

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.

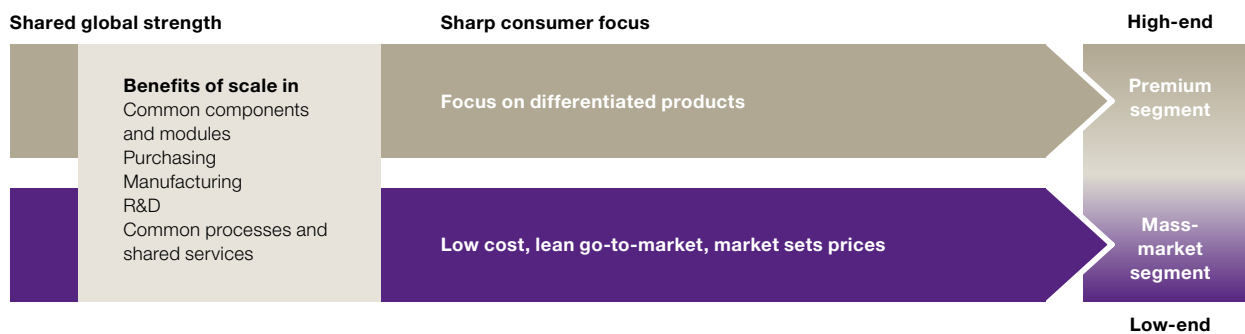
In 2011, the initiatives started to yield clear results. Manufacturing was optimized and procurement costs reduced at the same time as the roll-out of modularization was accelerated. The initiative is expected to generate annual savings of SEK 3.0 billion with full impact from 2015. Costs are expected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

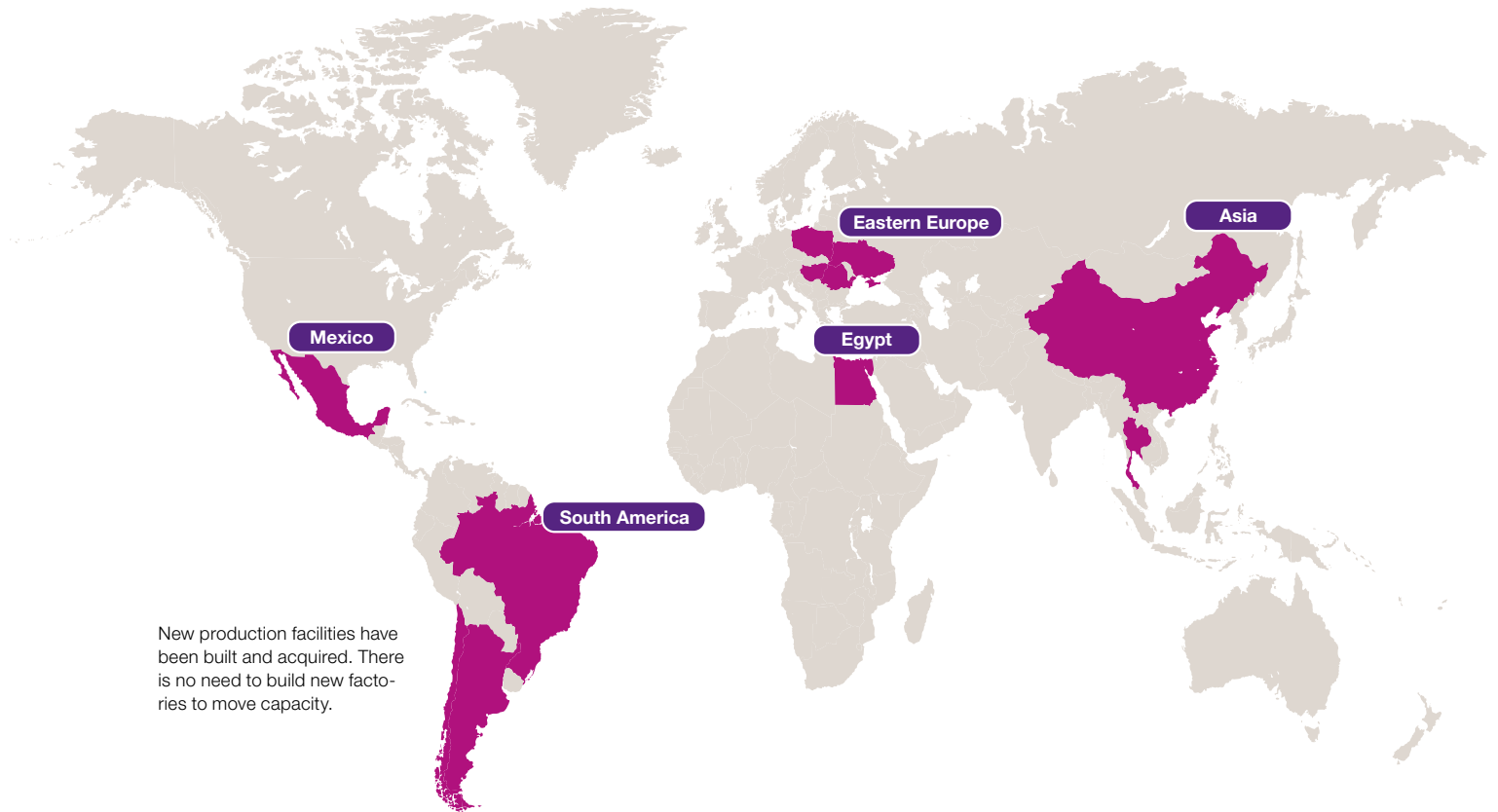
Additionally, overhead costs are being reduced across all regions. Activities were initiated in the fourth quarter of 2011 and will generate annual savings amounting to SEK 680m. Total costs of SEK 630m were charged to operating income in 2011.

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.

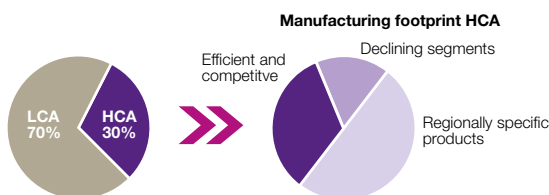
Greater procurement levels from low-cost areas

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