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## OPERATIONS AND STRATEGY

Despite very tough economic conditions, we succeeded in achieving results for 2009 that were among the best ever. Taking action to enhance our competitiveness and continuing to implement an offensive strategy enables us to strengthen our profitability and our position.

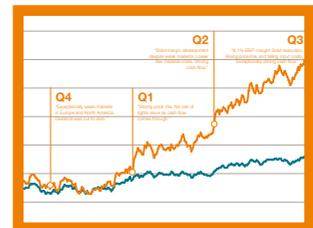
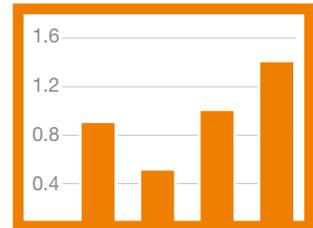
**CEO statement, page 2.**

"On the right track". Electrolux performance during the recession shows the effectiveness of the strategy. Innovative products, investment in the Electrolux brand and a focus on strong cash flow and cost efficiency have paid off.

**Electrolux strategy, page 30.**

The share price development for the Electrolux B-share in 2009 was the best in the company's history. The main factors contributing to the Electrolux positive share price development was a low value at the start of 2009 and the strong improvement in income.

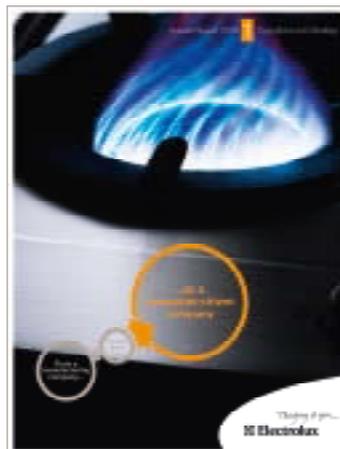
**Electrolux and the capital market, see page 58.**



## ANNUAL REPORT 2009

**Part 1 describes Electrolux operations and strategy.**

**Part 2 consists of the financial review, sustainability report and corporate governance report.**



Concept, text and production by Electrolux Investor Relations and Solberg.

# Electrolux offering

Category

Products

CONSUMER  
DURABLES



For household kitchens throughout the world Electrolux sells cookers, ovens, refrigerators, freezers, dishwashers, hoods and small appliances. The increasing role of the kitchen as a meeting place for family and friends gives Electrolux a unique display area.



Washing machines and tumble dryers are the core of the Electrolux product offering for cleaning and care of textiles. Innovations and a growing preference for higher capacity, user-friendliness as well as lower consumption of water and energy are driving demand for Electrolux products.



Electrolux vacuum cleaners and accessories are sold to consumers worldwide. A strong, global distribution network and an attractive product offering are important competitive advantages. All production is located in low-cost countries.

PROFESSIONAL  
PRODUCTS



Electrolux sells a range of products for professional kitchens and laundries. High productivity, maximum utilization of resources and an extensive service network are key factors for purchases by professionals. Electrolux has a global presence, and is largest in Europe.

Share of Group net sales

## Electrolux – a global leader with a customer focus

Electrolux is a global leader in household appliances and appliances for professional use, selling more than 40 million products to customers in more than 150 markets every year.

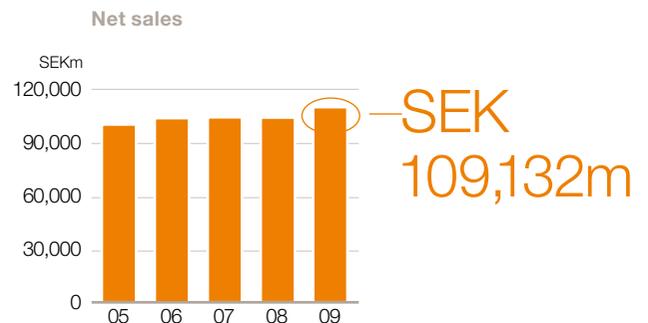
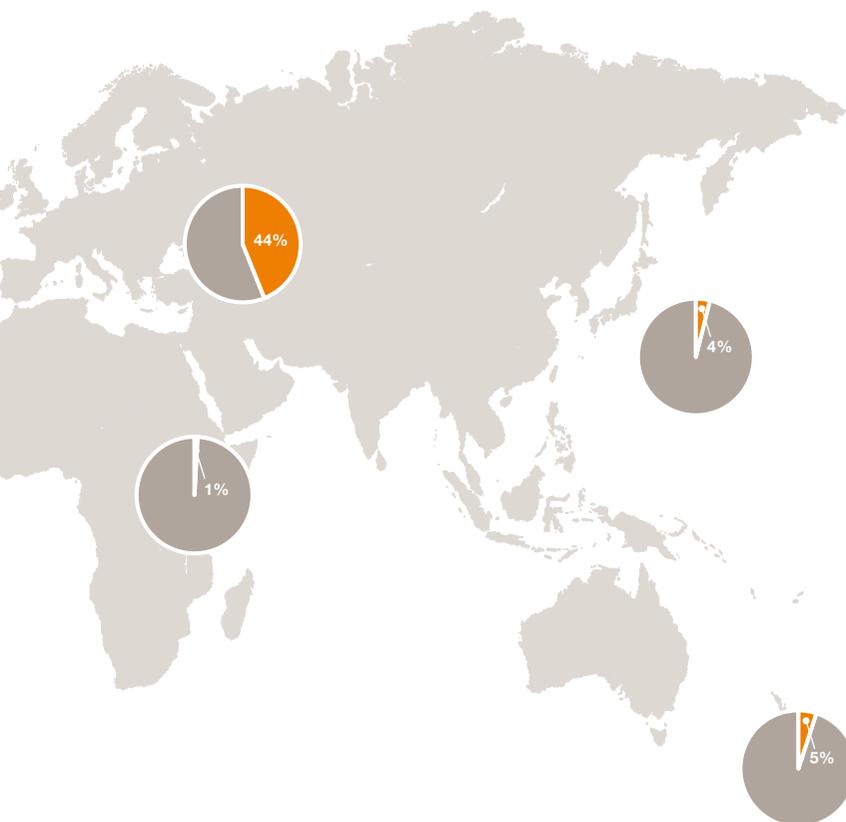
The company focuses on innovations that are thoughtfully designed, based on extensive consumer insight, to meet the real needs of consumers and professionals. Electrolux product range includes cookers, ovens, hoods, refrigerators, freezers, dishwashers, washing machines, tumble-dryers and vacuum cleaners under esteemed brands such as Electrolux, AEG-Electrolux, Eureka and Frigidaire.

In 2009, Electrolux had sales of SEK 109 billion and 51,000 employees.



# Electrolux business areas

	Net sales	Operating income	Development 2009
<b>Consumer Durables Europe</b>			Operating income was substantially higher. Factors contributing to the improvement included a positive price and mix development and lower costs for raw materials. Personnel cutbacks and other cost-cutting measures also contributed to the improvement in income.
<b>Consumer Durables North America</b>			Operating income rose considerably, despite lower volumes. Factors contributing to the improvement in income included a positive price and mix development, higher internal efficiency and lower costs for raw materials. The re-launch of new products under the Frigidaire brand contributed to mix improvements.
<b>Consumer Durables Latin America</b>			Electrolux sales volumes showed a continued increase in comparison with 2008. Sales were substantially higher, and the Group captured additional market shares in Brazil. Operating income improved on the basis of positive price and mix development and lower costs for raw materials.
<b>Consumer Durables Asia/Pacific and Rest of world</b>			Sales rose on the basis of higher sales volumes and maintained price levels. Operating income showed an improvement as a result of positive development of raw materials and sales prices as well as cost-cutting programs. The operation in Southeast Asia continued to show good profitability.
<b>Professional Products</b>			Operating income and margin declined somewhat on the basis of weakening markets and lower volumes. The results continued to show a stable development, however.



1) Excluding items affecting comparability.

# 2009 a summary of a successful year

Sales declined in comparable currencies due to weak demand on most of Electrolux main markets.

Operating income improved on the basis of cost savings, higher prices, improved mix and lower costs for raw materials.

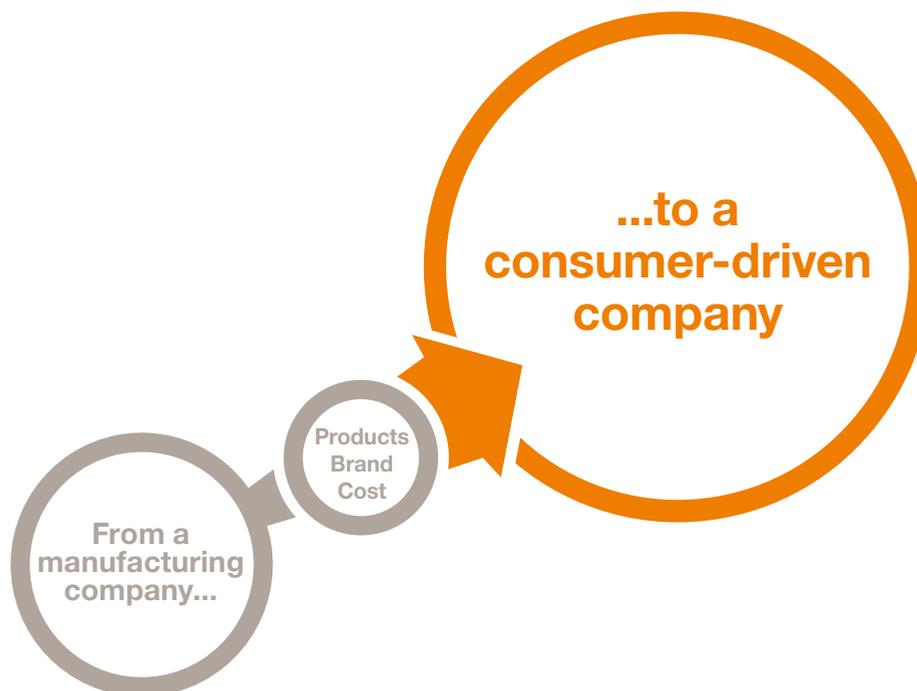
Launches of new products particularly in North America and Latin America contributed to an improved product mix.

Results improved in all regions.

Strong cash flow generated by improvements in operating income and working capital.

The Group's ongoing structural efforts to reduce tied-up capital contributed to the strong cash flow.

Extra payments of SEK 4 billion to Group pension funds reduced balance-sheet risk exposure to pension commitments.



## On the right track

Electrolux performance during the recession shows the effectiveness of the strategy. Innovative products, investment in the Electrolux brand and a focus on strong cash flow and greater cost efficiency have paid off. Electrolux will emerge stronger than ever from the recession.

Despite deteriorating market conditions in recent years, Electrolux has successfully applied the strategy. This involved the largest product launches in company history. Comprehensive launches were implemented in Europe in 2007 and in the US in 2008. They resulted in an improved product mix.

Prices have been raised and maintained in the face of declining demand. Manufacturing efficiency continued to increase, as production was relocated to low-cost countries and measures were implemented to reduce the production-cost structure.

The Group's structural efforts to decrease tied-up capital in the working capital have contributed to the strong cash flow in 2009. The potential for profitable growth is better than ever. On the whole, the Group's response to the recession will enable Electrolux to be stronger when demand recovers.

  
ElectroX



**“ We have taken a big step forward towards achieving our overall financial goal of an operating margin of at least 6% over a business cycle. There is therefore reason to be more optimistic about the coming year. ”**

Hans Stråberg  
President and CEO

# Our strategy works

Despite very tough economic conditions, we succeeded in achieving results for 2009 that were among the best ever for Electrolux. Taking action to enhance our competitiveness and continuing to implement an offensive strategy enables us to strengthen our profitability and our position.

In my CEO statement a year ago, I noted that we were faced with a difficult situation. The financial crisis, the strained credit market that it involved, and the sharp recession had led to a dramatic deterioration of conditions in our markets.

The downturn in demand in Europe and North America accelerated at the end of 2008 and the start of 2009, following a gradual decline over several years. At the same time, there was a sharp downturn in demand in markets that had previously shown growth. We therefore prepared for a tough year by focusing on strong finances and lower costs.

## **Corrective action in a weak market**

Among other things, we launched a comprehensive global program for cutting costs, which involved reducing the number of employees by more than 3,000. We adjusted our inventories to the lower levels of demand by cutting back production and in some cases temporarily stopping it. We focused on value instead of volume and were able to maintain and even raise prices in several major markets, which to some extent offset previous increases in the cost of materials.

We reviewed routines and terms for purchasing, invoicing of customers, production and inventories, which contributed to a structural reduction in operating capital and an improved cash flow. In addition, the Board of Directors made a historic decision

to not pay a dividend for 2008, in order to strengthen the balance sheet to meet a challenging and uncertain year.

We continued to implement our strategy despite weak demand, focusing on launches of innovative products under the Electrolux brand. In combination with a solid financial position, lower costs and a record-high cash flow, these efforts enabled Electrolux to stand stronger than ever before.

## **Focus on the premium segment**

Investment in innovative products is becoming increasingly more important for maintaining a position as an industry leader. The Group's investments in product development and marketing are aimed primarily at increasing the share of products sold in the higher price segments. That is where the potential for profitable growth is greatest. One aspect of this is the accelerating emergence of a global middle class that is demanding household products with attractive design and well-known brands. We will continue to position Electrolux as a premium brand worldwide, which gives us a good base for capturing a considerable share of this market. This gives us a competitive advantage which we are going to be even better at making use of.

## **Launches of entire product ranges**

The Group's process for consumer-focused product development is also becoming more global. Electrolux products are sold throughout the world and are found in many millions of homes. Understanding the needs of consumers as well as how they think, feel and act when they use our products enables us to achieve more accurate product development.

In addition, research shows that differences in household needs in various parts of the world are not as great as one could believe. A global group like Electrolux can benefit from this by launching uniform products throughout the world with local variations as appropriate. We also have a new approach to the launches. We

“ We continued to implement our strategy despite weak demand, focusing on launches of innovative products under the Electrolux brand. ”

focus increasingly on launching entire product ranges under a single brand, instead of different product categories. We want to communicate an experience in terms of both emotions and design, and not simply a function.

For example, we applied this strategy for the comprehensive launch of Electrolux-branded products in the premium segment in North America in 2008, and for the re-launch there of the Frigidaire brand in the mass-market segment in 2009. During 2009, we also reinforced our position in the European built-in product category, and continued the important commitment to our most energy-efficient products. A number of successful launches were implemented for vacuum cleaners, including the prize-winning UltraOne, which strengthened both the brand and our profitability.

### **Strong trend for energy-efficient products**

Demand for energy-efficient, environment-friendly household products is increasing worldwide. We could see the strength of this trend in 2009, when a growing share of consumers, despite the recession, prioritized products that consume less energy and water rather than those with low prices. This trend has been generated by several factors, including scarce natural resources and increased awareness of the cost of a product when it is used.

Electrolux shall continue to develop innovative products in this area, for both consumers and professional users. We are also focusing even more on how we handle environmental and other sustainability issues within the Group. Being a leader calls for more than simply developing the most energy-efficient products. It also calls for setting an example in terms of internal work on issues such as working ethics, environment and own energy consumption. This is especially important for Electrolux, which is one of the few global companies in the industry.

“ **The restructuring program started in 2004 is now in its final phase. When it is completed, we will have a competitive production structure, with approximately 60% of production in low-cost countries.** ”

“ **Electrolux has been transformed from a manufacturing company into an innovative company that is focused on the consumer. We will increase our investments in new products and in a strong brand.** ”

### **Global strength enables lower costs**

We can utilize our global strength in a number of other areas within the Group. This applies particularly to costs. In order to compete long-term with strong product offerings in different price segments, Electrolux must be the most cost-efficient producer. In 2009, we worked especially hard on our comprehensive restructuring program. This included decisions on closing plants in China, Russia, the US and Spain. The program started in 2004 and is now in its final phase. When it is completed, we will have a competitive production structure, with approximately 60% of production in low-cost countries.

However, completing the restructuring program does not mean that we can sit back in our chairs and relax. Reinforcing our position as cost leader in our industry requires continuous efforts to maintain costs at the lowest level. Global Operations, our new worldwide organization within appliances, will fully utilize synergies in product development, purchasing and production within major appliances. Reducing the number of component variants in our products is only one of the ways that we can achieve big savings.

### **Investing in new products and a strong brand**

Change and improvement is nothing new for Electrolux. The biggest change in our operations is probably the one that has occurred during the past ten years. Electrolux has been transformed from a manufacturing company into an innovative company that is focused on the consumer.

In the coming years, we are going to accelerate this development even more. Since we have a modern production structure with free capacity, requirements for investing in new production systems are limited. Together with a strong balance sheet, this enables us to increase our investments in consumer-related areas such as new products and a strong brand. Such investments are decisive for improving our position in the premium segment and generating profitable organic growth.

### **Profitable growth is the next phase**

Efforts to increase the Group's profitability have been successful. In the recession year of 2009, our operating margin was 4.9%, the highest of our present operations in the last decade. In line with our strategy, we are now entering the next phase, in which growth will also gradually have high priority.

We shall expand primarily in areas where there is basically strong market growth, and where profitability is currently good. Such markets include Southeast Asia and Latin America, as well as the floor-care operations and Professional Products. Using a strong brand and our global cost advantages, we should also be able to turn around product categories and markets that show low profitability today. These include refrigerators and dishwashers as well as the markets in Germany, Spain, the UK and China.

In order to further illustrate the improvement in profitability in 2009, I would like to highlight Asia/Pacific, Latin America, the floor-care operations and Professional Products, all of which achieved operating margins of more than 6%. These four areas generated about half of the Group's operating income in 2009.

### **External factors can obstruct**

There is much that we can do on our own to achieve our goals. But the existence of external factors that can obstruct our development is part of the world we live in. Over-capacity is still a problem in many of our markets, and there will always be downward pressure on prices in the segments where the cost of a product is decisive for consumers.

In addition, our experience in recent years shows that the prices of raw materials are difficult to forecast, which makes great demands on our purchasing and product development organizations. This means that the fight against costs never ends. It means simply that we sometimes benefit from tailwinds, as in 2009 when our costs for raw materials declined by SEK 1 billion. Discussions about rising raw-material prices also tend to be one-sided, focusing only on the costs that they involve for Electrolux. It should be emphasized that we can compensate for strong increases in these costs by cost-cutting measures and by raising the prices

of our products. We also know that a scenario with rising raw-material prices almost always coincides with a strong economic recovery, and thus with greater demand for our products.

### **Better outlook for 2010**

I began by describing the difficult situation that we faced one year ago. We can be proud of our accomplishments since then. We have complied with our strategy and have captured market shares, we have strengthened our balance sheet, and we have taken a big step forward towards achieving our overall financial goal of an operating margin of at least 6% over a business cycle. There is therefore reason to be more optimistic about the coming year.

The success of our strategy is also confirmed by the trend for the Electrolux share, which saw the trading price almost triple during 2009. Even more important is the long-term development that has benefited shareholders. Between 2003 and 2009, the total yield amounted to approximately 20% annually.

The Electrolux of today is a completely different company from what it was ten years ago. A similar degree of change will not be required over the next ten years, but we will continue to work in line with our strategy, and we will continue to develop innovative products. With a corporate culture that features the same values as in the days of our founder, Axel Wenner-Gren – a passion for innovation, consumer insight and a strong drive to achieve results – the prospects for continued success are very good.

Stockholm, March 2010



Hans Stråberg  
President and Chief Executive Officer

“ The success of our strategy is also confirmed by the trend for the Electrolux share, which saw the trading price almost triple during 2009. ”

# The World of Electrolux

Needs and preferences for functions featured by products are becoming increasingly more global. But there are structural differences between the markets in which Electrolux operates. What distinguishes these markets, and what is driving growth? What does Electrolux focus on?

## CONSUMER DURABLES

	EUROPE	NORTH AMERICA
		
<b>Value of appliances market, SEK billion</b>	<b>200</b>	<b>175</b>
<b>Market characteristics</b>	<ul style="list-style-type: none"> <li>• Complex market with different brands in different countries with different consumer patterns.</li> <li>• Low level of consolidation among producers.</li> </ul>	<ul style="list-style-type: none"> <li>• Similar consumer patterns across the market.</li> <li>• Relatively high consolidation among producers.</li> </ul>
<b>Share of Electrolux sales</b>	<b>38%</b>	
<b>Drivers</b>	<ul style="list-style-type: none"> <li>• Replacement.</li> <li>• New housing and renovations.</li> <li>• Design.</li> <li>• Energy- and water efficient products.</li> <li>• New product categories, e.g. dishwashers.</li> </ul>	<ul style="list-style-type: none"> <li>• Replacement.</li> <li>• New housing and renovations.</li> <li>• Design.</li> <li>• Energy- and water efficient products.</li> <li>• New product categories, e.g., induction hobs.</li> </ul>
<b>Distribution channels</b>	<ul style="list-style-type: none"> <li>• Many small, local and independent retailers.</li> <li>• Growing share of sales through kitchen specialists and on Internet.</li> </ul>	<ul style="list-style-type: none"> <li>• High level of consolidation among retailers.</li> <li>• Kitchen specialists gaining shares from construction companies.</li> </ul>
<b>Electrolux organic growth strategy</b>	<ul style="list-style-type: none"> <li>• Grow in specific categories, e.g., built-in products.</li> <li>• Grow in specific markets, particularly in Eastern Europe.</li> <li>• Promote water- and energy efficient products.</li> </ul>	<ul style="list-style-type: none"> <li>• Gain a strong, long-term position in the profitable premium segment.</li> <li>• Promote water- and energy efficient products.</li> </ul>
<b>Electrolux market share</b>	<p><b>17% core appliances</b> <b>14% floor-care</b></p>	<p><b>23% core appliances</b> <b>19% floor-care</b></p>
<b>Major competitors</b>	<ul style="list-style-type: none"> <li>• <b>Appliances</b> Bosch-Siemens, Indesit, Whirlpool.</li> <li>• <b>Vaccum cleaners</b> Dyson, Miele, Bosch-Siemens, TTI Group (Dirt Devil and Vax).</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Appliances</b> Whirlpool, General Electric, LG.</li> <li>• <b>Vaccum cleaners</b> TTI Group (Dirt Devil and Hoover), Dyson, Bissel.</li> </ul>

PROFESSIONAL PRODUCTS

LATIN AMERICA	ASIA/PACIFIC	PROFESSIONAL PRODUCTS	
			
85	355		140
<ul style="list-style-type: none"> <li>Majority of production is domestic due to high import tariffs and logistic costs.</li> </ul>	<ul style="list-style-type: none"> <li>No clear market leader in the region.</li> <li>European producers preferred by the growing middle class.</li> </ul>	<ul style="list-style-type: none"> <li><b>Food-service</b> Half of all equipment is sold in North America. Fragmented market in Europe.</li> <li><b>Laundry</b> Higher level of consolidation among producers.</li> </ul>	
33%		13%	9%*
<ul style="list-style-type: none"> <li>Improved household purchasing power.</li> <li>Growing middle class.</li> <li>Government stimuli.</li> </ul>		<ul style="list-style-type: none"> <li><b>Asia</b> Improved household purchasing power. Growing middle class.</li> <li><b>Australia</b> Design. Water efficient products.</li> </ul>	<ul style="list-style-type: none"> <li><b>Food-service</b> Energy- and water efficient products. US restaurant chains expanding.</li> <li><b>Laundry</b> Energy- and water efficient products. Growing population.</li> </ul>
<ul style="list-style-type: none"> <li>High level of consolidation among retailers.</li> </ul>		<ul style="list-style-type: none"> <li><b>Asia</b> Majority of sales through small, local stores. Established retail chains in the larger cities.</li> <li><b>Australia</b> High level of consolidation among retailers.</li> </ul>	<ul style="list-style-type: none"> <li><b>Food-service</b> Dealers assist in choosing modules.</li> <li><b>Laundry</b> Mainly direct sales. Importance of dealers growing.</li> </ul>
<ul style="list-style-type: none"> <li>Grow in specific markets, such as Argentina and Mexico.</li> <li>In Brazil, strengthen the position in the premium segment.</li> </ul>		<ul style="list-style-type: none"> <li>Grow in the premium segment.</li> <li>Promote water- and energy efficient products.</li> <li>Turn around the operation in China.</li> <li>Grow in Southeast Asia.</li> </ul>	<ul style="list-style-type: none"> <li><b>Food-service</b> Promote energy- and water efficient products. Tailor products for fast-food chains.</li> <li><b>Laundry</b> Promote energy- and water efficient products.</li> </ul>
<p>2nd largest producer of appliances in Brazil, and largest in vacuum cleaners.</p>		<p>Australia: 42% core appliances 26% floor-care</p>	<p>3.5% food-service 12% laundry (own estimates)</p>
<ul style="list-style-type: none"> <li><b>Appliances</b> Whirlpool, Mabe.</li> <li><b>Vaccum cleaners</b> SEB Group.</li> </ul>		<ul style="list-style-type: none"> <li><b>Appliances</b> Fischer &amp; Paykel, Samsung, LG, Haier.</li> <li><b>Vaccum cleaners</b> Samsung, LG, Dyson.</li> </ul>	<ul style="list-style-type: none"> <li><b>Food-service</b> ITW/Hobart, Manitowoc/Enodis, Middleby, Ali Group.</li> <li><b>Laundry</b> Alliance, Miele, Girbau.</li> </ul>

\* Including Rest of world.

# A flexible, sustainable home

Consumers prefer household appliances that can be tailored to changing needs. This is stimulating increased demand for greater flexibility in household appliances and floor-care products. Consumers also prefer products that are water- and energy-efficient.

## THE FUTURE

Growth in the household-products sector is based on replacement of worn-out products, upgrading in connection with renovation, and rising purchasing power, particularly in growth markets. Consumers are willing to pay more for new products that correspond better to their needs and expectations in terms of both function and design. Consumer needs and expectations are also becoming increasingly more global.

In the course of a business cycle, the market for household appliances grows at about the same rate as the global economy, i.e., 3–4% annually.

### Key drivers

There are several key drivers for the trend to a more flexible home. The number of households worldwide is increasing rapidly, and a global middle class with strong purchasing power is expanding vigorously. The number of people and the floor space per household are declining. As more and more people are gainfully employed, the demands of the workplace make less time available for traditional household tasks.

Access to information about products and services on the Internet is generating greater knowledge of market offerings, which contributes to greater price awareness.

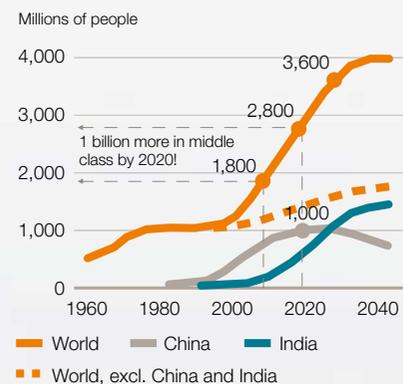
Drivers behind growth in appliances in North America



As a result of the economic uncertainty in the US, the number of housing starts has decreased and renovations are postponed.

Estimates by Electrolux.

A global middle class is emerging



Middle class is here defined as people with an annual income of USD 6,000–30,000.

Source: Goldman Sachs.





# THE HOME

## **The home – a place for everything**

A modern home has many functions. It is no longer simply a place for relaxation and family life. For example, many people now consider the home as an entertainment center. The kitchen has to a great extent taken over the role of the living room as a place for socializing with family members and friends. Technical and architectural development enables combining smaller floor space with more use areas.

At the same time, consumers are purchasing more professional products and services, such as home spas and gyms, large-screen TVs, espresso machines and steam ovens. Consumers want greater availability for their most important spare-time activities, and also expect to achieve the same results as professionals.

## **Growing commitment to the environment**

The consumer's commitment to the environment is becoming a more important factor for selection of products. Energy-efficient products reflect a greater focus on sustainable development and also reduce the household's total cost. Growing numbers of consumers therefore expect each new generation of products to feature lower energy and water consumption as well as lower noise levels and greater recyclability. Legislation and directives are simultaneously driving demand for more efficient products. For example, in the near future they will involve criteria for lower consumption in standby mode as well as smart electricity meters that can distribute power consumption more evenly throughout day and night.

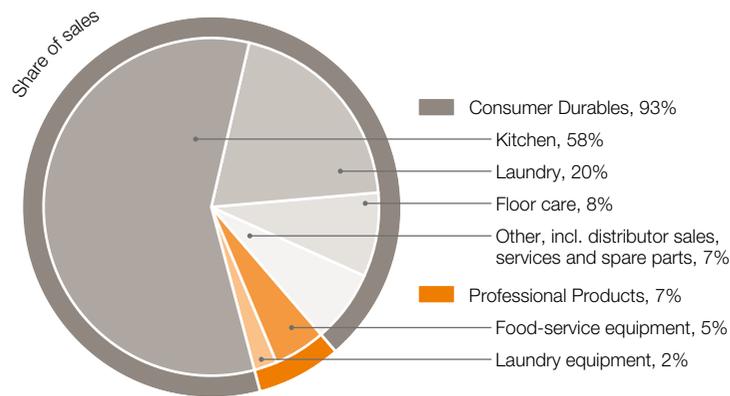


# Operations

“Thinking of you” expresses the Electrolux offering: To maintain continuous focus on the consumer, whether it’s product development, design, production, marketing, logistics or service. Electrolux achieves profitable growth by offering products and services that are preferred by consumers, that benefit people as well as the environment, and for which customers are prepared to pay higher prices. Innovative products, lower costs and a strong Electrolux brand create a foundation for improving Group profitability.



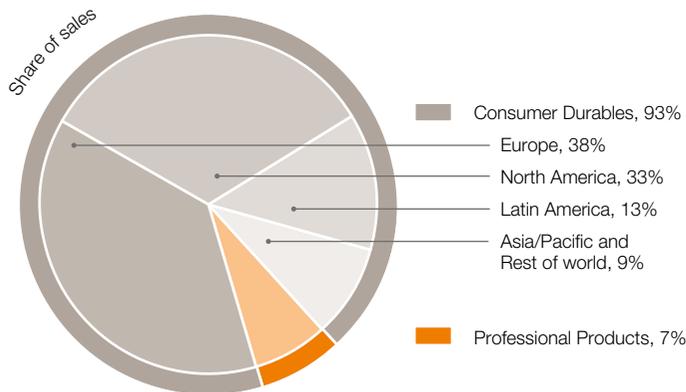
## Product categories — what we sell



In 2009, Electrolux sold more than 40 million products. Almost half of them were sold under the global Electrolux brand. Consumer Durables comprises products for kitchens, fabric care and cleaning. Professional Products comprises corresponding products for professional users, e.g., industrial kitchens, restaurants and laundries.

**40 MILLION**  
SOLD PRODUCTS

## Business areas — how we report



The Group’s products are sold in more than 150 markets. The largest of these are in Europe and North America. Operations are organized in five business areas. Consumer Durables consists of four regional business areas, while Professional Products is a single global business area.

**150 MARKETS**  
SALES IN

# Consumer Durables

Electrolux

## Kitchen products

Kitchen appliances account for more than half of Group sales. In recent years, Electrolux has strengthened its position in built-in products by large-scale launches of new appliances as well as cooperation with leading kitchen specialists.

### Consumer trends

In addition to energy-efficient products, consumers want kitchen appliances that are silent and user-friendly. Design is an important factor, as the product's appearance is expected to reflect the owner's personality and values, and to match other products in the kitchen. Although consumers are devoting increasingly less time to preparing food during the week, interest in more advanced cooking as a hobby and for festive dinners is growing, while interest in health and well-being is also increasing rapidly. Consumers are demanding appliances that preserve the freshness and nutritional value of food before, during and after preparation.

### The market

Over a longer period of time, growth has been strongest in the high- and low-price segments. During the latest recession, however, the mass market has shown the strongest growth. High-end products that feature lower energy consumption, new functions and improved design are preferred by consumers, who also are willing to replace their existing appliances with new models. Demand for low-price kitchen appliances is increasing in growth markets as living standards are rapidly increasing. In some growth markets, mainly Latin America and Asia, demand is also increasing for more exclusive kitchen products as a middle class with strong purchasing power is emerging.

Built-in kitchen appliances are becoming more popular worldwide, and this trend is particularly strong in Europe, the Middle

East, Southeast Asia and Australia. Built-in products are sold to a great extent by kitchen specialists, which enables kitchen cabinets and appliances to be matched in order to create a uniform, harmonious impression. Built-in products normally show higher profitability than free-standing appliances.

The market for dishwashers has a strong potential for growth. Less than half of the households in Europe own dishwashers, partly because they are still erroneously considered to consume large volumes of water. Development of water-efficient dishwashers has been rapid. Today's models consume 10-15 liters of water per cycle, in contrast to 80-90 liters for comparable manual dishwashing.

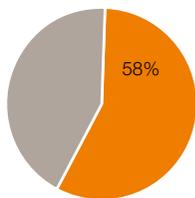
### Electrolux kitchen products

#### Market position

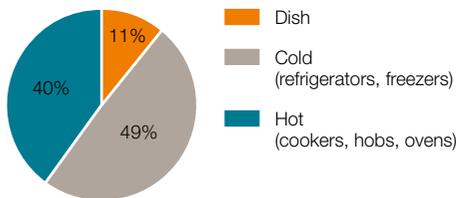
Electrolux kitchen appliances account for more than half of Group sales, and have a strong position among the most energy-efficient products on the market. In recent years, the Group has strengthened its position in built-in products through cooperation with leading kitchen specialists.

Kitchen appliances are relatively heavy and bulky and are not suitable for long-distance transport, which means that production should be located close to the end-market. Electrolux is committed to continuous development of competitive products that respond to global needs and can also be tailored to match regional differences in terms of, e.g., design preferences and electrical standards.

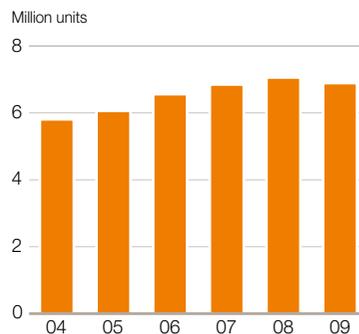
Kitchen products, share of Group sales



Product categories, share of kitchen products



Increased demand for dishwashers



Data source: GfK Panelmarket 26 countries Europe.

Global demand for dishwashers is increasing. Shown left is the development in Europe, where volumes have increased almost 20% since 2004, despite a slight decrease in 2009. One reason is improved awareness of water-efficiency in dishwashers, compared to washing dishes by hand.

**Brands**

In Europe, approximately 60% of the Group's sales of kitchen appliances are Electrolux-branded (including double-branding). Other major Group brands in Europe include AEG-Electrolux and Zanussi. In North America, the Group sells Electrolux-branded kitchen appliances in the premium segment, and Frigidaire-branded products in the mass-market segment. In 2009, a successful re-launch of the Frigidaire brand was implemented. In Latin America and Asia, most appliances are sold under the Electrolux brand. The Group's most important brands in Australia include Electrolux, Westinghouse and Simpson. Electrolux also produces appliances that are sold by retail chains under their own brands.

**Refrigerators and freezers**

There is severe competition within the market for refrigerators and freezers, and profitability is generally lower than for other product categories. On the other hand, innovative products such as frost-free refrigerators are showing strong growth and profitability. Wine coolers comprise another rapidly growing category.

Research shows that the average UK household generates about 330 kg of food and drink waste annually, or just over 6 kg per week. Thus, there is a need for refrigerators that can preserve the freshness of raw materials by featuring different zones for different types of foodstuffs.

Electrolux is developing new functions and energy-efficient solutions that respond to these and other consumer needs. The launch of the Electrolux Market Fresh refrigerator in Asia was very successful. This unit ensures that the taste, aroma and nutritional value of food is preserved even in a warm and humid climate.

**Cooking products**

The Group's strongest and most profitable positions for kitchen products are within cookers, ovens and hobs. The products are technically advanced, which provides a greater potential for differentiation.

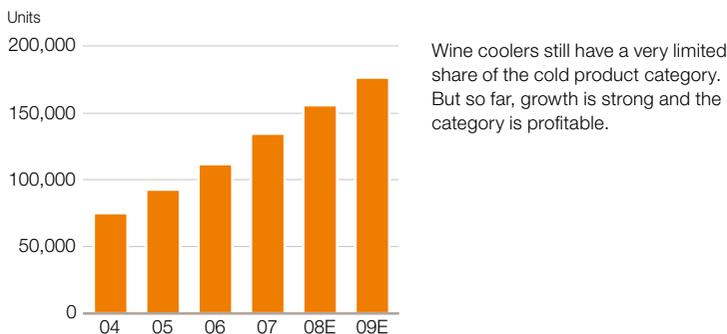
Innovation is a strong driver for growth in these product categories, and Electrolux has developed a range of new functions that facilitate food preparation. In the European market, the Electrolux Inspiro oven features sensors that identify the volume of the food to be prepared, which enables the oven to automatically determine the best cooking method and temperature, as well as the correct position in the oven. When the food is ready, the oven shuts off automatically.

Other innovations include the steam oven, a product which was previously reserved for professional kitchens, but which Electrolux has successfully launched for household use. Steam-cooking is superior because it preserves nutrients and does not require addition of fat. Induction hobs comprise another growth segment, largely because they save time as well as energy.

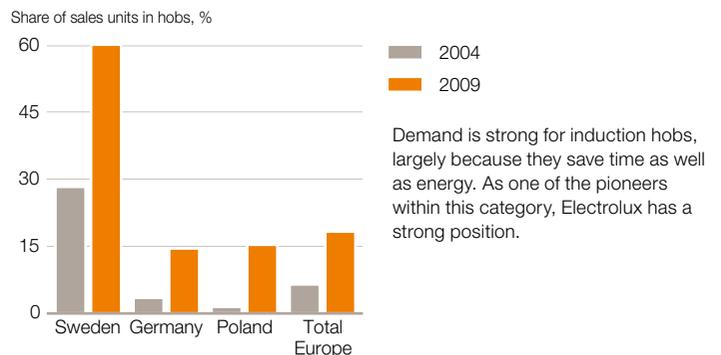
**Dishwashers**

Electrolux produces water- and energy-efficient dishwashers for both large and small households. Features such as low consumption in standby mode and a timer that enables scheduling the washing cycle to take advantage of lower electricity costs comprise a response to consumer demands for smart energy management. Another innovative dishwasher is the Electrolux Real-Life™, which features large volume and adjustable baskets for all kinds of items. See page 19.

Wine coolers, a new product category is emerging



Strong growth for induction hobs



Data source: GfK Panelmarket 26 countries Europe.

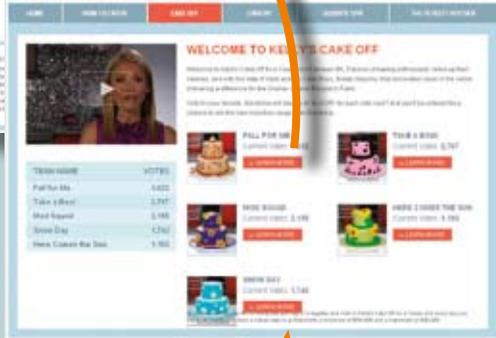
# The perfect kitchen

KELLY CONFIDENTIAL

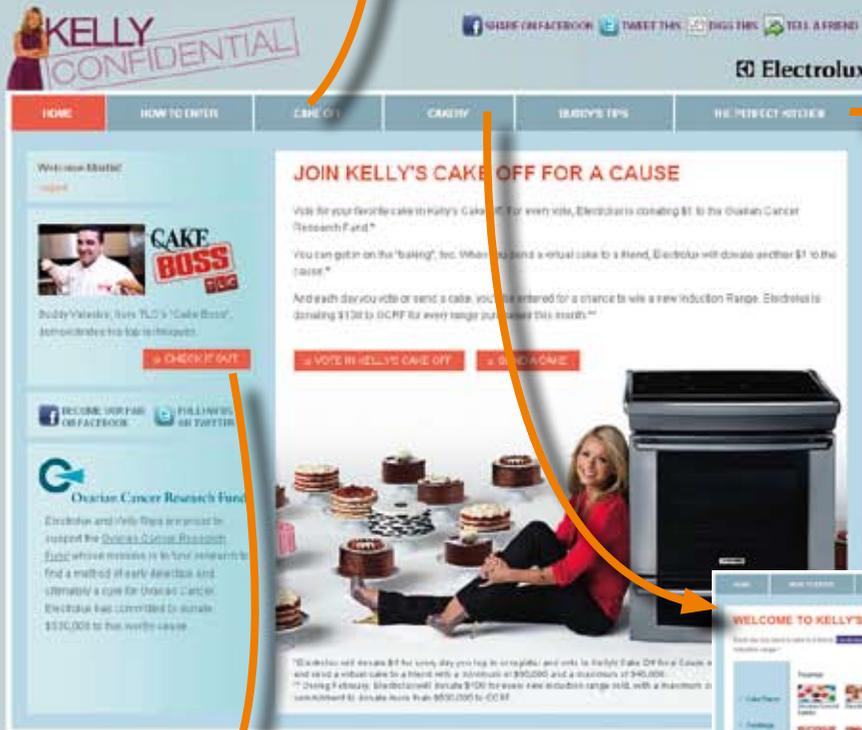
The launch of Electrolux major appliances is endorsed by brand ambassador Kelly Ripa in North America and the close collaboration with this well-known TV-personality is used to bring product launches to life. Kelly's cake-off application supports the Electrolux induction range. At the same time, Electrolux is donating money to The Ovarian Cancer Research Fund (OCRF).



The users can vote for their favourite cakes.



The entire range of Electrolux kitchen appliances is displayed.



In the cakery, users can create and send their own cakes and get the chance to win products from the Electrolux induction range.



Electrolux

# Laundry products

Electrolux develops new functions for washing machines and tumble-dryers which simplify handling of laundry before and after cleaning and drying, but also contribute to more efficient use of energy.

### Consumer trends

The performance of laundry equipment has improved rapidly in recent years. In general, consumers are satisfied with the results of washing and drying, but are also looking for appliances that are faster, quieter and more energy-efficient, and which make it easier to handle laundry. Greater capacity is also in demand, although households are becoming smaller and washing machines often run at half-load as criteria for cleanliness become more rigorous. Design is mainly a decisive parameter for choosing between two appliances with comparable performance.

### The market

Most households in the West have access to a washing machine, while tumble-dryers are less common. In growth markets, penetration of washing machines is rising as living standards increase.

Washing machines are either top- or front-loaded. Top-loaded machines have traditionally dominated the North American and Australian markets, but demand for front-loaded units is growing. A similar trend is evident in Southeast Asia. Front-loaded machines offer lower consumption of water and energy during a washing cycle, and greater capacity.

Consumer demand for greater capacity is apparent in all regions and for all product categories. The cylinders are becoming larger without a corresponding increase in the external dimensions of the machines. As design of new housing in the West is improving, space for larger washing machines is often available despite reduced floor area. In terms of development, the trend towards greater energy-efficiency for tumble-dryers has clearly been growing more rapidly than for any other appliance.

### Electrolux laundry products

#### Market position

Electrolux has a strong global position in laundry products, with the largest market share being for front-loaded washing machines.

Electrolux is also one of the leading manufacturers of energy- and water-efficient laundry products.

The Electrolux-branded laundry products that were launched in 2008 in North America have achieved high market acceptance. Nine out of ten US consumers who choose Electrolux products buy washing machines and tumble-dryers at the same time. This is higher than the market average of approximately 80%.

### Brands

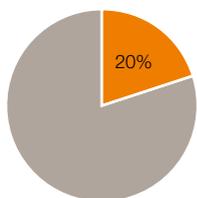
In Europe, the Group's laundry products are sold mainly under the Electrolux, AEG-Electrolux and Zanussi brands. In Asia and Latin America, the main brand is Electrolux. In North America, Frigidaire-branded products are sold in the low-price segments and mass market, and Electrolux-branded products in the premium segment. In Australia, laundry products are mainly sold under the Electrolux and Simpson brands.

### Innovation

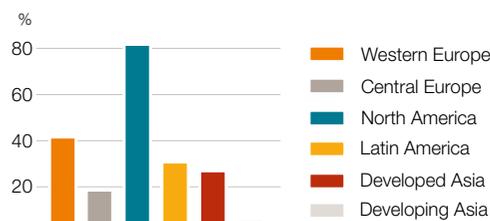
Electrolux was the first to develop a tumble-dryer that complies with the top European energy Class A, in the form of the AEG-Electrolux Sensidry. In the autumn of 2009, the Group launched the washing machine AEG-Electrolux Super-Eco, with a cycle that uses only cold water. The result corresponds in general to a cycle using water at 30-40°, but consumes about 83% less energy than a normal 40° cycle for garments made of artificial fibers.

The Electrolux Calima is a premium washing machine that is fitted with a fold-out heat mat for sensitive garments such as woolen pullovers. This function was developed to assist in handling wet laundry. Another innovation based on consumer insight is the Electrolux Iron Aid, a sensor-controlled condenser tumble-dryer with a built-in steam function that ensures wrinkle-free garments. Ironing is much easier, or completely unnecessary. The steam function can also be used to freshen garments that would otherwise have to be dry-cleaned.

Laundry products, share of Group sales



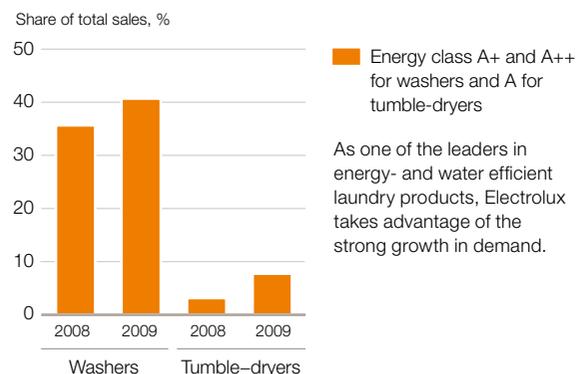
Growth potential in tumble-dryers



The access level to tumble-dryers is low and much dependent on the continent.

Source: GfK Roper Consulting, 2008.

Increasing demand for energy-efficient laundry products



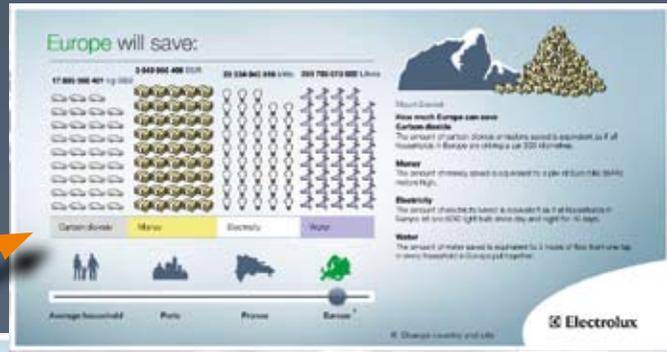
As one of the leaders in energy- and water efficient laundry products, Electrolux takes advantage of the strong growth in demand.

Data source: GfK Panelmarket 26 countries Europe.

# Tackle the climate challenge

# ECCO SAVINGS

Consumers can reduce their carbon footprint as well as save energy and money by replacing for example their ten-year old laundry products with new ones. Electrolux Eco Savings helps consumers calculate how much their households can save by upgrading old appliances based on the country and city that they live in. Visit [www.electrolux.com/ecosavings](http://www.electrolux.com/ecosavings)



The user can easily switch between monetary savings or energy or water savings. It is also possible to look at aggregated savings, should the entire country or Europe as whole upgrade their appliances.

The potential savings are presented based on the user's selection of country and city.



**ecosavings**

**Household appliances can contribute to tackling climate change**

You could do yourself and the environment a big favour when buying new household appliances by choosing energy-efficient and water-efficient products.

Every new generation of appliances put on the market by Electrolux is more energy efficient than the previous one. It's a win-win situation for the household economy and the global ecology. In other words, real Eco savings!

Here you can calculate how much energy, CO<sub>2</sub>, water and money could be saved if 10 year old household appliances would be replaced by the most efficient products available.

See how much you can contribute:

CHOOSE COUNTRY

CHOOSE CITY

CALCULATE

Electrolux

SEND TO A FRIEND

ELECTROLUX.COM/SUSTAINABILITY

Electrolux

## Floor-care products

Although the design of vacuum cleaners reflects regional differences, the cleaning performance and function are the most important factors for purchasing decisions. As one of the few world-wide producers of floor-care products, Electrolux can focus on global product development.

### Consumer trends

The trends for floor-care equipment have been largely unchanged in recent years. The growing number of smaller households has generated a need for compact, efficient vacuum cleaners. Consumers prefer units that feature strong suction and are ergonomically and user-friendly. The importance of design continues to increase, as growing numbers of consumers want a vacuum cleaner that can be left in sight and used for short, daily cleaning sessions.

Although energy-labelling for vacuum cleaners has not yet been introduced, there is a growing demand for energy-efficient products that are based on sustainable production and made of recyclable materials. Many producers are redesigning existing models and launching them as new environmentally-friendly vacuum cleaners.

### The market

The floor-care products industry has become more globalized than the appliance sector, and most vacuum cleaners are now produced in low-cost countries. For many years, the market featured declining prices as well as a larger offering of low-price products. In recent years, higher-priced vacuum cleaners with innovative functions have shown the strongest growth. These innovative products include bagless models and handheld, cordless designer units.

### Electrolux floor-care products

#### Market position

Electrolux is one of the leading producers of floor-care products in the world and one of few with a global distribution network. The largest markets are North America and Europe. Electrolux is the market leader in central vacuum cleaners and has a significant market share in accessories.

All Electrolux vacuum cleaners are produced in low-cost countries. Although there are regional differences in design, the

cleaning function is of decisive importance throughout the world. As one of the only worldwide producers of floor-care products, Electrolux can focus on global product development.

### Brands

In Asia and Latin America, all Group vacuum cleaners are sold under the Electrolux brand. In Europe, Electrolux is the main brand, but is complemented by others such as Volta, Tornado, Progress and Zanussi. Most of the units sold in the US are under the Eureka brand, but sales of more exclusive Electrolux-branded vacuum cleaners are increasing.

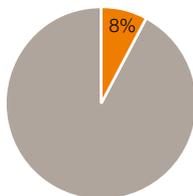
### Innovations

Continuous development of innovations as well as models with attractive design for which consumers are willing to pay higher prices are prerequisites for success. The Electrolux UltraOne was among the three new models launched in the premium segment in Europe in 2009, and was named the best vacuum cleaner in the market in a number of tests. The UltraOne features a powerful motor, a low noise level and efficient energy consumption, which have contributed to improved income for the Group's floor-care operations. See page 38.

Increasing demand for vacuum cleaners with good environmental performance has created a new niche-market. Electrolux has developed and launched several energy-efficient models made of recyclable materials, such as the Electrolux UltraSilencer Green.

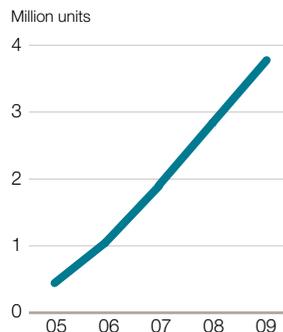
The launch of the cordless, hand-held Electrolux Ergorapido in 2004 brought the vacuum cleaner out of the closet and into the living room. It has also been featured in design museums. Several new versions of Ergorapido have subsequently been developed, featuring new colors and improved functionality. The latest addition to the family is the energy-efficient Electrolux Ergorapido Green.

Floor-care products, share of Group sales



Small appliances, such as toasters, coffee machines and irons, amount for approximately 10% of sales within the floor-care operations.

Accumulated sales volumes of cleaner Electrolux Ergorapido



More than 3.7 million units of the cordless stick cleaner Electrolux Ergorapido have been sold since the launch. The second generation of Ergorapido was launched in September 2007 and Ergorapido Green with superior energy-efficiency was launched in 2009.

# Conversation compatible

# ULTRASILENCER

During 2009, Electrolux launched the silent vacuum cleaner UltraSilencer. Rather than talk about decibels, which is difficult to relate to, Electrolux chooses to focus on the benefits with a silent vacuum cleaner and the sounds you can enjoy. Visit [www.electrolux.se/ultrasilencer](http://www.electrolux.se/ultrasilencer)

The lab report indicates how much music will improve the results of vacuum cleaning.

I juni 2009 genomförde vi en studie i vårt laboratorium vid Electrolux huvudkontor i Stockholm. Tio slumpmässigt utvalda personer fick lyssna på musik medan de dammsög olika typer av golv. Resultaten var enhälliga - musik gör att du städer bättre!

**19%**

Änder (PM per minut) ökar med 19 % när musik spelas samtidigt som dammsugning jämfört med när det inte spelas musik.

En test person fick en extra koncentration medan spelade musik som Musika (200g per minut) jämfört med när det inte spelas musik.

Vi rekommenderar alltid att lyssna på musik medan du dammsugar för att du ska få bästa resultatet.

Önskar du mer information om våra dammsugare? Klicka på länken nedan.

[LÄS MER OM VÅRA DAMMSUGARE](#)



**UltraSilencer - dammsugaren**

En dammsugare så tyst att du faktiskt kan göra andra saker medan du dammsugar. Till exempel, dammsuga medan du lyssnar på ditt favoritalbum.

- Den tyngsta dammsugaren någonsin
- Långt och djupt rengör
- Har fullt med HEPA-filtrering

Labrapport | Spellista | Koncept - UltraSilencer | Produktinfo

Electrolux använder musik nästan lika mycket som vi bakar dammsugning. Så vi har nyligen utfört en studie för att utforska musikens förhållande till städning. Resultaten från studien är entydiga. Rätt typ av musik skapar rätt förhållande för dammsugning, dvs. en trygg och effektiv miljö.

**UltraSilencer**

Labrapport | Spellista | Koncept - UltraSilencer | Produktinfo

Labrapport: Se hur musik hjälper dig att städa bättre.

Spellista: Ladda ner utvalda spellistor för ditt hem.

Koncept - UltraSilencer: Kolla upp senaste koncepten i dammsugning.

Produktinfo: Läs mer om hur UltraSilencer fungerar.

**Electrolux Valentine's Tuner**  
CLICK HERE

**UltraSilencer Music Edition**

Electrolux presenterar UltraSilencer Music Edition, en dammsugare som inte bara dammsugar utan också spelar musik. Detta är en fantastisk kombination som gör att du kan njuta av din favoritmusik medan du städar. UltraSilencer Music Edition är utrustad med en avancerad ljudsystem som ger dig en fantastisk ljudupplevelse. Detta är en fantastisk kombination som gör att du kan njuta av din favoritmusik medan du städar.

[LÄS MER OM VÅRA DAMMSUGARE](#)

The concept product gives insight on what the future might hold in terms of music vacuum cleaners.

**Din spellista**  
- med den ultimata städmusiken!

Typ av lista: ALLA | FAVORIT

- VÅLLA
- NÅLLYGGEN
- STOKKARTENS
- SAFESENCE

Antal instrument: VÅLLA

Antal personer: VÅLLA

**UltraSilencer dammsugaren**

Antal instrument: VÅLLA

Antal personer: VÅLLA

**idid**

Hans Ståhlberg, VD Electrolux

1. The Best of The Beatles - The Beatles - 3:11

2. The Best of The Beatles - The Beatles - 3:11

3. The Best of The Beatles - The Beatles - 3:11

4. The Best of The Beatles - The Beatles - 3:11

5. The Best of The Beatles - The Beatles - 3:11

6. The Best of The Beatles - The Beatles - 3:11

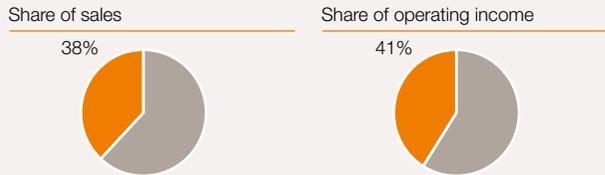
[LÄS MER OM VÅRA DAMMSUGARE](#)

The play lists section allows users to share their music tips for optimal vacuuming results based on housing conditions.

# Consumer Durables, Europe

Electrolux continued to capture market shares in the profitable segment for built-in products. Three new products were successfully launched in the premium segment for vacuum cleaners.

## Consumer Durables Europe's share of sales and operating income 2009



Operating income improved substantially on the basis of a positive price and mix development, lower costs for raw materials and personnel cutbacks.

Group sales of floor-care products declined as a result of lower sales volumes, and operating income was lower.

### The market

The European market for household appliances amounted to approximately SEK 200 billion in 2009. Demand declined as a result of weak economic conditions, but the rate of decline was lower in the fourth quarter. Demand in some markets, such as Germany, France and Italy showed some stabilization towards the end of the year. The market in Eastern Europe declined sharply in 2009. Demand for vacuum cleaners was weak in all segments and regions.

Specific product categories showed growth despite the general downturn. In addition, energy- and water-efficient products showed continued growth, largely because they offer lower running costs during their life-cycles.

The complex European market includes a number of producers, brands and retailers. Considerable variations in consumer behavior and a low level of consolidation among producers have led to downward pressure on prices in recent years. However, prices rose somewhat in 2009 despite the sharp downturn in market conditions. The price increase resulted from several factors, including low inventory levels at retailers as well as a reduced potential for cutting production costs.

### Retailers

The European market features many small, local and independent retail chains that focus on electrical and electronic products as well as kitchen furnishings. Strong organic growth for retailers in recent years has retarded consolidation. In 2009, retailers cut inventories to historically low levels. Vacuum cleaners are sold through the same channels as household appliances as well as through supermarkets.

Kitchen specialists currently account for approximately 25% of the total value of the market for appliances in Western Europe. The corresponding figure for Germany and Italy is approximately 40%.

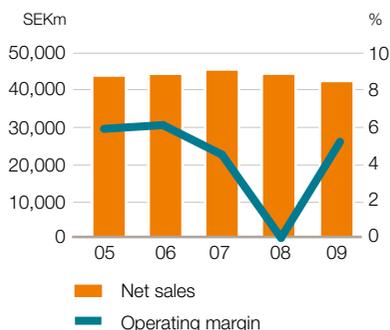
Sales on the Internet continued to increase. Showrooms in which producers display their offerings are becoming more widespread and offer consumers an opportunity to inspect products prior to purchase.

### The Group's position

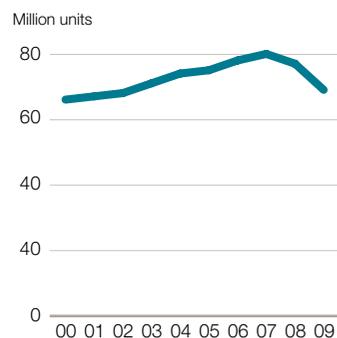
Electrolux strengthened its positions in appliances and vacuum cleaners during the year. The Group captured market shares in the profitable segment for built-in kitchen products. Three new products were launched in the premium segment for vacuum cleaners. Positive price and mix development, lower raw material costs and lower costs resulting from cost-cutting measures contributed to the improved results.

Eastern Europe accounts for approximately 20% of Group sales of appliances in Europe and approximately 15% of sales of vacuum cleaners. The greater part of Group sales of consumer products in Europe are through retail chains and buying groups, but the share sold through kitchen specialists is growing. In the course of the year, Electrolux implemented a comprehensive launch of a new series of appliances in all IKEA stores in Europe. The German Quelle chain, which was previously a major Group customer, was declared bankrupt at the end of 2009

Net sales and operating margin



Shipments of core appliances in Europe, excl. Turkey



Industry shipments of core appliances in Europe decreased by 11% in 2009 in comparison with the previous year. Demand in Western Europe declined by 6% and demand in Eastern Europe decreased by 25%. However, some major markets, such as France, Germany and Italy, showed a slight increase in demand in the fourth quarter.

# EUROPE



The Electrolux Real-Life™ range of dishwashers is tailored for "real life". Greater capacity and standard external dimensions provide space for large pizza plates, large wine glasses and bulky pots. The new FlexiSpray ensures clean dishes irrespective of the load.

Energy consumption during a washing-cycle in the AEG-Electrolux Super-Eco is approx. 83% lower than for an average comparable cycle at a water temperature of 40°. Washing performance is largely identical.

# 83%

Launches of new products in, e.g., the profitable built-in segment generated an improved mix for the European operation.

# Improved mix

Products from Green Range continued to record good sales. Energy- and water-efficient performance enables lower life-time costs for consumers as well as higher margins for Electrolux.



### Market shares

- 17% core appliances
- 14% floor-care products



The new Electrolux RealLife™ dishwashers feature a program for automatic sensing of washing requirements that consumes only 8 litres of water during a washing cycle.

# 8 litres

### Markets and competitors

#### CORE APPLIANCES

##### Major markets

- UK
- Germany
- France
- Russia

##### Major competitors

- Bosch-Siemens
- Indesit
- Whirlpool

#### VACUUM CLEANERS

##### Major markets

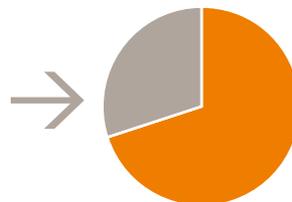
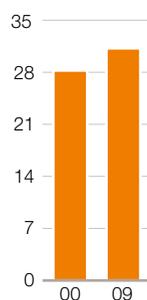
- France
- Germany
- UK

##### Major competitors

- Dyson
- Miele
- Bosch-Siemens
- TTI Group (Dirt Devil and Vax)

### Estimated market volume for built-in segment in Europe

Million units



- Built-in, 31%
- Free-standing, 69%

# Consumer Durables, North America

In 2008, a comprehensive range of household appliances under the Electrolux brand was launched in the premium segment. In 2009, this was followed by a re-launch of the brand Frigidaire in the mass-market segment.

## Consumer Durables North America's share of sales and operating income 2009



Operating income rose, despite lower volumes. Factors contributing to the improvement in income included a positive price and mix development and lower costs for raw materials.

Group sales of floor-care products increased somewhat as a result of higher volumes. Operating income and margin were in line with 2008.

### The market

In 2009, the market for household appliances in North America amounted to approximately USD 23 billion, corresponding to approximately SEK 175 billion. Market demand declined in the three first quarters of the year. In the fourth quarter demand increased, following thirteen consecutive quarters of decline. At year-end 2009, demand was at the level of late 1990's.

The market in North America is more uniform than in Europe, which has led to a relatively high level of consolidation among producers as well as retailers. Although consolidation was previously accompanied by stable prices, in 2009 there was downward pressure in a number of product categories as a result of the sharp decline in demand.

Asian producers of household appliances have historically had relatively limited market shares in North America, mainly as a result of high costs for transport. This situation changed in 2009, because of the increased presence of LG of South Korea, particularly within washing machines. In terms of vacuum cleaners, Asian producers have been competitive for many years.

The appliances sold in North America are often larger than those in other markets, as shown by the popular side-by-side refrigerators.

### Retailers

Approximately 60% of all appliances in the US are sold through four large retailers, i.e., Lowe's, Sears, Home Depot and Best Buy. Sears and Home Depot also have strong positions in Canada. Vacuum cleaners are sold mainly through supermarkets. A large part of sales through retailers are driven by marketing campaigns.

Kitchen specialists like those in Europe account for only a small share of the market. Kitchens are usually built on-site by construction companies, which also purchase household appliances. Appliance producers have therefore focused their marketing on such companies, instead of targeting consumers. This situation is changing, and as in Europe consumers are showing greater interest in uniform, well-designed appliances.

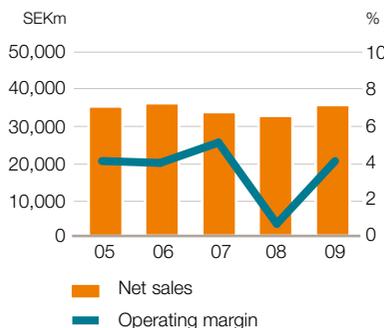
### The Group's position

In 2009, the Group implemented a re-launch of the Frigidaire-brand for the mass-market segment. The innovative appliances achieved good market acceptance and contributed to strengthening the Group's market position. From 2008 onward, appliances for the premium segment have been sold under the Electrolux brand, and products for the super-premium segment are branded Electrolux ICON™.

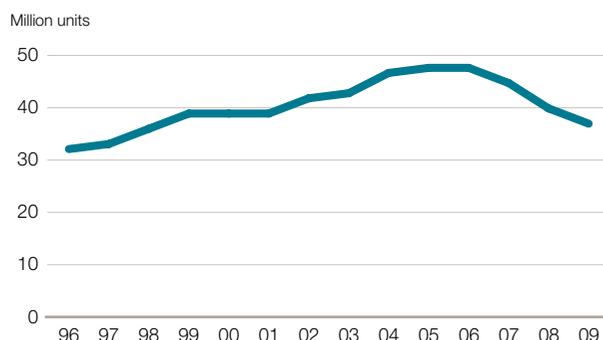
The Group has a strong position in the premium segment on the basis of the comprehensive launch of Electrolux-branded products that was implemented in 2008.

The Group's vacuum cleaners are sold mainly under the Eureka brand. The Electrolux brand is used for specific innovative products. A new concept was developed during the year in cooperation with the 1,700 Lowe's retail outlets, which involves a separate shelf in the store for Electrolux-branded vacuum cleaners.

Net sales and operating margin



Shipments of core appliances in US



Industry shipments of core appliances in the US decreased by 8% in comparison with the previous year. Demand increased in the fourth quarter, following 13 consecutive quarters of decline.

# AMERICA NORTH

For each Frigidaire Professional double-oven sold during the fourth quarter of 2009, Electrolux donated USD 100 to "Save the Children". The total donation from Electrolux will amount to USD 325,000 and will be contributed in cooperation with brand ambassador Jennifer Garner.



\$100

Vacuum cleaners for the premium segment under the Electrolux brand have a separate shelf with 1,700 Lowe's outlets.

1,700

Electrolux-branded appliances were launched in the premium segment in 2008 and 2009. Electrolux now has a strong position in this profitable segment.



**Market shares**  
23% core appliances  
19% floor-care products



Comprehensive launches of new products under the Electrolux brand in 2008 and the re-launch of Frigidaire in 2009 enabled improvement of the product mix. Electrolux now has a strong product offering in North America.

New products

Retailers and competitors

**CORE APPLIANCES**

**Major retailers**

- Sears
- Lowe's
- Home Depot
- Best Buy

**Major competitors**

- Whirlpool
- General Electric
- LG

**VACUUM CLEANERS**

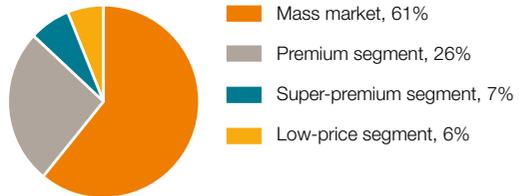
**Major retailers**

- Lowe's
- Sears
- Wal-Mart

**Major competitors**

- TTI Group (Dirt Devil and Hoover)
- Dyson
- Bissel

Estimated value segments on US market

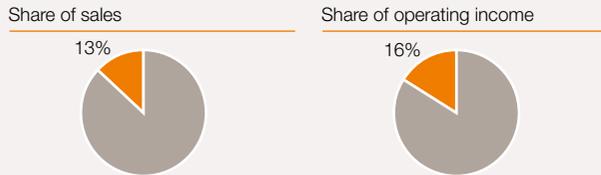


During the second quarter of 2008, the Group launched a new product range under the Electrolux brand in the premium segment and during 2009, Frigidaire was re-launched in the mass market.

# Consumer Durables, Latin America

Electrolux is the second largest producer of household appliances in Brazil, and the largest producer of vacuum cleaners. The Group is now working on strengthening its positions in the rest of Latin America.

## Consumer Durables Latin America's share of sales and operating income 2009



Sales were substantially higher, and the Group captured additional market shares in Brazil. Operating income improved on the basis of positive price and mix development and lower costs for raw materials.

### The market

The market for appliances in Latin America amounted to approximately SEK 85 billion in 2009. Brazil, Mexico and Argentina are the largest markets. Demand in Brazil is estimated to have risen during the year, partly as a result of government stimuli in the form of lower taxes on domestically-produced appliances, as well as lower interest rates and greater access to credit. Market demand declined in most of the other Latin American markets.

Growth in the Latin American region is primarily within the low-price segment, and is driven by greater household purchasing power. The rapidly growing middle class in such countries as Brazil and Mexico has generated greater demand for appliances in the high-price segment as well.

Most of the appliances sold in Latin America are manufactured domestically, in light of the high import tariffs and logistic costs.

### Retailers

Regional and local retailers in Latin America show a high degree of consolidation. Sales are driven to a great extent by campaigns, as most purchasing decisions are made in stores, where producers maintain their own sales people.

### The Group's position

Brazil is the Group's largest market in Latin America. Electrolux has achieved profitable growth in Brazil and is the country's second largest producer of household appliances. The Electrolux brand is strongly positioned in all segments, on the basis of innovative products and close cooperation with the leading retail chains.

In other major markets such as Mexico and Argentina, Electrolux sales are low but growing. Most of the Group's products for the North American market are produced in Juarez, Mexico. This market presence is a large advantage for the Group's expansion.

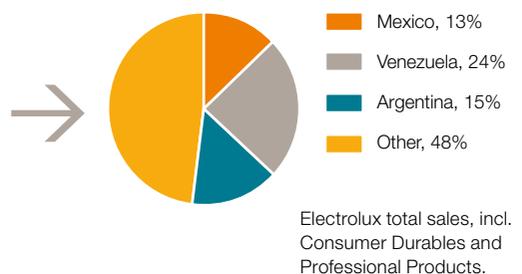
The Electrolux-branded products that were launched in 2008 for the North American market are also sold in Latin America. The products have strengthened Electrolux position in the premium segment throughout the region. In 2009, Electrolux sales rose in Latin America, despite the market downturn.

Electrolux vacuum cleaners are the market leader in Brazil, and have strong positions in other parts of Latin America as well. Sales of Electrolux-branded small appliances such as coffee machines and toasters are growing steadily in Latin America.

Net sales and operating margin



Net sales in Latin America, excl. Brazil



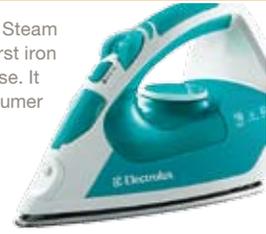
# AMERICA LATIN

In 2008, products that had been launched within the past three years accounted for approximately 70% of Electrolux sales in Brazil.

# 70%



The Electrolux Confidence Steam Iron range is the Group's first iron that was developed in-house. It was created based on consumer insights and developed to solve their main concern towards the category; safety. The new range is one of the safest on the market.



The market for dishwashers in Brazil is showing strong growth, although from a low level. The Electrolux Blue Touch has been developed on the basis of consumer insight. This competitive model is generating a steadily increasing market share for the Group in this product category. See page 38.



Brazil is the largest market for Electrolux in Latin America. The Electrolux brand has a strong position in household appliances and Electrolux is the market leader in vacuum cleaners.

# Strong position

Market, retailers and competitors

### CORE APPLIANCES

#### Major market

- Brazil

#### Major retailers

- Casas Bahia
- Ponto Frio
- Lojas Pernambucanas
- Magazine Luiza
- Grupo Insinuante

#### Major competitors

- Whirlpool
- Mabe

### VACUUM CLEANERS

#### Major market

- Brazil

#### Major retailers

- Casas Bahia
- Wal-Mart

#### Major competitor

- SEB Group

Net sales Consumer Durables in Latin America



# Consumer Durables, Asia/Pacific

Electrolux continued to capture market shares in Australia and Southeast Asia despite a decline in demand in 2009. Launches of new products have strengthened the brand.

**Consumer Durables Asia/Pacific and Rest of world's share of sales and operating income 2009**



Group sales rose on the basis of higher sales volumes and maintained price levels. Operating income showed an improvement as a result of positive development of raw materials and sales prices as well as cost-cutting programs.

### The market

In 2009, the market for household appliances in the Asia/Pacific region amounted to approximately SEK 355 billion. The Australian appliance market accounted for approximately SEK 21 billion, which was lower than in 2008. Demand in Australia is driven mainly by innovation, design, and preferences for lower consumption of water.

The trend to a strong increase in demand for appliances in recent years in Southeast Asia is estimated to have been interrupted during the three first quarters of the year. In the fourth quarter, however, growth continued. Growth in the region refers mainly to the low-price segment and is based to a large extent on improved living standards. Demand continued to increase in China, the largest market for household appliances in Asia.

In the Asia/Pacific region as a whole, there is no clearly defined market leader for appliances. In Australia, Electrolux is the market leader. In Southeast Asia, price has traditionally been more decisive than brand for purchasing decisions. The growing middle class prefers European producers, but their market shares are still limited.

In China, the domestic company Haier is the largest producer, having approximately 25% of the market, while a number of local and international producers have relatively small market shares.

### Retailers

There is no region-wide retail chain. However, there is a trend to increased consolidation. In Australia, five large retail chains account for approximately 90% of the market.

Most appliances in Southeast Asia are sold in small local stores. However, in urban areas, a large share of appliances is sold through department stores, supermarkets and retail chains. The market in China is dominated by two large domestic chains that specialize in electronics. There are still only a few international chains in China.

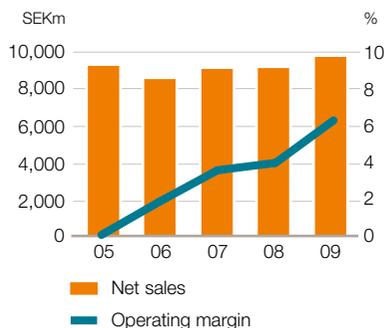
### The Group's position

Approximately 75% of Electrolux sales of appliances in the Asia/Pacific region are in Australia, where Electrolux is the market leader. The Electrolux brand is positioned in the high-price segment and focuses on innovation and design as well as energy- and water-efficient performance. The Group's Westinghouse and Simpson brands have strong positions in the medium-price segment.

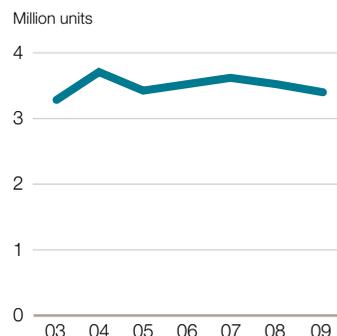
Electrolux is a very strong brand in Southeast Asia, and is associated with European quality. The Group has developed innovative products to meet the specific needs of the region in terms of temperature, humidity and food culture, which has generated strong growth.

In China, Electrolux has left the low-price market for refrigerators and focuses instead on cooking and laundry products for the growing premium segment in the big cities. The operation in China was positively affected by implemented cost-cutting measures as well as the repositioning of the Electrolux brand.

Net sales and operating margin



Shipments of core appliances in Australia



Market demand for appliances in Australia for the full year 2009 is estimated to have been lower than in 2008.

# ASIA/PACIFIC

In 2009, Electrolux launched one of the first side-by-side refrigerators with a 5-star energy label in Australia. This energy-efficient appliance features LEDs and is part of the E:Line built-in series.



## 7,800 litres

Households that launder textiles on a daily basis can save up to 7,800 litres of water annually by using the Electrolux Water Aid washing machine.

Electrolux is a very strong brand in Southeast Asia. Innovative products developed to meet the region's specific needs in terms of temperature, humidity and food culture have generated strong growth in recent years

## Growth

The Electrolux Water Aid washing machine automatically adjusts water consumption to match the volume of laundry. Electrolux Water Aid was first launched in Australia, where shortage of water is a problem, and is now sold in New Zealand as well.



### Markets and competitors

- CORE APPLIANCES**
- Major markets**
- Australia
  - China
  - Southeast Asia
- Major competitors**
- Fischer & Paykel
  - Samsung
  - LG
  - Haier

- VACUUM CLEANERS**
- Major markets**
- Australia
  - South Korea
- Major competitors**
- Samsung
  - LG
  - Dyson

### Sales in Southeast Asia



Sales in Southeast Asia continued to show good growth.

# Professional Products

A high rate of innovation and a well-developed global service network are vital competitive advantages for Electrolux. The Group continues to focus on energy- and water-efficient products under the Green Spirit label.

Electrolux Professional Products is a leading supplier of complete solutions for professional kitchens and laundries. Approximately 3% of own product net sales in Professional Products is invested annually in product development in order to maintain a high level of innovation and to meet customer demands.

### Global product development, production close to market

Products for professional kitchens and laundries are often large and complex, while customers expect short delivery times. This trend is even stronger today, as customers postpone orders for new products as long as possible in light of the uncertain market. They also expect service facilities to be available locally. This means that competition from producers in low-cost countries is limited in both the US and Europe.

Own-manufacture products have accounted for a growing share of Group sales in recent years. Just as for consumer products, the number of product platforms for professional equipment is being reduced, and the product portfolio is being simplified. The Group currently operates its own production facilities in Sweden, France, Italy, Switzerland and Thailand. All product development is global, while products are tailored to meet local needs.

### Vital service network

Products purchased by professional users are exposed to heavy wear, and downtime is costly. Maintenance and service account for a large share of operations in this business area. Electrolux has a highly developed global service network, which is a competitive advantage.

### Mutual benefits

Activities within Professional Products benefit operations in Consumer Durables, and vice versa. Consumers who dine in restaurants with open kitchens are often inspired to demand products with a professional appearance for their own kitchens. Innovative product solutions are transferred in both directions within Consumer Durables and Professional Products.

A strong global brand in Consumer Durables is an advantage for launches of new products under the same brand within Professional Products. For example, the ongoing launch of Electrolux as a brand for professional laundry equipment in the US is supported by consumer products under the same brand in this market.

### Professional food-service equipment

#### Trends

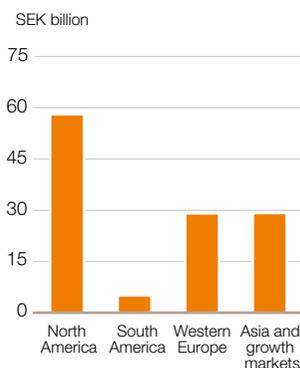
Buyers of food-service equipment have varying requirements, which means that producers must be able to supply flexible solutions. End-users are focusing increasingly on hygienic criteria, water- and energy-efficiency, and access to a comprehensive service network. Design is increasing steadily in importance, as many restaurant kitchens are in full view of guests.

### Markets and dealers

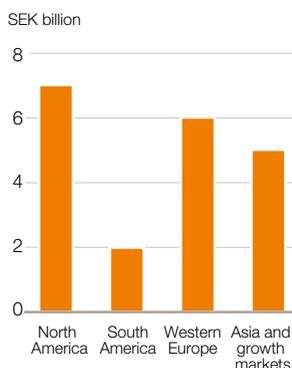
The market for professional food-service equipment is estimated to have amounted to approximately SEK 120 billion in 2009. The global recession led to a strong downturn in demand in all markets, the largest being in Europe. Health-care facilities and independent restaurants showed the biggest declines. The trend for global restaurant chains was more stable.

Market value within professional products

### Market value, food-service equipment



### Market value, laundry equipment



North America, Europe and Japan account for approximately 80% of total sales of professional products. Historically, global growth has been approximately 2–3% annually, and mainly concentrated to growth regions. The total annual market value is approximately SEK 140 billion.

Professional Products and Consumer Durables generate mutual benefits. Innovative solutions are transferred between these business areas, which also benefit from synergy effects in marketing.

Electrolux is a main sponsor of the Swedish Culinary Team. The chefs are world leaders in team gastronomy. Here they develop future food concepts in the training kitchen at Electrolux head office in Stockholm, Sweden.



Approximately half of all food-service equipment is sold in North America, where consumers purchase prepared food in large volumes. The major restaurant chains are increasing their market shares in the US, and are also expanding rapidly in growth markets such as China and Eastern Europe. This generates extensive opportunities for producers of food-service equipment who sell to chains. The North American market features a relatively high degree of consolidation among both producers and dealers.

The European market is about half as big as the North American, and is dominated by many small independent restaurants. Consolidation among producers and distributors is not as developed as in the US. Many producers in Europe specialize in a specific product, sector or market. Ongoing harmonization of legislation and directives within the EU will benefit major producers who can adapt more easily to more stringent criteria.

## The Group's position

### Brands

The Group's professional food-service equipment is sold worldwide under the brands Electrolux and Zanussi. Molteni is the Group's niche-brand for exclusive cookers.

### Products and market position

Electrolux supplies restaurants and professional kitchens with complete solutions. The Green Spirit range offers best-in-class environmental performance. These appliances meet end-user demands for more efficient use of energy, gas and water, as well as lower consumption of detergents in dishwashers. The products also offer a more attractive working environment with features such as low noise level. More than 90% of the materials used in Green Spirit products are recyclable.

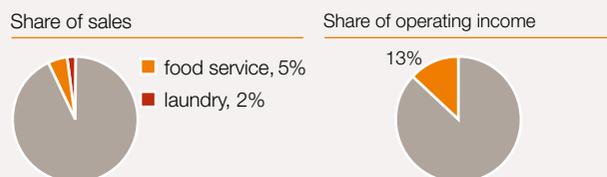
Most Electrolux food-service equipment is sold through dealers. This strategy has proven to be more successful and cost-effective than direct sales, in light of the complex end-user structure. A great deal of this equipment is sold in the form of modules, and buyers often depend on dealers for help in selection of appropriate functions.

In Europe, Electrolux has strong positions with independent restaurants and health-care facilities. The Group also supplies equipment for major projects such as hotels and cruise liners. Electrolux products are sold throughout Europe, with Italy and France accounting for the largest sales volumes. The Group has a limited presence in Germany, one of the major European markets, which offers considerable long-term potential.

In the US, Electrolux has focused on establishing strong links with the major fast-food chains in recent years. The number of small establishments that serve hot food is growing rapidly in the US and in growth markets, and the Group sees business opportunities in this segment. Electrolux has developed competitive solutions that can be tailored to the needs of a specific chain. These solutions include the Electrolux High-Speed Panini Grill, which requires much less grill-time.

The Group also produces entry-level products that feature high quality but lower technology content and can be sold at relatively modest prices. These products are clearly differentiated from those sold under the Electrolux brand. The target group comprises mainly new restaurants and smaller restaurant chains. The products are either marked with the user's own logotype, or with none at all.

**Professional Product's share of Group sales and operating income 2009**



Group sales of food-service equipment declined as a result of lower sales volumes and operating income deteriorated. Sales of laundry equipment were lower as a result of lower sales volumes. Operating income improved on the basis of lower costs for raw materials, favorable exchange rates, price increases and lower costs for production and administration.

**Professional laundry equipment**

**Market trends**

Requirements for professional laundry equipment vary between users. For example, laundry specialists demand ergonomic products and solutions that reduce the risk of spreading infection through soiled textiles. Laundry equipment for laundry rooms in apartment houses or in laundromats must be so easy to use that no manual is required. Irrespective of the use area, buyers are demanding innovations that enable lower costs by reducing consumption of energy, water and detergent and still maintain satisfactory washing and rinsing performance.

**Markets and sales channels**

Professional laundry equipment is sold to laundry specialists such as those that serve hospitals and hotels, and also directly to apartment-house owners and local laundries. The global market for this equipment in 2009 is estimated to have amounted to approximately SEK 20 billion. Although demand declined substantially in recent years, the market for professional laundry

equipment has shown more stability than the market for food-service equipment. The largest decline in 2009 was in Europe and referred to specialists serving hospitals as well as to commercial laundries.

The market for laundry equipment is less fragmented in comparison with professional food-service equipment. The five largest producers account for approximately 40% of the global market. The share of direct sales is greater for laundry equipment than for food-service products, although there is a trend to more sales through dealers, particularly for more standardized products.

**The Group's positions**

**Brands**

In Europe, professional laundry equipment is sold under the Electrolux brand. In 2009, Electrolux was also introduced as a brand for such equipment in the US, where the Group's products were previously sold under the Wascomat brand through a distributor. The brand change will be facilitated by the high market awareness of the Electrolux brand in the US as a result of the launch of Electrolux-branded consumer products in 2008.

**Products and market positions**

Electrolux maintains a program for continuous development of new products and laundry processes for lower energy consumption and improved washing performance. The product offering includes washing machines, tumble-dryers and ironing equipment. Approximately 70% of sales refers to Europe, and 20% to North America. The Group's strongest positions are currently in Europe for specialists serving hospitals and for commercial laundries. Electrolux products are distributed through 19 sales companies worldwide as well as through a global network of 150 independent distributors.

**Net sales and operating margin**



**Markets and competitors**

**FOOD-SERVICE EQUIPMENT**

**Major markets**

- Italy
- France
- Scandinavia
- Asia and Middle East

**Major competitors**

- ITW/Hobart
- Manitowoc/Enodis
- Middleby
- All Group

**LAUNDRY EQUIPMENT**

**Major markets**

- Scandinavia
- Japan
- US

**Major competitors**

- Alliance
- Miele
- Girbau

# PROFESSIONAL PRODUCTS

The Electrolux Lagoon™ is a system for washing, drying and finishing using only water and biologically degradable detergents. It offers a gentle, ecological wash even for materials that normally require dry-cleaning, such as wool, leather and suede.



# 3%

Approximately 3% of sales is invested annually in product development in order to maintain a high level of innovation and to meet customer demands.

The Group's high rate of innovation and its global service network are vital competitive advantages within professional operations. Investment in product development and nearness to customers have contributed to stable growth in profitability.

## Stable development

The Electrolux HSG High-Speed Panini Grill illustrates how the Group tailors products to meet the needs of fast-food chains. This product reduces grill-time for a panini, which is an important sales argument in this sector, thanks to a special combination of three heating sources (patented).

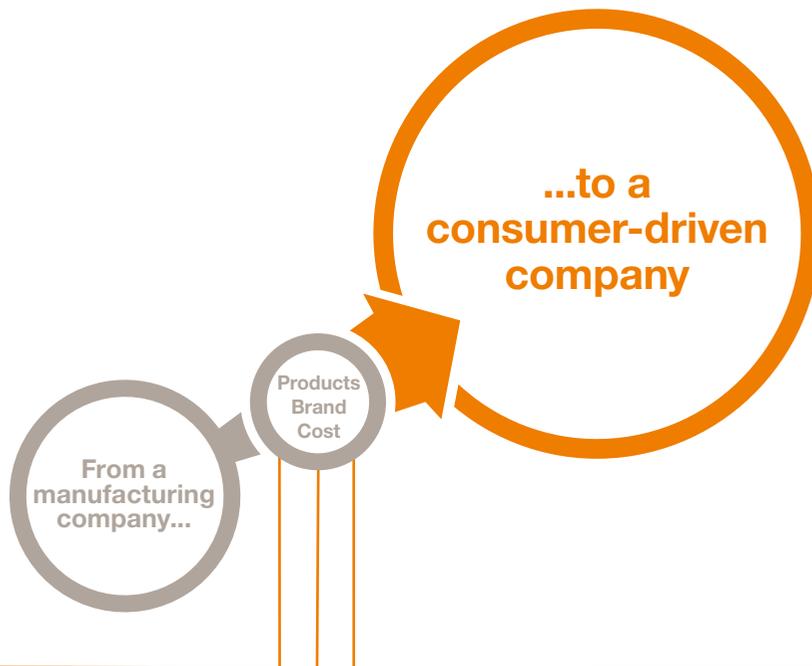



Estimated market share

	Food service	Laundry
Europe	16%	24%
North America	N.A.	6%
Asia	2%	N.A.
Global	3.5%	12%

# 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.



*Thinking of you*

 **Electrolux**



### 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%.

### Activities

- Continue strengthening the position of the Electrolux brand in the global premium segment.
- Complete the relocation of production during 2010 to ensure a competitive production structure.
- Utilize global reach and strength to reduce costs.
- Turn around markets and product categories on the basis of the strong brand in the premium segment.

## 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.



How Electrolux responded to the recession

# On the right track

Electrolux performance during the recession shows the effectiveness of the strategy. Innovative products, investment in the Electrolux brand and a focus on strong cash flow and greater cost efficiency have paid off. Electrolux will emerge stronger than ever from the recession.

Despite deteriorating market conditions in recent years, Electrolux has successfully applied the strategy. This involved the largest product launches in company history. Comprehensive launches were implemented in Europe in 2007 and in the US in 2008. They resulted in an improved product mix. Prices have been raised and maintained in the face of declining demand. Manufacturing efficiency continued to increase, as production was relocated to low-cost countries and measures were implemented to reduce the production-cost structure. The Group has focused strongly on cash flow in recent years.

Powerful savings programs were implemented late in 2008 in response to the sharp decline in demand. Temporary production stops were also implemented in order to adjust inventory levels to the lower demand. The Group's structural efforts to decrease tied-up capital in the working capital have contributed to the strong cash flow in 2009. The potential for profitable growth is better than ever. On the whole, the Group's response to the recession will enable Electrolux to be stronger when demand recovers.

Despite dramatic changes in the market...

...comprehensive product launches have been implemented...

...and prices have been raised and the mix has improved.

The financial crisis and the global recession have resulted in declining demand for household appliances in virtually all markets worldwide. In North America, volumes declined for thirteen consecutive quarters until a slight upturn was recorded in the final quarter of 2009. In Europe, volumes have declined for eight consecutive quarters, partly due to a sharp decline in demand in Eastern Europe.

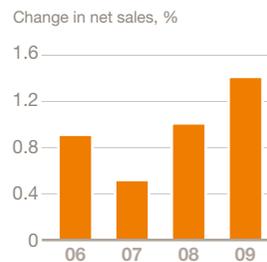
Market development in Europe and US by quarter



During the recession, Electrolux launched new products throughout the world that are based on consumer insight. In North America, the successful launch of the Electrolux brand for household appliances in the premium segment during 2008 was followed by a re-launch of the Frigidaire brand in the mass-market segment during 2009. In Europe, the Group has captured market shares with new products in the profitable built-in segment, primarily by achieving a stronger position in the important German market. Continued investments in the Green Range, the most energy-efficient products, has strengthened the Group's position in the market. Comprehensive launches also included built-in kitchen appliances in Southeast Asia as well as new, innovative products in Australia and Brazil.

Investment in new products has paid benefits, as in many markets Electrolux has been able to improve the product mix and increase prices. The Group increased prices in the US late in 2008, and in Europe in the first quarter of 2009. Electrolux succeeded in maintaining higher prices in 2009 despite difficult market conditions.

Improved sales mix





Structural measures and adjustment of cost levels...

...and a focus on strong cash flow...

...which have generated improved profitability.

For a number of years, Electrolux has been relocating production to low-cost countries and reducing the number of employees. Production has become more efficient, and purchasing costs as well as product costs have been reduced.

The rate of change accelerated toward the end of 2008. Two new cost-cutting programs were initiated in order to adjust to the severe market downturn, one of them being global and the other focusing on operations in Europe. These programs included reducing the number of employees by more than 3,000. Although capacity utilization was only 60% in 2009, the Group achieved higher profitability. The recession has also involved downward pressure on prices for steel and other materials, which has resulted in lower costs for raw materials.

The Group's strong cash flow is the result of long-term efforts that involve managing operations with a focus on working capital. Temporary suspension of production has enabled adjustment of inventories to match existing demand. Routines and contractual terms for purchasing, invoicing of customers and production are being reviewed systematically. This has contributed to lower structural working capital, which will remain so when demand recovers.

Weak demand has also led to lower requirements for investment in additional capacity. In 2009, these investments declined by approximately 30% compared to the previous year. The strong cash flow gives Electrolux a strong financial position and a good potential for profitable growth.

Electrolux will emerge stronger than ever from the recession – with the right structure, the right products and competitive cost levels.

Sales and operating income



# Product development based on consumer insight

The Electrolux process for consumer-focused product development is the foundation of all new products, for both consumers and professional users. Below is an example from the floor-care operations.

Electrolux product development is based on consumer insight. More accurate development is enabled by understanding consumer needs as well as how they think, feel and behave when they use household products. Electrolux develops products that feature appropriate functions, attractive design and efficient use of resources. These products are targeted primarily at consumers in the higher price segments, which contributes to an improved product mix.

Electrolux products are sold throughout the world, and are used in more households than those from any other producer. Since 2002, the Group's investment in product development has risen from approximately 1% of sales to approximately 2% in 2009. Development work has also become more efficient on the basis of global cooperation and coordination of launches across product categories.



Designers evaluate proposed solutions in computers and with realistic product models. Care is devoted to choice of colors.



Visits to households and conversations with consumers have shown that many people are dissatisfied with the high noise levels in vacuum cleaners. The noise makes it difficult to listen to music, wakes sleeping children, and makes it impossible to have a conversation.



On the basis of these insights, Electrolux decided to develop a silent vacuum cleaner. New technology focused on air-flow enhances performance and reduces the noise level. The unit also features extra insulation for the motor, as well as shock-absorbers. The vacuum cleaner is so silent, one can easily listen to music while vacuuming.

The Electrolux process for consumer-focused product development ensures that a product is not created until a decision has been made regarding the consumer need that it will fulfill and the consumer segment that will be targeted.

STRATEGIC MARKET PLAN

IDENTIFICATION OF CONSUMER OPPORTUNITIES

PRIMARY DEVELOPMENT

PRODUCT DEVELOPMENT

CONCEPT DEVELOPMENT

COMMERCIAL LAUNCH PREPARATION



Materials with a consistent and high-impact message for the Internet, PR and retail outlets were created. The sales argument is based on “the music-compatible vacuum cleaner”.



Sleeping kids-compatible



Phone-compatible



Vivaldi-compatible



Conversation-compatible



The new Electrolux Ultrasilencer has a noise level of only 68 decibels, which is in line with a normal conversation. It is labeled with icons that identify its various functions and were designed for the launch.

The first Ultrasilencer was launched as early as 2003. Constant updating of design and functions has ensured its continued popularity. Earlier versions include Pia Wallén's popular white model. Energy-efficient Ultrasilencer Green is also part of the family.

LAUNCH  
EXECUTION

RANGE  
MANAGEMENT

PHASE-OUT

All market communication is designed to create a powerful image of Electrolux, irrespective of product or market. Marketing plans are integrated in product development at an early stage, and all activities are coordinated in order to maximize impact.

# Brand

The Group's investments in product development and marketing are aimed primarily at increasing the share of products sold in the higher price segments. This enables an improved sales mix, which generates higher margins. The strategy is to position Electrolux globally as a premium brand that stands for innovative, energy-efficient products with attractive design.

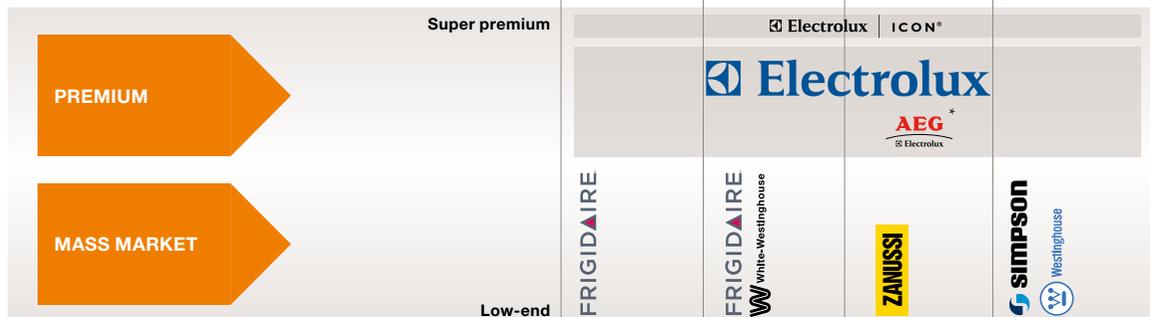
## PREMIUM SEGMENT

### Stronger position in the premium segment

Achieving a strong position in the premium segment is an important component of the Group's strategy for profitable growth. The market for household appliances currently shows growth primarily in the higher and lower price segments. The rapid emergence of a large, global middle class generates, among other things, greater demand for well-designed products with well-known global brands. It is now possible to identify global needs. As one of the few global producers of household appliances, Electrolux has a definite competitive advantage.

The Group's position in the global premium segment has been strengthened by launches of innovative Electrolux-branded products in Europe, North America and other markets. The prices of the new products that have been launched in North America are on average three times higher than the prices of the Group's previous products for the mass market. The Group's share of the premium segment in North America is estimated at approximately 5-10%. In Europe, Australia, the Middle East and Asia, kitchen specialists are accounting for a growing share of the sales network. Electrolux has been able to increase sales and capture market shares on the basis of a strong brand, attractive design and the ability to offer innovative products. As a leading global producer of built-in products, Electrolux benefits from the expansion of kitchen specialists.

The Electrolux brand is positioned in the premium segment throughout the world. In Latin America and Southeast Asia, most of the Group's appliances and all vacuum cleaners are sold under the Electrolux brand. In Europe, the share of Electrolux-branded (including double-branded) core appliances is approximately 55%, and is increasing steadily. In North America and Australia, the share of these products is rising rapidly from low levels. Investments in double brands include primarily AEG-Electrolux, which is a major premium brand in several European markets. The Group also invests in strong, regional brands such as Zanussi, Eureka and Frigidaire.



\*AEG-Electrolux is an exception, used in five European countries.

In Southeast Asia and China, Electrolux is focusing on the growing premium segment. The Dream kitchen application was developed to support the launch of the Electrolux built-in range.



### Entire product series under a single brand

Households buy appliances infrequently, which means that the consumer has limited knowledge of what has happened in the market since the last purchase. A strong brand is therefore an important sales argument. All market communication from the Group is designed to create a powerful image of Electrolux, irrespective of product or market. Recent research in markets such as Europe and the US has shown that the number of consumers who prefer Electrolux is growing.

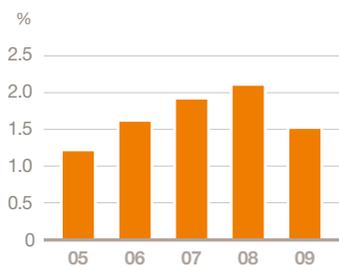
Electrolux product launches comprise complete series of products under a single brand, instead of specific product categories. This strategy was exemplified by the comprehensive launch of the Electrolux brand in the premium segment of the North American market, and the re-launch of Frigidaire in the mass-market segment. The same strategy will be followed for future launches in other markets, including Europe. The products that are launched must be differentiated, communicate an experience and be harmonious in terms of both feeling and design.

### Investment in new media

Over the next few years, investment in brand communication will be increased in connection with major product launches worldwide. Focusing on the Electrolux brand also enables more effective utilization of resources. Marketing is coordinated globally and across product categories in order to increase efficiency and impact.

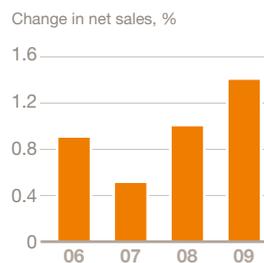
Investments are aimed at the countries with the greatest potential, focusing on cost-efficient media channels such as PR and the Internet. Use of the Internet is becoming increasingly more important. A majority of the customers who buy Electrolux products and acquire information on the Internet visit the Group's web sites during the purchasing process. Electrolux therefore develops Internet solutions that are stimulating as well as innovative, and that support the consumer throughout the entire purchasing process. The various ways of using the Internet are changing rapidly and are differentiated across ages, regions and cultures. For Electrolux, it is important to follow the consumer and create an appropriate presence through social networks, portals, search engines and not least through the Group's own consumer-oriented websites.

Increased brand investments going forward



Going forward, brand investments will increase after a temporarily decline in 2009.

A strong brand improves sales mix



Investments in innovative products and a strong brand lead to improved sales mix, with higher average prices and margins.

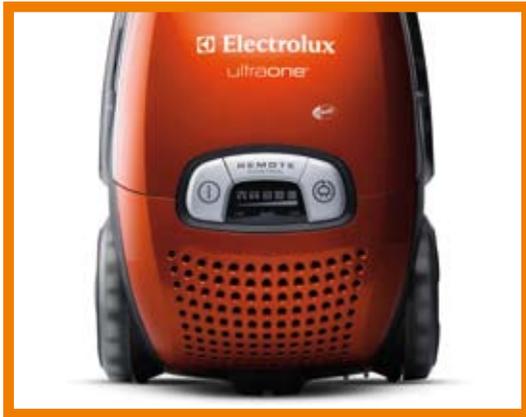


# Innovative products

"Thinking of you" is the key message in Group marketing communication. It highlights Electrolux strong focus on consumers. But thoughtfulness also refers to employees, suppliers, other stakeholders and the environment. "Thoughtful Design Innovator" reflects the importance that Electrolux gives to thoughtful design in the development of new products. These products feature design for greater functionality, instead of design for its own sake.

*Thinking of you*

 **Electrolux**



## Excellent vacuum cleaner wins awards

The Electrolux UltraOne vacuum cleaner was launched in the European premium segment in 2009. Extensive interviews with consumers enabled identification of a number of important preferences for the new vacuum cleaner to fulfil.

UltraOne makes vacuum cleaning as simple and enjoyable as possible. In order to minimize noise it features an extra-large air-exhaust chamber as well as improved insulation. Soft wheels and shock-absorbers make UltraOne easy to maneuver, and the mouthpiece adjusts automatically to the flooring surface. A remote control in the handle enables adjusting the mouthpiece for the material that is being cleaned.

A number of consumer testing services have given top ranking to UltraOne. It has also won the iF product design award for its excellent design. Within the Group, the launch of UltraOne received the Electrolux Brand Award in 2009.

## BlueTouch benefits from growth in Brazil

The dishwasher is still perceived as a luxury item by most households in Brazil. The market has nevertheless almost doubled in size over the past three years, although from a low level. Electrolux developed the BlueTouch dishwasher in order to benefit from this growth.

The few dishwashers that were already on the market were fitted with front panels of glass so that the user could observe the washing process. Electrolux decided to go in another direction and emphasize design instead of a glass panel. The result was a design harmonizing with the refrigerator of the same name. In addition, selection of dishwashing programs was simplified to make BlueTouch more user-friendly for inexperienced consumers.

BlueTouch has been a sales success in Brazil, and has achieved a strong improvement in market share. It has also generated good PR for the Electrolux brand.



**Design awards**  
Electrolux products received several design awards during 2009 for combining cutting-edge design with functionality.



# DESIGN LAB

In 2009, the seventh annual Electrolux Design Lab encouraged design students worldwide to think about the household appliances that they would like to see in the coming 90 years.

The competition attracted more than 900 contributions from students in more than 50 countries. The winning entry was Cocoon, designed by Rickard Hederstierna from Sweden. Cocoon can be used to cook prepared food made of genetically modified meat and fish. Cocoon offers a sustainable alternative for ensuring food security for the world's growing population.

## Complete solutions for industrial kitchens

In the course of a year, a typical restaurant can generate more than 50 tons of organic waste, comprising food discarded during the preparation process and leftovers. Carting waste through the kitchen hampers operations, and involves a risk of contamination. Charges for waste removal are based on weight, which means that industrial kitchens can benefit from improved waste management. In addition, stricter criteria related to organic waste disposal are being introduced in Europe.

The Electrolux Waste Management System was launched in 2009, and is suitable for kitchens of all sizes. The waste is ground, centrifuged and dehydrated, which enables up to 80% reduction in volume. The dry waste can be stored at room temperature until it is collected. It can then be reused for the production of high-quality compost or biogas.

## Black white goods in Australia

The Electrolux Ebony Kitchen Collection stands out in a crowd. These black units feature a glossy finish and stainless steel handles, so that they harmonize with dark wood furnishings, or provide a distinctive contrast with white or stainless-steel kitchen appliances. The entire series is based on cutting-edge technology such as induction cooking.

The Ebony Kitchen Collection has attracted a good deal of notice at kitchen fairs and in fashion magazines. The series was launched in Australia in 2009, and can be viewed at [www.thinkingofyou.com.au/ebony](http://www.thinkingofyou.com.au/ebony)

# Costs

Electrolux is in the final phase of the comprehensive restructuring program that was initiated in 2004. When the program is completed, the Group will have a competitive production structure with modern and efficient manufacturing facilities throughout the world. Approximately 60% of the Group's appliances will be produced in low-cost countries that are close to rapidly growing markets for household appliances.

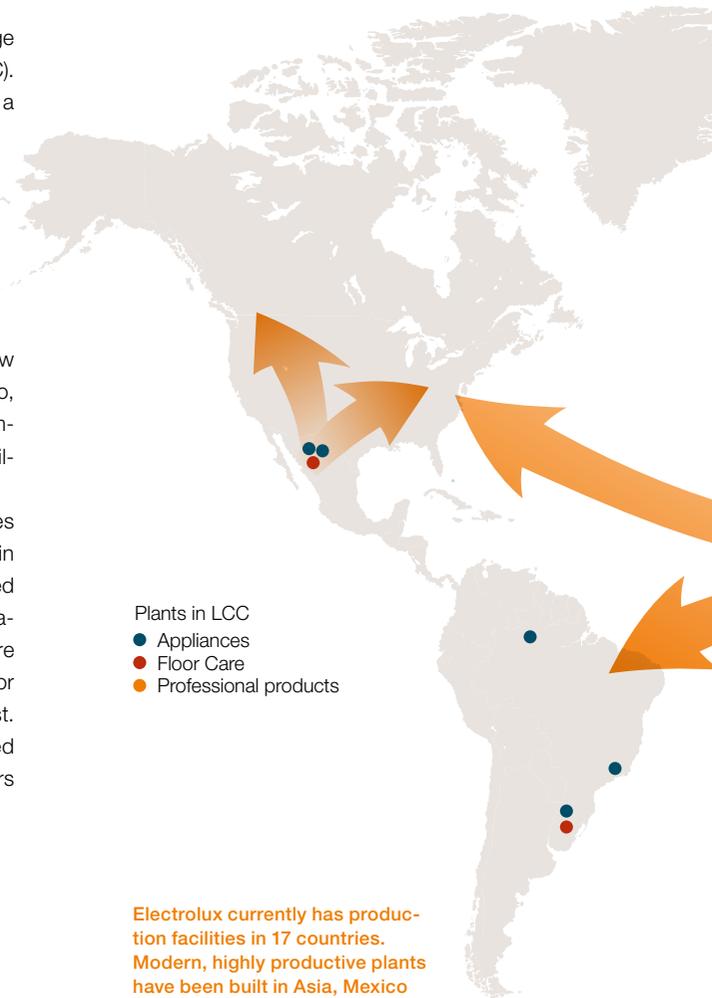
## RESTRUCTURING

The appliance industry has undergone major changes. A large share of production has been moved to low-cost countries (LCC). Consumer demand for better products at lower prices has been a strong driver for this relocation. Globalization and producers from low-cost countries have increased the pressure of having a cost-competitive manufacturing foot-print. Electrolux decisions to relocate production are based on careful analyses of a number of factors, including present and future labor-cost levels, transportation parameters, access to suppliers and closeness to future growth markets.

Such analyses have resulted in decisions to establish new plants in several countries, including Poland, Hungary, Mexico, China and Thailand. The restructuring program will soon be completed, and is expected to generate annual savings of SEK 3 billion. The program is expected to be completed during 2011.

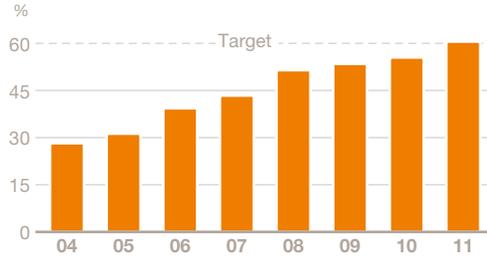
However, some production must remain in high-cost countries (HCC). Plants for cookers and ovens for the built-in segment in Europe must be close to the end-market, in light of advanced technology and high transportation costs. Production of refrigerators must also be close to the end-market. These products are bulky and therefore expensive to transport. In addition, labor costs account for only a small share of total production cost. Smaller products such as vacuum cleaners can be transported long-distance inexpensively, so that all Group vacuum cleaners are produced in low-cost countries.

- 60% of production will be in LCC
- 16 plants have been closed
- 5 plants have cut back production
- 9 new plants have been opened

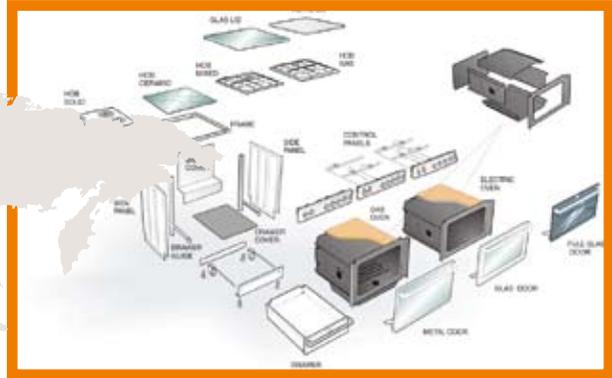


Electrolux currently has production facilities in 17 countries. Modern, highly productive plants have been built in Asia, Mexico and Eastern Europe. In addition to producing innovative high-quality products for the Australian, North American and Western European markets, these plants also supply nearby growth markets with competitive products.

### Production in low-cost countries



Approximately 60% of the Group's production of appliances will be in LCC when the restructuring program has been completed. All production of floor-care products has already been relocated.



### Standard modules for different products

Electrolux is currently working on identifying the number of variants that are required for components within a product category, such as glass shelves, handles and hinges. Although criteria for design can vary depending on consumers' preferences and tastes, the inside of the product is rarely affected. The use of standardized modules for the parts that are common to all the products within a category will enable faster product development so that consumers' demand can be fulfilled earlier. Costs will also be lower.

### Future manufacturing footprint



#### Why keep plants in HCC?

No net-present value case	20%
Efficient, profitable plant	10%
Declining segments	10%
<b>HCC</b>	<b>40%</b>

In 2011, Electrolux will have approximately 60% of its plants in LCC. The remaining approximately 40% will be in HCC due to reasoning described in the figure to the left.

**Utilizing global strength**

Electrolux continues to step by step work on reducing costs for product development, purchasing and manufacturing by utilizing the Group's global scope and strength. The aim is to develop, produce and launch profitable innovative products for both the premium and mass-market segments, focusing on the consumer.

At the start of 2010, the Group established a new global organization within major appliances, whose task is to utilize synergy effects across the Group's business areas in terms of product development, purchasing and manufacturing. Global functions in production and product development have previously been established within the floor-care operations and Professional Products.

**Coordinated purchasing**

The Electrolux purchasing organization has made substantial progress in recent years. Better global coordination of purchasing as well as close cooperation with selected suppliers have resulted in lower costs.

Modularization will enable additional reductions in purchasing costs. Standardization of platforms, products and components means that fewer suppliers will be needed and larger volumes can be procured from a single supplier. Priority has also been given to integrating the purchasing functions in the product-development process at an earlier stage in order to enhance efficiency.

The share of purchases from low-cost countries is expected to reach approximately 70% within a few years. Since purchases from suppliers in Asia are increasing, a purchasing organization for this region has been established. The goal is to strengthen the Group's global capacity for managing suppliers, implementing quality control, and enhancing efficiency.

**Concentration of production**

Production costs have been reduced in recent years in several ways, including relocation of production to low-cost countries, global product platforms, and programs for more efficient pro-

duction. The next step is to utilize the benefits of scale at the Group's worldwide production facilities through the new organization within major appliances. The main goal is to reduce complexity by identifying the optimal structure for manufacture of the Group's products. The focus is also on creating a fast, efficient process for assembly of components.

**EMS program for enhancing efficiency**

In 2005, the Group introduced the Electrolux Manufacturing System (EMS), a global program for greater production efficiency. By continuous improvement, EMS targets employee safety, product quality, costs and environmental impact.

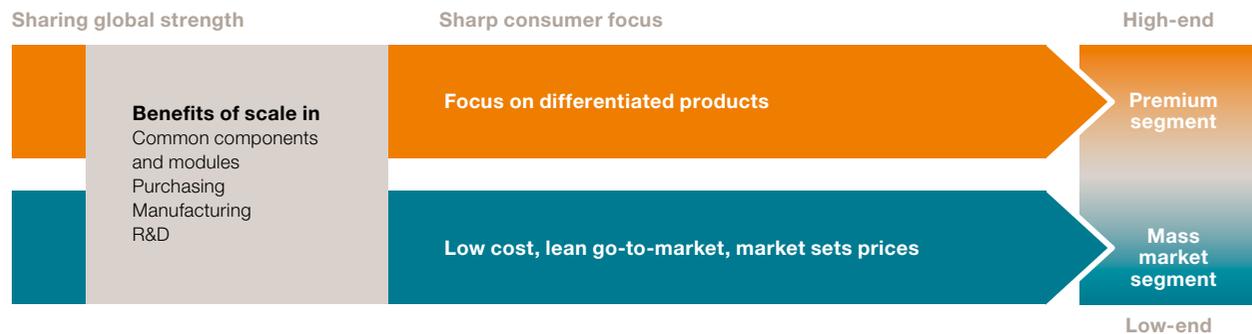


Electrolux operates more than 50 plants, which account for 90% of the Group's emissions of CO<sub>2</sub>. By 2012 and through two consecutive energy-saving targets, energy-consumption will be almost 30% lower than in 2005. By achieving these targets, annual cost savings of approximately SEK 200m are expected to be generated compared to 2005.

**Global product development**

Developing products based on global needs leads to greater efficiency not only in product development and marketing, but in production as well, since fewer product platforms are required. Cooperation between the different Electrolux global product councils for appliances has accelerated, and global units for product development have been established for specific product categories, which enables a faster rate of innovation. As already mentioned, the floor-care operations and Professional Products have been working successfully with global product development and global functions for some years.

**Utilizing global strength with consumer focus**



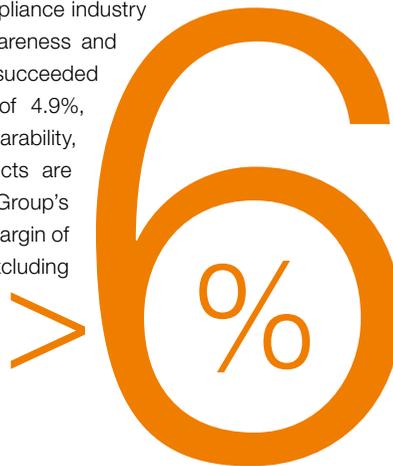
# Financial goals

Electrolux goals for operating margin, growth, capital structure and return on capital employed are intended to enable creation of greater value. In addition to maintaining and strengthening the Group's leading global position, achieving these goals shall contribute to generating a satisfactory total return for shareholders.

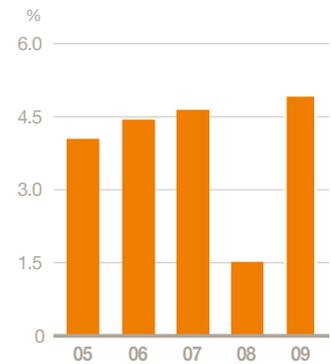
## OPERATING MARGIN

### Operating margin of at least 6% over a business cycle

Efforts to transform Electrolux into an innovative, consumer-focused company have generated results. The Group is now one of the strongest players in the appliance industry in terms of market share, brand awareness and return on capital. In 2009, Electrolux succeeded in achieving an operating margin of 4.9%, excluding items affecting comparability, despite weak demand. The prospects are therefore favorable for achieving the Group's overall financial goal of an operating margin of at least 6% over a business cycle, excluding items affecting comparability.

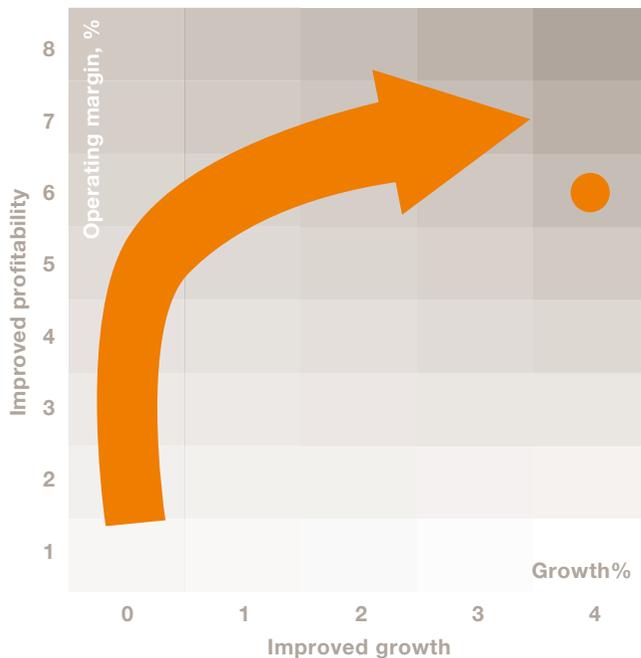


Operating margin



In 2009, Electrolux succeeded in achieving an operating margin of 4.9%, despite weak demand.

Enterprise value



Operating margin to be improved first  
Growth then becomes a priority

**Organic growth of at least 4% annually, on average**

Achieving profitability in many markets and product categories has created an opportunity to focus on profitable growth. Despite the current weak market demand, the long-term drivers in the market for household appliances still exist. Households replace their existing appliances with new ones, and they renovate their homes. Penetration is increasing, particularly in growth markets. In the course of a business cycle, growth is in line with the average for the global economy, i.e., approximately 3-4%.

In order to achieve higher growth than the market average, the Group shall strengthen its positions in the premium segment, expand in profitable high-growth product categories, and increase sales in growth regions.



In addition to organic growth of at least 4% annually, opportunities exist for implementing Electrolux growth strategy more

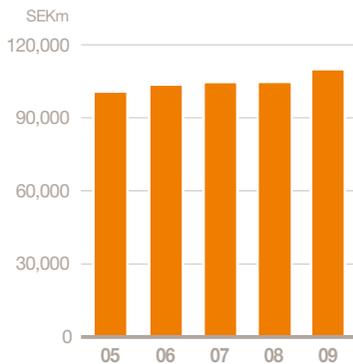
rapidly, through acquisition of operations that have complementary technology or geographical coverage, well-positioned products, and strong brands. This will enable Electrolux to capture market shares in high-price segments and in growth markets.

**Capital turnover rate of at least 4**

Electrolux strives for an optimal capital structure in relation to the goals for profitability and growth. In recent years, the Group has invested in new, modern production facilities in low-cost countries, and has relocated production from Europe and the US. The efficient production structure enables reducing investment requirements for maintaining existing capacity over the next few years. On the other hand, the need for investments that drive growth will increase, such as the development of new Electrolux-branded products.

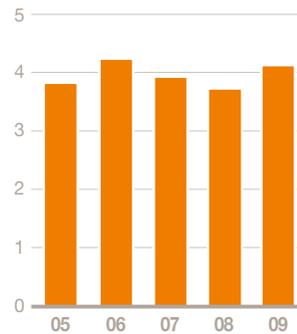
Electrolux has many years' experience of managing operations with a focus on working capital, e.g., through rapid adjustment of production to match prevailing demand. This has been based on the model for value creation that the Group introduced at the

**Sales growth**



To achieve higher growth the Group shall strengthen its positions in the premium segment, expand in profitable high growth product categories, and increase sales in growth regions.

**Capital turnover rate**



The Group's ongoing structural efforts to reduce tied-up capital have contributed to the increase in capital turnover rate.

CAPITAL TURNOVER RATE



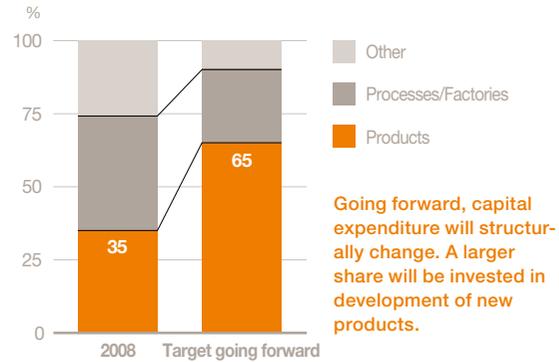
The capital turnover rate indicates the amount of capital that an operation requires, i.e., its level of capital intensity. The rate is determined by dividing sales by either average capital employed or average balance sheet value. Operations with low margins often have high capital turnover rates – and vice versa.

beginning of 2000. The model links operating income and tied-up capital to capital costs for operations, and has been applied successfully to measure profitability in terms of regions, business areas, product lines and units.

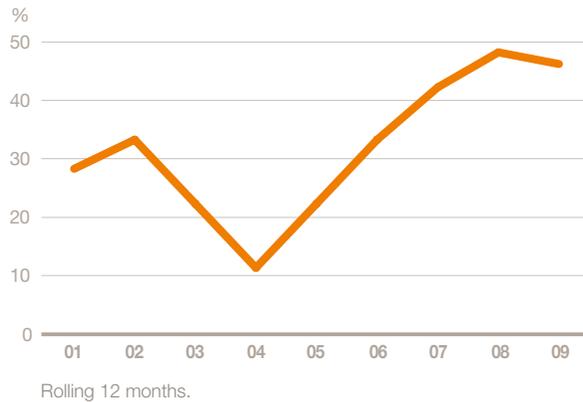
In recent years, work on reducing operating capital has been intensified. This has involved reviewing everything from supplier contracts and inventory management to invoicing of customers. It has resulted in a lower level of structural working capital, i.e., the share of capital that is not affected by changes in business conditions, as well as a stronger cash flow. Since this is achieved gradually in different regions, there is a potential for further reduction of working capital within the Group.

When demand and sales accelerate again, there will be an even greater focus on limiting the intensity of capital within the Group through, e.g., increased outsourcing of products and components. Reducing the amount of capital tied up in operations creates opportunities for rapid and profitable growth.

### Structural change of CapEx



### Return on net assets in the floor-care operation



> 25%

The floor-care operation has been vigorously transformed. Capital tied up has been reduced on the basis of greater share of outsourced products. Return on net assets has increased considerably.

### Return on capital employed of at least 25%

Focusing on growth with sustained profitability and a small but effective capital base enables Electrolux to achieve a high long-term return on capital. With an operating margin of more than 6% and a capital turnover rate of at least 4, Electrolux return on capital employed (ROCE) is at least 25%.



RETURN ON CAPITAL EMPLOYED

# External factors affecting operations

Electrolux ability to achieve higher profitability and a higher return to shareholders is based on quality products, strong brands and cost-efficient operations. Electrolux operations are naturally affected by a number of factors in the external business environment.

## Raw-material prices

A large share of the Group's costs refers to raw materials. In 2009, Electrolux purchased components and raw materials in the amount of approximately SEK 44 billion, of which approximately SEK 19 billion referred to the latter. The raw materials to which the Group is mainly exposed comprise steel, plastics, copper and aluminum. Raw-material prices rose sharply in 2004-2008, which resulted in an increase of SEK 9 billion in the Group's costs. In light of the highly competitive market for Electrolux products, the increase in the cost of raw materials could not be compensated by increasing prices. However, Electrolux was able to partly offset the increase in costs through a number of savings programs. Prices for raw materials declined in the second half of 2008 and at the beginning of 2009.

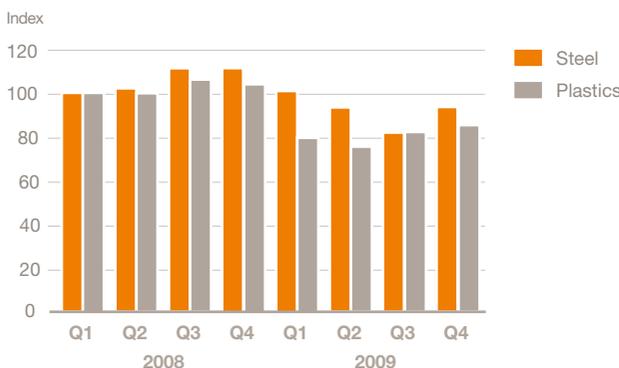
Electrolux uses bilateral agreements to reduce risks related to these prices. For the first time in many years, the Group's costs for raw materials declined in 2009. Shorter terms for raw-material contracts enabled the Group to benefit from the declining market prices. The total cost of raw materials in 2009 was more than SEK 1 billion lower than in 2008. Long-term future price trends for steel and other raw materials are uncertain, but continued strong growth in China and other growth markets may lead to higher prices.

## Prices and capacity

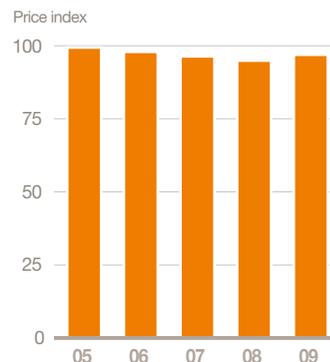
Strong downward pressure on prices has been evident in most of the Group's markets for a number of years. Price competition has been particularly severe in low-price segments where there is substantial over-capacity, and in markets with low levels of consolidation.

In Europe, where prices have been declining for several years, many producers were able to defend and raise prices in 2009 despite weak demand and a fragmented market. This trend is traceable to both temporary and structural factors. Many producers are in financial difficulties and can no longer afford to lower prices in order to maintain sales volumes. In light of the comprehensive relocation of production to low-cost countries during the past decade, most producers have similar cost levels, so that there is limited opportunity for reducing production costs to offset lower sales prices. In addition, over-capacity within the industry involves a continued risk of downward pressure on prices when demand recovers.

Price development, steel and plastics



Recent price increases in Europe



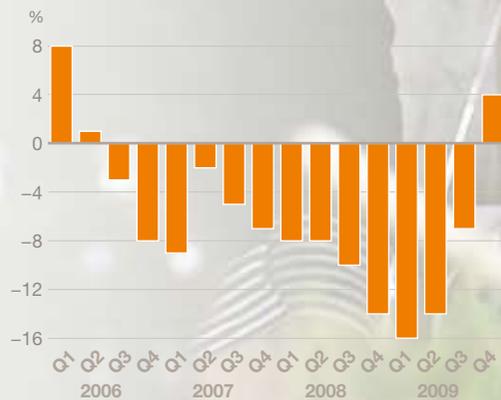


### Demand development

Demand for appliances is dependent primarily on general business conditions. As Electrolux is a producer of consumer goods, sales are affected at an early stage in the economic cycle. Lower market demand can lead not only to lower sales volumes, but also to a shift in demand to products with lower prices, which frequently have lower margins. In addition, utilization of production capacity declines in the short term. In 2009, demand continued to decline in Europe, North America, Asia and Australia. Demand in the US increased in the fourth quarter 2009 after 13 consecutive quarters of decline. In Europe, the decrease was somewhat less in the fourth quarter than previously. In Latin America, growth was strong in Brazil but declined in the rest of the region.

At the same time, specific segments such as frost-free refrigerators and induction hobs show continued strong growth. Governmental incentives for stimulating consumer purchasing of energy- and water-efficient household products have been implemented by governments in several countries, including Brazil, the US and Australia. Electrolux has a leading position for such products, and can benefit from increased demand.

### US market has started recovering



Units, year-over-year, %

# Next step – creating more value

Electrolux can turn around product categories and markets on the basis of a strong brand in the premium segment and utilization of global economies of scale. Growth is not a priority until a product or a market has become profitable.

## ACTIVITIES

The Electrolux strategy focuses on successful management of external factors that affect operations adversely, and on four activities that are aimed at creating greater value:

- Continue to position Electrolux as a global premium brand that stands for innovative, energy-efficient products that feature attractive design and are driven by a profound understanding of consumer needs. Increasing the share of products sold in the higher price segments enables a better product mix and higher margins. See page 36.
- Complete the relocation of production facilities in order to achieve a sustainable production structure with low cost levels. When the Group's major restructuring program is completed in 2011, approximately 60% of Electrolux appliances will be manufactured in low-cost countries that are close to rapidly-growing markets for household appliances. See page 40.
- Cut costs by utilizing the Group's global reach and strength in terms of production, purchasing and product development. Focusing continuously on the consumer, Electrolux shall develop, produce and launch profitable and innovative products for both the premium and the mass-market segments. See page 42.
- Use the strong brand in the premium segment to turn around markets and product categories with insufficient profitability. See next page.

Operating margin to be improved first  
Growth then becomes a priority

In accordance with the Group's strategy, Electrolux achieved a dynamic transformation of operations in floor-care operations as well as in Latin America, Australia and Southeast Asia, and in Professional Products. A number of these changes and the results they generated are described in the annual reports for 2006-2008.



Year 2006. We have transformed the floor-care business.



Year 2007. Turnaround of the Brazilian operation.



Year 2008. Success in Australia.

# PRODUCTS & MARKETS

## Turning weak product categories around

Basic refrigerators comprise a product category that is subject to severe competition and relatively low profitability. These bulky products are expensive to transport, which means that relocation of production to low-cost countries is a less suitable solution. Modularization and more outsourcing enable lower costs and higher profitability.

For dishwashers, there is a potential for reducing costs on the basis of the Group's global strength. This product category features low penetration in many countries and regions. Rapid and profitable growth can be achieved by developing innovative products that meet local needs but are based on common global product platforms.

In terms of washing machines, Electrolux shall grow in the low-price segment on the basis of more outsourcing as well as the use of global platforms. However, profitable growth will be generated primarily by Electrolux-branded front-loaded washers and tumble-dryers in the premium segment, through smart innovations and design for which consumers are willing to pay more.

## Turning around operations in Germany, the UK and Spain

Germany, the UK and Spain are major markets for household appliances in which the Group is working to simplify the product offering as well as the organization. The number of brands is being reduced, and unprofitable product categories are being discontinued. At the same time, new products based on consumer insight are being launched in several segments. Production is being either consolidated or relocated to low-cost countries. The benefits include larger market shares in the built-in segment as well as greater awareness of the Electrolux brand. Profitability has improved considerably. The next step will involve focusing on sales growth while maintaining profitability.

## Turning around the operation in China

The Electrolux brand is very strong in Southeast Asia, and is associated with European quality. In China, Electrolux has withdrawn from the lower price segments for refrigerators, following several years of losses. The Group is focusing instead on cookers and laundry equipment for the growing premium segment in the big cities. In 2009, the operation in China was positively affected by implemented cost-cutting measures as well as the repositioning of the Electrolux brand.



# SUSTAINABILITY

Building a trusted and engaged company is integral to business success.

## Driving change

Sustainability plays an ever-more important role in realizing the Group strategy. Demand for products with outstanding environmental performance is growing. Meanwhile, consumers expect companies to offer solutions to today's global challenges.

Four main priorities have been identified:

A principled business

Climate challenge

Responsible sourcing

Restructuring

The Electrolux business strategy is founded on a strong brand, consumer insight to develop innovative products and cost-efficiency. Understanding and engaging in challenges such as climate change, constrained resources and the impacts of globalization are essential to succeeding in every aspect of this strategy.

Electrolux has integrated its work with sustainability throughout its operations. Adopting a sustainable approach to doing business helps differ-

entiate both products and the Electrolux brand, and generates positive impacts on the bottom line. When achieving the Group's 2012 target to cut energy consumption in its operations, Electrolux will save approximately SEK 200m a year compared to 2005 energy costs. Moreover, sales of its green ranges, consisting of the Group's most energy- and water-efficient appliances, accounted for 21% of sold units in 2009 and 30% of gross profit.

### United Nations Global Compact

Electrolux supports the United Nations Global Compact. The UNGC brings together companies, UN agencies, labor and civil society to promote ten principles in the areas of human rights, labor, the environment and anti-corruption. All Electrolux policies, including the Code of Ethics, Workplace Code of Conduct, Policy on Countering Corruption and Bribery and Environmental Policy are in line with these principles.



### DJSI World Index

The Group's sustainability performance helps attract and strengthen relations with investors. In 2009 and for the third year, Electrolux ranked among the top 10% of the world's 2,500 largest companies in the Dow Jones Sustainability World Index for social and environmental performance. As a result, asset managers with a total of USD 8 billion are recommended to invest in Electrolux.



## A PRINCIPLED BUSINESS

A sustainable approach starts at home — with safe workplaces, mutual respect and common values, and operations that minimize negative environmental impact. At the same time, the Group aims to generate positive contributions to both people and the planet. Electrolux is founded on the principles ‘ethics and integrity’, ‘respect and diversity’ and ‘safety and sustainability’, together with its core values (see page 54). These principles are based on universal ways of working that all employees must share and are firmly embedded into the Group’s governance structure through the Electrolux Code of Ethics, Workplace Code of Conduct and Environmental Policy as well as Policy on Countering Corruption and Bribery. Training, follow-ups and integration into performance appraisals help instill these principles throughout the entire organization.

## CLIMATE CHALLENGE

Electrolux has a three-part strategy to help tackle climate change that focuses on climate-smart products, consumer awareness, and energy efficiency in operations. Electrolux contributes positively to the climate challenge by innovating and promoting the most water- and energy-efficient and climate-smart products as well as raising awareness of their contribution in reducing consumers’ carbon footprint. This makes business sense, too, since these products deliver higher profit margins.

Electrolux has also reduced its negative impacts with a target to cut energy consumption in operations by 15% by 2009. The target was exceeded and the Group emitted approximately 163,000 tons less carbon dioxide (CO<sub>2</sub>) in 2009 than in 2005. A new target is in place to reduce energy an additional 15% by 2012 compared to 2008 (see graph).

## RESPONSIBLE SOURCING

Environmental and social responsibility is woven into the Electrolux approach to the manufacture of its products, whether in Group factories or by suppliers. The Responsible Sourcing program builds transparent relationships with suppliers and helps improve labor and environmental conditions through audits, training, advising and reporting.

More than 3,700 companies supply Electrolux with products and components. For the Responsible Sourcing team, the focus is on regions posing challenges because of poor enforcement of national labor and environmental protection laws. The team is in place in Asia/Pacific, Eastern Europe and Latin America.

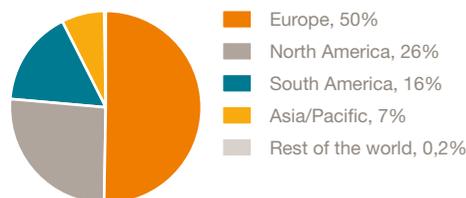
## RESTRUCTURING

As a local employer and a global company, the decisions the Group makes affect individuals and local communities. Whether helping new operations leapfrog to new technologies or responsibly handling closures, Electrolux aims to do so in dialogue with those affected.

In the Group’s restructuring program, more than 50% of production is being relocated to low-cost countries. Opening new plants in emerging economies creates economic, social and environmental benefits including new jobs, opportunities for local suppliers, and improved social and environmental standards.

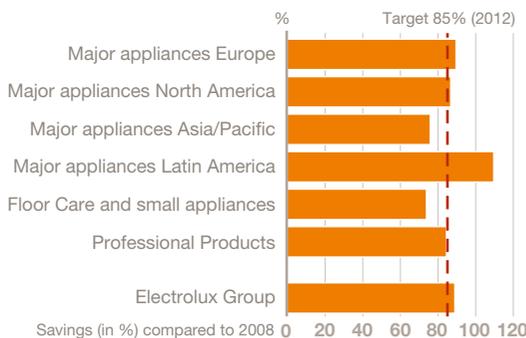
Closing operations is a difficult decision for all involved. The Group aims to be transparent and inclusive, with respect for the individual. During this process, Electrolux consults with labor unions, politicians and public authorities to develop new employment and training opportunities.

Employees by geographical area (GRI LA1)



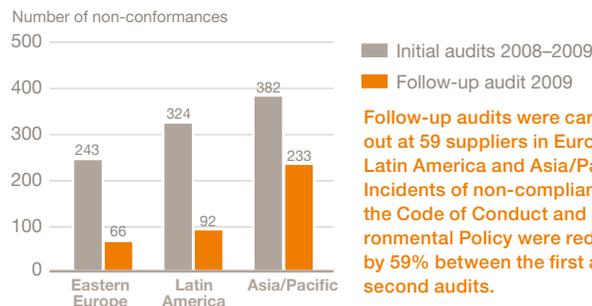
Electrolux has more than 50,000 employees. Wherever Electrolux operates in the world, it applies the same high standards and principles of conduct.

2012 Energy savings target (GRI EN18)



Electrolux will reduce its use of energy by close to 30% compared with 2005 consumption levels by achieving the two consecutive energy reduction targets in 2012.

Follow-up audit comparisons



Follow-up audits were carried out at 59 suppliers in Europe, Latin America and Asia/Pacific. Incidents of non-compliance to the Code of Conduct and Environmental Policy were reduced by 59% between the first and second audits.



The number of employees at the Olawa washing-machine plant in Poland rose from 540 in 2006 to 1,030 in 2009. At Olawa, all staff complete Code of Conduct training at induction.

# SUSTAINABILITY

Using a life-cycle approach, Electrolux is reducing its carbon footprint.

## Treading lightly

By far, the Group's greatest potential to reduce CO<sub>2</sub> is to sell energy-lean products. Electrolux uses product life-cycle analyses to gauge and reduce its environmental impacts and recognize business opportunities.

Electrolux is committed to being part of the solution in reducing carbon emissions through leaner manufacturing, forward-thinking product innovation and design for efficient use and recycling. With the product life-cycle as its guide, Electrolux defined a three-part climate strategy to reduce energy use at every phase of a product's lifetime (see page 51). The main focus is on developing and promoting water- and energy-efficient products; as the greatest portion of the Group's carbon footprint occurs when products are in operation.

### When products are in operation 76% carbon impact

The energy used by a washing machine during operation emits approximately 1 ton of CO<sub>2</sub> in a typical ten-year life span.

Through the green product ranges, each business sector is innovating and promoting a product offering that is water- and energy-efficient, with climate-smart features. The products' contribution to sales is reported annually. Eco Savings, an online calculator launched by Electrolux, shows consumers and policy-makers how resource-efficient appliances save both CO<sub>2</sub> and money.

[www.electrolux.com/ecosavings](http://www.electrolux.com/ecosavings)



76%

#### Global Green Range



# Product life-cycle of a washing machine

The Group's work in reducing its carbon footprint is guided by a product life-cycle approach, where carbon impact is measured during the entire life-cycle, from raw-material extraction, to manufacture, transport, use and finally end-of-life treatment.

Source: Öko Institut e.V.'s LCA of a washing machine, 2004.



## End of life +4% (energy recovery)

Over 80% of a large appliance such as a washing machine can be recycled. Electrolux participates in take-back schemes in Europe. In accordance with the EU WEEE Directive, which defines producer responsibility for collection, treatment and disposal of electrical and electronic products, at least 75% of the material must be recycled. In the US, Electrolux cooperates with retailers such as Best Buy to encourage consumers to recycle their redundant appliances.



## Materials 22% carbon impact

This equates to approximately 0.3 tons CO<sub>2</sub> for every product. As of 2010, Electrolux requires its suppliers to measure their energy consumption. Electrolux also develops applications for recycled plastics. Recycled plastics consume considerably less energy during manufacturing than virgin plastics. On average, the steel used in washing machines contains 60% recycled material.



## Manufacturing 2% carbon impact

Group operations emit approximately 414,000 tons of CO<sub>2</sub> annually. Within the Green Spirit program, all Group facilities are engaged in achieving the target to reduce energy consumption 15% by 2012. In 2009, 163,000 tons less CO<sub>2</sub> were emitted into the atmosphere from operations compared with 2005. Other areas of impact include business travel, which in 2009 was reduced by 40% compared to 2008. Employees are encouraged to meet via video, audio and online conferencing facilities.



All Electrolux facilities display Green Spirit booths on energy targets and current status. This information helps mobilize employees to take part in efforts to cut energy.

## Transportation less than 1% carbon impact

Electrolux is globally mapping modes of transport and the CO<sub>2</sub> impact throughout its operations in order to set reduction targets in 2010.



# Electrolux People Vision

The goal of the Electrolux People Vision is to have an innovative corporate culture with diverse, outstanding employees that drive change and go beyond in delivering on the Group's strategy and performance objectives.

The Electrolux corporate culture embodies the same values as when the company was founded by Axel Wenner-Gren: **Passion for innovation, Customer obsession and Drive for results.** In 2008, the Electrolux People Vision was defined in order to reinforce the innovative corporate culture. The diversity among personnel and a working climate that rewards creative thinking are extremely important.

Work on implementing and fulfilling the Electrolux People Vision continued during 2009. A number of tools are available to make this vision a reality:

- Leadership development
- Talent Management and succession planning
- OLM, an internal database for available jobs
- EAS, a web-based personnel survey

Group Staff Human Resources and Organizational Development continuously monitors a number of indicators that show how well the corporate culture is functioning within the organization.

## Leadership development at all managerial levels

Electrolux maintains Group-wide leadership programs at all levels, from supervisors to senior management. The programs are designed to contribute to a common approach to leadership, irrespective of cultural differences. "The Executive", a new leadership program, was launched in 2009 for the 200 senior managers within the Group. It is aimed at accelerating implementation of the Group's strategy, driving work on change, and strengthening the image of Electrolux as a uniform, global company.

Managing a company that is undergoing change involves special requirements. In 2009, a separate leadership program focused

on change was offered in all regions. The program aimed at creating a uniform approach as well as identifying tools and methods for consistently driving change.

## Talent Management ensures critical competence

Succession planning is an important component of Talent Management. Electrolux maintains a Talent Review Process in order to ensure that required competence is defined and internal talent is identified, utilized and prepared for new challenges. The process includes for example an annual evaluation of managers and specialists. In 2009, approximately 4,500 managers and specialists were evaluated throughout the Group, which was a record high.

## OLM stimulates internal recruitment

Electrolux personnel share responsibility with the company for the individual's development and career. The company encourages mobility across the Group's worldwide working places and between different operations in order to enhance competence, generate new ideas and develop future leaders. The most important tool for increasing internal mobility is the Group's Open Labor Market (OLM) database, where all available office jobs are posted.

## EAS reflects integration of the People Vision

The annual Employee Attitude Survey (EAS) is a web-based tool that encourages personnel to express their perceptions of Electrolux. The survey also enables employees to submit suggestions for improvements that could contribute to realizing the Electrolux People Vision.

## Strong corporate culture

The Electrolux corporate culture and values comprise the foundation of the company's operations. These values include respect, diversity, integrity, ethics, safety and sustainability and are fundamental to all employees' relations with customers and colleagues throughout the world.

Fulfilling the Electrolux vision requires a clearly defined strategy and a strong corporate culture. The Group's operations feature a passion for innovation, consumer insight and a strong motivation to achieve results. This culture enables Electrolux to achieve its vision of being "world leader in making life simpler

and more enjoyable for people, by offering household products and professional products".

During 2009, Electrolux core values and basic approach were discussed and made explicit in workshops around the world. Evaluations and discussions of how personnel and managers put the Group's values into practice are an important part of the annual appraisal talks between managers and personnel.



# Remuneration to Senior Management

Below Remuneration Committee Chairman Barbara Milian Thoralfsson presents the company's approach to remuneration for senior management.

Electrolux achieved excellent results in 2009, in a difficult and uncertain market. Total shareholder return exceeded 150%. Operating income improved substantially. Launches of new products in several markets improved the product mix. Performance targets set by the Board at the beginning of the year focused on operating margin, net working capital and cash flow and were exceeded by the company overall and by virtually all business units. The structure of Electrolux total remuneration places high emphasis on 'pay for performance' with short-term variable remuneration payouts historically correlating closely with achieved performance. In 2009, the targets relating to variable remuneration were exceeded.

In spite of the strong results of 2009, the 2007-2009 long-term incentive plan which is based on 3 year earnings per share (EPS) growth will not pay out, owing to the poor results achieved in a very difficult environment during 2008.

Looking forward, our remuneration strategy remains focused on principles that both align with shareholder interests and engage a talented and multinational senior management group. Key within our 'pay for performance' framework is to establish competitive total remuneration within our various relevant markets – normally the country or region where our executives are employed. During 2009, we reviewed elements of our total remuneration with particular attention on our long-term element. In the process, we have engaged with key shareholders to exchange ideas and discuss proposals.

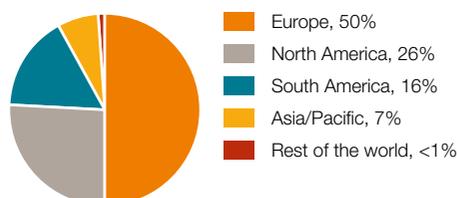
The result of our review is contained in the recommendation to the AGM for 2010 on the Long Term Incentive program. We propose no change to the total remuneration structure comprising fixed salary, a short-term variable component, a long-term share-related incentive plan, and pension. We intend to introduce a mandatory personal investment feature to the long-term plan along with a matching element to enhance long-term equity ownership of executives and further align with shareholder interests.

Salaries for the President and CEO and all members of Group Management were frozen during 2009 and we expect to see only modest adjustments during 2010. As normal, targets for both short-term and long-term plans have been set at the start of this year. For the short-term, these are focused on financial goals including operating margin, and net operating working capital, while the long-term continues to be based on average EPS growth over the upcoming three-year period. Targets are, as usual, challenging but consistent with the overall strategic objectives of the Group.

We are confident that our overall approach to, and management of, total remuneration aligns well with our business goals, and long-term shareholder interests and will engage and motivate our talented and committed executive team in a very challenging market.

For further information on remuneration, see Note 27 in part 2.

Employees, by geographical area



Gender distribution

#### Group-wide

	2009	2008	2007
Women	35%	36%	35%
Men	65%	64%	65%

#### Senior managers

	2009	2008	2007
Women	15%	12%	12%
Men	85%	88%	88%

#### Group Management

	2009	2008	2007
Women	25%	27%	27%
Men	75%	73%	73%

#### Board of Directors

	2009	2008	2007
Women	33%	33%	33%
Men	67%	67%	67%

Everything we learn here,



Tetsuya Wakuda, Tetsuya's, Sydney.



### Electrolux Induction Cooktop

The ultimate in cooking precision and control. Stunning ergonomic design. Safe, fast and efficient. It helps Tetsuya turn out dishes to perfection. Imagine how well it could work for you. Share more of our thinking at [www.electrolux.com.au](http://www.electrolux.com.au)

we apply here.



*Thinking of you*  
**Electrolux**

# Electrolux and the capital market

Electrolux communication with the capital market aims at supplying relevant, reliable, accurate and updated information about the Group's development and financial position.

Financial information is supplied continuously in annual and interim reports. Telephone conferences are arranged in connection with the publication of interim reports, at which Group management presents results and analyses. Additional market and financial information is available at the Group's website.

The Electrolux Investor Relations department arranges about 300 meetings annually for investors and analysts. About one-third of these are attended by Group Management. Meetings with international investors are held in the form of roadshows, primarily in major financial markets in Europe and the US. Electrolux also interacts daily with the capital market.

## Capital markets day in Stockholm

A capital markets day was arranged in Stockholm on November 3 in order to provide more in-depth information about Electrolux. The main messages were:

- Electrolux is being transformed from a production company to a consumer-driven company. The Group will continue to invest in the brand and in product development in order to create further value.
- Electrolux will continue to be the most cost-efficient producer of household appliances.
- The Group's goal is to achieve an operating margin of 6% over a business cycle, excluding items affecting comparability. The goal is to be achieved despite higher raw material prices, price pressure and weak market development.
- Electrolux strong financial position provides good possibilities for profitable growth.

## Financial goals

Electrolux has defined financial goals for operating margin, return on capital employed, growth and capital structure, see below.

Type of goal	Goal
Operating margin <sup>1)</sup>	>6%
Annual average growth	>4%
Capital turnover rate	>4
Return on capital employed	>25%

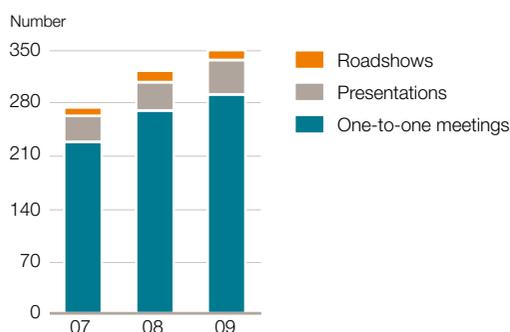
1) Excluding items affecting comparability, over a business cycle.

## Dividend

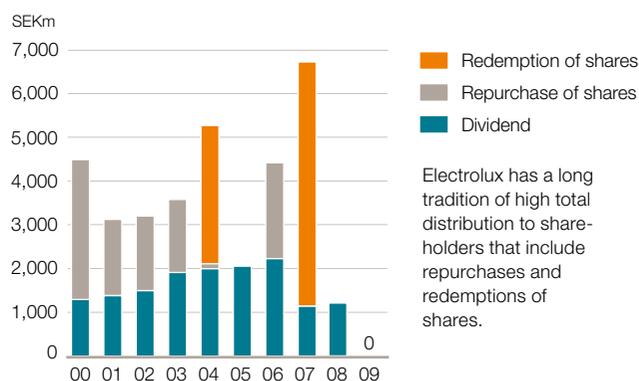
The Board of Directors proposes a dividend for 2009 of SEK 4.00 per share, for a total dividend payment of approximately SEK 1,138m. The proposed dividend corresponds to 30% of income for the period, excluding items affecting comparability.

The Group's goal is for the dividend to correspond to at least 30% of income for the period, excluding items affecting comparability. For a number of years, the dividend level has been considerably higher than 30%. Electrolux has a long tradition of distribution of funds to shareholders, including repurchase and redemption of shares. No dividend was paid in 2008 in light of the low level of earnings and the substantial uncertainty about the market in 2009.

IR activities



Total distribution to shareholders



Electrolux has a long tradition of high total distribution to shareholders that include repurchases and redemptions of shares.

## Development of the Electrolux share

In 2009, several international stock exchanges recovered from the downturn in 2008 that accompanied the global recession and financial crisis. Consequently, the Electrolux share had a low valuation at the start of 2009. In combination with the recovery of stock markets, this provided a good potential for a good performance of the share in 2009.

The share price development for the Electrolux B-share in 2009 was the best in the company's history. An important factor to the share price development was the improvement in income. Expectations of future growth in earnings increased, as well as the number of buy recommendations increased during the year.

The main factors contributing to the improvement of income were considerable cost reductions, favorable trends for prices and mix, and lower costs for raw materials.

In addition to the improvement in income, strong cash flow contributed to the share price development. The strong cash flow was generated by higher income, the structural reduction of working capital, and a lower level of investment in 2009.

## Yield

The opening price for the Electrolux B-share in 2009 was SEK 66.75. The lowest closing price was SEK 57.50, on March 6. The closing price for the B-share at year-end 2009 was SEK 167.50, which was 151% higher than at year-end 2008. Total return during the year was 151%. The market value of Electrolux at year-end 2009 was approximately SEK 48 billion (19), which corresponded to 1.4% (0.9) of the total value of Nasdaq OMX Stockholm.

Over the past ten years, the average annual yield on an investment in Electrolux shares was 18.7%. The corresponding figure for Nasdaq OMX Stockholm was 6.9%.

## Share volatility

During the past three years, the Electrolux share has shown a volatility of 49% (daily values), as compared to an average volatility

of 31% for a large cap company on Nasdaq OXM Stockholm. The beta value of the Electrolux share over the past five years is 1.24. A beta value of more than 1 indicates that the share's sensitivity to market fluctuations is above average.

## Trading volume

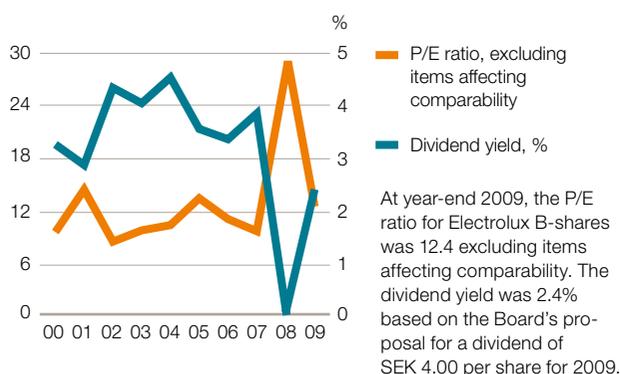
The Electrolux share is listed on Nasdaq OMX Stockholm and the London Stock Exchange (LSE). In 2009, Electrolux applied for delisting from the London Stock Exchange, where the company's B-shares have been listed since 1928. This listing is no longer deemed necessary due to deregulation of international capital markets and the increased foreign ownership of shares on OMX Nasdaq Stockholm. The delisting will occur during the first quarter of 2010.

There has recently been a clear trend to new trading venues for shares. During 2009, 28% of Electrolux B-shares were traded outside Nasdaq OMX Stockholm, as compared to 19% during 2008.

In 2009, the Electrolux share accounted for 2.7% (2.0) of the shares traded on Nasdaq OMX Stockholm, of a total trading volume of SEK 3,393 billion (4,694).

Trade in Electrolux B-shares	2009	2008
Number of traded shares, million	805.9	1,081.9
Value of traded shares, SEKbn	90.2	92.0
Average daytraded shares, million	3.2	4.3
Average daytraded shares, SEKm	359	365
<b>Market share</b>		
Nasdaq OMX Stockholm, %	72.1	81.1
London Stock Exchange, %	1.0	1.0
BOAT, %	13.3	15.9
Chi-X, %	9.5	1.6
Turquoise, %	2.4	0.4
Number of issued/cancelled ADR	1,149,300	395,374
Number of ADR outstanding	1,349,731	567,407

## P/E ratio and dividend yield



## Share data

Share listings <sup>1)</sup>	Stockholm, London <sup>2)</sup>
Number of shares	308,920,308
of which A-shares <sup>3)</sup>	9,063,125
of which B-shares <sup>3)</sup>	299,857,183
Number of shares after repurchase	284,421,467
Quota value	SEK 5
Market capitalization on December 31, 2009	SEK 48 billion
GICS code <sup>4)</sup>	25201040
Ticker codes	Reuters ELUXB.ST Bloomberg ELUXB.SS

1) The trading of the Group's ADR was transferred from Nasdaq to the US Over-the-Counter market as of March 31, 2005. One ADR corresponds to two B-shares.

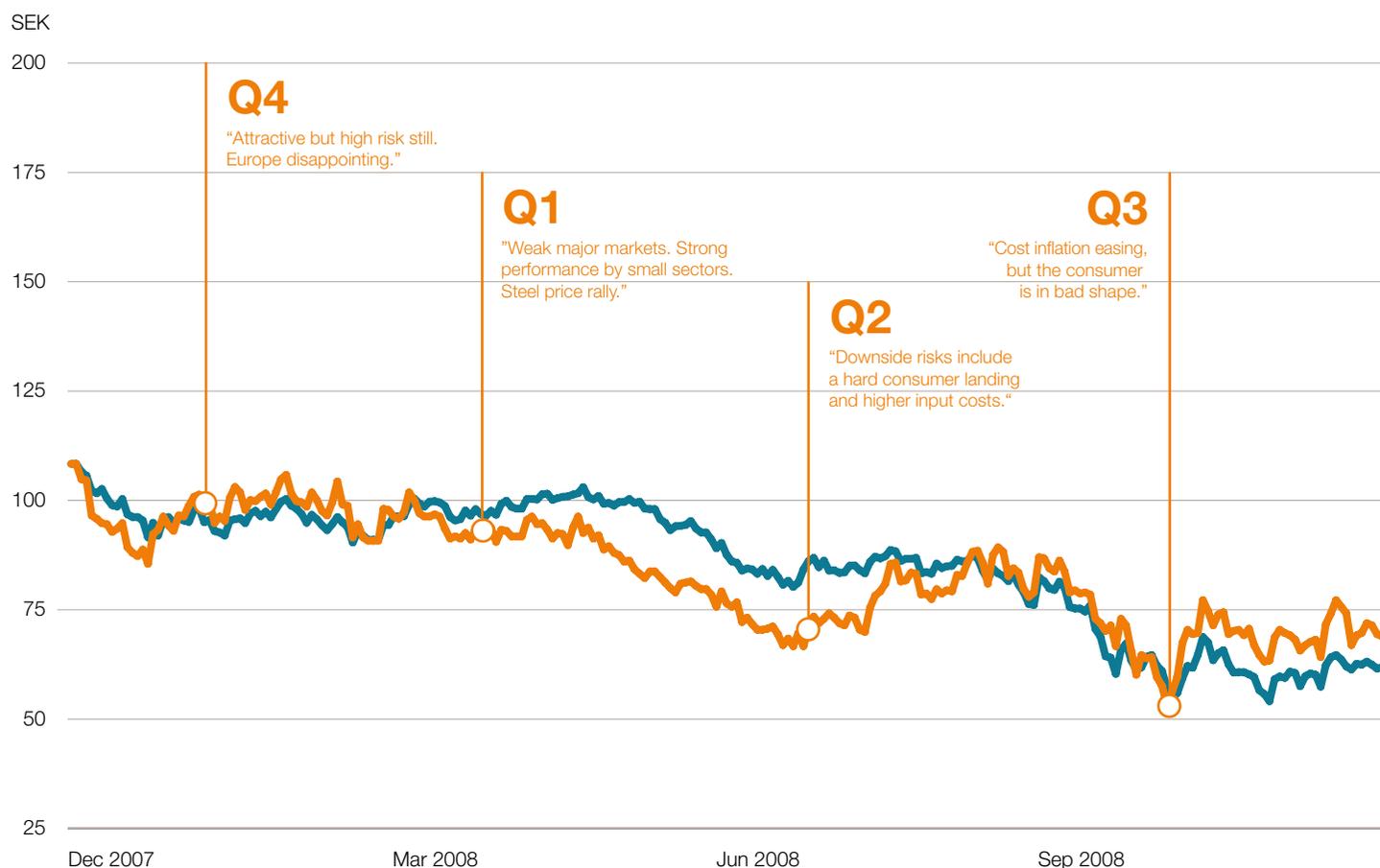
2) In 2009, Electrolux applied for delisting from the London Stock Exchange. See above.

3) In January 2010, at the request of shareholders, A-shares were converted into B-shares. See page 62.

4) MSCI's Global Industry Classification Standard (used for securities).

## Electrolux B vs Swedish index

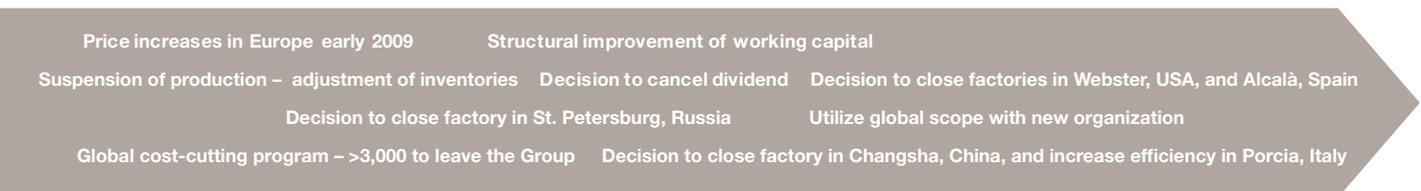
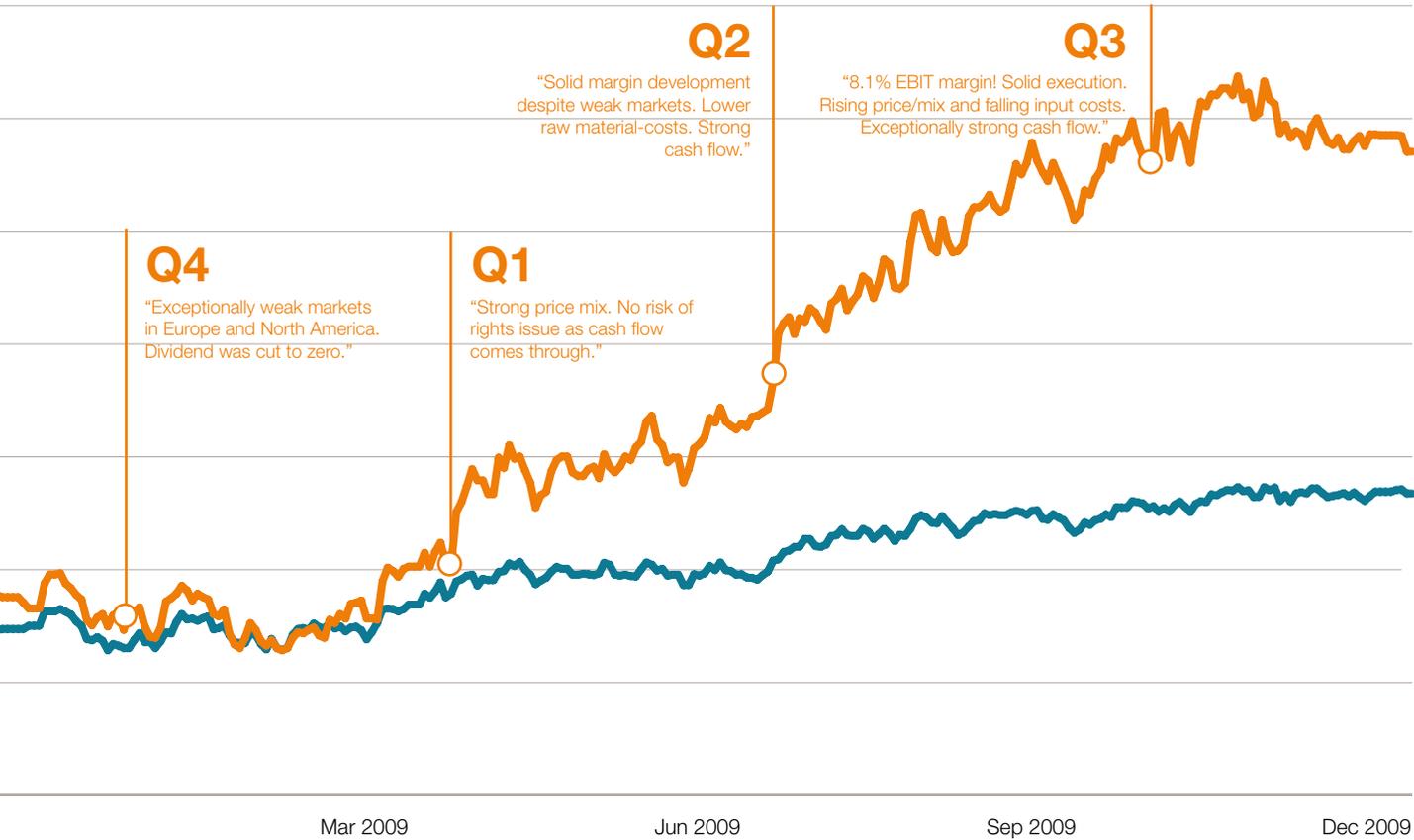
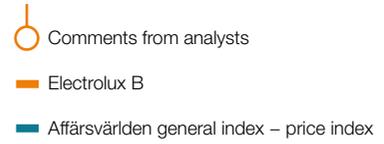
The share-price development for the Electrolux B-shares was weak in 2008 but improved strongly in 2009. Strong quarterly reports and cash flows were the main reasons.



<b>EXTERNAL FACTORS</b>	Increasing raw-material market prices	Strong decline in raw-material market prices
	Continued decline in demand in North America and Western Europe	Global financial crises affects access to credits Accelerated global decline in demand Strong currency changes

<b>ELECTROLUX INITIATIVES</b>	Price increases in North America throughout 2008	Electrolux launch (kitchen) in North America
	New borrowings – prolonged maturities	Electrolux launch (laundry) in North America
	Reduced complexity in Europe – >600 to leave the Group	
	Decision to close factory in Scandicci and improve efficiency in Susegana, Italy	

Recommendations from analysts	After Q4 2007	After Q1 2008	After Q2 2008	After Q3 2008
Buy	37%	27%	33%	33%
Hold	50%	33%	27%	40%
Sell	13%	40%	40%	27%



	After Q4 2008	After Q1 2009	After Q2 2009	After Q3 2009
	20%	33%	53%	47%
	27%	33%	40%	33%
	53%	33%	7%	20%

### Conversion of shares

In accordance with Electrolux Articles of Association, owners of A-shares have the right to have such shares converted to B-shares. Conversion reduces the total number of votes in the company. In January 2010, at the request of shareholders, 439,150 A-shares were converted to B-shares.

### Ownership structure

The majority of the total share capital as of December 31, 2009, was owned by Swedish institutions and mutual funds (approximately 49%). At year-end, approximately 8% of the shares were owned by Swedish private investors.

During the year, the proportion held by foreign owners increased strongly from approximately 32% in March to approximately 46% in August, and then declined toward the end of the year. The figure for year-end 2009 is estimated at approximately 43%. The volume of shares traded by foreign owners has a significant effect on share liquidity.

Foreign investors are not always recorded in the share register. Foreign banks and other custodians may be registered for one or several customers' shares, and the actual owners are then usually not displayed in the register.

### Incentive program

Electrolux maintains a number of long-term incentive programs for senior management. Since 2004, the Group has performance-based share programs.

Previously, the Group had option programs which entitle an allotment of options that can be redeemed for shares at a fixed price. The value of the options is linked to the trading price of the Electrolux B-shares.

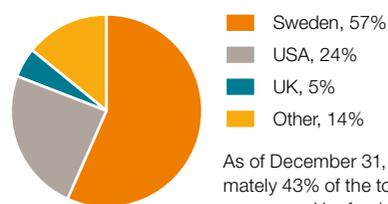
During 2009, senior managers in Electrolux purchased 839,963 B-shares under the terms of the employee stock option programs. No B-shares were allotted under the 2005 performance-based share program. At year-end 2009, the incentive programs corresponded to a maximum dilution of 1.72% of the total number of shares, or 4,984,148 B-shares.

### Major shareholders

	Number of A-shares	Number of B-shares	Total number of shares	Share capital, %	Voting rights, %
Investor AB	8,270,771	30,894,300	39,165,071	12.7	28.8
BlackRock Funds		16,951,158	16,951,158	5.5	4.3
AllianceBernstein		16,200,000	16,200,000	5.2	4.1
Swedbank Robur Funds		11,519,172	11,519,172	3.7	2.9
Alecta Pension Insurance	500,000	9,824,000	10,324,000	3.3	3.8
AMF Pension Insurance		5,741,596	5,741,596	1.9	1.5
SHB Funds		5,419,681	5,419,681	1.8	1.4
Second Swedish National Pension Fund		4,525,903	4,525,903	1.5	1.1
Government of Norway		4,492,666	4,492,666	1.5	1.1
Fourth Swedish National Pension Fund		4,104,202	4,104,202	1.3	1.0
Other shareholders	731,504	165,246,514	165,978,018	53.7	49.9
<b>External shareholders</b>	<b>9,502,275</b>	<b>274,919,192</b>	<b>284,421,467</b>	<b>92.1</b>	<b>100</b>
AB Electrolux		24,498,841	24,498,841	7.9	0
<b>Total</b>	<b>9,502,275</b>	<b>299,418,033</b>	<b>308,920,308</b>	<b>100</b>	<b>100</b>

Source: SIS Ägarservice and Electrolux as of December 31, 2009. The figures are rounded off. Information regarding ownership structure is updated quarterly on [www.electrolux.com/group\\_management.aspx](http://www.electrolux.com/group_management.aspx)

### Shareholders by country



As of December 31, 2009, approximately 43% of the total share capital was owned by foreign investors.

Source: SIS Ägarservice as of December 31, 2009.

### Distribution of shareholdings

Shareholding	Ownership, %	Number of shareholders	As % of shareholders
1-1,000	3.6%	46,012	88.5%
1,001-10,000	4.4%	5,135	9.9%
10,001-20,000	3.3%	232	0.4%
20,001-	88.7%	607	1.2%
<b>Total</b>	<b>100%</b>	<b>51,986</b>	<b>100%</b>

Source: SIS Ägarservice as of December 31, 2009.

## Data per share

	2009	2008	2007 <sup>9)</sup>	2006 <sup>9)</sup>	2005	2004	2003	2002	2001	2000
Year-end trading price, B-shares, SEK <sup>1)</sup>	167.50	66.75	108.50	116.90	89.50	65.90	67.60	58.80	66.90	52.40
Year-end trading price, B-shares, SEK	167.50	66.75	108.50	137.00	206.50	152.00	158.00	137.50	156.50	122.50
Highest trading price, B-shares, SEK	184.10	106.00	190.00	119.00	90.50	174.50	191.00	197.00	171.00	230.00
Lowest trading price, B-shares, SEK	57.50	53.50	102.00	78.50	62.00	125.50	125.50	119.50	92.00	110.00
Change in price during the year, %	151	-38	-7	31 <sup>9)</sup>	36	-4	15	-12	28	-43
Equity per share, SEK	66	58	57	47	88	81	89	87	88	77
Trading price/equity, %	253	116	191	247 <sup>1)</sup>	234	187	178	158	178	159
Dividend, SEK	4.00 <sup>2)</sup>	0	4.25	4.00	7.50	7.00	6.50	6.00	4.50	4.00
Dividend as % of net income <sup>3) 4)</sup>	29	0	36	37 <sup>3)</sup>	47	46	39	36	41	30
Dividend yield, % <sup>5)</sup>	2.4	0	3.9	3.4 <sup>1)</sup>	3.6	4.6	4.1	4.4	2.9	3.3
Earnings per share, SEK	9.18	1.29	10.41	9.17	6.05	10.92	15.25	15.58	11.35	12.40
Earnings per share, SEK <sup>4)</sup>	13.56	2.32	11.66	10.89	15.82	15.24	16.73	16.90	11.10	13.25
Cash flow, SEK <sup>6)</sup>	29.16	4.22	4.54	7.53	2.45	10.81	9.15	23.14	15.55	4.67
EBIT multiple <sup>7)</sup>	12.8	19.8	7.9	8.0 <sup>1)</sup>	16.1	9.5	6.8	5.9	10.0	8.1
EBIT multiple <sup>4) 7)</sup>	9.1	15.2	7.3	7.1 <sup>1)</sup>	9.1	6.7	6.3	5.6	9.8	7.7
P/E ratio <sup>4) 8)</sup>	12.4	28.8	9.3	10.7 <sup>1)</sup>	13.1	10.0	9.4	8.1	14.1	9.2
P/E ratio <sup>9)</sup>	18.2	51.7	10.4	12.7 <sup>1)</sup>	34.1	13.9	10.4	8.8	13.8	9.9
Number of shareholders	52,000	52,600	52,700	59,500	60,900	63,800	60,400	59,300	58,600	61,400

1) Adjusted for distribution of Husqvarna in June 2006, and for redemption in January 2007.

2) Proposed by the Board.

3) As percent of income for the period.

4) Excluding items affecting comparability.

5) Dividend per share divided by trading price at year-end.

6) Cash flow from operations less capital expenditures, divided by the average number of shares after buy-backs.

7) Market capitalization excluding buy-backs, plus net borrowings and minority interests, divided by operating income.

8) Trading price in relation to earnings per share after full dilution.

9) Continuing operations.

## Analysts who follow Electrolux

Company	Analyst
ABG Sundal Collier	Christer Fredriksson
Carnegie	Kenneth Toll Johansson
Cheuvreux	Johan Eliason
Citigroup	Natalia Mamaeva
Credit Suisse First Boston	Andre Kukhnin
Danske Bank	Carl Holmquist, Jan Bjerkeheim
Deutsche Bank	Stefan Lycke
DNB NOR Markets	Ole-Andreas Krohn
Evli Bank	Michael Andersson
Execution Limited	Nick Paton
Goldman Sachs International	Timothy Rothery
Handelsbanken Capital Markets	Rasmus Engberg
HQ Bank	Patric Lindqvist

Company	Analyst
HSBC	Colin Gibson
JP Morgan	Andreas Willi
Merrill Lynch	Ben Maslen
New Street Research	James Stettler
Nomura	Lisa Randall
Nordea	Johan Trocmé, Ann-Sofie Nordh
Redburn Partners	James Moore
SEB Enskilda	Anders Trapp, Stefan Cederberg
Standard & Poor's	James Monroe
Erik Penser	Johan Dahl
UBS Warburg	Olof Cederholm
Ålandsbanken	Fredrik Nilhov
Öhman Fondkommission	Björn Enarson

## Press releases 2009

### February 4 Consolidated results 2008 and CEO Hans Stråberg's comments

February 23	Nomination Committee proposes re-election of Board members
March 30	Dr. Detlef Münchow to leave Electrolux
March 31	Electrolux to close factory in St. Petersburg, Russia
March 31	Electrolux Annual General Meeting 2009: Excerpts from the speech by President and CEO Hans Stråberg

### April 22 Interim report January–March and CEO Hans Stråberg's comments

April 28	Electrolux will slash energy use by a further 15% by 2012
June 12	Alberto Zanata appointed new Head of Professional Products

### July 16 Interim report January–June and CEO Hans Stråberg's comments

July 16	Keith McLoughlin, Executive Vice President, appointed Chief Operations Officer Major Appliances / Kevin Scott appointed Head of Major Appliances North America
September 14	Electrolux once again included in Dow Jones Sustainability World Index
September 30	Nomination Committee for Electrolux AGM 2010
October 23	Electrolux to discontinue production at factory in Alcalá, Spain
October 26	Interim report January–September and CEO Hans Stråberg's comments
December 16	Electrolux applies for delisting from the London Stock Exchange
December 16	Electrolux to consolidate its North American corporate office operations into Charlotte, North Carolina

# Managing risks to maximize **returns**

The household appliances sector was affected by the continued recession in 2009. Demand continued to decline in several of the Group's major markets. Retailers were affected by turbulence in financial markets and reduced access to credit.

Other macroeconomic factors had a positive effect on the Group in 2009. Prices of raw materials declined, for the first time in many years. Price stability in various markets was good on the whole. Future trends are uncertain, however, which means there is a greater need for effective risk management.

Electrolux has implemented a number of measures to meet major risks. Capacity has been adjusted to match the weak demand, working capital has been structurally improved, the focus on price has been intensified, and the purchasing process for raw materials has been further streamlined. The text below describes the major risks and the Group's response in order to manage and minimize them.



In general, there are three types of risks: Business risks, which are normally managed by the Group's operational units; financial risks, which are handled by Group Treasury; and other risks.

## Business risks

The Group's ability to improve profitability and increase the return to shareholders is based on three elements: good products, strong brands and cost-efficient operations. The improvement in Group income for 2009 clearly demonstrates the potential for greater profitability. Realizing this potential requires effective and controlled risk management. The major risks at present are described below.

### Fluctuations in demand

Demand for appliances is affected by prevailing economic conditions. Electrolux is affected early by changes in these conditions, since it produces consumer goods. Lower market demand can involve lower sales volumes as well as a shift in demand to lower-priced products, which often feature lower margins. In the short term, utilization of production capacity is also reduced.

In 2009, demand continued to decline in Europe, North America, Asia and Australia. In Latin America, Brazil showed strong growth while demand declined in the rest of the region. In response to the rapid downturn in demand at the end of 2008, Electrolux initiated a comprehensive global savings program. The number of employees was reduced by more than 3,000, and some production was temporarily discontinued in order to adjust production volume and inventory levels. The savings program made a strong contribution to the improvement in income for 2009. It demonstrates clearly that the Group can rapidly adjust cost levels when demand for its products declines. The Group's high level of variable costs (>80%) enables considerable cost flexibility.

### Price competition

Most of the markets in which Electrolux operates feature strong price competition. It is particularly severe in the low-price segments and in product categories with large over-capacity.

In recent years, Electrolux has focused more on maintaining stable prices. In North America, the Group succeeded in maintaining the higher prices that were introduced in 2008. In Europe,

where prices have been declining for many years, the Group was able to raise prices at the beginning of 2009 and then maintain stable prices. Other business areas were also able to raise prices during the year. However, the risk of price deflation remains, in light of severe competition and over-capacity.

### Exposure to customers and suppliers

The economic downturn and the uncertainty in financial markets affect sales as well as access to credit for the Group's retailers and suppliers. This can result in higher credit risks for the Group with respect to retailers, and can affect the delivery capacity of suppliers.

Quelle of Germany, one of the Group's major retailers, went into bankruptcy in the fourth quarter of 2009. This reduced the Group's sales of appliances under private labels. New sales to IKEA in Europe partly offset the decline in sales.

Electrolux has a special process for evaluating credits and tracking the financial situation of retailers. Management of credits as well as responsibility and authority for approving credit decisions are regulated by the Group's credit policy. Credit insurance is used in specific cases to reduce credit risks.

### Raw materials and components account for most costs

A large share of the Group's costs refers to materials. In 2009, Electrolux purchased raw materials and components for approximately SEK 44 billion, of which approximately SEK 19 billion referred to the former. The Group's exposure to raw materials comprises mainly steel, plastics, copper and aluminum.

Prices of raw materials increased sharply early in 2008, and then fell during the second half of the year and the first half of 2009, after which they recovered somewhat. Electrolux uses bilateral contracts to manage risks related to prices. Some raw materials are purchased at spot prices. For the first time in many years, the Group's costs for raw materials declined in 2009. Shorter terms for raw-material contracts enabled the Group to benefit from the declining market prices. The total cost of raw materials in 2009 was more than SEK 1 billion lower than in 2008.

Sensitivity analysis, year-end 2009

Risk	Change	Pre-tax earnings impact, SEKm
<b>Raw materials</b>		
Steel	10%	+/- 900
Plastics	10%	+/- 400
<b>Currencies<sup>1)</sup> and interest rates</b>		
EUR/SEK	-10%	+ 529
USD/SEK	-10%	+ 385
BRL/SEK	-10%	- 254
AUD/SEK	-10%	- 246
GBP/SEK	-10%	- 224
Interest rate	1 percentage point	+/- 60

1) Includes translation and transaction effects.

Cost structure 2009

Cost item	% of total cost
Personell	16%
Depreciation	3%
<b>Fixed costs</b>	<b>19%</b>
Raw materials and components	41%
Product development	2%
Transports	4%
Brand investments	2%
Other <sup>1)</sup>	32%
<b>Variable costs</b>	<b>81%</b>
<b>Total</b>	<b>100%</b>

1) Marketing, IT, energy costs, consultant costs, etc.

**Restructuring for competitive production**

A large share of the Group’s production has been moved from high-cost to low-cost countries. The restructuring program was launched in 2004. The remaining costs for this program will be taken in 2010, and the new production structure will be in place by 2011.

Restructuring is a complex process that requires managing a number of different activities and risks. Increased costs related to relocation of production can affect income in specific quarterly periods. Relocation also makes Electrolux dependent on the capacity of suppliers for cost-efficient delivery of components and half-finished goods.

**Financial risks and commitments**

The Group’s financial risks are regulated in accordance with the financial policy that has been adopted by the Board of Directors. Management of these risks is centralized to Group Treasury and is based for the most part on financial instruments. Additional details regarding accounting principles, risk management and risk exposure are given in Notes 1, 2 and 18.

**Financing risk**

For long-term borrowings, the Group’s goal is to have an average maturity of at least two years, an even spread of maturities and an average fixed-interest period of 1.0 year. At year-end 2009, Group borrowings amounted to SEK 14,022m, of which SEK 10,241m referred to long-term loans with an average maturity of 3.9 years. Loans are raised primarily in EUR and SEK. The average interest rate at year-end for the total borrowings was 2.6%. At year-end 2009, the average interest-fixing period for long-term borrowings

was 1.0 years. Long-term loans totaling SEK 2,244m will mature in 2010 and 2011. Liquid funds as of December 31, 2009, amounted to SEK 13,357m, exclusive of an unused guaranteed credit facility of EUR 500m. On the basis of the volume of loans and the interest-rate periods in 2009, a change of 1 percentage point in interest rates would affect Group income in the amount of +/- SEK 60m. For additional information on loans, see Notes 2 and 18.

**Pension commitments**

At year-end 2009, the Group’s commitments for pensions and benefits amounted to approximately SEK 22 billion.

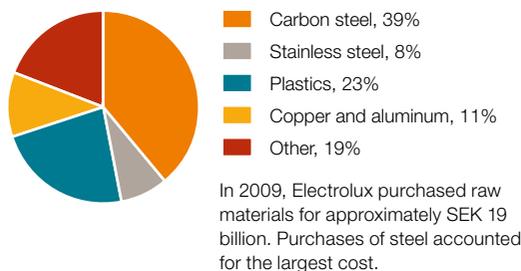
The Group manages pension assets of approximately SEK 19 billion. At year-end, approximately 39% of these assets were invested in equities, 44% in bonds, and 17% in other assets.

Provisions for post employment benefits declined to SEK 2,168m, compared to SEK 6,864m in 2008. SEK 4,714m were contributed to the Group’s pension funds during the year, whereof extra contributions of SEK 3,935m in December.

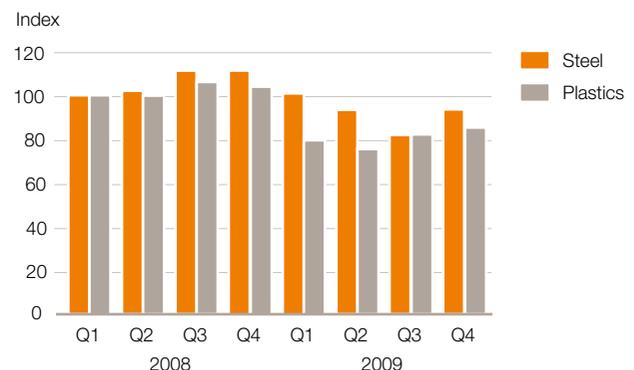
Yearly changes in the value of assets and commitments depend primarily on developments in the interest-rate market and on stock exchanges. Other factors that affect pension commitments include revised assumptions regarding average-life expectancy and health-care costs.

Costs for pensions and benefits are reported in the income statement for 2009 in the amount of SEK 877m. In the interest of accurate control and cost-effective management, the Group’s pension commitments are handled centrally by Group Treasury. The Group uses interest-rate derivatives to hedge parts of the risks related to pensions. For additional information, see Note 22.

Raw material exposure 2009



Steel and plastics prices development, Electrolux prices indexed



### Exchange-rate exposure

Currency effects are normally balanced, as the Group has a global presence and sales in a number of countries. Significant currency fluctuations in the second half of 2008 and the first half of 2009, led to larger currency effects than in 2008. During the first half of 2009, the Group was adversely affected by such fluctuations, including currency hedges, in the amount of approximately SEK –650m. Corresponding fluctuations during the second half had a positive effect in the amount of approximately SEK 350m.

A simultaneous change of 10% in each currency rate versus the SEK, would affect the Group's annual income in the amount of approximately +/- SEK 490m. Changes in currency rates affect Group income when products are exported to and sold in countries outside the country of manufacture, i.e., through transaction exposure, as well as when income statements in foreign subsidiaries are translated into SEK, i.e., through translation differences.

Of these changes, transaction exposure is normally the most significant regarding the currencies in countries where the Group's production costs are high, and when components are purchased in a different currency than in which finished products are sold. The table below shows the most important transaction exposures.

Translation exposure is related mainly to currencies in the regions with the largest Group operations, i.e., EUR and USD.

Changes in currency rates also affect Group equity. The difference between assets and liabilities in foreign currencies is affected by currency fluctuations, and thus comprises a net foreign investment. At year-end 2009, the major foreign net assets were in USD, EUR and BRL.

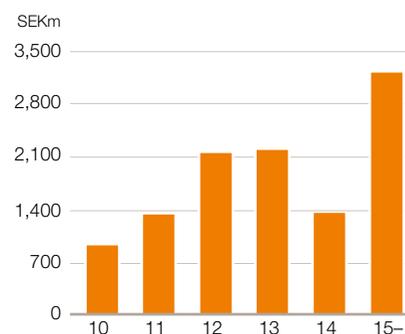
The Group uses currency derivatives to hedge currency exposure. The estimated exposure is normally hedged for the next six or twelve months. Currency exposure related to translation of financial statements in foreign subsidiaries is not hedged. At year-end 2009, the market value of the Group's currency hedges for transaction exposure amounted to SEK –43m.

In accordance with the Group's financial policy, a portion of foreign net assets may be hedged through borrowings in the relevant country's currency, or through currency derivatives. Currency gains and losses on net assets and hedges are booked directly against equity. The cost of hedges is reported under net financial items. The cost of hedging foreign net assets in 2009 amounted to SEK –108m.

Foreign-exchange transaction exposure, forecast 2010

SEKm	Net flow	Hedges	Net
EUR	-6,250	2,170	-4,080
USD	-5,150	1,500	-3,650
HUF	-1,430	870	-560
GBP	2,150	-870	1,280
AUD	2,090	-820	1,270
RUB	1,800	-290	1,510
DKK	1,370	-730	640
BRL	1,190	-480	710
CHF	1,150	-340	810
CZK	790	-260	530

Long-term borrowings, by maturity



During 2009, SEK 1,639m of new long-term borrowings were raised. During 2010 and 2011, long-term borrowings in the amount of SEK 2,244m will mature.

# Financial review 2009 in brief

Operating income improved substantially as a result of cost savings, higher prices, lower costs for raw materials and an improved mix. Operating margin improved to 4.9% (1.5). Results improved in all regions.



## Key data

SEKm	2009	Change %	2008
Net sales	109,132	4.1	104,792
Operating income	3,761	216.6	1,188
Margin, %	3.4		1.1
Income after financial items	3,484	433.5	653
Income for the period	2,607	612.3	366
Earnings per share, SEK <sup>1)</sup>	9.18		1.29
Dividend per share, SEK	4.00 <sup>2)</sup>		0
Cash flow from operations and investments	5,330		1,194
Average number of employees	50,633		55,177
<b>Excluding items affecting comparability</b>			
Items affecting comparability	-1,561		-355
Operating income	5,322	244.9	1,543
Margin, %	4.9		1.5
Income after financial items	5,045	400.5	1,008
Income for the period	3,851	487.0	656
Earnings per share, SEK <sup>1)</sup>	13.56		2.32

1) Basic.  
2) Proposed by the Board of Directors.

# 4.9%

Operating margin improved substantially

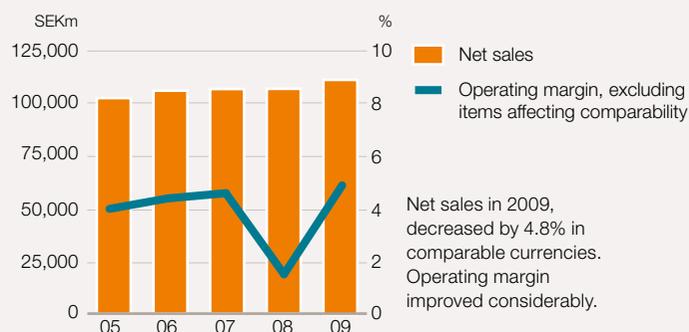
## Continued weak demand in main markets

Most of Electrolux main markets continued to show a decline in 2009. Demand for appliances in North America declined by 8% and demand in Europe by 11%. Industry shipments in Eastern Europe declined by 25% and Western Europe declined by 6%.

## Net sales declined

Net sales for the Group in 2009 amounted to SEK 109,132m, as against SEK 104,792m in the previous year. Sales were adversely impacted by lower volumes, while higher prices and an improved mix had a positive impact. In comparable currencies, net sales declined by 4.8%.

## Net sales and operating margin



### Consolidated income statement

SEKm	2009	2008
<b>Net sales</b>	<b>109,132</b>	<b>104,792</b>
Cost of goods sold	-86,980	-86,795
<b>Gross operating income</b>	<b>22,152</b>	<b>17,997</b>
Selling expenses	-11,394	-11,788
Administrative expenses	-5,375	-4,839
Other operating income/expenses	-61	173
Items affecting comparability	-1,561	-355
<b>Operating income</b>	<b>3,761</b>	<b>1,188</b>
Margin, %	3.4	1.1
Financial items, net	-277	-535
<b>Income after financial items</b>	<b>3,484</b>	<b>653</b>
Margin, %	3.2	0.6
Taxes	-877	-287
<b>Income for the period</b>	<b>2,607</b>	<b>366</b>

### Operating income improved

Operating income for 2009 increased to SEK 3,761m (1,188), corresponding to 3.4% (1.1) of net sales. Previous price increases, an improved mix, lower costs for raw materials and cost-efficiency measures contributed to the improvement in income. Operating income improved in all regions.

Operating income in the first quarter of 2009 was negatively impacted by the North American launch in the net amount of SEK -200m.

In 2008, non recurring items were charged against operating income in the total amount of approximately SEK 1,945m. In light of the sharp market decline at the end of 2008, it was decided to reduce the number of employees by more than 3,000. All operations on a global basis were affected, particularly operations in Europe. The costs for these actions, approximately SEK 1.0 billion, were charged against operating income before items affecting comparability in the fourth quarter of 2008, see table above.

### Impact of cost-reduction measures, US launch of Electrolux and non-recurring items

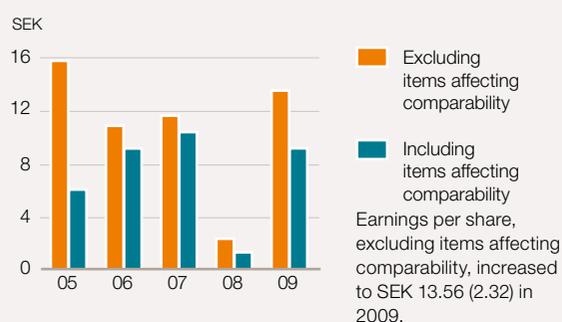
SEKm, approximately	2009	2008
Cost-reduction measures due to sharp decline in demand in the fourth quarter of 2008	—	-1,045
Net impact of the Electrolux launch, appliances North America in the first quarter of 2009 and in 2008	-200	-470
Cost-cutting program, appliances Europe	—	-360
Cost for a component problem for dishwashers, appliances Europe	—	-120
Capital gain, real estate, appliances Europe	—	130
Cost for litigation, appliances North America	—	-80
<b>Total</b>	<b>-200</b>	<b>-1,945</b>

### Items affecting comparability

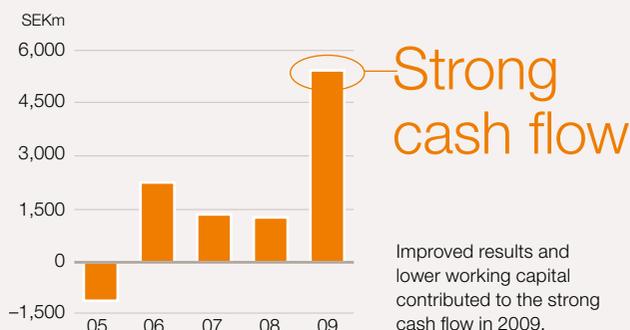
Electrolux initiated a restructuring program in 2004 to make the Group's production competitive in the long term. When it is fully implemented in 2011, more than half of production of appliances will be located in low-cost countries and savings will amount to approximately SEK 3 billion annually. Decisions were taken to close plants in Spain, the US, China, Italy and Russia. Restructuring provisions and write-downs are reported as items affecting comparability within operating income. Operating income for 2009 includes costs for restructuring measures in the amount of SEK -1,561m (-355). Excluding items affecting comparability, operating income amounted to SEK 5,322m (1,543).

Excluding items affecting comparability and the non-recurring items described in the table above, operating income for 2009 increased by approximately SEK 2,000m, compared to the previous year.

### Earnings per share



### Cash flow from operations and investments

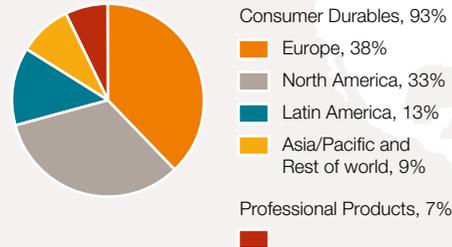


# 2009 PROGRESS



## CONSUMER DURABLES

Share of sales by business area



33%

13%

### Market overview

Some of Electrolux main markets started to show some recovery during the fourth quarter of 2009, although compared to a very weak fourth quarter of 2008. The North American market rose slightly after thirteen consecutive quarters with decline. In the fourth quarter, industry shipments of core appliances in the US increased by 4%. Demand in some markets in Europe, as Germany, France, and Italy, showed some stabilization. However, most of Electrolux main markets continued to show a decline although at a lower rate than in previous quarters. The European market has been falling for nine consecutive quarters. Eastern Europe showed a continued downturn in the fourth quarter, declining by 17%. Demand in Western Europe declined by 2% and the total market in Europe by 7%. The market in Brazil continued to increase in the fourth quarter due to temporary tax reductions on domestically-produced appliances.

There are no indications of a strong recovery in any of the Group's main markets, and therefore we only expect a modest improvement from the currently low level of market demand for appliances in 2010.

### Consumer Durables, Europe

Group sales of appliances declined in 2009 as a result of the weak market. Operating income was substantially higher in 2009 in comparison with 2008. Factors contributing to the improvement included a positive price and mix development and lower costs for raw materials. Personnel cutbacks and other cost-cutting measures during the year also contributed to the improvement in income.

Group sales of floor-care products declined as a result of lower sales volumes, and operating income was lower. The decline in income was offset to some extent by an improved product mix,

lower product costs, and cost savings. Launches of premium products as the vacuum cleaner UltraOne contributed to the improvement in product mix.

### Consumer Durables, North America

Group sales of appliances in comparable currencies were lower in 2009, in comparison with 2008 on the basis of the weak market and lower volumes.

Operating income rose considerably, despite lower volumes. Factors contributing to the improvement in income included a positive price and mix development, higher internal efficiency and lower costs for raw materials. The re-launch of new products under the Frigidaire brand during the year, contributed to mix improvements as well as kitchen products under the Electrolux brand.

Group sales of floor-care products increased somewhat as a result of higher volumes, primarily in the low- and mid-range price segments. Operating income and margin were in line with 2008.

### Consumer Durables, Latin America

Market demand for appliances in Latin America is estimated to have risen in 2009 in comparison with 2008, on the basis of strong growth in Brazil. The increase in Brazil resulted from the Brazilian government's stimulus package, in the form of lower taxes on domestically-produced appliances.

Sales were substantially higher, and the Group captured additional market shares in Brazil. Operating income improved on the basis of positive price and mix development and lower costs for raw materials. Operating margin declined following the weak performance in the first quarter. For the second consecutive year, operating income for the Latin American operation was at a record high.

38%

9%

7%



## PROFESSIONAL PRODUCTS

### Consumer Durables, Asia/Pacific and Rest of world

Market demand for appliances in Australia in 2009 is estimated to have been lower than in 2008. Group sales rose on the basis of higher sales volumes and maintained price levels. Operating income showed an improvement as a result of positive development of raw materials and sales prices as well as cost-cutting programs.

Group sales in Southeast Asia showed strong growth in several markets, and the Group captured market shares. The operation in Southeast Asia continued to show good profitability.

### Professional Products

Estimates of market demand for food-service equipment indicate a decline in 2009 in comparison with the previous year. Group sales of food-service equipment declined as a result of lower sales volumes and operating income deteriorated.

Group sales of laundry equipment were lower in 2009 in comparison with 2008, as a result of lower sales volumes. Operating income improved on the basis of lower costs for raw materials, favorable exchange rates, price increases and lower costs for production and administration.

#### Net sales and employees

10 largest countries	SEKm	Employees
USA	31,725	9,020
Brazil	11,688	7,636
Germany	7,435	1,984
Australia	5,290	1,605
France	5,119	1,280
Italy	5,044	6,871
Canada	4,379	1,364
Sweden	3,399	2,445
Switzerland	3,266	929
United Kingdom	3,259	459
Other	28,528	17,041
<b>Total</b>	<b>109,132</b>	<b>50,633</b>

#### Operating income by business area

SEKm	2009	2008
Consumer Durables, Europe	2,188	-22
Margin, %	5.2	0.0
Consumer Durables, North America	1,476	222
Margin, %	4.1	0.7
Consumer Durables, Latin America	878	715
Margin, %	6.2	6.5
Consumer Durables, Asia/Pacific and Rest of world	619	369
Margin, %	6.3	4.0
Professional Products	668	774
Margin, %	9.4	10.4
Common Group costs, etc.	-507	-515
Operating income, excluding items affecting comparability	5,322	1,543
Margin, %	4.9	1.5

**Working capital and net assets**

SEKm	Dec. 31, 2009	% of annual- ized net sales	Dec. 31, 2008	% of annual- ized net sales
Inventories etc.	10,050	8.8	12,680	11.0
Trade receivables	20,173	17.7	20,734	17.9
Accounts payable	-16,031	-14.1	-15,681	-13.6
Provisions	-9,447		-13,529	
Prepaid and accrued income and expenses	-7,998		-7,263	
Taxes and other assets and liabilities	-1,901		-2,072	
<b>Working capital</b>	<b>-5,154</b>	<b>-4.5</b>	<b>-5,131</b>	<b>-4.4</b>
Property, plant and equipment	15,315		17,035	
Goodwill	2,274		2,095	
Other non-current assets	5,197		4,602	
Deferred tax assets and liabilities	1,874		2,340	
<b>Net assets</b>	<b>19,506</b>	<b>17.1</b>	<b>20,941</b>	<b>18.1</b>
Average net assets	19,411	17.8	20,538	19.6

**Financial position**

Group equity as of December 31, 2009, amounted to SEK 18,841m (16,385), which corresponds to SEK 66.24 (57.78) per share. Net borrowings amounted to SEK 665m (4,556).

During 2010 and 2011, long-term borrowings in the amount of SEK 2,244m will mature. Liquid funds as of December 31, 2009, excluding a committed unused revolving credit facility of EUR 500m, amounted to SEK 13,357m.

**Net borrowings**

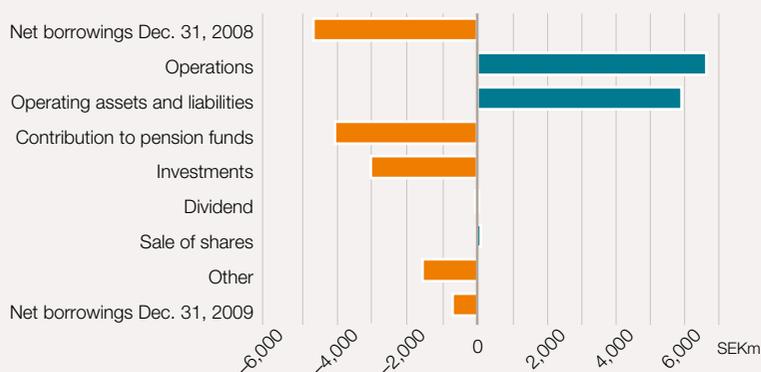
SEKm	Dec. 31, 2009	Dec. 31, 2008
Borrowings	14,022	13,946
Liquid funds	13,357	9,390
<b>Net borrowings</b>	<b>665</b>	<b>4,556</b>
Net debt/equity ratio	0.04	0.28
<b>Equity</b>	<b>18,841</b>	<b>16,385</b>
Equity per share, SEK	66.24	57.78
Return on equity, %	14.9	2.4
Equity/assets ratio, %	31.8	25.6

**Cash flow**

Cash flow from operations and investments in 2009 showed a strong improvement amounting to SEK 5,330m (1,194). Exclusive of extra contribution to pension funds, cash flow amounted to SEK 9,265m.

In the fourth quarter, SEK 3,935m was paid to the Group's pension funds. This included payments to pension funds in Germany, the US and the UK. The payments have reduced the Group's pension net debt, limited risk exposure and volatility in pension liabilities.

The strong cash flow was generated by the improvement in income from operations and by changes in operating assets and liabilities. The Group's ongoing structural efforts to reduce tied-up capital contributed to the strong cash flow in 2009.

**Cash flow and change in net borrowings**

# 4

The Board proposes a dividend of SEK per share

## Proposed dividend

The Board of Directors proposes a dividend for 2009 of SEK 4.00 (0) per share, for a total dividend payment of SEK 1,138m (0). The proposed dividend corresponds to 30% of income for the period, excluding items affecting comparability. Tuesday, April 6, 2010, is proposed as record date for the dividend.

The Group's goal is for the dividend to correspond to at least 30% of income for the period, excluding items affecting comparability. Historically, the Electrolux dividend rate has been considerably higher than 30%. Electrolux also has a long tradition of high total distribution to shareholders that includes repurchases and redemptions of shares as well as dividends, see graph below.

No dividend was paid for 2008, as a consequence of the low income for the period, the sharp decline in demand and the great uncertainty of the development of the market for 2009.

## Major shareholders

	Share capital, %	Voting rights, %
Investor AB	12.7	28.8
BlackRock Funds	5.5	4.3
AllianceBernstein	5.2	4.1
Swedbank Robur Funds	3.7	2.9
Alecta Pension Insurance	3.3	3.8
AMF Pension Insurance	1.9	1.5
SHB Funds	1.8	1.4
Second Swedish National Pension Fund	1.5	1.1
Government of Norway	1.5	1.1
Fourth Swedish National Pension Fund	1.3	1.0
Other shareholders	53.7	49.9
<b>External shareholders</b>	<b>92.1</b>	<b>100</b>
AB Electrolux	7.9	0
<b>Total</b>	<b>100</b>	<b>100</b>

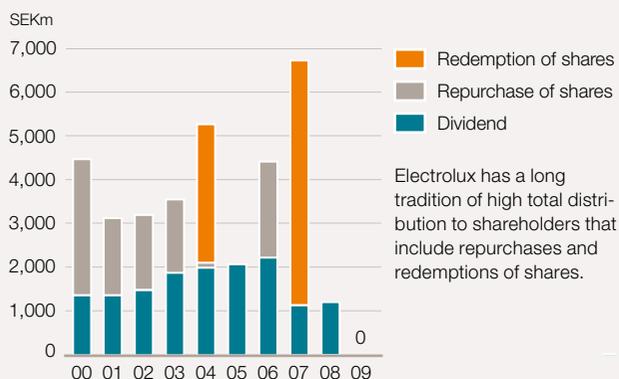
Source: SIS Ägarservice and Electrolux as of December 31, 2009. Information regarding ownership structure is updated quarterly on [www.electrolux.com/corpgov](http://www.electrolux.com/corpgov)

## Ownership structure

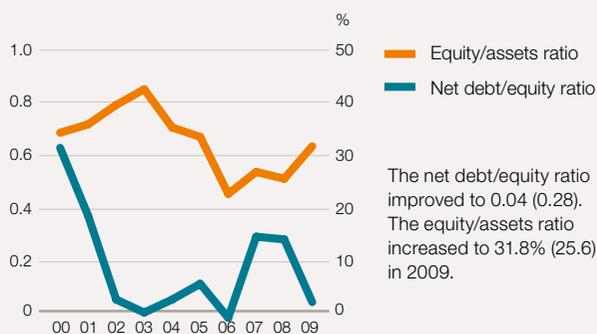
Investor AB is the largest shareholder, owning 12.7% of the share capital and 28.8% of the voting rights.

At year-end 2009, about 49% of the total share capital was owned by Swedish institutions and mutual funds, about 43% by foreign investors, and about 8% by private Swedish investors.

## Total distribution to shareholders



## Net debt/equity ratio



# The story of Electrolux

In 2009, Electrolux celebrated its 90th year of operations since being established by Axel Wenner-Gren. This visionary understood how to develop products for the future. Axel Wenner-Gren underlined Passion for Innovation, Customer Obsession, and Drive for Results, and these values still comprise the foundation for Electrolux operations.



Passion for Innovation



Customer Obsession



Drive for Results

## Drive for results

Axel Wenner-Gren barely noticed the stores as he walked down the biggest shopping street in Vienna. The year was 1908, Wenner-Gren was on his way to a meeting and his broad steps and freshly pressed suit signalled a sense of purpose. That is, however, until something caught his eye, brought him to a stop, and pulled him to a shop window for a closer look.



Propped on display was a machine that must have weighed 20 kilos with a price tag that could suck up the savings of almost any wealthy household. Window shoppers either smirked at or ignored the industrial display, but Wenner-Gren couldn't take his eyes away from it. In his mind the machine became smaller, lighter, sleeker and less expensive. He envisioned women gliding small cleaners around their houses. He would bring convenience to houses around the world.

## Electrolux today

"Thinking of you" sums up the Electrolux offering – always put the users first and foremost. Trilobite, the world's first automatic vacuum cleaner, frees up time so consumers can do the things that really matter, like spending time with family and friends. It uses radar just like a bat to navigate under beds, tables and furniture. When the batteries run low, it returns by itself to the charging station to recharge.



## Customer obsession

Axel Wenner-Gren unfolded a sketch made during a board room meeting for a team of Electrolux engineers to examine. On the page was a drawing of a vacuum cleaner. Rather than standing like the traditionally shaped bucket, however, Wenner-Gren had sketched the vacuum cleaner laying on its side, with rounded edges and sled-like runners attached to the base. "This will be our next model", Wenner-Gren explained.



The idea had come to him a few days earlier when a young salesman visited his office to report that a customer was having a difficult time with her vacuum cleaner. The lady had told the salesman that her vacuum cleaned well, but that she found it tiring to lift and carry the machine throughout the house.

From that moment, Wenner-Gren was resolute on making the vacuum cleaner move easier.

## Electrolux today

Insight into consumer behavior is the basis for all product development within the Group. Electrolux developed Ergorapido, a cordless vacuum cleaner, for people who want the vacuum cleaner easily available. Sleek in design and lightweight, Ergorapido is too good looking not to be left in sight.





*“The Electrolux Spirit acknowledges no obstacles and submits to no defeats. It is a combination of enthusiasm, loyalty, aggressiveness and belief, which is inspired by confidence in our organization and product, and faith in our success and our future.”*

*Axel Wenner-Gren, founder*

### Passion for innovation

“This task is not an easy one, but one that will transform homes around the world”, Axel Wenner-Gren said to the team of engineers and scientists sitting before him. Next to Wenner-Gren was a basic prototype of an absorption refrigerator created by two young engineers, Baltzar von Platen and Carl Munters, for a University degree project.



Wenner-Gren’s decision to acquire the patent for the absorption refrigeration technology, which used electricity, gas or kerosene to circulate water and safely turn heat into cold, was his first step towards diversifying Electrolux. It was a bold step, for not only had Electrolux secured its spot as the world leader in vacuum cleaners, but absorption refrigeration was a concept that was far from fully developed.

“We now know that you can create cold through heat with water”, Wenner-Gren said to the engineers. “But a problem with this technology is that not every household has running water and every household from China to America will need a refrigeration machine”, Wenner-Gren paused, and looked at each member of the team. “That is why we are going to cool with air, because we all have access to that.”

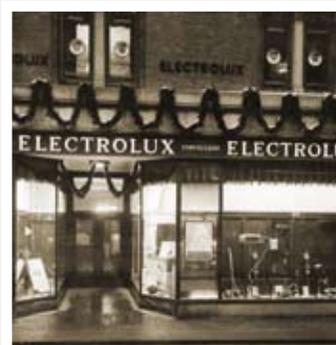
### Electrolux today

One of the main consumer problems associated with freezers, extensive research shows, is defrosting. Electrolux Glacier is, like most of the Group’s freezers, frost-free. It is also the first freezer to combine European standard dimensions with a built-in ice-maker. The user always has access to ice-cubes without having to remember filling the container with water.



### Importance of design

Axel Wenner-Gren had visited Electrolux showrooms in around thirty countries, and was always amazed by how active people would get, even though nothing was actually for sale. The atmosphere in the showroom on this day was different, however. The crowd was still, hushed, and gathered around the latest addition to the Electrolux collection: the Model XXX vacuum cleaner.



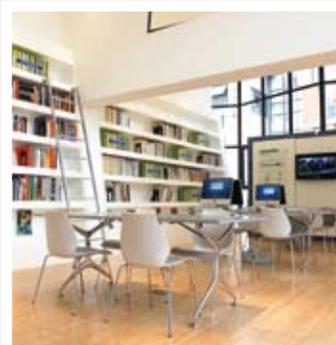
The Model XXX shaped by the internationally renowned industrial designer Lurelle Guild, was the one of the first vacuum cleaners in history to be created with aesthetic appeal in mind. As cars and trains had become streamlined, Wenner-Gren saw the value in bringing a similar sleek elegance to home appliances. In fact, he had personally tracked down the headlining industrial designers, so that life for Electrolux customers would not only be cleaner and easier, but also more attractive.

Looking at the Model XXX vacuum cleaner, Wenner-Gren said to Guild: “You have given Electrolux products attractive design and perfect form”.

### Electrolux today

Electrolux Design Centre in Shanghai, China, was inaugurated in 2007. The Design Centre hosts an exhibition space, flexible meeting areas, and a functional working kitchen with exclusive Electrolux appliances with attractive design.

A key element of the Centre is the Design Library, which offers thousands of books and magazines on design. The Design Library is an initiative taken by the Italian Association of Industrial Designers (ADI). This cooperation establishes the one and only ADI Design Library located outside of Milan.



# Board of Directors and Auditors



**Marcus Wallenberg**

**Chairman**

Born 1956. B. Sc. of Foreign Service. Elected 2005. Member of the Electrolux Remuneration Committee. **Board Chairman** of SEB, Skandinaviska Enskilda Banken AB and Saab AB. Honorary Chairman of ICC (International Chamber of Commerce). Deputy Chairman of Telefonaktiebolaget LM Ericsson. Board Member of Astra Zeneca Plc, Stora Enso Oyj, the Knut and Alice Wallenberg Foundation and Temasek Holdings Limited. **Previous positions:** President and CEO of Investor AB, 1999–2005. Executive Vice-President of Investor AB, 1993–1999. **Holdings** in AB Electrolux: 20,000 B-shares. Through company: 5,000 B-shares. Related party: 1,500 B-shares.



**Peggy Bruzelius**

**Deputy Chairman**

Born 1949. M. Econ. Hon. Doc. in Econ. Elected 1996. Chairman of the Electrolux Audit Committee. **Board Chairman** of Lancelot Asset Management AB and the Swedish National Agency for Higher Education. Board Member of Axfood AB, Industry and Commerce Stock Exchange Committee, Axel Johnson AB, Akzo Nobel nv, Scania AB, Husqvarna AB, Syngenta AG, Diageo Plc and the Association of the Stockholm School of Economics. **Previous positions:** Executive Vice-President of SEB, Skandinaviska Enskilda Banken AB, 1997–1998. President and CEO of ABB Financial Services AB, 1991–1997. **Holdings** in AB Electrolux: 6,500 B-shares.



**Hasse Johansson**

Born 1949. M. Sc. in Electr. Eng. Elected 2008. **Previous positions:** Executive Vice-President and Head of Research and Development of Scania CV AB, 2001–2009. Founder of Mecel AB (part of Delphi Corporation). Senior management positions with Delphi Corporation, 1990–2001. **Holdings** in AB Electrolux: 1,000 B-shares.



**John S. Lupo**

Born 1946. B. Sc. in Marketing. Elected 2007. **Board Member** of Citi Trends Inc. and Cobra Electronics Corp., USA. **Previous positions:** Principle of Renaissance Partners Consultants, 2000–2008. Executive Vice-President of Basset Furniture, 1998–2000. Chief Operating Officer of Wal-Mart International, 1996–1998. Senior Vice-President Merchandising of Wal-Mart Stores Inc., 1990–1996. **Holdings** in AB Electrolux: 700 ADR.



**Johan Molin**

Born 1959. B. Sc. in Econ. Elected 2007. Member of the Electrolux Remuneration Committee. President and CEO of ASSA ABLOY AB since 2005. **Board Member** of ASSA ABLOY AB. **Previous positions:** CEO of Nilfisk-Advance, 2001–2005. President of Industrial Air Division, Atlas Copco Airpower, Belgium, 1998–2001. Management positions within Atlas Copco, 1983–2001. **Holdings** in AB Electrolux: 1,000 B-shares.



**Hans Stråberg**

**President and Chief Executive Officer**  
Born 1957. M. Eng. Elected 2002. President and CEO of AB Electrolux since 2002. **Board Member** of Stora Enso Oyj, N Holding AB, Roxtec AB, the Confederation of Swedish Enterprise and the Association of Swedish Engineering Industries. **Previous positions:** Joined Electrolux 1983. Management positions in the Group until appointed President and CEO. **Holdings** in AB Electrolux: 66,614 B-shares, 30,000 options.



**Caroline Sundewall**

Born 1958. M.B.A. Elected 2005. Member of the Electrolux Audit Committee. Independent Business consultant since 2001. **Board Chairman** of Streber Cup Foundation. Board Member of TeliaSonera AB, Haldex AB, Lifco AB, Pågen-gruppen AB, Ahlsell AB, TradeDoubler AB, Svolder AB, Merzig Förvaltnings AB and the Association of Exchange-listed Companies. **Previous positions:** Business commentator at Finans-tidningen, 1999–2001. Managing editor of the business desk section at Sydsvenska Dagbladet, 1992–1999. Business controller at Ratos AB, 1989–1992. **Holdings** in AB Electrolux through company: 2,000 B-shares.



**Torben Ballegaard Sørensen**

Born 1951. M.B.A. Elected 2007. Member of the Electrolux Audit Committee. **Board Member** of Egmont Fonden, Denmark, LEGO A/S, Pandora Holding A/S, Systematic Software Engineering A/S, Tajco A/S, Årstiderne Architects A/S, Monberg-Thorsen A/S and VTI Technology OY, Finland. **Previous positions:** President and CEO of Bang & Olufsen a/s, 2001–2008. Executive Vice-President LEGO A/S, 1996–2001. Senior Vice-President LEGO A/S, 1988–1996. Managing Director of Computer Composition International, CCI-Europe, 1988–1996. Managing Director, Aarhus Stiftsbogtrykkerie 1981–1988. **Holdings** in AB Electrolux: 800 B-shares.



**Barbara Milian Thoralfsson**

Born 1959. M.B.A., B.A. Elected 2003. Chairman of the Electrolux Remuneration Committee. Director of Fleming Invest AS, Norway, since 2005. **Board Member** of SCA AB, Telenor ASA, Tandberg ASA, Fleming Invest AS, Stokke AS and Norfolier AS. **Previous positions:** President of TeliaSonera Norway, 2001–2005. President of Midelfart & Co, 1995–2001. Leading positions within marketing and sales, 1988–1995. **Holdings** in AB Electrolux through company: 10,000 B-shares.

## Employee representatives, members



### **Ola Bertilsson**

Born 1955. Representative of the Swedish Confederation of Trade Unions. Elected 2006.

**Holdings** in AB Electrolux: 0 shares.



### **Gunilla Brandt**

Born 1953. Representative of the Federation of Salaried Employees in Industry and Services. Elected 2006.

**Holdings** in AB Electrolux: 0 shares.



### **Ulf Carlsson**

Born 1958. Representative of the Swedish Confederation of Trade Unions. Elected 2001.

**Holdings** in AB Electrolux: 0 shares.

## Employee representatives, deputy members



### **Gerd Almlöf**

Born 1959. Representative of the Federation of Salaried Employees in Industry and Services. Elected 2007.

**Holdings** in AB Electrolux: 0 shares.



### **Peter Karlsson**

Born 1965. Representative of the Swedish Confederation of Trade Unions. Elected 2006.

**Holdings** in AB Electrolux: 0 shares.



### **Bengt Liwång**

Born 1945. Representative of the Federation of Salaried Employees in Industry and Services. Elected 2005.

**Holdings** in AB Electrolux: 0 shares.

## Secretary of the Board

### **Cecilia Vieweg**

Born 1955. B. of Law. General Counsel of AB Electrolux. Secretary of the Electrolux Board since 1999.

**Holdings** in AB Electrolux: 18,827 B-shares, 4,696 options.

## Auditors

At the Annual General Meeting in 2006, PricewaterhouseCoopers AB (PwC) was re-elected as auditors for a four-year period until the Annual General Meeting in 2010.

### **Anders Lundin**

#### **PricewaterhouseCoopers AB**

Born 1956. Authorized Public Accountant. Partner in Charge.

**Other audit assignments:** AarhusKarlshamn AB, Husqvarna AB, AB Industrivärden, Loomis AB, Melker Schöring AB and SCA AB.

**Holdings** in AB Electrolux: 0 shares.

### **Björn Irlie**

#### **PricewaterhouseCoopers AB**

Born 1965. Authorized Public Accountant.

**Holdings** in AB Electrolux: 0 shares.

Holdings in AB Electrolux as of December 31, 2009.  
The information is regularly updated at  
[www.electrolux.com/board\\_of\\_directors.aspx](http://www.electrolux.com/board_of_directors.aspx)

# Group Management



**Hans Stråberg**

**President and Chief Executive Officer**

Born 1957. M. Eng. In Group Management since 1998. Joined Electrolux, 1983. Head of product area Dishwashers and Washing Machines, 1987. Head of product division Floor Care Products, 1992. Executive Vice-President of Frigidaire Home Products, USA, 1995. Head of Floor Care Products and Small Appliances and Executive Vice-President of AB Electrolux, 1998. Chief Operating Officer of AB Electrolux, 2001. President and CEO, 2002. **Board Member** of Stora Enso Oyj, N Holding AB, Roxtec AB, the Confederation of Swedish Enterprise and the Association of Swedish Engineering Industries. **Holdings** in AB Electrolux: 66,614 B-shares, 30,000 options.



**Morten Falkenberg**

**Head of Floor Care and Small Appliances, Executive Vice-President**

Born 1958. B. Econ. In Group Management since 2006. Sales/marketing positions in Carlsberg Group, Denmark, 1980–1987. Senior management positions within Coca-Cola Company, 1987–2000. Senior Vice-President of Alliances/Partnerships for TDC Mobile, 2001–2003. Joined Electrolux as Head of Floor Care and Small Appliances Europe, 2003. Head of Floor Care and Small Appliances and Executive Vice-President of AB Electrolux, 2006. **Board Member** of Velux A/S. **Holdings** in AB Electrolux: 21,165 B-shares, 0 options.



**Anderson Guimarães**

**Head of Major Appliances Europe, Executive Vice-President**

Born 1959. M.B.A. In Group Management since 2008. Brand management and marketing manager with Procter & Gamble, Brazil, 1990–1991, and Johnson & Johnson, Canada, 1991–1997. Marketing Director with Danone, Brazil, 1997–1998. Senior management positions with Philips Electronics, Brazil and the Netherlands, 1998–2007. Joined Electrolux as Senior Vice-President Product and Branding within Major Appliances Europe, 2008. Head of Major Appliances Europe and Executive Vice-President of AB Electrolux, 2008. **Holdings** in AB Electrolux: 2,000 B-shares, 0 options.



**Carina Malmgren Heander**

**Senior Vice-President, Human Resources and Organizational Development**

Born 1959. B. Econ. In Group Management since 2007. Project Director at Adtranz Signal (Bombardier), 1989–1998. Vice-President Human Resources of ABB AB, 1998–2003. Senior Vice-President Human Resources of Sandvik AB, 2003–2007. Joined Electrolux as Senior Vice-President of Group Staff Human Resources and Organizational Development, 2007. **Board Member** of Cardo AB and IFL at the Stockholm School of Economics. **Holdings** in AB Electrolux: 2,700 B-shares, 0 options.



**Ruy Hirschheimer**

**Head of Major Appliances Latin America, Executive Vice-President**

Born 1948. M.B.A. Doctoral Program in Business Administration. In Group Management since 2008. Executive Vice-President of Alcoa Aluminum, Brazil, 1983–1986. President and CEO of J.I. Case Brazil, 1990–1994. President and CEO of Bunge Foods, 1994–1997. Senior Vice-President of Bunge International Ltd., USA, 1997–1998. Joined Electrolux as Head of Brazilian Major Appliances operations, 1998. Head of Major Appliances Latin America, 2002. Executive Vice-President of AB Electrolux, 2008. **Holdings** in AB Electrolux: 33,621 B-shares, 0 options.



**Lars Göran Johansson**

**Senior Vice-President, Communications and Branding**

Born 1954. M. Econ. In Group Management since 1997. Positions within KREAB Communications Consultancy, 1978–1991, President, 1985–1991. Headed the Swedish “Yes to the EU Foundation” campaign for the referendum that determined Sweden’s membership in the EU, 1992–1994. Joined Electrolux, 1995. Communications and Branding include the responsibility for Investor Relations as well as Public and Environmental Affairs. **Holdings** in AB Electrolux: 19,327 B-shares, 4,696 options.

Holdings in AB Electrolux as of December 31, 2009. The information is regularly updated at [www.electrolux.com/group\\_management.aspx](http://www.electrolux.com/group_management.aspx)



**Keith R. McLoughlin**

**Head of R&D, Purchasing and Manufacturing within Major Appliances, Executive Vice-President**

Born 1956. B.S. Eng. In Group Management since 2003. Senior management positions with DuPont, USA, 1981–2003. Vice-President and General Manager of DuPont Nonwovens, 2000–2003, and of DuPont Corian, 1997–2000. Joined Electrolux as Head of Major Appliances North America and Executive Vice-President of AB Electrolux, 2003. Also Head of Major Appliances Latin America, 2004–2007. Chief Operations Officer Major Appliances, 2009.

**Board Member** of Briggs & Stratton Corp.

**Holdings** in AB Electrolux: 29,125 B-shares, 0 options.



**Gunilla Nordström**

**Head of Major Appliances Asia/Pacific, Executive Vice-President**

Born 1959. M. Sc. In Group Management since 2007. Senior management positions with Telefonaktiebolaget LM Ericsson and Sony Ericsson in Europe, Latin America and Asia, 1983–2005. President of Sony Ericsson Mobile Communications (China) Co. Ltd. and Corporate Vice-President of Sony Ericsson Mobile Communications AB, 2005–2007. Joined Electrolux as Head of Major Appliances Asia/Pacific and Executive Vice-President of AB Electrolux, 2007.

**Board Member** of Videocon Industries Limited, India, and Luleå University of Technology.

**Holdings** in AB Electrolux: 2,700 B-shares, 0 options.



**Jonas Samuelson**

**Chief Financial Officer**

Born 1968. M. Sc. in Business Adm. and Econ. In Group Management since 2008. Business development and finance positions in General Motors, USA, 1996–1999. Treasurer and Director Commercial Finance and Business Support in Saab Automobile AB, 1999–2001. Senior management positions within controlling and finance in General Motors North America, 2001–2005. Chief Financial Officer of Munters AB, 2005–2008. Joined Electrolux as Chief Financial Officer, 2008.

**Holdings** in AB Electrolux: 2,700 B-shares, 0 options.



**Kevin Scott**

**Head of Major Appliances North America, Executive Vice-President**

Born: 1959. Ph.D. in Chem. Eng. In Group Management since 2009. Technical, manufacturing, brand marketing and business management positions with DuPont, USA, 1985–1994. Construction, purchasing and operations finance management positions with PepsiCo, 1994–1999. Senior general management positions within DuPont, Switzerland, 1999–2003. Joined Electrolux as General Manager, Consumer Services Group, within Major Appliances North America, 2003. General Manager Refrigeration within Major Appliances North America, 2006. Head of Major Appliances North America and Executive Vice-President, 2009.

**Holdings** in AB Electrolux: 0 shares, 0 options.



**Cecilia Vieweg**

**General Counsel, Senior Vice-President**

Born 1955. B. of Law. In Group Management since 1999. Attorney of Berglund & Co Advokatbyrå, 1987–1990. Corporate Legal Counsel of AB Volvo, 1990–1992. General Counsel of Volvo Car Corporation, 1992–1997. Attorney and partner of Wahlin Advokatbyrå, 1998. Joined Electrolux as Senior Vice-President and General Counsel, with responsibility for legal, intellectual property, risk management and security matters, 1999.

**Board Member** of Haldex AB, Vattenfall AB and member of the Swedish Securities Council.

**Holdings** in AB Electrolux: 18,827 B-shares, 4,696 options.



**Alberto Zanata**

**Head of Professional Products, Executive Vice-President**

Born 1960. University degree in Electr. Eng. with Business Adm. In Group Management since 2009. Joined Electrolux Professional Products, 1989. Senior management positions within factory management, marketing, product management and business development, 1989–2002. Head of Professional Products in North America, 2003. Head of Professional Products and Executive Vice-President of AB Electrolux, 2009.

**Holdings** in AB Electrolux: 13,543 B-shares, 0 options.

# Events and reports

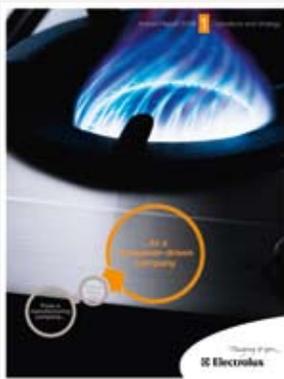
On the Electrolux website [www.electrolux.com/ir](http://www.electrolux.com/ir) you will find additional and up-dated information about, for instance, the Electrolux shares and corporate governance. At the beginning of 2010, a new platform for financial statistics was launched (see right). The platform allows for graphic illustrations of Electrolux development on annual or quarterly basis. It is also possible to compare, for example, net sales with operating margin or, as shown here, operating income with operating margin, both excluding items affecting comparability.

Electrolux Annual Report 2009 consists of two parts:

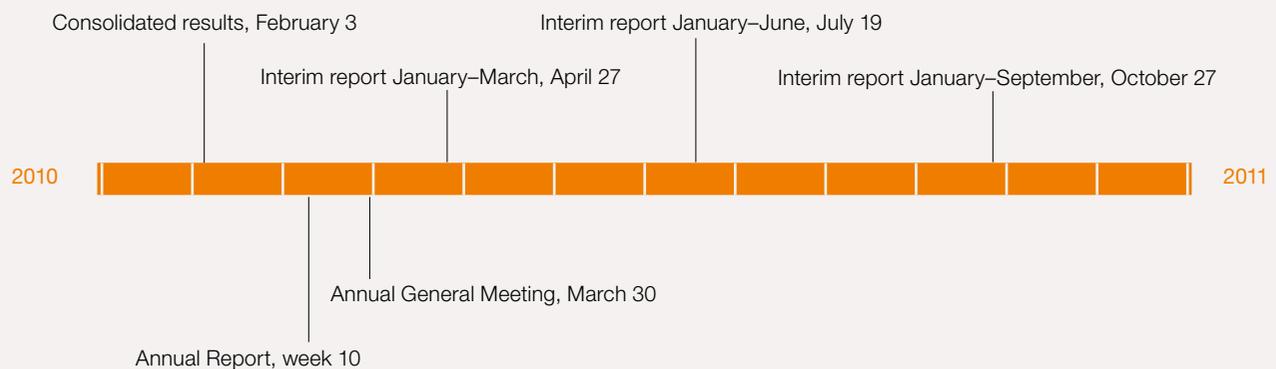
- Operations and strategy
- Financial review, Sustainability report and Corporate governance report

Electrolux Interim reports can be found at

[www.electrolux.com/ir](http://www.electrolux.com/ir)



## Financial reports and major events in 2010



The image shows a screenshot of the Electrolux Investor Relations website. The main navigation bar includes links for 'About Electrolux operations', 'Brands', 'Sustainability', 'Corporate governance', and 'Annual General Meeting'. The page title is 'Electrolux Corporate information'. Below the navigation bar is a banner image of a dining table. The main content area is titled 'Investors and media' and features a 'Financial data' section. This section includes a 'Financial data' table, a 'Share development' chart, and 'Ownership structure' information. The 'Financial data' table shows revenue and operating margin over time. The 'Share development' chart shows the share price from 2007 to 2010. The 'Ownership structure' section shows the ownership of the company.

Annotations on the top of the page:

- About Electrolux operations
- Brands
- Corporate governance
- Annual General Meeting
- Sustainability

Annotations on the right side of the page:

- Graphs
- Tables
- Select information type

Annotations on the left side of the page:

- Financial data
- Share development
- Dividend
- Ownership structure
- Shareholder information

Annotations on the bottom right of the page:

- Display
- Compare with
- Download as MS Excel

[www.electrolux.com/ir](http://www.electrolux.com/ir)

Investor Relations

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**Website:** [www.electrolux.com](http://www.electrolux.com)

*Thinking of you*

 **Electrolux**