Electrolux 2018

Good progress in a challenging environment
Price increases, improved product mix and cost efficiencies partly offset lower volumes and significant headwinds, primarily from raw material and currency. Most business areas showed organic sales growth and a large number of new innovative products were launched.

Key highlights 2018
• Sales growth of 1.7% (0.5).
• Operating margin excluding non-recurring items of 5.4% (6.1).
• Earnings resilience despite strong external headwinds.
• Healthy cash flow generation and strong balance sheet.
• Two strategic acquisitions in Professional Products completed.

Sales growth was 1.7%. Organic growth across most business areas driven by price increases and mix improvements. Net contribution from acquisitions and divestments was 0.4%

Operating margin excluding non-recurring items was 5.4%. Price increases, improved product mix and cost efficiencies partly offset lower volumes and significant headwinds, primarily from raw material and currency.

Operating cash flow after investments amounted to SEK 3.6bn. Acquisitions and divestments impacted cash flow negatively by SEK 0.6bn.

Well positioned to create value
Strong focus on consumer experience innovation and modularized products in automated production are, combined with a healthy financial position, key drivers for profitable growth.
**SALES GROWTH**
1.7 percent

**OPERATING MARGIN**
5.4 percent

**OPERATING CASH FLOW**
3,649 SEKm

**DIVIDEND**
8.50 SEK per share

1) Excl. non-recurring items.
2) After investments.
3) Proposed by the Board.
Good progress in a challenging environment

I am pleased with our performance in 2018 in the face of challenging conditions for Electrolux. Our focus on innovation to improve the consumer experience and our high cost efficiency are key competitive assets. Combined with price increases, these factors had a positive impact on our earnings, but could not fully compensate for the strong headwinds we faced mainly from raw material and currency. Net sales for 2018 increased to SEK 124bn and our organic growth was driven by price increases and mix improvements across most business areas.

Focused strategy for profitable growth
Electrolux has a clear strategy to deliver profitable growth and create shareholder value. Strong focus on consumer experience innovation and modularized products in automated production are, combined with a healthy financial position, key drivers for profitable growth.

Strong focus on consumer experience innovation through focused brands that drive mix
At the heart of our strategy is a strong consumer focus. I firmly believe that to achieve our targets, we first need to offer outstanding consumer experiences and, with our deep understanding of consumer needs, we are well positioned to do so. This is even more important in today's market where consumers are very well informed about their options.

In 2018, we launched a large number of new innovative products and this contributed to the strong mix improvement we had in the year. Our innovation is focused on three clear consumer areas, Taste, Care and Wellbeing, where Taste is the largest area accounting for almost 70% of our sales.

In the Taste segment induction hobs are true star products. This is a focus area for us and we have had several innovations including the SenseProbe induction hob with sous-vide, and a world first wireless and battery-less probe, that provides precise, automated assistance when cooking.

In the Care segment innovations include the development of a new sensor system that enables tumble dryers to sense when clothes are just dry enough.

In the Wellbeing segment we launched the groundbreaking cordless vacuum cleaner Electrolux Pure F9 that uses powerful battery technology and innovative design, combining the performance of a traditional vacuum cleaner with the freedom of a stick vacuum.

We reinforced our position as a sustainability leader in the industry, which is an ever-more crucial competitive advantage. In 2018, the most resource-efficient Electrolux products represented 21% of products sold and 29% of gross profit.

A strong brand drives profitable growth. In recent years we have successfully sharpened our brands AEG and Frigidaire to target specific consumer segments and trends. The Electrolux brand itself is now being sharpened in a similar way; Making desirable experiences more sustainable through our Swedish values and professional expertise.

Modularized products in automated production with digitally integrated global supply chain
Modularized products produced in automated production with a digital global supply chain results in more competitive products as well as increased cost efficiency and flexibility. In the beginning of the year we announced a USD 250m investment in the Anderson facility to drive profitable growth in North America, with new lines of innovative Frigidaire refrigerator and freezer products. It is in our DNA to continuously strive to further improve efficiency and quality across the organization, from production to administration.

Healthy cash-flow generation and a strong balance sheet supporting further growth
Growth is further supported by a healthy cash-flow generation and our strong balance sheet. A strong balance sheet gives us firepower and offers acquisition growth opportunities. In 2018, we made two strategic acquisitions within the Professional Product business area.

Well positioned to create value
In 2019, Electrolux turns 100 years old and we are now taking the next step to accelerate profitable growth. In the beginning of 2019 we announced that preparations have begun for the separation of the Professional Products business area and for the creation of a sharper and more focused consumer business.

I am confident that Electrolux is well positioned with the right business focus in this challenging cost environment to continue to deliver shareholder value.

Stockholm, February 2019

Jonas Samuelson
President and CEO
Targets

The Electrolux Group’s financial targets contribute to maintaining and strengthening the company’s leading, global position in the industry and generate a healthy total return for Electrolux shareholders.

An average annual total return of approximately 14%. Over the past ten years, Electrolux shareholders have received an average annual total return of approximately 14%. The Group’s capacity to create healthy cash flow and to enhance operational efficiency plays a major role in contributing to this value creation. There is further potential for profitability by increasing margins.

Outstanding consumer experiences contributes to higher profitability. Based on the strategic framework, innovative products for outstanding consumer experiences are to contribute to higher profitability and a margin of at least 6%. A capital turnover-rate of at least 4 times combined with an operating margin of at least 6% should yield a minimum return on net assets of 20%.

Continued profitable growth Further potential for value creation is possible if Electrolux can increase sales and improve its profitability level. The business has to achieve a sustainable profitability level before further investments are made in targeted profitable growth. The objective is an average annual sales growth of 4%.

For more information on the Electrolux business model and path to profitable growth, see Strategy on page 10.

Targets and 2018 execution

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<tr>
<th>Operating margin</th>
<th>Capital turnover</th>
<th>Employee engagement</th>
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<tbody>
<tr>
<td><strong>TARGET</strong></td>
<td><strong>RESULT</strong></td>
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<td>6%</td>
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<td><strong>RESULT</strong></td>
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<tr>
<td>&gt;20%</td>
<td>22.7%</td>
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1) Financial targets are over a business cycle

2) Engagement index

3) Halving the climate impact, million tonnes CO2 by 2020 relative to 2005 levels
Operating margin

Electrolux is focused on achieving sustainable profitability in all business areas, with high priority on securing an operating margin of at least 6% over a business cycle. This will be achieved through innovative product launches and active product portfolio management, in combination with product- and structural cost efficiencies.

Operating margin was 4.3% (6.1) and included non-recurring items of SEK -1,343m. Excluding these non-recurring items, margin amounted to 5.4% (6.1). Three business areas achieved an operating margin above 6%. Price increases, improved product mix and cost efficiencies partly offset lower volumes and significant headwinds, primarily from raw material and currency. Electrolux focus on the most consumer relevant and profitable product categories, exiting unprofitable categories and markets, has improved the product mix significantly.

Sales growth

All business areas have to achieve a sustainable profitability level before moving into targeted profitable growth, see Electrolux business model on page 11. In order to reach the growth goal, the Group continues to strengthen its positions in core markets, new markets and segments. Organic growth is complemented by acquisitions and the target is a total sales growth of at least 4% over a business cycle.

Net sales increased to SEK 124,129m (120,771) and sales growth was 1.7% (0.5). Organic growth was 1.3% (-0.4), driven by price increases and mix improvements. Four business areas reported organic growth. Net contribution from acquisitions and divestments was 0.4%.
**Capital turnover**

Electrolux strives to achieve an optimal capital structure in relation to the Group's goals for profitability and growth. In recent years, efforts to reduce working capital have been intensified. This has resulted in a lower level of working capital and the goal of at least 4 times capital turnover has been exceeded. Reducing the amount of capital tied up in operations creates opportunities for profitable growth.

The capital turnover-rate decreased to 5.3 times (5.9) in 2018, mainly as a result of increased investments and acquisitions.

**Return on net assets**

Focusing on growth with sustained profitability and a small, efficient capital base enables Electrolux to achieve a high long-term return on capital. A capital turnover-rate of at least 4 times combined with an operating margin of at least 6% should yield a minimum return on net assets of 20%.

Return on net assets amounted to 22.7% (36.0). Average net assets increased to SEK 23,381m (20,572), corresponding to 30.8% (17.0) of net sales. Working capital declined to SEK -16,818m (-15,873), corresponding to -13.5% (-13.4) of net sales. Net operating working capital (inventories, trade receivables and accounts payable) improved to SEK 3,789m (4,288), corresponding to 3.0% (3.6) of net sales.
Employee engagement
Electrolux places substantial focus on talent management to attract, recruit, develop, and retain excellent talents with diverse backgrounds. Teamship is the Electrolux way of working. It's about setting aligned goals that allow clear choices and continuous improvement. It's about knowing how to collaborate. It's about transparency and a learning organization. Finally, it is about engagement and a passion for outstanding consumer experiences.

Electrolux employee engagement (EES) is an important tool for leaders to assess engagement, leadership, organizational capabilities and commitment to strategy and purpose. The survey allows for external comparison with other high-performing learning organizations. In 2018, the Engagement index increased to 72 compared to 67 in 2016. Driving the result is an improvement on previous low-scoring teams as well as strong company engagement, commitment to quality, new ways of working and direct understanding of how the Electrolux purpose connects to daily work.

Sustainability
Sustainability leadership is crucial to realizing the Electrolux strategy for profitable growth. The objective is to steadily improve at meeting people’s needs and enhancing their daily lives in a sustainable way. In 2018, the most resource-efficient Electrolux products represented 21% of products sold and 29% of gross profit.

Electrolux can best contribute to remediating climate change through efficient products. The absolute majority of CO2 impact during the lifetime of an appliance is from product use. Through more efficient products and operations, the Group aims to cut the CO2 impact by 50% by 2020 relative to 2005 levels. As of 2018, 15 million tonnes have been cut, representing more than half of the target.
Global trends

The global market for household appliances is being transformed by five major trends: increased consumer power, digitalization, sustainability, consolidation and a growing middle class. While these changes are placing demands on investments and economies of scale, they are also presenting major opportunities.

Trends

The increasing pace of change in the global market stems from a number of trends that influence volumes and the types of products that are in demand, but also how these products are produced, marketed and sold.

Consumer power

Consumer power is growing as increasingly well-informed customers easily access information about prices, offers and product characteristics on-line, via social media and through mobile access.

Strategic focus: Electrolux experience innovation and brand/product focus is specifically tailored to appeal to targeted consumers' segments and needs.
**Digitalization**

Digitalization is a key driver of increasing consumer power. It also provides substantial opportunities to develop increasingly advanced products, and allows significantly improved productivity and flexibility in industrial operations.

*Strategic focus:* Electrolux has a strong focus on digital consumer experiences, connectivity and productivity as key value drivers. R&D-investments focus on digitalization.

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**Sustainability**

Sustainability is becoming more important for customers and consumers as well as authorities, who demand that manufacturers develop and offer sustainable products. Authorities around the world are legislating significant energy efficiency requirements.

*Strategic focus:* Electrolux is a sustainability leader in the appliance industry, as evidenced by numerous recognitions, and has a clear strategic sustainability agenda. The Group has the scale necessary for required investments in sustainability.

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**Growing global middle class**

The continued growth of the global middle class drives market growth in Africa, Middle East, Eastern Europe, Latin America and Southeast Asia.

*Strategic focus:* Electrolux is a global business with local presence and knowledge in regions with fast-growing middle class, and brands targeting growing product categories. In addition, Electrolux is well positioned to leverage the growing demand for resource efficient products.

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**Consolidation**

Due to the increasing pace of innovation and investment needs, the industry is consolidating into a handful of global actors.

*Strategic focus:* Electrolux has the global scale, technology, competence and balance sheet to be one of the drivers of this consolidation.
Our mission is to reinvent taste, care and wellbeing experiences for more enjoyable and sustainable living around the world. This is driving our profitable growth strategy and will create long-term value.

Focused profitable growth strategy

Electrolux applies a three-step model for all business areas, in order to achieve sustainable profitable growth and reach the targets of an operating margin of at least 6%, sales growth of at least 4% and a minimum return on net assets of 20% over a business cycle.

1. Stability & Focus
2. Sustainable Profitability
3. Targeted Growth

Financial targets for profitable growth

<table>
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<tr>
<th>OPERATING MARGIN</th>
<th>SALES GROWTH</th>
<th>RETURN ON NET ASSETS</th>
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<tbody>
<tr>
<td>≥6%</td>
<td>≥4%</td>
<td>&gt;20%</td>
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Financial targets are over a business cycle
This is how we drive profitable growth

To drive profitable growth, Electrolux uses a business model with three main parts: consumer focus, increase competitiveness and future drivers.

Our purpose

By creating desirable solutions and great experiences that enrich peoples’ daily lives and the health of our planet, we want to be a driving force in defining enjoyable and sustainable living. We shape living for the better.
To achieve sustainable profitable growth Electrolux applies a three-step model for all business areas. It starts with making sure that the business operates with stability and predictability in all key processes in combination with clear focus based on active choices to increase profitability.

The second step is about delivering this with sustainable profitability, meaning that the focused business model has resilience to external factors and clear competitive advantages that enable profitability over time.

Finally, when reaching the third step the business area can accelerate growth in a targeted way by leveraging its strength through selective investments with a clear return.

In 2017, the Electrolux Group completed the second stage, Sustainable Profitability, on its path to profitable growth and in 2018 moved towards Targeted Growth. Three business areas are currently in this stage focusing on growing their business in a targeted way with a continued strong focus on profitability. Key activities in 2018 across the Group’s operations and business areas have been to continue drive:

- Portfolio management targeting the most profitable product categories and products.
- Focused and innovative product portfolio with strong consumer benefits.
- An efficient and flexible cost structure fuelled by re-engineering investments.
- Well-established brands in line with consumer trends.
- Teamship across all functions and levels.

For more information on the path forward and business model execution by business area, see the Business area section.
Purpose

Shape living for the better

Our future is determined by the way we all live our lives. That’s why we strive to improve everyday life for millions of people and the world around us. This is embodied in everything we do. In every idea, every product and every human interaction.

We believe that outstanding taste experiences should be easy for everyone. That there is always a better way to care for our clothes to make them look and feel new longer. That the home should be a place for wellbeing, a place to care for ourselves and our loved ones.

To succeed, we continuously rethink and improve our ways of working – internally, and together with our customers and partners. By creating desirable solutions and great experiences that enrich people’s daily lives and the health of our planet, we want to be a driving force in defining enjoyable and sustainable living.

This is us – at Electrolux we shape living for the better.
Mission
We reinvent taste, care and wellbeing experiences for more enjoyable and sustainable living around the world.

To create these experiences we focus our innovation on three areas:

We help people make great tasting, healthy food for friends and family. An oven that cooks evenly or a hob with precise temperature controls and high speed, can enable consumers and give them the confidence and skills to achieve great results.

We help consumers care for their clothes by making them stay new and great looking for longer. Electrolux delivers solutions that allow consumers to put their favorite clothes into the washing machine and be completely confident in the result.

People are concerned about the air that they breathe, clean water and their environment. We call that wellbeing. Electrolux helps consumers get a better home environment through floor care, air care and water care.

Strategic drivers
Our purpose is underpinned by three drivers: Act sustainably, Create better experiences and Always improve. The drivers guide our behaviors, give direction to our strategies, and convey the core of how we behave as a company.

Act sustainably — Inspire and contribute to a change for the better.
We are determined to shape living for the better, for our customers and for the health of our planet. We are proud of our Scandinavian heritage and our accomplishments, but we intend to improve further and to make smarter, more resource-efficient solutions available to everyone. To develop better operations for our coworkers and the communities around us. To always act ethically and respect human rights. To work together with customers and professional partners who share our desire to change for the better.

Create better experiences — Design solutions that elevate everyday life.
Experiences are in the food our customers put on their plates, the way they care for their clothes, the quality of the air they breathe or the water they drink. Better experiences not only elevate our customers’ everyday lives, but are also mindful of our society and our planet.

Always improve — Think new and never settle.
We never settle, and are always curious and forward leaning. We see opportunities where others see problems and make things happen. That is what it takes to shape living for the better.
• Strong consumer insight.
• Focusing R&D on three clear segments.
• Grow high-margin products with preferred partners.
• Quality and ownership solutions are key.

Explore Electrolux business model

1. A clear consumer focus sets us apart
2. Execution to increase competitiveness
3. With drivers that prepare us for the future
Product development focuses on three clear areas:
great tasting food, care for clothes and healthy wellbeing in the home.

Why is this important?
All product development at Electrolux aims to give consumers the best possible experience when using Electrolux products. We are more likely to achieve this with a strong focus on clear consumer areas and a focused product portfolio. A relevant offering drives growth, mix and improves margins.

Electrolux strengths
• Innovative product portfolio as a result of 3.2% of sales invested in focused R&D efforts. New product generations under the AEG and Frigidaire brands have been launched in 2017 and 2018. An extensive product pipeline, including laundry and kitchen products under the Electrolux brand, professional products and cordless vacuum cleaners, will be launched in the coming years.
• Clear understanding of consumer relevance. Consumer insight has for many years been the focus for product development in the Group by performing home visits and usability labs. The new AEG laundry range in Europe is one example of outstanding consumer experience ratings.
• Focused product portfolio. In recent years the portfolio has been streamlined, with the number of product variants and product categories decreasing, leading to both cost benefits and increased success rates. In North America the number of product variants was reduced by approximately 50% at the end of 2018 compared to mid-2017.
• Focused R&D efforts give Electrolux an edge in comparison with multi-category players. Emphasis on what the products achieve for consumers is an advantage over those competitors who focus more on technical features.

2018 execution
• Taste innovation included the new SenseProbe induction hob with sous-vide and a world first wireless and battery-less probe, that provides precise and automated assistance when cooking. Innovations in food preservation included the AEG UltraFresh+ fridge-freezer, which combines flexible, intuitive storage with smart cooling technology that automatically regulates the perfect environment for food.
• Care innovation included the development of a new sensor system that enables tumble dryers to sense when clothes are just enough dry.
• Wellbeing innovation included the groundbreaking cordless vacuum cleaner Electrolux Pure F9 that uses powerful battery technology and innovative design to provide a product that combines the performance of a traditional vacuum cleaner with the freedom of a stick vacuum.
The Group has three main brands in AEG, Electrolux and Frigidaire that are well-established. To maximize the contribution from these brands, the company focuses on selected key, high-margin products and categories and seeks partnerships with preferred key trade partners.

**Why is this important?**

As consumers do more research before their purchase, it is increasingly important to be one of the brands under consideration. Brands must therefore be well known and appeal to distinct consumer groups. A strong brand drives profitable growth as shortlisted brands sell more products at higher prices. Sales of strong brands grow at a rate 1.3 times higher than the average brand\(^1\), and 75% of market share variance within the appliance industry can be explained by Top 3 Consideration & Spontaneous Awareness\(^2\). Cooperation with preferred partners enables efficient marketing, delivery and sales.

**Electrolux strengths**

- Three main and well-established brands accounting for 80% of gross operating income. More than 90% of marketing, design and R&D support are allocated to these main brands. High brand awareness built on 100 years track record of relevant innovations.
- Clear understanding of target groups for the main brands enables focused R&D and marketing.
- Close cooperation with carefully chosen partners delivers focused and relevant offering to consumers.

**AEG**

AEG is Always an Idea Ahead in enabling unprecedented results at home through German engineering

GROUNDBREAKING – RESPONSIVE – INTELLIGENT

**Electrolux**

Making desirable experiences more sustainable through our Swedish values and professional expertise

EFFORTLESS – EMPOWERING – ENRICHING

**Frigidaire**

The everyday home brand hard-working families rely on that makes truly helpful innovation affordable across taste, care and wellbeing

EASY – EFFORTLESS – ENGAGING
A portfolio of well-established brands with a clear focus

2018 execution
- Started to sharpen the Electrolux brand in a similar way as AEG and Frigidaire were revitalized in 2016 and 2017 respectively, targeting specific consumer segments and trends.
- Product brand mapping carried out to ensure that the right products are offered to the right consumers at the right prices under the right brands.
- Continuous efforts to further develop cooperation with partners, both in-store and web. Retailers are supported with strong digital content online and instore to drive sales. In combination with storytelling on social media platforms and advertising this has contributed to the sales development.

1) Prophet Brand Relevance Index 2017 – 10 year CAGR of mast relevant brands vs. S&P 500 Average
2) Value market share regressed against Top 3 and Spontaneous Awareness (Brand Scorecard 2014-16 & GFK sell-out data 2014-17. Countries included: FRI (NA), AEG (BE, DE, ES, UK), ELX (FR, IT, PL, RU, SE)
To drive profitable growth, Electrolux focuses on creating outstanding consumer experiences.

Why is this important?
Strong focus on consumer-driven innovation and well-established brands drives both growth and profitability. Outstanding consumer experiences is the most important factor to drive customer loyalty and higher prices. Consumers are more well-informed than ever, as they can easily access information about prices, offers and products. Consumers also care less about technical features and more about results and the overall experience before, during and after the purchase of the product. This means that social media, reviews and ratings gain increasing importance. Products that offer outstanding consumer experiences will score highly in reviews and ratings and allow premium pricing.

Electrolux strengths
- Long history of consumer insight. We understand consumers' needs.
- Innovative product portfolio focused on three clear consumer areas; Taste, Care and Wellbeing.
- Established brands in line with consumer trends. The two brands AEG and Frigidaire have successfully sharpened their brand propositions during the last three years targeting specific consumer segments. In 2018, the Electrolux brand started to be sharpened in a similar way.
- Global strength and leverage to support investments in product innovation.

2018 execution
- Improved product mix driven by premium brands and new product launches.
- Gained markets shares in targeted segments through a more sharpened and relevant offering to consumers.
- Continued investments in innovation and R&D, supporting a new generation of products.
Engaging Ownership & Quality Experiences

Closer communication with consumers using appliances provides insight for new innovations, personalized ownership solutions and aftermarket sales.

Why is this important?
Outstanding ownership solutions and product quality are important for the consumer when shopping appliances. This is therefore an area of significant importance for Electrolux to further drive brand loyalty and aftermarket sales.

Electrolux strengths
- Large installed base of 400 million products gives high aftermarket sales potential.
- Developed a proprietary cloud platform in the last two years. The Electrolux Connectivity Platform, an Internet of Things ecosystem that connects consumers, service providers and third-party players with an Electrolux backbone.
- Several relevant connected products already launched, such as the Electrolux PerfectCare washing machines and tumble dryers, the robotic vacuum cleaner, and the Frigidaire CoolConnect air conditioners.
- In 2017, Electrolux became the first appliance company to sign up with Google Home to bring voice activation to Frigidaire and Anova products in the U.S.
- The Group has joined the Open Connectivity Foundation, a broad collaboration project to continue to drive towards unified standards for developing open source code for connected products.
- Quality is an important prerequisite for the consumer to choose an Electrolux product. The Group drives consistent global quality efforts through the Committed to Quality program.

2018 execution
- During 2018, the Group launched connected appliances in most product categories and regions, such as the CombiSteam Pro Smart oven with a CookView camera, the high-speed cooker SpeeDelight and the AEG connected laundry range.
- Electrolux Committed to Quality program contributes to both creating better experiences and continuous improvement by listening to consumers, prioritizing prevention and early warning detection of any failures in the market. In 2018, product quality reached a new record level with a service call rate (SCR) of 3.3%.
- Acquisition of Schneidereit, a German supplier of laundry rental solutions for professional customers, enables Electrolux to further increase aftermarket sales.
- Using the latest technology to simplify and personalize the consumer cooking journey through assisted cooking, new services and partnerships is a growing area of interest for Electrolux. In 2018, Electrolux announced partnership with several digital platforms to help and inspire consumers to new taste experiences.
• Competitive cost structure across the value chain.
• Teamship across functions unlock savings and increase productivity.
• Continuous improvement is part of our DNA.

Explore Electrolux business model

1. A clear consumer focus sets us apart
2. Execution to increase competitiveness
3. With drivers that prepare us for the future
Electrolux is developing new modularized product architectures to drive targeted profitable growth and further improve efficiency and quality. Investments in automated and digital manufacturing setup enable competitive outstanding product offering across most markets.

Electrolux global product architecture and automation program is instrumental to drive consumer relevant product innovations as well as to increase productivity, flexibility and product speed to market. This allows the delivery of competitively priced, high quality products for both the mass and the premium segments. Investments in re-engineering programs, mainly in North America and Latin America, are expected to amount to a total of SEK 8 billion during 4-5 years, starting 2018. The investments will open growth opportunities through the manufacture of innovative products and provide strong cost improvements.

Efforts, to drive profitable growth and lower cost, focus on three main areas, Product architecture for consumer relevant innovations, Strategic sourcing and Automation and digitalization of operations. These areas are supported by strong focus on continuous improvements and quality.

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<tr>
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Product architecture
- Increased pace of consumer relevant innovations.
- Higher R&D agility and lower product cost.
- Improved flexibility and economies of scale.

Modularization increases the pace of innovation as it unlocks resources for investment in consumer relevant innovations. Modularization lowers product costs and the product development spend through standardized global modular platforms for new products. Global modular platforms facilitate the spread of successful launches from one market to another, with adaptations to local preferences. Such adaptations are crucial as consumer needs and preferences vary considerably between different parts of the world. Experience shows that modularization can reduce the time from product development to market for a new product by 20-30% and that the investment cost decreases by 15-20%.

Competitiveness is enhanced as new products are to a greater extent designed to allow a higher degree of automation and flexibility in their production. Importantly, modularization leads to increased flexibility by allowing customization of products using a limited number of standard components. Modular design also increases economies of scale in the sourcing of components. Through the re-engineering programs, the number of product architectures are expected to be reduced by more than 40% by 2022 vs 2016.

In 2018, modularization increased in the various product groups and led to increased efficiency in product development, marketing and production.

Strategic sourcing
- Single most important initiative to lower product cost.
- Global bundling of volumes and focusing on partnership with fewer suppliers.

Strategic sourcing entails a mix of several initiatives to further leverage the global scale. This includes further global bundling of volumes as more products are built on shared modules resulting in closer collaboration with fewer suppliers. Longer contracts enable these suppliers to invest in more efficient production set-up, creating a win-win situation in terms of shared lower costs. The global purchasing function coordinates and administers approximately 65% of all purchasing. Electrolux Responsible Sourcing program supports the worldwide effort in making the right decisions on suppliers and upholding the sustainability performance of the supply base.

Automation and digitalization of operations
- Strengthening cost competitiveness through improved efficiency.
- Quality gains.
- Digitalization optimizes manufacturing processes.

Production competitiveness is strengthened through increasing the level of automation, primarily resulting in efficiency improvements. An indication of the increasing level of automation is the number of robots. In 2020, it is estimated that more than 1,000 robots will be installed in Electrolux factories, compared to more than 700 in 2017. In 2018, comprehensive re-engineering programs were carried out at the refrigerator plants in Anderson, U.S., and Curitiba, Brazil, focusing on increasing automation. The Anderson plant will after the investment be in the forefront in the appliance industry and automation level will increase significantly from less than 10% to around 35%. The ongoing investment program in the Group is expected to increase capacity utilization by around 20% in 2022 vs 2016.

Products developed to be produced in automated factories need to be robust, and this is reflected in higher quality of the finished products. Quality is further boosted by the fact that quality control carried out by robots is fast and accurate as well as suitable in hazardous environments, thus reducing health and safety risks for employees. This will drive further improvement in quality, building on the strong performance in recent years. In 2018, product quality reached a new record level with a service call rate (SCR) of 3.3%. The Group has ambitious long-term goals to continue to improve quality and drives global quality efforts through the Committed to Quality program.

Sustainability is an important transformational driver to increase efficiency. Electrolux has a clear agenda to improve operational resource efficiency. The average energy consumption per unit produced in 2018 had been reduced by 44%, compared with 2005. The target for 2020 is a 50% reduction.
Digitalization of manufacturing increases efficiency and flexibility. Electrolux is building a digitally controlled and managed environment within factories that monitors operational information in real-time, including data from robots and machines but also from employees. The entire process flow in the factory is hence optimized resulting in a 5% potential productivity increase. The real-time data is available on a range of devices, including smartphones and tablets, allowing for fast reaction times. In 2018, the plants Kinston, U.S., and Sao Carlos, Brazil, were the pilots for digital manufacturing. Starting in 2019, the big data concept will be rolled out in all factories.

Digital processes for closer collaboration with Electrolux suppliers and retailers help reduce costs, improve quality and increase flexibility. As part of the digital transformation, Electrolux is building a digitally integrated value chain where sourcing, manufacturing processes and supply chain interact with the market to meet just in time demand of products.
Electrolux is committed to delivering great consumer quality experiences, with digital solutions offering new opportunities.

In 2018, Electrolux reached historic quality improvements thanks to the Committed to Quality program. Going forward, we have ambitious, long-term goals to maintain this positive continuous improvement trend. The quality program contributes to creating better experiences and continuous improvement by listening to consumers, as well as prioritizing prevention and early warning detection of any failures in the market.

Today, digitalization and automation are increasingly contributing to quality improvements. For example, in the smart factories, Electrolux are introducing a 100% process control system, ensuring that all products are fully compliant with requirements and consumer expectations.

To achieve 100% process control, Electrolux use vision systems, sensors and robots that are integrated into the process equipment, and in some cases, work side-by-side with employees.

There are several examples of these new digital systems in place in manufacturing across the business areas. As for example vision systems checking gas flames on hob burners in the production plant in Forli, Italy, and robots checking gas leakage in refrigerators in Curitiba, Brazil. These systems are very effective at eliminating situations subject to human error, as well as continuously support the quality control of critical parameters. An effective application can improve the detection of defects and the precision of the detection by 10% to 20%.

This year Electrolux also introduced a new quality index to measure online consumer star ratings, which automatically interfaces with retailers’ web sites worldwide. This additional key performance indicator widens the existing index and also gauges consumer satisfaction, which is at the core of the Electrolux business model.

Overall, this year’s improvements and Electrolux long-term ambitions show full commitment to consumer quality.

- Positive continuous improvement trend in all KPIs, with a record-level service call rate of 3.3% in 2018.
- Faster and more accurate quality control through digitalization.
- Consumer star ratings will be added to quality index.
A clear company purpose and culture that promotes engagement

Electrolux clear purpose and strong corporate culture are key levers to attract new talents, promote engagement and empower employees. Everyone in the organization, regardless of role, is expected to make a difference and contribute to Electrolux purpose – Shape living for the better. Teamship is essential to successfully launch new, innovative products, meet operational excellence targets and move towards profitable growth.

As a global company in a dynamic industry it is vital for Electrolux to have leaders and employees that understand and react to change, act decisively in unpredictable conditions, encourage cross-collaboration and always keep the end consumers in mind. Electrolux competitiveness is strengthened by having passionate, business minded people who have a close relation to the market and see innovation synergies across the global organization.

Read more on how teamship strengthened the global offering on page 28.

Teamship

Teamship is the Electrolux way of working to create outstanding consumer experiences and achieve operational excellence. Working efficiently by having aligned goals, collaboration, transparency and engagement leverages the power of teamship and drives profitable growth.
People leaders, who inspire and engage people across the organization, are crucial to foster a culture of accountability and ownership. Electrolux evaluates and develops the engagement of people through the Electrolux Employee Engagement Survey (EES). This is an important tool for leaders to assess engagement, leadership and organizational capabilities as well as commitment to strategy and purpose. In 2018, the Engagement index increased to 72 compared to 67 in 2016. Driving the result is an improvement on previous low-scoring teams as well as strong company engagement, commitment to quality, new ways of working and direct understanding of how the Electrolux purpose connects to daily work.

Continuous improvement

Continuous improvement is about simplifying ways of working and create value by working smarter. Electrolux works continuously to improve cost structures and develops methods, processes and skills. It is a vital part of the company culture to achieve this across the organization, from production to administration.

Electrolux runs several cross-functional cost-excellence programs and other initiatives to reduce variable product costs. This includes the Electrolux Manufacturing System, modularization, digital manufacturing and an integrated digital supply chain.

The Electrolux Continuous Improvement Program aims to reduce structural cost through improved ways of working, a higher resource efficiency and increased usage of digital tools and processes.

Electrolux works continuously to become a more ethical and safer company

Electrolux works continuously to always act ethically and respect human rights and to be the health and safety leader in the appliance industry.

The same high standards and principles of conduct applies wherever Electrolux operates. Ethics, integrity and respect for people and the planet are taken into account when employees meet customers and colleagues around the globe. Electrolux has a global Ethics Program, encompassing both ethics training and a whistleblowing system — the Electrolux Ethics Helpline.

Electrolux employs a global health and safety management system, aiming to promote a strong safety culture. During the year, the total incident rate in the company, TCIR\(^1\), decreased to 0.59%. Since 2014, the incident rate has decreased by 37%. The Group aims to reduce the incident rate to less than 0.5 in 2020.

\(^1\) Total accident rate per 200,000 working hours.

Read more on how Sustainability is a key business driver on page 32.
Multidoor is the largest and fastest growing refrigeration segment. It is also highly profitable.

To develop a competitive product for this segment, Electrolux formed a project team where all four business areas in Major Appliances collaborated. The team included more than 170 members across eleven functions, and was very diverse in terms of backgrounds and experiences. Collaboration, transparency and common goals were instrumental in the success of the project that was carried out in 2015-2018.

By leveraging the Group’s global scale and finding common needs across all regions, a new multidoor refrigerator range was developed. One common platform to serve as the base for local differentiation to specific regional consumer needs resulted in high flexibility and high efficiency.

Multidoor refrigerators provide unique storage conditions that different food types require to stay fresh and maintain their taste and texture. The Electrolux FlexFresh-system provides five different temperature settings and it also comes with full WiFi connectivity.

The new range focuses on delivering simply outstanding consumer experiences and is part of a wider multidoor growth strategy, with ambitious targets to increase value market share.

- Common manufacturing platform and design for multiple markets results in cost advantage.
- High flexibility and speed to market, as the new product range can easily be adapted to regional preferences and consumer needs.
- Competitive product in a fast growing, profitable segment.
- Collaboration across business areas contributing to profitable growth.
- In 2018 the new range was launched in Australia and New Zealand. In North America it will be launched in 2019.
Develop our Emerging Markets consumer value proposition for accelerated growth.
Digitization impacts consumer behaviour and operation.
Sustainability drives value by boosting sales and lowering costs.

Explore Electrolux business model

A clear consumer focus sets us apart
Execution to increase competitiveness
With drivers that prepare us for the future
Fuelling growth for the next 100 years

Driven by rapid industrialisation and a developing middle class, most of the world’s economic growth is now being fuelled by emerging markets and the International Monetary Fund projects this trend to continue. As Electrolux enters its 100th year, capturing the growth of emerging markets is key to positioning the Group for future success.

Historically the approach to emerging markets has been mainly local and we have not been able to fully leverage our scale and innovation capabilities. We see an opportunity to target the global emerging markets urban mass-premium consumer with a clear market positioning, targeted product platforms and innovation road map, mainly leveraging the Electrolux brand. With this approach as a foundation, we will develop enhanced and differentiated market access approaches for various sub-regions in emerging markets.

Electrolux is positioning itself to tap into growth opportunities through the following areas:

Consumer needs – Consumers in emerging markets share similar needs as they become more affluent and move to more urban living spaces. As incomes rise, consumers will be looking to spend more on higher quality products for their homes.

Customer landscape – With the growth of the urban middle class, the expansion of cities and urban areas is also expected to increase. This not only creates opportunities in greater project developments, but also in new channels and distribution.

Focus and synergies – A focused approach enables consolidation of resources and better leverage of our shared expertise, knowledge and investments to drive scale and profitable growth.

2018 execution

• Decided to merge the Asia Pacific and Middle East & Africa regions, two areas of the world with the highest percentage of emerging markets, into one business area. The new APAC & MEA business area covers the largest markets within the Group, with the potential to reach over four billion consumers and more in the years to come.

• Our leadership position in laundry continues to gain momentum. Read more on how Electrolux gained front-load leadership in Southeast Asia on page 49.

• The new connected multi-door refrigeration range was launched in Australia and Southeast Asia. Read more on how teamship strengthens global offering in this attractive category on page 28.

• Launched AEG products in China through a joint-venture.

• In Latin America, we have clarified our brand and product innovation approach to Brazil, Argentina and Chile, where we are large players. We have also initiated a refocused approach in regions outside these three main markets.

• The APAC & MEA and Latin America business areas have begun to develop specific emerging markets product offerings and innovation for taste, care and wellbeing experiences.
The manufacturing industry is experiencing a rapid technological transformation driven mainly by digitalization. The digital transformation offers substantial opportunities for streamlining operations as well as continuous interaction with consumers. It is also key to maintaining a competitive edge in the appliance industry, where it is increasingly important to adapt quickly to consumer demands.

The digital transformation affects all of Electrolux and includes five core areas:

**Digital 360 consumer experience** - A digitally supported 360 shopping and ownership journey that focuses on creating the best consumer experience at different stages, from exploring various alternatives, visiting websites, interacting on social media and choosing products at retailers to installing and finally using the products. Digitization results in new revenue streams from individualized ownership solutions.

**Connected experiences** - Using connectivity to create new user experiences and ensure high-quality connected ownership. New business models through a smart connected appliance ecosystem.

**Digital productivity** - Digital productivity tools. Become a preferred partner through ease of doing business and reliability. Leverage big data and business intelligence to always be one step ahead.

**Modularization and digital manufacturing** - Minimize product cost and maximize quality and flexibility through digital manufacturing of modularized products.

**Digital supply chain** - Ensure 100% product availability with minimal lead times and capital requirement through a digitally integrated supply chain.

In 2018 Electrolux initiated the implementation of several important global digital platforms to increase efficiency and improve quality and service levels, including:

- Customer Relationship Management system developed and being implemented across the Group. Supporting aftermarket sales strategy.
- Proprietary cloud platform developed the last two years enabling connectivity solutions and direct contact with consumers.
- Manufacturing Execution System, a digitally controlled process flow which monitors manufacturing information as it receives data from robots, machines and employees in real-time.
- Digital supply chain system for closer collaboration with suppliers and retailers. The roll-out continues in 2019.
Electrolux is a sustainability leader in the appliance industry, a strong competitive advantage in an industry where consumers, professional users, retailers and authorities pay more attention to sustainability. Sustainability leadership is vital in delivering outstanding consumer experiences, and to drive profitable growth.

**Sustainability is a key business driver supporting profitable growth**

**Brand**
- Product & brand differentiation
- Employer branding
- Access to new forms of capital e.g. green bonds

**Business growth**
- Higher on consumers’, retailers’ and professional users’ agenda
- Water and energy increasingly becoming a scarcity
- Higher profitability for products with high environmental performance
- Preferable sustainability partners by customers

**Cost reduction**
- Lower energy cost
- Lower material cost
- Lower cost due to waste reduction
- Lower cost due to less injuries

**Governance**
- Reduce overall operational risk and unexpected costs
- Electrolux code of conduct
- Management systems in operations
- Responsible sourcing program

**Brands**
- Strong sustainability performance enables product and brand differentiation.
- Employer branding. To be successful in a changing market it is vital to attract and retain the best talents. A strong company purpose for the better and a focus on employee health and safety are important aspects of that.
- Access to new forms of capital, e.g. green bonds.
Strategy

Business growth

• Sustainability is increasingly important to consumers, commercial customers and authorities, and therefore a key driver of demand.
• As a sustainability leader in the industry, Electrolux is more likely to be the preferred partner of commercial customers with high sustainability demands.
• Ergonomic features are important for professional users to avoid fatigue, injuries and physical stress and contribute to efficiency and wellbeing in the workplace.
• Water and energy are increasingly becoming scarcities, driving demand for water- and energy efficient products. Electrolux is well positioned to leverage on growing demand for resource efficient products. Product usage accounts for in average 85% of CO\textsubscript{2} impact during the lifetime of an appliance. Therefore it is by reducing use of resources such as power and water during the everyday operation of its appliances that Electrolux can best contribute to a reduction in climate impact.
• Higher profitability for products with high environmental performance. In 2018, 21% of the products sold had leading environmental performance and accounted for 29% of gross operating margin. Sustainability is a prioritized area in product development. At least one-third of the product development spend is environment-related and includes energy and water efficiency.
• Electrolux has the scale necessary for required investments in sustainability.

Average CO\textsubscript{2} impact during the lifetime of an appliance*

<table>
<thead>
<tr>
<th>Component</th>
<th>Impact Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recycling</td>
<td>1%</td>
</tr>
<tr>
<td>Materials</td>
<td>7%</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>1%</td>
</tr>
<tr>
<td>Transportation</td>
<td>1%</td>
</tr>
<tr>
<td>Product usage</td>
<td>85%</td>
</tr>
<tr>
<td>Greenhouse gas</td>
<td>5%</td>
</tr>
</tbody>
</table>

* Calculated as the average of eleven different appliances.

Cost reduction

• Lower energy cost; consistent focus on resource efficiency has lowered energy cost by SEK 500m annually vs 2005. The average energy consumption per unit produced in 2018 has been reduced by 44%, compared with 2005. The target for 2020 is a 50% reduction. In 2018, 30% of the total energy came from renewable sources. Combined with the energy reduction, this means that carbon emissions from operations have been reduced by 380,000 tonnes of CO\textsubscript{2} compared with 2005.
• Lower material cost by optimizing the use of input materials, without compromising product performance and quality. Electrolux has the objective to increase the amount of recycled polypropylene plastics in new products from more than 7,000 tonnes in 2018 to 20,000 tonnes by 2020.
• Lower cost due to waste reduction. Electrolux has set a target to introduce Zero Landfill programs at all factories by 2020. The program focuses on identifying the origin of waste, reduction measures and opportunities to reuse materials.
• Electrolux promote a strong safety culture to ensure the best working environment for employees and to improve efficiency in operations through reduced financial impact related to injuries and lost working days. Since 2014, the incident rate\textsuperscript{9} has decreased from 0.94 to 0.59 and Electrolux aims to reduce the incident rate to less than 0.5 in 2020.

\textsuperscript{9} Total incident rate per 200,000 working hours.
### Governance

- Reduce overall operational risks and unexpected costs related to e.g. the environment, social labor and human rights as well as corruption.
- The Electrolux Code of Conduct is a fundamental part of the strategy and serves as an introduction to the most important policies and principles, and is a guide to the Electrolux way of doing business.
- Electrolux has several management systems in operations to ensure efficient and structured processes, for example the Electrolux Manufacturing System.
- Electrolux Responsible Sourcing program supports the worldwide effort in making the right decisions on suppliers and developing the sustainability performance of the supply base.
- The Group has got several recognitions for its sustainability work and was in 2018 named Industry Leader in the Household Durables category in the Dow Jones Sustainability World Index (DJSI World) for the twelfth consecutive year.
In 2018, Electrolux had six business areas: four major appliances business areas; Europe, Middle East and Africa (EMEA), North America, Latin America, and Asia/Pacific, and two global business areas; Home Care & SDA and Professional Products.
Major Appliances EMEA
SHARE OF NET SALES OPERATING MARGIN
34%  6.9%
1) Excluding non-recurring items

Major Appliances North America
SHARE OF NET SALES OPERATING MARGIN
31%  4.0%
1) Excluding non-recurring items

Major Appliances Latin America
SHARE OF NET SALES OPERATING MARGIN
14%  2.7%

Major Appliances Asia/Pacific
SHARE OF NET SALES OPERATING MARGIN
7%  7.1%

Home Care & SDA
SHARE OF NET SALES OPERATING MARGIN
6%  5.2%

Professional Products
SHARE OF NET SALES OPERATING MARGIN
7%  13.1%
Position and Strengths

- Top three position in most geographies with overall leadership in Nordics (36% market share). Second largest player in Western Europe with a market share in Core Appliances of 16% and the third largest player in Eastern Europe with a 15% market share.
- Strong positions in the targeted segments built-in kitchen, cooking and laundry. Well-established relationships with kitchen retailers, together with a full offering, have been vital to successfully grow in the attractive built-in kitchen segment.
- Gained market share under premium brand during the last five years. Mainly driven by product innovation in combination with sharpened brand proposition targeting specific consumer segments and needs.
- Lean and efficient manufacturing base with a high degree of automation compared to the industry as a whole. More than 60% of the production capabilities are in low cost regions.
- Strong product pipeline centered around consumer experience innovation, as indicated by a number of launches at IFA in 2018, such as a new range of induction hobs that provides precise and automated assistance. This includes the SenseProbe induction hob with a world first wireless and battery-less food probe, that automatically controls the hob in order to achieve perfect results. A range of new Electrolux cooking products will be launched in the spring of 2019.
- Well-established portfolio management approach focusing on the most profitable products is a main driver to the margin increase during the last few years. More than 80% of the business area’s sales are in the higher margin categories, Grow and Grow profitable.

Strategic focus

- Continue to grow in areas of strength, built-in kitchen, cooking and laundry, through focused innovation based on consumer insight.
- Lift brand position through sharpening of the AEG and Electrolux brands with a clear focus on which consumer group to target.
- Create outstanding consumer experience by simplifying and improving the usage of products through connectivity that strengthens communication with the consumer after the purchase. Connectivity also opens opportunities to increase aftermarket sales.
- Employ new technologies and ecosystems including voice control, as for example in assisted cooking. The majority of new products launched should be connectivity-ready.
2018 Execution

- Organic sales growth of 5.3%. Operating income excluding non-recurring items improved. Higher volumes, mix improvements and increased cost efficiencies offset headwinds from raw material costs and currency. Non-recurring items amounted to SEK -747m, whereof SEK -483m related to an investigation by the French Competition Authority and SEK -254m to an unfavorable court ruling in France (see Note 7 in the Annual Report).
- Gained market shares driven by the premium brands Electrolux and AEG.
- Continued category execution focusing on premium segments resulting in higher sales. Particular success in built-in kitchen and laundry products under the AEG and Electrolux brands.
- A relaunch of the Electrolux brand was introduced to retailers during the year with products being launched during 2019. A similar relaunch of the AEG brand in 2016/2017 had a positive impact on 2018 net sales and EBIT.
- In March 2018, Electrolux launched a connected steam oven with an integrated camera. This is an example of how Electrolux is investing in connected appliances that enhance the experience for consumers and create new business opportunities.
- During the year the acquisitions in 2017, of Kwikot, South Africa’s leading manufacturer of water heaters, and Best, a European manufacturer of innovative kitchen hoods, were integrated in operations to reinforce Electrolux profitable growth capabilities.
For several years, the Major Appliances EMEA business area consistently focused on induction hob innovation as an important profitable growth area. Based on consumer insight and in-house developed technology, Electrolux has been able to outpace the high market growth in this built-in kitchen segment and has increased its European market share by more than 5 percentage points over the past ten years. Induction is a true star product with high margins and strong growth prospects.

The strong focus on consumer benefits has resulted in very high star ratings from consumers, on average 4.8-5.0 for the induction category. Electrolux has a strong range offering across the induction segment from basic induction with higher precision to more premium induction hobs with flexible surfaces and great usability, and the newly introduced induction hobs with functions for assisted cooking to further improve cooking results. The long-term consistent focus on induction has accelerated profitable growth in EMEA.

- Higher average margin for induction compared to traditional hobs.
- >5 percentage points market share gain the last 10 years.
- The induction market in EMEA grew at a CAGR of approximately 12% in volume during 2009-2018.
- Innovation focusing on high end induction has further improved the mix.
Electrolux identified a potential to grow profitably in the premium laundry category in Europe under the AEG brand, with the help of a sharpened brand and product offering. Investment in focused innovation based on consumers’ Care habits led to the launch in 2016 of a new generation of AEG laundry products. The new products were based on new production architecture with a high degree of innovation and improved quality.

The revitalization of the AEG brand shifted business from an underutilized brand into a distinct laundry offer, focusing on care of clothes. Marketing focused on online content which significantly boosted click-rates, as well as increased social media efforts and knowledge about care benefits with messages like “the wool sweater guardian” and “the delicate shirt defender.” This resulted in larger target reach and opportunity to become preferred trade partner with customers.

Consumer insight has for many years been the focus of product development, and a clear understanding of consumer relevance inherent in the development process resulted in outstanding consumer experience ratings across Europe. Market shares in laundry in Europe have increased and in 2018 the value market share was 14%.

The effects on AEG laundry business results one year after the launch were significant in the premium laundry segment in Europe:

- +0.5% value market share.
- +9% net sales increase.
- +30% operating income (EBIT) improvement.
- +7.5 percentage points increase in price index for laundry.
Position and Strengths

• Strong market position about 16% share in core appliances in 2018, predominantly under the Frigidaire brand. The brand has a 100-year heritage and targets consumers with limited time and money, and who value affordable solutions. The business area also has seen strong growth in its Electrolux branded laundry products, which have grown 31% in volume year-over-year.
• Economies of scale in core categories, including cost and production efficiencies. The economies of scale are being further strengthened by the Group’s investment to modernize and automate its North American manufacturing.
• Long-standing relationships with retailers, particularly with national and dealer stores. Retailers value the business area’s nimbleness to meet changing consumer demand and to provide consumer buying analysis and insight that helps shape retail strategy.
• Strong aftermarket sales capability through experienced call-centres.

Strategic focus

• Adapting to market changes and to shifting consumer buying and delivery preferences. As the business area has planned for changes in the retail landscape, it has been efficiently targeting new product launches to drive demand and increase online reviews. Electrolux has also addressed the changing landscape by growing other channels, particularly its contract sales to the construction industry.
• Radically simplify organization, operations and product offering. Strategically, this effort drives a clear focus of individual product profitability while also significantly reducing the total product offering and cost base. It also allows the business area to drive growth of its Frigidaire products, which accounts for about 75% of North America sales.
• Investing in manufacturing re-engineering and new product architectures. The Group is investing in automation, modernization and in new lines of innovative Frigidaire kitchen products to drive profitable growth in North America.
• Create outstanding consumer experience through aftermarket sales. This is accomplished with the consumer after the purchase, and simplifies and improves product use.
2018 Execution

- Organic sales declined by 6.2% due to lower sales volumes under private label and from room air conditioning. In addition, increased costs for raw material, logistics and trade tariffs impacted earnings that declined. To mitigate the headwinds, Electrolux implemented cost-based price increases and actively worked with suppliers. Operating income included restructuring cost of SEK 596m for the consolidation of freezer production in North America, classified as non-recurring item (see Note 7 in the Annual Report).

- In 2018, the business area successfully executed new product launches by driving a commercial discipline from the start of a new product’s production through retail flooring. A strong example was the launch of the Frigidaire wall oven. Overall industry demand for wall ovens in 2018 grew 4%, and branded growth for the business area grew 10%. Not only did the launch begin production ahead of schedule, the commercialization was well-planned and executed. Product demand has steadily grown since its July launch and the cooker had a five-star consumer rating at year-end.

- The number of products (Stock Keeping Units) were reduced during the year by more than 50% compared to mid-2017, eliminating unprofitable and costly products. This resulted in a narrow focus on the business area’s most profitable products and a portfolio with an average consumer rating of 4.6 stars and the highest quality level on record.

- During the year, there was significant progress in its North American manufacturing investments.
  - The new refrigeration and freezer plant in Anderson, South Carolina, is near completion and will begin production during 2019.
  - In the Springfield, Tennessee cooking plant, four new presses were installed and began running in December. These presses are improving reliability and productivity, and produce 3,000 tons of force to bend, cut and form sheet metal for the cookers.
  - Market demand for French Door Bottom Mount (FDBM) refrigerators grew 3% in 2018. Electrolux launched improvements on the refrigerator’s icemaker and noise level. This investment led to 19% FDBM branded growth during the year for the business area.

- Aftermarket sales saw a 4% year over year growth as the business area launched new online how-to videos, adjacent products and expanded its service network.

- Building a home delivery network resulted in final mile delivery capability that can now reach 95% of U.S. with weekly service. Home delivery capability is key to further expansion to retailers as well as direct to consumer and contract sales.
Electrolux is investing in its U.S. facility Anderson in South Carolina to increase efficiency through automation and modernization.

When production begins in 2019, the USD 250 million investment will have doubled the plant’s size to 1.6 million square feet, have built 2.7 miles of assembly lines outfitted with more than 100 new robots, and have built a new warehouse.

The new plant will take advantage of:

- Best-in-class automation, moving to around 35% automation level from less than 10%.
- A new line of innovative Frigidaire refrigerator and freezer products.
- Globally designed, modular components.
- A simplified offering, focusing on the most profitable refrigeration products.
- Sustainable operations through energy-efficient production, low carbon emissions and material recycling.

These initiatives will significantly increase flexibility and cost efficiency at the plant, driving profitable growth.
Position and Strengths

- Leading market positions. Electrolux holds about 25% combined market share in Brazil, Chile and Argentina, with leadership in the cold segments and laundry. Good opportunities for long-term growth as the middle class is expected to grow rapidly in Latin America.
- Well-established brands including Electrolux in Brazil, Fensa and Mademsa in Chile, Electrolux and Gafa in Argentina, and Frigidaire in the northern part of the region.
- Strong design and consumer preference capabilities resulting in a relevant product portfolio tailored to the specific consumer demands in the region. The business area has an extensive track record of ensuring a high degree of consumer preference tests before a new product is launched.
- Local manufacturing is a competitive advantage as several of the main markets such as Brazil and Argentina are protected by customs tariffs.
- Fast-growing channel for direct sales to consumers, and an extensive distribution network. In Brazil, the largest market in the region, sales through customers’ on-line channel accounted for 9% of Electrolux sales in the country in 2018, up from 3% in 2015.

Strategic focus

- Continue to drive portfolio management to restore profitability in a changing demand situation. This is especially key in the main markets Brazil, Chile and Argentina where the business area has strong market positions.
- Execute re-engineering of manufacturing, including digitalization, automation and new product architectures.
- Reduce costs and complexity to achieve profitable niche positions in regions outside the three main markets.
2018 Execution

- Organic sales growth of 9.8%, driven by price increases and product mix improvement. Cost-based price increases were implemented to mitigate impact from higher raw material costs and negative currency effects due to macroeconomic volatility. Operating income and margin improved.
- Clear focus on cost-efficiency, with the ongoing cost-efficiency program continuing to be effective. An important phase of the re-engineering of the plant in Curitiba, Brazil, was concluded.
- Investments in manufacturing re-engineering and new product architectures to drive profitable growth.
- Product portfolio management continued, resulting in a more focused and sharpened product offering in the most profitable categories. This contributed to mix improvements, particularly in Brazil.
- Reorganized operations in Colombia, Peru and Ecuador under one managerial and operational team, resulting in lower costs and more efficient channel and product portfolio management.
Digitalization using the Industrial Internet of Things (IoT) increases both flexibility and efficiency in production. In 2018, the factory in Kinston, U.S., became the pilot plant for a fully connected manufacturing shopfloor, this was followed by Sao Carlos, Brazil. The process flow in these factories is digitally controlled and managed by a Manufacturing Execution System which monitors production information as it receives data from robots, machines and employees in real-time.

Monitoring of assembly lines through hundreds of data points enables functions further down the value chain to react to changes in the production flow. It is a highly interconnected ecosystem in which real-time data is available on a range of devices, including tablets, smartwatches and smartphones allowing for fast reaction times. The optimization of the entire process flow is expected to yield several percentage points of productivity increase once fully deployed in assembly lines, technological areas, warehouses and internal logistics. Starting in 2019, the model of a fully-connected factory will be rolled out across production sites in a multi-year plan.

At the factory in Curitiba, Brazil, another digital technology was introduced. This involves 3D-printing, also known as additive manufacturing, in the production of cooling channels in injection molds. A total of around 100 injection molding tools have been “digitally upgraded”, and are now producing 30 million parts annually. The use of this has resulted in a 20% increase in productivity in the full injection molding assets in the factory.

- Industrial IoT process flow is expected to increase productivity by 3-5% in the Kinston and Sao Carlos factories when fully implemented.
- Starting in 2019, Industrial IoT will be rolled out across further factories and warehouses in the Group.
- Additive manufacturing increased productivity by 20% in the manufacturing of plastic parts in the plant in Curitiba.
Position and Strengths

- Leading market position in Australia and New Zealand, especially in cooking. These two markets account for about 50% of sales in the business area, and the Electrolux market share of core appliances in Australia is about 30%.
- Strong market position in targeted segments in Southeast Asia, especially front loaded washers where market shares have increased significantly during the last few years.
- High brand recognition in large parts of the region where Electrolux is associated with European Quality & Care, which is in line with consumers demand.
- Modern manufacturing capability in Rayong, Thailand, with economies of scale in low-cost location. About half of the products sold in the region are produced in Rayong.

Strategic focus

- Focus on consumer experience innovation to further improve product mix and margins.
- Push expansion in the growing Southeast Asia region through new channels such as construction by having dedicated teams focusing on built-in categories such as cooking targeting the developers and in new geographical markets including Malaysia, Thailand and Vietnam.
- Drive sales in the profitable aftermarket segment, including service packages, consumables, accessories and adjacent products.
- Accelerate launch of connected products and ecosystem. The Asian market for connected products is more advanced compared to most other regions.
- Pursue joint-ventures and acquisitions to accelerate profitable growth in this attractive and growing region.
- Build sustainable position for the AEG brand in China.
2018 Execution

- Organic sales growth of 3.7% driven by strong growth in Southeast Asia. Operating income and margin declined. Currency headwinds and increased costs for raw material were not fully compensated by higher sales volumes and mix improvements.
- Accelerated two-digit profitable growth in laundry and food preparation in Southeast Asia by having a sharp offering of products tailored to the specific consumers’ needs in these regions. For example cold water technology in washing machines, enabling consumers in Indonesia to get perfectly cleaned clothes despite electricity limitations.
- Developed new branded consumables and strengthened the use of call centers to address consumer needs.
- Launched AEG products in China in a limited number of stores through a joint-venture with Midea that has an extensive distribution network in China. The AEG brand stands for German engineering and is targeting Chinese customers preferring premium brands.
- Strengthened offering by introducing consumer relevant innovation including the ComfortLift dishwasher and multi-door refrigerators.
- Strong focus on cost out activities in manufacturing/logistics.
In the last ten years Electrolux has significantly strengthened its position within front-loaded washing machines in Southeast Asia through a star product approach. Behind this strong performance was a strategy to adapt the products to specific regional consumer needs, based on deep consumer insight. Many consumers found it difficult to wash certain Asian garments, as Hijab and Batik, without causing damage to the fabrics. An additional challenge was the limited power supply in markets like Indonesia resulting in limited usage of “Hot Wash” programs and hence consumers were not satisfied with the washing performance. Product development therefore focused on solving those problems delivering great washing performance also with cold water programs. The effects on sales were enhanced by a strong brand, as well as by effective marketing and distribution. Shopping insights were used to differentiate the products in-store, focusing on a few, targeted messages and creating a premium feel for the brand and the products. The strong market execution continued in this profitable segment in 2018 fueled by new product launches.

- Focused approach on understanding consumer needs.
- Easier for consumers to take care of delicate and precious garments.
- Strong sales growth with a CAGR of around 15% 2008-2018, in a profitable segment. Operating margin improved significantly compared to 2008.
- Strong innovative, consumer focused offering resulting in an uplift in average selling price.
Position and Strengths
- Strong position in Floor Care. Electrolux has been at the forefront of vacuum cleaning innovation for 100 years and has a strong brand recognition in vacuum cleaners. The Group has a strong presence in the premium segment and holds leading positions in EMEA, Latin America and parts of Asia/Pacific.
- Well-established brand in key markets globally, such as the Nordics, Eastern Europe, Brazil, Japan, Korea and Australia.
- Global player with access to Major Appliances’ brand and distribution channels resulting in competitive advantages both in terms of sales and, especially, costs.

Strategic focus
- Complete the product portfolio review by exiting unprofitable and non-core product categories and markets.
- Build a strong position in robotics and cordless vacuums, supported by innovative new products such as the Pure i9 robotic vacuum cleaner and the Pure F9 cordless vacuum cleaner.
- Build Wellbeing ecosystem with floor care and air care connected to deliver enhanced consumer experiences. Clear consumer benefits put Wellbeing at the forefront of the connectivity trend.
- Drive growth through innovative solutions in direct sales, digital marketing and connected appliances. Leverage the existing B2C platform in online sales and digital marketing to build relationships directly with consumers.
2018 Execution

- Organic sales declined by 1.1%. Operating income and margin were fairly in line with last year.
- Product transition continued with lower sales volume due to market decline in corded vacuum cleaners. The trend shift in market demand toward cordless products accelerated during the year.
- Groundbreaking launch of a premium cordless vacuum cleaner Pure F9 creates a new segment to strengthen position in the growing cordless segment.
- The product portfolio review was completed and the product mix improved during the year as a result of active product portfolio management.
- In line with the strategy to focus on global brands and product categories, the U.S.-based commercial and central vacuum cleaner businesses were divested.
- A partnership was established with startup Drop, to further develop the smart kitchen ecosystem. This enables Electrolux products to work seamlessly with Drop's online platform and app, which provide tailored recipes and guidance to the capabilities of Electrolux appliances.
Electrolux has been at the forefront of vacuum cleaning innovation for 100 years and continues to drive innovation where consumer experience is the key lever to drive competitive advantage. Cordless vacuum cleaners is the most important strategic growth category for the business area Home Care & Small Domestic Appliances. The market shift to cordless segment accelerated in 2018 and is growing at a rapid pace, especially in Asia but also in Europe.

With the Pure F9 targeting the premium market, Electrolux is creating a new segment in cordless vacuum cleaners as Pure F9 can fully replace the corded vacuum cleaner in order to provide ultimate surface cleaning freedom. Powerful battery technology and innovative design solutions provide consumers with a product that combines the performance of a traditional vacuum cleaner with the freedom of a stick vacuum and allows consumers to clean their homes on a single charge.

Innovation highlights built on consumer insight:

- Cleaning performance same as corded vacuum cleaner.
- Clean all types of surfaces thoroughly on a single charge.
- Innovative design solutions.
- Best-in-test in German magazine ETM Testmagazin and in Sweden M3 Sverige Prylsajt.

The Pure F9 significantly strengthens Electrolux position in a growing and profitable segment of the market.
Connectivity is changing the dynamics of the industry and Electrolux has a very strong focus on digital consumer experiences. One key area is the Wellbeing segment, where connectivity improves the consumer experience as it enables remote control of the home wellbeing. Electrolux launched the world’s first robotic vacuum cleaner in 2001 and has now reentered the category focusing on software development to allow connected and autonomous cleaning, as well as smart solutions for cleaning corners and steering clear of obstacles.

The new PURE i9 was launched in 2017 and is the first step in creating a responsive ecosystem of products for wellbeing in the home. PURE i9 includes several innovative features based on consumer insight. It is controlled through an app, meaning you no longer need to be at home to vacuum. The 3D Vision technology scans and maps the room to provide thorough cleaning. The PURE i9 can clean corners, climb carpets, and adapt speed and brush-roll to the type of floor it is cleaning.

- Market with significant growth potential since penetration today is less than 10% of the global floor care market.
- Growing presence through PURE i9 across APAC and EMEA. Good market share gain in South Korea in the profitable premium segment and good traction in the Nordics, Australia and Thailand.
- Ongoing communication with consumers through connectivity provides insights for new innovations.
- Ongoing communication with consumers will help Electrolux drive aftermarket sales, improve quality and make it possible to test new business models.
Position and Strengths

- Full-service offering gives Electrolux a unique ability to service the professional customers. Electrolux professional offering covers food-service, beverage and laundry solutions, as well as a global sales & customer care organization. Electrolux is the only global player with a complete offering under one brand in the professional segment.
- Strong positions in the European food-service and laundry markets, in particular in the institutional (hospital, staff canteens, schools) and hospitality (restaurants, catering and hotels) segments. Market shares are growing in Western European markets, East Europe and North America, and the Group is a leading player for complete large, innovative installations in a number of growth markets.
- Good track record of profitable growth execution. The sales CAGR 2014-2018 amounted to 6%, and the average operating margin during that period was 13%.
- Electrolux is a leader in innovation and technology integration through focused investments in new products and technologies including connectivity and sustainable solutions. The laundry L6000 (new generation of washers and dryers) launched in 2018 was the first to receive an ergonomic certification; an area of increasing importance for professional users.

Strategic focus

- Leverage the growth in the food service business, strengthening the offering through investments in customer care, marketing and innovation.
- Leverage the two beverage acquisitions (Grindmaster-Cecilware and SPM Drink Systems) to expand the beverage business and the U.S./Chains presence.
- Continue to invest in connected products and solutions. Connectivity advances faster in the professional segment compared to the consumer market as uptime is crucial for the professional users.
- Improve presence in the aftermarket, in order to strengthen customer relations along the lifespan of the products and increase sales (service packages, consumables and accessories) as margins are higher in this business. A large installed base of products gives high aftermarket sales potential.
- Leverage the acquisition of Schneiderert, a supplier of laundry rental solutions for professional customers to grow market shares with innovative business model.
- Pursue acquisitions to further strengthen the product offering and to increase the presence in the U.S. and chain business.
2018 Execution

- Organic growth of 3.5% with increased sales across all three segments food, laundry and beverage. Continued profitable growth from product innovation and strengthened market positions. Earnings remained solid. Price increases and higher sales volumes offset increased costs for raw material and additional investments in customer care and innovation.
- Investments in a global customer care program to improve service levels on installed products and offer additional service solutions. A new and innovative program named Essentia, was launched in January 2018 with a progressive roll-out around the world.
- Launch of new laundry line (L6000), based on new product architecture, using cutting edge innovations and connectivity solutions to maximize uptime and best-in-class energy savings.
- Investments in a new lab and R&D center for laundry in Ljungby, Sweden, to further strengthen the pipeline of innovative solutions. Investments to increase automation in the production plant for food-service equipment in Vallenoncella, Italy, were also made.
- Electrolux acquired Schneidereit, a German supplier of laundry rental solutions for professional customers. The acquisition enables Electrolux to develop its offering within the professional laundry business and supports the long-term profitable growth in Europe.
- Acquisition of SPM Drink Systems, an Italian leading manufacturer of primarily professional dispensers of frozen beverages. SPM's product portfolio expands Electrolux Professional's beverage offering to include a comprehensive range of products. The acquisition is part of the strategy to strengthen Electrolux full-service offering.
In 2018, Electrolux acquired Schneidereit, a German supplier of laundry rental solutions for professional customers. Functional sales is a fast-growing segment in the industry as it enables customers to run their businesses without worrying about asset ownership or maintenance. The acquisition enables Electrolux to develop its functional sales offering within the professional business and supports the long-term profitable growth strategy.

- Rental solutions share of business to business sales in the industry is increasing all around the world, for example it increased in Australia from 10% to 40% in five years. The penetration in the UK is about 30% and in the U.S. 20%.
- Connectivity is a growth accelerator.
- Functional sales together with Professional Products leading position in connected solutions enable expansion in new customers segments, geographies and aftermarket solutions.
The Electrolux share

Total shareholder return for the Electrolux B share has in average been 14% annually during the past ten years, compared to 13% for the OMX Stockholm Return Index. The Electrolux share is listed on the exchange Nasdaq Stockholm.

**TOTAL RETURN**

14%

ELUX B (10 years)

**DIVIDEND**

8.50 SEK

per share (2018*)

*Proposed by the Board

**PAYOUT RATIO**

64%

(2018*)

*Proposed by the Board

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**Q4 2017 REPORT COMMENTS**

Strong finish to the 2017 year with organic growth of 4% and an operating margin of 6.1% driven by most business areas, of which four achieved a margin above 8%.

**ELECTROLUX INITIATIVES**

- Cost-based price increases implemented in North America and Latin America.
- Strong focus on driving mix through several innovations in cooking.
- Re-engineering investments in the U.S. announced to strengthen competitiveness.
- Official launch of the AEG brand in China.
- Acquisition of Schneidereit adding functional sales expertise for Professional Products.

**EXTERNAL FACTORS**

- Favorable market trends across key markets, including Europe and the U.S.
- Higher cost inflation, primarily raw material.
- U.S. anti-dumping duties on imported washers.

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**QUARTER 1, 2018**

- **Electrolux B Share**
- **OMX Stockholm Index**
**QUARTER 2, 2018**

**Q1 2018 REPORT COMMENTS**
Continued focus on profitable growth, with market share gains in core brands, resulting in organic growth of 1.8% and solid underlying margins. First round of cost-based price increases implemented towards the end of Q1 to mitigate higher raw material costs.

**ELECTROLUX INITIATIVES**
- Further price increases announced in key markets, primarily in North America and Latin America.
- Dividend increased to SEK 8.30 from 7.50 per share, decided by AGM.
- Celebrating Frigidaire 100 years.

**EXTERNAL FACTORS**
- Overall positive market demand, but decline in industry shipments in North America, Latin America and Australia.
- New range of connected refrigerators launched in Asia/Pacific.
- Tariffs on steel (Section 232) implemented in the U.S.
- Increased currency headwind, mainly in Latin America.
- Provision set relating to an investigation by the French Competition Authority.

**QUARTER 3, 2018**

**Q2 2018 REPORT COMMENTS**
Organic growth across most business areas with continued market share gains. Implementing price increases in a challenging cost environment while investing in brand and innovation.

**ELECTROLUX INITIATIVES**
- Management team changes and new Group CFO.
- Several important launches: new cordless vacuum cleaner Pure F9, new range of induction hobs and the next generation laundry for professional users.
- Home Care & SDA completed its product portfolio review after divesting its North American commercial and central vacuum cleaner businesses.

**EXTERNAL FACTORS**
- Weaker retailer demand due to higher industry prices. Solid European market.
- U.S. tariffs for imports of certain components and products from China in place.
- Accelerating currency volatility in emerging markets, especially Latin America.
- Provision announced for unfavourable court ruling in France.

**QUARTER 4, 2018**

**Q3 2018 REPORT COMMENTS**
Strong focus on implementing cost-based price increases and an overall good operational performance despite increasing headwinds. The product mix continued to improve driven by premium brands and product launches.

**ELECTROLUX INITIATIVES**
- Implementing announced price increases in several markets with effect 2019.
- Acquisition of SPM Drink Systems expands Professional Products’ current beverage offering.
- Partnership with smart kitchen start-up "Drop".
- Electrolux tops new Swedish sustainability ranking.

**EXTERNAL FACTORS**
- Major U.S. private label customer filed for Chapter 11.
- French antitrust proceeding concluded.
- Currency fluctuation in Latin America.
Questions in focus by the capital markets in 2018

The dialogue with the capital markets focuses on improving the understanding of the operations, execution of the strategy and Electrolux financial position. The telephone conferences from earnings call presentations in 2018 are available at www.electroluxgroup.com

How is demand in your key markets developing and are you gaining market shares?

The European appliance market showed market growth of around 1% in 2018, driven by strong demand in Eastern Europe. Electrolux continued to take market share in this region in 2018. In North America, demand was favorable in the beginning of the year and Electrolux gained share in core branded products but higher industry prices for appliances, driven by increased raw material cost and trade tariffs, impacted market volumes negatively in the latter part of the year. Demand in North America in 2018 declined by -1%. Markets in Latin America and Australia showed slight weakness while Southeast Asia continued to have favorable market demand.

What are the key activities to achieve profitable growth?

There are three main activities. First and foremost, Electrolux consumer-focused business model is a competitive advantage in an industry where the consumers now are in charge. Key activities are driving innovation and R&D through focused brands and new, relevant product launches to improve the mix. Secondly, the work to increase modularized products in automated production with digitally integrated global supply chain is also an important driver for profitable growth. Finally, Electrolux healthy cash flow generation combined with a strong financial position support the Group to grow its business further.

What is Electrolux doing to mitigate increased cost inflation?

Electrolux has in 2018 implemented cost-based price increases in several markets to mitigate the increased headwinds from higher raw material prices, tariffs and currency. Additional price increases starting 2019 for key markets have also been announced in 2018. The Group continues to have a strong focus on cost efficiency with an agile approach to continuously reduce costs.

Can you comment on future innovation and R&D investments?

Innovation is focused on three clear areas; Taste, Care & Wellbeing. A focused approach enables Electrolux to provide a consumer relevant offering based on globally applied technology and marketing platforms across the Group. R&D in digital and connected solutions is becoming a more important area to further support our product pipeline and drive profitable growth. In 2018, Electrolux launched several new generation products and 2019 will continue to be a year of significant product launches.

Could you update us on your re-engineering programs in North America?

Electrolux is investing in globally modularized product architectures and increasing the automation level in production to strengthen competitiveness in terms of sharper product offering and improved cost efficiency. The program to modernize the production of refrigeration and freezers in the Anderson plant in the U.S is to be completed in 2019. Read more on page 43.
The share

The Electrolux share

In 2018, Electrolux faced increased headwind from raw material costs, trade tariffs and currency. This was to a large extent offset by organic growth driven by price increases and innovation as well as by cost efficiencies. Electrolux total market capitalization, however, decreased by 29% to SEK 60.5 billion. Total return for the Electrolux B share was -26% in 2018.

Share price development
The Electrolux B share decreased by 29% in 2018, underperforming the broader Swedish market index, OMX Stockholm, which decreased by 8% during the same period. The relative underperformance was mainly related to increased headwind from raw materials, trade tariffs and currency which impacted earnings negatively. Electrolux delivered positive organic growth and several business areas achieved an operating margin excluding non-recurring items above 6%. This was driven by mix development and a focus on mitigating cost headwinds through pricing as well as cost efficiencies. The share price development gained momentum at the end of the year, supported by good execution of implementing price increases, and the Electrolux share showed a relative strength versus the market index at the latter part of the year.

The opening price for the Electrolux B share in 2018 was SEK 234.30. The highest closing price was SEK 278.20 on January 31 while the lowest closing price was SEK 172.20 on October 26. The closing price for the B share at year-end 2018 was SEK 187.10. The beta value of the Electrolux B share over the past five years is approximately 1.1.

Total return
Total shareholder return during the year was -26%. Over the past ten years, the average total return on an investment in Electrolux B shares has been 14% annually. The corresponding performance for the OMX Stockholm Return Index was 13%.

Share information
The Electrolux share is listed on the exchange Nasdaq Stockholm. The share capital of Electrolux amounts to SEK 1,545m corresponding to 308,920,308 million shares. In the U.S., Electrolux shares are traded over-the-counter market in the form of American Depositary Receipts (ADRs) under the symbol ELUXY.

Approximately 38% of the share capital and 30% of voting rights was owned by foreign institutions, mutual funds and private investors. Investor AB is the major Swedish shareholder with a 16.4% holding of the share capital and 28.4% of the voting rights as per December 31, 2018 (Source: Euroclear and Holdings).

Electrolux maintains a number of long-term incentive programs for senior management. Since 2004, the Group has three-year performance-based share programs. At year-end 2018, the incentive programs had a minor impact on the dilution of the total number of shares. More information on performance-based share programs is in Note 27 in the Annual Report 2018.

Electrolux — a sustainability leader in the household durables industry
In 2018, and for the twelfth consecutive year, Electrolux was recognized as a leader in the household durables industry in the prestigious Dow Jones Sustainability Index (DJSI). Electrolux thereby ranks among the top 10% of the world’s 2,500 largest companies for social and environmental performance. Additionally, Electrolux has received recognition from other indexes and organizations, including Sustainalytics. Electrolux was also awarded a position on the 2018 Climate A List by CDP.
Electrolux overall goal is to create value for its shareholders why the communication with the capital markets is of great importance.

The Investor Relations team coordinates this communication and the aim is to give a better understanding of the development of the company, its key markets, the competitive landscape and the progress of its business areas by providing reliable, accurate and updated information. Electrolux regularly meets with shareholders, potential investors and analysts. The dialogue with the capital markets gives Electrolux a better understanding on how Electrolux is perceived to ensure that the company's information is clear and relevant.

During 2018, Electrolux IR had over 250 meetings with investors and analysts

- **Roadshows and Investor conferences**
  - Investor conferences, primarily in London and Stockholm
  - Investor roadshows to market Electrolux to new investors as well as meet with shareholders:
    - Q4: London, New York, Boston and Stockholm
    - Q1: London, New York, Boston and Stockholm
    - Q2: London, Stockholm

- **Earnings call & Sales briefings**
  - Quarterly earnings call with management. Available as on-demand on Electrolux website
  - IR Sales briefings, primarily focusing on company teach-ins and Q&A with brokers

- **Investor site visits**
  - Arrange site visits for investors to provide a deeper understanding of Electrolux operations
  - In 2018, the visits were primarily in Charlotte, the regional head office for Major Appliances North America

- **AGM**
  - AGM held in Stockholm April 5, 2018
  - CEO Jonas Samuelson focused on how connected appliances deliver consumer benefits and drive profitable growth
  - Showcased some of the Groups latest connected products
  - Dividend increased to SEK 8.30 from 7.50 per share
**Risk management**

Active risk management is essential for Electrolux to drive successful operations. The Group is impacted by various types of risks including strategic and external risks but also business risks such as operational and financial risks. Electrolux monitors and minimizes these risks in a structured and proactive manner.

**Electrolux risk management framework**

**STRATEGIC RISKS AND OPPORTUNITIES**

- External risks
- Strategy risks

**MANAGEABLE BUSINESS RISK**

- Operational risks
- Financial risks

Our strategic priorities in combination with the external environment impact how we assess and manage business risks and opportunities

Electrolux faces different types of risks that can be divided into Strategic risks and Manageable business risks. The strategic risks are related to the Group’s strategy and are impacted by the external environment, while the business risks are related to operational and financial risks. These are managed by the Group’s operational units and Group Treasury, respectively. Electrolux has several processes to manage overall risks through operational activities that are performed by the business area boards.

The Group has also established internal bodies that manage risk exposures on a regular basis. Examples of internal bodies are the Risk Management Board, the Insider Committee, the Ethics & Human Rights Steering Group, the Audit Board and the Tax Board. For more information on the Electrolux organizational structure and system for internal control and risk management, see the Corporate Governance report in the Annual Report.
External risks

Macroeconomic and political risk
Political uncertainties and weak macroeconomic conditions may impact consumer sentiment and demand for appliances. This can in turn have implications for the Group’s business and strategy in regions which carry high political and economic risks. Companies that invest in developing capabilities to move fast and be agile with alternative strategies can sustain their competitive advantage despite operating in risky markets. Electrolux acts proactively to assess and manage risks and opportunities in its business environment.

Industry trends
The pace of change in global markets along with the digital transformation are leading to new trends that influence the appliance industry. Increased consumer power, digitalization, consolidation and sustainable development place increasing demand on investments and the ability to adapt, but also open up major opportunities. Electrolux is focusing investments on innovation and areas such as digitalization and connectivity and has transformed its product offering by reinventing taste, care and wellbeing experiences. The Group has also set ambitious targets to strengthen its sustainability footprint.

Variations in demand
In times of fast changes in market conditions and fluctuating demand for the Group’s products, decisive actions and cost savings initiatives throughout the Group have proven that Electrolux can be agile and make timely adjustments in its production and cost structure. When there is strong market demand, it is essential that Electrolux can benefit from its global scale by delivering new innovative products and experiences with a high speed to market.

Price competition
A number of Electrolux markets are experiencing price competition. This is particularly evident in the low-cost segments and in product categories with significant overcapacity. In markets with high inflation combined with currency rate fluctuations, Electrolux has a better possibility to carry out price increases to offset potential negative effects.

Regulatory changes
Regulatory changes (industry, environmental, social, labour and human rights) can impact reputation and the Group’s ability to successfully conduct business. There are a number of processes in place to control these risks such as internal and supplier auditing, environmental management and certification, the Ethics program and the safety management system. The regulatory environment is monitored in order to be prepared for changes that impact the business.

Raw material impact
Materials account for a large share of the Group’s costs. Electrolux purchases raw materials and components for approximately SEK 50bn, of which approximately SEK 20bn referred to the former in 2018. Fluctuations in commodity prices impact the Group’s input costs and its profitability. In order to mitigate increased headwinds related to higher raw material prices, Electrolux has to take action to raise prices of its products, increase cost efficiency, and negotiate purchasing contracts for commodities such as steel and chemicals.

For a sensitivity analysis on the impact of raw materials, see table below.

<table>
<thead>
<tr>
<th>Raw materials</th>
<th>Change +/-</th>
<th>Pre-tax earnings impact +/-, SEKm</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stainless steel</td>
<td>10%</td>
<td>200</td>
</tr>
<tr>
<td>Carbon steel</td>
<td>10%</td>
<td>700</td>
</tr>
<tr>
<td>Plastics</td>
<td>10%</td>
<td>750</td>
</tr>
</tbody>
</table>

Changes in raw materials refer to Electrolux prices and contracts, which may differ from market prices. The figures in the sensitivity table are rounded and as of year-end 2018.
Strategy risks and opportunities

Electrolux strategy is closely linked to the external world and to internal factors which may affect the Group’s execution of its strategy. The Electrolux board and the business area boards continuously revise the strategic framework to ensure it is up to date and its business divisions are focused to create economic value. The Group’s operational units manage potential execution risk related to the strategic priorities.

Profitable growth

To achieve profitable growth, Electrolux applies a three-step model for all business areas. The Group needs to successfully execute key priorities across its operations such as: portfolio management, cost efficiency, improved product quality and teamship across all levels. The ability to invest in growth and innovation in the next stages of the business model, including new markets and segments, is hence crucial. Not being able to execute on the strategic priorities in a timely manner may affect the Group’s ability to grow profitably and deliver the best consumer experiences.

Outstanding consumer experiences

Electrolux invests in innovation to create outstanding consumer experiences through an innovative product offering within Taste, Care and Wellbeing. Efforts to provide consumers outstanding products and ownership solutions are central to the Electrolux strategy and business model, hence, the Group must ensure that it invests in key areas such as product innovation, R&D, connectivity, service and quality in order to deliver outstanding consumer innovations. Quality is a fundamental reason for the consumers to choose Electrolux products and a key priority for the Group. Electrolux has initiated a “Committed to Quality” program to reinforce a quality focus across Electrolux operations around the world.

Digital transformation

The Electrolux ambition of offering outstanding consumer experiences and to drive operational excellence is linked to five key digital transformation drivers. These comprise: Digital 360 Consumer Experience, Connected Experiences, Digital Productivity, Modularization & Digital Manufacturing and Digital Supply Chain. The ability to execute the digital transformation within operations is crucial for the Group to adapt to a rapidly changing industry and consumer needs.

Sustainable development

Sustainability leadership is crucial to realizing the Electrolux strategy for profitable growth and is therefore an integral part of the Group’s business model. The objective is to steadily improve at meeting people’s needs and enhancing their daily lives in a sustainable way. Electrolux has long recognized the impact the company has on the environment and in society and has made significant progress on sustainability and is acknowledged as a sustainability leader. Opportunities, key risks and how they are managed are described in the Sustainability reporting 2018 in the Annual Report.
Operational risks

The Group’s ability to improve operational performance and create value for its shareholders is linked to achieving outstanding consumer innovation with a clear focus on profitable growth and continuous improvement. Executing on these requires effective and controlled risk management. Risks within operations are mainly managed by the Group’s business area boards. The Group also has internal bodies that pro-actively monitor and manage operational risks.

Targeted growth
Over the past few years, the Group has been working on the optimization of the product portfolio with the aim to strengthen the highest performing product categories and brands and exiting unprofitable products. The work is an important part of the Group’s focus on targeted growth and to deliver a competitive offering while achieving sustainable profitability. A key challenge is to grow in targeted areas and markets while maintaining investments and resources to the most strategic brands and categories. Electrolux has as part of these priorities, a strong focus on driving an active portfolio management across its business areas.

Operational excellence
The appliance industry is characterized by intense competition among manufacturers of appliances, which has resulted in an ongoing consolidation, where regional players are becoming more global and seek to benefit from economies of scale. Electrolux efforts to continuously optimize operations are therefore essential in maintaining a competitive advantage. Electrolux focuses on automation and modernization of existing plants to ensure a competitive production footprint and effective cost structure. If projects to optimize operations cannot be executed according to plan, achieving continuous improvement across the Group may be affected.

Talent and teamship
Teamship is the Electrolux way of working. It’s about setting aligned goals, collaboration and being a learning organization. It is also about engagement and passion regarding outstanding consumer experiences. Dedicated employees and leaders with the right skills play a crucial role in Electrolux achieving its vision and targets. It is therefore a prerequisite for the Group to attract and maintain competences and employees through its way of working or through well-functioning teams. Wherever Electrolux operates in the world, the company needs to apply the same high standards and principles of conduct. Electrolux has a global Ethics Program, encompassing both ethics training and a whistle-blowing system – the Electrolux Ethics Helpline. Being a global company, the Group must ensure and nurture a collaborative culture in the organization to support continued execution and growth of its global operations.

Exposure to customers and suppliers
Weakening trading conditions for retailers in markets where demand is sharply declining can pose an operational challenge to manufacturers with a high level of exposure to a certain customer. Electrolux has a high customer concentration in North America and Latin America relative to other markets, mainly due to a high degree of consolidation in those markets. The Group has a comprehensive process for evaluating credit risks and monitoring the financial situation for customers. Similarly, a high concentration to suppliers may create risks in the supply chain. Authority for approving and responsibility to manage credit limits are regulated by the Group’s Credit Policy. A global credit insurance program is in place for many countries to reduce credit risk. Electrolux offers its suppliers the opportunity to utilize supplier finance.

Flexible cost structure
A large portion of the Electrolux cost base is variable and comprises mainly of costs related to raw materials and components, sourced products, logistics and marketing. About 70% of the costs base is variable, while about 30% is structural. Electrolux aims to maintain a flexible cost structure that enables the Group to be agile and adapt quickly to external risks such as fluctuations in market demand or increased commodity prices. In recent years, Electrolux has improved operational efficiency and reduced costs significantly.

Electrolux cost structure 2018

<table>
<thead>
<tr>
<th>SEKbn</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales</td>
<td>124</td>
</tr>
<tr>
<td>Direct material</td>
<td>-50</td>
</tr>
<tr>
<td>Sourced products</td>
<td>-15</td>
</tr>
<tr>
<td>Other variable costs</td>
<td>-20</td>
</tr>
<tr>
<td>Operational structural cost</td>
<td>-24</td>
</tr>
<tr>
<td>Innovation and marketing structural cost</td>
<td>-9</td>
</tr>
<tr>
<td><strong>EBIT</strong></td>
<td>5.3</td>
</tr>
<tr>
<td>Variable cost</td>
<td>-70%</td>
</tr>
<tr>
<td>Structural cost</td>
<td>-30%</td>
</tr>
</tbody>
</table>
Risk management

Financial risks

Electrolux is impacted by financial risks such as capital market risk, credit risk and liquidity risk. These are regulated in accordance with the Group's Financial Policy that has been adopted by the Electrolux Board of Directors. Management of these risks is centralized to Group Treasury and is mainly based on financial instruments.

Interest-rate risks
Interest-rate risk refers to the adverse effects of changes in interest rates on the Group's income. The main factors determining this risk include the interest-fixing period. All investments are interest-bearing instruments, normally with maturities between 0 and 3 months. The Group Treasury manages the long-term loan portfolio to keep the average interest-fixing period between 0 and 3 years. Derivatives, such as interest-rate swap agreements, are used to manage the interest-rate risk by changing the interest from fixed to floating or vice versa. A downward shift in the yield curves of one percentage point reduces the Group's net interest income by approximately SEK 50m (60).

Refinancing
Refinancing risk refers to the risk that the Group's capital requirements and existing financial debt could become more difficult or more costly. The debt financing of the Group is managed by Group Treasury in order to ensure efficiency and risk control. Financial debt is primarily taken up at the parent company level and transferred to subsidiaries through internal loans or capital injections. In this process, swap instruments are used to convert the funds to the required currency. The risk is further decreased by ensuring that maturity dates are evenly distributed over time. The net financial debt, total financial debt less liquid funds, excluding seasonal variances, shall be long-term according to the Financial Policy.

The Group's financial debt contain no financial covenants that can trigger premature cancellation of the loans. For long-term financial debt, the Group's goal is to have an average maturity of at least two years, and an even spread of maturities.

Capital structure
The Group's objective is to have a capital structure resulting in an efficient weighted cost of capital and sufficient credit worthiness, where operating needs and the needs for potential acquisitions are considered. To achieve and keep an efficient capital structure, the Financial Policy states that the Group's long-term ambition is to maintain a long-term rating within a safe margin from a non-investment grade. Electrolux has an A- credit rating with stable outlook by Standard & Poor's.

Counterparty risks
Exposure to financial credit risks arises from the investment of liquid funds, and derivatives. This is managed as a financial counterparty risk within the Group. In order to limit exposure to financial credit risk, a counterparty list has been established, which specifies the maximum permissible exposure in relation to each counterparty. Both investments of liquid funds and derivatives are normally done with issuers and counterparts holding a long-term rating of at least A- defined by Standard & Poor's or a similar rating agency.

Pension commitments
At year-end 2018, Electrolux had commitments for defined benefit obligations amounting to approximately SEK 29bn. The Group's pension commitments are coordinated centrally by Group Treasury, supervising pension assets of approximately SEK 25bn through regional pension funds. Net provisions for post-employment benefits amounted to SEK 3,814m.

The main risks related to pension risk management consists of market fluctuations impacting both capital markets and the discount rates used to calculate the present value of the pension obligations. Actuarial assumption changes, such as longevity and inflation, also represent a key pension risk as these changes impact the level of future expected pension payments.

Currency risk
Currency risk refers to the adverse effects of changes in foreign-exchange rates on the Group's income and equity. In order to manage such effects, the Group covers these risks within the framework of the Financial Policy. The Group's overall currency exposure is managed centrally.
Risk management

Electrolux currency exposure

The global presence of Electrolux, with manufacturing and sales in a number of countries creates currency exposure for the Group. The principal exchange rate effect arises from transaction flows but Electrolux is also affected by translation effects when the Group’s sales and costs are translated into SEK.

North America
Electrolux is a net importer into the market with flows mainly from China and production conducted in Mexico. In addition to this, the operation in Canada has an exposure to USD as Electrolux imports products into that market.

Latin America
Most of the finished products originate from own factories in the region, while imported input goods such as raw materials and components are to large extent denominated in USD.

EMEA
A major part of the currency flows in Europe is denominated in EUR, with external imports primarily in USD. Electrolux faces currency exposure when the cost base in the factories differs from the domestic sales.

South Africa
Majority of operations comprises local production.

China
The Group is sourcing a larger volume of input goods and finished goods from China to Electrolux global factories. A major part of these are invoiced in USD but also in CNY.

Australia
The main import flows are based in THB from Electrolux factory in Thailand, but the import in USD is also significant.

Largest currency exposures, 2018 SEKm
Risk management

Exchange rate exposure
The global presence of Electrolux, with manufacturing and sales in a number of countries, offsets exchange rate effects to a certain degree. The principal exchange rate effect arises from transaction flows; when purchasing and/or production is/are carried out in one currency and sales occur in another currency. Every month Group Treasury collects forecasts of the transaction flows for the coming 12 months from the operating units and hedges the invoiced flows.

To some extent, the Group also utilizes currency derivatives to hedge forecasted flows with both committed price and volumes. The results from the currency hedges are transferred to the operating units. It is the business areas’ responsibility to manage the FX risk of the forecasted flows through immediate price adjustment and cost reductions.

Electrolux is also affected by translation effects when the Group’s sales and costs are translated into SEK. The translation exposure is primarily related to currencies in those regions where the Group’s most substantial operation exist.

Currency effects 2018
Compared with the previous year, changes in exchange rates for the full year 2018 had a negative impact on operating income. The total currency effect (translation effects and transaction effects) amounted to SEK -896m. The net transaction effect was SEK -1,024m and translation effect SEK 128m.

The major part of the currency headwind was related to weaker emerging market currencies resulting in higher import cost, especially for Latin America and Russia. Australia also faced a strong headwind as the Australian dollar fluctuated closely with emerging market currencies during 2018, making Australian imports more expensive. The negative effects were reduced to a degree by cheaper imports from China to the U.S. and Europe.

Sensitivity analysis of currencies
The major currencies for the Electrolux Group are the USD, EUR, CNY, GBP, CAD and CHF. The currency pairs and flows are presented in the map together with an explanation of how they impact the Group. In general, income for Electrolux benefits from a weak USD and EUR and from a strong BRL, GBP, CAD and CHF.

In countries with large manufacturing and logistic centers, effects over time will to a large extent balance out due to natural hedging.

<table>
<thead>
<tr>
<th>Currency(^1) and interest rates</th>
<th>Change +/-</th>
<th>Pre-tax earnings impact, +/- SEKm</th>
</tr>
</thead>
<tbody>
<tr>
<td>USD to EUR</td>
<td>10%</td>
<td>350</td>
</tr>
<tr>
<td>USD to CAD</td>
<td>10%</td>
<td>260</td>
</tr>
<tr>
<td>EUR to GBP</td>
<td>10%</td>
<td>260</td>
</tr>
<tr>
<td>USD to BRL</td>
<td>10%</td>
<td>240</td>
</tr>
<tr>
<td>EUR to CHF</td>
<td>10%</td>
<td>180</td>
</tr>
<tr>
<td>CNY to USD</td>
<td>10%</td>
<td>180</td>
</tr>
<tr>
<td>THB to AUD</td>
<td>10%</td>
<td>120</td>
</tr>
<tr>
<td>USD to AUD</td>
<td>10%</td>
<td>100</td>
</tr>
<tr>
<td>EUR to RUB</td>
<td>10%</td>
<td>100</td>
</tr>
<tr>
<td>USD to THB</td>
<td>10%</td>
<td>90</td>
</tr>
<tr>
<td>Translation exposure to SEK(^2)</td>
<td>10%</td>
<td>520</td>
</tr>
<tr>
<td>Interest rate</td>
<td>1 percentage point</td>
<td>50</td>
</tr>
</tbody>
</table>

\(^1\) Including transaction effects but not translation effects.
\(^2\) Assuming the Swedish krona appreciates/depreciates against all other currencies.
Create value

Well positioned to create value

Our consumer experience focused innovation will drive profitable growth.

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**Financial targets for profitable growth**

<table>
<thead>
<tr>
<th>OPERATING MARGIN</th>
<th>SALES GROWTH</th>
<th>RETURN ON NET ASSETS</th>
</tr>
</thead>
<tbody>
<tr>
<td>≥6%</td>
<td>≥4%</td>
<td>&gt;20%</td>
</tr>
</tbody>
</table>

Financial targets are over a business cycle

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**Key areas to drive profitable growth**

- **Strong focus on consumer experience innovation through focused brands that drive mix**
- **Modularized products in automated production with digitally integrated global supply chain**
- **Healthy cash-flow generation and a strong balance sheet supporting further growth**
Strong focus on consumer experience innovation through focused brands that drive mix

Focused and innovative product portfolio with proven consumer benefits
Our consumer-focused business model gives us a competitive advantage in today’s market where the consumers are in charge and very well informed about their options. Innovation is focused on three specific areas – Taste, Care & Wellbeing – and this provides differentiated, consumer relevant and globally applied technology and marketing platforms. Active product portfolio management has delivered SEK >2bn in operating income contribution for the Group during the last two years. Business area Major Appliances EMEA is in the forefront and its product portfolio management explains a large part of the business area’s strong operating margin increase during the last five years.

Read more on how premium laundry added >30% EBIT improvement on page 40.

Well-established brands with strong innovation heritage
High brand awareness through 100 years’ of track record of relevant innovations is a competitive advantage in an industry where brand is getting more important. The brands AEG and Frigidaire have successfully been sharpened during the last three years to target specific consumer segments and a relaunch of the Electrolux brand was initiated in 2018. The three main brands represent 80% of total group Gross Profit and receives more than 90% of marketing, design and R&D support.

Read more on brands importance in driving profitable growth on page 17.

Leading position in targeted areas
Electrolux consistent strategic focus on key segments has resulted in strong market positions. In Europe, Electrolux has a leading position in the premium segments built-in kitchen, cooking and laundry. In Southeast Asia, Electrolux is the market leader in front loaded washing machines and in Latin America, Electrolux has a leading position in innovation within core categories. In Western Europe, Electrolux has a leading position in the institutional and hotel segments for professional products.

Read more on how Electrolux gained front-load leadership in Southeast Asia on page 49.

Leading position in sustainability is growing sales and lowering costs
Electrolux is a sustainability leader in the appliance industry and this is a competitive advantage in an industry where consumers, professional users, retailers and authorities pay more attention to sustainability. Sustainability leadership is crucial to delivering outstanding consumer experiences, and to drive profitable growth. In 2018, 21% of Electrolux products sold had leading environmental performance and accounted for 29% of gross profit. Consistent focus on resource efficiency has lowered energy cost by SEK 500m annually vs 2005.

Read more on how sustainability is a key business driver on pages 32-34.

Clear strategy to increase aftermarket sales
Today aftermarket accounts for ~5% of Group sales and the target is to double this profitable area by growing the offering in service packages, spare parts consumables, accessories and adjacent products. Electrolux has in recent years an aftermarket sales organization in place in each business area. This together with a large installment-base of ~400 million products gives high aftermarket sales potential. Connectivity is also an enabler to increase direct contact with consumer.

Read more on our execution in 2018 to drive aftermarket sales on page 20.
Modularized products in automated production with digitally integrated global supply chain

Strong track record of delivering cost reductions
Electrolux has over the last three years reduced costs by SEK 5.6bn and strives to continuously reduce variable and structural costs through improved ways of working, a higher resource efficiency and increased usage of digital tools and processes. In addition to Group wide measures to streamline and optimize manufacturing and increase efficiency, each business area works intensively to reduce working capital to release resources that can instead be invested in growth activities.
Read more on how digitalization increases productivity on page 46.

Global product architecture and automation program is instrumental to continue drive cost efficiency
Electrolux global product architecture and automation program is incremental to drive efficiency to strengthening the cost competitiveness in production and increase flexibility and product speed to market. This also allows the delivery of competitively priced, high quality products for both the mass and the premium segments and will open up growth opportunities in addition to significant cost improvements starting in 2020.
Read more on how we increase competitiveness in the U.S. through automation and product architecture program on page 43.

Global presence offers economies of scale
Electrolux has a competitive cost structure with a high degree of variable costs, about 70% of the total cost base in 2018. The cost structure enables Electrolux to be flexible and quickly adapt to external risks such as fluctuations in market demand or increased commodity prices. By increasingly introducing modularized products, Electrolux can leverage its global scale in terms of centralizing procurement and R&D.
Read more on how modularization drives consumer relevant product innovations and increases efficiency on pages 22-24.
Healthy cash flow generation and a strong balance sheet supporting further growth

Strong balance sheet and firepower offer growth opportunities
Electrolux had a net financial cash position of SEK 2bn as of December 31, 2018 and a firepower of approximately SEK 14bn.

Healthy cash flow generation
In 2016-2018, cash flow after investments amounted to SEK 19.7bn.

Increasing earnings stability through product mix and cost efficiency
The strategic focus on driving mix through consumer experience innovation and product portfolio management has in combination with a strong track-record of delivering cost reductions resulted in increased earnings stability. Despite significant headwinds from raw material, trade tariffs and currency of SEK 3bn in 2018, Electrolux achieved an operating income excluding non-recurring items of SEK 6.7bn, corresponding to a margin of 5.4% (6.1).

Read more on 2018 execution