54</b>	<b>667</b>	<b>239</b>	<b>—</b>	<b>962</b>
<b>Net carrying amount, December 31, 2010</b>	<b>2</b>	<b>3</b>	<b>140</b>	<b>51</b>	<b>66</b>	<b>262</b>
<b>Net carrying amount, December 31, 2011</b>	<b>2</b>	<b>3</b>	<b>158</b>	<b>77</b>	<b>32</b>	<b>272</b>

 Note **13** Goodwill and other intangible assets

**Intangible assets with indefinite useful lives**

Goodwill as at December 31, 2011, has a total carrying value of SEK 6,008m. In addition, the right to use the Electrolux trademark in North America, acquired in 2000, has been assigned an indefinite useful life. The total carrying amount for the right is SEK 410m, included in the item Other on the next page. The allocation, for impairment-testing purposes, on cash-generating units of the significant amounts is shown in the table below. The carrying amounts of goodwill allocated to Major Appliances Latin America, Major Appliances Europe, Middle East and Africa and Major Appliances 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. The cash-generating units equal the business areas.

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

of key assumptions such as volume, price, product mix, which will create a basis for future growth and gross margin. These figures are set in relation to historic figures and external reports on market growth. The cash flow for the third year is used as the base for the fourth year and onwards in perpetuity. The discount rates used are, amongst other things, based on the individual countries' inflation, interest rates and country risk. The pre-tax discount rates used in 2011 were for the main part within a range of 8.7% to 15.8%. For the calculation of the in-perpetuity value, Gordon's growth model is used. According to Gordon's model the terminal value of a growing cash flow is calculated as the starting cash flow divided by cost of capital less the growth rate. Cost of capital less growth has been assumed at 6% for all markets. This corresponds to a weighted average cost of capital for the Group of 11% less an average nominal growth rate of 5%. The cost of capital and growth rate is estimated to be higher than the average in emerging markets and lower in developed markets; however the resulting difference is assumed to be equal in all markets over time. Management believes that any reasonably possible adverse change in the key assumptions would not reduce the recoverable amount below its carrying amount.

**Goodwill, value of trademark and discount rate**

	2011			2010		
	Goodwill	Electrolux trademark	Discount rate, %	Goodwill	Electrolux trademark	Discount rate, %
Major Appliances Europe, Middle East and Africa	1,971	—	12.9	368	—	9.9
Major Appliances North America	379	410	9.5	374	410	10.1
Major Appliances Asia/Pacific	1,488	—	9.7	1,468	—	10.8
Major Appliances Latin America	1,873	—	15.8	32	—	19.4
Other	297	—	8.7–10.9	53	—	8.5–11.4
<b>Total</b>	<b>6,008</b>	<b>410</b>	<b>—</b>	<b>2,295</b>	<b>410</b>	<b>—</b>

**Goodwill and other intangible assets**

	Group Other intangible assets				Parent Company	
	Goodwill	Product development	Program software	Other	Total other intangible assets	Trademarks, software etc.
<b>Acquisition costs</b>						
<b>Opening balance, January 1, 2010</b>	<b>2,274</b>	<b>3,099</b>	<b>1,533</b>	<b>1,019</b>	<b>5,651</b>	<b>1,859</b>
Acquired during the year	—	—	107	2	109	—
Internally developed	—	396	581	—	977	448
Reclassification	—	—	-2	2	—	—
Sold during the year	—	—	—	—	—	—
Fully amortized	—	-775	—	—	-775	-24
Write-off	—	-1	—	—	-1	—
Exchange-rate differences	21	-276	-63	-11	-350	—
<b>Closing balance, December 31, 2010</b>	<b>2,295</b>	<b>2,443</b>	<b>2,156</b>	<b>1,012</b>	<b>5,611</b>	<b>2,283</b>
Acquired during the year	—	—	84	11	95	—
Acquisition of operations	3,599	—	46	1,482	1,528	—
Internally developed	—	374	660	—	1,034	402
Reclassification	—	—	3	-3	—	—
Sold during the year	—	—	—	—	—	—
Fully amortized	—	-264	-30	-32	-326	-3
Write-off	—	-11	-14	-6	-31	—
Exchange-rate differences	114	-34	-18	11	-41	—
<b>Closing balance, December 31, 2011</b>	<b>6,008</b>	<b>2,508</b>	<b>2,887</b>	<b>2,475</b>	<b>7,870</b>	<b>2,682</b>
<b>Accumulated amortization</b>						
<b>Opening balance, January 1, 2010</b>	<b>—</b>	<b>1,736</b>	<b>409</b>	<b>507</b>	<b>2,652</b>	<b>496</b>
Amortization for the year	—	434	191	30	655	181
Sold and acquired during the year	—	—	—	—	—	—
Fully amortized	—	-775	—	—	-775	-24
Impairment (+) / reversal of impairment (-)	—	—	—	—	—	—
Exchange-rate differences	—	-158	-29	-10	-197	—
<b>Closing balance, December 31, 2010</b>	<b>—</b>	<b>1,237</b>	<b>571</b>	<b>527</b>	<b>2,335</b>	<b>653</b>
Amortization for the year	—	420	268	65	753	204
Sold and acquired during the year	—	—	—	—	—	—
Fully amortized	—	-264	-30	-32	-326	-3
Impairment (+) / reversal of impairment (-)	—	—	—	—	—	—
Exchange-rate differences	—	-17	-1	-20	-38	—
<b>Closing balance, December 31, 2011</b>	<b>—</b>	<b>1,376</b>	<b>808</b>	<b>540</b>	<b>2,724</b>	<b>854</b>
<b>Carrying amount, December 31, 2010</b>	<b>2,295</b>	<b>1,206</b>	<b>1,585</b>	<b>485</b>	<b>3,276</b>	<b>1,630</b>
<b>Carrying amount, December 31, 2011</b>	<b>6,008</b>	<b>1,132</b>	<b>2,079</b>	<b>1,935</b>	<b>5,146</b>	<b>1,828</b>

Goodwill acquired during the year refers to goodwill recognized in connection with the acquisitions of Olympic Group and CTI. For additional information, see Note 26 on page 65.

Included in the item Other are trademarks of SEK 851m (473) and customer relationships etc. amounting to SEK 1,084m (12). Amortization of intangible assets are included within cost of

goods sold with SEK 435m (439), administrative expenses with SEK 247m (184) and selling expenses with SEK 71m (32) 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,	
	2011	2010	2011	2010
Shares in subsidiaries	—	—	27,042	23,256
Participations in other companies	—	—	209	293
Long-term receivables in subsidiaries	—	—	3,758	3,057
Other receivables	1,212	1,307	13	16
Pension assets	1,824	1,529	—	—
<b>Total</b>	<b>3,036</b>	<b>2,836</b>	<b>31,022</b>	<b>26,622</b>

**Note 15** Inventories

	Group December 31,		Parent Company December 31,	
	2011	2010	2011	2010
Raw materials	3,023	2,453	31	57
Products in progress	213	231	1	2
Finished products	8,619	8,406	19	81
Advances to suppliers	102	40	—	—
<b>Total</b>	<b>11,957</b>	<b>11,130</b>	<b>51</b>	<b>140</b>

The cost of inventories recognized as expense and included in Cost of goods sold amounted to SEK 72,799m (73,603) for the Group.

Provisions for obsolescence are included in the value for inventory. Write-downs amounted to SEK 118m and previous write-downs reversed with SEK 121m for the Group. The amounts have been included in the item Cost of goods sold in the income statement.

**Note 16** Other current assets

	Group December 31,	
	2011	2010
Miscellaneous short-term receivables	2,557	2,512
Provisions for doubtful accounts	–5	–29
Prepaid expenses and accrued income	823	778
Prepaid interest expenses and accrued interest income	287	308
<b>Total</b>	<b>3,662</b>	<b>3,569</b>

Miscellaneous short-term receivables include VAT and other items.

**Note 17** Trade receivables

	2011	2010
Trade receivables	20,130	20,129
Provisions for impairment of receivables	–904	–783
<b>Trade receivables, net</b>	<b>19,226</b>	<b>19,346</b>
Provisions in relation to trade receivables, %	4.5	3.9

As of December 31, 2011, provisions for impairment of trade receivables amounted to SEK 904m (783). 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**

	2011	2010
<b>Provisions, January 1</b>	<b>–783</b>	<b>–869</b>
Acquisition of operations	–63	—
New provisions	–132	–143
Actual credit losses	57	147
Exchange-rate differences and other changes	17	82
<b>Provisions, December 31</b>	<b>–904</b>	<b>–783</b>

The fair value of trade receivables equals their carrying amount as the impact of discounting is not significant. Electrolux has a significant concentration on a number of major customers primarily in the US, Latin America and Europe. Receivables concentrated to customers with credit limits amounting to SEK 300m or more represent 31.5% (36.9) 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**

	2011	2010
Trade receivables not overdue	18,030	18,393
Less than 2 months overdue	795	625
2–6 months overdue	281	216
6–12 months overdue	87	112
More than 1 year overdue	33	—
Total trade receivables past due but not impaired	1,196	953
Impaired trade receivables	904	783
<b>Total trade receivables</b>	<b>20,130</b>	<b>20,129</b>
Past due, including impaired, in relation to trade receivables, %	10.4	8.6

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 2011, the Group's net borrowings amounted to SEK 6,367m (-709). The table below presents how the Group calculates net borrowings and what they consist of.

#### Net borrowings

	December 31,	
	2011	2010
Short-term loans	1,301	894
Short-term part of long-term loans	2,030	1,177
Trade receivables with recourse	839	1,068
<b>Short-term borrowings</b>	<b>4,170</b>	<b>3,139</b>
Derivatives	314	476
Accrued interest expenses and prepaid interest income	83	68
<b>Total short-term borrowings</b>	<b>4,567</b>	<b>3,683</b>
<b>Long-term borrowings</b>	<b>9,639</b>	<b>8,413</b>
<b>Total borrowings</b>	<b>14,206</b>	<b>12,096</b>
Cash and cash equivalents	6,966	10,389
Short-term investments	337	1,722
Derivatives	249	386
Prepaid interest expenses and accrued interest income	287	308
<b>Liquid funds</b>	<b>7,839</b>	<b>12,805</b>
<b>Net borrowings</b>	<b>6,367</b>	<b>-709</b>
Revolving credit facilities (EUR 500m and SEK 3,400m) <sup>1)</sup>	7,865	7,907

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

### Liquid funds

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

### Liquidity profile

	December 31,	
	2011	2010
Cash and cash equivalents	6,966	10,389
Short-term investments	337	1,722
Derivatives	249	386
Prepaid interest expenses and accrued interest income	287	308
<b>Liquid funds</b>	<b>7,839</b>	<b>12,805</b>
% of annualized net sales <sup>1)</sup>	13.9	18.9
<b>Net liquidity</b>	<b>3,272</b>	<b>9,122</b>
Fixed-interest term, days	18	34
Effective yield, % (average per annum)	3.6	2.8

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

For 2011, liquid funds, including unused revolving credit facilities of EUR 500m and SEK 3,400m, amounted to 13.9% (18.9) of annualized net sales. The net liquidity is calculated by deducting short-term borrowings from liquid funds.

### Interest-bearing liabilities

In 2011, SEK 1,161m of long-term borrowings matured or were amortized. These maturities were refinanced with SEK 1,500m and another SEK 2,000m was borrowed. In addition, a bilateral loan of SEK 1,000m maturing in 2013 was extended to 2017.

At year-end 2011, the Group's total interest-bearing liabilities amounted to SEK 12,970m (10,484), of which SEK 11,669m (9,590) referred to long-term borrowings including maturities within 12 months. Long-term borrowings with maturities within 12 months amounted to SEK 2,030m (1,177). 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 11,250m (8,796), is taken up at the parent company level. Since 2010, Electrolux has an unused committed multicurrency revolving credit facility of SEK 3,400m maturing 2017. In December 2011, an unused committed multicurrency revolving credit facility from 2005, of EUR 500m, with maturity in 2012, was replaced. The new committed multicurrency revolving credit facility of EUR 500m maturing 2016 has an extension option for up to 2 more years. These two facilities can be used as either long-term or short-term back-up facilities. However, Electrolux expects to meet any future requirements for short-term borrowings through bilateral bank facilities and capital-market programs such as commercial paper programs.

At year-end 2011, the average interest-fixing period for long-term borrowings was 1.2 years (0.9). The calculation of the average interest-fixing period includes the effect of interest-rate swaps used to manage the interest-rate risk of the debt portfolio. The average interest rate for the total borrowings was 3.7% (3.2) at year end.

The fair value of the interest-bearing borrowings was SEK 12,993m. The fair value including swap transactions used to manage the interest fixing was approximately SEK 12,981m. The borrowings and the interest-rate swaps are valued marked-to-market in order to calculate the fair value. When valuating the borrowings, the Electrolux credit rating is taken into consideration.

Cont. Note 18

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

**Borrowings**

Issue/maturity date	Description of loan	Interest rate, %	Currency	Nominal value (in currency)	Carrying amount, December 31,	
					2011	2010
<b>Bond loans<sup>1)</sup></b>						
2007–2012	SEK MTN Program	4.500	SEK	2,000	—	2,057
2008–2013	Euro MTN Program	Floating	EUR	85	756	762
2008–2014	Euro MTN Program	Floating	USD	42	290	286
2008–2016	Euro MTN Program	Floating	USD	100	690	680
2009–2014	Euro MTN Program	Floating	EUR	100	893	901
2011–2013	Euro MTN Program	Floating	SEK	1,000	1,000	—
2011–2016	Euro MTN Program	Floating	SEK	1,000	999	—
2011–2016	Euro MTN Program	Floating	SEK	1,500	1,540	—
<b>Total bond loans</b>					<b>6,168</b>	<b>4,686</b>
<b>Other long-term loans<sup>1)</sup></b>						
1996–2036	Fixed rate loans in Germany	7.870	EUR	42	355	362
2007–2013	Long-term bank loans in Sweden	Floating	SEK	300	300	300
2008–2017	Long-term bank loans in Sweden	Floating	SEK	1,000	1,000	1,000
2008–2015	Long-term bank loans in Sweden	Floating	EUR	120	1,071	1,082
2008–2015	Long-term bank loans in Sweden	Floating	PLN	338	680	768
2010–2021	Fixed rate loans in USA	6.000	USD	22	—	150
Other long-term loans					65	65
<b>Total other long-term loans</b>					<b>3,471</b>	<b>3,727</b>
<b>Long-term borrowings</b>					<b>9,639</b>	<b>8,413</b>
<b>Short-term part of long-term loans<sup>2)</sup></b>						
2007–2011	SEK MTN Program	5.250	SEK	250	—	255
2007–2012	SEK MTN Program	4.500	SEK	2,000	2,030	—
2008–2011	Fixed rate loans in Thailand	6.290	THB	965	—	217
2008–2011	Long-term bank loans in Sweden	Floating	USD	45	—	306
2009–2011	SEK MTN Program	4.250	SEK	399	—	399
<b>Total short-term part of long-term loans</b>					<b>2,030</b>	<b>1,177</b>
<b>Other short-term loans</b>						
	Short-term bank loans in Egypt	Floating	EGP	634	726	—
	Short-term bank loans in USA	Floating	USD	51	—	345
	Other bank borrowings and commercial papers				575	549
<b>Total other short-term loans</b>					<b>1,301</b>	<b>894</b>
<b>Trade receivables with recourse</b>					<b>839</b>	<b>1,068</b>
<b>Short-term borrowings</b>					<b>4,170</b>	<b>3,139</b>
<b>Fair value of derivative liabilities</b>					<b>314</b>	<b>476</b>
<b>Accrued interest expenses and prepaid interest income</b>					<b>83</b>	<b>68</b>
<b>Total borrowings</b>					<b>14,206</b>	<b>12,096</b>

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

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

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

12 months was 3.0 years (3.3), at the end of 2011. The table below presents the repayment schedule of long-term borrowings.

#### Repayment schedule of long-term borrowings, December 31

	2012	2013	2014	2015	2016	2017–	Total
Debenture and bond loans	—	1,756	1,183	—	3,229	—	6,168
Bank and other loans	—	365	—	1,751	—	1,355	3,471
Short-term part of long-term loans	2,030	—	—	—	—	—	2,030
<b>Total</b>	<b>2,030</b>	<b>2,121</b>	<b>1,183</b>	<b>1,751</b>	<b>3,229</b>	<b>1,355</b>	<b>11,669</b>

#### Other interest-bearing investments

Interest-bearing receivables from customer financing amounting to SEK 85m (82) are included in the item Trade receivables in the consolidated balance sheet. The Group's customer-financing activities are performed in order to provide sales support and are directed mainly to independent retailers in Scandinavia. The majority of the financing is shorter than 12 months. There is no major concentration of credit risk related to customer financing. Collaterals and the right to repossess the inventory also reduce the credit risk in the financing operations. The income from customer financing is subject to interest-rate risk. This risk is immaterial to the Group.

#### Commercial flows

The table below shows the forecasted transaction flows, imports and exports, for the 12-month period of 2012 and hedges at year-end 2011.

The hedged amounts are dependent on the hedging policy for each flow considering the existing risk exposure. Hedges with maturity above 12 months have a market value of SEK 0m (–14) at year-end. The effect of hedging on operating income during 2011 amounted to SEK –412m (–489). At year-end 2011, unrealized exchange-rate losses on forward contracts charged against other comprehensive income amounted to SEK –11m (–122).

#### Forecasted transaction flows and hedges

	BRL	AUD	RUB	GBP	CHF	CAD	THB	HUF	EUR	USD	Other	Total
Inflow of currency, long position	2,650	2,310	1,560	1,650	1,560	950	530	3,500	11,460	1,510	11,550	39,230
Outflow of currency, short position	–120	–240	—	–40	–30	—	–1,190	–4,300	–15,470	–9,290	–8,550	–39,230
Gross transaction flow	2,530	2,070	1,560	1,610	1,530	950	–660	–800	–4,010	–7,780	3,000	—
Hedges	–180	–1,230	–330	–860	–810	–480	420	410	1,240	2,430	–610	—
<b>Net transaction flow</b>	<b>2,350</b>	<b>840</b>	<b>1,230</b>	<b>750</b>	<b>720</b>	<b>470</b>	<b>–240</b>	<b>–390</b>	<b>–2,770</b>	<b>–5,350</b>	<b>2,390</b>	<b>—</b>

#### 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. The Group's financial assets and liabilities are measured at fair value according to 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.

Cont. Note 18

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**

	2011				2010			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>								
<b>Financial assets</b>	<b>517</b>	<b>—</b>	<b>—</b>	<b>517</b>	<b>577</b>	<b>—</b>	<b>—</b>	<b>577</b>
Financial assets at fair value through profit and loss	315	—	—	315	284	—	—	284
Available for sale	202	—	—	202	293	—	—	293
<b>Derivatives</b>	<b>—</b>	<b>252</b>	<b>—</b>	<b>252</b>	<b>—</b>	<b>386</b>	<b>—</b>	<b>386</b>
Derivatives for which hedge accounting is not applied, i.e., held for trading	—	40	—	40	—	118	—	118
Derivatives for which hedge accounting is applied	—	212	—	212	—	268	—	268
<b>Short-term investments and cash equivalents</b>	<b>514</b>	<b>—</b>	<b>—</b>	<b>514</b>	<b>2,411</b>	<b>—</b>	<b>—</b>	<b>2,411</b>
Financial assets at fair value through profit and loss	514	—	—	514	2,411	—	—	2,411
<b>Total financial assets</b>	<b>1,031</b>	<b>252</b>	<b>—</b>	<b>1,283</b>	<b>2,988</b>	<b>386</b>	<b>—</b>	<b>3,374</b>
<b>Financial liabilities</b>								
<b>Derivatives</b>	<b>—</b>	<b>324</b>	<b>—</b>	<b>324</b>	<b>—</b>	<b>483</b>	<b>—</b>	<b>483</b>
Derivatives for which hedge accounting is not applied, i.e., held for trading	—	115	—	115	—	57	—	57
Derivatives for which hedge accounting is applied	—	209	—	209	—	426	—	426
<b>Total financial liabilities</b>	<b>—</b>	<b>324</b>	<b>—</b>	<b>324</b>	<b>—</b>	<b>483</b>	<b>—</b>	<b>483</b>

**Changes in Level 3 instruments**

	2011	2010
	Available for sale instruments	Available for sale instruments
<b>Financial assets</b>		
<b>Opening balance</b>	<b>—</b>	<b>217</b>
Gains or losses recognized in income for the period	—	—
Gains or losses recognized in other comprehensive income	—	29
Reclassified to Level 1	—	-246
<b>Closing balance</b>	<b>—</b>	<b>—</b>
Total gains or losses for the period included in profit or loss	—	—
Total gains or losses for the period included in profit or loss for assets held at the reporting period	—	—

## 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, 2011		December 31, 2010	
	Assets	Liabilities	Assets	Liabilities
<b>Interest-rate swaps</b>	<b>101</b>	<b>94</b>	<b>88</b>	<b>63</b>
Cash flow hedges	—	68	5	51
Fair value hedges	93	—	75	—
Held-for-trading	8	26	8	12
<b>Cross currency interest-rate swaps</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
Cash flow hedges	—	—	—	—
Fair value hedges	—	—	—	—
Held-for-trading	—	—	—	—
<b>Forward-rate agreements and futures</b>	<b>—</b>	<b>—</b>	<b>22</b>	<b>21</b>
Cash flow hedges	—	—	—	—
Fair value hedges	—	—	—	—
Held-for-trading	—	—	22	21
<b>Currency derivatives (forwards and options)</b>	<b>151</b>	<b>230</b>	<b>274</b>	<b>399</b>
Cash flow hedges	119	141	86	331
Net investment hedges	—	—	102	44
Held-for-trading	32	89	86	24
<b>Commodity derivatives</b>	<b>—</b>	<b>—</b>	<b>2</b>	<b>—</b>
Cash flow hedges	—	—	—	—
Fair value hedges	—	—	—	—
Held-for-trading	—	—	2	—
<b>Total</b>	<b>252</b>	<b>324</b>	<b>386</b>	<b>483</b>

### Maturity profile of financial liabilities and derivatives

The table below presents the undiscounted cash flows of the Group's contractual liabilities related to financial instruments based on the remaining period at the balance sheet to the con-

tractual maturity date. Floating interest cash flows with future fixing dates are estimated using the forward-forward interest rates at year-end. Any cash flow in foreign currency is converted to local currency using the FX spot rates at year-end.

### Maturity profile of financial liabilities and derivatives – undiscounted cash flows

	1 year	1–2 years	2–5 years	5 years–	Total
Loans	-3,682	-2,398	-6,552	-1,355	-13,987
Net settled derivatives	37	-24	1	—	14
Gross settled derivatives	-104	—	—	—	-104
Whereof outflow	-19,171	-20	—	—	-19,191
Whereof inflow	19,067	20	—	—	19,087
Accounts payable	-18,490	—	—	—	-18,490
Financial guarantees	-1,276	—	—	—	-1,276
<b>Total</b>	<b>-23,515</b>	<b>-2,422</b>	<b>-6,551</b>	<b>-1,355</b>	<b>-33,843</b>

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

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

### Specification of gains and losses on fair value hedges

	2011	2010
Fair value hedges, net	—	—
whereof interest-rate derivatives	9	-69
whereof fair-value adjustment on borrowings	-9	69

Cont. Note 18

**Net gain/loss, income and expense on financial instruments**

	2011				2010			
	Gain/loss in profit and loss	Gain/loss in OCI	Interest income	Interest expenses	Gain/loss in profit and loss	Gain/loss in OCI	Interest income	Interest expenses
<b>Recognized in the operating income</b>								
<b>Financial assets and liabilities at fair value through profit and loss</b>								
Derivatives for which hedge accounting is not applied, i.e., held-for-trading	-408	-	-	-	-487	-	-	-
Currency derivatives related to commercial exposure where hedge accounting is applied, i.e., cash flow hedges	4	-	-	-	2	-	-	-
	-412	-	-	-	-489	-	-	-
<b>Loans and receivables</b>								
Trade receivables/payables	359	-	-	-	559	-	-	-
<b>Available-for-sale financial assets</b>								
Other shares and participations	1	-91	-	-	2	77	-	-
	1	-91	-	-	2	77	-	-
<b>Total net gain/loss, income and expenses</b>	<b>-48</b>	<b>-91</b>	<b>-</b>	<b>-</b>	<b>74</b>	<b>77</b>	<b>-</b>	<b>-</b>
<b>Recognized in the financial items</b>								
<b>Financial assets and liabilities at fair value through profit and loss</b>								
Derivatives for which hedge accounting is not applied, i.e., held-for-trading	-72	395	24	-6	-675	101	53	-57
Interest-related derivatives for which fair value hedge accounting is applied, i.e., fair value hedges	-77	-	-	-	-465	-	-	-
Interest-related derivatives for which cash flow hedge accounting is applied, i.e., cash flow hedges	9	-	-	46	-69	-	-	81
Currency derivatives related to commercial exposure where hedge accounting is applied, i.e., cash flow hedges	-	-23	-	-15	-	-7	-	-29
Net investment hedges where hedge accounting is applied	13	134	-	-	-10	-110	-	-
Other financial assets carried at fair value	-	284	-	-37	-	218	-	-109
	-17	-	24	-	-131	-	53	-
<b>Loans and receivables</b>								
	-37	-	316	-	52	-	293	-
<b>Other financial liabilities</b>								
Financial liabilities for which hedge accounting is not applied	164	-	-	-423	640	-	-	-430
Financial liabilities for which hedge accounting is applied	1	-	-	-203	349	-	-	-208
<b>Total net gain/loss, income and expenses</b>	<b>55</b>	<b>395</b>	<b>340</b>	<b>-632</b>	<b>17</b>	<b>101</b>	<b>346</b>	<b>-487</b>



**Note 19** Assets pledged for liabilities to credit institutions

	Group December 31,		Parent Company December 31,	
	2011	2010	2011	2010
Real-estate mortgages	84	60	—	—
Other	10	10	5	5
<b>Total</b>	<b>94</b>	<b>70</b>	<b>5</b>	<b>5</b>

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

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

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

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

**Share capital**

The share capital of AB Electrolux consists of 8,212,725 Class A shares and 300,707,583 Class B shares with a quota value of SEK 5 per share. All shares are fully paid. An A-share entitles the holder to one vote and a B-share to one-tenth of a vote. All shares entitle the holder to the same proportion of assets and earnings, and carry equal rights in terms of dividends. In 2011, 850,400 Class A shares were converted to Class B shares at the request of shareholders.

**Share capital**

	Quota value
<b>Share capital, December 31, 2011</b>	
8,212,725 Class A shares, with a quota value of SEK 5	41
300,707,583 Class B shares, with a quota value of SEK 5	1,504
<b>Total</b>	<b>1,545</b>
<b>Share capital, December 31, 2010</b>	
9,063,125 Class A shares, with a quota value of SEK 5	46
299,857,183 Class B shares, with a quota value of SEK 5	1,499
<b>Total</b>	<b>1,545</b>

**Number of shares**

	Owned by Electrolux	Owned by other share- holders	Total
<b>Shares, December 31, 2010</b>			
Class A shares	—	9,063,125	9,063,125
Class B shares	24,255,085	275,602,098	299,857,183
<b>Conversion of Class A shares into Class B shares</b>			
Class A shares	—	-850,400	-850,400
Class B shares	—	850,400	850,400
<b>Sold shares</b>			
Class A shares	—	—	—
Class B shares	—	—	—
<b>Shares, December 31, 2011</b>			
Class A shares	—	8,212,725	8,212,725
Class B shares	24,255,085	276,452,498	300,707,583

**Other paid-in capital**

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

**Other reserves**

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

**Retained earnings**

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

**Earnings per share**

	2011	2010
Income for the period	2,064	3,997
<b>Earnings per share</b>		
Basic, SEK	7.25	14.04
Diluted, SEK	7.21	13.97
<b>Average number of shares, million</b>		
Basic	284.7	284.6
Diluted	286.1	286.0

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. Performance share programs are included in the dilutive potential ordinary shares as from the start of each program. The dilution from Electrolux incentive programs is a consequence of the 2009 Performance Share Program.

As of December 31, 2011, Electrolux has sold or delivered a total of 0 (243,756) Class B shares, with a total quota value of SEK 0m (1), to the participants in Electrolux long-term incentive programs. The average number of shares during the year has been 284,665,223 (284,598,306) and the average number of diluted shares has been 286,125,044 (286,017,584).

## Note 21 Untaxed reserves, Parent Company

	December 31, 2011	Appropriations	December 31, 2010
<b>Accumulated depreciation in excess of plan</b>			
Brands	377	-42	419
Licenses	101	19	82
Machinery and equipment	93	5	88
Buildings	2	-	2
Other	24	-14	38
<b>Total</b>	<b>597</b>	<b>-32</b>	<b>629</b>

## Note 22 Post-employment benefits

### Post-employment benefits

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

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

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

The Group's major defined benefit plans cover employees in the US, the UK, Switzerland, Germany, France, Italy and Sweden. The Italian and French plans are unfunded and the rest of the plans are funded.

In Sweden, in addition to benefits relating to retirement pensions, there is also a family pension for many of the Swedish employees. This commitment is classified as a multi-employer defined benefit plan and administered by Alecta. It has not been possible to obtain the necessary information for the accounting of this plan as a defined benefit plan, and therefore, it has been accounted for as a defined contribution plan.

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

The provisions for post-employment benefits amounted to SEK 287m (957). The decrease of SEK 670m is mainly due to lower contributions by employer and a lower pension expense. The unrecognized actuarial losses in the plans for post-employment benefits increased with SEK 2,159m to SEK 3,492m (1,333). The increase is mainly due to sharp falls in discount rates across all plans and poor performance of the plan assets.

Cont. Note 22

**Amounts recognized in balance sheet**

	December 31, 2011				December 31, 2010			
	Pension benefits	Healthcare benefits	Other post-employment benefits	Total	Pension benefits	Healthcare benefits	Other post-employment benefits	Total
Present value of funded obligations	19,973	2,249	—	22,222	18,332	2,068	—	20,400
Fair value of plan assets	-18,468	-1,331	—	-19,799	-18,069	-1,340	—	-19,409
<b>Surplus/deficit</b>	<b>1,505</b>	<b>918</b>	<b>—</b>	<b>2,423</b>	<b>263</b>	<b>728</b>	<b>—</b>	<b>991</b>
Present value of unfunded obligations	739	—	638	1,377	666	—	657	1,323
Unrecognized actuarial losses (-) /gains (+)	-3,360	-87	-45	-3,492	-1,532	232	-33	-1,333
Unrecognized past-service cost	—	—	-21	-21	-1	1	-24	-24
Effect of limit on assets	—	—	—	—	—	—	—	—
<b>Net provisions for post-employment benefits</b>	<b>-1,116</b>	<b>831</b>	<b>572</b>	<b>287</b>	<b>-604</b>	<b>961</b>	<b>600</b>	<b>957</b>
Whereof reported as								
Prepaid pension cost in other non-current assets <sup>1)</sup>	1,824	—	—	1,824	1,529	—	—	1,529
Provisions for post-employment benefits	708	831	572	2,111	925	961	600	2,486

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

**Reconciliation of changes in net provisions for post-employment benefits**

	Pension benefits	Healthcare benefits	Other post-employment benefits	Total
<b>Net provision for post-employment benefits, January 1, 2010</b>				
Expenses for defined post-employment benefits	226	37	51	314
Contributions by employer	-626	-192	-72	-890
Exchange-rate differences	8	-43	-90	-125
<b>Net provision for post-employment benefits, December 31, 2010</b>	<b>-604</b>	<b>961</b>	<b>600</b>	<b>957</b>
Expenses for defined post-employment benefits	-9	-5	43	29
Contributions by employer	-479	-143	-65	-687
Exchange-rate differences and other changes	-24	18	-6	-12
<b>Net provision for post-employment benefits, December 31, 2011</b>	<b>-1,116</b>	<b>831</b>	<b>572</b>	<b>287</b>

**Amounts recognized in income statement**

	December 31, 2011				December 31, 2010			
	Pension benefits	Healthcare benefits	Other post-employment benefits	Total	Pension benefits	Healthcare benefits	Other post-employment benefits	Total
Current service cost	198	1	4	203	312	1	4	317
Interest cost	865	93	28	986	957	114	35	1,106
Expected return on plan assets	-1,099	-88	—	-1,187	-1,140	-90	—	-1,230
Amortization of actuarial losses/gains	29	-8	—	21	92	-10	—	82
Amortization of past-service cost	-2	-1	1	-2	5	-6	2	1
Losses/gains on curtailments and settlements	2	-2	10	10	15	28	10	53
Effect of limit on assets	-2	—	—	-2	-15	—	—	-15
<b>Total expenses for defined post-employment benefits</b>	<b>-9</b>	<b>-5</b>	<b>43</b>	<b>29</b>	<b>226</b>	<b>37</b>	<b>51</b>	<b>314</b>
Expenses for defined contribution plans	—	—	—	396	—	—	—	427
<b>Total expenses for post-employment benefits</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>425</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>741</b>
Actual return on plan assets	-735	—	—	-735	-1,864	—	—	-1,864

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**

	2011				2010			
	Pension benefits	Healthcare benefits	Other post-employment benefits	Total	Pension benefits	Healthcare benefits	Other post-employment benefits	Total
<b>Opening balance, January 1</b>	<b>18,998</b>	<b>2,068</b>	<b>657</b>	<b>21,723</b>	<b>19,610</b>	<b>2,055</b>	<b>734</b>	<b>22,399</b>
Current service cost	198	1	4	203	312	1	4	317
Interest cost	865	93	28	986	957	114	35	1,106
Contributions by plan participants	41	16	—	57	41	21	—	62
Actuarial losses/gains	1,458	190	16	1,664	222	150	26	398
Past-service cost	-3	—	-2	-5	—	—	15	15
Curtailments/special termination benefit cost	6	-2	—	4	10	32	12	54
Liabilities extinguished on settlements	-5	—	6	1	-2	—	-3	-5
Exchange-rate differences on foreign plans	215	38	-6	247	-1,054	-117	-94	-1,265
Benefits paid	-1,062	-168	-65	-1,295	-1,098	-199	-72	-1,369
Other	1	13	—	14	—	11	—	11
<b>Closing balance, December 31</b>	<b>20,712</b>	<b>2,249</b>	<b>638</b>	<b>23,599</b>	<b>18,998</b>	<b>2,068</b>	<b>657</b>	<b>21,723</b>

**Reconciliation of change in fair value of plan assets**

	2011				2010			
	Pension benefits	Healthcare benefits	Other post-employment benefits	Total	Pension benefits	Healthcare benefits	Other post-employment benefits	Total
<b>Opening balance, January 1</b>	<b>18,069</b>	<b>1,340</b>	<b>—</b>	<b>19,409</b>	<b>17,749</b>	<b>1,259</b>	<b>—</b>	<b>19,008</b>
Expected return on plan assets	1,099	88	—	1,187	1,140	90	—	1,230
Actuarial gains/losses	-344	-108	—	-452	581	53	—	634
Settlements	—	—	—	—	—	—	—	—
Contributions by employer	479	143	65	687	626	192	72	890
Contributions by plan participants	41	16	—	57	41	21	—	62
Exchange-rate differences on foreign plans	185	17	—	202	-974	-76	—	-1,050
Benefits paid	-1,062	-168	-65	-1,295	-1,098	-199	-72	-1,369
Other	1	3	—	4	4	—	—	4
<b>Closing balance, December 31</b>	<b>18,468</b>	<b>1,331</b>	<b>—</b>	<b>19,799</b>	<b>18,069</b>	<b>1,340</b>	<b>—</b>	<b>19,409</b>

The pension plan assets include ordinary shares issued by AB Electrolux with a fair value of SEK 49m (86). In 2012, the Group expects to pay a total of SEK 763m in contributions to the funds

and payments of benefits directly to the employees. In 2011, this amounted to SEK 687m, of which SEK 380m were contributions to the Group's pension funds.

Cont. Note 22

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

%	December 31,	
	2011	2010
European equities	10	16
North American equities	15	16
Other equities	10	10
European bonds	19	19
North American bonds	24	22
Other bonds	4	—
Alternative investments <sup>1)</sup>	12	13
Property	5	3
Cash and cash equivalents	1	1
<b>Total</b>	<b>100</b>	<b>100</b>

1) Includes hedge funds and infrastructure investments.

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

%	December 31,	
	2011	2010
Discount rate	4.1	4.9
Expected long-term return on assets	6.5	6.8
Expected salary increases	3.7	3.8
Annual increase of healthcare costs	8.0	8.0

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

**Healthcare benefits sensitivity analysis**

	2011		2010	
	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	9	-8	11	-9
Effect on defined benefit obligation	245	-209	210	-181

**Amounts for annual periods**

	December 31,				
	2011	2010	2009	2008	2007
Defined benefit obligation	-23,599	-21,723	-22,399	-23,185	-20,597
Plan assets	19,799	19,409	19,008	13,989	14,008
Surplus/deficit	-3,800	-2,314	-3,391	-9,196	-6,589
Experience adjustments on plan liabilities	208	425	222	217	-221
Experience adjustments on plan assets	-452	634	1,130	-1,665	-38

## Parent Company

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

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

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

	Funded	Unfunded	Total
<b>Opening balance, January 1, 2010</b>	<b>1,217</b>	<b>374</b>	<b>1,591</b>
Current service cost	31	13	44
Interest cost	62	19	81
Other change of present value	—	—	—
Benefits paid	-44	-36	-80
<b>Closing balance, December 31, 2010</b>	<b>1,266</b>	<b>370</b>	<b>1,636</b>
Current service cost	118	43	161
Interest cost	60	17	77
Other change of present value	—	—	—
Benefits paid	-49	-35	-84
<b>Closing balance, December 31, 2011</b>	<b>1,395</b>	<b>395</b>	<b>1,790</b>

### Change in fair value of plan assets

	Funded
<b>Opening balance, January 1, 2010</b>	<b>1,587</b>
Actual return on plan assets	110
Contributions and compensation to/from the fund	61
<b>Closing balance, December 31, 2010</b>	<b>1,758</b>
Actual return on plan assets	-38
Contributions and compensation to/from the fund	7
<b>Closing balance, December 31, 2011</b>	<b>1,727</b>

## Amounts recognized in balance sheet

	December 31,	
	2011	2010
Present value of pension obligations	-1,790	-1,636
Fair value of plan assets	1,727	1,758
<b>Surplus/deficit</b>	<b>-63</b>	<b>122</b>
Limitation on assets in accordance with Swedish accounting principles	-332	-492
<b>Net provisions for pension obligations</b>	<b>-395</b>	<b>-370</b>
Whereof reported as provisions for pensions	-395	-370

## Amounts recognized in income statement

	2011	2010
Current service cost	161	44
Interest cost	77	81
<b>Total expenses for defined benefit pension plans</b>	<b>238</b>	<b>125</b>
Insurance premiums	69	74
<b>Total expenses for defined contribution plans</b>	<b>69</b>	<b>74</b>
Special employer's contribution tax	63	46
Cost for credit insurance	1	1
<b>Total pension expenses</b>	<b>371</b>	<b>246</b>
Compensation from the pension fund	-43	—
<b>Total recognized pension expenses</b>	<b>328</b>	<b>246</b>

## The Swedish Pension Foundation

The pension liabilities of the Group's Swedish defined benefit pension plan (PRI pensions) are funded through a pension foundation established in 1998. The market value of the assets of the foundation amounted at December 31, 2011, to SEK 2,048m (2,086) and the pension commitments to SEK 1,657m (1,505). The Swedish Group companies recorded a liability to the pension fund as per December 31, 2011, in the amount of SEK 152m (58). Contributions to the pension foundation during 2011 amounted to SEK 58m (73) regarding the pension liability at December 31, 2010. Contributions from the pension foundation during 2011 amounted to SEK 52m (0).

Note **23** Other provisions

	Group					Parent Company			
	Provisions for restructuring	Warranty commitments	Claims	Other	Total	Provisions for restructuring	Warranty commitments	Other	Total
<b>Opening balance, January 1, 2010</b>	<b>1,684</b>	<b>1,796</b>	<b>1,016</b>	<b>2,783</b>	<b>7,279</b>	<b>29</b>	<b>140</b>	<b>41</b>	<b>210</b>
Provisions made	878	852	223	1,178	3,131	44	—	19	63
Provisions used	-588	-921	-211	-538	-2,258	-15	-8	-4	-27
Unused amounts reversed	-22	-65	—	-71	-158	—	—	—	—
Exchange-rate differences	-161	-107	-46	-157	-471	—	—	—	—
<b>Closing balance, December 31, 2010</b>	<b>1,791</b>	<b>1,555</b>	<b>982</b>	<b>3,195</b>	<b>7,523</b>	<b>58</b>	<b>132</b>	<b>56</b>	<b>246</b>
Of which current provisions	1,044	739	—	434	2,217	55	17	—	72
Of which non-current provisions	747	816	982	2,761	5,306	3	115	56	174
<b>Opening balance, January 1, 2011</b>	<b>1,791</b>	<b>1,555</b>	<b>982</b>	<b>3,195</b>	<b>7,523</b>	<b>58</b>	<b>132</b>	<b>56</b>	<b>246</b>
Acquisitions of operations	—	56	—	396	452	—	—	—	—
Provisions made	695	744	272	721	2,432	31	97	16	144
Provisions used	-684	-794	-225	-711	-2,414	-14	-6	-17	-37
Unused amounts reversed	-66	-38	—	-90	-194	-16	—	—	-16
Exchange-rate differences	-13	-5	13	-129	-134	—	—	—	—
<b>Closing balance, December 31, 2011</b>	<b>1,723</b>	<b>1,518</b>	<b>1,042</b>	<b>3,382</b>	<b>7,665</b>	<b>59</b>	<b>223</b>	<b>55</b>	<b>337</b>
Of which current provisions	1,004	754	—	607	2,365	44	30	5	79
Of which non-current provisions	719	764	1,042	2,775	5,300	15	193	50	258

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, 2011, will be used during 2012 and 2013.

Provisions for warranty commitments are recognized as a consequence of the Group's policy to cover the cost of repair of defective products. Warranty is normally granted for one to two years after the sale. Provisions for claims refer to the Group's captive insurance companies. Other provisions include mainly provisions for indirect tax, environmental liabilities, asbestos claims or other liabilities, none of which is material to the Group. The timing of any resulting outflows for provisions for claims and other provisions is uncertain.

 Note **24** Other liabilities

	Group December 31,		Parent Company December 31,	
	2011	2010	2011	2010
Accrued holiday pay	796	812	146	153
Other accrued payroll costs	974	1,390	110	229
Accrued interest expenses	83	68	81	52
Prepaid income	363	286	—	—
Other accrued expenses	5,288	5,385	474	648
Other operating liabilities	2,993	2,966	—	—
<b>Total</b>	<b>10,497</b>	<b>10,907</b>	<b>811</b>	<b>1,082</b>

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

## Note 25 Contingent liabilities

	Group December 31,		Parent Company December 31,	
	2011	2010	2011	2010
Trade receivables, with recourse	—	—	—	—
<b>Guarantees and other commitments</b>				
On behalf of subsidiaries	—	—	1,265	1,448
On behalf of external counterparties	1,276	1,062	155	154
Employee benefits in excess of reported liabilities	—	—	8	6
<b>Total</b>	<b>1,276</b>	<b>1,062</b>	<b>1,428</b>	<b>1,608</b>

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

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

### Asbestos litigation in the US

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

As of December 31, 2011, the Group had a total of 2,714 (2,800) cases pending, representing approximately 2,843 (approximately 3,050) plaintiffs. During 2011, 1,005 new cases with 1,006 plaintiffs were filed and 1,091 pending cases with approximately 1,211 plaintiffs were resolved.

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.

### Electrolux insurer to Husqvarna Belgium S.A.

In July 2004, a gas explosion occurred on Husqvarna Belgium S.A.'s ("Husqvarna") property in Ghislenghien, Belgium, resulting in the loss of 24 lives, more than 100 personal injuries and substantial property damage. The accident was caused by the bursting of a sub-surface industrial gas pipe. The Husqvarna group was spun-off from Electrolux to Electrolux shareholders in 2006.

In June 2011, after several years of legal proceedings, the Court of Appeal in Mons, Belgium, ruled that Husqvarna together with five other parties were found liable for the accident and jointly and severally liable for the damages resulting from it. Husqvarna has appealed the verdict to the Belgian Supreme Court, which is expected to rule on the matter during 2012.

At this stage a sufficiently reliable estimate of the total damages from the accident cannot be made. As a former subsidiary to Electrolux, Husqvarna is covered by Electrolux liability insurance program for 2004. This program is reinsured by external insurance companies. Electrolux believes that losses which Husqvarna may have cover for under Electrolux insurance program will be correspondingly covered by the external reinsurance program.

## Note 26 Acquired and divested operations

### Acquired operations in 2011

	Olympic Group	CTI	Total
<b>Consideration</b>			
Cash paid <sup>1)</sup>	2,556	3,804	6,360
	<b>2,556</b>	<b>3,804</b>	<b>6,360</b>
<b>Recognized amounts of identifiable assets acquired and liabilities assumed at fair value</b>			
Property, plant and equipment	555	382	937
Intangible assets	516	1,012	1,528
Inventories	577	734	1,311
Trade receivables	195	763	958
Other current and non-current assets	236	310	546
Accounts payable	-223	-189	-412
Other operating liabilities	-574	-886	-1,460
Current assets held for sale	537	—	537
<b>Total identifiable net assets acquired</b>	<b>1,819</b>	<b>2,126</b>	<b>3,945</b>
Cash and cash equivalents	34	114	148
Borrowings	-723	-499	-1,222
<b>Assumed net debt</b>	<b>-689</b>	<b>-385</b>	<b>-1,074</b>
<b>Non-controlling interests</b>	<b>-69</b>	<b>-41</b>	<b>-110</b>
<b>Goodwill</b>	<b>1,495</b>	<b>2,104</b>	<b>3,599</b>
<b>Total</b>	<b>2,556</b>	<b>3,804</b>	<b>6,360</b>

1) Before divestment of assets held for sale in Olympic Group.

Cont. Note 26

### Acquisition of Olympic Group

On September 8, 2011, Electrolux closed its tender offer for the shares in Olympic Group and acquired in total 59,074,122 shares representing 98.33% of the shares and votes in the company. The tender offer was launched in July 2011, following an agreement with Paradise Capital to acquire its 52% majority stake in Olympic Group. The total consideration for 98.33% of the shares in Olympic Group is SEK 2,556m, which was paid in cash at the beginning of September 2011.

Olympic Group is a leading manufacturer of appliances in the Middle East with a volume market share in Egypt of approximately 30%. The company has 7,100 employees and manufactures washing machines, refrigerators, cookers and water heaters.

The acquisition is part of Electrolux strategy to grow in emerging markets like Middle East and Africa. Electrolux and Olympic Group have developed a successful commercial partnership in the region for almost 30 years, which today covers technology, supply of components, distribution and brand licensing.

Olympic Group, excluding the two companies Namaa and B-Tech, which were not part of the core business and was divested after Electrolux acquisition, had sales of about EGP 2.3 billion (SEK 2.5 billion) in 2010, and a recurring operating profit of about EGP 265m (SEK 280m). This corresponds to a margin of 11% and a net profit of about EGP 190m (SEK 200m).

Olympic Group is included in the consolidated accounts of Electrolux as of September 1, 2011, within the business area Major Appliances Europe, Middle East and Africa.

Following closing of the tender offer, Electrolux has sold Olympic Group's shares in the companies Namaa and B-Tech and some additional assets to Paradise Capital for a total of SEK 522m, since they were not part of Olympic Group's core business. According to the agreement with Paradise Capital, additional assets will be sold in 2012. Olympic Group also intends to launch a tender offer for the shares held by minority shareholders in Olympic Group's subsidiary Delta Industrial-Ideal S.A.E. at a price of EGP 21.4 per share. The estimated total consideration for these shares will not exceed SEK 116m. The actual consideration to be paid will depend on the number of tendered shares.

Upon the completion of the above transactions, the total net consideration paid for Electrolux 98.33% interest in Olympic Group will be approximately SEK 2,135m.

Expenses related to the acquisition amounted to SEK 24m in 2010 and to SEK 43m in 2011 and have been reported as administrative expenses in Electrolux income statement.

The purchase price allocation concludes that goodwill amounts to a value of SEK 1,495m. The goodwill is attributable mainly to synergies in product development, production and sales and from gaining market presence in the North African region that is expected to grow economically going forward. None of the goodwill is expected to be deductible for tax purposes. The goodwill amount has been tested for impairment as a part of the Major Appliances Europe, Middle East and Africa cash generating unit.

Olympic Group has entered into a seven-year management agreement with Paradise Capital to ensure continued technical and management support to Olympic Group against a yearly fee

of 2.5% of Olympic Group's net sales. The fee is reported within administrative expenses.

The purchase agreement with Paradise Capital includes customary indemnity provisions which entitles Electrolux to be compensated under circumstances detailed in the agreement.

The non-controlling interest in Olympic Group is 6.1% including the shares in Olympic Group's subsidiaries currently held by minority shareholders, and amounted to a value of SEK 69m in the acquisition balance. The value of the non-controlling interest is calculated based on the non-controlling interest's proportionate share of Olympic Group's total net assets.

### Acquisition of CTI

On October 14, 2011, Electrolux acquired 7,005,564,670 shares in Compañía Tecno Industrial S.A. (CTI) through a cash tender offer on the Santiago Stock Exchange. Electrolux also acquired 127,909,232 shares, representing 96.90% of the voting equity interest in the subsidiary Somela S.A., through a cash tender offer on the Santiago Stock Exchange.

In Chile, CTI group manufactures refrigerators, stoves, washing machines and heaters, sold under the brands Fensa and Mademsa and it is the leading manufacturer with a volume market share of 36%. CTI group also holds a leading position in Argentina with the GAFA brand and in Chile, Somela is the largest supplier of small domestic appliances. CTI group has 2,200 employees and two manufacturing sites in Chile and one in Argentina. In 2010, CTI group had sales of SEK 2.9 billion (CLP 203 billion). The acquisition is a step towards Electrolux growth strategy and provides significant revenue and growth synergies.

The shares acquired represents 97.79% of the voting equity interest in CTI and Electrolux thereby achieved control of the company. The cash tender offer was preceded by an agreement with Sigdo Koppers and certain associated parties, which held 64% of the shares in CTI, to buy their shares in the tender offer. CTI group is included in the consolidated accounts of Electrolux as of October 2011, and is included in the Major Appliances Latin America and Small Appliances business areas. The income statement of Electrolux includes 3 months of sales and income from CTI group.

The total consideration paid for the acquisition of the shares in CTI group was SEK 3,804m and was paid in cash in October 2011. The preliminary purchase price allocation concludes that goodwill amounts to a value of SEK 2,104m. This value may be adjusted when the purchase price allocation is finalized for, e.g., appraisal of buildings and land. The goodwill is attributable mainly to synergies in development, production and marketing of household appliances and from gaining market presence in the Southern cone of Latin America that is expected to grow economically going forward. None of the goodwill is expected to be deductible for tax purposes. The goodwill amount has been tested for impairment as a part of the Major Appliances Latin America and Small Appliances cash generating units.

The purchase agreement with Sigdo Koppers includes the right for Electrolux to be indemnified for certain environmental claims and tax claims amongst others.

The non-controlling interest in CTI group at acquisition is 2.36% and amounts to a value of SEK 41m. The value of the non-controlling interest is calculated based on the non-controlling interest's proportionate share of the CTI group's net assets. Subsequent to the acquisition, Electrolux has acquired a further 22,143,092 shares from minority shareholders for a total of SEK 17m.

Expenses related to the acquisition amounted to SEK 56m in 2011 and has been reported as administrative expenses in Electrolux income statement.

### Revenue and profit from acquisitions

The revenue and the operating profit of acquired companies since their acquisition are SEK 1,690m and SEK -24m, respectively. This includes acquisition related entries, e.g., the effect of inventory revaluation. The revenue of Electrolux and the acquired companies combined would have been SEK 104,910m if the acquisitions had taken place on the first day of 2011. The calculation of profit for the combined entities from the beginning of the year is considered impractical and not disclosed. The main reason for this is that the entities had different accounting policies prior to the acquisitions.

### Divested companies

	Divestments	
	2011	2010
Fixed assets	63	3
Inventories	13	—
Receivables	20	31
Other current assets	522	11
Other liabilities and provisions	-4	-19
<b>Net assets</b>	<b>614</b>	<b>26</b>
Sales price	821	7
Net borrowings in acquired/divested operations	—	—
<b>Effect on Group cash and cash equivalents</b>	<b>821</b>	<b>7</b>

Divestments in 2011 include the sale of the shares in the Egyptian companies Namaa and B-Tech as agreed in connection with the acquisition of the Olympic Group. The heating element operation in Switzerland, a non-core business in the professional segment, was divested in the first quarter. Further, real estate in Australia, Switzerland, Sweden and Egypt were sold during the year.

On September 9, 2010, an agreement to sell Baring Industries Division in USA, a unit in the Professional Products business area, was concluded. The divestment was made close to book value of the transferred net assets. An additional consideration of SEK 11m was received in 2011.

## Note 27 Employees and remuneration

### Employees and employee benefits

In 2011, the average number of employees was 52,916 (51,544), of whom 36,590 (33,748) were men and 16,326 (17,796) women.

A detailed specification of the average number of employees by country has been submitted to the Swedish Companies Registration Office and is available on request from AB Electrolux, Investor Relations and Financial Information. See also Electrolux website [www.electrolux.com/employees-by-country](http://www.electrolux.com/employees-by-country)

### Average number of employees, by geographical area

	Group	
	2011	2010
Europe	21,667	23,030
North America	9,178	10,076
Rest of world	22,071	18,438
<b>Total</b>	<b>52,916</b>	<b>51,544</b>

### Salaries, other remuneration and employer contributions

	2011			2010		
	Salaries and remuneration	Employer contributions	Total	Salaries and remuneration	Employer contributions	Total
Parent Company	857	387	1,244	831	575	1,406
(whereof pension costs)	—	(103) <sup>1)</sup>	(103) <sup>1)</sup>	—	(246) <sup>1)</sup>	(246) <sup>1)</sup>
Subsidiaries	12,280	2,713	14,993	11,847	3,122	14,969
(whereof pension costs)	—	(322)	(322)	—	(495)	(495)
<b>Total Group</b>	<b>13,137</b>	<b>3,100</b>	<b>16,237</b>	<b>12,678</b>	<b>3,697</b>	<b>16,375</b>
(whereof pension costs)	—	(425)	(425)	—	(741)	(741)

1) Includes SEK 13m (12), referring to the President's predecessors according to local GAAP (the cost for the current President is included in his home country).

Cont. Note 27

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

	2011			2010		
	Board members and senior managers	Other employees	Total	Board members and senior managers	Other employees	Total
Parent Company	33	824	857	44	787	831
Other	185	12,095	12,280	198	11,649	11,847
<b>Total Group</b>	<b>218</b>	<b>12,919</b>	<b>13,137</b>	<b>242</b>	<b>12,436</b>	<b>12,678</b>

Of the Board members in the Group, 120 were men and 37 women, of whom 5 men and 4 women in the Parent Company. Senior managers in the Group consisted of 178 men and 52 women, of whom 8 men and 3 women in the Parent Company. The total pension cost for Board members and senior managers in the Group amounted to 34m (33) in 2011.

**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 2011 refers to one fourth of the compensation authorized by the AGM in 2010, and three fourths of the compensation authorized by the AGM in 2011. Total compensation paid in cash in 2011 amounted to SEK 5.4m, of which SEK 4.8m referred to ordinary compensation and SEK 0.6m to committee work.

**Compensation to Board members 2011**

	Ordinary compensation	Compensation for committee work	Total compensation
'000 SEK			
Marcus Wallenberg, Chairman	1,600	55	1,655
Peggy Bruzelius, Deputy Chairman	550	200	750
Lorna Davis	475	37	512
Hasse Johansson	475	57	532
John S. Lupo	475	—	475
Keith McLoughlin, President	—	—	—
Johan Molin (up to AGM 2011)	119	18	137
Torben Ballegaard Sorensen	475	85	560
Ulrica Saxon (as from AGM 2011)	356	—	356
Caroline Sundewall (up to AGM 2011)	119	28	147
Barbara Milian Thoralfsson	475	120	595
Ola Bertilsson	—	—	—
Gunilla Brandt	—	—	—
Ulf Carlsson	—	—	—
<b>Total compensation 2011</b>	<b>5,119</b>	<b>600</b>	<b>5,719</b>
Revaluation of synthetic shares from previous assignment period	-3,027	—	-3,027
<b>Total compensation cost 2011, including revaluation of synthetic shares</b>	<b>2,092</b>	<b>600</b>	<b>2,692</b>

**Synthetic shares**

The AGM in 2008, 2009 and 2010 decided that a part of the fees to the Board of Directors should be payable in synthetic shares. A synthetic share is a right to receive in the future a payment corresponding to the stock-market value of a Class B share in Electrolux at the time of payment. In accordance with the fee structure laid down by the AGM, the Directors have for the 2008/2009, 2009/2010 and 2010/2011 terms of office been given the choice of receiving 25% or 50% of the fees for the Board assignment in synthetic shares. The remaining part of the fees to the Directors is paid in cash. Foreign Directors have been able to elect to receive 100% of the fee in cash. The synthetic shares entail a right to payment, in the fifth year after the AGM decision, of a cash amount per synthetic share corresponding to the price for a Class B share in Electrolux at the time of payment. Should a Director's assignment end not later than four years after the time of allocation, cash settlement may instead take place during the year after the assignment came to an end. At the end of 2011, a total of 35,923 (34,465) synthetic shares were outstanding, having a total value of SEK 3.9m (6.6). The accrued value of the synthetic shares has been calculated as the number of synthetic shares times the volume weighted average price of a Class B share in Electrolux as of December 31, 2011. The income from revaluation of synthetic shares during 2011 was SEK 3.0m. No cash settlements took place in 2011.

**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 2011, the Committee members were Barbara Milian Thoralfsson (Chairman), Marcus Wallenberg and Johan Molin up to April. From April, Johan Molin was replaced by Lorna Davis.

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 on the President's remuneration 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 resolves on the above subjects for members of the Group Management on proposal by the President.

A minimum of two meetings are convened each year and additional meetings are held when needed. Eight meetings were held during 2011.

## Remuneration guidelines for Group Management

The AGM in 2011 approved the proposed remuneration guidelines. These guidelines are described below.

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

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

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

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

Since 2004, Electrolux has long-term performance-share programs for approximately 160 senior managers of the Group. For further information, see page 70.

## Compensation and terms of employment for the President

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

For the new President, the annualized base salary for 2011 has been set at SEK 9,878,000 (USD amount 1,450,000). It will not be reviewed until January 1, 2013.

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

The President participates in the Group's long-term performance programs. For further information on these programs, see page 70.

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

The President is employed on a US employment contract and has been assigned to Sweden. A specific support package is provided to him under the Group's International Assignment Policy,

that includes amongst others relocation support, tax filing support, as well as various allowances that are provided to expatriates within the Group under the policy.

## Pensions for the President

The President is covered by the pension plans in place with his US employer for old age, disability and death benefits. The retirement age for the President is 65. The President is entitled to a fixed defined annual contribution of SEK 5,185,000 (USD 800,000) that is paid towards the employer's pension plans (401(k), excess 401(k) and Supplemental Defined Contribution Plan).

The capital value of pension commitments for the President in 2011, prior Presidents, and survivors is SEK 245m (155).

## Compensation and terms of employment for other members of Group Management

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

Base salary is revised annually per January 1. The average base salary increase for members of Group Management in 2011 was 5.4% (3.5).

Variable salary in 2011 is based on financial targets on sector and Group level. Variable salary for sector heads varies between a minimum (no pay out) and a maximum of 100% of annual salary, which is also the cap. The US-based 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.

During 2011, no payments for retention agreements were made. There are no further extraordinary arrangements outstanding for retention purposes. Individual members of Group Management are entitled to additional variable compensation arrangements agreed in connection with the recruitment. The compensation shall be paid in instalments provided the member is still employed until the end of 2012 and 2013. These payments will be SEK 6.0m in 2012. In 2011 SEK 3.2m 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. For further information on these programs, see page 70.

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.

Cont. Note 27

### Compensation paid to Group Management

	2011					2010				
	Annual fixed salary <sup>1)</sup>	Variable salary paid 2011 <sup>2)</sup>	Total salary	Long-term PSP (value of shares awarded)	Other remuneration <sup>3)</sup>	Annual fixed salary <sup>1)</sup>	Variable salary paid 2010 <sup>2)</sup>	Total salary	Long-term PSP (value of shares awarded)	Other remuneration <sup>3)</sup>
'000 SEK										
President <sup>4)</sup>	9,878	10,503	20,380	—	2,340	9,593	9,460	19,053	—	—
Other members of Group Management <sup>5)</sup>	43,641	31,066	74,707	—	7,443	49,928	47,694	97,622	—	22,901
<b>Total</b>	<b>53,519</b>	<b>41,569</b>	<b>95,088</b>	<b>—</b>	<b>9,783</b>	<b>59,521</b>	<b>57,154</b>	<b>116,675</b>	<b>—</b>	<b>22,901</b>

- 1) The annual fixed salary includes vacation salary, paid vacation days and travel allowance.
- 2) The actual variable salary paid in a year refers to the previous year's performance. For the President variable salary paid in 2011 refers to his previous position as Chief Operations Officer Major Appliances.
- 3) Includes conditional variable compensation, allowances and other benefits as housing and company car.
- 4) As of January 1, 2011, Keith McLoughlin and up to January 1, 2011, Hans Stråberg.
- 5) As of February 2011, other members of Group Management comprised 11 people after the appointments of the Chief Technology Officer and the Chief Marketing Officer. In 2010, other members of Group Management comprised of 11 people.

### Compensation cost incurred for Group Management

	2011						2010					
	Annual fixed salary	Variable salary incurred 2011 but paid 2012	Long-term PSP (cost) <sup>1)</sup>	Other remuneration <sup>2)</sup>	Total pension contribution	Social contribution	Annual fixed salary	Variable salary incurred 2010 but paid 2011	Long-term PSP (cost) <sup>1)</sup>	Other remuneration <sup>2)</sup>	Total pension contribution <sup>3)</sup>	Social contribution
'000 SEK												
President	9,878	1,654	1,415	1,183	5,185	1,458	9,593	9,680	-891	—	5,795	6,014
Other members of Group Management	43,641	8,805	1,236	6,993	16,333	9,358	50,144	52,425	11,781	—	66,820	10,586
<b>Total</b>	<b>53,519</b>	<b>10,459</b>	<b>2,651</b>	<b>8,175</b>	<b>21,518</b>	<b>10,816</b>	<b>59,737</b>	<b>62,105</b>	<b>10,890</b>	<b>—</b>	<b>72,615</b>	<b>16,600</b>

- 1) Cost for share-based incentive programs are accounted for according to IFRS 2, Share-based payments. When the expected cost of the program is reduced, the previous recorded cost is reversed and an income is recorded in the income statement. The cost includes social contribution cost for the program.
- 2) Includes conditional variable compensation, allowances and other benefits as housing and company car.
- 3) Includes SEK 45m in one-time pension contribution for Keith McLoughlin in his role as Chief Operations Officer Major Appliances and previously Head of Major Appliances North America. The contribution is a result of changed remuneration terms for Mr McLoughlin and refers to his services before accepting the role as Chief Executive Officer of AB Electrolux.

### Pensions for other members of Group Management

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

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

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

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

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

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

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

### Share-based compensation

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

### Performance-share programs 2009, 2010 and 2011

The Annual General Meeting in 2011 approved an annual long-term incentive program. The program is in line with the Group's principles for remuneration based on performance, and is an integral part of the total compensation for Group Management and other senior managers. Electrolux shareholders benefit from this program since it facilitates recruitment and retention of competent executives and aligns management interest with shareholder interest as the participants invest in Electrolux Class B shares.

Under the 2010 and 2011 programs, the allocation is determined by two main factors. First, the participant should invest in Electrolux Class B shares through a purchase in the open market. The personal investment should be equal in value to 10% to 15% of the maximum program value. Each purchased share will be matched with one share at the end of the program by the company. The second factor is that allocation is determined by average annual growth in earnings per share. If the minimum level is reached, the allocation will amount to 25% of maximum number of shares for the 2010 program and 17% for the 2011 program. 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. For the 2009 program, the remaining shares must be held for another two years; for the 2010 and 2011 programs, this additional requirement is not applicable.

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. All programs comprise Class B shares.

#### Number of potential shares per category and year

	2011	2010	2009	2011	2010	2009
	Maximum number of B shares <sup>1)</sup>	Maximum number of B shares <sup>1)</sup>	Maximum number of B shares <sup>1)</sup>	Maximum value, SEK <sup>2, 3)</sup>	Maximum value, SEK <sup>2, 3)</sup>	Maximum value, SEK <sup>2, 3)</sup>
President	34,825	29,654	54,235	5,000,000	5,000,000	5,000,000
Other members of Group Management	12,537	10,676	19,525	1,800,000	1,800,000	1,800,000
Other senior managers, cat. C	9,403	8,007	14,644	1,350,000	1,350,000	1,350,000
Other senior managers, cat. B	6,269	5,338	9,763	900,000	900,000	900,000
Other senior managers, cat. A	4,702	4,004	7,322	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 92.19 for 2009, SEK 168.62 for 2010 and SEK 143.58 for 2011, calculated as the average closing price of the Electrolux Class B share on the Nasdaq OMX Stockholm during a period of ten trading days before the day participants were invited to participate in the program, adjusted for net present value of dividends for the period until shares are allocated. The recalculated weighted average fair value of shares at grant for the 2009, 2010 and 2011 programs is SEK 129.22 per share.

2) Total maximum value for all participants at grant is SEK 146m for the 2009 program and SEK 168m for the performance-share programs 2010 and 2011.

3) The 2009 program meets the maximum level. The current expectation is that the performance of the 2010 and 2011 programs will not meet the entry level.

If performance is in the middle, i.e., between minimum and maximum, the total cost for the 2011 performance-share program over a three-year period is estimated at SEK 125m, including costs for employer contributions. If the maximum level is attained, the cost is estimated at a maximum of SEK 242m. The distribution of shares under this program will result in an estimated maximum increase of 0.6% in the number of outstanding shares.

For 2011, LTI programs resulted in a cost of SEK 17m (including an income of SEK 4m in employer contribution) compared to a cost of SEK 85m in 2010 (including SEK 25m in employer contribution cost). The total provision for employer contribution in the balance sheet amounted to SEK 31m (37).

#### Repurchased shares for LTI programs

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

#### Delivery of shares for the 2008 program

The 2008 performance-share program did not meet the entry level and no shares were distributed.

Note **28** Fees to auditors

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

	Group		Parent Company	
	2011	2010	2011	2010
<b>PwC</b>				
Audit fees <sup>1)</sup>	44	46	7	8
Audit-related fees <sup>2)</sup>	4	1	3	1
Tax fees <sup>3)</sup>	5	6	—	1
All other fees	6	22	3	19
<b>Total fees to PwC</b>	<b>59</b>	<b>75</b>	<b>13</b>	<b>29</b>
Audit fees to other audit firms	—	1	—	—
<b>Total fees to auditors</b>	<b>59</b>	<b>76</b>	<b>13</b>	<b>29</b>

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

 Note **29** Shares and participations

**Participation in associated companies**

	2011	2010
<b>Opening balance, January 1</b>	<b>17</b>	<b>19</b>
Acquisitions	—	—
Operating result	1	—
Dividend	—	—
Tax	—	—
Divestment	—	—
Other	—	-2
Exchange-rate difference	—	—
<b>Closing balance, December 31</b>	<b>18</b>	<b>17</b>

**Companies classified as assets available for sale**

	Holding, %	Carrying amount
Videocon Industries Ltd., India	2,9	202
<b>2010</b>	<b>2,9</b>	<b>293</b>

Participation in associated companies at December 31, 2011, included goodwill with the amount of SEK 2m (2).

The Group's share of the associated companies, all of which are unlisted, were at December 31, 2011, as follows:

**Associated companies**

	2011									
	Participation, %	Carrying amount	Relation to Electrolux <sup>1)</sup>				Income statement		Balance sheet	
			Receivables	Liabilities	Sales	Purchases	Income	Net results	Total assets	Total liabilities
Sidème, France	39,3	14	31	—	185	1	482	2	157	127
European Recycling Platform, ERP, France	24,5	4	—	—	—	—	27	1	—	—
<b>Total</b>		<b>18</b>	<b>31</b>	<b>0</b>	<b>185</b>	<b>1</b>	<b>509</b>	<b>3</b>	<b>157</b>	<b>127</b>

1) From Electrolux perspective.

The Group's share of the associated companies, all of which are unlisted, were at December 31, 2010, as follows:

	2010								Balance sheet	
	Participation,%	Carrying amount	Relation to Electrolux <sup>1)</sup>			Purchases	Income statement		Total assets	Total liabilities
			Receivables	Liabilities	Sales		Income	Net results		
Sidème, France	39.3	13	44	—	241	3	525	-1	182	151
European Recycling Platform, ERP, France	24.5	4	—	51	—	83	23	3	246	232
<b>Total</b>	<b>—</b>	<b>17</b>	<b>44</b>	<b>51</b>	<b>241</b>	<b>86</b>	<b>548</b>	<b>2</b>	<b>428</b>	<b>383</b>

1) From Electrolux perspective.

Subsidiaries		Holding, %
Major Group companies		
Argentina	Frimetal S.A.	100
Australia	Electrolux Home Products Pty. Ltd.	100
Austria	Electrolux Hausgeräte GmbH	100
	Electrolux CEE Ges.m.b.H.	100
Belgium	Electrolux Home Products Corporation N.V.	100
	Electrolux Belgium N.V.	100
Brazil	Electrolux do Brasil S.A.	100
Canada	Electrolux Canada Corp.	100
Chile	Compañía Tecno Industrial S.A.	98.08
	Somela S.A.	98.17
China	Electrolux (Hangzhou) Domestic Appliances Co. Ltd.	100
	Electrolux (China) Home Appliance Co. Ltd.	100
Denmark	Electrolux Home Products Denmark A/S	100
Egypt	Olympic Group Financial Investment S.A.E.	98.33
Finland	Oy Electrolux Ab	100
France	Electrolux France SAS	100
	Electrolux Home Products France SAS	100
	Electrolux Professionnel SAS	100
Germany	Electrolux Deutschland GmbH	100
	Electrolux Rothenburg GmbH Factory and Development	100
Hungary	Electrolux Lehel Kft	100
Italy	Electrolux Appliances S.p.A.	100
	Electrolux Professional S.p.A.	100
	Electrolux Italia S.p.A.	100
Luxembourg	Electrolux Luxembourg S.à r.l.	100
Mexico	Electrolux de Mexico, S.A. de C.V.	100
The Netherlands	Electrolux Associated Company B.V.	100
	Electrolux Home Products (Nederland) B.V.	100
Norway	Electrolux Home Products Norway AS	100
Poland	Electrolux Poland Spolka z.o.o.	100
Spain	Electrolux Home Products España S.A.	100
	Electrolux Home Products Operations España S.L.	100
Sweden	Electrolux Laundry Systems Sweden AB	100
	Electrolux HemProdukter AB	100
	Electrolux Professional AB	100
	Electrolux Floor Care and Small Appliances AB	100
Switzerland	Electrolux AG	100
United Kingdom	Electrolux Plc	100
	Electrolux Professional Ltd.	100
USA	Electrolux Home Products, Inc.	100
	Electrolux North America, Inc.	100
	Electrolux Professional Inc.	100

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

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**Capital indicators**

**Annualized net sales**

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

**Net assets**

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

**Working capital**

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

**Liquid funds**

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

**Interest-bearing liabilities**

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

**Total borrowings**

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

**Net liquidity**

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

**Net borrowings**

Total borrowings less liquid funds.

**Net debt/equity ratio**

Net borrowings in relation to equity.

**Equity/assets ratio**

Equity as a percentage of total assets less liquid funds.

**Earnings per share**

**Earnings per share**

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

**Other key ratios**

**Organic growth**

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

**EBITDA margin**

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

**Operating cash flow**

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

**Operating margin**

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

**Return on equity**

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

**Return on net assets**

Operating income expressed as a percentage of average net assets.

**Interest coverage ratio**

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

**Capital turnover rate**

Net sales divided by average net assets.

# Proposed distribution of earnings

'000 SEK

The Board of Directors proposes that income for the period and retained earnings be distributed as follows:	<b>15,938,484</b>
A dividend to the shareholders of SEK 6.50 per share <sup>1)</sup> , totaling	<b>1,850,324</b>
To be carried forward	14,088,160
<b>Total</b>	<b>15,938,484</b>

1) Calculated on the number of outstanding shares as per February 1, 2012. The Board of Directors and the President propose March 30, 2012 as record day for the right to dividend.

The Board of Directors has proposed that the Annual General Meeting 2012 resolves on a dividend to the shareholders of SEK 6.50 per share. On account hereof, the Board of Directors hereby makes the following statement according to Chapter 18 Section 4 of the Swedish Companies Act.

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

It is the Board of Directors' assessment that after distribution of the proposed dividend, the equity of the Company and the Group will be sufficient with respect to the kind, extent, and risks of the operations. The Board of Directors has hereby considered, among other things, the Company's and the Group's historical development, the budgeted development and the state of the market. If financial instruments currently valued at actual value in accordance with Chapter 4 Section 14a of the Swedish Annual Accounts Act instead had been valued according to the lower of cost or net realizable value, including cumulative revaluation of external shares, the equity of the company would decrease by SEK 45.3m.

After the proposed dividend, the financial strength of the Company and the Group is assessed to continue to be good in relation to the industry in which the Group is operating. The dividend will not affect the ability of the Company and the Group to comply

with its payment obligations. The Board of Directors finds that the Company and the Group are well prepared to handle any changes in respect of liquidity, as well as unexpected events.

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

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

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

Stockholm, February 1, 2012

Marcus Wallenberg  
*Chairman of the Board of Directors*

Peggy Bruzelius  
*Deputy Chairman of the Board of Directors*

Lorna Davis  
*Board member*

Hasse Johansson  
*Board member*

John S. Lupo  
*Board member*

Ulrika Saxon  
*Board member*

Torben Ballegaard Sørensen  
*Board member*

Barbara Milian Thoralfsson  
*Board member*

Ola Bertilsson  
*Board member,  
employee representative*

Gunilla Brandt  
*Board member,  
employee representative*

Ulf Carlsson  
*Board member,  
employee representative*

Keith McLoughlin  
*President and Chief Executive Officer*

# Auditor's report

To the annual meeting of the shareholders of

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## **AB Electrolux (publ)**

**Corporate identity number 556009-4178**

### **Report on the annual accounts and consolidated accounts**

We have audited the annual accounts and consolidated accounts of AB Electrolux for the year 2011. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 5–75.

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

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

### **Auditor's responsibility**

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

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

accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the President, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

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

### **Opinions**

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of December 31, 2011 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act, and the consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the Group as of December 31, 2011 and of their financial performance and cash flows in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

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

### **Report on other legal and regulatory requirements**

In addition to our audit of the annual accounts and consolidated accounts, we have examined the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the President of AB Electrolux for the year 2011.

### **Responsibilities of the Board of Directors and the President**

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

#### **Auditor's responsibility**

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

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

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any

member of the Board of Directors or the President is liable to the company. We also examined whether any member of the Board of Directors or the President has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

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

#### **Opinions**

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

Stockholm, February 24, 2012  
PricewaterhouseCoopers AB

Anders Lundin  
*Authorized Public Accountant*  
*Partner in Charge*

Björn Irlé  
*Authorized Public Accountant*

# Eleven-year review

SEKm	2011	2010	2009	2008	2007
<b>Net sales and income</b>					
Net sales	101,598	106,326	109,132	104,792	104,732
Organic growth, %	0.2%	1.5%	-4.8%	-0.9%	4.0
Depreciation and amortization	3,173	3,328	3,442	3,010	2,738
Items affecting comparability	-138	-1,064	-1,561	-355	-362
Operating income	3,017	5,430	3,761	1,188	4,475
Income after financial items	2,780	5,306	3,484	653	4,035
Income for the period	2,064	3,997	2,607	366	2,925
<b>Cash flow</b>					
EBITDA	6,328	9,822	8,764	4,553	7,575
Cash flow from operations excluding changes in operating assets and liabilities	4,283	7,741	6,378	3,446	5,498
Changes in operating assets and liabilities	1,116	-61	1,919	1,503	-152
Cash flow from operations	5,399	7,680	8,297	4,949	5,346
Cash flow from investments	-10,049	-4,474	-2,967	-3,755	-4,069
of which capital expenditures	-3,163	-3,221	-2,223	-3,158	-3,430
Cash flow from operations and investments	-4,650	3,206	5,330	1,194	1,277
Operating cash flow <sup>2)</sup>	906	3,199	5,326	1,228	1,277
Dividend, redemption and repurchase of shares	-1,850	-1,120	69	-1,187	-6,708
Capital expenditure as % of net sales	3.1	3.0	2.0	3.0	3.3
<b>Margins<sup>3)</sup></b>					
Operating margin, %	3.1	6.1	4.9	1.5	4.6
Income after financial items as % of net sales	2.9	6.0	4.6	1.0	4.2
EBITDA margin, %	6.2	9.2	8.0	4.3	7.2
<b>Financial position</b>					
Total assets	76,384	73,521	72,696	73,323	66,089
Net assets	27,011	19,904	19,506	20,941	20,743
Working capital	-5,180	-5,902	-5,154	-5,131	-2,129
Trade receivables	19,226	19,346	20,173	20,734	20,379
Inventories	11,957	11,130	10,050	12,680	12,398
Accounts payable	18,490	17,283	16,031	15,681	14,788
Equity	20,644	20,613	18,841	16,385	16,040
Interest-bearing liabilities	14,206	12,096	14,022	13,946	11,163
Net borrowings	6,367	-709	665	4,556	4,703
<b>Data per share</b>					
Income for the period, SEK	7.25	14.04	9.18	1.29	10.41
Equity, SEK	73	72	66	58	57
Dividend, SEK <sup>4)</sup>	6.50	6.50	4.00	—	4.25
Trading price of B-shares at year-end, SEK	109.70	191.00	167.50	66.75	108.50
<b>Key ratios</b>					
Return on equity, %	10.4	20.6	14.9	2.4	20.3
Return on net assets, %	13.7	27.8	19.4	5.8	21.7
Net assets as % of net sales <sup>5)</sup>	23.8	18.2	17.1	18.1	18.6
Trade receivables as % of net sales <sup>5)</sup>	17.0	17.7	17.7	17.9	18.3
Inventories as % of net sales <sup>5)</sup>	10.5	10.2	8.8	11.0	11.1
Net debt/equity ratio	0.31	-0.03	0.04	0.28	0.29
Interest coverage ratio	5.84	12.64	7.54	1.86	7.49
Dividend as % of equity	9.0	9.0	6.0	—	7.5
<b>Other data</b>					
Average number of employees	52,916	51,544	50,633	55,177	56,898
Salaries and remuneration	13,137	12,678	13,162	12,662	12,612
Number of shareholders	58,800	57,200	52,000	52,600	52,700
Average number of shares after buy-backs, million	284.7	284.6	284.0	283.1	281.0
Shares at year end after buy-backs, million	284.7	284.7	284.4	283.6	281.6

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

2) Cash flow from acquisitions and divestments excluded. 3) Items affecting comparability are excluded. 4) 2011: Proposed by the Board. 5) Net sales are annualized.

2006	2005	2005 <sup>1)</sup>	2004 <sup>1)</sup>	2003 <sup>1)</sup>	2002 <sup>1)</sup>	2001 <sup>1)</sup>	Compound annual growth rate, %	
							5 years	10 years
103,848	100,701	129,469	120,651	124,077	133,150	135,803	-0.4	-2.9
3.3	4.5	4.3	3.2	3.3	5.5	-2.4		
2,758	2,583	3,410	3,038	3,353	3,854	4,277		
-542	-2,980	-3,020	-1,960	-463	-434	-141		
4,033	1,044	3,942	4,807	7,175	7,731	6,281	-5.6	-7.1
3,825	494	3,215	4,452	7,006	7,545	5,215	-6.2	-6.1
2,648	-142	1,763	3,259	4,778	5,095	3,870	-4.9	-6.1
7,333	6,607	10,372	9,805	10,991	12,019	10,699	-2.9	-5.1
5,263	5,266	8,428	7,140	7,150	9,051	5,848	-4.0	-3.1
-703	-1 804	-1 888	1 442	-857	1,854	3,634		
4,560	3,462	6,540	8,582	6,293	10,905	9,482	3.4	-5.5
-2,386	-4,485	-5,827	-5,358	-2,570	-1,011	1,213		
-3,152	-3,654	-4,765	-4,515	-3,463	-3,335	-4,195	0.1	-2.8
2,174	-1,023	713	3,224	3,723	9,894	10,695		
1,110	-653	1,083	3,224	2,866	7,665	5,834	-4.0	-17.0
-4,416	-2,038	-2,038	-5,147	-3,563	-3,186	-3,117		
3.0	3.6	3.7	3.7	2.8	2.5	3.1		
4.4	4.0	5.4	5.6	6.2	6.1	4.7		
4.2	3.4	4.8	5.3	6.0	6.0	3.9		
7.1	6.6	8.0	8.1	8.9	9.0	7.9		
66,049		82,558	75,096	77,028	85,424	94,447	3.0	-2.1
18,140	17,942	28,165	23,988	26,422	27,916	37,162	8.3	-3.1
-2,613	-3,799	-31	-383	4,068	2,216	6,659		
20,905	20,944	24,269	20,627	21,172	22,484	24,189	-1.7	-2.3
12,041	12,342	18,606	15,742	14,945	15,614	17,001	-0.1	-3.5
15,320	14,576	18,798	16,550	14,857	16,223	17,304	3.8	0.7
13,194		25,888	23,636	27,462	27,629	28,864	9.4	-3.3
7,495		8,914	9,843	12,501	15,698	23,183	13.6	-4.8
-304		2,974	1,141	-101	1,398	10,809		
9.17	-0.49	6.05	10.92	15.25	15.58	11.35	-4.6	-4.4
47		88	81	89	87	88	9.1	-1.9
4.00	7.50	7.50	7.00	6.50	6.00	4.50	10.2	3.7
137.00		206.50	152.00	158.00	137.50	156.50	-4.3	-3.5
18.7		7.0	13.1	17.3	17.2	13.2		
23.2	5.4	13.0	17.5	23.9	22.1	15.0		
16.5	15.7	21.0	21.2	23.6	23.1	29.3		
19.1	18.3	18.1	18.2	18.9	18.6	19.1		
11.0	10.8	13.9	13.9	13.4	12.9	13.4		
-0.02		0.11	0.05	0.00	0.05	0.37		
6.13		4.32	5.75	8.28	7.66	3.80		
8.5		8.5	8.6	7.3	6.9	5.1		
55,471	57,842	69,523	72,382	77,140	81,971	87,139	-0.9	-4.9
12,849	13,987	17,033	17,014	17,154	19,408	20,330	0.4	-4.3
59,500	60,900	60,900	63,800	60,400	59,300	58,600	-0.2	0.0
288.8	291.4	291.4	298.3	313.3	327.1	340.1		
278.9	293.1	293.1	291.2	307.1	318.3	329.6		

# Quarterly information

## Net sales and income

SEKm		Q1	Q2	Q3	Q4	Full year
<b>Net sales</b>	<b>2011</b>	<b>23,436</b>	<b>24,143</b>	<b>25,650</b>	<b>28,369</b>	<b>101,598</b>
	2010	25,133	27,311	26,326	27,556	106,326
<b>Operating income</b>	<b>2011</b>	<b>696</b>	<b>745</b>	<b>1,064</b>	<b>512</b>	<b>3,017</b>
	<b>Margin, %</b>	<b>3.0</b>	<b>3.1</b>	<b>4.1</b>	<b>1.8</b>	<b>3.0</b>
	<b>2011<sup>1)</sup></b>	<b>696</b>	<b>745</b>	<b>1,098</b>	<b>616</b>	<b>3,155</b>
	<b>Margin, %</b>	<b>3.0</b>	<b>3.1</b>	<b>4.3</b>	<b>2.2</b>	<b>3.1</b>
	2010	1,231	1,270	1,977	952	5,430
	Margin, %	4.9	4.7	7.5	3.5	5.1
	2010 <sup>1)</sup>	1,326	1,477	1,977	1,714	6,494
	Margin, %	5.3	5.4	7.5	6.2	6.1
<b>Income after financial items</b>	<b>2011</b>	<b>637</b>	<b>696</b>	<b>1,119</b>	<b>328</b>	<b>2,780</b>
	<b>Margin, %</b>	<b>2.7</b>	<b>2.9</b>	<b>4.4</b>	<b>1.2</b>	<b>2.7</b>
	<b>2011<sup>1)</sup></b>	<b>637</b>	<b>696</b>	<b>1,153</b>	<b>432</b>	<b>2,918</b>
	<b>Margin, %</b>	<b>2.7</b>	<b>2.9</b>	<b>4.5</b>	<b>1.5</b>	<b>2.9</b>
	2010	1,211	1,269	1,901	925	5,306
	Margin, %	4.8	4.6	7.2	3.4	5.0
	2010 <sup>1)</sup>	1,306	1,476	1,901	1,687	6,370
	Margin, %	5.2	5.4	7.2	6.1	6.0
<b>Income for the period</b>	<b>2011</b>	<b>457</b>	<b>561</b>	<b>825</b>	<b>221</b>	<b>2,064</b>
	2010	911	1,028	1,381	677	3,997
<b>Earnings per share<sup>2)</sup></b>	<b>2011</b>	<b>1.61</b>	<b>1.97</b>	<b>2.90</b>	<b>0.77</b>	<b>7.25</b>
	<b>2011<sup>1)</sup></b>	<b>1.61</b>	<b>1.97</b>	<b>2.96</b>	<b>1.01</b>	<b>7.55</b>
	2010	3.20	3.61	4.85	2.38	14.04
	2010 <sup>1)</sup>	3.45	4.12	4.85	4.23	16.65

1) Excluding items affecting comparability.

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

## Number of shares before dilution

<b>Number of shares after buy-backs, million</b>	<b>2011</b>	<b>284.7</b>	<b>284.7</b>	<b>284.7</b>	<b>284.7</b>	<b>284.7</b>
	2010	284.5	284.7	284.7	284.7	284.7
<b>Average number of shares after buy-backs, million</b>	<b>2011</b>	<b>284.7</b>	<b>284.7</b>	<b>284.7</b>	<b>284.7</b>	<b>284.7</b>
	2010	284.5	284.6	284.7	284.7	284.6

## Items affecting comparability

<b>Restructuring provisions, write-downs and capital gains/losses</b>	<b>2011</b>	<b>—</b>	<b>—</b>	<b>-34</b>	<b>-104</b>	<b>-138</b>
	2010	-95	-207	—	-762	-1,064

### Net sales, by business area<sup>1)</sup>

SEKm		Q1	Q2	Q3	Q4	Full year
<b>Major Appliances Europe, Middle East and Africa</b>	<b>2011</b>	<b>7,656</b>	<b>7,660</b>	<b>8,964</b>	<b>9,749</b>	<b>34,029</b>
	2010	8,921	8,603	9,395	9,677	36,596
<b>Major Appliances North America</b>	<b>2011</b>	<b>6,728</b>	<b>7,544</b>	<b>7,122</b>	<b>6,271</b>	<b>27,665</b>
	2010	7,305	9,308	7,604	6,752	30,969
<b>Major Appliances Latin America</b>	<b>2011</b>	<b>3,998</b>	<b>3,708</b>	<b>4,101</b>	<b>6,003</b>	<b>17,810</b>
	2010	3,796	3,667	3,810	4,987	16,260
<b>Major Appliances Asia/Pacific</b>	<b>2011</b>	<b>1,746</b>	<b>1,945</b>	<b>1,981</b>	<b>2,180</b>	<b>7,852</b>
	2010	1,666	2,035	1,909	2,069	7,679
<b>Small Appliances</b>	<b>2011</b>	<b>1,930</b>	<b>1,794</b>	<b>2,056</b>	<b>2,579</b>	<b>8,359</b>
	2010	1,936	1,966	2,106	2,414	8,422
<b>Professional Products</b>	<b>2011</b>	<b>1,378</b>	<b>1,491</b>	<b>1,426</b>	<b>1,587</b>	<b>5,882</b>
	2010	1,501	1,730	1,501	1,657	6,389

### Operating income, by business area<sup>1)</sup>

SEKm		Q1	Q2	Q3	Q4	Full year
<b>Major Appliances Europe Middle East and Africa</b>	<b>2011</b>	<b>311</b>	<b>156</b>	<b>444</b>	<b>-202</b>	<b>709</b>
	<b>Margin, %</b>	<b>4.1</b>	<b>2.0</b>	<b>5.0</b>	<b>-2.1</b>	<b>2.1</b>
	2010	499	453	898	447	2,297
	Margin, %	5.6	5.3	9.6	4.6	6.3
<b>Major Appliances North America</b>	<b>2011</b>	<b>-71</b>	<b>138</b>	<b>107</b>	<b>76</b>	<b>250</b>
	<b>Margin, %</b>	<b>-1.1</b>	<b>1.8</b>	<b>1.5</b>	<b>1.2</b>	<b>0.9</b>
	2010	299	439	413	291	1,442
	Margin, %	4.1	4.7	5.4	4.3	4.7
<b>Major Appliances Latin America</b>	<b>2011</b>	<b>139</b>	<b>114</b>	<b>222</b>	<b>345</b>	<b>820</b>
	<b>Margin, %</b>	<b>3.5</b>	<b>3.1</b>	<b>5.4</b>	<b>5.7</b>	<b>4.6</b>
	2010	206	209	199	337	951
	Margin, %	5.4	5.7	5.2	6.8	5.8
<b>Major Appliances Asia/Pacific</b>	<b>2011</b>	<b>174</b>	<b>177</b>	<b>172</b>	<b>213</b>	<b>736</b>
	<b>Margin, %</b>	<b>10.0</b>	<b>9.1</b>	<b>8.7</b>	<b>9.8</b>	<b>9.4</b>
	2010	145	207	241	200	793
	Margin, %	8.7	10.2	12.6	9.7	10.3
<b>Small Appliances</b>	<b>2011</b>	<b>114</b>	<b>23</b>	<b>169</b>	<b>237</b>	<b>543</b>
	<b>Margin, %</b>	<b>5.9</b>	<b>1.3</b>	<b>8.2</b>	<b>9.2</b>	<b>6.5</b>
	2010	211	122	198	271	802
	Margin, %	10.9	6.2	9.4	11.2	9.5
<b>Professional Products</b>	<b>2011</b>	<b>177</b>	<b>274</b>	<b>199</b>	<b>191</b>	<b>841</b>
	<b>Margin, %</b>	<b>12.8</b>	<b>18.4</b>	<b>14.0</b>	<b>12.0</b>	<b>14.3</b>
	2010	91	207	202	243	743
	Margin, %	6.1	12.0	13.5	14.7	11.6
<b>Common Group costs, etc.</b>	<b>2011</b>	<b>-148</b>	<b>-137</b>	<b>-215</b>	<b>-244</b>	<b>-744</b>
	2010	-125	-160	-174	-75	-534
<b>Total Group, excluding items affecting comparability</b>	<b>2011</b>	<b>696</b>	<b>745</b>	<b>1,098</b>	<b>616</b>	<b>3,155</b>
	<b>Margin, %</b>	<b>3.0</b>	<b>3.1</b>	<b>4.3</b>	<b>2.2</b>	<b>3.1</b>
	2010	1,326	1,477	1,977	1,714	6,494
	Margin, %	5.3	5.4	7.5	6.2	6.1
<b>Items affecting comparability</b>	<b>2011</b>	<b>—</b>	<b>—</b>	<b>-34</b>	<b>-104</b>	<b>-138</b>
	2010	-95	-207	—	-762	-1,064
<b>Total Group, including items affecting comparability</b>	<b>2011</b>	<b>696</b>	<b>745</b>	<b>1,064</b>	<b>512</b>	<b>3,017</b>
	<b>Margin, %</b>	<b>3.0</b>	<b>3.1</b>	<b>4.1</b>	<b>1.8</b>	<b>3.0</b>
	2010	1,231	1,270	1,977	952	5,430
	Margin, %	4.9	4.7	7.5	3.5	5.1

1) Figures for 2010 have been restated according to the new reporting structure.

# Corporate governance report 2011

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

The Electrolux Group is comprised of approximately 160 companies with operations in over 150 countries. The parent company of the Group is AB Electrolux, a public Swedish limited liability company. The company's shares are listed on Nasdaq OMX Stockholm.

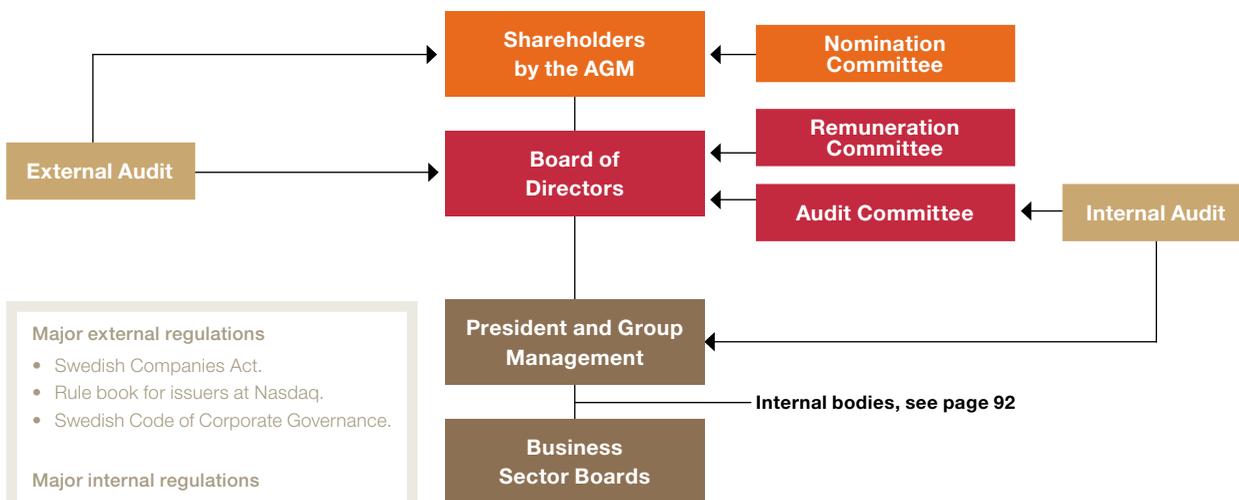
The governance of Electrolux is based on the Swedish Companies Act, the rule book for issuers at Nasdaq and the Swedish Code of Corporate Governance (the "Code"), as well as other relevant Swedish and foreign laws and regulations.

This corporate governance report has been drawn up as a part of Electrolux application of the Code. Electrolux does not report any deviations from the Code in 2011.

## Highlights 2011

- Keith McLoughlin new President and Chief Executive Officer as of January 1, 2011.
- Keith McLoughlin and Ulrika Saxon elected new Board members at the Annual General Meeting 2011.
- Unchanged fees to the Board members.
- Performance based, long-term incentive program 2011 for top management.
- Six new appointments in Group Management.
- Three new roles within Group Management for closer cooperation between marketing, technology development and design.
- Focus on ethics training program and implementation of a whistleblowing system.

### 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 Bribery and Corruption and Workplace Code of Conduct.

#### For further information regarding:

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

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

## Shares and shareholders

The Electrolux share is listed on Nasdaq OMX Stockholm. At year-end 2011, Electrolux had 58,840 shareholders according to the share register kept by Euroclear Sweden AB. Of the total share capital, 66% was owned by Swedish institutions and mutual funds, 24% by foreign investors and 10% by Swedish private investors, see below. Investor AB is the largest shareholder, holding 15.5% of the share capital and 29.9% of the voting rights. The ten largest shareholders accounted for 41.4% of the share capital and 52.0% of the voting rights in the company.

## Voting rights

The share capital of Electrolux consists of Class A-shares and Class B-shares. One A-share entitles the holder to one vote and one B-share to one-tenth of a vote. Both A-shares and B-shares entitle the holders to the same proportion of assets and earnings and carry equal rights in terms of dividends. Owners of A-shares can request to convert their A-shares into B-shares. Conversion reduces the total number of votes in the company. As of December 31, 2011, the total number of registered shares in the company amounted to 308,920,308 shares, of which 8,212,725 were Class A-shares and 300,707,583 were Class B-shares. The total number of votes in the company was 38,283,483. Class B-shares represented 78.6% of the voting rights and 97.3% of the share capital.

## Dividend policy

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

The Annual General Meeting (AGM) in March 2011 decided to adopt the Board's proposed dividend of SEK 6.50 per share for 2010. The Board of Directors proposes a dividend for 2011 of SEK 6.50 per share, for a total dividend payment of approximately SEK 1,850m.

## Shareholders by the AGM

## General Meetings of shareholders

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

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

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

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

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

## Annual General Meeting 2011

The 2011 AGM was held at the Berwald Hall in Stockholm, Sweden, on March 31, 2011. 720 shareholders representing a total of 49.9% of the share capital and 60.4% of the votes were present at the AGM. The President's speech was broadcasted live via the Group's website and is also presented on [www.electrolux.com/corporate-governance](http://www.electrolux.com/corporate-governance), together with the minutes. The meeting was held in Swedish, with simultaneous interpretation into English. The speech of the President was simultaneously interpreted into Swedish.

## Ownership structure

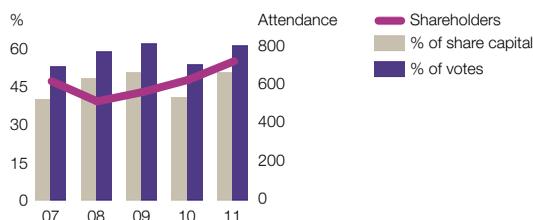


The development of the ownership structure shows no major changes compared to the previous year.

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

The information on ownership structure is updated quarterly on the Group's website; [www.electrolux.com/corporate-governance](http://www.electrolux.com/corporate-governance).

## Attendance at AGMs 2007–2011



720 shareholders representing a total of 49.9% of the share capital and 60.4% of the votes were present at the 2011 AGM.

All Board members, as well as the Group's auditor in charge, were present at the meeting.

**Decisions at the Annual General Meeting 2011 included:**

- Dividend payment of SEK 6.50 per share for fiscal year 2010.
- Election of the two new Board members Keith McLoughlin and Ulrika Saxon and re-election of the Board members Marcus Wallenberg, Peggy Bruzelius, Lorna Davis, Hasse Johansson, John S. Lupo, Torben Ballegaard Sørensen and Barbara Milian Thoralfsson.
- Re-election of Marcus Wallenberg as Chairman of the Board.
- Unchanged fees to the Board members.
- Approval of remuneration guidelines for Electrolux Group Management.
- Performance-based, long-term incentive program for 2011 covering up to 170 managers and key employees.
- Authorization to acquire own shares for the purpose of financing potential company acquisitions and as a hedge for the company's share-related incentive programs.
- Adoption of an instruction for the Nomination Committee to apply until further notice.

**Annual General Meeting 2012**

The next AGM of Electrolux will be held on Tuesday, March 27, 2012, at the Stockholm Waterfront Congress Centre, Stockholm, Sweden.

For additional information on the next AGM, see page 104.

**Nomination Committee**

**Nomination Committee**

The AGM resolves upon the nomination process for the Board of Directors and, when appropriate, the auditors. The AGM 2011 adopted an instruction for the Nomination Committee which applies until further notice. The instruction involves a process for the appointment of a Nomination Committee comprised of six members. The members should be one representative of each of the four largest shareholders, in terms of voting rights that wish to participate in the Committee, together with the Chairman of the Electrolux Board and one additional Board member.

The composition of the Nomination Committee shall be based on shareholder statistics from Euroclear Sweden AB as of the last

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

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

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

**Nomination Committee for the AGM 2011**

The Nomination Committee for the AGM 2011 was comprised of six members. Petra Hedengran of Investor AB led the Nomination Committee's work.

The Nomination Committee proposed Keith McLoughlin and Ulrika Saxon as new Board members of Electrolux. A report regarding the work of the Nomination Committee was presented at the AGM 2011. Further information regarding the Nomination Committee and its work can be found on the Group's website; [www.electrolux.com/corporate-governance](http://www.electrolux.com/corporate-governance).

**Nomination Committee for the AGM 2012**

The Nomination Committee for the AGM 2012 is based on the ownership structure as of August 31, 2011, and was announced in a press release on September 23, 2011.

The Nomination Committee's members are:

- Petra Hedengran, Investor AB, Chairman
- Kaj Thorén, Alecta
- Marianne Nilsson, Swedbank Robur funds
- Ingrid Bonde, AMF
- 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 1, 2012. Shareholders wishing to submit proposals to the Nomination Committee should send an e-mail to [nominationcommittee@electrolux.com](mailto:nominationcommittee@electrolux.com).

**The AGM resolves upon:**

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

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

- Chairman of the AGM.
- Board members.
- Chairman of the Board.
- Remuneration to individual Board members.
- Remuneration for committee work.
- Process for appointment of the Nomination Committee, if appropriate.
- Auditors and auditors' fees, when these matters are to be decided by the following AGM.

## The Board of Directors

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

### Composition of the Board

From the AGM in 2011, 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. Five of the nine Board members are not Swedish citizens.

For additional information regarding the Board of Directors, see pages 88–89. The information is updated regularly at the Group's website; [www.electrolux.com/board-of-directors](http://www.electrolux.com/board-of-directors).

### Independence

The Board is considered to be in compliance with relevant requirements for independence. The assessment of each Board member's independence is presented in the table on pages 88–89. Marcus Wallenberg has been considered independent in relation to the company and the administration of the company, but not in relation to major shareholders of Electrolux. Keith McLoughlin has been deemed to be independent in relation to major shareholders of Electrolux, but not in his capacity as President and CEO, in relation to the company and the administration of the company. Keith McLoughlin has no major shareholdings, nor is he a part-owner in companies having significant business relations with Electrolux. Keith McLoughlin is the only member of Group Management with a seat on the Board.

### The Board's tasks

The main task of the Board is to manage the Group's operations in such a manner as to assure the owners that their interests, in terms of a long-term good return on capital, are being met in the

best possible manner. The Board's work is governed by rules and regulations including the Swedish Companies Act, the Articles of Association, the Code and the working procedures established by the Board. The Articles of Association of Electrolux are available on the Group's website; [www.electrolux.com/corporate-governance](http://www.electrolux.com/corporate-governance).

### Working procedures and Board meetings

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

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 the publication of the Group's full-year report and interim reports. One or two meetings are held in connection with visits to Group operations. Additional meetings, including telephone conferences, are held when necessary.

### The Board's work in 2011

During the year, the Board held eight scheduled meetings and two extraordinary meetings. All meetings except one were held in Stockholm, Sweden. The attendance of each Board member at these meetings is shown in the table on pages 88–89.

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

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

## Remuneration to the Board of Directors 2009–2011:

SEK	2009	2010	2011
Chairman of the Board	1,600,000	1,600,000	1,600,000
Deputy Chairman of the Board	550,000	550,000	550,000
Board member	475,000	475,000	475,000
Chairman of the Audit Committee	200,000	200,000	200,000
Member of the Audit Committee	85,000	85,000	85,000
Chairman of the Remuneration Committee	120,000	120,000	120,000
Member of the Remuneration Committee	55,000	55,000	55,000

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. For an overview of how the Board's work is spread over the year, see the table below.

**Major issues addressed by the Board during 2011**

- Acquisition of Olympic Group in Egypt and CTI in Chile.
- Actions to improve operational excellence by adapting manufacturing capacity, taking out overhead costs and accelerating efforts to capitalize on the Group's global strength and scope.
- New appointments in Group Management.
- Capitalization of the Group.
- Dividend payment for the fiscal year 2010.

**Ensuring quality in financial reporting**

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

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

as well as internal audit reports submitted by the Group's internal audit function, Management Assurance & Special Assignments.

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

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

**Evaluation of the Board's activities**

The Board evaluates its activities annually with regard to working procedures and the working climate, as well as regards the focus of the Board's work. This evaluation also focuses on access to and requirements of special competence in the Board. The evaluation is a tool for the development of the Board's work and also serves as input for the Nomination Committee's work.

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

**Remuneration to Board members**

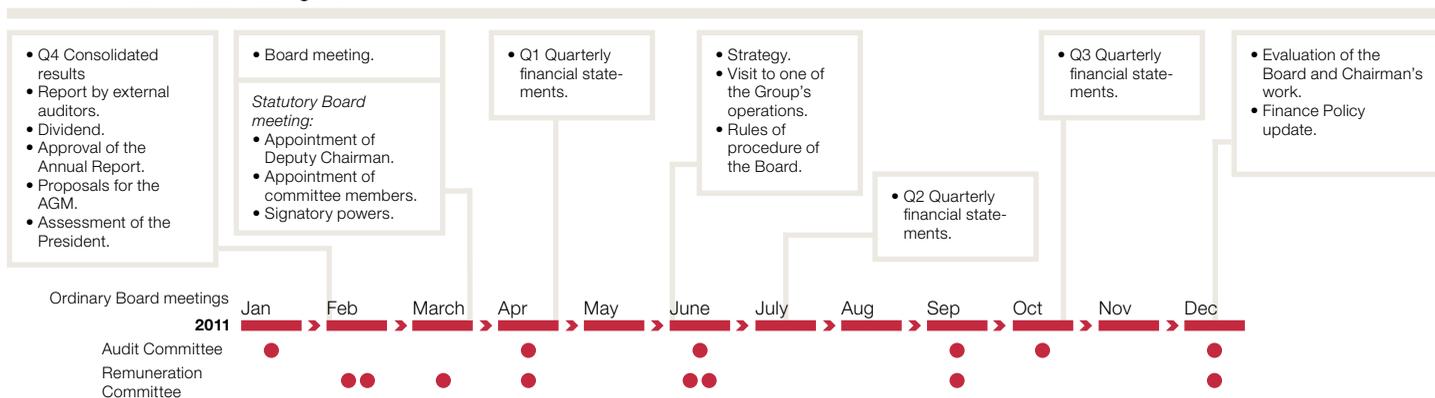
Remuneration to Board members is determined by the AGM and distributed to the Board members who are not employed by Electrolux. Remuneration to each Board member, in accordance with a resolution made at the AGM 2011, remained unchanged, see page 85.

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

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

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

**Overview of various items on the Board's agenda and committee meetings 2011**



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

**Remuneration  
Committee  
Audit Committee**

### Committees of the Board

The Board has established a Remuneration Committee and an Audit Committee.

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

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

#### Remuneration Committee

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

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

In 2011, the Remuneration Committee held eight meetings. The attendance of each Board member at these meetings is shown in the table on pages 88–89. Significant issues addressed include review of the remuneration to the President, review and resolution on changes in the remuneration to members of Group Management, review of proposed remuneration to new members of Group Management, follow-up and evaluation of previously approved long-term incentive programs and remuneration guidelines for Group Management. In addition, a review of Electrolux remuneration guidelines was performed. The Head of Human Resources and Organizational Development participated in the meetings and was responsible for meeting preparations.

#### Audit Committee

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

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

The Audit Committee is comprised of three Board members: Peggy Bruzelius (Chairman), Hasse Johansson 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 2011, the Audit Committee held six meetings. The attendance of each Board member at these meetings is shown in the table on pages 88–89. 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 four of the six meetings.

#### The Remuneration Committee's tasks include:

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

#### The Audit Committee's tasks include:

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

CV

Board of Directors  
and Auditors



**Marcus Wallenberg**

**Chairman**

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

**Peggy Bruzelius**

**Deputy Chairman**

Born 1949. M. Econ. Hon. Doc. in Econ. Elected 1996. Chairman of the Electrolux Audit Committee.

**Lorna Davis**

Born 1959. Bachelor of Social Science and Psychology. Elected 2010. Member of the Electrolux Remuneration Committee. Senior Vice-President and Global Biscuits Category Head within Kraft Foods since 2011.

**Hasse Johansson**

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

**John S. Lupo**

Born 1946. B. Sc. in Marketing. Elected 2007.

**Board membership**

Board Chairman of LKAB, SEB (Skandinaviska Enskilda Banken AB) and Saab AB. Board Member of Astra Zeneca Plc, Stora Enso Oyj, the Knut and Alice Wallenberg Foundation and Temasek Holdings Limited.

Board Chairman of Lance-lot Asset Management AB. Board Member of Axfood AB, Akzo Nobel nv, Husqvarna AB, Syngenta AG and Diageo Plc.

Board Chairman of Kraft Foods China.

Board Chairman of Dynamate Industrial Services AB, Lindholmen Science Park AB, Alelion Batteries AB and VIN-NOVA (Swedish Governmental Agency for Innovation Systems). Board Member of Fouriertransform AB, Skyllbergs Bruk AB and Calix Group AB.

Board Member of Citi Trends Inc. and Cobra Electronics Corp., USA.

**Previous positions**

President and CEO of Investor AB, 1999–2005. Executive Vice-President of Investor AB, 1993–1999.

Executive Vice-President of SEB (Skandinaviska Enskilda Banken AB), 1997–1998. President and CEO of ABB Financial Services AB, 1991–1997.

President of Kraft Foods China, 2007–2011. Senior positions within the food industry, mainly within Danone in China and the UK.

Executive Vice-President and Head of R&D of Scania CV AB, 2001–2009. Founder of Mecel AB (part of Delphi Corporation). Senior management positions within Delphi Corporation, 1990–2001.

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.

**Total remuneration 2011, SEK**

1,655 000

750,000

530,000

560,000

475,000

**Board meeting attendance**

10/10

10/10

10/10

9/10

10/10

**Remuneration Committee attendance**

8/8 ●

4/8<sup>1)</sup> ●

**Audit Committee attendance**

6/6 ●

4/6<sup>2)</sup> ●

**Holdings in AB Electrolux**

5,000 B-shares  
Through company: 50,000 B-shares Related party: 1,000 B-shares  
11,282 Synthetic shares<sup>4)</sup>

6,500 B-shares  
3,878 Synthetic shares<sup>4)</sup>

2,000 B-shares  
1,334 Synthetic shares<sup>4)</sup>

4,000 B-shares  
6,699 Synthetic shares<sup>4)</sup>

1,200 ADR<sup>5)</sup>  
0 Synthetic shares<sup>4)</sup>

**Independence<sup>5)</sup>**

No

Yes

Yes

Yes

Yes

● Chairman ● Member

\* Caroline Sundewall and Johan Molin declined re-election to the Board and Keith McLoughlin and Ulrika Saxon were appointed new Board members at the AGM in March 2011.

1) Lorna Davis was appointed member of the Remuneration Committee at the statutory board meeting held after the AGM in March 2011.

2) Hasse Johansson was appointed member of the Audit Committee at the statutory board meeting held after the AGM in March 2011.

3) American Depositary Receipt.

4) The AGM in 2008, 2009 and 2010 decided that a part of the fees to the Board of Directors should be payable in synthetic shares. A synthetic share is a right to receive in the future a payment corresponding to the stock-market value of a Class B share in Electrolux at the time of payment. For additional information regarding synthetic shares, see Note 27.

5) For further information about the independence assessment, see page 85.

**Keith McLoughlin \***

Born 1956. B.S. Eng. Elected 2011. President and CEO of AB Electrolux as of January 1, 2011.

**Ulrika Saxon \***

Born 1966. Studies in Economics at Stockholm School of Economics. Elected 2011. President of Bonnier Tidskrifter AB since 2005 and member of Bonnier AB group management.

**Torben Ballegaard Sørensen**

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

**Barbara Milian Thoralfsson**

Born 1959. M.B.A., B.A. Elected 2003. Chairman of the Electrolux Remuneration Committee. Director of Fleming Invest AS, Norway, since 2005.

**Ola Bertilsson**

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

**Gunilla Brandt**

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

**Ulf Carlsson**

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

Board Member of Briggs & Stratton Corporation.

Board Chairman of Svensk Filmindustri, SF Bio, Bonnier Publications in Denmark, Bonnier International Magazines, Mediaty and Mag+. Board Member of several companies within the Bonnier Group, among others, Dagens Nyheter and Bonnier Corporation in USA.

Board Member of Egmont Fonden, LEGO A/S, Pandora Holding A/S, Systematic Software Engineering A/S, Tajco A/S, AS3-Companies A/S, Monberg-Thorsen A/S in Denmark and VTI Technology OY in Finland.

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

Senior positions within Electrolux: Head of Major Appliances North America and Executive Vice-President of AB Electrolux, 2003; also Head of Major Appliances Latin America, 2004–2007; Chief Operations Officer Major Appliances, 2009. Senior management positions within DuPont, USA, 1981–2003.

Senior positions in various companies within the Bonnier Group since 1998 and in Matsgård Media, 1991–1998.

President and CEO of Bang & Olufsen a/s, 2001–2008. Executive Vice-President of LEGO A/S, 1996–2001. Managing Director of Computer Composition International, CCI-Europe, 1988–1996. Chief Financial Officer of Aarhus Stiftsbogtrykkerie, 1981–1988.

President and CEO of TellaSonera Norway, 2001–2005. President and CEO of Midelfart & Co, 1995–2001. Leading positions within marketing and sales, 1988–1995.

—

475,000

560,000

595,000

—

—

—

8/10\*

8/10\*

10/10

9/10

10/10

9/10

10/10

8/8 ●

5/6 ●

63,913 B-shares  
0 Synthetic shares <sup>4)</sup>1,000 B-shares  
0 Synthetic shares <sup>4)</sup>800 B-shares  
2,682 Synthetic  
shares <sup>4)</sup>Through company:  
10,000 B-shares  
0 Synthetic shares <sup>4)</sup>

0 shares

0 shares

0 shares

No

Yes

Yes

Yes

**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.

**Viveca Brinkenfeldt Lever**

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

**Secretary of the Board****Cecilia Vieweg**

Born 1955. B. of Law. General Counsel of AB Electrolux. Secretary of the Electrolux Board since 1999. Holdings in AB Electrolux: 14,410 B-shares.

**Auditors**

At the Annual General Meeting in 2010, PricewaterhouseCoopers AB (PwC) was re-elected as auditors for a four-year period until the Annual General Meeting in 2014. For additional information regarding auditors, see page 90.

Holdings in AB Electrolux as of December 31, 2011. The information is regularly updated at [www.electrolux.com/board-of-directors](http://www.electrolux.com/board-of-directors).

**External Audit**

**External auditors**

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

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

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

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

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

**Internal Audit**

**Internal control and risk management**

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

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

For additional information on internal control, see page 96. For additional information on risk management, see Note 1, Note 2 and Note 18.

**Auditors**

**Anders Lundin**

**PricewaterhouseCoopers AB**

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

**Björn Irlé**

**PricewaterhouseCoopers AB**

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

Holdings in AB Electrolux as of December 31, 2011. The information is regularly updated at [www.electrolux.com/board-of-directors](http://www.electrolux.com/board-of-directors).

**Fees to auditors**

SEKm	2009	2010	2011
<b>PwC</b>			
Audit fees	51	46	44
Audit-related fees	3	1	4
Tax fees	3	6	5
All other fees	5	22	6
<b>Total fees to PwC</b>	<b>62</b>	<b>75</b>	<b>59</b>
Audit fees to other audit firms	1	1	–
<b>Total fees to auditors</b>	<b>63</b>	<b>76</b>	<b>59</b>

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

## Company Management of Electrolux

### Company Management of Electrolux

#### Electrolux – a global leader with a customer focus

Electrolux is a global leader in household appliances and appliances for professional use, selling more than 40 million products to customers in more than 150 markets every year. The company focuses on innovations that are thoughtfully designed, based on extensive consumer insight, to meet the real needs of consumers and professionals. Electrolux products include refrigerators, dishwashers, washing machines, vacuum cleaners, cookers and air-conditioners sold under esteemed brands such as Electrolux, AEG, Eureka and Frigidaire.

#### Electrolux vision and strategy

Electrolux vision is to be “the world leader in making life easier and more enjoyable with the help of powered appliances”.

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

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

#### Respect and diversity

Electrolux corporate culture is imbued with the spirit from the time of its founder, Axel Wenner-Gren. His success was built on proximity to customers and the ability to identify new business opportunities ahead of others. The Electrolux corporate culture in combination with a strong set of values form the core of the Group's operations. The employees' passion for innovation, their consumer obsession and motivation to achieve results set Electrolux apart, see core values below.

#### Sustainability

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

In the Dow Jones Sustainability World Index (DJSI World) for 2011, Electrolux was named Durable Household Products sector leader. The Dow Jones Sustainability Indexes evaluate the performance of the world's leading companies in sustainability – from each industry on a global and regional level, respectively. The evaluation is based on criteria such as corporate governance, risk management, branding, climate change mitigation, supply chain standards and labor practices.

During 2011, an ethics training program was initiated and the implementation of a whistleblowing system – the Electrolux Ethics Helpline – has started. The ethics training program and the implementation of the whistleblowing system through-out the Group will continue during 2012.

#### Risk assessment

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

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

## Financial goals over a business cycle

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

- Operating margin of 6% or greater.
- Capital-turnover rate of 4 or higher.
- Return on net assets of at least 25%.
- Average annual growth of 4% or more.

Key ratios are excluding items affecting comparability.

## Electrolux core values



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



**Customer Obsession** The people who buy and use our products are the sole purpose of our work. We are dependent on them. They do us a favor by choosing our products. Their wants, wishes and views guide our actions.



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

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

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

The internal audit function, Management Assurance & Special Assignments, 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, see page 96.

**Management and company structure**

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

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

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

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

In order to fully take advantage of the Group's global presence and economies of scale, a global organization within Major Appliances was established in 2009 with responsibility for product development, purchasing and manufacturing. Since October 2011, the Global Major Appliances Leadership Team includes the four Major Appliances business sector heads, the functional heads of Manufacturing, Technology development, Purchasing, the Chief Financial Officer, the Chief Marketing Officer, the Chief Design Officer and the head of the Product Boards.

**President and Group Management**

**President and Group Management**

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

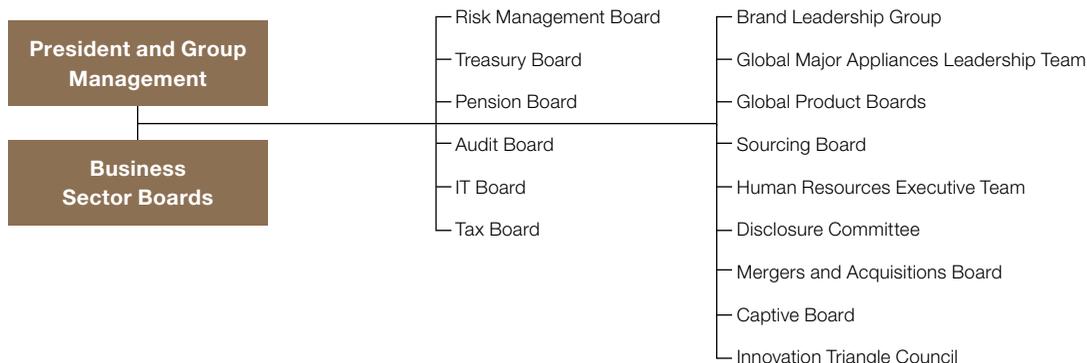
**A diversified management team**

Electrolux Group Management comprises six different nationalities. A major part of the team has worked and lived in two or more continents and have working experience from international consumer companies in industries such as telecom, automobile, et cetera.

During the year, three new roles within Group Management were established including Chief Marketing Officer, Chief Technology Officer, and Chief Design Officer. Electrolux now has the formal structure referred to as "The Innovation Triangle" in place. This is to get Marketing, Technology development and Design functions in synergy during the entire product creation process with an even clearer focus on customers and consumers.

For details regarding members of Group Management, see pages 94-95. The information is updated regularly at the Group's website; [www.electrolux.com/group-management](http://www.electrolux.com/group-management).

**Internal bodies**



**Major issues addressed by the President and Group Management in 2011**

- Global business strategy.
- New appointments in Group Management.
- Strengthening of the organization for product innovation, marketing and design.
- Measures to meet the decline in demand in the mature markets as price increases, adapting manufacturing capacity, taking out overheads.
- Accelerating efforts to capitalize on the Group's global strength and scope.
- Acquisition of Olympic Group in Egypt and CTI in Chile.
- Customer-care program.
- Brand structure and guidelines.
- Improvements of the product-planning process.
- Introduction of an ethics training program and a whistleblowing system.
- Activities to improve Electrolux environmental performance.

**Business Sector Boards**

**Business sectors**

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

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

**Remuneration to Group Management**

Remuneration guidelines for Group Management are resolved upon by the AGM, based on the proposal from the Board. Remuneration to the President is then resolved upon by the Board, based on proposals from the Remuneration Committee. Changes

in the remuneration to other members of Group Management is resolved upon by the Remuneration Committee, based on proposals from the President, and reported to the Board.

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

Remuneration may comprise of:

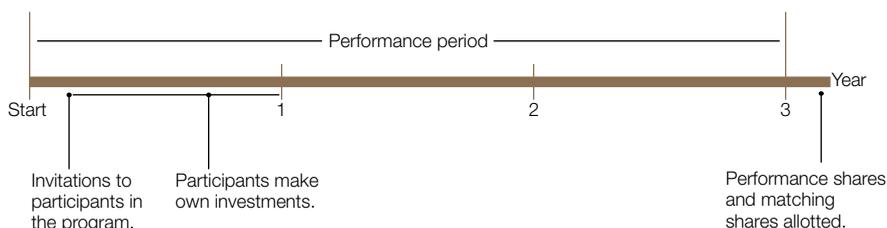
- Fixed compensation.
- Variable compensation.
- Other benefits such as pension and insurance.

Following the "pay for performance" principle, variable compensation shall represent a significant portion of the total compensation opportunity for Group Management. Variable compensation shall always be measured against pre-defined targets and have a maximum above which no pay-out shall be made. The targets shall principally relate to financial performance, for shorter (up to 1 year) or longer (3 years or longer) periods.

Each year, the Board of Directors will evaluate whether or not a long-term incentive program shall be proposed to the AGM. The AGM 2011 decided on a long-term share program for up to 170 senior managers and key employees.

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

**Timeline for the long-term incentive program for senior management 2011**



Earnings per share for Electrolux, excluding items affecting comparability, has to increase by an average of at least 2% annually before any performance shares will be allotted.

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

# CV Group Management



**Keith McLoughlin**

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



**Henrik Bergström**

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



**Jan Brockmann**

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



**Tomas Eliasson**

Chief Financial Officer, Senior Vice-President as of February 13, 2012  
Born 1962. B. Sc. in Business Administration and Economics. In Group Management since 2012.



**Ruy Hirschheimer**

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



**MaryKay Kopf**

Chief Marketing Officer, Senior Vice-President  
Born 1965. B.S. Finance, M.B.A. In Group Management since 2011.

**Previous positions**

Senior management positions within DuPont in USA, 1981–2003. Vice-President and General Manager of DuPont Non-wovens, 2000–2003, and of DuPont Corian, 1997–2000. 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. President and Chief Executive Officer of AB Electrolux, 2011.

Business Development and General Management positions within Electrolux Major Appliances Latin America, 1997–2002. Managing Director Electrolux in Latin America and Caribbean, 2002–2008. Vice-President and General Manager for three business areas in Electrolux Major Appliances North America, 2008–2010. Head of Electrolux Asia Sourcing Operations, 2009–2010. Head of Small Appliances and Executive Vice-President of AB Electrolux, 2010.

Management positions within Valeo Group, 1994–1999. Project Manager in Roland Berger Strategy Consultants GmbH, 2000–2001. Senior management positions within Volkswagen Group, 2001–2010. Joined Electrolux as Head of R&D, Major Appliances, 2010. Group Chief Technology Officer, 2011.

Management positions within ABB Group, 1987–2002. Chief Financial Officer in Seco Tools AB, 2002–2006. Chief Financial Officer of ASSA ABLOY AB, 2006–2012.

Executive Vice-President of Alcoa Aluminum in Brazil, 1983–1986. President and CEO of J.I. Case Brazil, 1990–1994. President and CEO of Bunge Foods, 1994–1997. Senior Vice-President of Bunge International Ltd. in USA, 1997–1998. Joined Electrolux as Head of Brazilian Major Appliances operations, 1998. Head of Major Appliances Latin America, 2002. Executive Vice-President of AB Electrolux, 2008.

Senior management positions within Dupont in North America, Europe, Middle East and Africa, and globally, 1991–2003. Joined Electrolux in 2003 as Vice-President Brand Marketing, Major Appliances North America, 2003. Group Chief Marketing Officer, 2011.

**Board membership**

Board Member of Briggs & Stratton Corporation.

**Holdings in AB Electrolux**

63,913 B-shares

6,621 B-shares

1,999 B-shares

0 shares

35,877 B-shares

4,136 B-shares



Keith McLoughlin



Henrik Bergström



Jan Brockmann



Tomas Eliasson



Ruy Hirschheimer



MaryKay Kopf



Stefano Marzano



Gunilla Nordström



Lars Worsøe Petersen



Jonas Samuelson



Jack Truong



Cecilia Vieweg



Alberto Zanata

**Stefano Marzano**

Chief Design Officer, Senior Vice-President as of January 10, 2012. Born 1950. Doctorate in architecture. In Group Management since 2012.

Senior designer, Philips-IRE Major Domestic Appliances Division, 1973–1978. Design Group Leader, Philips Data Systems and Telecommunications Division, 1978–1982. Director, Philips-Ire Design Centre (Major Domestic Appliances Division), 1982–1989. Vice-President and Head of Corporate Industrial Design, Whirlpool International (a Whirlpool and Philips joint venture), 1989–1991. Executive Vice-President and Chief Design Officer, Philips, 1991–2011. Joined Electrolux as Group Chief Design Officer, 2012.

**Gunilla Nordström**

Head of Major Appliances Asia/Pacific, Executive Vice-President. Born 1959. M. Sc. In Group Management since 2007.

Senior management positions within Telefonaktiebolaget LM Ericsson and Sony Ericsson in Europe, Latin America and Asia, 1983–2005. President of Sony Ericsson Mobile Communications (China) Co. Ltd. and Corporate Vice-President of Sony Ericsson Mobile Communications AB, 2005–2007. Joined Electrolux as Head of Major Appliances Asia/Pacific and Executive Vice-President of AB Electrolux, 2007.

Board Member of Atlas Copco AB.

6,166 B-shares

**Lars Worsøe Petersen**

Head of Human Resources and Organizational Development, Senior Vice-President. Born 1958. M.Econ. In Group Management since 2011.

Joined Electrolux as head of Human Resources Electrolux in Denmark, 1994. Vice-President Human Resources within Electrolux Major Appliances Europe, 1999–2000. Head of Electrolux Holding A/S in Denmark, 2000–2002. Head of Human Resources for Electrolux Major Appliances North America, 2002–2005. Head of Group Staff Human Resources at Husqvarna AB, 2005–2011. Rejoined Electrolux as Head of Group Staff Human Resources and Organizational Development, 2011.

0 shares

**Jonas Samuelson**

Head of Major Appliances Europe, Middle East and Africa, Executive Vice-President. Born 1968. M. Sc. in Business Administration and Economics. In Group Management since 2008.

Business development and finance positions within General Motors in USA, 1996–1999. Treasurer and Director of Commercial Finance and Business Support in Saab Automobile AB, 1999–2001. Senior management positions within controlling and finance in General Motors North America, 2001–2005. Chief Financial Officer of Munters AB, 2005–2008. Chief Financial Officer of AB Electrolux, 2008–2011 as well as Chief Operations Officer and Head of Global Operations Major Appliances during 2011. Head of Major Appliances Europe, Middle East and Africa and Executive Vice-President of AB Electrolux, 2011.

Board Member of Polygon AB.

5,004 B-shares

**Jack Truong**

Head of Major Appliances North America, Executive Vice-President. Born 1962. Ph.D. Chem. Eng. In Group Management since 2011.

Research & Development and Business Management positions within 3M in USA, 1989–1997. Business Director, 3M Home Care Business, Europe, Middle East and North Africa, 1997–2001. Managing Director of 3M Thailand Ltd., 2001–2003. Vice-President and General Manager of 3M Global Office Supplies Division, 2003–2009. Vice-President and General Manager of 3M Global Construction and Home Improvement Division, 2009–2011. Joined Electrolux as Head of Major Appliances North America and Executive Vice-President of AB Electrolux, 2011.

0 shares

**Cecilia Vieweg**

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

Attorney of Berglund & Co Advokatbyrå, 1987–1990. Corporate Legal Counsel of AB Volvo, 1990–1992. General Counsel of Volvo Car Corporation, 1992–1997. Attorney and partner of Wahlin Advokatbyrå, 1998. Joined Electrolux as Senior Vice-President and General Counsel, with responsibility for legal, intellectual property, risk management and security matters, 1999.

Board Member of Vattenfall AB, PMC Group AB and member of the Swedish Securities Council.

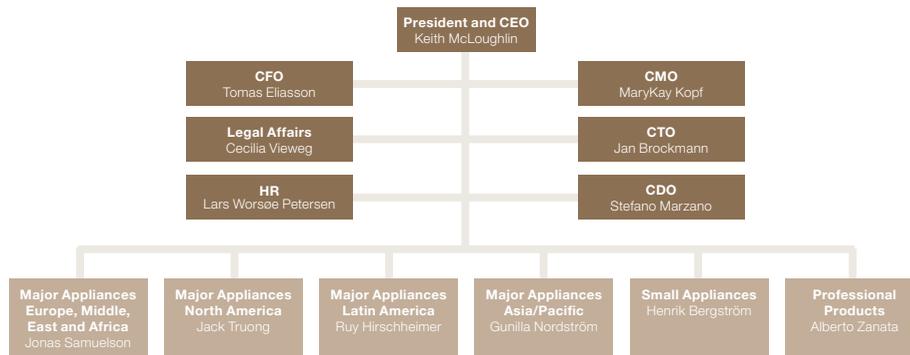
14,410 B-shares

**Alberto Zanata**

Head of Professional Products, Executive Vice-President. Born 1960. University degree in Electrical Engineering with Business Administration. In Group Management since 2009.

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, 2003–2008. Head of Professional Products and Executive Vice-President of AB Electrolux, 2009.

16,364 B-shares



## Changes in Group Management

**Tomas Eliasson** joined Electrolux in February 2012 as Chief Financial Officer. His predecessor, Jonas Samuelson, has been appointed Head of Major Appliances Europe, Middle East and Africa. Enderson Guimarães, the former head of this business area, has left the Group.

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

**Lars Worsøe Petersen**, Head of Human Resources and Organizational Development, joined Electrolux in October 2011. He succeeded Carina Malmgren Heander, who heads a new business unit of domestic products based on professional solutions.

**Jack Truong** joined Electrolux in August 2011 as Head of Major Appliances North America. He succeeded Kevin Scott, who left the Group.

**MaryKay Kopf** was appointed Chief Marketing Officer in February 2011.

**Jan Brockmann** was appointed Chief Technology Officer in February 2011.

Holdings in AB Electrolux as of December 31, 2011. The information is regularly updated at [www.electrolux.com/group-management](http://www.electrolux.com/group-management).

## 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.

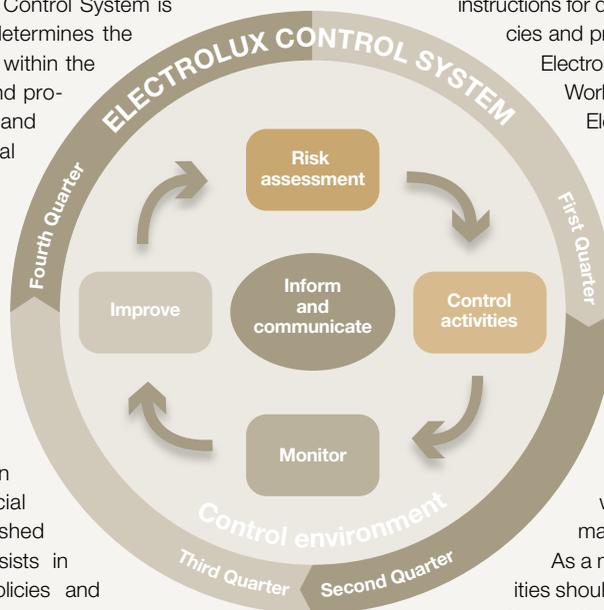


The objective of ECS is to quality assure the internal and external financial reporting.

### 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 82. 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.

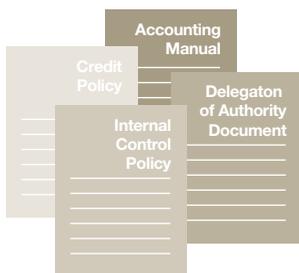


The limits of responsibilities and authorities are given in instructions for delegation of authority, manuals, policies and procedures, and codes, including the Electrolux Code of Ethics, the Electrolux Workplace Code of Conduct, and the Electrolux Policy on Bribery and Corruption, as well as in policies 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

### Control environment – Example trade receivables



#### Accounting Manual

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

#### Credit Policy

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

#### Delegation of Authority Document

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

#### Internal Control Policy

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

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

Role	Sector/Group staff internal control coordinator	Reporting unit internal control coordinator	Process owner	Control operator	Management tester
Typically who	Senior person within the Finance organization in the Sector or Group Staff function.	Controller or CFO for the reporting unit.	Person with overall responsibility for the process, e.g., warehouse manager, purchase manager, sales manager.	Person performing the daily activities within the process, i.e. warehouse operator, accounts payable clerk, accounts receivable clerk.	Person with process knowledge but not performing daily activities in the process to ensure independence.
Main responsibilities	<ul style="list-style-type: none"> <li>* Monitor and report on the effectiveness of controls.</li> <li>* Identify skilled resources to ensure sustainability.</li> </ul>	<ul style="list-style-type: none"> <li>* Plan, coordinate and monitor the timeliness of the documentation, testing and improvement of controls.</li> <li>* Support the process owners, control operators and management testers.</li> </ul>	<ul style="list-style-type: none"> <li>* Ensure that controls are implemented within the process.</li> <li>* Execute remediation, i.e., improvement activities when controls have been tested and deemed not effective.</li> </ul>	<ul style="list-style-type: none"> <li>* Document control descriptions.</li> <li>* Perform control activities.</li> <li>* Maintain evidence of controls performed.</li> </ul>	<ul style="list-style-type: none"> <li>* Perform testing of controls.</li> <li>* Document and report test results.</li> </ul>

responsibility for internal controls within their areas of responsibility. Group Management is described on pages 94–95.

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

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

### Risk assessment

#### Risk assessment

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

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

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

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

### Risk assessment – Example trade receivables



### Control activities – Example trade receivables

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

**Control activities**

**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.

**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.

**Test of controls and quality assurance**



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

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

**External reporting**



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

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

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

### Financial reporting and information

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

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

Financial information is issued regularly in the form of:

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

All reports, presentations and press releases are published simultaneously at [www.electrolux.com/ir](http://www.electrolux.com/ir).

Stockholm, February 1, 2012  
AB Electrolux (publ)  
The Board of Directors

### Auditor's report on the Corporate Governance Statement

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

It is the Board of Directors who is responsible for the Corporate Governance Statement for the year 2011 on pages 82 – 99 and that it has been prepared in accordance with the Annual Accounts Act. We have read the corporate governance statement and based on that reading and our knowledge of the company and the group we believe that we have a sufficient basis for our opinions. This means that our statutory examination of the Corporate Governance Statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. In our opinion, the Corporate Governance Statement has been prepared and its statutory content is consistent with the annual accounts and the consolidated accounts.

Stockholm, February 24, 2012

PricewaterhouseCoopers AB

Anders Lundin  
*Authorized Public Accountant*  
Partner in Charge

Björn Irlé  
*Authorized Public Accountant*

### Factors affecting forward-looking statements

This annual report contains "forward-looking" statements within the meaning of the US Private Securities Litigation Reform Act of 1995. Such statements include, among others, the financial goals and targets of Electrolux for future periods and future business and financial plans. These statements are based on current expectations and are subject to risks and uncertainties that could cause actual results to differ materially due to a variety of factors. These factors include, but may not be limited to the following; consumer demand and market conditions in the geo-

graphical areas and industries in which Electrolux operates, effects of currency fluctuations, competitive pressures to reduce prices, significant loss of business from major retailers, the success in developing new products and marketing initiatives, developments in product liability litigation, progress in achieving operational and capital efficiency goals, the success in identifying growth opportunities and acquisition candidates and the integration of these opportunities with existing businesses, progress in achieving structural and supply-chain reorganization goals.

# Sustainability priorities and progress

*Electrolux is committed to growth that's sustainable – delivering long-term value to customers, employees, shareholders and the wider world. Every year, the Group raises the performance bar by integrating sustainability priorities more deeply into the business.*

Electrolux aims to be the best appliance company in the world. The Group's objective to keep its position as sustainability leader, and realizing the supporting sustainability strategy are key contributing factors to achieve this.

## The sustainability strategy

The Electrolux sustainability strategy is geared at seizing opportunities for new business models, products, materials and markets, while soundly managing ethical, social and environmental risks. The strategy is underpinned by a range of targets for achieving more eco-efficient operations and products, as well as absolute targets for chemicals use, ethics and conduct, transparency and safety.

## Identifying priorities

Sustainability priorities are both determined by elements of the business strategy – products, brand and operational excellence – and the issues of greatest importance to stakeholders. Stakeholders include those most affected by the business and most critical to company success.

The Group has developed a materiality process to identify priorities and align the sustainability strategy and annual performance reporting with issues of importance to stakeholders. Electrolux monitors issues across the entire product life cycle and keeps track of the priorities of key stakeholder groups through dialog, surveys, market intelligence and media reviews. To stay ahead of the trends, it also consults other stakeholders, including

government contacts, industry peers, opinion leaders and socially-responsible investors, as well as sustainability management and reporting standards such as ISO and the Global Reporting Initiative (GRI).

This materiality process was further developed this year. It now includes stakeholder group prioritization, and an analysis of the sustainability impacts on different aspects of the business strategy.

### Defining sustainability leadership:

Great business leadership is about meeting today's needs and turning tomorrow's challenges into opportunities. For Electrolux, it means growing sustainably with the greatest integrity and the best environmental performance. It's about improving people's lives by understanding new needs and delivering smarter, more efficient solutions to more people around the world.

## Recognition of performance

- Electrolux is sector leader in the prestigious Dow Jones Sustainability World Index for long-term economic, environmental and social performance.
- Carbon Disclosure Project: Quality and completeness of reporting were among the reasons Electrolux was featured among the top ten Nordic reporters in their 2011 ranking.
- Electrolux is included among the World's Most Ethical Companies 2011. The ranking lists 110 companies in 38 industries that surpass their industry peers.
- Electrolux is Sector Leader, Sector Mover and a Gold Class Member in the 2012 SAM Sustainability Yearbook.
- Electrolux Appliances North America received the US EPA 2011 ENERGY STAR Partner of the Year award.



# Products, services and markets

## Core issues:

- Innovative, energy and water efficient products
- Hazardous materials
- Design for recycling and using recycled material
- Growing the market for more efficient products
- Designing products for the growing middle class in emerging markets

With over 70% of the total environmental impact of appliances occurring during use, improving product efficiency is the most relevant issue from a life-cycle perspective. It is also where the company can make the greatest difference in lowering consumers' environmental footprint.

## Lowering environmental impact

During 2012 product targets for energy and water reductions and chemical use in all major markets will be defined. Electrolux has demonstrated progress on efficiency improvements over a long period. For example, today's energy class A++ refrigerator/freezer consumes 66% less energy than an average appliance from 1995; an improvement from 574kWh/year to 196kWh.

Challenges remain to implement further improvements in the Group's product fleet. These include raising the bar on product efficiency, and continually phasing out hazardous materials.

As part of its 2015 goals, the Group will increase investment in advanced technology by 20%. The R&D priorities are to innovate products for energy efficiency and design for recycling.

The learnings from implementing the European RoHS and REACH regulation have been used for updating the restricted materials program across the Group. Electrolux revises its Restricted Materials List every year, resulting in more stringent requirements for suppliers.

## Growing the market

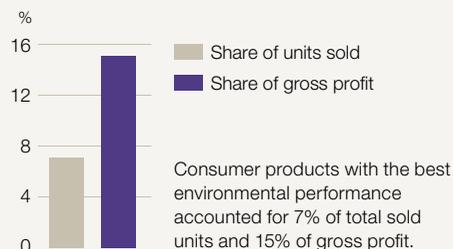
Efficient products are crucial to continued business success. Each year, Electrolux identifies new criteria for the most environmentally sound appliances among all Group products. Each market has a Green Range of energy and water efficient products based on these criteria.

Group business units must report on yearly sales of these products as a proportion of the entire product range. In 2011, sales of the green ranges accounted for 7% of sold units and 15% of gross profit, confirming that products with outstanding environmental performance generate higher profits.

The challenge of growing the market for the most efficient products is ongoing, and despite the economic downturn, there is market promise. Energy efficiency and other environmental messaging have played a larger role in marketing efforts.

In line with its business strategy, the Group also sees strong potential for growth in emerging markets where a rising middle class is placing increased strains on limited resources such as water and energy.

## Global Green Range



## The Electrolux approach to reporting

Electrolux has a three-tiered approach to sustainability reporting, including an extensive GRI report available on-line.



2. The Electrolux annual sustainability performance review, Sustainability Matters, is built around the GRI framework for sustainability reporting and is included in the on-line Annual Report. It can be accessed at [www.electrolux.com/sustainability](http://www.electrolux.com/sustainability)



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



3. Future InSight: Aimed at employees and business contacts, this outlook report is designed to spark debate and communicate how the Group intends to realize its sustainability strategy through integration, driving innovation and building partnerships. It can be accessed at [www.electrolux.com/sustainability](http://www.electrolux.com/sustainability)

# People and operations

**Core issues:**

- Reductions in energy, water, waste and emissions
- Ethical business practices
- Health and safety
- Human rights

Reducing environmental impacts and doing business with integrity reduces risks, raises the employee brand and reduces costs. Since 2005, through energy-reductions targets, Electrolux has saved more than SEK 300m a year in energy costs.

**Reducing the environmental footprint**

Electrolux exceeded its 2012, 28% energy savings target by 8 percentage points, a year ahead of schedule. The Group thereby consumed 36% less energy than the 2005 benchmark and emitted 230,000 tons less carbon at similar production volumes. To maintain momentum, the company has decided on a one-year target of an additional 3.5% reduction for 2012, pending finalization of 2015 targets.

Performance is also in line with the company's 2014 reduction targets for water (20%) and transportation (15%).

**Training, measuring and monitoring**

Electrolux is founded on the principles of ethics, integrity, respect, diversity, safety and sustainability. These are embedded in the governance structure through the Code of Ethics, Code of Conduct, Environmental Policy and related management practices.

Target-setting, data collection, training, employee appraisals, surveys and compliance monitoring help ensure the Group lives up to these principles. Of 29 (20) plants located in risk-defined regions, 14 (11) operations were audited by combined teams comprising both Electrolux and third-party auditors. Values, principles and sustainability are integrated into leadership programs. In total, 55 (700) workshops were held, with 1,000 (8,000) employees taking part.

The Group receives employee feedback through engagement surveys conducted every 18 months. The first attempt to gauge company culture was launched in 2010: around 80% viewed

Electrolux as an organization that acts with integrity. Competence development and fair treatment in rewarding performance were, however, identified as areas requiring improvement.

In total, 9,400 new employees were added to the Group through acquisitions of Olympic Group in Egypt and CTI in Latin America. During the year, Electrolux initiated a program of alignment with the company strategy, values and principles for Olympic. A collaborative approach was adopted to identify differences in practices and areas for improvement. Relevant issues that are addressed primarily include employment practices as well as safety and environmental performance. Action plans are currently under development. In 2012, work will continue with the Ukraine – factory operations purchased in 2010 – and acquisitions of CTI.

**An ethical approach**

To enhance employee understanding of Group expectations for personal and corporate ethical accountability, an ethics program was rolled out. This includes an ethics helpline operated by a third party, where employees can confidentially report suspected misconduct. Latin America was the first to launch the program by training 8,100 blue and white collar staff members. An extensive educational campaign included workshops for management as well as factory workers, e-learning and information materials. The helpline for Latin America also opened in June 2011. In 2012, the ethics program will be rolled out across Europe.

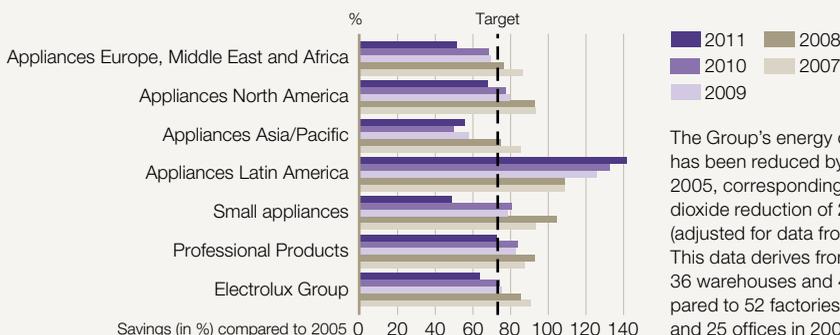
**Safety net**

Electrolux aims to operate 25% of manufacturing facilities at best practice levels for health and safety by 2016. The global health and safety management program includes monthly safety statistics from all major appliance operations and three of four small appliance factories. Electrolux Professional has its own program aligned with Group ambitions, yet tailored to operational challenges of dealing with more hand-crafted products.

Employee surveys gauge perception of health and safety performance. In 2011, major appliance manufacturing hit a record-low incident rate of less than 1.0, marking a 50% reduction in incidents since the more comprehensive safety program began in 2010.

The total case-incident rate decreased by 42% (21), while work-days lost due to injuries decreased by 36% (9).

**2012 Energy-savings target (GRI EN18)**



The Group's energy consumption has been reduced by 36% since 2005, corresponding to a carbon-dioxide reduction of 230,000 tons (adjusted for data from IEA 2010). This data derives from 47 factories, 36 warehouses and 40 offices, compared to 52 factories, 17 warehouses and 25 offices in 2005.

# Stakeholders and society

## Core issues:

- Responsible sourcing
- Restructuring
- Strategic partnerships
- Dialog
- Transparency and accountability

Electrolux aims for honesty and transparency regarding its actions and impacts. It engages in issues that affect its industry and addresses these along the value chain. This helps the Group earn stakeholders' trust, find solutions and reinforce its role in society.

## Responsible sourcing

Electrolux aims to embed high standards for labor, the environment and human rights in its business relationships. The proportion of procurement from low-cost countries increased from 30% in 2004 to approximately 60% (56) in 2011, and is expected to reach 70%. Compliance with the Code of Conduct and Environmental Policy are mandatory and non-negotiable criteria in evaluating all potential and existing suppliers.

Using audits, training and reporting, the aim of the Responsible Sourcing program is to build supportive and transparent relationships that uphold suppliers' environmental and labor practices. The program prioritizes suppliers classified as high or medium risk and sustainability auditors are in place in Asia/Pacific, Eastern Europe and Latin America to monitor performance. In total, 360 (328) supplier audits were performed this year, 327 (271) by Group auditors and 33 (57) by third-party assurers.

## Engaging suppliers in Group objectives

To realize its sustainability strategy, Electrolux must engage its entire value chain, including suppliers. The company hosted a workshop with 40 major Chinese suppliers to introduce them to the strategy. An energy reporting standard was also launched, to be piloted in 2012. Such measures help the Group gain better insight into the energy consumed by suppliers and how they are managing it.

## Dialog builds the strategy

Ongoing dialog is a crucial component of the company's strategy. In 2011, Future InSight, a dialog platform, was introduced to further engage stakeholders in the sustainability strategy. The platform includes a strategy report, a blog inviting input to the strategy and an employee discussion forum. Future InSight will form the basis for stakeholder engagement, feeding into both materiality assessment and strategy development.

## Restructuring

As a global employer, Group decisions affect individuals and local communities. Whether setting up new operations or managing organizational change, Electrolux aims to do so responsibly, transparently and in dialog with those affected. The restructuring program is relocating over half of production to low-cost areas. This benefits these regions with jobs, opportunities for local suppliers, knowledge transfer, and improved social and environmental standards.

Closing operations, however, is a difficult process for all involved. Electrolux reduced its staff by approximately 1,870 (900) employees, with operations in Spain, Sweden and the United States particularly affected. When restructuring is under evaluation, a procedure is initiated that addresses local needs and priorities. After the decision to close or downsize is made, employees are offered assistance such as pre-retirement schemes, training and career coaching. Achieving successful outcomes lies in constructive dialog with unions, municipal authorities and potential investors and in focusing on long-term interests of employees.

## Raising awareness

In all markets, Electrolux is engaged in educating consumers. Vac from the Sea is an awareness campaign to highlight the problem of plastic waste in the oceans. The initiative helped spark public debate about need for recycling of plastics, an issue relevant to the Electrolux value chain. It continues its successful run in Asia and Europe. Electrolux Appliances North America received the US EPA 2011 ENERGY STAR Partner of the Year award for helping to educate consumers about the ENERGY STAR program and increasing its selection of qualified appliances.

## Responsible Sourcing Program



Audit findings of 360 supplier audits conducted during 2011. Health and safety issues continue to be the area with most non-compliances followed by the environment. Revised in 2009, Group environmental requirements are often stricter than local regulation. Issues related to under-aged labor (below 15 years) is still primarily an issue in Asia/Pacific but less prevalent than in previous years. The majority of cases recorded relate to insufficient protection of authorized minors (16-18 years). In Asia/Pacific, 8 (24) cases of under-aged workers were uncovered.

# Annual General Meeting

The Annual General Meeting will be held at 5 pm on Tuesday, March 27, 2012, at Stockholm Waterfront Congress Centre, Nils Ericsons Plan 4, Stockholm, Sweden.

## Participation

Shareholders who intend to participate in the Annual General Meeting must

- be registered in the share register kept by the Swedish central securities depository Euroclear Sweden AB on Wednesday, March 21, 2012, and
- give notice of intent to participate, to Electrolux on Wednesday, March 21, 2012.

## Notice of participation

Notice of intent to participate can be given

- on the Internet on the Group's website; [www.electrolux.com/agm2012](http://www.electrolux.com/agm2012).
- by telephone +46 8 402 92 79, on weekdays between 9 am and 4 pm
- by mail to  
AB Electrolux  
c/o Euroclear Sweden AB  
Box 191  
SE-101 23 Stockholm  
Sweden

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

Proxy forms in English and Swedish are available on the Group's website; [www.electrolux.com/agm2012](http://www.electrolux.com/agm2012).

## 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 21, 2012, shareholders should contact their bank or trustee well in advance of that date.

## Dividend

The Board of Directors proposes a dividend for 2011 of SEK 6.50 per share, for a total dividend payment of approximately SEK 1,850m. The proposed dividend corresponds to approximately 85% of income for the period, excluding items affecting comparability. Friday, March 30, 2012, is proposed as record date for the dividend. The estimated date for payment of dividend is Wednesday April 4, 2012.

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

## Dates regarding the AGM 2012

2011		2012	
September	February	March	April
23 Nomination Committee appointed for AGM 2012	15 Proposals from Nomination Committee 17 Notice to AGM	21 Notice of intent to participate in AGM 21 Deadline for share register 27 AGM 2012 30 Proposed record date for dividend	4 Estimated date for payment of dividend

# Events and reports

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



Electrolux Annual Report 2011 consists of:

- Operations and strategy
- Financial review, Corporate Governance Report and Sustainability Report

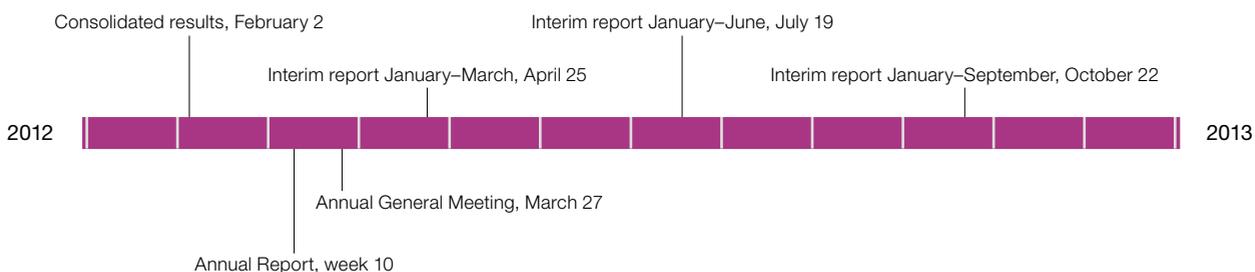
Electrolux annual report is available at [www.electrolux.com/annualreport2011](http://www.electrolux.com/annualreport2011)

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

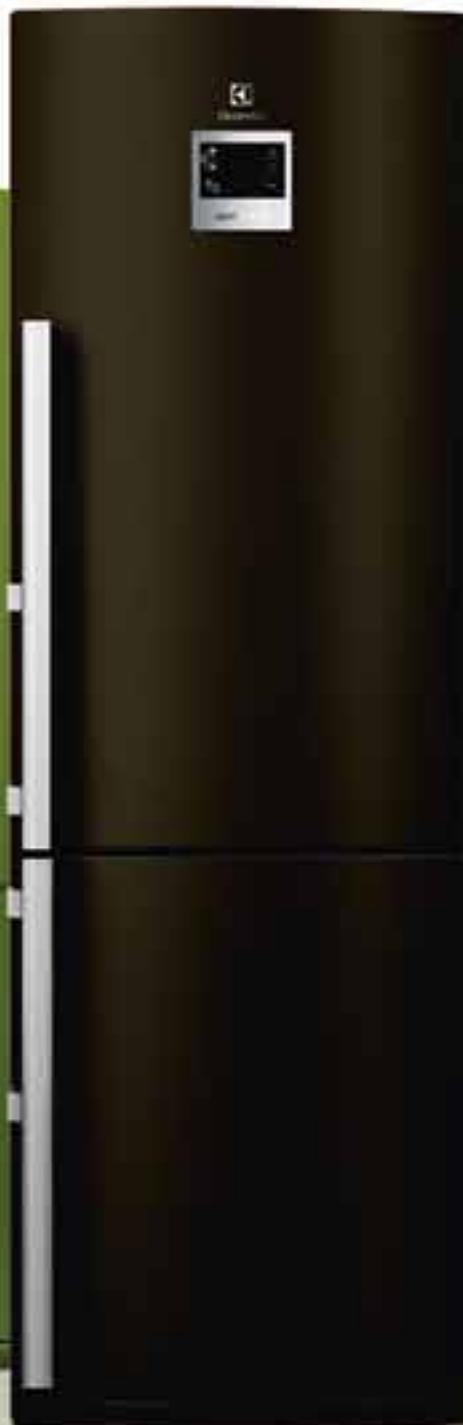
Electrolux GRI reports are available [www.electrolux.com/sustainability](http://www.electrolux.com/sustainability)



## Financial reports and major events in 2012



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



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