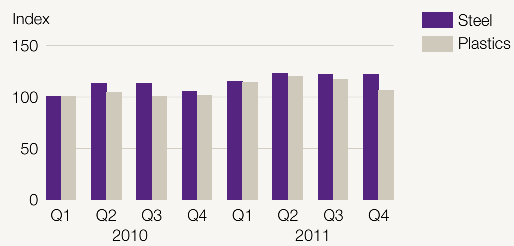
In a turbulent environment …

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.

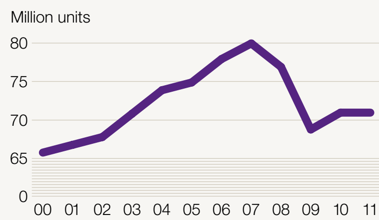
Price development, plastics and steel



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.

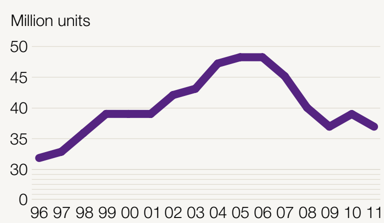
Shipments of core appliances in Europe, excl. Turkey



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.

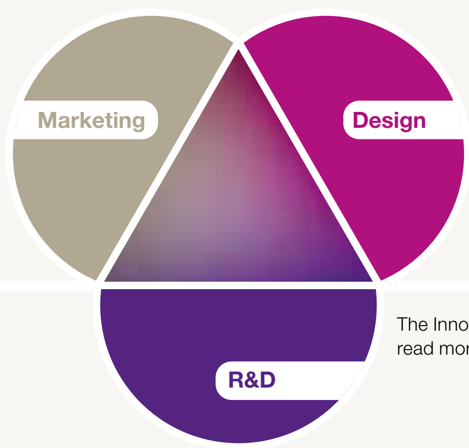
Shipments of core appliances in US



… 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.**

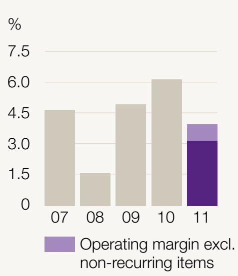


The Innovation Triangle, read more on page 38.

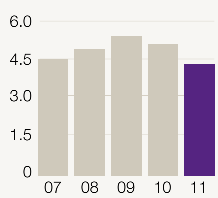
Financial goals

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.

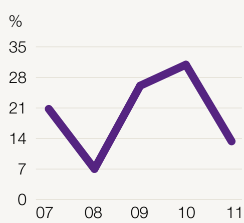
Operating margin **Goal: >6%**



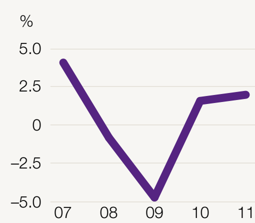
Capital-turnover rate **Goal: >4**



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.