

# 2012 – a year focused on profitable growth

*We wrote history in 2012. Electrolux reported sales growth of 9.4% in comparable currencies with 5.5% being organic growth. This was the first time the Group, in its current structure, achieved such strong growth numbers. Behind this achievement lies a premeditated and structured approach to implementing our strategy for profitable growth, one we intend to continue going forward.*



Our overarching objective of profitable growth will remain a focus area for Electrolux in the future. In the people of Electrolux, we have the knowledge, the dedication and the cultural spirit required to realize our ambition.

The successes of Electrolux in 2012 are the result of a determined strategic effort that has stretched back over many years. A comprehensive change of operations has been carried out, which was necessary to operate in a market exposed to intense competition and to be able to leverage the growth potential existing in the various product segments and geographic regions.

#### **An important and necessary transformation**

If we look back only five years, there were major differences in the operation. Back then, Europe accounted for nearly 50% of Electrolux sales. To develop our position as a global leader, we identified the need to diversify our exposure toward other parts of the world and, above all, increase our sales in growth markets. In 2008, we initiated our biggest product launch ever in North America under the Electrolux brand in the premium segment at the same time as we relaunched our largest brand in the region, Frigidaire. We intensified our initiatives in the rapidly growing markets in Latin America and Southeast Asia. We focused on the launch of new innovative products customized to the special needs of each region while utilizing our global economies of scale. At the end of 2011, Electrolux completed two key acquisitions. The purchase of Olympic Group and CTI gave Electrolux a leading position in new, attractive growth markets.

#### **Becoming more global**

We can see that the investments are generating results. Our share of sales in growth markets has increased from 20% to more than 35% in five years. And we are no longer primarily a European company. In 2012, almost 70% of sales were generated from other regions – in the North American market, where we now have a presence in all segments and our products are available in all major retailers, in Latin America, where we strengthened our leading position in a fast-growing market and in Asia, where we have delivered double-digit growth for the past 13 consecutive quarters.

#### **High ethical and moral standards**

As a global player that both manufactures and sells products in rapidly evolving markets, we also have an important social responsibility. Among other tasks, we must work even harder to introduce the rigorous environmental, ethical and moral standards we have at Electrolux in all of our operations. This is our duty as a leading, and the most global, company in the appliance industry.

#### **We leverage on our professional operations**

In 2012, we took an important next step in our development by bringing our consumer durables and professional operations even closer together. We launched an entirely new global brand, the ultra luxury Electrolux Grand Cuisine, thus for the first time making pro-

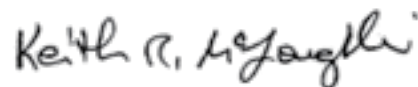
fessional cooking systems available for home use. In Europe, we conducted an extensive launch of new premium products under the Electrolux brand, products that were created on the basis of our expertise in developing innovative solutions for professional kitchens and laundries. This combination of a product portfolio comprising offerings for restaurants and end-consumers is one of the factors that makes Electrolux unique. It is something that none of our main competitors can do, and we will increasingly utilize this advantage in our positioning of Electrolux going forward.

#### **High potential in all our markets**

Looking ahead, I believe that the extensive change of the operation will continue. One of our goals is to increase the share of sales in growth markets to 50% within five years, primarily organically, although complementary acquisitions will also be necessary. However, it is not an aim in itself to achieve a certain level of sales in a specific region. What is most important is that the Group as a whole continues to develop profitably by taking advantage of our local market opportunities as a global manufacturer with operations in more than 150 countries. Growth in such regions as Southeast Asia and Latin America will probably remain at a high level over the next five years, but we should not underestimate the strength of a possible upturn in demand in our core markets. This applies in particular to the US, where we already noted some positive signals in 2012. Bearing in mind that industry volumes have declined by more than 25% since 2006 and are down at 1998 levels, there is potential for a robust recovery once an upturn begins.

#### **Continued focus on profitable growth**

I mentioned earlier that we operate in a highly competitive market. In the future, this competition will not have eased, but rather the opposite. In order to successfully meet this challenge and capture new business, we must focus on strong finances and manage capital in an efficient way. By reducing working capital and optimizing operations, among other activities, we release resources that can instead be invested in growth and innovation initiatives, which are necessary if we are to capitalize on the opportunities we see around the globe. Our overarching objective of profitable growth will remain a focus area for Electrolux in the future. In the people of Electrolux, we have the knowledge, the dedication and the cultural spirit required to realize our ambition.



Stockholm, February 2013

Keith McLoughlin

President and Chief Executive Officer