Jan Brockmann
Chief Technology Officer

Capital Markets Day
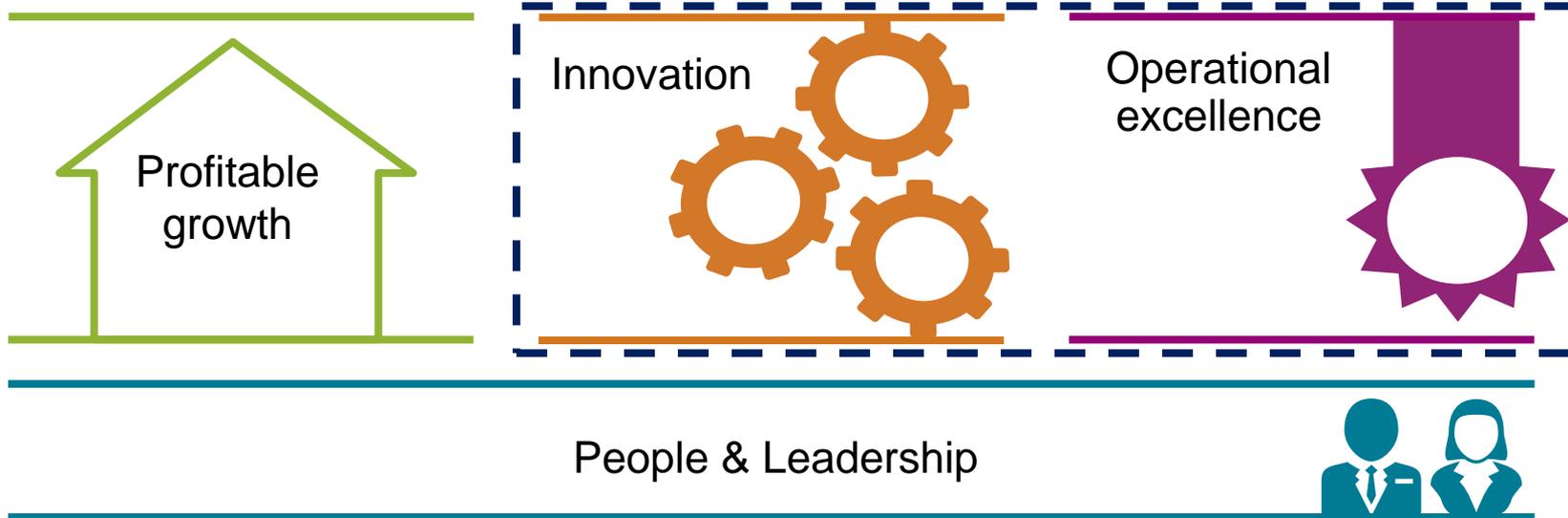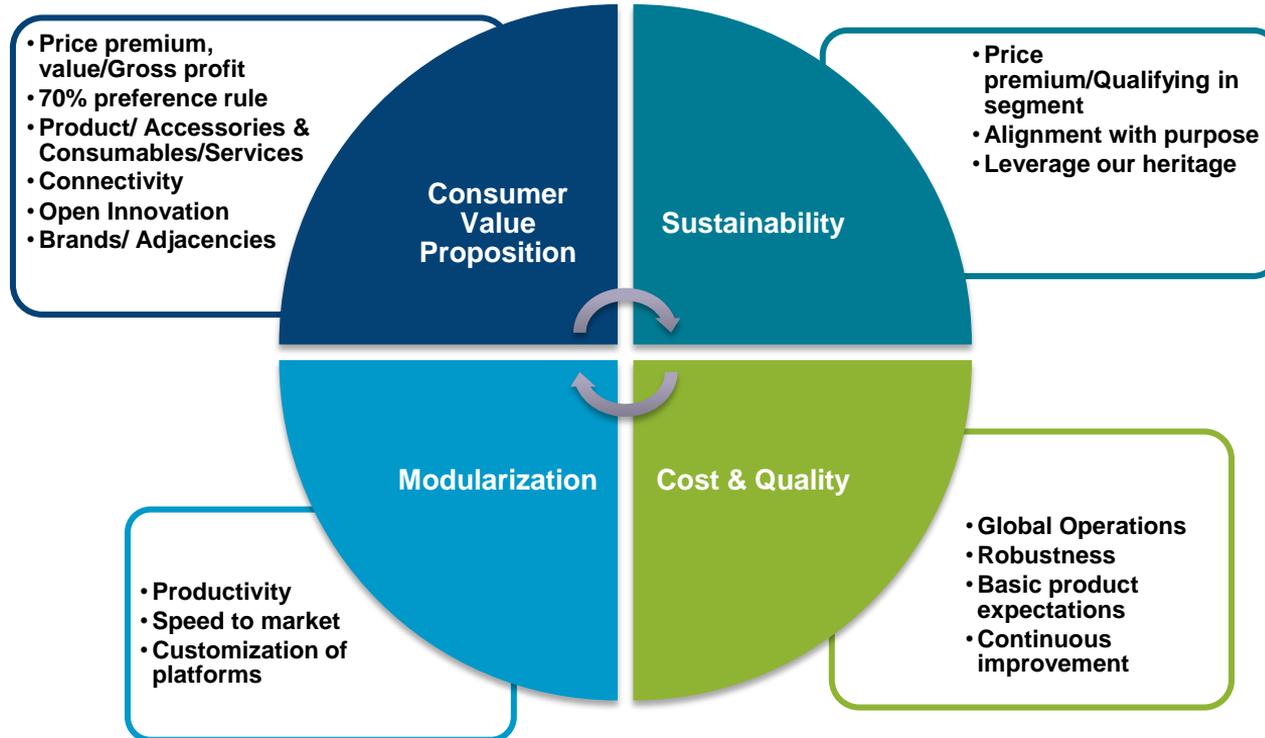
Charlotte, November 20, 2014

Electrolux

Overview

- **Innovation strategy**

- Modularization

- Global Product Innovation

- The Internet of Things: Communicating with consumers throughout a product's lifecycle

Innovation is a key part of our strategy

Profitable growth

Innovation

Operational excellence

People & Leadership

Innovation cornerstones

Consumer Value Proposition
- Price premium, value/Gross profit
- 70% preference rule
- Product/ Accessories & Consumables/Services
- Connectivity
- Open Innovation
- Brands/ Adjacencies

Sustainability
- Price premium/Qualifying in segment
- Alignment with purpose
- Leverage our heritage

Modularization
- Productivity
- Speed to market
- Customization of platforms

Cost & Quality
- Global Operations
- Robustness
- Basic product expectations
- Continuous improvement

Three key targets 2015

Reduce the time from innovation to launch by

-30%

Variant and cost reduction through modularization

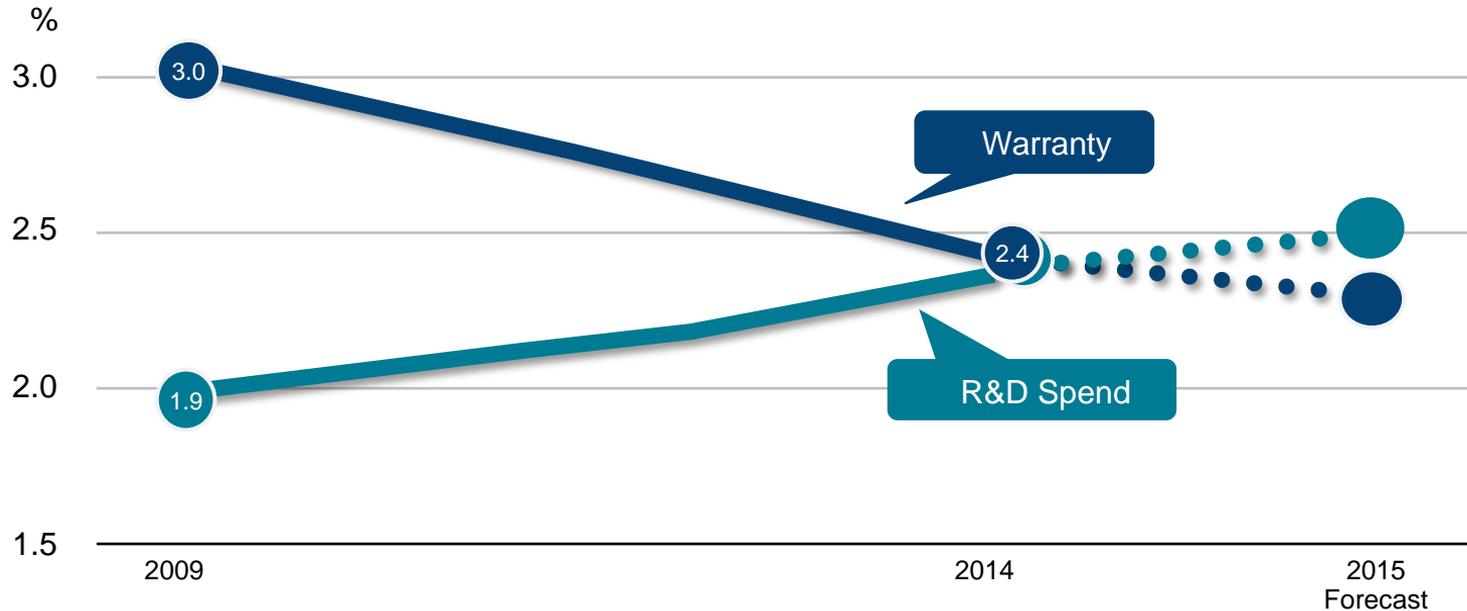**-20%**

Increase investment in innovation

+50%

Investment in Innovation; R&D spend

2010
SEK 2.1bn

2015
SEK~3.2bn

More innovation and world-class quality

Warranty and R&D spend in % of net sales – Electrolux Group

23 Best in test winners and 32 Design awards

Overview

- Innovation strategy

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Module 1.0 plans completed-execution ongoing

Electrolux

|	Food preparation	Food preservation	Dish care	Fabric care
Cross product line	Accessories & Consumables ✓			
	Electrics & Electronics ✓			
	Packaging ✓			
Product line specific, but similar	Door ✓			
	Body ✓		✓	✓
Product line specific	Cavity ✓	Interior ✓	Tub ✓	Drive train ✓
	Cooling system ✓	Internal air flow s. ✓	Basket/Racks ✓	Hydraulics ✓
	Hob ✓	Cooling system ✓	Hydraulics/Filtration ✓	Wash group ✓
	Lid ✓	Ice and water	Spray system ✓	Work top ✓
	Compartment ✓			Heat pump ✓
	Control II ✓			Drying group ✓
	11 module areas	**9 module areas**	**9 module areas**	**11 module areas**

10

Modularization 1.0 to 2.0

From cost saving to market growth and market agility

MODULARIZATION 1.0
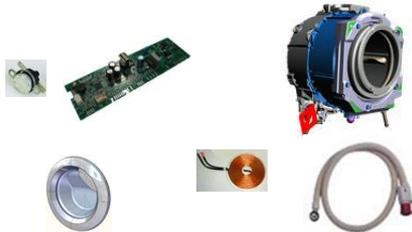
MODULARIZATION 2.0
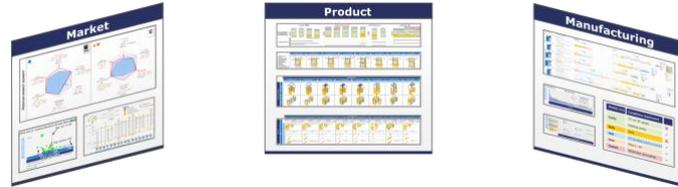
Market   Product   Manufacturing

Parts	Module	Module Area

Performance Step	Product Architecture	Platform Manufacturing

Product Category IE Front loaded Washing machine

PRODUCT COST SAVINGS (Focus DM)

COMPLEXITY REDUCTION

PRODUCT COST SAVINGS (DM and DL)

Automation, Design for Automation and Assembly
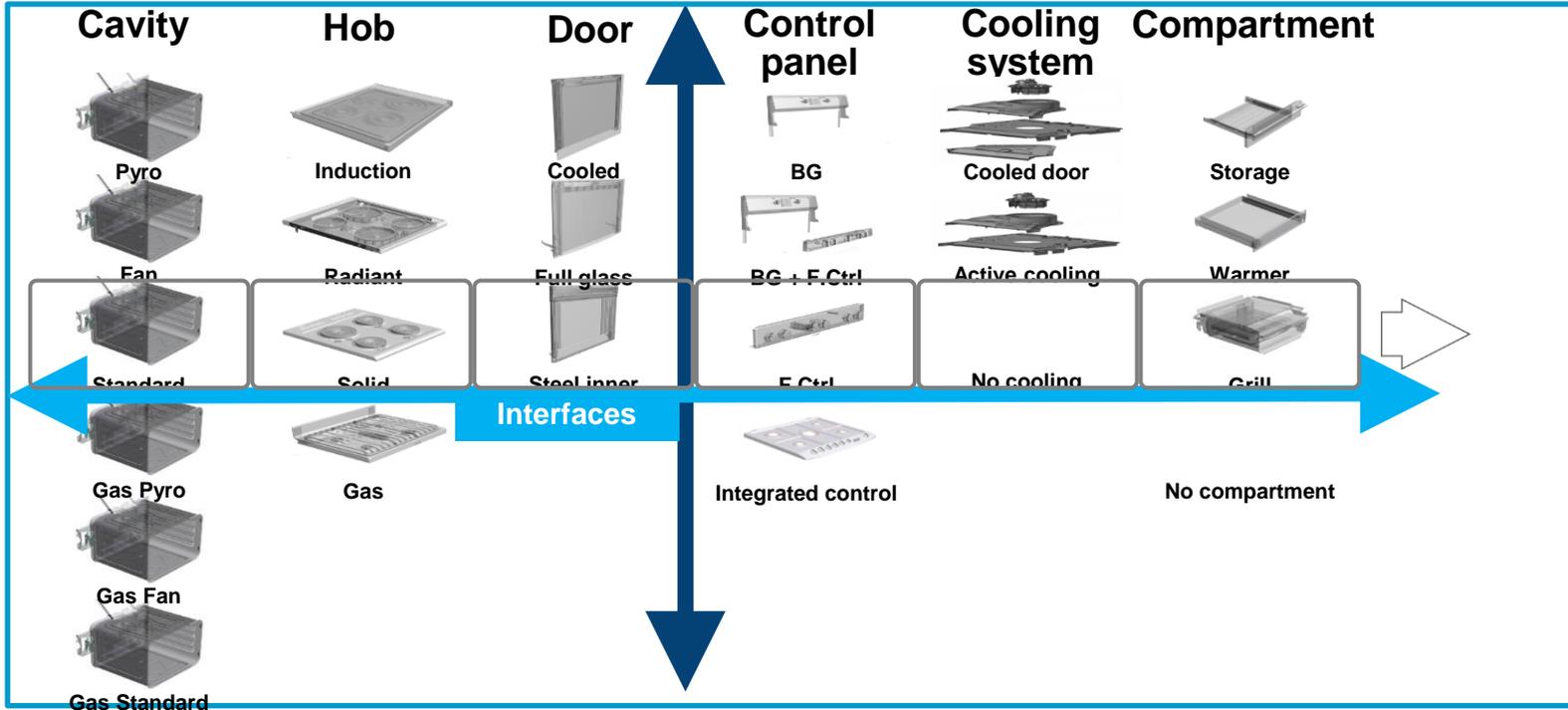
INNOVATION ENHANCEMENT

Movie Modularization

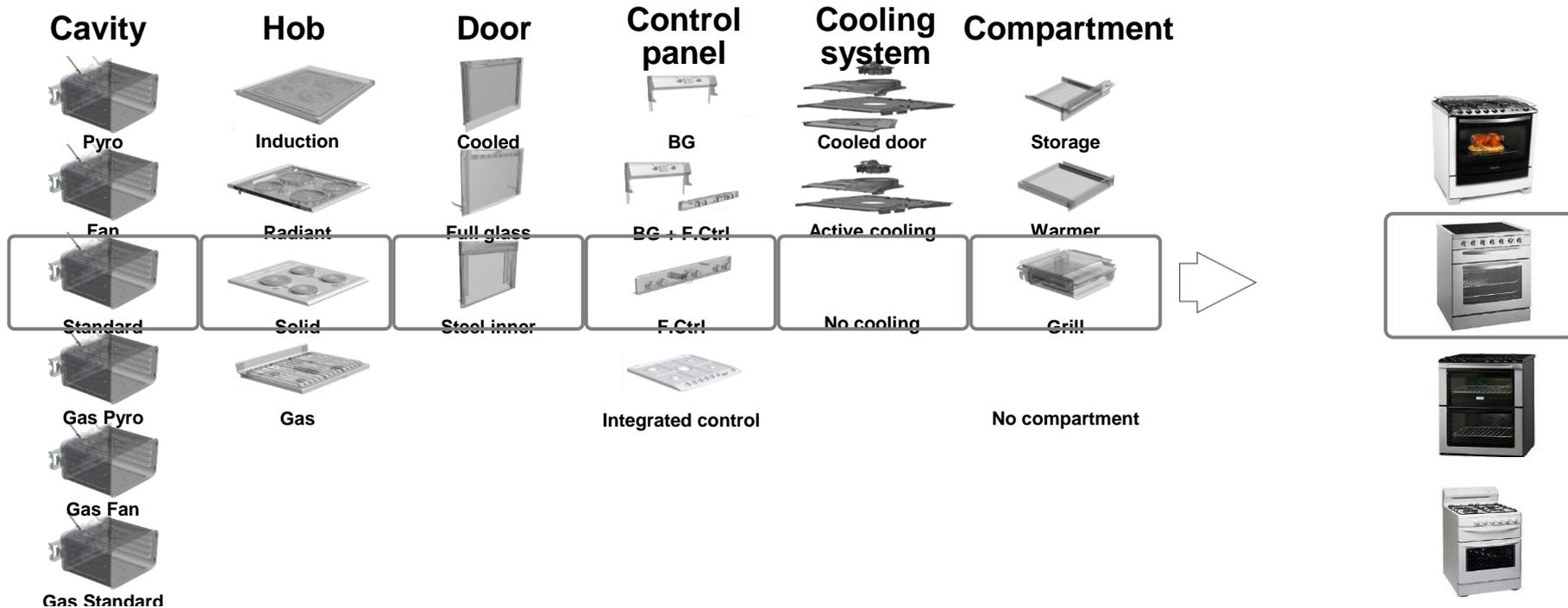# Modularization creates a new efficient way to configure products

Module Variants
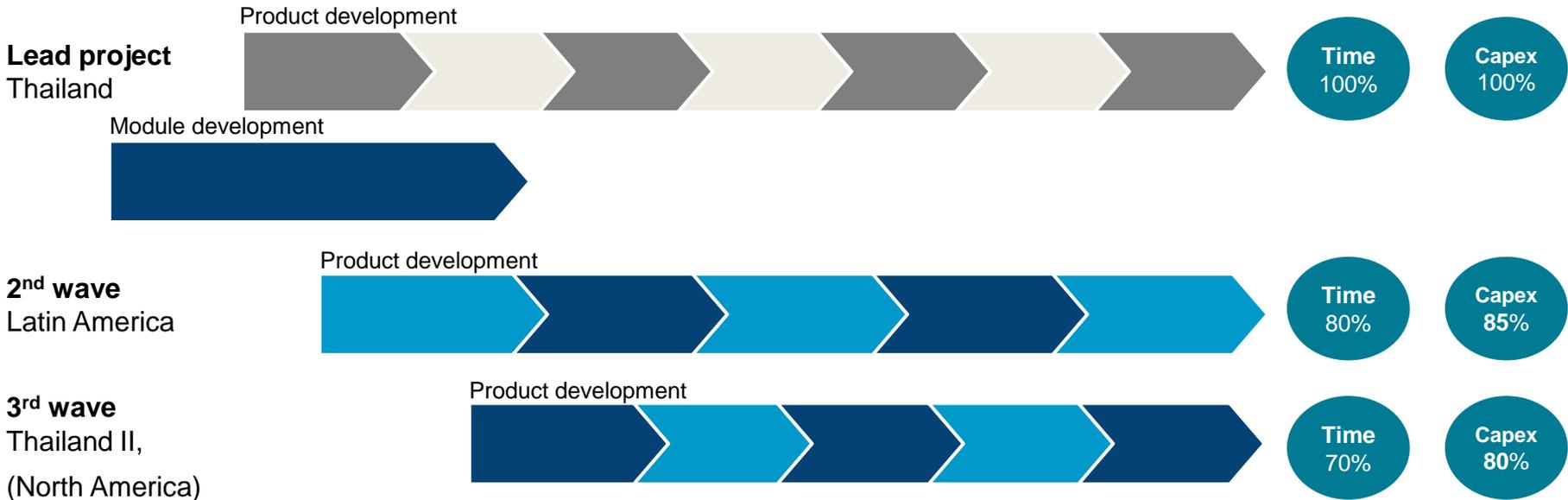
Performance steps

Customer Variants

Cavity	Hob	Door	Control panel	Cooling system	Compartment
Pyro	Induction	Cooled	BG	Cooled door	Storage
Fan	Radiant	Full glass	BG + F.Ctrl	Active cooling	Warmer
Standard	Solid	Steel inner	F.Ctrl	No cooling	Grill
Gas Pyro	Gas		Integrated control		No compartment
Gas Fan					
Gas Standard					

Interfaces

Modularization creates a new efficient way to configure products

Cavity
- Pyro
- Fan
- Standard
- Gas Pyro
- Gas Fan
- Gas Standard

Hob
- Induction
- Radiant
- Solid
- Gas

Door
- Cooled
- Full glass
- Steel inner

Control panel
- BG
- BG + F.Ctrl
- F.Ctrl
- Integrated control

Cooling system
- Cooled door
- Active cooling
- No cooling

Compartment
- Storage
- Warmer
- Grill
- No compartment

Modularization improves time-to-market and capital efficiency

Examples: Top- and bottom freezers, global

Lead project
Thailand

Product development

Time 100% Capex 100%

Module development

2nd wave
Latin America

Product development

Time 80% Capex 85%

3rd wave
Thailand II,

(North America)

Product development

Time 70% Capex 80%

Benefit from modularization (direct cost only)

Electrolux

Modularization 1.0
SEK 1.5bn Direct material

- Realized
- Ongoing
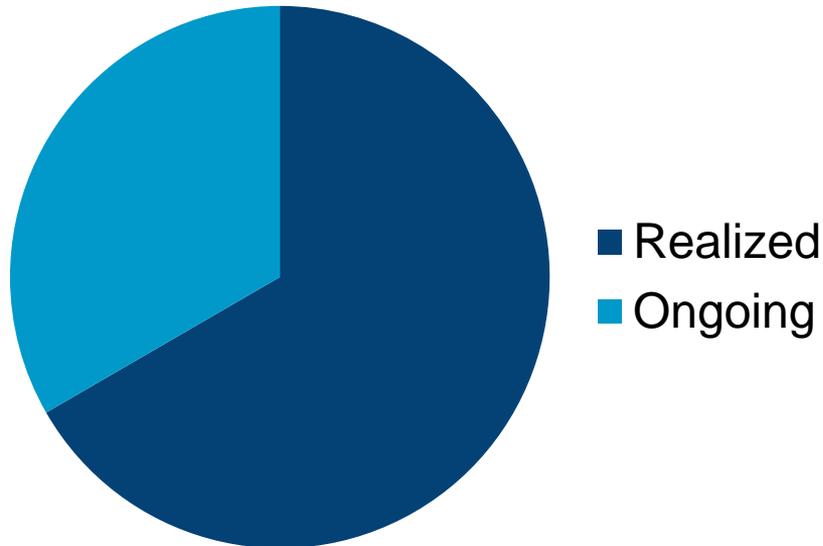
Modularization 2.0
Direct material and labor
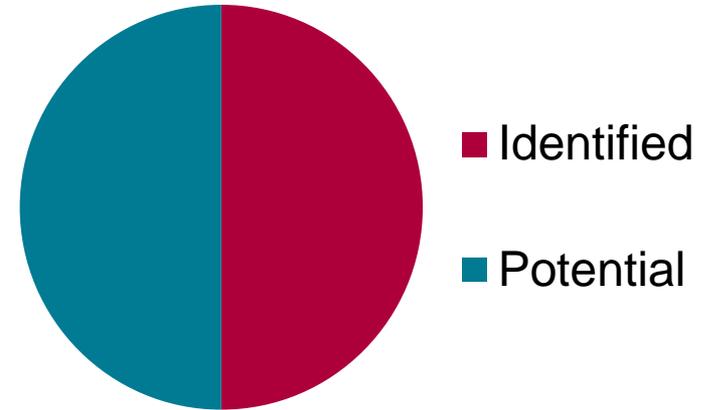
- Identified
- Potential

Overview

- Innovation strategy

- Modularization

- **Global Product Innovation**

- The Internet of Things: Communicating with consumers throughout a product's lifecycle

Rapid global product development in Fabric Care

Launch planned — NA

Launch potential — LA

Launch — EU/MEA

Launch coming — SEA / ANZ

Launch planned — CHINA
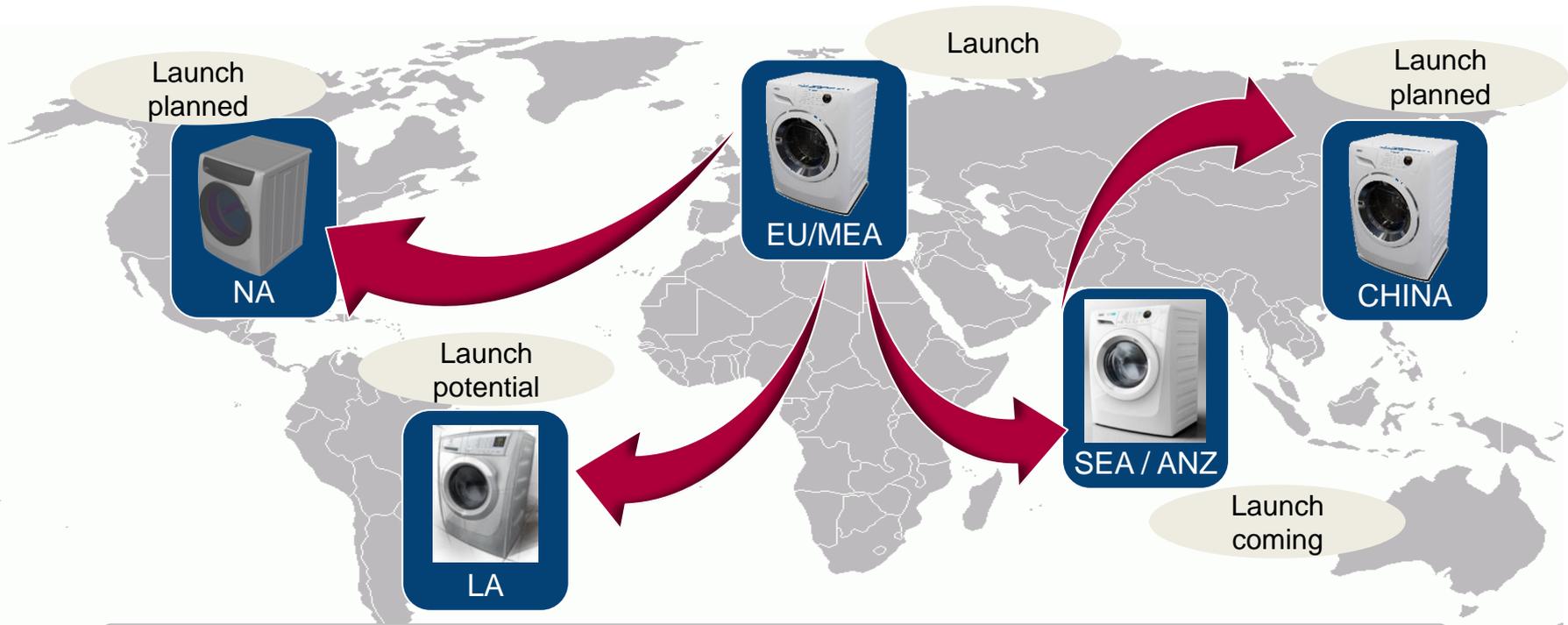
>2 MILLION UNITS DEVELOPED IN 3 YEARS IN 7 MARKET REGIONS

Mass front load washing machines and dryers with same product architecture, same manufacturing principles, same modular exterior and interior concepts, differentiated dimensions, design elements and offer line-up

Consumer relevant innovation in Mass+ Laundry

Our solution – New Electrolux Group Mass range

High capacity

Ease of use / simplicity

Save and Manage time

- A+++

- Up to 10kg load
- XXL door
- XXL drum

- Intuitive "step by step" user interface

- 30' @ 30° wash
- Quick wash option
- 20 min refresh
- Delay start, Finish in, Finish at

Filling a market space by leveraging our professional heritage

Electrolux

Domestic laundry

Life cycles 2,500
Cost competitive

Semi-Professional laundry market

Customers:
- Small hotels and B&B
- Restaurants
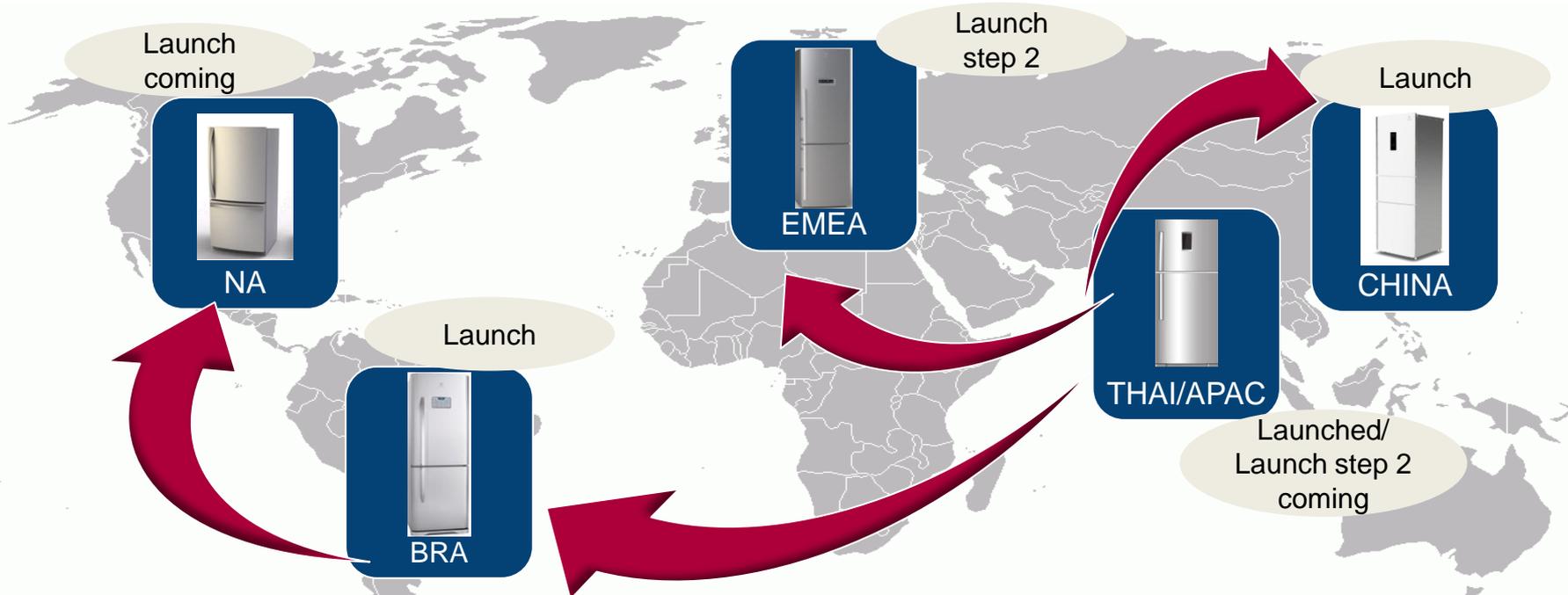- Small cleaning and laundry companies

Life cycles 7,500

Professional laundry

Life cycles 30,000
Low capacity
High cost

Global product architectures in Food Preservation- Fuel growth / innovation

Launch coming — NA

Launch step 2 — EMEA

Launch — CHINA

Launch — BRA

THAI/APAC

Launched/ Launch step 2 coming

5 MILLION UNITS DEVELOPED IN 3 YEARS IN ALL REGIONS

Bottom- and Top Freezers with same product architecture, same manufacturing principles, same modular exterior and interior concepts, differentiated dimensions, design and offer line-up

Flexdoor execution AEG premium EMEA

Flexdoor execution Frigidaire mass NA

Overview

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- **The Internet of Things: Communicating with consumers throughout a product's lifecycle**

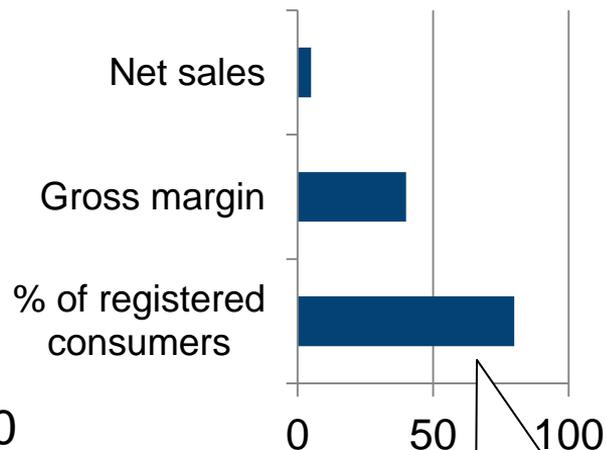# Lifetime business through direct dialogue using connected products

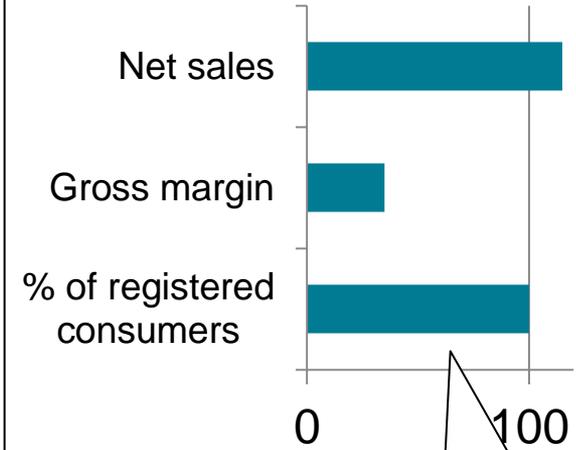**Todays` appliance business structure**

Sale of products

Net sales	
Gross margin	
% of registered consumers	

0   50   100
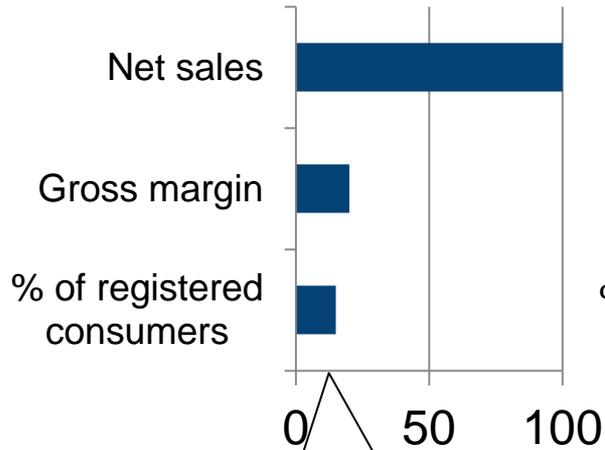
Relatively low incentive for product registration

Aftermarket sales
(service, consumables)

Net sales	
Gross margin	
% of registered consumers	

0   50   100

Service calls, direct selling

Connected products –
sales and aftersales integrated

Net sales	
Gross margin	
% of registered consumers	

0   100

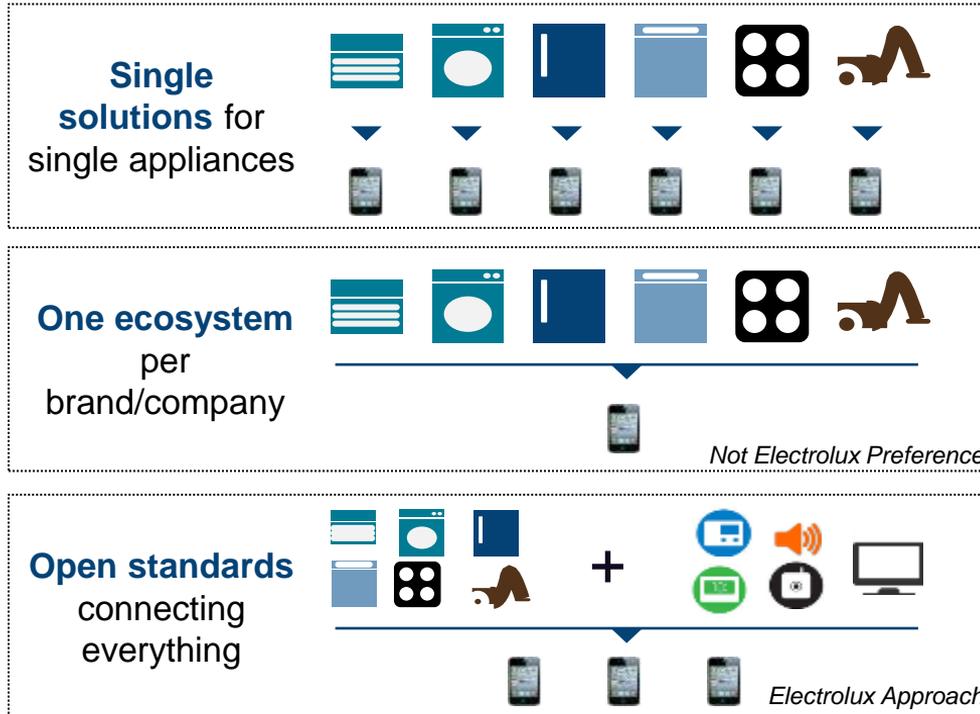Registration prerequisite for operation

NEW
**CONNECTED
OVEN**

12:38

⬨AEG

⬨AEG
perfekt in form und funktion

Connectivity demonstration

Our connectivity strategy

3 PHASES OF CONNECTIVITY DEVELOPMENT

Single solutions for single appliances

One ecosystem per brand/company

Not Electrolux Preference

Open standards connecting everything

+

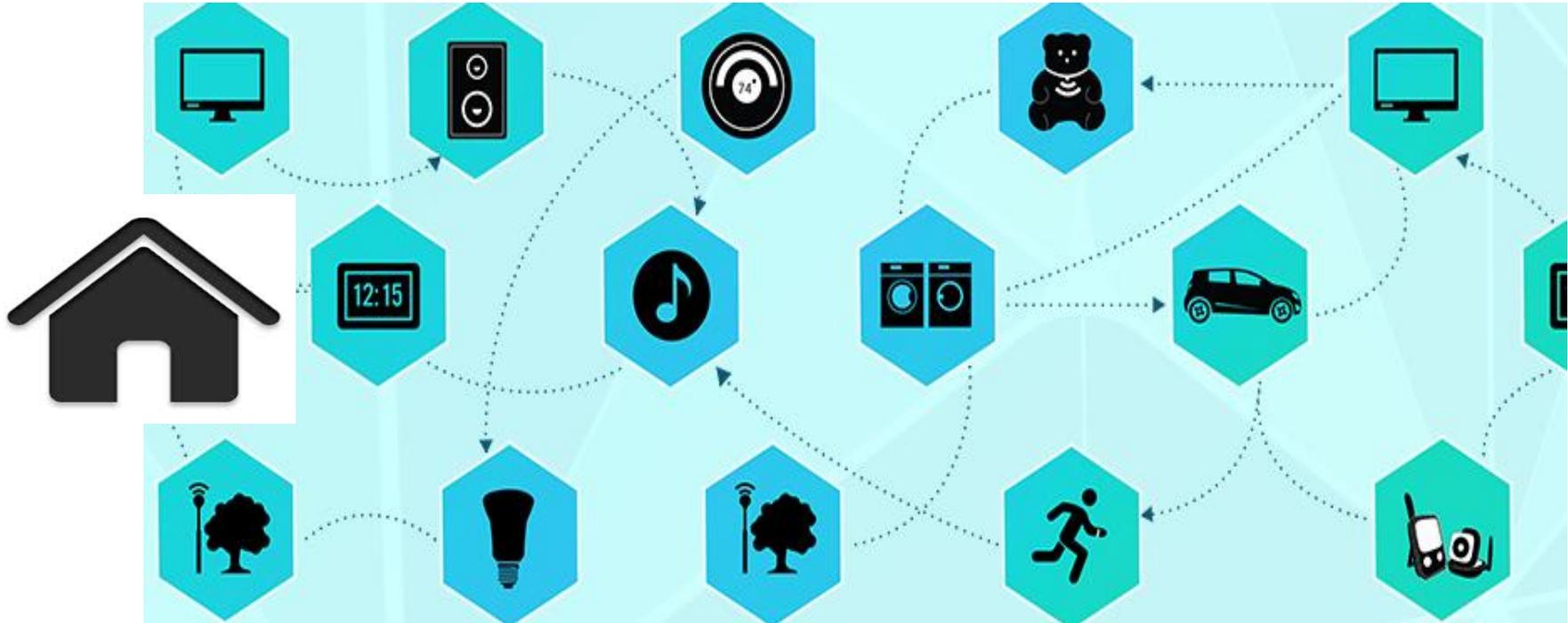*Electrolux Approach*

Electrolux 2015/2016 main products

We will integrate with these solutions but not launch an Electrolux solution

+

We expect open standards to prevail

+

We want to communicate with the multiple connected home devices

Image courtesy of the AllSeen Alliance

Electrolux premier member in the biggest smart home alliance

Wrap-up

Investment in innovation leads to
- Expansion of **gross margins**
- **More products** consumers prefer – differentiated by brand
- Opening up of **new business models** – connected products

Operational excellence will be accelerated through **Modularization 2.0**

Electrolux builds also on **strong alliances** to lead **megatrends** in the industry - AllSeen

=> **Strong glocal innovation and operations model** unmatched
by any **competitor** in the industry