Press release

Stockholm, February 4, 2009

President and CEO Hans Stråberg's comments on the 2008 results

We are well prepared for a tough 2009

In 2008, we experienced a drop in demand, which accelerated at the end of the year. Unfortunately, we see no market improvement in the short term. This is why we have taken decisive measures to prepare ourselves for a tough 2009 — and these measures reduced our operating income for 2008.

To start with, we are about 4,000 fewer employees working in our Group compared to the end of 2007, and we were forced to introduce further large-scale reductions in December 2008. Through this, we have substantially reduced our costs.

We have continued to invest in competitive production capacity, products and marketing. More than half of our manufacturing today is in low-cost countries.

Furthermore, we have prioritised efforts to maintain a strong balance sheet. In spite of the weaker result, our cash flow is at the same level as in 2007. We have reduced our inventories through extensive factory shutdowns in the last months of 2008.

Through these actions we will have a strong position to handle the downturn in the market. We are also well prepared for a market turnaround, thanks to lower costs and investments in new products, such as the successful launch of Electrolux in North America.

There are also very positive parts in the report: A record result for both Latin America and for Professional Products; and yet another year with an improved profitability for our global floor-care operations.

The operating income for 2008 was SEK 1.5 billion, which is SEK 3.3 billion lower than last year and obviously a disappointment. Part of the decrease is due to our conscious effort to prepare ourselves for approaching challenges.

Our reduced income can largely be explained by four factors: About SEK 1.5 billion can be attributed to costs we were forced to take because we decreased the number of employees in pace with the drop in sales.

Our income has also been influenced negatively by market-related issues, such as weakened volumes, price and mix, amounting to SEK 1.4 billion.

The third factor is the increased costs of raw materials by about SEK 1 billion during the year, primarily in the second half.

Finally, our successful investment in North America in premium products under the Electrolux brand has resulted in a negative net result of approximately SEK 500 million.

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In spite of our weakened result, we have delivered a cash flow in line with last year, thanks to our hard work to reduce working capital.

Within the Group we have implemented a wage freeze for 2009, and the Board has chosen to recommend not to pay a dividend to our shareholders for 2008. For many years, our shareholders have received high returns, in the form of normal dividends, repurchase of shares and redemption programs. It is obviously a tough decision to break a long trend of solid dividend growth, but this proposition is logical considering the great uncertainty in the market in 2009 and our cash commitments related to restructuring activities. Electrolux has a very strong balance sheet, with strong liquidity and limited need to re-finance debt in 2009 and 2010.

The most exciting news in 2008 was the successful launch of a completely new line of products under the Electrolux brand in North America. We are step by step building a strong position within the profitable premium segment. It has begun well. Our products are present today in more than 4,000 retail stores and we estimate our market share to be about 5%. I have followed this launch very closely and am especially pleased by the strong support we are receiving from our retail partners.

We have three business areas with record results:

Our operations for appliances in Latin America showed their best result ever. This is an example that our strategy – a strong Electrolux brand, new products and low costs – works.

The global floor-care operations had another successful year with increased profitability – in spite of lower demand. I see this as an excellent example of the value of innovative products.

The business area Professional Products delivered its best result ever, with an operating margin of more than 10%. Here, also, we see the winning result of long-term work with product development, marketing and low production costs.

We have had a difficult 2008, and 2009 will not be easier, as we do not see any signs of short-term market improvement. Our priority is to quickly and effectively implement cost savings. However, the rapid change in demand also creates new business opportunities. When demand picks up, the key is to have the right structure, the right products and a competitive cost level. This we have.

Stockholm, February 4, 2009

Hans Stråberg
President and Chief Executive Officer

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