

# Strong results for 2009 demonstrate our strategy is working

I am presenting a very strong result for the fourth quarter and for the full year 2009, one of the best ever for Electrolux. I am very pleased that all our operations have improved their earnings and maintained their sales at the same time as demand has dramatically declined.

A strong product offering has improved the mix. Stable prices and significant cost reductions have also been key for the improved results. At the same time, cyclically low raw-material prices gave us a tail-wind.

Our results show we have the right strategy. Innovative products, investments in the Electrolux brand and cost efficiencies have paid off. Our strong balance sheet provides us with good growth opportunities.



When Electrolux presented the full-year 2008 report, we had completed a very tough year and expected a continued challenging 2009. We had just taken comprehensive measures to adapt our costs to the weak market demand through decisions to decrease the number of employees. The difficult market was also the reason the AGM decided not to distribute any dividend for 2008 to our shareholders.

Today, one year later, we are presenting a result for 2009 that is one of the best ever for Electrolux. How could we do so well in an environment that can be described as very challenging? The North American market for core appliances declined in 2009 by 8% and the European market declined by 11%, which was worse than we thought one year ago. The North American market has lost a quarter of its size since its peak in 2006 and Europe is down 15% since 2007.

The primary explanation for the strong development in 2009 is that we succeeded in areas that are strategically important for Electrolux: new products, strong brands and cost efficiencies. This confirms how well our strategy is implemented. At the same time, we were helped by some external factors.

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Absolutely most important is the improvement in mix. We sell more advanced and expensive products. Even in the declining market, we have continued to launch and market new products. In North America, we implemented, following a very successful launch of the Electrolux brand in the premium appliances segment, a re-launch of the Frigidaire brand in the mid-price segment. In Europe, we have succeeded in taking market shares within the profitable built-in segment, primarily by strengthening our position in the important German market. Another successful launch is the new UltraOne premium vacuum cleaner, which has clearly contributed to the improvement within our floor-care operations. Our success with another record year in Latin America was due to our product launches and a strong growth in the market in 2009. In the Asia/Pacific region and within the Professional Products sector, we continued to launch products in 2009, which generated an improvement in earnings. This is the fourth consecutive year that Electrolux has improved its mix.

After many years of continuously declining prices, we managed to increase prices in Europe at the beginning of 2009, at the same

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time as we maintained our price position in the American market. There are many factors, both coincidental and structural, that have contributed to this positive development, but it is fundamentally crucial to have a strong brand to successfully implement price increases.

We have also succeeded in adjusting our cost base to the existing market. Notwithstanding a capacity utilization of only 60% compared with a normal above 85%, we have succeeded in delivering an EBIT margin close to 5%. We have had to make many difficult decisions. However, we are continuing our work to build a competitive manufacturing structure and reduce costs by utilizing our global strength and scope.

After increases in raw-material costs totaling SEK 9 billion from the period 2004 until 2008, our costs decreased by SEK 1 billion in 2009. We see now that prices of many raw materials have begun to rise again, and as the global economy recovers, we anticipate that the costs of our most important raw materials will increase further.

The result for 2009 is a proof that our strategy to increase the pace of new product offers, invest in marketing and implement efficiencies in our production is working even in an economic downturn. In 2010, we will further strengthen the Electrolux brand position, which will lead to increased marketing investments. We will continue to develop innovative products that consumers prefer and are willing to pay higher prices for.

We still have more to do before we reach our target of an average operating margin of 6% over a business cycle, and the very strong cash flow for 2009 has provided us with a balance sheet that gives us opportunities to utilize future business opportunities.

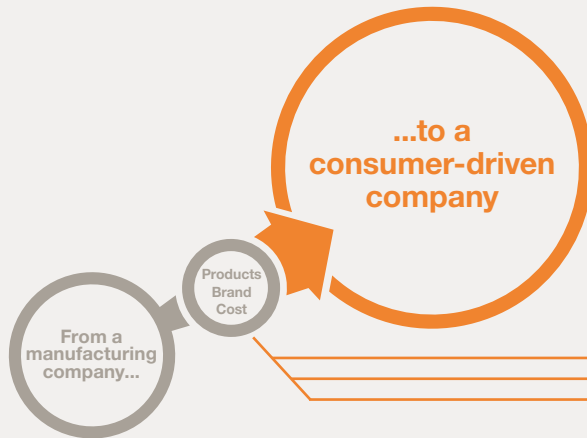
Stockholm, February 3, 2010



Hans Stråberg  
President and Chief Executive Officer

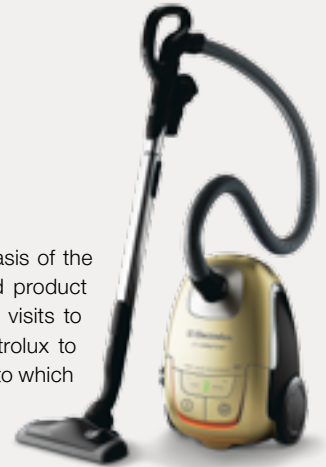
# Electrolux strategy

Efforts to transform Electrolux into an innovative, consumer-focused company are paying off. The product offering is being continuously improved. Today, Electrolux is one of the strongest companies in the industry.



## Products

All new products are created on the basis of the Group's process for consumer-focused product development. Extensive interviews and visits to consumers' homes have enabled Electrolux to identify global social trends and needs, to which the new products are tailored.



## Brand

The Group aims at achieving a significant position in the growing and profitable premium segment. The Electrolux brand is positioned throughout the world as a premium brand that stands for innovative, energy-efficient products with attractive design. The Electrolux brand is now a leader in most major markets.

## Cost

The Group's comprehensive restructuring program will soon be completed, which means that Electrolux will have a competitive production structure in which approximately 60% of appliances are manufactured in low-cost countries. All production of vacuum cleaners is already located in such countries. Costs are being continuously reduced by utilizing the Group's global reach and strength.

## Financial goals

- Operating margin of at least 6% over a business cycle.
- Organic growth of at least 4% annually, on average.
- Capital turnover rate of at least 4.
- Return on capital employed of at least 25%.



## Financial goals

Meeting financial goals shall strengthen the Group's leading global position within the industry and contribute to a satisfactory total yield for Electrolux shareholders. The focus is on achieving growth and maintaining profitability.

> 6%

## Next step

On the basis of a strong brand in the premium segment, innovative products and benefits from global economies of scale, Electrolux shall continue to turn around unprofitable product categories and markets.