

# **Q3 2005 results and strategic update**

October 25, 2005

Hans Stråberg  
President and CEO

 **Electrolux**

## Electrolux Third Quarter Presentations

- |       |  |  |
|-------|--|--|
| 14.00 | Strategic update and Q3 results          | Hans Stråberg, CEO<br>Fredrik Rystedt, CFO |
| 15.00 | Major Appliances Europe and Asia Pacific | Johan Bygge                                |
| 16.15 | Major Appliances North & Latin America   | Keith McLoughlin                           |
| 17.15 | Outdoor Products                         | Bengt Andersson                            |
| 18.15 | Buffet dinner                            |  |

# Strategic priorities



## Cost

- Underperformers
- Manufacturing relocation
- Purchasing

## Product

- Consumer insight
- Innovation precision
- Increase investment

## Brand

- Focus on Electrolux
- Branding precision
- Clear brand message



## Execution

- On time
- On budget
- No disruptions, surprises

## Delivering Results

- Restructuring savings
- Purchasing savings
- Improved volumes, share and mix

# Q3 2005 results highlights



- Net sales up 8.5% to SEK 32,109m
- Sales up in every business area
- Operating income up 22.6% to SEK 1,703m\*
- Operating margin up 60 bp to 5.3%\*
- Purchasing offset about 2/3 of materials price increases
- Restructuring savings flowing through
- New products driving price/mix improvement

*\*) Before items affecting comparability*

# Global purchasing initiatives



## Example of savings opportunities

### Global Sourcing Board

use global scale within and across product lines

### New initiatives

2,500 + variations of float glass to be cut by over 60%  
70+ suppliers to be cut to 7

### Project 21

impressive response from many suppliers

### Logistics

lower global freight rates

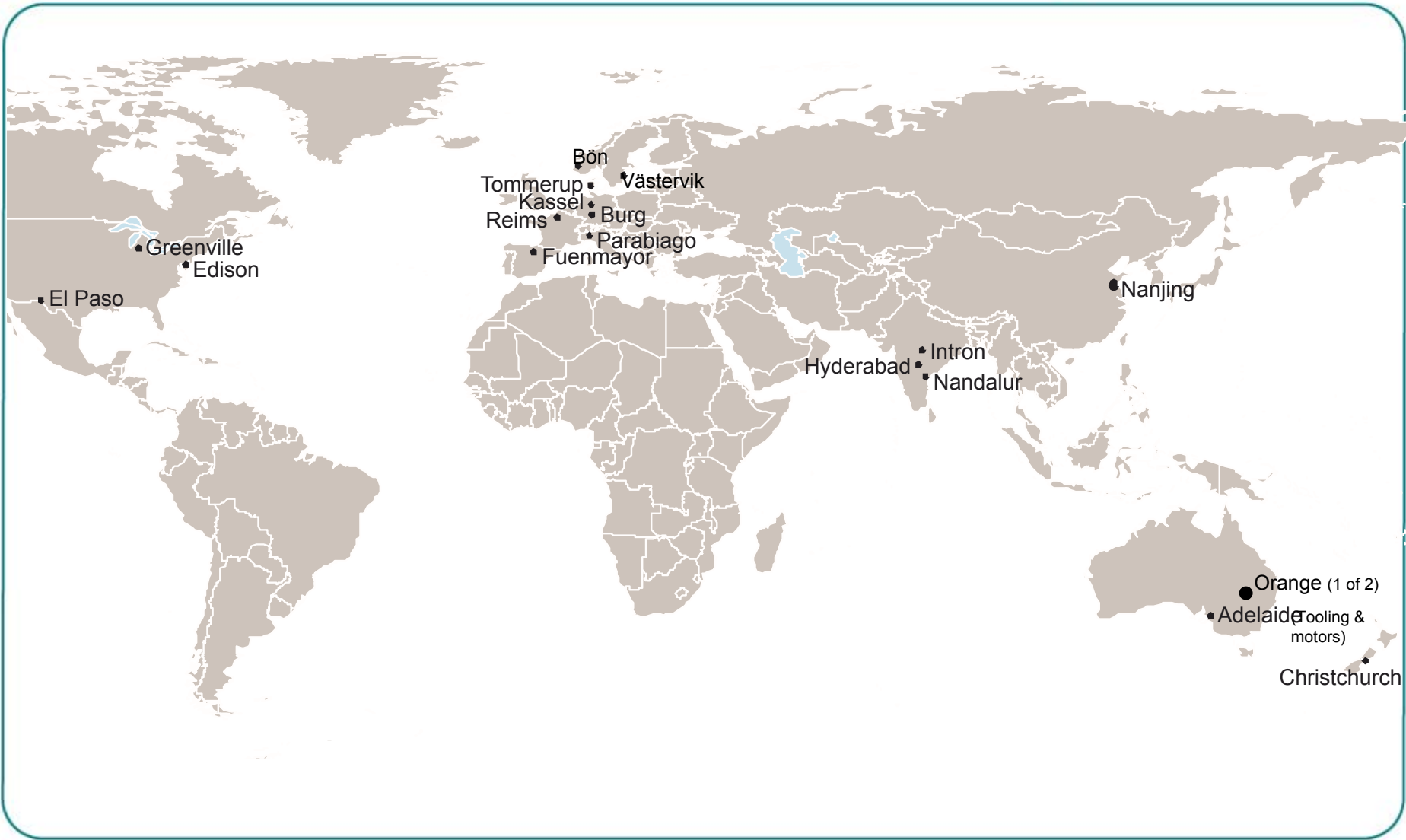
### Electrolux Manufacturing System

waste reduction, process improvements

# We are building a lowest cost manufacturing base



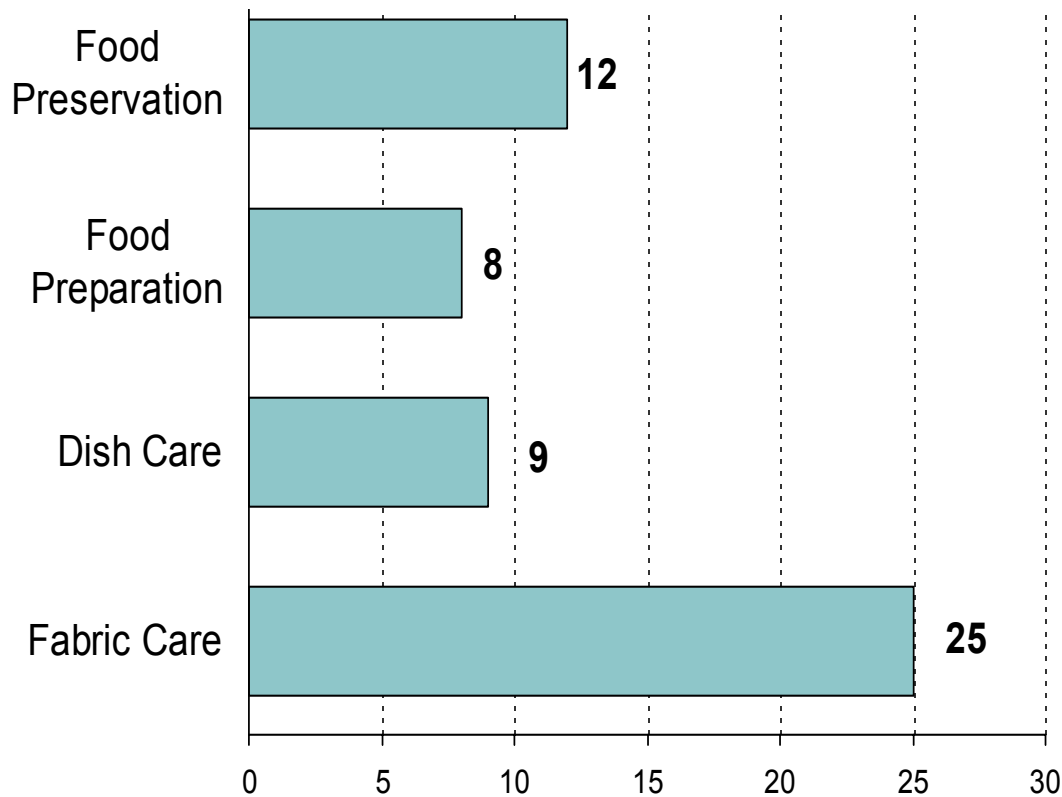
# On time, on costs with relocations



# Globalizing product development and design



Number of global projects



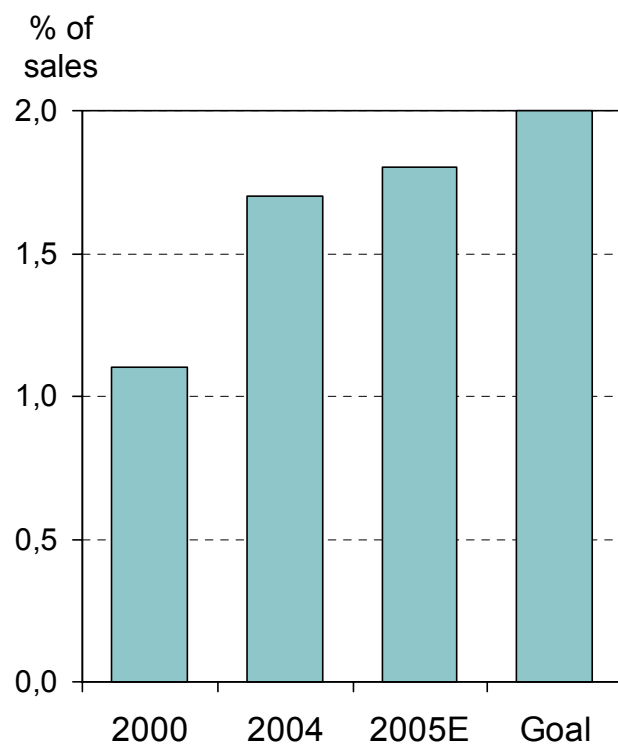
- Common themes
- Common platforms



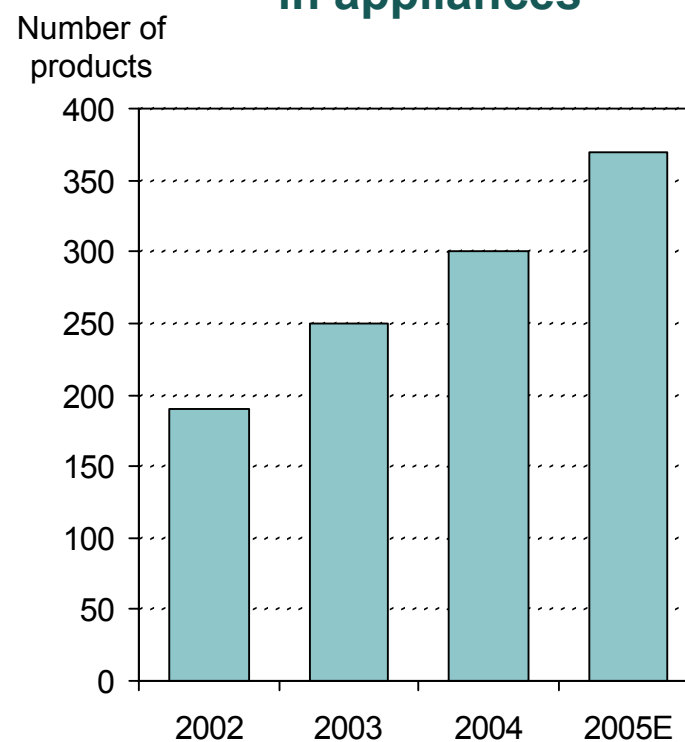
# Higher rate of product launches



## R&D % of sales



## Major product launches in appliances



# A selection of new products 2005

 **Electrolux**



"Dragon": 3-in-1 Chinese fridge,  
frost free freezer and drink cooler



Semi-professional oven



Five burner cooker



Semi-professional range



First real energy efficient dryer

# A selection of new products 2005

 **Electrolux**



Air Max



Cyclone XL



Healthcare trolley



Libero Line for shopping malls & snack corners

# A selection of new products 2005

 **Electrolux**



Twin Clean



Oxy<sup>3</sup> Upright



Rex Electrolux 4-doors fridge



# A selection of new products 2005

 **Electrolux**



AEG Electrolux: New compact range



Rex Electrolux: Puzzle range and custom made products

# A selection of new products 2005

 **Electrolux**



AEG Electrolux built-in line



SpeedClean dishwasher



Frost-free chest freezer



90 cm horizontal dishwasher

# A selection of new products 2005

 **Electrolux**



Side-by-side  
refrigerator and freezer



Large Capacity Washing Machine



Viva Compact dish washer



Frigidaire laundry line



Visi,  
see-through dishwasher

# A selection of new products 2005

 **Electrolux**



Ophir Large Capacity Frost Free Freezer



Electrolux Insight Cookers



Touch Panel Gas Cook Tops



Electrolux Icon  
Professional Dual-fuel  
freestanding ranges



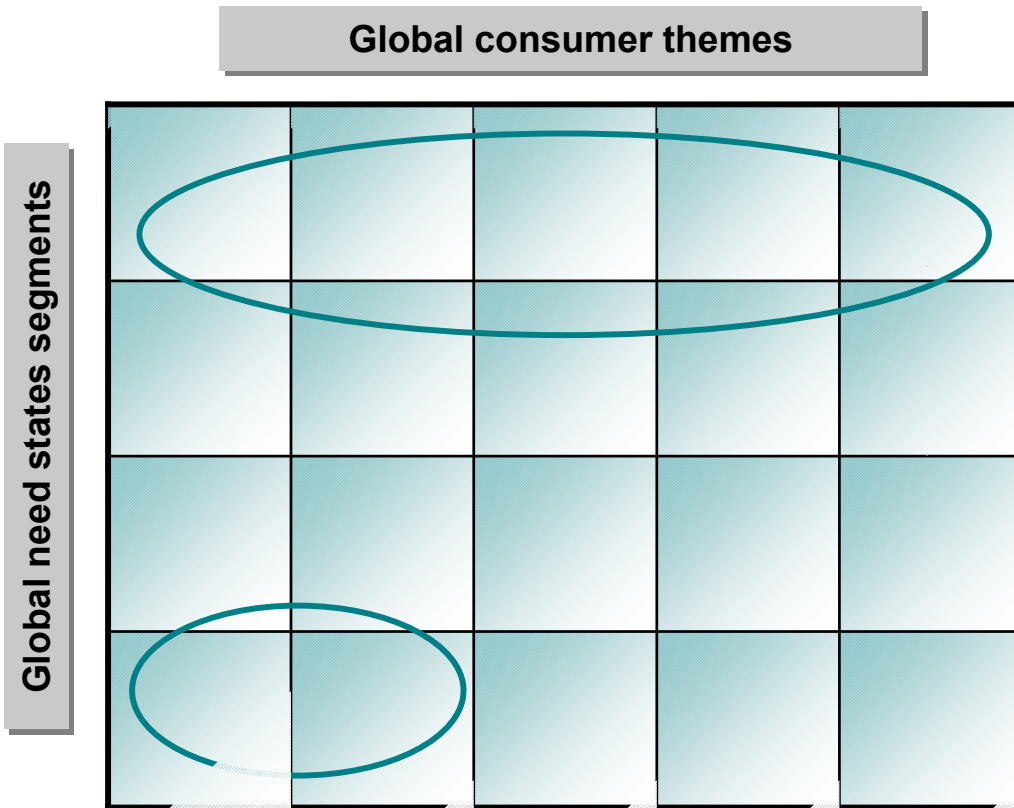
Electrolux Icon  
Professional Wall ovens



Electrolux Icon Professional  
Under-counter wine cooler



# Focusing product development on relevant themes and segments

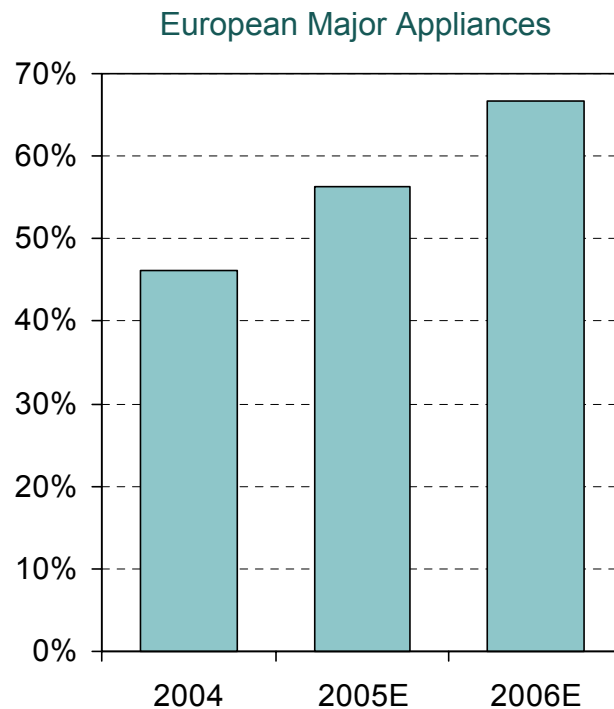


- Sophisticated segmentation of consumers
- Driven by consumer insight
- Road map for allocating development resources to highest returns
- Every new product addresses a targeted box

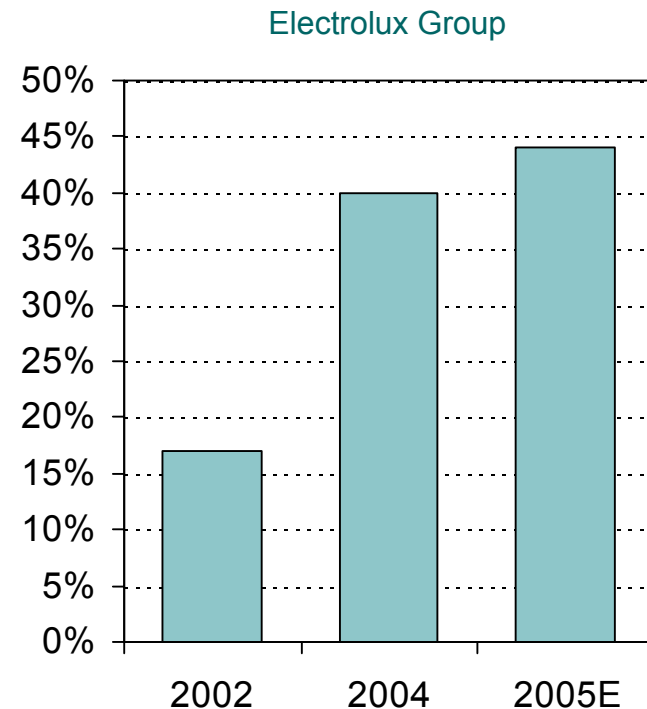
# Higher % of sales under the global 'Electrolux-Brand'



**'Electrolux-Brand'  
% of Total Brand Spending**



**'Electrolux-Brand'  
% of Total Sales**



'Electrolux-Brand' includes products solely branded or double-branded with 'Electrolux'

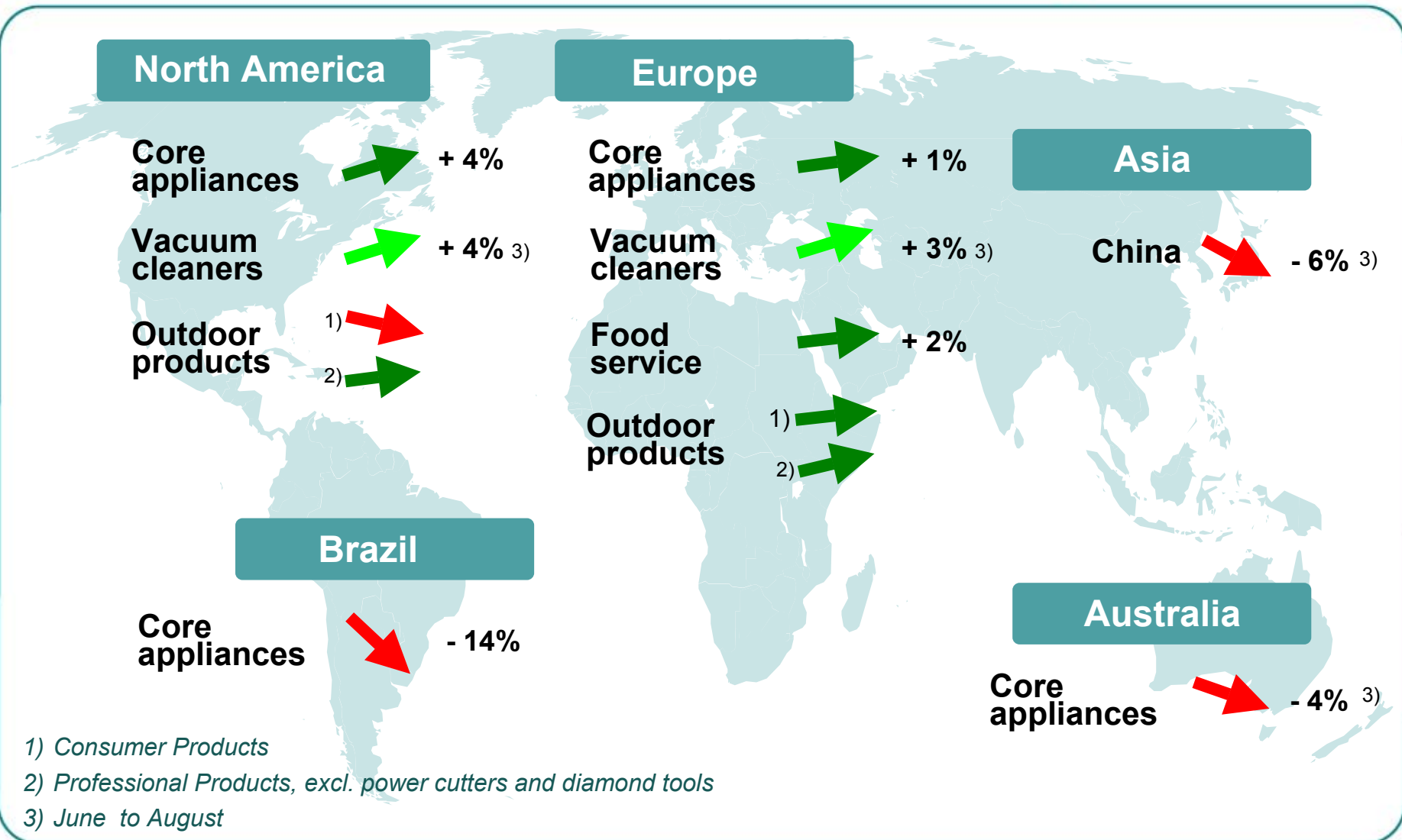
# Third quarter financial review

October 25, 2005

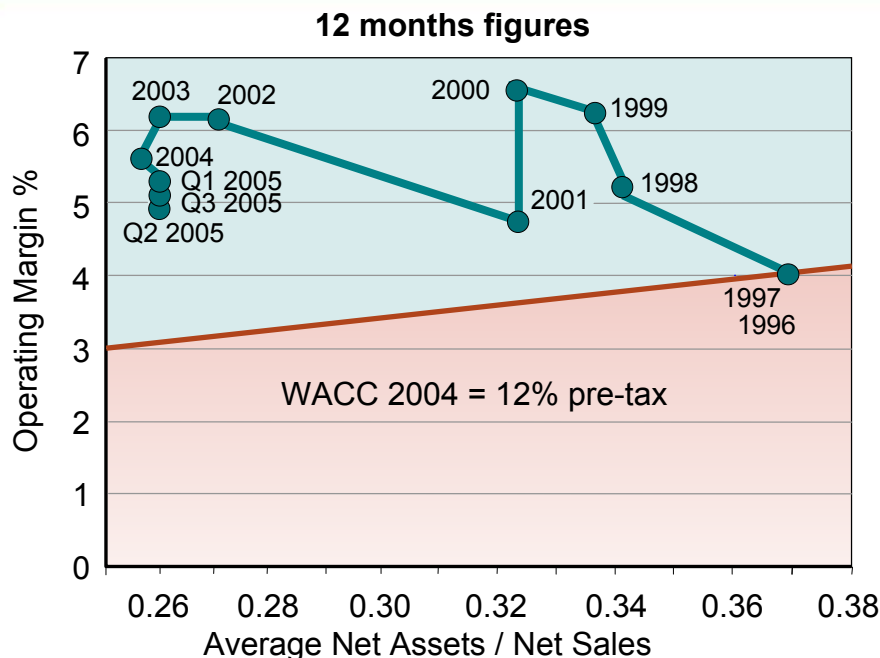
Fredrik Rystedt

CFO

# Industry shipments and estimated trends in demand, Q3 2005



# Key data, Q3 2005



Q3 2005	SEKm	Change
Sales	32,109	8.5%
EBIT	781	-29.8%
EBIT <i>excl. items a.c.</i>	1,703	22.6%
Margin	5.3%	+60 b.p.
<i>On a comparable basis</i>		
Sales*)		4.6%
EBIT*)**)		18.3%

\*) In constant currency

\*\*) Excluding items affecting comparability

- **SEK 900m gross negative impact from higher materials costs**
- **SEK 50m in costs for parallel production in US**
- **Items affecting comparability: SEK 922m**
  - SEK 503m for previously announced plant closures
  - SEK 419m for divestment of Indian operation

- **Positive price, mix, volume**
- **Savings from previous restructuring**
- **Higher income for Indoor Products**
  - Appliances North America and ROW
- **Strong quarter for Professional Outdoor**

# Raw Material impact 2005



SEKm, Change y/y	Q1	Q2	Q3	Ex 2005
Increased cost for materials	-1,000	-1,300	-900	-4,000
<b>Net impact on EBIT</b>	<b>-600</b>	<b>-800</b>	<b>-300</b>	<b>-2,000</b>

# Key ratios



SEKm	Q3 2005	Q3 2004	9m 2005	9m 2004
<i>Excl. items affecting comparability</i>				
Earnings per share, SEK	<b>3.56</b>	3.08	<b>10.60</b>	11.94
Return on equity, %			<b>16.5</b>	19.0
Return on net assets, %			<b>19.4</b>	22.4
Net debt/equity ratio	<b>0.23</b>	0.16		
Capital expenditure, SEKm	<b>1,293</b>	1,145	<b>3,364</b>	2,952

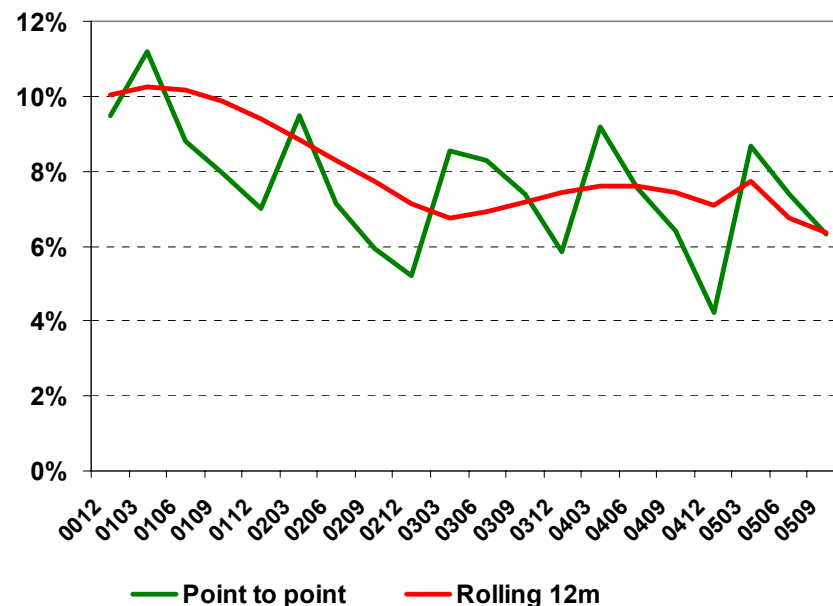
# Cash flow and working capital



## Cash flow

Cash flow	Third quarter 2005	Third quarter 2004
SEKm		
Cash flow from operations, excluding change in operating assets and liabilities	2 136	1 786
Change in operating assets and liabilities	1 968	2 204
<b>Cash flow from operations</b>	<b>4 104</b>	<b>3 990</b>
Divestment of the Indian operation	-359	-
Capital expenditure in tangible fixed assets	-1 293	-1 145
Other	-195	-107
<b>Cash flow from investments</b>	<b>-1 847</b>	<b>-1 252</b>
<b>Cash flow from operations and investments</b>	<b>2 257</b>	<b>2 738</b>

## Working capital / Annualized sales



- **Lower cash flow from operations and investments**
  - Increased accounts receivable
  - Divestment of Indian operation
  - Higher capital expenditure
- **Net borrowings increased to SEK 6,024m (3,651)**



# Net sales and EBIT by business areas



SEKm	Q3 2005			Q3 2004		
	Net sales	EBIT	Margin, %	Net sales	EBIT	Margin, %
<b>Indoor Products</b>						
Europe	11,206	714	6.4	10,793	781	7.2
North America	9,553	290	3.0	8,034	174	2.2
Latin America	1,381	26	1.9	1,125	0	0
Asia/Pacific	2,240	0	0.0	2,185	-118	-5.4
Professional Products	1,563	117	7.5	1,517	111	7.3
<b>Total Indoor Products</b>	<b>25,943</b>	<b>1,147</b>	<b>4.4</b>	<b>23,654</b>	<b>948</b>	<b>4.0</b>
<b>Outdoor Products</b>						
Consumer Products	3,583	230	6.4	3,546	275	7.8
Professional Products	2,575	474	18.4	2,374	387	16.3
<b>Total Outdoor Products</b>	<b>6,158</b>	<b>704</b>	<b>11.4</b>	<b>5,920</b>	<b>662</b>	<b>11.2</b>

# Unchanged outlook for full year 2005



- Demand for appliances in 2005 expected to show some growth in both Europe and US as compared to 2004.
- Higher costs for materials and components will have an adverse effect on Group's operating income.
- Efforts to strengthen Group's competitive position through investments in product development and in building the Electrolux brand will continue.
- Operating income for full year 2005, excluding items affecting comparability, is expected to be somewhat lower than in 2004.

# Factors affecting forward-looking statements



## **Factors affecting forward-looking statements**

This presentation contains “forward-looking” statements within the meaning of the US Private Securities Litigation Reform Act of 1995. Such statements include, among others, the financial goals and targets of Electrolux for future periods and future business and financial plans. These statements are based on current expectations and are subject to risks and uncertainties that could cause actual results to differ materially due to a variety of factors. These factors include, but may not be limited to the following; consumer demand and market conditions in the geographical areas and industries in which Electrolux operates, effects of currency fluctuations, competitive pressures to reduce prices, significant loss of business from major retailers, the success in developing new products and marketing initiatives, developments in product liability litigation, progress in achieving operational and capital efficiency goals, the success in identifying growth opportunities and acquisition candidates and the integration of these opportunities with existing businesses, progress in achieving structural and supply-chain reorganization goals.