

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
Total	-138	-1,064

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
Total	2,556	3,804	6,360

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
Total identifiable net assets acquired	1,819	2,126	3,945
Cash and cash equivalents	34	114	148
Borrowings	-723	-499	-1,222
Assumed net debt	-689	-385	-1,074
Non-controlling interests	-69	-41	-110
Goodwill	1,495	2,104	3,599
Total	2,556	3,804	6,360

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 ¹⁾	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.