



# Electrolux

## Annual Review 2019

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# Electrolux 2019

In 2019, Electrolux strengthened its platform for future growth by launching important new product ranges, initiating additional efficiency measures and investing in modularized products in automated manufacturing.

This Annual review covers the consumer business following the decision by the Board in 2019 to propose to distribute the business area Professional Product (Electrolux Professional) as a separate company.



## Key highlights 2019

- Sales growth of -1.3% (1.2).
- Operating margin excluding non-recurring items of 3.8% (4.8).
- Lower volumes and manufacturing transition costs in North America impacted earnings negatively.
- Major product launches contributed to continued mix improvements.
- Increased prices fully offset significant headwinds from raw material costs, trade tariffs and currency.
- Comprehensive manufacturing consolidation projects and global streamlining measures initiated.

**Sales growth** for continuing operations, excluding currency translation effects was -1.3%. Lower volumes, particularly in North America impacted sales in 2019. While new product launches and mix improvements contributed to sales. Divestments impacted sales by -0.3%.

**Operating margin** excluding non-recurring items for continuing operations was 3.8%. Lower volumes and manufacturing transition costs in North America impacted earnings negatively. Mix improvements across business areas contributed and price increases offset higher costs for raw materials, trade tariffs and currency headwinds.

**Operating cash flow** after investments for the Group, including Electrolux Professional, amounted to SEK 3.4bn. Good contribution from operating cash flow, while higher investments had a negative impact. Aquisitions impacted cash flow negatively by SEK 467m.

Key figures 2019<sup>1)</sup>

## SALES GROWTH

**-1.3**  
percent

OPERATING MARGIN<sup>2)</sup>

**3.8**  
percent

OPERATING CASHFLOW<sup>3)</sup>

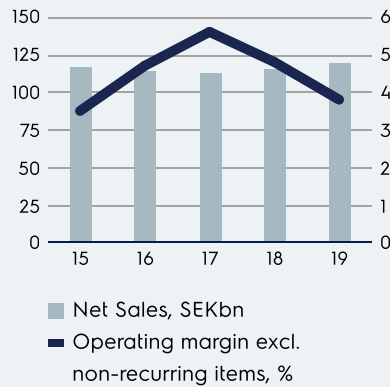
**2,280**  
SEKm

DIVIDEND<sup>4)</sup>

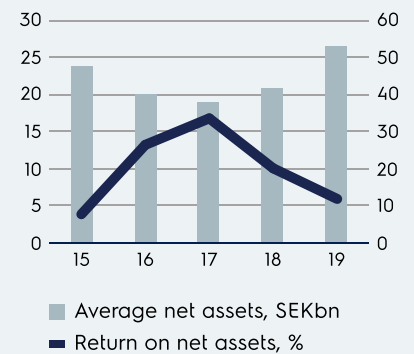
**8.50**  
SEK per share

2) Excl. non-recurring items. 3) After investments. 4) Proposed by the Board.

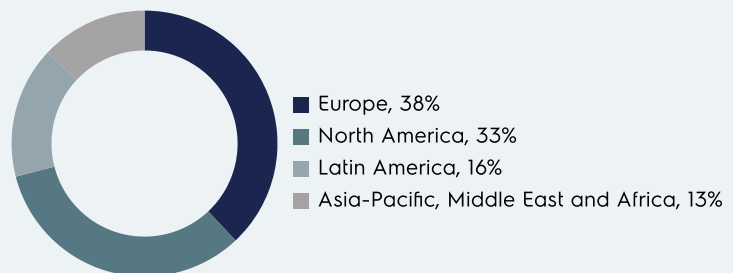
## NET SALES &amp; OPERATING MARGIN



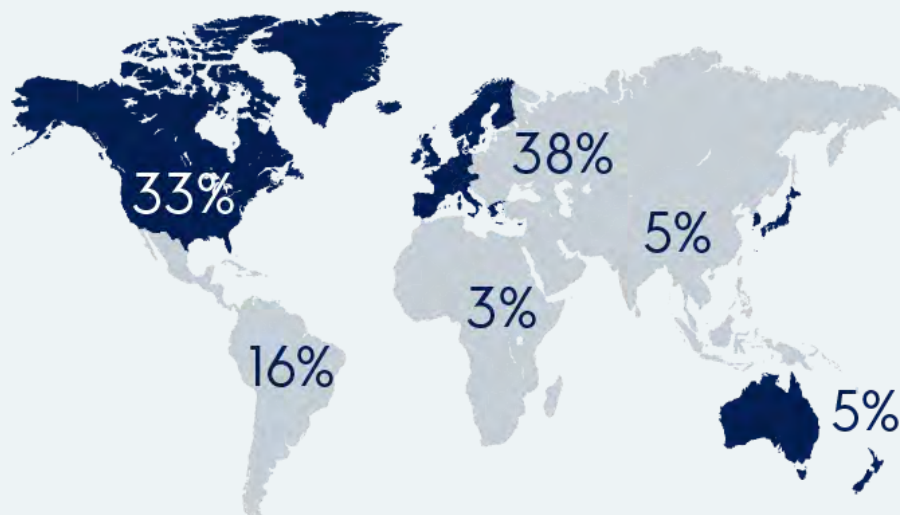
## RETURN ON NET ASSETS



## BUSINESS AREAS, SHARE OF GROUP SALES



## SALES BY REGION



- Core markets
- Growth markets

1) Key figures refer to the consumer business, exclusive of business area Professional Products.



# Strengthening our innovation and efficiency platform

In 2019, we intensified our work to make our business even more consumer focused and streamlined, as well as executed on our re-engineering program. These measures – along with the proposed separation of our professional products business – are key to creating even more shareholder value going forward.

## Strengthening our position in key categories

This year, we continued to have favorable sales and earnings impact from product-mix improvements, which means that we are selling more of our innovative and premium products that have higher margins. Our U.S. manufacturing consolidation however, had a negative impact on sales and earnings. Net sales for 2019 was SEK 119bn and operating margin excluding non-recurring items was 3.8%.

## Strong focus on consumer experience innovation

Important competitive assets for Electrolux are our strong focus on innovation to improve the consumer experience, and our track record of successfully driving cost efficiency and flexibility. A solid balance sheet is facilitating profitable growth.

2019 was a launch intensive year and our new products were very well received. For example, our new built-in kitchen range in Europe was rated 4.9 out of 5 stars in consumer online reviews at launch. We were also the first to bring built-in Air Fry technology to the North American cooker market which has also been a great success with strong growth and a 4.6 consumer star rating.

## A clear roadmap to strengthen our positions

Our well-established brands with a strong innovation heritage, together with being a leader in sustainability, differentiate Electrolux and are key to drive profitable growth.

Looking forward, emerging markets represent huge business opportunities, and we have a clear roadmap to strengthen our position in these markets. We also aim to strengthen our position in the aftermarket business by doubling aftermarket sales by 2025.

## Creating value through a more efficient and streamlined business

Our SEK 8bn re-engineering investment program in automation, digitalization and innovation continued during 2019. We consolidated our U.S. refrigeration and freezer production, and

started up production in our new Anderson facility, the biggest step we have ever taken in terms of automation. We also continued our investments in production facilities in Latin America. This means, all initiatives under this investment program have now been announced.

During the year we also identified additional opportunities to improve efficiency and create an even more streamlined setup for our consumer business by creating four regionally focused business areas and reorganizing key global functions. We anticipate that the total annual cost savings from these streamlining initiatives, and the re-engineering investment program will amount to approximately SEK 3.5bn, with full effect from 2024.

## A century of better living

We celebrated our 100<sup>th</sup> anniversary in 2019 by launching the Better Living Program, a bold sustainability initiative. The program includes a broad range of actions and targets by 2030 and marks our commitment to a more sustainable lifestyle for the next 100 years.

To further rise to the challenge of climate change, in 2019 we made a commitment to net zero emissions throughout our value chain by 2050 at the Global Climate action Summit.

## Well-positioned in a changing world

Our journey towards profitable growth continues in 2020. As we now have an even more consumer-focused organization with key global capabilities to accelerate product innovation and efficiency, I am confident that we are better positioned than ever to deliver long-term shareholder value.

Stockholm, February 2020



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 7%.** Over the past ten years, Electrolux shareholders have received an average annual total return of approximately 7%. 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 at least 4%.

For more information on the Electrolux business model and path to profitable growth, see Strategy page 28.

## 2019 execution



<sup>1)</sup> Financial targets are for continuing operations, exclusive of Electrolux Professional, over a business cycle

<sup>2)</sup> Engagement index

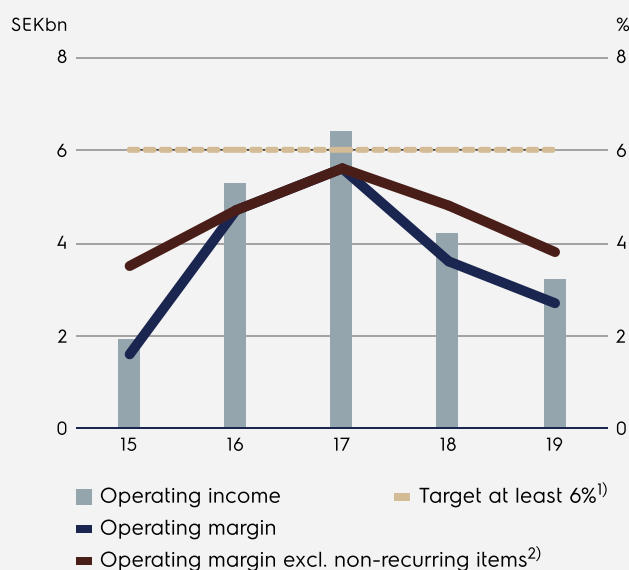
<sup>3)</sup> Halving the climate impact, million tonnes CO<sub>2</sub>, by 2020 relative to 2005 levels

## 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 for continuing operations was 2.7% (3.6) and included non-recurring items of SEK -1,344m (-1,343). Excluding these non-recurring items, margin amounted to 3.8% (4.8). Mix improvements across business areas contributed positively to operating income, as a result of major product launches and focus on core brands to improve the product mix. However, lower volumes and manufacturing transition costs in North America, higher marketing investments as well as costs related to the preparation of the separation of Professional Products had a negative impact on earnings. Headwinds from higher raw material costs, trade tariffs and currency were fully offset by price increases.

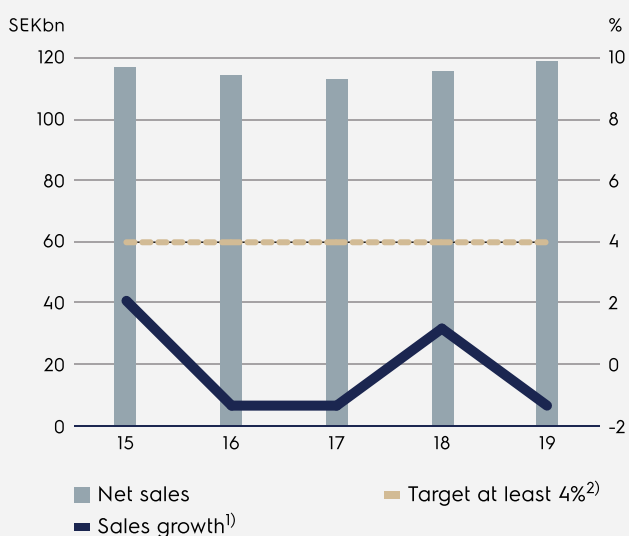
### OPERATING MARGIN



<sup>1)</sup> Over a business cycle.

<sup>2)</sup> Non-recurring items was in 2019 SEK -1,344m, whereof SEK -829m related to the consolidation of U.S. cooking production, SEK -225m to the closure of a refrigeration production line in Latin America, SEK 1,403m to recovery of overpaid sales tax in Brazil, SEK -197m to a legal settlement in the U.S and SEK -1,496m to charges for efficiency measure and outsourcing projects (see Note 7 in the Annual Report).

### SALES GROWTH



<sup>1)</sup> Total sales growth excluding currency translation effects.

<sup>2)</sup> Over a business cycle.

## Sales growth

All business areas have to achieve a sustainable profitability level before moving into targeted profitable growth, see Electrolux business model page 49. 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.

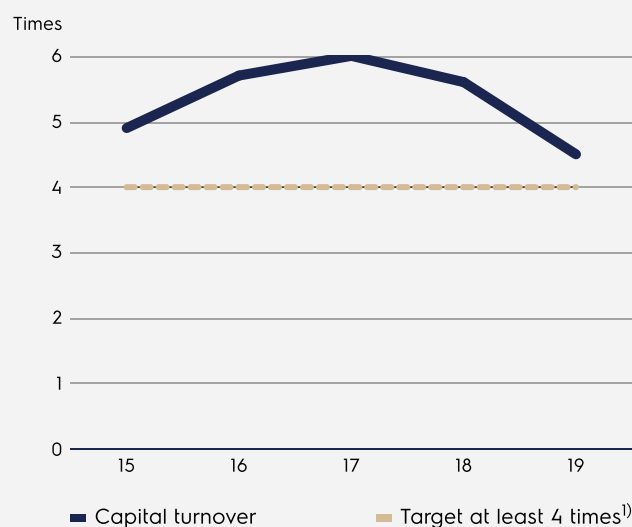
Net sales for continued operations amounted to SEK 118,981m (115,463) and sales growth was -1.3% (1.2). Organic growth declined to -1.0% (1.2), this was primarily due to lower volumes in North America, where sales under private label declined and capacity constraints in the new facility in Anderson impacted volumes negatively. Price increases and mix improvements contributed to sales. Net contribution from acquisitions and divestments was -0.3% (0.0).

## 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.

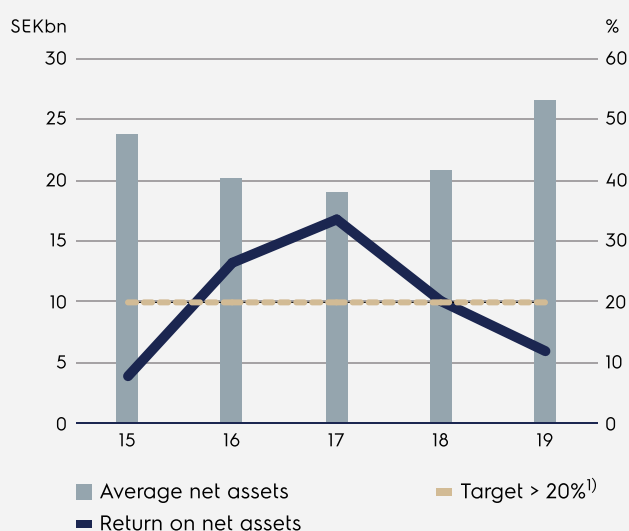
The capital turnover-rate for continuing operations decreased to 4.5 times (5.6) in 2019, mainly as a result of increased investments.

### CAPITAL TURNOVER



<sup>1)</sup> Over a business cycle.

### RETURN ON NET ASSETS



<sup>1)</sup> Over a business cycle.

## 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 for continuing operations amounted to 12.0% (20.2). Average net assets increased to SEK 26,532m (20,722), corresponding to 22.3% (17.9) of net sales. Working capital amounted to SEK -17,390m (-17,077), corresponding to -14.8% (-14.8) of net sales. Operating working capital (inventories, trade receivables and accounts payable) was SEK 3,149m (2,279), corresponding to 2.7% (2.0) of net sales.

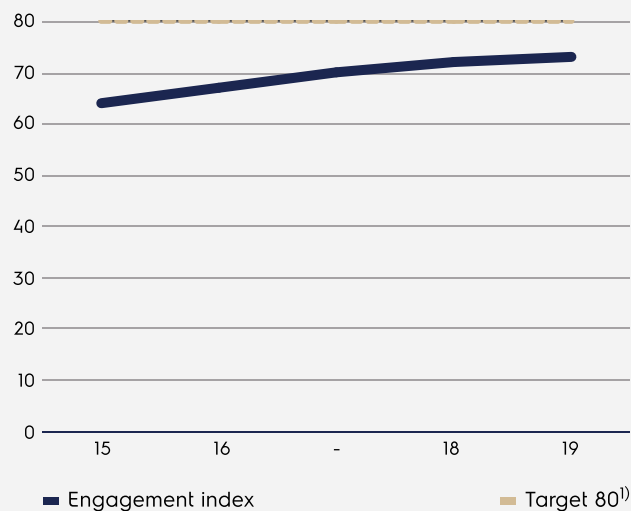


## Employee engagement

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 2019, a year where significant strategic and organizational changes were implemented and the intention to separate Professional Products was announced, the Engagement index increased slightly to 73 compared to 72 in 2018. The areas with strongest improvement included collaboration, leadership and organizational capabilities.

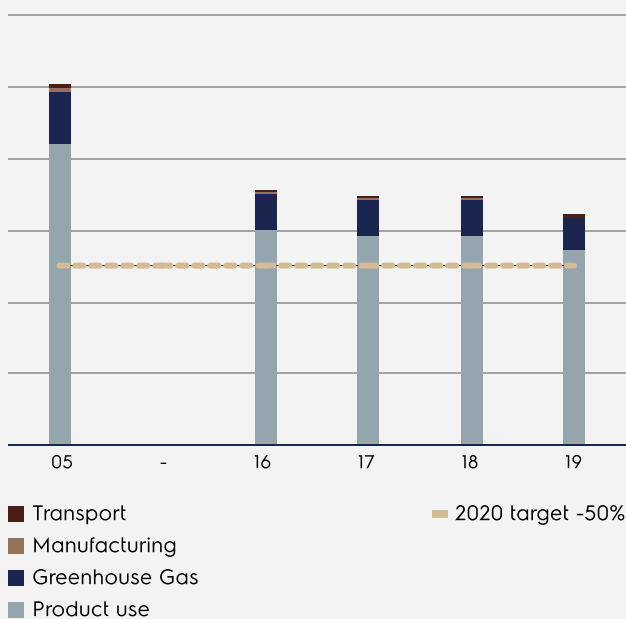
### EMPLOYEE ENGAGEMENT



In 2017, a mini survey was carried out to monitor the teams with low scores in previous surveys. The survey showed progress.

<sup>1)</sup> Represents best in class.

### ELECTROLUX 50% CLIMATE TARGET FOR 2020



## 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 2019, the company's most energy and water efficient products accounted for 23% of total products sold and accounted for 32% of gross operating margin.

Electrolux can best contribute to remediating climate change through efficient products. The absolute majority of CO<sub>2</sub> impact during the lifetime of an appliance is from product use. Through more efficient products and operations, the Group aims to cut the CO<sub>2</sub> impact by 50% by 2020 relative to 2005 levels. As of 2019, 16 million tonnes have been cut, representing more than half of the target.

# Celebrating a century of better living

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Electrolux turned 100 years old in 2019 and can be proud of its achievements over the past century – including its well-established brands, strong innovation heritage, winning sales orientation, contribution to societal development and sustainability leadership. These are all key strengths that ensure Electrolux is well positioned to deliver profitable growth going forward.

## Well-established brands with a strong innovation heritage

High brand awareness founded on a 100-year track record of relevant innovations is a competitive advantage in an industry where brand is increasingly important. The three main brands Electrolux, AEG and Frigidaire represent ~80% of total Group gross profit and receive the vast majority of investments in marketing, design and R&D.

## A century of better living through groundbreaking innovations

By creating great taste, care and wellbeing experiences, and better living for hundreds of millions of people around the world over the past century, Electrolux has not only enhanced the quality of life of its consumers, but also the societies in which they live. Electrolux is part of an industry that has revolutionized the life of women, as well as general hygiene and eating habits within less than half a century.

Electrolux launched its first vacuum cleaner in 1912, followed by the world's first absorption refrigerator in 1925. Another appliance that had a huge social impact is the washing machine, which is argued to have been the single most revolutionary consumer appliance ever made. The Electrolux W20 was the company's first washing machine in 1951, and in 1959, Electrolux launched the world's first countertop dishwasher – the D10, which was easy to install in any kitchen and proved very popular.

More recent Electrolux innovations included the very first robot vacuum cleaner in 1996, as well as the first battery-driven vacuum cleaner that consumers found so elegant and user-friendly that they used it as a decorative feature in their homes – the Ergorapido in 2004.

## Sales and marketing focus from day one

Unlike other well-known Swedish entrepreneurs, the founder of Electrolux – Axel Wenner-Gren – was neither an inventor nor an engineer. His great strength was his energetic, imaginative and unconventional approach to sales and marketing, which continues to influence how Electrolux products are marketed to this day. This entrepreneurial culture is evident in the company's agility to respond to changing markets to ensure consumer relevance and value creation for shareholders.

## Sustainability leadership – a key differentiator

In the 1990s, Electrolux was the first appliance company to focus on sustainability, which has been at the heart of the Electrolux strategy ever since. Today, the Electrolux brand is associated with sustainability, which is a differentiator that results in additional growth opportunities.

Electrolux celebrated its anniversary year by launching the Better Living Program – a bold initiative to enable it to continue to be at the forefront of sustainability. The program includes a broad range of actions and targets until 2030.

Read more about the Better Living Program on page 10.

# Better Living Program

Electrolux celebrated its 100 anniversary year by launching the Better Living Program – a bold initiative to enable it to continue to be at the forefront of sustainability. The program includes a broad range of actions and targets until 2030.

## An action plan for sustainable living

The Better Living Program enables Electrolux to continue to create better and more sustainable living for people around the world through to 2030. With bold targets focusing on better eating, better garment care and a better home environment, the initiative intensifies the Electrolux commitment to sustainability and its contribution to key global challenges by making its business circular and climate neutral.

The Better Living Program will drive at least 100 actions that will contribute to its 2030 targets. But perhaps most importantly, the program turns the Electrolux purpose into action – to ensure that the company continues to shape better living today, tomorrow and for another 100 years.

Find out more about the Better Living Program at: [www.betterlivingprogram.com](http://www.betterlivingprogram.com)



### BETTER EATING

Make sustainable eating the preferred choice.

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### BETTER GARMENT CARE

Make clothes last twice as long with half the environmental impact

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### BETTER HOME ENVIRONMENT

Make homes healthier and more sustainable through smart solutions for air, water and floors.

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### BETTER COMPANY

Make our business circular and climate neutral.

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# Creating value through a sharper business focus and streamlined business

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Electrolux has a long track record of value creation by successfully distributing operations to shareholders as new listed companies. In 1994, Autoliv was distributed to shareholders and listed on Nasdaq Stockholm and in 2006 the same was done with Husqvarna. Other listed companies on Nasdaq Stockholm that were previously part of the Electrolux Group include Dometic and Getinge.

## Electrolux Professional – creating shareholder value as a stand-alone company

In January 2019, the Electrolux Board of Directors announced its intention to split the Group into two listed companies - 'Electrolux' for household appliances and 'Electrolux Professional' for professional appliances. This split has the potential to create substantial shareholder value over time, given that the two businesses have different markets, customers and success drivers. In February 2020, a shareholder meeting will decide on the Board's proposal to distribute and list Electrolux Professional as a separate company. Following shareholder approval to distribute Electrolux Professional, the plan is to list the company on Nasdaq Stockholm on March 23, 2020.

There are three main reasons for separating the professional products business as a stand-alone company:

### Sharper business focus

As separate companies, Electrolux and Electrolux Professional are better positioned to meet the different opportunities and demand drivers faced by the markets they are active in.

### Greater agility to drive growth

Electrolux Professional is the only supplier in the professional appliances industry with a comprehensive and integrated offering of solutions under one brand. The business therefore has significant potential for long-term value creation as an agile stand-alone company, which can pursue growth through market consolidation and innovation.

### Improved capital market access

An Electrolux Professional Products business with a separate balance sheet and capital market access will create opportunities to further accelerate growth in an industry that is consolidating rapidly. The listing would also provide opportunities for current and new investors to invest directly in Electrolux Professional.

Electrolux Professional is a leading provider of food services, beverage and laundry solutions to a wide range of customers, from restaurants and hotels to healthcare and other service facilities. It is a global business with operations in EMEA, North America and APAC. Its market is characterized by high demands on quality and efficient solutions, which requires offering a comprehensive range of best-in-class products, superior customer care, as well as innovation and investments in connectivity. In 2019, net sales were SEK 9bn with an operating margin of 10.7%.

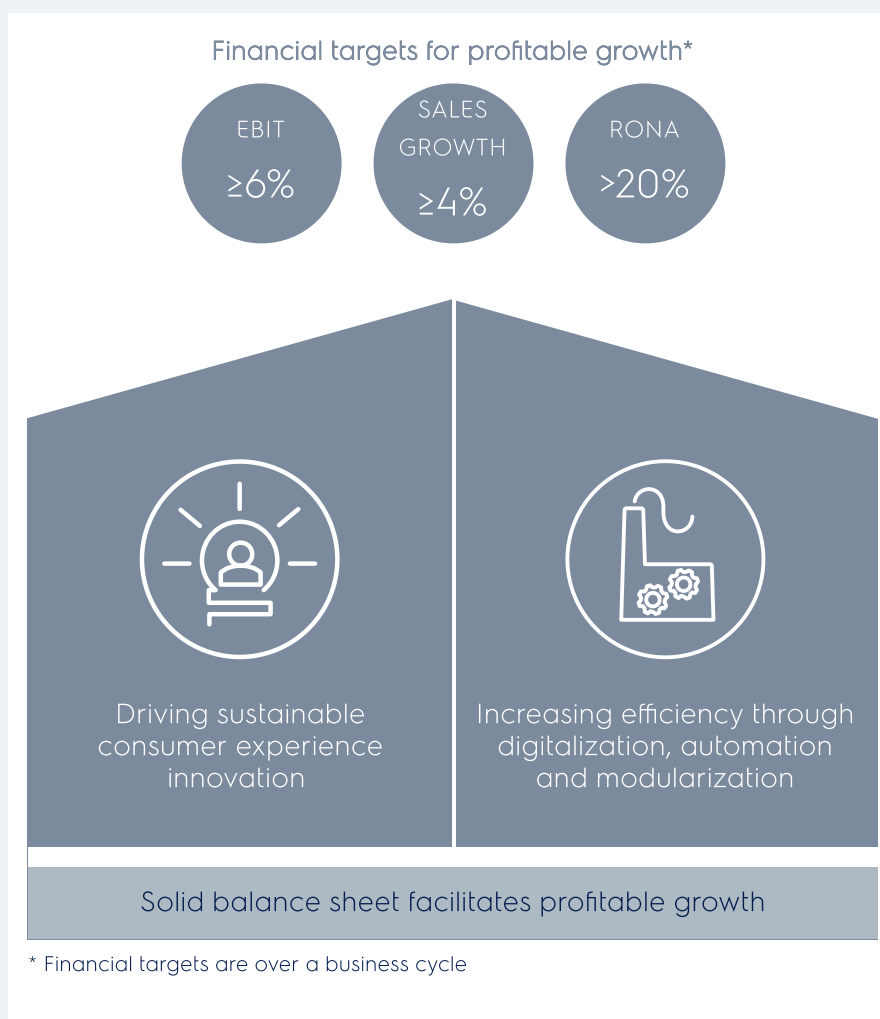
More information is available on [www.electroluxgroup.com](http://www.electroluxgroup.com)



# Well positioned to create value

Strong focus on sustainable consumer experience innovation and modularized products in automated production are key drivers for profitable growth, supported by a solid balance sheet.

## Key areas to drive profitable growth





# Driving sustainable consumer experience innovation

Streamlined  
& innovative  
portfolio

Well-  
established  
brands

Sustainable  
leadership

Growing in  
aftermarket

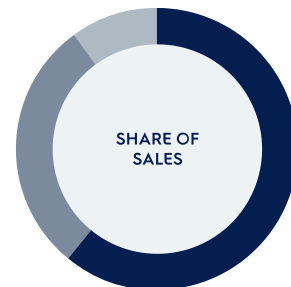
Strengthen  
emerging  
market  
position



## A streamlined and innovative product portfolio with proven consumer benefits

### Three defined areas of innovation - Taste, Care & Wellbeing

- Innovation and product development focus on great tasting food, care for clothes and healthy wellbeing in the home.
- Targeted R&D gives us a competitive advantage – optimizing our offering and shortening the time to market.
- Innovation in energy and resource efficient products provides competitive advantages in a market increasingly interested in sustainability.
- We provide differentiated, consumer-relevant and globally-applied technology platforms – with a unique emphasis on consumer benefit and experience.



■ Taste, 61% ■ Care, 29% ■ Wellbeing, 10%

### Consumer star ratings

#### New Electrolux kitchen range, Europe



#### Industry-first built-in Air Fryer, North America



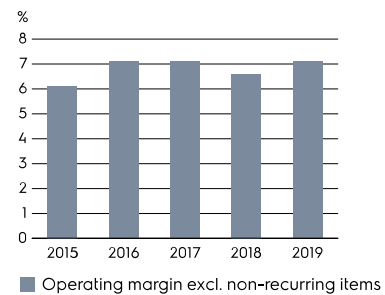
### Deep consumer insight – is a competitive advantage in an age of greater consumer awareness

- A human-centric design process is critical.
  - Consumers are our starting point to define business opportunities, followed by extensive consumer testing.
  - We co-create with consumers, rather than purely observing them.
- Our product R&D is based on a long history of consumer insight through surveys, consumer data, home visits and user experience labs.
  - We have our own tools for gathering online consumer comments about Electrolux and competitor products – which are analyzed and fed into the design process.
  - Testing in user experience labs and through Virtual Reality tools allows us to test early concepts and expand testing to more countries.
  - Deep consumer insight increases our success rate and return on investment.

## A streamlined portfolio focusing on higher margin categories

- We have recently streamlined our product portfolio, resulting in fewer product variants to reduce cost and increase sales.
  - In North America, the number of products (Stock Keeping Units) were reduced by more than 55% by the end of 2019 compared to the beginning of 2017.
- Successful execution of the strategy has strengthened our position in key categories by launching more innovative products with enhanced consumer benefits. These products command a higher price and drive margin expansion – we call this ‘mix improvement’.
  - Mix improvements have significantly contributed to operating income in recent years, demonstrating that Electrolux product innovations are in demand.
- Our most resource-efficient products also drive profitability – enjoying higher margins than other products on average since the 1990s.

## Driving margin expansion through innovation



Product portfolio management in the business area Europe has accounted for a large proportion of its operating margin increase in the last five years.

## Our consistent push for innovation has resulted in leading segment and market positions

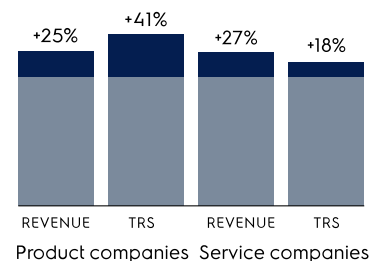
- Europe – leading position in premium segments for built-in kitchen and laundry.
- Southeast Asia – strong position in front-load washing machines.

- Latin America – leading position in innovation within core categories.
- A focus on innovative design to promote the most efficient and sustainable appliance settings, such as the QuickSelect dishwasher function.

## New consumer experience (CX) organization strengthens our offering

- Established in 2019 – combining marketing, design, digital consumer solutions and ownership experience to ensure consumer experience focus throughout the entire product development and user phase.
- We can leverage our consumer experience expertise to:
  - Accelerate product innovation and ownership solutions.
  - Translate experience innovation into brand storytelling and product design.
  - Drive connected ownership solutions for aftermarket growth.

## Strong consumer experience understanding leads to higher revenue and value creation to shareholders



Source: McKinsey. Top quartile vs peers (2013-2018)

TRS = Total returns to shareholders



# Well-established brands with a strong innovation heritage

## Strong brands drive profitable growth

- Brands enjoying better recognition in an age of greater consumer awareness and positive user experience have a competitive advantage.
- Strong brands drive profitable growth by selling more products at higher prices – 1.3 x higher sales growth for strong brands vs average brands.<sup>1)</sup>

1) Prophet Brand Relevance Index 2017 – 10 year CAGR of most relevant brands vs. S&P 500 Average.

## High brand awareness is built on 100-year track record of innovation

- We celebrated 100 years as an innovation leader within the home appliance market.
- Innovations include the launch of the world's first absorption refrigerator, the world's first countertop dishwasher and the very first robot vacuum cleaner.
- We know how important brand awareness and experience are – both when consumers equip a newly built or refurbished property with appliances and when they need to replace appliances.

## Three well-established brands with a sharp brand proposition

- Our three main brands – Electrolux, AEG and Frigidaire – represent ~80% of total Group gross profit and receive the vast majority of investments in marketing, design and R&D.
- To maximize the profitability of these brands, we target key products and categories appealing to distinct consumer groups for each of our brands.

- The **AEG** and **Frigidaire** brands have been successfully adapted in recent years to target specific consumer segments, focusing more on benefits and consumer experience.
- In 2019, the **Electrolux** brand was sharpened globally, building on its Swedish heritage and sustainability profile as a competitive advantage.
- Sharpening of the brands has resulted in an increased brand preference in more than 60% of Electrolux markets.

## A portfolio of well-established brands with a clear focus



## Sharpened brand position

**AEG**

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

**Electrolux**

The most progressive premium homelife brand making desirable experiences more sustainable true to our Swedish values

**FRIGIDAIRE**

The everyday home brand hard-working families rely on that makes truly helpful innovation affordable

# ECOMETER

## Sustainability leadership differentiates Electrolux and drives profitable growth

### Sustainability leadership in the appliance industry is a competitive advantage for growth

- Consumers, retailers and authorities increasingly prioritize sustainability, e.g. over 70% of Swedish consumers consider sustainability when purchasing appliances<sup>1)</sup>.
- We have first mover advantage, with a clear aim to continue to be the sustainability pioneer.
  - In the 1990s, we were the first appliance company to focus on sustainability – which has been at the heart of our strategy ever since.
  - The Electrolux Better Living Program 2030 is an initiative to enable better and more sustainable living for consumers around the world.

### Better Living Program



#### BETTER EATING

Make sustainable eating the preferred choice.



#### BETTER GARMENT CARE

Make clothes last twice as long with half the environmental impact



#### BETTER HOME ENVIRONMENT

Make homes healthier and more sustainable through smart solutions for air, water and floors.



#### BETTER COMPANY

Make our business circular and climate neutral.

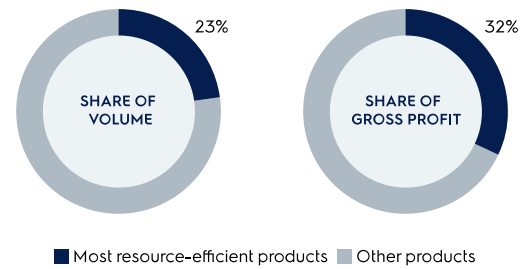
The Better Living Program 2030 targets are aligned with the United Nations Sustainable Development Goals and integrated into the Electrolux sustainability strategy.

<sup>1)</sup> Svensk Handels hållbarhetsundersökning (2018).

### Sustainable products are more profitable

- The company's most energy and water efficient products accounted for 23% of total units sold and 32% of gross profit in 2019. Our most resource-efficient products have consistently had a higher margin in recent years.
- More sustainable products, with lower energy and water use, offer greater consumer benefit and consumers are willing to pay a higher price.
- Resource-efficient products are essential for sales growth in emerging markets, e.g. in water and energy scarce regions.

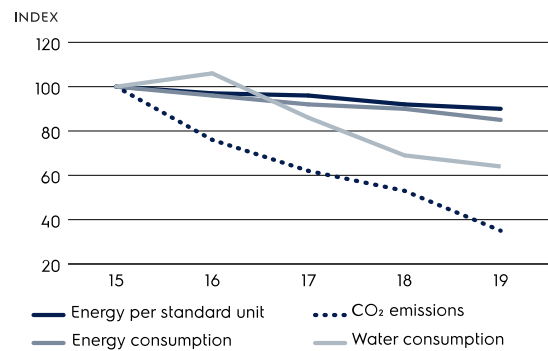
### Our most resource-efficient products have a higher margin



### Greater resource efficiency is a Group priority to further strengthen competitiveness

- In products – to strengthen our offering.
  - 6% more recycled plastic used in products 2019 vs. 2015.
- In operations – to reduce operational and manufacturing costs and risk exposure.
  - SEK 600m reduced annual energy costs vs. 2005.
  - 75% less absolute CO<sub>2</sub> emissions in operations vs. 2005.
  - 44% less energy used per manufactured product vs. 2005.
  - 34% improved water efficiency in operations vs. 2015

### Greater resource efficiency reduces costs



# Strengthen our position in the high-margin aftermarket business

## Doubling aftermarket sales by 2025

- Our aim is to double Group sales in the high-margin aftermarket segment by 2025 from current ~5%.
- We are strengthening our service product offering through extended warranties, fixed price repair model and by

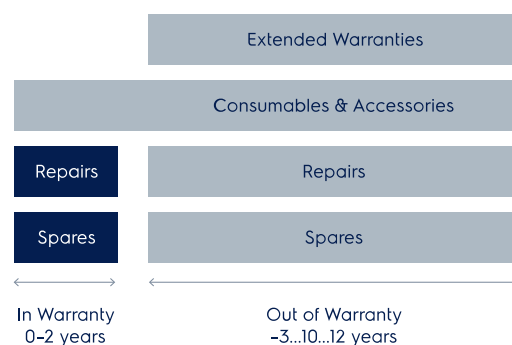
establishing an in-house, digitally supported sales force.

- We are increasing direct consumer contact and promoting consumer loyalty – by establishing a digital consumer service interface, consumer relationship management systems and connected products.

## Potential to capture largely untapped aftermarket business

- The aftermarket for consumer products is large and highly fragmented where manufacturers have limited direct access to consumers.
- Electrolux is launching services, such as fixed price repair in Europe, that aim to access the largely untapped aftermarket business

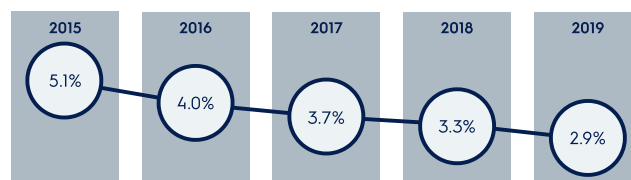
## Aftermarket services



## Large installed base and strong quality focus are key strengths

- ~400 million products, with ~12% of installed base served by Electrolux, provides huge aftermarket sales potential.
- Product reliability is important when buying appliances, with the Service Call Rate at a record low level – 2.9% in 2019 vs 5.1% in 2015.

## Service Call Rate at record low level



Note: Service Call Rate for major appliances.

## Digitalization creates opportunities and new routes to market

- The digital revolution is changing consumer behavior and Electrolux can find new routes to market and interact directly with consumers.

- We are complementing traditional product sales with new business models - i.e. selling a service/rental instead of a product.
- Digitalization also enables new opportunities for direct consumer engagement throughout a product's use/life cycle.



# Clear roadmap to strengthen position in emerging markets

## Emerging markets represent a potential universe of >6 billion consumers

- The growing global middle class has increasing purchasing power and is spending more on higher quality products for their homes.
- Consumers in emerging markets share similar needs to Western consumers as they become more affluent and move to more urban living spaces
- Potential to create new channels and urban distribution as well as increase online sales.

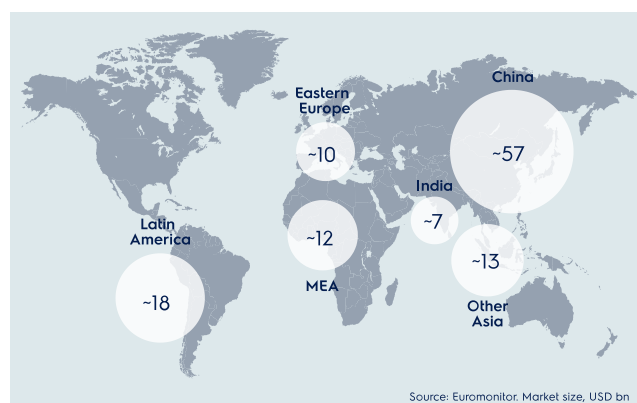
## Strengthening existing emerging markets and entering selected new markets

- Capturing further growth in emerging markets is key to positioning Electrolux for future success.
- We have differentiated approaches for entering various sub-regions in emerging markets.

## Leveraging global scale, local knowledge and the Electrolux brand to capture the emerging mass-premium market

- We will increasingly leverage our global scale to support our local market knowledge.
  - We have established global product architectures/platforms for refrigeration, laundry, and air and water care. This increases R&D pace and agility, lowers product cost and delivers economies of scale.
  - The 'Asia-Pacific, Middle East and Africa' and 'Latin America' business areas are developing specific emerging market product offerings as well as innovation for taste, care and wellbeing experiences.

## Emerging markets



## Specific roadmaps for each region

Specific roadmap for each region	Seed	Nurture	Grow	Accelerate
	Markets with minimal presence	Markets with active sales and emerging brand position	Markets with direct presence and established brands	Markets with direct presence and a faster growth plan
Markets	China and India	MEA Latin America outside ABC	Argentina, Brazil and Chile (ABC)	Eastern Europe Southeast Asia

- Being both global and local ensures that our emerging market offering is better adapted to changing consumer demands.
- Centering manufacturing using our facility in Rayong, Thailand, as a manufacturing hub for emerging markets.
- Primarily building on the well-established Electrolux brand that is closely associated with sustainability and Swedish values.
- Resource-efficient products are essential for sales growth in emerging markets, e.g. in water and energy scarce regions.




# Increasing efficiency through digitalization, automation and modularization

Track-  
record of  
cost  
reductions

Strengthening  
competitiveness

Global +  
local

Digital  
integration



## Strong track record of delivering cost reductions

### Reduced costs by SEK ~ 5bn since 2015.

- Delivering continuous cost improvements is an important part of our strategy - achieved by improving cost structures and developing methods, processes and skills.
- We aim to annually drive down the variable product cost by 3% on like-for-like products, net of normal inflation  $\pm 2\%$  (excluding raw material price impact).
- Re-engineering initiatives and continuous improvements are key to deliver on variable product cost target.
- We monitor working capital to release resources that can be invested in growth activities.

### Competitive cost structure

- We have a competitive cost structure with a high degree of variable costs – about 70% of our total cost base in 2019.
  - This enables high flexibility and fast adaption to external risks such as fluctuations in market demand or commodity prices.
- Several cross-functional cost-excellence programs reduce variable product costs, e.g. the Electrolux Manufacturing System, modularization, digital manufacturing and an integrated digital supply chain.
- Our Continuous Improvement Program aims to reduce structural costs through improved ways of working, greater resource efficiency and increased usage of digital tools and processes.
- Reduced energy, waste and water use supports a more competitive cost structure.

# Global product architecture and our automation program further strengthen competitiveness

## Extensive re-engineering investment program in place

- We have committed SEK 8bn of investments to an extensive re-engineering program, which is now fully underway.
- These investments in modularization and automation in Europe and the Americas will further strengthen competitiveness.
- The re-engineering program drives efficiency, strengthens production cost competitiveness, and increases flexibility and

product speed to market.

- It will also realize significant sustainability benefits:
  - Improved energy efficiency.
  - Safer working environment.
- Modularization will continue to be key once the re-engineering program is complete.

## Automation and modularization strengthens competitiveness

### Modularized products

- Improve product cost
- Improve product design and quality
- Increase innovation speed

### Automated production

- Increase productivity, faster and leaner execution
- Continue cost efficiencies
- Improve quality and safety

## SEK ~3.5bn cost savings with full effect by 2024

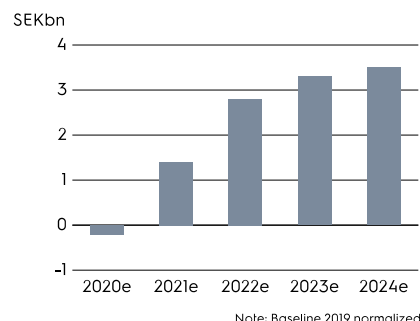
- Re-engineering program
  - Main impact will be in North America.
  - Direct material savings and improved labor productivity are the main drivers.
- Global streamlining measures
  - This included the creation of four regionally focused business areas and the reorganization of key global functions.

## Executing on our global re-engineering investments

SEK 8bn Capex over 4-5 years, commencing 2018



## Cost savings<sup>1)</sup> from re-engineering investments and streamlining measures



1) Cost savings are net of expected transition costs

## Drive mix improvements through increased innovation

- Accelerate innovation – quicker application of new consumer-relevant innovations will ensure our offering

remains up-to-date over time.

- Product design improvements – using modularized bases makes it easier and more efficient to apply updated designs.

# Global presence and deep local understanding

## Leveraging the Group's global scale

- By increasingly introducing modularized products, we can leverage our global scale in terms of procurement and R&D.
- Modularization enables both fixed and variable cost reductions.

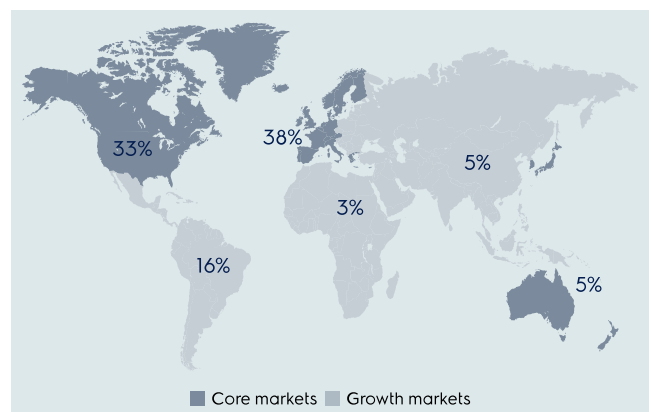
## Improving stability and mitigating against financial fluctuations

- Global presence makes Electrolux less sensitive to macroeconomics in specific market regions. This helps to smooth out seasonality and fluctuations in economic cycles and thereby mitigate against financial performance fluctuations.

## Capturing regional opportunities through deep local understanding

- Being global with a local presence and knowledge of each regional market means we can better adapt to changing consumer demands and sustainability related requirements.
- Three well-established brands – AEG, Electrolux and Frigidaire serve different regions and market segments.

## Sales by region







## Digitally integrated supply chain and manufacturing

### Digitally integrated supply chain and manufacturing

- Digitalization helps drive improved productivity and flexibility in Electrolux operations through:
  - Improved visibility and planning.
  - Installing a digitally managed environment within factories that monitors operational information in real-time.
- Digitalization also optimizes supply chain and manufacturing processes to facilitate product tracking and managing inventory levels – ensuring the availability of key products for end-consumers.



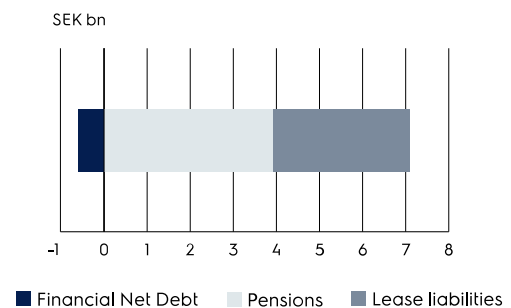
# Solid balance sheet facilitates profitable growth

Our focused profitable growth strategy is facilitated by a solid balance sheet

## Financial strength and stability increase opportunities for growth

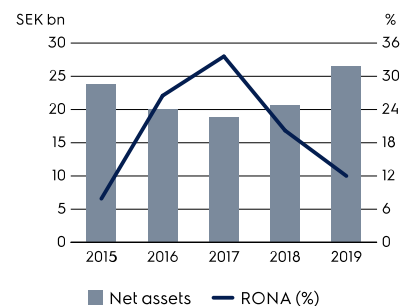
- A solid balance sheet helps us to execute our consumer experience driven strategy through:
  - Organic growth investments:
    - Capex to drive product innovation.
    - Capex for digitalization and automation to improve competitiveness.
  - Selective acquisition strategy:
    - Bolt-on acquisitions.
    - Strengthen growth in emerging markets and aftermarket.
    - Strengthen premium offering and solutions that improve the consumer experience.
    - Contribute to increasing consumer interaction and business model transformation.
- Net financial debt position of SEK 6.5bn as of December 31, 2019.
- Green bond financing
  - First green bond issued in 2019 – SEK 1bn.
  - Focusing on industrial and R&D projects, which have significant potential to enable Electrolux to reduce its climate impact.
- High 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.
  - Strong track record on reducing working capital over the last ten-year period. The objective is to maintain working capital at these healthy levels going forward.

## Solid financial position



Illustrative capital structure showing a net debt position of SEK 6.5bn if separation of Electrolux Professional took place Dec 31, 2019

## High return on net assets fueled by capital turnover

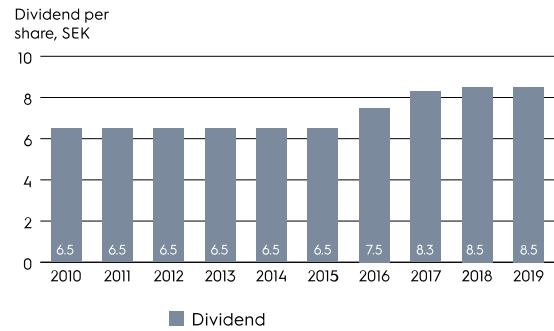


Financial information refers to the consumer business, exclusive of business area Professional Products.

## Shareholder-friendly capital allocation

- Dividend target of at least 30% of net income.
  - Historically, the Electrolux dividend rate has been considerably higher than 30%.
- We have a long history of successful spin-offs, e.g. Autoliv and Husqvarna, by distributing the shares to Electrolux shareholders and listing them on the stock exchange.
- Following shareholder approval to distribute Electrolux Professional, the plan is to list the company on Nasdaq Stockholm on March 23, 2020.
- Total return and long-term value creation.
  - Average annual total return over ten-years has been 7%.
  - Strong focus on consumer experience innovation and efficiency continues to be a solid platform for long-term value creation.

## Dividend



Note: 2019 dividend proposed by the Board



# Strategy

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 focusing on creating 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.



## Financial targets for profitable growth\*



\*Financial targets over a business cycle



# Path to profitable growth

To achieve sustainable profitable growth, Electrolux applies a three-step model for each of its business areas. This begins by ensuring each business operates with stability and predictability in all key processes together with a clear focus based on active choices to increase profitability.

The second step is about delivering this with sustainable profitability. This means that the focused business model is resilient to external factors and has clear competitive advantages that ensure long-term profitability.

In 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 2019, the Electrolux Group continued to execute its path to profitable growth model. Electrolux strengthened its platform for future growth by launching several important new products, initiating additional efficiency measures and investing in modularized products in automated manufacturing.

The two business areas Europe as well as Asia-Pacific and Middle East and Africa are in the third stage focusing on growing their business. The business areas North America and Latin America are in an earlier stage of the journey. In North America, the market transformation and consolidation of manufacturing affected short-term financial performance. Latin America was facing significant headwinds related to economic instability, increased raw material costs and currency headwinds.

Key activities in 2019 have been to continue to drive portfolio management targeting the most profitable product categories and products. One example is the profitable segments for steam ovens in Europe, where Electrolux continued to strengthen its position.

Other focus areas during the year have been:

- The creation of a more focused and innovative product portfolio with strong consumer benefits. In 2019, a comprehensive new range of appliances was launched under a sharpened Electrolux brand. The new range strengthens the company's position in several global markets, such as Europe and Australia.
- An efficient and flexible cost structure through re-engineering investments. Extensive re-engineering investments were executed at the Andersson facility for refrigerators/freezers in North America and at manufacturing facilities in Latin America.
- Well-established brands in line with consumer trends. In 2019, a new visual identity was introduced to sharpen the Electrolux brand, similar to what was done for Frigidaire in 2018 and AEG in 2017.
- Work to promote better and more sustainable living for people around the world. In 2019, Electrolux launched the Better Living Program, with bold targets for 2030 focusing on better eating, better garment care and a better home environment.

Read more about the path forward and business model execution for the Electrolux business areas on [page 49](#).



# This is how we drive profitable growth

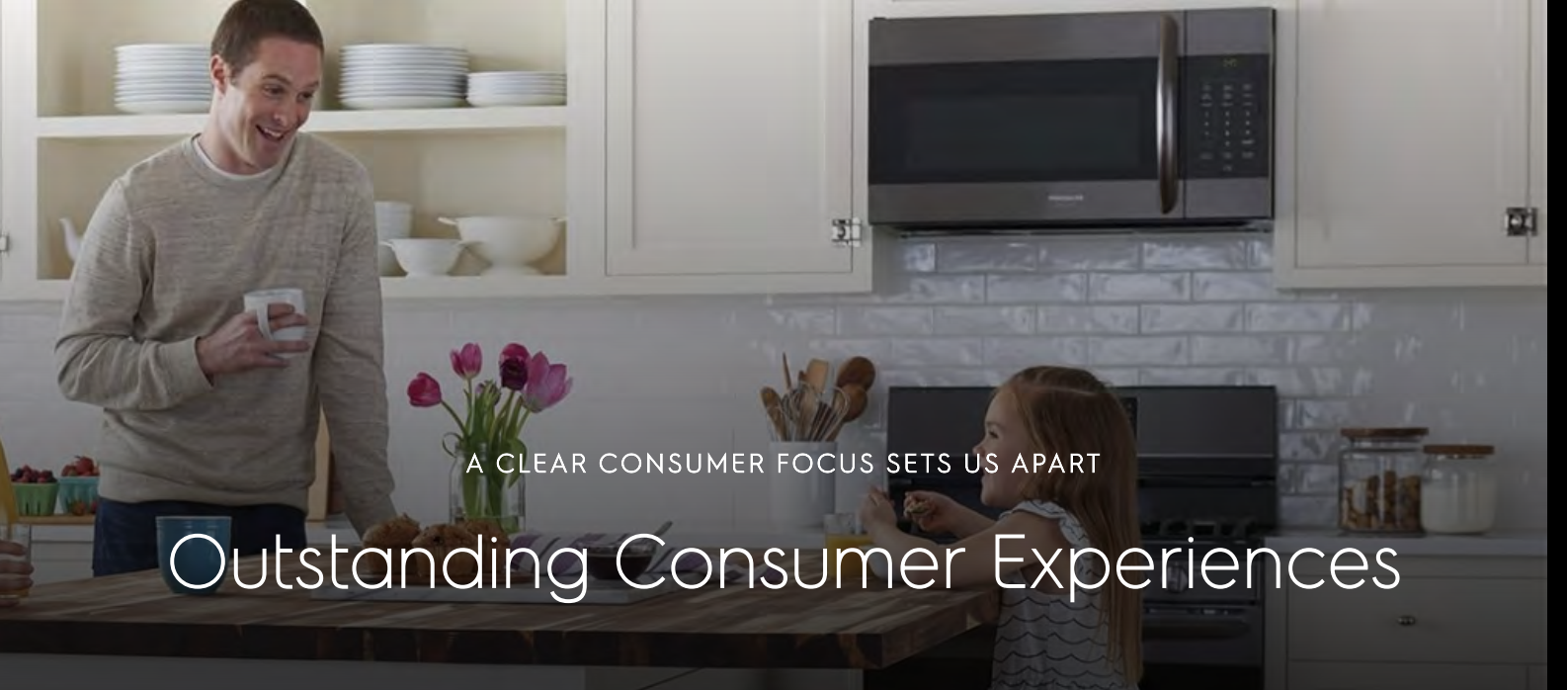
To drive profitable growth, Electrolux uses a business model with three main parts; consumer focus, increase competitiveness and future drivers.

A clear consumer focus sets us apart

Execution to increase competitiveness

With drivers that prepare us for the future





A CLEAR CONSUMER FOCUS SETS US APART

# Outstanding Consumer Experiences

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 consumer 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

- Deep consumer insight is a competitive advantage in an age of greater consumer awareness. We have a human-centric design process where consumers are our starting point to define business opportunities based on consumer insight, followed by extensive consumer testing through home visits and user experience labs.
- A streamlined and innovative product portfolio focused on three defined areas - Taste, Care and Wellbeing.
- Three well-established brands with a sharp brand proposition. The AEG and Frigidaire brands have been successfully adapted in recent years to target specific consumer segments, focusing more on benefits and consumer experience. In 2019, the Electrolux brand was sharpened globally, building on its Swedish heritage and sustainability profile as a competitive advantage.
- Global strength and leverage to support investments in product innovation.





A CLEAR CONSUMER FOCUS SETS US APART

# Taste, Care & Wellbeing Innovation

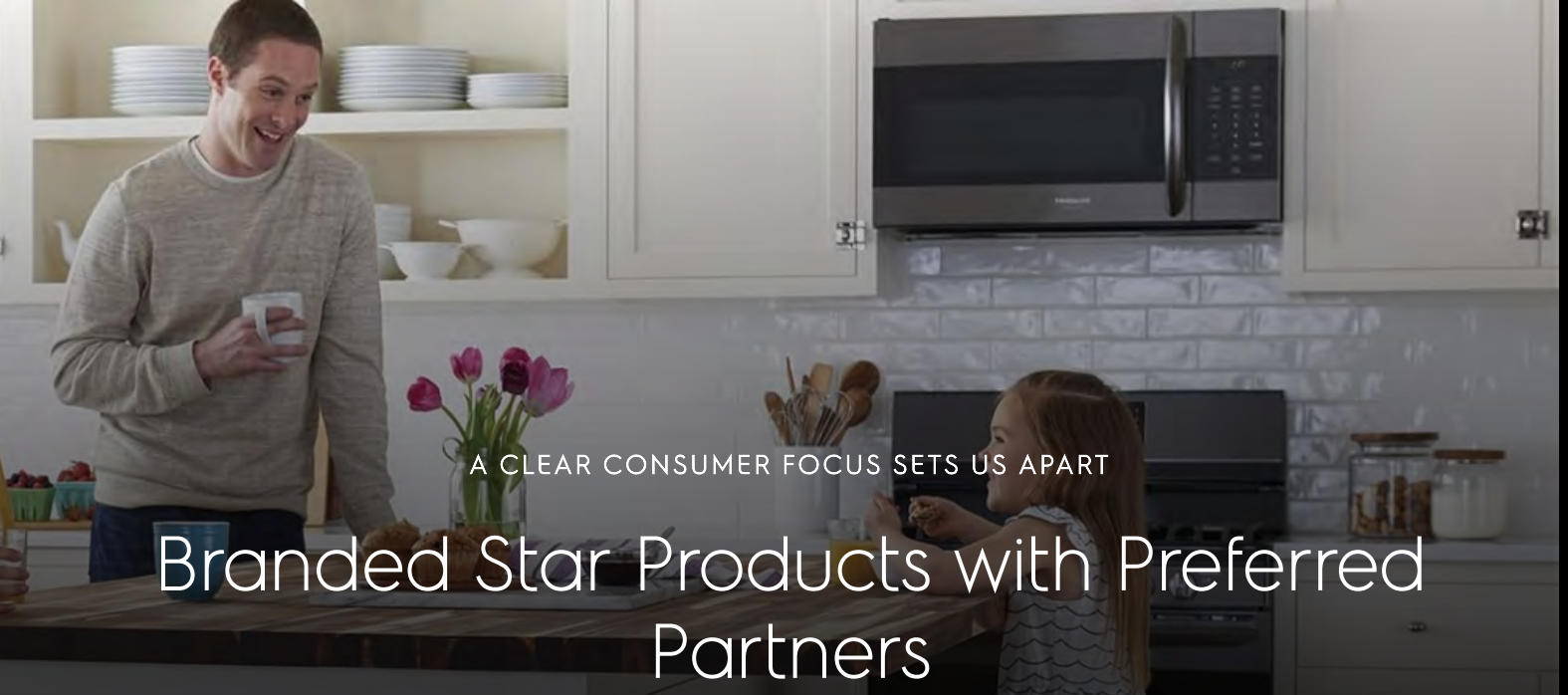
Innovation and product development focuses on three clear areas - great tasting food, care for clothes and healthy wellbeing in the home.

## Why is this important?

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

## Electrolux strengths

- Innovative product portfolio as a result of 3.3% 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 kitchen products under the Electrolux brand and cordless vacuum cleaners, was launched in 2019.
- Clear understanding of consumer relevance. Deep consumer insight has for many years been the focus for product development in the Group through surveys, consumer data, home visits and user experience labs. The new Electrolux kitchen range launched in 2019 is one example of outstanding consumer experience with 4.9 out of 5 star ratings at launch.
- Focused product portfolio. In recent years the Electrolux portfolio has been streamlined, with less product variants to realize cost benefits, increase success rates and make it easier for the consumer to find the right product. In North America, the number of product variants was reduced by more than 55% by the end of 2019 compared to January 2017.
- Focused R&D efforts give Electrolux an edge. Emphasis on how a particular product can help the consumer achieve great results is an advantage compared with competitors that focus more on technical features.



A CLEAR CONSUMER FOCUS SETS US APART

# Branded Star Products with Preferred Partners

The Group has three main brands in AEG, Electrolux and Frigidaire that are all well-established. To maximize the contribution from these brands, the company focuses on selected, high-margin products/categories and seeks partnerships with preferred trade partners.

## Why is this important?

Today's consumers conduct thorough research before taking a purchasing decision, primarily on the web. It is therefore increasingly important to target key products and categories that appeal to distinct consumer groups for each of our brands. Strong brands drive profitable growth through sales of products at higher prices. It has also shown that strong brands have sales 1.3 times higher than for average brands<sup>1)</sup>.

## Electrolux strengths

- Three main brands – Electrolux, AEG and Frigidaire – represent 80% of total Group gross profit and receive the vast majority of investments in marketing, design and R&D.
- High brand awareness built on a 100-year track record of relevant innovations.
- Close cooperation with carefully selected partners delivers a focused and relevant offering to consumers.

1) Prophet Brand Relevance Index 2017 – 10 year CAGR of most relevant brands vs. S&P 500 Average.



A CLEAR CONSUMER FOCUS SETS US APART

# Engaging Ownership & Quality Experiences

Close relations with consumers provide insight for new innovations, personalized ownership solutions and aftermarket sales.

## Why is this important?

Engaging experiences and quality in all touchpoints are important for the consumer. This is therefore an area of significant importance for Electrolux to further drive brand loyalty, repurchasing rates and aftermarket sales. A large installed base of ~400 million products gives Electrolux a high aftermarket sales potential, the aim is to double aftermarket sales by 2025 to ~10% of Group sales.

New digital services enable closer dialogue with consumers - to provide Electrolux with new insights into how they use products and how we can further enhance the ownership experience. More data on behavior and product usage increases personalization and the relevance of our offering.

## Electrolux strengths

- Large installed base of ~400 million products gives high aftermarket sales potential.
- The continued roll-out of customer relationship management globally is one of the enablers to provide personalized communication, services and offerings. It will also support new business models and revenue streams.
- The Electrolux Connectivity Platform is an Internet of Things proprietary cloud ecosystem that connects consumers, service providers and third-party players with an Electrolux backbone.
- Several relevant connected products are already launched, such as the Electrolux PerfectCare washing machines and tumble dryers, the robotic vacuum cleaner, and the Frigidaire CoolConnect air conditioners.
- The Group has joined the Open Connectivity Foundation, which is a broad collaboration project to continue to drive toward 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 and has improved its service call rate for the consumer business to 2.9% in 2019 versus 5.1% in 2015.





EXECUTION TO INCREASE COMPETITIVENESS

## Operational Excellence

Electrolux is developing new modularized product architectures to drive targeted profitable growth and further improve efficiency and quality. Investments in automated and digital manufacturing enable an even more competitive product offering.

The Electrolux global product architecture and automation program is instrumental to driving 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 the re-engineering program are expected to amount to a total of SEK 8bn over 4-5 years from 2018. All investments have been announced and relate to the U.S. manufacturing operations in Anderson and Springfield, two facilities in Italy and Hungary as well as two facilities in Brazil. The re-engineering program, together with streamlining measures, is expected to result in cost efficiencies of SEK ~3.5bn by 2024. The investments will also open growth opportunities through the manufacture of innovative products.

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

		Growth	Cost
Product architecture	PREMIUM		
	MASS		
Strategic sourcing	FINISHED GOODS		
	PARTS		
Automation and digitalization of operations			
Continuous improvement			
Quality			

## 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 reduces 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 the customization of products using a limited number of standard components. Modular design also increases economies of scale in the sourcing of components.

## Strategic sourcing

- The single most important initiative to reduce product costs.
- Global bundling of volumes and focusing on partnership with fewer suppliers.

Strategic sourcing entails a mix of several initiatives to further leverage the company's 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 a more efficient production set-up, creating a win-win situation in terms of shared reduced costs.

The global purchasing function coordinates and administers approximately 95% of all direct material purchasing. This is a significant increase compared to the approximate 65% coverage the previous year, and is a result of a reorganization of the function to further leverage the company's global scale. The Electrolux Responsible Sourcing program supports a global effort to make the right decisions on suppliers and promote 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. In 2019, investments under a comprehensive re-engineering program were primarily carried out at the refrigerator plants in Anderson, U.S., and Curitiba, Brazil, focusing on increasing automation. The Anderson plant will be at the forefront in the appliance industry with an automation level of around 35%, compared with less than 10% prior to the investment. The ongoing re-engineering 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 the higher quality of 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 2019, product quality reached a new record level with a service call rate (SCR) of 2.9%. The Group has ambitious long-term goals to continue to improve quality and drive 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 2019 had been reduced by 44%, compared with 2005. The target for 2020 is a 50% reduction.

The 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 real-time data is available on a range of devices, including smartphones and tablets, which speeds up reaction times. The factories Kinston, U.S., and Sao Carlos, Brazil, were the first Electrolux fully-connected manufacturing shop-floor pilots in 2018, which have been further developed. In 2019, the Industrial IoT model was further rolled out at our Anderson factory and in 2020 the roll-out will continue across other factories as part of a multi-year plan.

Digital processes for closer collaboration with the company's 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 product demand.





EXECUTION TO INCREASE COMPETITIVENESS

# Talent, Teamship & Continuous Improvement

## A clear company purpose and culture that promotes engagement

The clear Electrolux purpose and strong corporate culture are key drivers to attract new talent, promote engagement and empower employees. Everyone in the organization, regardless of role, is expected to make a difference and contribute to the 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 situations, encourage cross-collaboration and always keep the end consumer in mind. Electrolux competitiveness is strengthened by having passionate, business-minded people who have a close relation to the market and see innovation synergies throughout the global organization.

## Teamship

Teamship is the Electrolux way of working to create outstanding consumer experiences and achieve operational excellence. Working efficiently through aligned goals, collaboration, transparency and engagement leverages the power of teamship and drives profitable growth.



Aligned Goals



Transparency



Collaboration



Engagement

Leaders who inspire and engage people throughout 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 the commitment to the company's strategy and purpose.

In 2019, a year where significant strategic and organizational changes were implemented and the intention to separate Professional Products was announced, the Engagement index increased slightly to 73 compared to 72 in 2018. The areas with strongest improvement included collaboration, leadership and organizational capabilities.

## Continuous improvement

Continuous improvement is about simplifying ways of working and creating value by working smarter. Electrolux works continuously to improve cost structures and develop methods, processes and skills. It is a vital part of the company culture to achieve this throughout 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 costs through improved ways of working, a higher resource efficiency and the 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 apply 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 that aims to promote a strong safety culture. During the year, the total incident rate in the company, TCIR<sup>1)</sup>, decreased to 0.53. Since 2015, the incident rate has decreased by 39%. The Group aims to reduce the incident rate to less than 0.5 in 2020.

1) Total accident rate per 200,000 working hours. Rates exclusive of Electrolux Professional. The incident rate for Electrolux Professional decreased from 2.7 to 1.4 in the same time period.

Read more on how Sustainability is a key business driver on page 42.



WITH DRIVERS THAT PREPARE US FOR THE FUTURE

# Emerging Markets Acceleration

## Fueling growth for the next 100 years

Driven by rapid industrialization and a developing middle class, most of the world's economic growth is now fueled by emerging markets. Capturing this growth is key to positioning the Group for future success.

Historically, the approach to emerging markets has been mainly local and Electrolux has not been able to fully leverage its scale and innovation capabilities. The company sees an opportunity to target the global emerging markets urban mass-premium consumer with a clear market positioning, targeted product platforms and innovation roadmap, 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. The focus is to strengthen the company's position in existing emerging markets and enter selected new markets.

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

**Consumer needs** – Consumers in emerging markets share similar needs to Western consumers as they become more affluent and move to more urban living spaces. As incomes rise, consumers will 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 the consolidation of resources and better leverage of our shared expertise, knowledge and investments to drive scale and profitable growth. Electrolux has established global product architectures/platforms for refrigeration, laundry, air & water care. This increases the pace of R&D and agility, lowers product costs and delivers economies of scale. The 'Asia-Pacific, Middle East and Africa' and 'Latin America' business areas are developing specific emerging market product offerings and Electrolux is centralizing manufacturing using the company's Rayong facility in Thailand as a manufacturing hub for emerging markets.



WITH DRIVERS THAT PREPARE US FOR THE FUTURE

# Digital transformation

In today's digital world, consumers are more empowered than ever before. This is why Electrolux continues to digitalize to deliver outstanding consumer experiences, leverage global scale, and drive productivity and flexibility.

## The digital transformation affects the entire company 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. This includes exploring various alternatives, visiting websites, interacting on social media, choosing products at retailers, product installation and product use. 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. Creating new business models through a smart connected appliance ecosystem.

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

**Modularization and digital manufacturing** - Minimizing product cost and maximizing quality and flexibility through the digital manufacturing of modularized products.

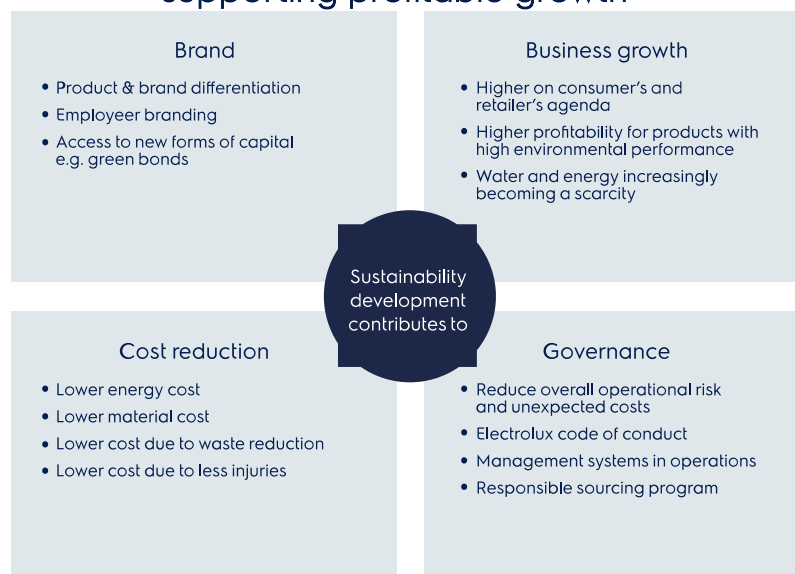
**Digital supply chain** - Using a fully-integrated digital supply chain to increase flexibility and consumer experience. Ensuring 100% product availability with minimal lead times and capital requirement.

WITH DRIVERS THAT PREPARE US FOR THE FUTURE

# Sustainable development

Electrolux is a sustainability leader in the appliance industry. This is a strong competitive advantage in an industry where consumers, retailers and authorities increasingly value sustainability. Sustainability leadership is vital in delivering outstanding consumer experiences and to drive profitable growth. The company's most energy and water efficient products consistently deliver higher margins.

## Sustainability is a key business driver supporting profitable growth



## Brands

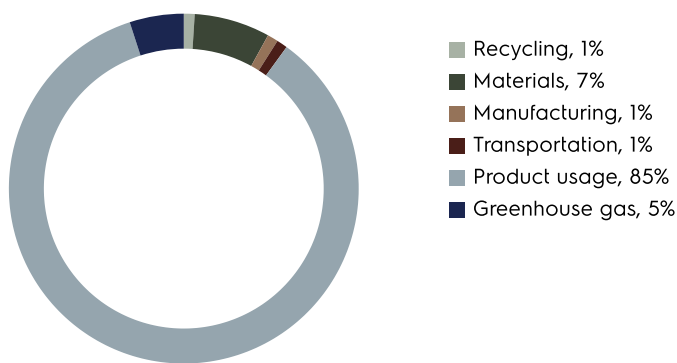
- Strong sustainability performance enables product and brand differentiation.
- Sustainability enhances employer branding. To be successful in a changing market it is vital to attract and retain the best talent. A strong company purpose and a focus on employee health and safety are essential.
- Access to new forms of capital, e.g. green bonds.



## Increasing demand for more sustainable products

- In 2019, the company's most energy and water efficient products accounted for 23% of total products sold and accounted for 32% of gross operating margin. Sustainability is a prioritized area in product development. At least one-third of the product development spend is related to sustainability, including energy and water efficiency.
- Sustainability is increasingly important to consumers, retailers and authorities and is therefore a key driver of demand. Sales of the top three energy label classes of home appliances have tripled in the past ten years in Europe. Top-rated washing machines have the most significant increase, from 2% to 68% of all purchases<sup>1)</sup>.
- As a sustainability leader in the industry, Electrolux is more likely to be the preferred partner of retailers with high sustainability demands.
- Water and energy are becoming increasingly scarce around the world, which is driving demand for energy and water efficient products. Electrolux is well positioned to leverage this growing demand for resource-efficient products. Product usage accounts for 85% of CO<sub>2</sub> impact on average during the lifetime of an appliance. Therefore, reducing resource use such as electricity and water during the everyday operation of its appliances is how Electrolux can best reduce its climate impact.
- Electrolux has the scale necessary for the required investments in sustainability.

## Average CO<sub>2</sub> impact during the lifetime of an appliance\*



Electrolux best contributes to reducing climate impacts by promoting energy and water efficiency during the everyday operation of its appliances. The Group aims to reduce climate impact throughout its products' lifecycle by 50% by 2020 relative to 2005 levels. Approximately 25 million metric tons of CO<sub>2</sub>-equivalents are targeted to be avoided in emissions deriving from product use, from production and transportation as well as from the use of greenhouse gases. As of 2019, 16 million metric tons have been avoided.

\* Calculated as the average of eleven different appliances.

## More efficient manufacturing

- Reduced energy costs - A consistent focus on resource efficiency has reduced energy costs by SEK 600m annually vs 2005. The average energy consumption per unit produced in 2019 has been reduced by 44%, compared with 2005. The target for 2020 is a 50% reduction. In 2019, 45% of the total energy came from renewable sources. Combined with the energy reduction, this means that carbon emissions from operations have been reduced by 440,000 metric tons of CO<sub>2</sub> compared with 2005.
- Lower material costs - Optimizing the use of input materials without compromising product performance and quality has reduced costs. Electrolux has the objective to increase the amount of recycled plastics in new products. In 2015, Electrolux set a target of replacing 20,000 tons of virgin plastics in products with recycled by 2020 and in 2019 we achieved 6,400 tons. Based on this result and the forecasted volume for the coming year we do not expect that the target will be achieved on time. The gap is mainly due to challenges in transferring solutions between different product and process technologies, slowing down implementation rate between different regions.
- The Electrolux Zero Landfill program has the objective to reduce the amount of waste sent to landfill or incinerated without energy recovery. During 2019, the global program has been applied to all sites and all identified standard indicators have been measured quarterly. In 2019, Electrolux has globally reduced its amount of disposed waste by more than 20%.
- Electrolux promotes a strong safety culture to ensure the best working environment for employees and to improve operational efficiency through reduced financial impact related to injuries and lost working days. Since 2015, the incident rate<sup>2)</sup> has decreased from 0.87<sup>3)</sup> to 0.53<sup>3)</sup> and Electrolux aims to reduce the incident rate to less than 0.5 in 2020.

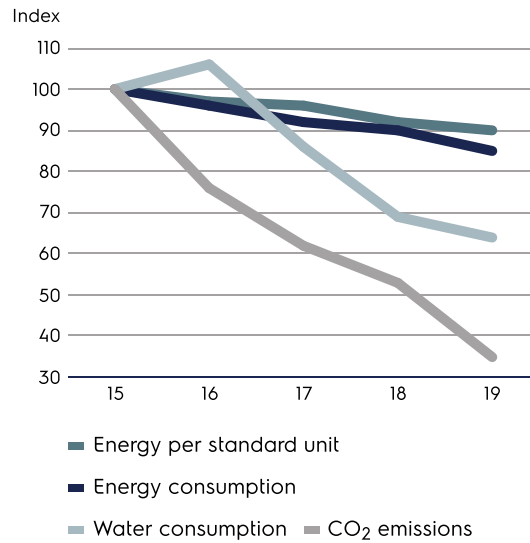
1) Source: Financial Times, November 7th 2019.

2) Total incident rate per 200,000 working hours.

3) Rates exclusive of Electrolux Professional. The incident rate for Electrolux Professional decreased from 2.7 to 1.8 in the same time period.



### Operational resource efficiency



## Governance

- Electrolux aims to reduce the overall operational risks and unexpected costs related to the environment, social labor and human rights as well as corruption.
- The Electrolux Code of Conduct is a fundamental part of the strategy. It 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 to ensure efficient and structured processes, for example the Electrolux Manufacturing System.
- The Electrolux Responsible Sourcing program supports the company's global efforts to make the right decisions on suppliers and develop the sustainability performance of its supply base.
- The Group has received several recognitions for its sustainability work and was in 2019 included in the Dow Jones Sustainability World Index (DJSI World).

## Better Living Program

In 2019, Electrolux launched the Better Living Program, a plan to enable better and more sustainable living for consumers around the world through 2030. The program establishes bold targets for a better company, better eating, better garment care and better home environment.

Read more about the Better Living Program on page 10.

# Purpose-driven company

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. We shape living for the better.

## Purpose

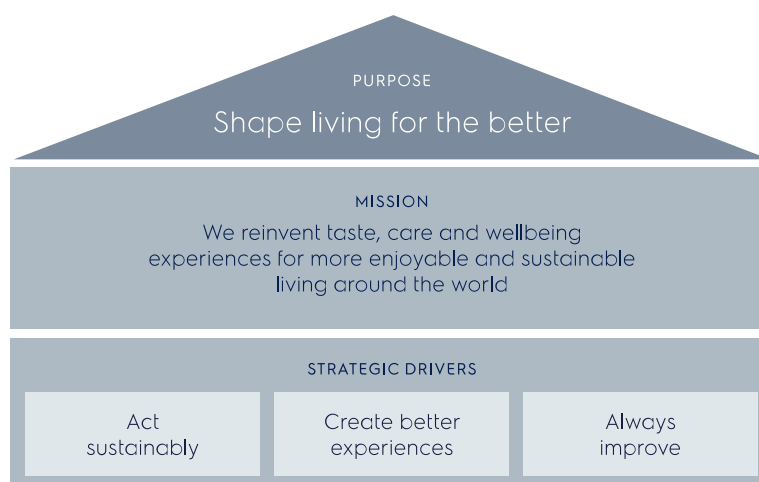
### Shape living for the better

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 - to ensure there is always a better way to care for our clothes to make them look and feel new longer, and to make the home a place for wellbeing to care for ourselves and our loved ones.

To succeed, we continuously rethink and improve our ways of working - both 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:

**Taste** — 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.

**Care** — 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.

**Wellbeing** — People are concerned about the air they breathe, the water they drink and their environment. We call this wellbeing. Electrolux helps consumers create 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 behavior, give direction to our strategies, and convey the core of how we behave as a company. During 2019, Electrolux introduced the Better Living Program, which is a plan to enable better and more sustainable living for consumers around the world through to 2030.

Read more about the Better Living Program on page 10.

**Act sustainably** — Inspire and contribute to a change for the better.

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

**Create better experiences** — Design solutions that elevate everyday life.

Experiences are in the food our consumers 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 the everyday lives of our consumers, 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's what it takes to shape living for the better.

# Global trends

The global household appliance market is being transformed by five major trends: increased consumer power, digitalization, sustainability, consolidation and the growing global middle class. While these changes place demands on investments and economies of scale, they also present major opportunities.

## Trends

The increasing pace of change in the global market is driven by global trends that influence volumes and the types of products in demand, but also how these products are produced, marketed and sold.



## Consumer power

Greater consumer awareness and access to information on prices, offers, product characteristics and consumer reviews on-line, via social media and through mobile access, increasingly empowers consumers.

**Strategic focus:** Electrolux experience innovation and brand/product focus are specifically tailored to appeal to targeted consumer segments and needs. The consumer experience function, established in 2019, combines marketing, design, digital consumer solutions and ownership experience to ensure a consumer experience focus throughout the entire product development and use phase.



## Digitalization

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

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



## Sustainability

Sustainability is becoming more important for consumers as well as authorities that place increasing demands on manufacturers to develop and offer more sustainable products. For example, authorities around the world are legislating significant energy efficiency requirements.

**Strategic focus:** Electrolux is a sustainability leader in the appliance industry, demonstrated by numerous third-party recognitions, and has a clear strategic sustainability agenda. During 2019, Electrolux introduced the Better Living Program, which is a plan to enable better and more sustainable living for consumers around the world through to 2030.

## Growing global middle class

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

**Strategic focus:** Electrolux is a global business with a local presence. It has extensive consumer knowledge and brands targeting growing product categories in regions with a rapidly growing middle class. The 'Asia-Pacific, Middle East and Africa' and 'Latin America' business areas are together developing specific emerging market product offerings. In addition, Electrolux is well positioned to leverage the growing demand for resource efficient products.



## Consolidation

Due to the increasing pace of innovation and investment requirements, 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.





# Business areas

In 2019, Electrolux revised its business area structure to create four consumer-focused regional business areas - 'Europe', 'North America', 'Latin America' and 'Asia-Pacific, Middle East and Africa'. The previous Home Care & SDA business area was combined with these regional business areas. This section includes the consumer business following the proposal made by the Board in 2019 to distribute and list the business area Professional Products as a separate company.

## Moving towards profitable growth



Europe

Operating margin\*



7%

Asia-Pacific, Middle East & Africa



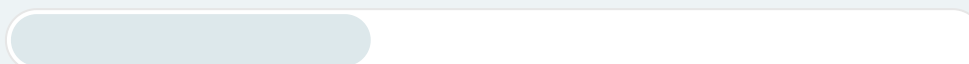
6%

Latin America



4%

North America



1%

\*Excluding non-recurring items

To achieve sustainable profitable growth, Electrolux applies a three-step model for each of its business areas. Read more on page 29.



### Europe

SHARE OF NET SALES    OPERATING MARGIN<sup>1)</sup>

**38%**

**7.1%**

<sup>1)</sup> Excluding non-recurring items



### North America

SHARE OF NET SALES    OPERATING MARGIN<sup>1)</sup>

**33%**

**1.4%**

<sup>1)</sup> Excluding non-recurring items



### Latin America

SHARE OF NET SALES    OPERATING MARGIN<sup>1)</sup>

**16%**

**3.7%**

<sup>1)</sup> Excluding non-recurring items



### Asia-Pacific, Middle East & Africa

SHARE OF NET SALES    OPERATING MARGIN<sup>1)</sup>

**13%**

**5.6%**

<sup>1)</sup> Excluding non-recurring items



GROWING PROFITABILITY IN PREMIUM BRANDS

# Europe

## Position and Strengths

- Top three position in most geographies with overall leadership in the Nordics with 39% market share. Second largest player in Western Europe with a market share in Core Appliances of 17% and the third largest player in Eastern Europe with a 15% market share.
- Leading position in Floor Care with a strong presence in the premium segment. Electrolux has been at the forefront of vacuum cleaning innovation for 100 years and has a strong brand recognition in vacuum cleaners.
- 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 within premium brands over 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.
- Well-established portfolio management approach focusing on the most profitable products is a main driver to the margin increase in recent years. Approximately 80% of the business area's sales are in the higher margin categories.

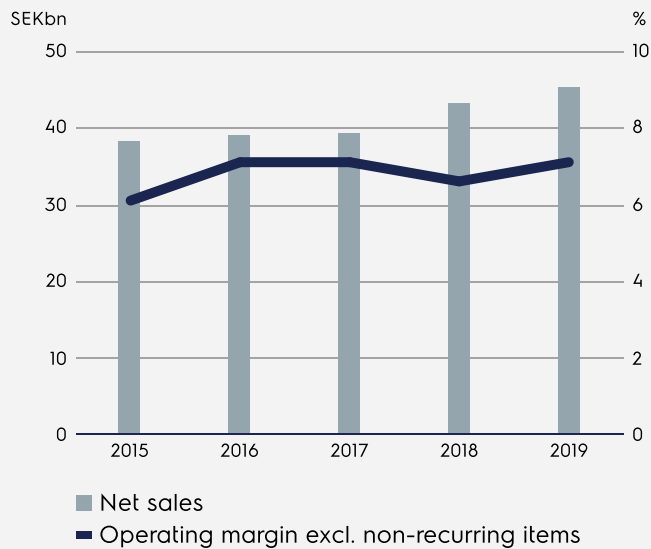


To achieve profitable growth, Electrolux applies a three-step model.  
The business area Europe is in the third step, Targeted Growth.

## Strategic focus

- Continue to grow in areas of strength - built-in kitchen, cooking and laundry - through focused innovation based on consumer insight including consumer star ratings and reviews.
- Lift brand position through the sharpening of the AEG and Electrolux brands with a clear focus on which consumer groups to target.
- Create outstanding consumer experience by simplifying and improving the usage of products to solve consumer pain points and make their lives easier and more enjoyable.
- Develop the highly profitable area of aftermarket sales through offering attractive consumables and accessories as well as through services such as extended warranties and fixed price repair services.
- Employ new connected technologies and ecosystems within the smart home including voice control for assisted cooking. The majority of new products launched should be connectivity-ready. Connectivity also creates opportunities to increase aftermarket sales.

## Net sales and operating margin



SHARE OF NET SALES

**38%**

OPERATING MARGIN<sup>1)</sup>

**7.1%**

<sup>1)</sup> Excl. non-recurring items

### 2019 Execution

- Organic sales growth of 1.7% driven by improved brand and product mix as well as price increases.
- Improved operating income and margin driven by strong organic contribution from price and mix that more than compensated for higher raw material costs, increased marketing investments to support important product launches as well as higher cost related to product architecture projects. Non-recurring items of SEK -752 (-747)m included in operating income related in 2019 to restructuring charges for efficiency measures and outsourcing projects, see note 7 in the 2019 Annual Report.
- Electrolux continued to gain market share in the focus area built-in kitchen products in Europe.
- In 2019, a new kitchen range under the Electrolux brand was launched. Combining technology with human-centric Scandinavian design, it takes cooking experience to a whole new level for the consumer. From meal inspiration, all the way through cooking and cleaning up, the range offers appliances that help the consumer at every stage of the cooking journey.
- Continued category execution focusing on premium segments. Particular success in built-in kitchen and laundry products under the AEG and Electrolux brands. Highlights include:
  - The Electrolux 900 SensePro® hob is the most advanced induction hob to date. The hob has the world's first wireless and battery-less food probe that enables perfect results by letting the user simply tell the hob what is cooking and how they would like it done. The probe can also control water temperature so accurately it allows users to cook sous vide on the hob.
  - The multi-functional Electrolux 900 SteamPro oven has a Steamify® feature that automatically combines the right amount of steam and traditional heat for best-in-class baking, roasting and steaming results. The oven is connected and works with the Innit recipe app and can be voice controlled through Google Home for even more intuitive cooking assistance.
  - The AEG 9000 Premium Edition washer and dryer pair offer matching programs. This means that washing and drying cycles are synchronized automatically when starting the laundry, making the entire process easier as clothes then don't need to be sorted before drying. Through the connectivity feature, users can remotely check the progress of their laundry on their mobile devices.





RESPONDING TO A CHANGING MARKET

## North America

### Position and Strengths

- Strong market position with around 14% share in core appliances in 2019, predominantly under the Frigidaire brand. The brand has a 100-year heritage and targets consumers who value affordable solutions.
- 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 strategies.
- Strong aftermarket sales capability.



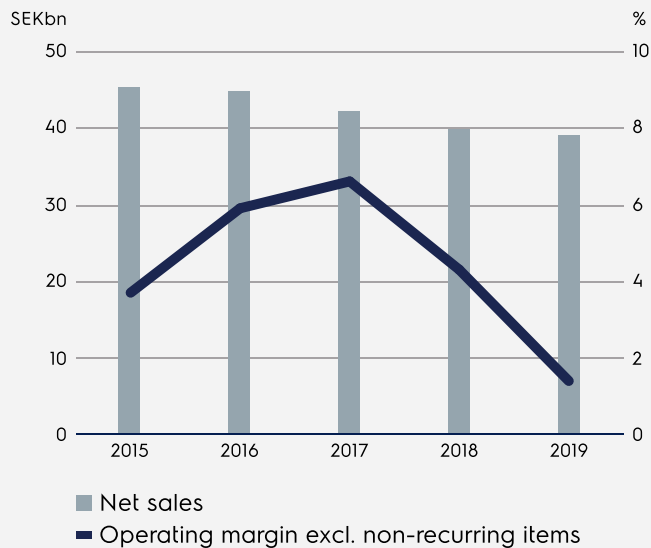
To achieve profitable growth, Electrolux applies a three-step model.  
The business area North America is in the first step, Stability and Focus.

### 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 developing new sales channels.
- Continues to simplify its organization, operations and product offering. Strategically, this drives a clear focus on individual product profitability while also significantly reducing the total product offering and cost base. This also drives the growth of its Frigidaire products, which accounts for almost 90% of the business area's 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.
- Creating outstanding consumer experience through aftermarket sales innovation.



## Net sales and operating margin



SHARE OF NET SALES

**33%**

OPERATING MARGIN<sup>1)</sup>

**1.4%**

<sup>1)</sup> Excl. non-recurring items

### 2019 Execution

- Organic sales decline of 8.7% due to lower volumes, mainly impacted by lower sales under private label and capacity constraints related to manufacturing consolidation. Cost-based price increases and mix improvements contributed positively to sales.
- Reduced operating income and margin due to lower volumes and increased costs related to the manufacturing consolidation. Price increases more than compensated for higher costs from raw material and trade tariffs. Non-recurring items of SEK -1,071 (-596)m included in operating income mainly related to the consolidation of the U.S. cooking production, see note 7 in the annual report.
- Successful execution of new product launches by driving a commercial discipline from the start of a new product's production through to retail flooring. A strong example is the launch of Air Fry. Guided by consumer insight, Electrolux is the first to bring built-in Air Fry technology to the North American cooker market and the response from consumers has been very good with average star ratings of 4.6.
- The number of products (Stock Keeping Units) were reduced by more than 55% by the end of 2019 compared to start of 2017, eliminating unproductive products, focusing the organization on fewer more meaningful and impactful products at the highest quality level on record.
- During the year, there was significant progress in its U.S. manufacturing investments.
  - The new refrigeration and freezer plant in Anderson, South Carolina, began production during the second half of 2019.
  - Construction has also started in the Springfield, Tennessee, cooking plant. The new plant will be highly automated.
- During 2019, Electrolux slightly increased its value market share under its own brands.
- Market demand for multidoor refrigerators grew in 2019. Electrolux launched Flex 4, a new four door refrigerator, with an improved icemaker and noise level. This investment led to strong sales growth in this product during the year for the business area.
- Aftermarket sales saw year-on-year growth as the business area launched new online how-to videos, adjacent products and expanded its service network.



STRONG POSITION IN A CHALLENGING MARKET ENVIRONMENT

# Latin America

## Position and Strengths

- Electrolux in Latin America holds about 32% combined value market share in Brazil, Chile and Argentina, with Electrolux brand leadership in the refrigeration/freezer segments. There are good opportunities for long-term growth driven by a growing middle class.
- 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.

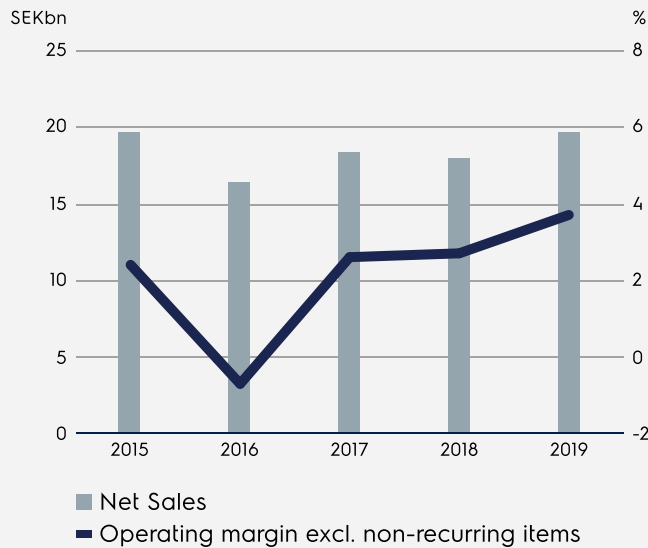


To achieve profitable growth, Electrolux applies a three-step model.  
The business area Latin America is in the second step, Sustainable Profitability.

## Strategic focus

- Sustain strong market positions in Brazil, Chile and Argentina.
- Continue to drive brand and product portfolio management in a volatile market environment. This is especially key in the main markets of Brazil, Chile and Argentina.
- Improve productivity and increase the speed of innovation through the re-engineering of manufacturing, including digitalization, automation and new product architectures.
- Achieve profitable positions in regions outside the three main markets by reducing cost and complexity.

## Net sales and operating margin



SHARE OF NET SALES

**16%**

OPERATING MARGIN<sup>1)</sup>

**3.7%**

<sup>1)</sup> Excl. non-recurring items

### 2019 Execution

- Organic sales growth of 10.9% mainly driven by Brazil but also by Argentina. Both price increases and mix improvement contributed, as well as higher sales volumes in Brazil.
- Increased operating income and margin as a result of positive mix contribution, higher volumes and good execution on cost-efficiency measures. Increased prices offset higher raw material costs but could not fully compensate for significant currency headwinds. Non-recurring items of SEK 1,101 (0)m included in operating income mainly related to the recovery of overpaid sales tax in Brazil, see note 7 in the annual report.
- Investments in manufacturing re-engineering and new product architectures to drive profitable growth continued at the refrigerator facility in Curitiba and the cooking facility in Sao Carlos. These investments in Brazil will reduce costs and complexity, while improving the product offering.
- Product portfolio management continued, resulting in a more focused and sharpened product offering in the most profitable categories, with successes in multidoor refrigerators and high capacity washers. This contributed to mix improvements, particularly in Brazil.

SOLID PERFORMANCE IN A MIXED ENVIRONMENT

# Asia-Pacific, Middle East and Africa

## Position and Strengths

- Leading market position in Australia and New Zealand, especially in cooking. These two markets account for about half of sales in the business area.
- Strong market position in targeted segments in Southeast Asia, especially front- load washers where Electrolux has strengthened its market share in recent years.
- Leading positions in Floor Care in parts of the region such as Australia, Japan and Korea, and the largest manufacturer of water heaters in South Africa and Egypt.
- High brand recognition in large parts of the region where Electrolux is associated with European Quality & Care, which is in line with consumer demand.
- Modern manufacturing capability in Rayong, Thailand, with economies of scale in a low-cost location. About 80% of the products sold in the region are produced in Rayong, Egypt and South Africa.



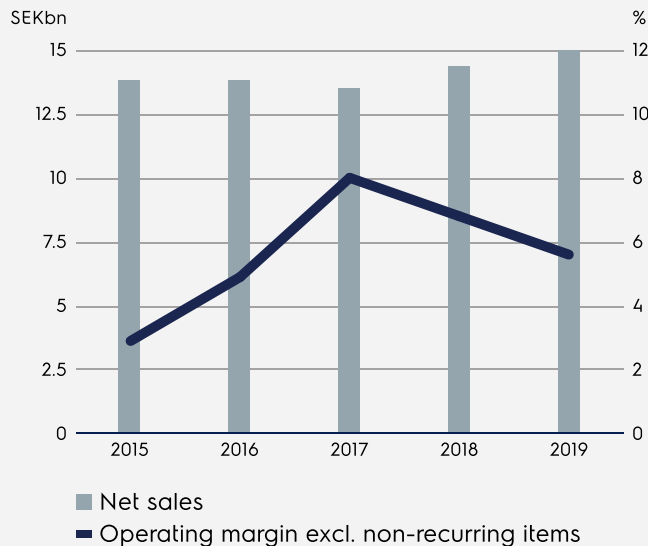
To achieve profitable growth, Electrolux applies a three-step model.

The business area Asia-Pacific, Middle East and Africa is in the third step, Targeted Growth.

## Strategic focus

- Ensure a lean and efficient organizational structure tailored to leverage in the different local markets.
- Continue to invest in premium products to improve product mix in key categories in Taste, Care and Wellbeing, as well as expand the AEG offering, primarily in Australia and China.
- Drive expansion in growing new channels, such as developers in Southeast Asia and the Gulf region.
- Investments in new product platforms for laundry and water heaters for the Middle East region.
- Pursue joint-ventures and acquisitions to accelerate profitable growth in this attractive and growing region.
- Drive sales in the profitable aftermarket segment as well as accelerate the launch of connected products and ecosystems. The Asian market for connected products is more advanced compared to most other regions.

## Net sales and operating margin



SHARE OF NET SALES

13%

OPERATING MARGIN<sup>1)</sup>

5.6%

<sup>1)</sup> Excl. non-recurring items

### 2019 Execution

- Organic sales decline of 1.3%, mainly related to lower volumes and, in Southeast Asia, price pressure. Mix contributed positively across product categories and in most regions, notably in Australia.
- Reduced operating income and margin mainly due to significant currency headwinds as well as lower organic sales. Investments in major product launches increased, while production efficiency contributed positively. Non-recurring costs of SEK 398 (0)m were included in operating income and related to restructuring charges and outsourcing projects for efficiency measures, see note 7 in the annual report.
- Introduced a comprehensive new range of appliances and a new visual identity under the Electrolux brand in Australia.
- Integrated the Middle East and Africa operations into the business area to strengthen the emerging market offering and leverage global scale. The Home Care and SDA operation was fully integrated resulting in efficiencies in term of product and marketing organization.
- Initiated the streamlining of the organization to improve efficiency and sales execution by decentralizing and strengthening local sales teams.



# The Electrolux share

Total annual shareholder return for the Electrolux B share has been 7% on average over the past ten years. The Electrolux share is listed on the exchange Nasdaq Stockholm.

TOTAL RETURN

**7%**

ELUX B (10 years)

DIVIDEND

**8.50 SEK**

per share (2019\*)  
\*Proposed by the Board

PAYOUT RATIO

**97%**

(2019\*)  
\*Proposed by the Board



## QUARTER 1, 2019

### Q4 2018 REPORT COMMENTS

A solid finish to the 2018 year with sales growth of 2.5% was supported by most business areas. Underlying operating margin of 5.5% and four business areas with a margin above 6%. The intention to prepare a separation and listing of the Professional Products business area announced.

### ELECTROLUX INITIATIVES

- The Board announced the intention to prepare a separation and listing of the Professional Products business area.
- New Business Area structure and Consumer Experience function implemented.
- Announced manufacturing consolidation and investment to strengthen competitiveness in North and Latin America.
- Price increases implemented in North America and Europe.
- Capital Markets Day hosted.

### EXTERNAL FACTORS

- Higher prices and uncertainties around trade tariffs put pressure on market demand in North America.
- The Latin American market recovered, driven by Brazil.
- Significant currency headwinds, mainly in Latin America and Australia.
- New accounting rules IFRS 16 on leasing effective as of January 1.

## QUARTER 2, 2019

### Q1 2019 REPORT COMMENTS

Continued to execute on the profitable growth strategy in a challenging cost environment. Sales growth of 1.6% was driven by higher prices and improved product mix. Underlying operating income fairly in line with last year. Price increases fully offset the strong headwinds from higher raw material costs, trade tariffs and currency.

### ELECTROLUX INITIATIVES

- Acquisition of espresso machine manufacturer UNIC in Professional Products completed.
- Dividend increased to SEK 8.50 per share, decided by AGM.
- New innovations under a sharper Electrolux brand rolled out in Australia.
- Electrolux first to bring built-in Air Fry cooker to the North American market

### EXTERNAL FACTORS

- Market demand growth across most regions, U.S. fairly flat and Australia impacted by slower property market.
- Commodity market prices continued to decline.
- U.S. Section 301 list 3 tariff rate increased to 25% from 10%.
- Continued currency headwinds, mainly in Latin America and Australia.

## QUARTER 3, 2019

### Q2 2019 REPORT COMMENTS

Continued good price momentum offset headwinds from raw materials, trade tariffs and currency. Favorable earnings impact from improved mix by selling more high-margin products. Underlying operating income was in line with last year. Sales decline was mainly caused by a drop in U.S. private label sales.

### ELECTROLUX INITIATIVES

- Began production in the new Anderson facility, U.S.
- Initiated global streamlining measures.
- Announced investments in Hungary and Italy under the re-engineering program.
- Celebrated 100-year anniversary with an action plan for sustainable living.

### EXTERNAL FACTORS

- Overall positive market demand across most regions.
- Commodity market prices continued to decline.
- Additional U.S. trade tariffs under Section 301 list 4 in force at a 15% rate.
- Continued currency headwinds, mainly in Latin America and Australia.

## QUARTER 4, 2019

### Q3 2019 REPORT COMMENTS

A sales growth of 1.0% was driven by price/mix improvements. The platform for the future was further strengthened by new product launches and initiating additional efficiency measures. Favorable earnings impact from mix improvements in all business areas. Manufacturing transition costs in North America and higher marketing investments impacted earnings negatively.

### ELECTROLUX INITIATIVES

- Continued roll-out of a new kitchen range under the Electrolux brand in Europe. Rated at 4.9 stars out of 5 in consumer reviews at launch.
- Continued consolidation of U.S. cold manufacturing by ramping-up the new Anderson facility and closing St Cloud.
- Electrolux Board proposes distribution of Electrolux Professional AB.

### EXTERNAL FACTORS

- Positive market demand in Europe, Southeast Asia as well as the in the Latin American region.
- Market demand in the U.S. and Australia declined.
- Continued currency headwinds, mainly in Latin America.

## Questions in focus for the capital markets in 2019

Dialogue with the capital markets focuses on improving the understanding of the company's operations, execution of its strategy and its financial position. The telephone conferences from earnings call presentations in 2019 are available at [www.electroluxgroup.com](http://www.electroluxgroup.com)

### Industry trends

#### What industry trends do you see?

There are five main trends impacting the industry; shift in consumer power, digitalization, sustainability, growing global middle class and industry consolidation. Electrolux is well positioned to capitalize on the opportunities that those industry changes create. Consumers are becoming increasingly more knowledgeable about their options when purchasing appliances by using on-line information, via social media and through mobile access. Electrolux focuses on offering outstanding consumer experience innovation that is specifically tailored to appeal to the needs of targeted consumers and segments.

### Market demand

#### How is demand in your key markets developing?

The European appliance market in terms of industry shipments showed market growth of around 2% in 2019 year-over-year, driven mainly by Eastern Europe. Electrolux continued to gain value market share in the focus area built-in kitchen products in Europe. In North America, trade tariffs triggered price increases resulting in uncertainty and industry shipments of core appliances were down by 2% compared to 2018. In Latin America and Southeast Asia, demand is estimated to have been slightly positive, while the Australian market was slightly down year-over-year.

### Cost inflation

#### Has Electrolux offset increased cost inflation?

In 2019, price increases fully offset the headwinds from higher raw material prices, trade tariffs and currency. The negative year-over-year impact from raw material prices, trade tariffs and currency was SEK 1.5bn in 2019.

### North America efficiency

#### What are you doing to improve efficiency in business area North America?

We are consolidating our U.S. production footprint and investing in modularized products in automated production. We are doing this in our two largest product categories, refrigeration/freezers and cooking, accounting for ~2/3 of North America's sales. Through best-in-class automation level and modularization in our two new facilities in Anderson and Springfield, we expect significant cost-efficiencies and increased speed of innovation. The new Anderson facility was started up in 2019, while the new Springfield facility is still under construction. These investments are part of the re-engineering program that started in 2018. We are also simplifying operations by reducing the number of product models. .

### Profitable growth

#### What are the key activities to achieve profitable growth?

Profitable growth is driven through two key areas; the first is sustainable consumer experience innovation, and the second increased efficiency through digitalization, automation and modularization. In addition, these two areas are supported by a solid financial position enabling Electrolux to grow its business further.

### Innovation

#### How has innovation impacted earnings?

A strong focus on innovation to improve consumer experiences is our guiding compass and a key driver for profitable growth. In 2019, we continued to have a favorable impact on earnings from improved mix by selling more high-margin products. Electrolux 100<sup>th</sup> year has been product launch intensive, including significant kitchen range launches in Europe and Asia-Pacific. We believe our innovation power will continue to strengthen our competitiveness.

# The Electrolux share

In 2019, innovative and premium products generated a positive sales mix development and price increases fully offset significant headwinds from raw material costs, trade tariffs and currency. However, lower volumes and manufacturing transition costs impacted earnings negatively. Electrolux total market capitalization increased by 23% to SEK 71.1 billion. Total return for the Electrolux B share was 27% in 2019.

## Share price development

The Electrolux B share increased by 23% in 2019, slightly underperforming the broader Swedish market index, OMX Stockholm, which increased by 30% during the same period. The relative underperformance was due to a drop in share price towards the end of the year after an announcement on issues negatively impacting the operations in North America. Before the announcement, the share followed or overperformed OMX Stockholm, executing on its profitable growth strategy. Product mix improved through increased sales of high-margin products and price increases fully offset significant headwinds from raw materials, trade tariffs and currency.

The opening price for the Electrolux B share in 2019 was SEK 187.10. The highest closing price was SEK 266.20 on October 25 while the lowest closing price was SEK 182.70 on January 3. The closing price for the B share at year-end 2019 was SEK 229.90. The beta value of the Electrolux B share over the past five years is approximately 1.0.

## Total return

Total shareholder return during the year was 27%. Over the past ten years, the average total return on an investment in Electrolux B shares has been 7% annually. The corresponding performance for the OMX Stockholm Return Index was 11%.

## 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 33% of the share capital and 27% 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, 2019 (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 2019, 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 2019.

## Electrolux – a sustainability leader in the household durables industry

The Group's sustainability performance strengthens relations with investors and Electrolux is recognized as a leader in the household durables industry. In 2019, Electrolux was included in the Dow Jones Sustainability Index (DJSI) World and Europe indexes and 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 SAM, OEKOM, CDP and UN Global Compact Top 100. CDP, an international non-profit that encourages society to cut emissions, mitigate climate risks and develop a low-carbon economy, included Electrolux in its leadership A- category for the company's action on climate change.





# IR activities and value creation

The overall goal for Electrolux is to create value for its shareholders, which is why communication with the capital markets is of great importance.

The Investor Relations team coordinates this communication and the ambition is to give a relevant 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. Dialogue with the capital markets gives a better understanding on how Electrolux is perceived to ensure that the company's information is clear and relevant.

During 2019, the Electrolux IR team held over 250 meetings with investors and analysts

<b>Roadshows and investor conferences</b>	<b>Investor conferences</b> primarily in London and Stockholm	<b>Investor roadshows</b> in order to market Electrolux to new investors as well as meet with shareholders	
<b>Earnings call &amp; sales briefings</b>	<b>Quarterly earnings</b> call with management, available as on-demand on Electrolux website	<b>IR sales</b> briefings, primarily focusing on company teach-ins and Q&A with brokers.	
<b>Investor site visits</b>	<b>Arrange site</b> visits to provide a deeper understanding of Electrolux operations	<b>In 2019</b> the visits were primarily in Charlotte, the regional head office of Business Area North America.	
<b>Annual General Meeting</b>	<b>AGM</b> was held in Stockholm April 10, 2019	<b>CEO</b> Jonas Samuelson provide an update on the Group's strategy and results for 2019	<b>Focus</b> on Professionell Products and Electrolux 100 years celebration.
<b>Capital Markets Day</b>	<b>Held in</b> Pordenone, Italy on March 27, 2019	<b>Update</b> on strategic execution on driving profitable growth.	<b>In-depth</b> review of Business area Professional Products.





# 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

### MANAGEABLE BUSINESS RISKS



The risk mapping process within Electrolux is a management tool for the formal collection and incorporation of risk information into decision making and governance processes. Risk mapping is part of Electrolux Enterprise Risk Management (ERM) with the aim to create understanding of and commitment to risk management as a critical factor for decision making and for creating value. The core of the risk mapping process is to identify and evaluate existing and emerging risks to enable opportunities to leverage risk and risk management options that create value.

Electrolux faces different types of risks that can be divided into Strategic risks and Manageable business risks. 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 exposure on a regular basis. Examples of internal bodies are the Enterprise 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

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Macroeconomic conditions, political uncertainties, technological transformations and changes in industry dynamics are factors that impact the environment in which Electrolux operates. The Electrolux board and the business area boards monitor the development in key markets and proactively assess external risks as well as opportunities that may influence the Group's strategy and operations.

### Macroeconomic and political risk

Political uncertainty and weak macro-economic conditions may indirectly impact demand for appliances. This has implications for Electrolux business and strategy in regions, which carry a high political and macro risk. While such risks have historically been mainly associated with certain markets in Latin America, the Middle East and Africa the development around Brexit have made it more difficult to predict the political risk also in Europe and other regions. Consequently, Electrolux must take proactive steps to assess the risks and manage them accordingly.

Business risks surrounding rising international trade tariffs also include costlier imports, less competitive exports, fluctuating foreign exchange rates, shorter contracts, cancelled orders, reduced consumer demand, and slower customs procedures. Ultimately, such risks can affect Electrolux operating margins negatively.

### 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 present 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 further strengthen its sustainability profile.

### Variations in demand

In times of fast changes in market conditions and fluctuating demand for the Group's products, decisive action and cost saving 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 low-cost segments and in product categories with significant overcapacity. In markets with high inflation combined with currency rate fluctuations, Electrolux has better opportunities to carry out price increases to offset potentially negative effects.

### Regulatory changes

Regulatory changes (industry, environmental, social, labor 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 prepare for changes that impact the business.

# Strategic risks and opportunities

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The Electrolux strategy is closely linked to the external world and to internal factors that may affect the Group's execution of its strategy. The Electrolux board and the business area boards continuously revise their strategic framework to ensure they are up to date and the business divisions are focused on creating economic value. The Group's operational units manage potential execution risks related to strategic priorities.

## Profitable growth

To achieve profitable growth, Electrolux applies a three-step model for all its business areas. The Group needs to successfully execute key priorities throughout its operations such as: portfolio management, cost efficiency, improved product quality and teamship at all levels. The ability to invest in growth and innovation in the next stages of the business model, including new markets and segments, is therefore essential. Not being able to execute on the strategic priorities in a timely manner may affect the Group's ability to grow profitably and deliver outstanding 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. The Group must therefore 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 consumers to choose Electrolux products and is a key priority for the Group. Electrolux has initiated a 'Committed to Quality' program to reinforce a quality focus throughout 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 are: Digital 360 Consumer Experience, Connected Experiences, Digital Productivity, Modularization & Digital Manufacturing and Digital Supply Chain. The ability to execute the digital transformation within its 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 Group's strategy for profitable growth and is therefore an integral part of the Electrolux business model. The objective is to steadily improve at meeting people's needs and enhancing their daily lives in a sustainable manner. Electrolux has long recognized its impacts on the environment and society. The company 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 Report 2019 in the Annual Report.

## Purchasing and raw material impact

Materials account for a large share of Electrolux costs. Electrolux purchases raw materials and components for approximately SEK 50bn, of which approximately SEK 17bn referred to raw materials in 2019. Electrolux also sources a significant number of finished products from external suppliers. Fluctuations in commodity prices impact the Group's input costs and, therefore, its profitability. In order to mitigate increased input costs related to higher raw material prices, Electrolux may have to take actions to increase cost efficiency, negotiate purchasing contracts for finished products and/or commodities such as steel and chemicals or increase the prices of its products. The purchasing of materials and finished products also involves risks for Electrolux if suppliers encounter constraints to deliver according to plan, which could be caused by many reasons, such as extreme weather conditions, pandemic situations or political disruptions.

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

### Sensitivity analysis year-end 2019

Raw materials	Change +/-	Pre-tax earnings impact +/-, SEKm
Stainless steel	10%	200
Carbon steel	10%	600
Plastics	10%	650

*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 2019.*

Electrolux also looks at Emerging risks. They can either develop from macro-level changes such as global warming, consumer preferences or the introduction of artificial intelligence (AI), or from risks that are closer to home (resulting from industry/sector prospects and trends etc.).

Emerging risks include:

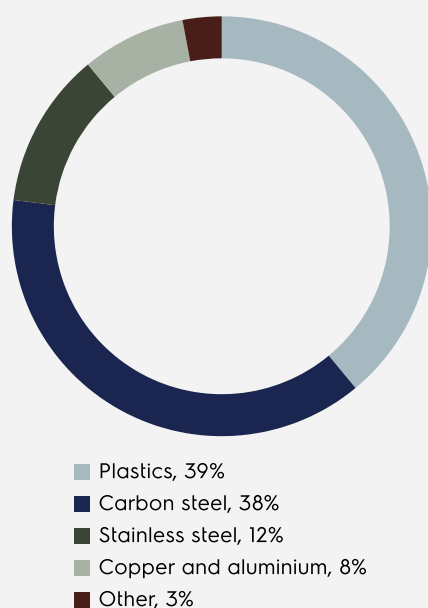
## Cyber Security risk

The digital transformation of the global economy, and of Electrolux more specifically, leads to great opportunities. As Electrolux uses technology to speed up the transfer of information, it also creates potential greater risk. Electrolux continuously mitigates against attacks by assessing its cyber risk profile, remediating where recommended and proactively managing its defenses.

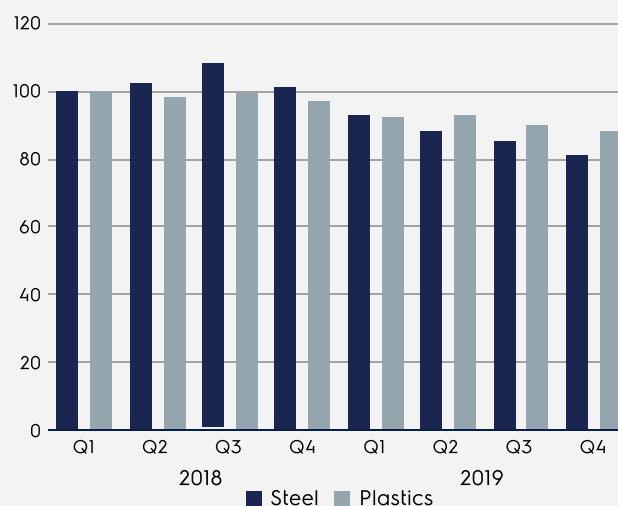
## Climate change risk

Financial stakes arising from climate change can be high, both from a risk and opportunity perspective. Electrolux is closely monitoring operational, market and financial risks emerging from climate change, like the increase of natural catastrophes, which might subsequently impact property values. Protection of factories and distribution centers may have to be adapted to face extreme weather conditions. In parallel, the need to transition to a low-carbon economy implies possible tax and legal implications which Electrolux proactively analyzes, as well as the consequences of these risks on its large suppliers.

RAW MATERIAL EXPOSURE, 2019



TREND FOR STEEL AND PLASTIC PRICES, WEIGHTED MARKET PRICES, INDEXED



# Operational risks

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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

In recent years, the Group has worked on the optimization of its 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 delivering a competitive offering while achieving sustainable profitability. A key challenge is to grow in targeted areas and markets while maintaining investments and resources for the most strategic brands and categories. Electrolux has as part of these priorities, a strong focus on driving an active portfolio management throughout 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. The Group's efforts to continuously optimize operations are therefore essential in maintaining a competitive advantage. Electrolux focuses on the automation and modernization of existing facilities to ensure a competitive production footprint and effective cost structure. If projects to optimize operations cannot be executed according to plan, the Group's ability to achieve continuous improvement 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 retain competence 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 the 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.

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## Electrolux cost structure 2019

<b>SEKbn</b>	
Net sales	119
Direct material	-48
Sourced products	-15
Other variable costs	-18
Operational structural cost	-25
Innovation and marketing structural cost	-9
<b>EBIT</b>	<b>3.2</b>
Variable cost	~70%
Structural cost	~30%

# Financial risks

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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 Finance 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 +/- 40m.

## 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 contains 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 maintain 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 2019, Electrolux Group, including Professional Products, had commitments for defined benefit obligations amounting to approximately SEK 32bn. The Group's pension commitments are coordinated centrally by Group Treasury, supervising pension assets of approximately SEK 28bn through regional pension funds. Net provisions for post-employment benefits amounted to SEK 4,060m.

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.

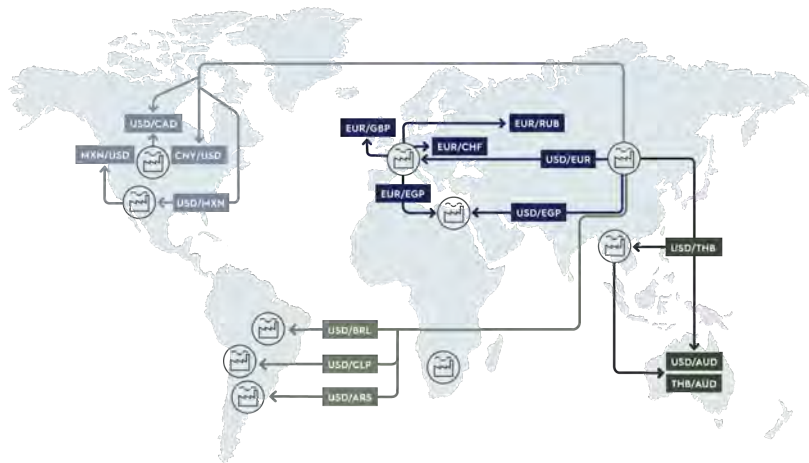
## Currency risk

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.

Read more about Electrolux foreign exchange exposure on page 71.

# Electrolux currency exposure

The Group's global presence, 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 to a large extent are 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

The majority of the operations comprises of local production.

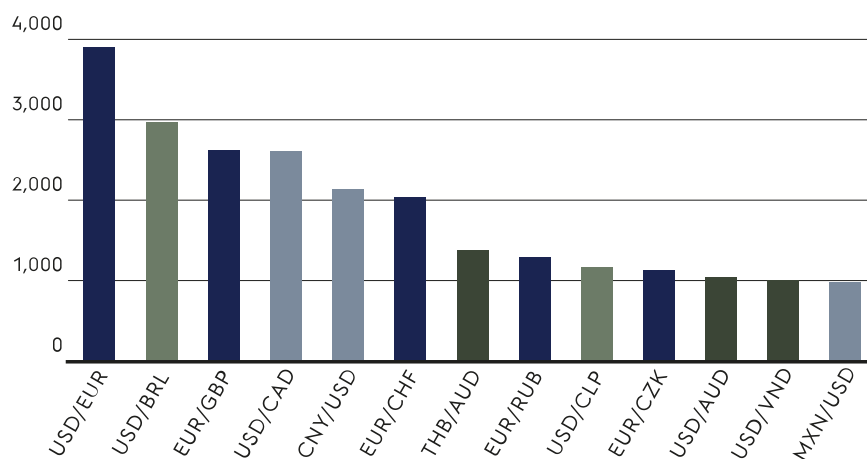
## China

The Group sources a large volume of input goods and finished goods from China to Electrolux globally. A major part of these are invoiced in USD but also in CNY.

## Australia

The main import flows are based in THB from the Electrolux facility in Thailand, but imports in USD are also significant.

## Largest currency exposures, 2019 SEKm



## Exchange rate exposure

The Group's global presence, 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 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 adjustments 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 operations exist.

## Currency effects 2019

Compared with the previous year, changes in exchange rates for the full year 2019 had a negative impact on operating income. The total currency effect (translation effects and transaction effects) amounted to SEK -476m. The transaction effect was SEK -696m and translation effect SEK 220m.

The major part of the currency headwind was related to weaker currencies in Latin America, resulting in higher import cost. Australia also faced a strong headwind as the Australian dollar weakened during 2019, making Australian imports more expensive. The negative effects were somewhat reduced by cheaper imports from China to the U.S.

## Sensitivity analysis of currencies

The major currencies for the Electrolux Group are the USD, EUR, CNY, BRL, AUD, 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, EUR and CNY and from a strong BRL, GBP, CAD, AUD and CHF.

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

Currency <sup>1)</sup> and interest rates <sup>2)</sup>	Change +/-	Pre-tax earnings impact, +/- SEKm
USD to EUR	10%	380
USD to BRL	10%	290
EUR to GBP	10%	260
USD to CAD	10%	260
CNY to USD	10%	210
EUR to CHF	10%	200
THB to AUD	10%	130
EUR to RUB	10%	120
EUR to CZK	10%	110
USD to AUD	10%	100
Translation exposure to SEK <sup>3)</sup>	10%	370
Interest rate	1 percentage point	40

1) Including transaction effects but not translation effects.

2) All figures in the table refer to the consumer business, exclusive of Electrolux Professional.

3) Assuming the Swedish krona appreciates/depreciates against all other currencies.

# Resource-efficient products deliver higher profit



The company's most resource-efficient products, such as washing machines with UltraCare technology, consistently achieve a higher profit margin than standard products.

## Highlights

- The Electrolux UltraCare washing machines have seen good growth of 27% in 2019 and accounted for almost 20% of Electrolux branded European laundry volumes.
- Washing machines with UltraCare technology has twice the margin per unit compared to other washing machines.

## Boosting margins through resource-efficient products

Consumers are willing to pay a premium for resource-efficient products as they deliver additional benefits such as energy, water and material efficiency.

In 2019, the company's most energy and water efficient products accounted for 23% of total products sold and accounted for 32% of gross operating margin. The Electrolux UltraCare washing machines have seen good growth of 27% in 2019 and accounted for almost 20% of Electrolux branded European laundry volumes. Washing machines with UltraCare technology has twice the margin per unit compared to other washing machines.

## Caring for the environment and ensuring clothes last longer

Electrolux UltraCare washing machines are equipped with UltraCare technology. The technology ensures that cleaning products are effective at lower temperatures – to save even more energy and further reduce utility bills for consumers.

UltraCare works by pre-mixing and activating detergents and softeners to enable them to work at lower temperatures and provide a softer and cleaner wash. Washing at low temperatures also ensures a gentler way to wash, which helps clothes stay new for longer.



## CASE STORY - TASTE

# Consumers willing to pay extra for eco features



The new QuickSelect user interface, which makes it easy for consumers to optimize the use of Electrolux dishwashers, has increased both product consumer ratings and profitability.

## Highlights

- The QuickSelect dishwasher range has driven the gain of 0.9 pts value market share since 2018
- 4.7 in consumer star ratings

## Designed around consumer insight

Electrolux research into consumer behavior found that conventional dishwasher cycle programs, such as 'intensive wash' and 'normal wash', are often not fully understood by consumers. In response to this, Electrolux developed the QuickSelect user interface, which underwent rigorous consumer testing to deliver a consumer-centric solution.

## Efficiency made easy

The QuickSelect dishwasher interface intuitively indicates to the consumer how they can save energy and water. As the user slides the cycle length and chooses or selects additional options, the Ecometer on the interface changes to indicate the eco performance of each particular selection.

By providing instant feedback on their dishwasher selections, QuickSelect gently encourages the consumer to make more sustainable choices that use less energy and water – and ultimately reduce their utility bills.

## Positive consumer response

The QuickSelect interface has been highly appreciated by consumers – achieving a consumer star rating of 4.7 by the end of 2019. Dishwashers with the QuickSelect user interface have driven the 0.9 pts value market share since 2018.

QuickSelect was introduced in 2019 as part of a new Electrolux kitchen range and is available in all European countries. During the year, it was also introduced under the AEG brand.

## CASE STORY

# Digitalization enhances productivity and creates a more cost-competitive base



Electrolux continued the roll-out of its fully-connected factory model across its sites in 2019.

## Highlights

- 3-5% expected increase in productivity in Kinston and Sao Carlos factories
- Roll-out across other factories continues

## The Internet of Things enhances production

The industrial Internet of Things (IoT) production flow, where everything is connected, is expected to increase productivity by 3-5% at the Kinston, U.S., and Sao Carlos, Brazil, factories when fully implemented. These two factories were the first Electrolux fully-connected manufacturing shop-floor pilots in 2018, which have been further developed.

In 2019, the Industrial IoT model was further rolled out at our Anderson, U.S., factory and in 2020 the roll-out will continue across other factories as part of a multi-year plan.

## The benefits of factory digitalization

Digitalization enables an interconnected factory process flow that is digitally controlled and managed by a Manufacturing Execution System. This monitors real-time production information from robots, machines and employees.

Monitoring the of assembly lines through hundreds of data points enables other functions along the value chain to instantly optimize the production flow – to improve productivity, quality and supply chain flexibility.

# Leveraging global presence to drive profitable growth



Electrolux has drawn on product modularization and consumer-relevant innovation to leverage its global resources and deliver better tailored laundry products to different markets.

## Highlights

- +400% in operating income in Europe for laundry products 2014 - 2019
- Profitability step change for laundry products in North America 2016 -2017, with continued positive development
- Positioned Electrolux laundry products in Southeast Asia

## Global modularization

Electrolux has a strong position in front-load washing machines on several markets, which is the largest global laundry category. In recent years, Electrolux has transformed its laundry offering to deliver profitable growth by leveraging global modularized product architectures and driving innovation that really matters to consumers.

This journey began in Europe in 2014 before the same process and key innovations were rolled out in Asia-Pacific in 2015 and in North America in 2016.

Since the respective roll-out, contribution to operating income from laundry products has increased by over 400% in Europe and North America made a step change between 2016 and 2017 and has since continued its profitable growth path. In Southeast Asia Electrolux has established a solid market position in several regions.

## Responding better to regional demands

Rolling out modularized products around the world has leveraged the company's global presence and economies of scale. This has enabled Electrolux to pool together and draw on its global resources such as R&D and purchasing.

Building on modular platforms for the comprehensive Electrolux range of front-load washing machines has also accelerated product innovation. This allows the delivery of competitively priced, high-quality products adapted to meet regional demands for both mass and premium segments in different markets around the world.



## Keeping leadership in a fast growing, attractive category



The market for high-capacity Top Load Washing Machines (TLWMs) has grown rapidly in Latin America in recent years, driven by consumer need to save time and resources by washing more clothes in a single batch.

### Highlights

- Keeping leadership in a fast growing, attractive category
- Profitable growth in TLWM category by 35% between 2015 and 2019
- High consumer star rating in Brazil of 4.6

TLWMs are the largest sub-category in Latin America, and sales of products with a +12 kg capacity have almost doubled in recent years to now account for half of the market.

Electrolux is the largest player in this attractive category with nearly one-third of the market and has increased sales during the last five years. Electrolux has long experience in this market and drew on deep consumer insight to specifically increase its TLWM market share by more than 2 pts since 2015.

### Perfect dilution technology for the premium segment

Latin American consumers are increasingly looking for more efficient laundry washing in terms of superior results and well-cared for clothes. Here, the dilution of detergent is key.

Electrolux has developed a 17 kg capacity washing machine for the premium segment to meet the Latin American consumer preference for large washing machines. The machine uses 'perfect dilution' technology to ensure the perfect mix of detergent and softener to care for clothes and avoid stains.

Consumer campaigns have focused on these care benefits, as well as consumer relevance and differentiation to drive market position and profitability. The consumer response has not only resulted in a strengthened market position, but also high consumer ratings in 2019 – for example 4.6 in Brazil.

## CASE STORY ~ TASTE

# Profitable growth through targeted innovation in steam ovens



Electrolux has strengthened its leading European position in consumer steam ovens by innovating an affordable range that has significantly increased volumes and margin.

## Highlights

- +310% profitable volume growth (2019 vs 2015)
- +6 pts market share growth (2019 vs 2015)
- +180% CTF growth\* (2019 vs 2015)

\*Contribution To Fixed = Net sales - Variable costs

## Innovation based on consumer need

Electrolux saw the consumer demand for an affordable range of steam ovens. By making established professional steam technology more cost efficient, Electrolux has developed a steam oven range that is well adapted to consumer needs.

Steam cooking not only improves taste and texture – it also has health benefits by retaining more nutrients in the food. But as there were no affordable consumer ovens on the market, Electrolux has opened up significant market opportunities by innovating an affordable range.

## Substantial growth

Since 2015, Electrolux has consolidated its leading position by increasing its steam oven market share by 6 pts. Since 2015, volumes have increased from 140,000 units to 570,000 in Europe alone with a strong increase in profit.

## Steamify® – facilitating best-in-class cooking

Electrolux launched several steam ovens with the Steamify® function in September 2019 at the IFA Berlin consumer electronics fair. The Steamify® function automatically combines the right amount of steam and traditional heat for best-in-class baking, roasting and steaming results – making delicious dishes even easier.



## CASE STORY ~ CARE

# Consumer insight drives premium laundry mix improvement



The promotion of consumer-relevant premium laundry products in Europe has resulted in greater market share and increased profitability.

## Highlights

- 3.9 pts of the total EBIT margin improvement of 7.3 pts came from mix contribution (2019 vs. 2013)
- Value market share in premium front-loaded laundry increased by 2 pts (2019 vs. 2013)

## Deep consumer insight for premiumization

Electrolux has drawn on deep consumer insight to better understand the needs of premium laundry product consumers in Europe and develop new innovations that address these needs.

By offering laundry products with enhanced features that are relevant to specific target consumer groups, Electrolux has been able to improve its product mix and charge higher price points. Importantly, marketing campaigns have highlighted the consumer care experience and benefits rather than technical features.

## Increased market share and EBIT margin

Even at a higher price point, Electrolux has been able to increase its market share and profitability by building on deep consumer insight and new innovations. Value market shares in premium laundry have increased by 2 pts between 2013 -2019.

Mix has accounted for more than half the 7.3 pts EBIT margin increase between 2013 and 2019 - more than both fixed cost reductions and variable cost reductions combined. This underlines the long-term importance of mix improvement in the Electrolux product portfolio, which will continue to be an important part of the strategy going forward.

## CASE STORY - TASTE

# Meeting consumer need through consumer-centric innovation



In 2019, Electrolux launched a new kitchen range based on deep consumer insight to drive premium market growth in Europe under the sharpened Electrolux brand.

## Highlights

- Contributed to strengthened value market share in built-in kitchen
- Contributed to improved mix in Europe
- Received 4.9 in consumer star ratings

## Sharpening the brand proposition

During the year, Electrolux sharpened its brand proposition to specifically target the more progressive mass premium market. This has involved putting the consumer at the center to actively innovate products that offer greater consumer value by better meeting their needs.

## Deep consumer insight delivers more attractive products

A deep kitchen consumer analysis was performed in Europe to fully understand the needs of the specific target consumer group. Electrolux held focus groups, home visits to see how people cook, gathered 'voice of the consumer data', and conducted virtual reality testing and hands-on Experience Labs.

This valuable consumer insight highlighted the need for more intuitive products as many modern products have too many features that most users have difficulty accessing let alone using.

## A more intuitive premium kitchen range

During the second half of 2019, Electrolux launched a kitchen range of products that meet the consumer demand for more intuitive usability to enable them to get the most out of their products. The more intuitive kitchen appliances provide real-time guidance to the user mainly through the product's intuitive user interface, which is easy to understand and use.

The new range has been very well received by consumers, which is significant as good consumer reviews drive sales. The consumer rating for the new Electrolux kitchen range was 4.9 at launch compared with an average of 4.6 for the range that it replaced.

## CASE STORY ~ TASTE

## Leveraging our Swedish heritage in Australia

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During 2019, new innovations aimed at more premium segments were rolled out in Australia – benefitting from a sharper Electrolux brand closely associated with the company's Swedish heritage.

### Highlights

- Increased Electrolux branded sales in 2019 by close to 45% with strong EBIT contribution
- Increased the market share for the Electrolux brand significantly.

### Product launches under a sharper Electrolux brand

During the year, Electrolux new product launches in Australia benefited from a stronger Electrolux brand based on Swedish values. New products included over 70 new models across six categories in the laundry and kitchen segments.

The Electrolux brand has a competitive advantage through its Swedish heritage as research shows that Australian consumers associate Sweden with premium quality, sustainability, innovation, design and progress. This creates brand credibility, which is increasingly important in the appliance industry.

A sharper brand contributed toward a 45% sales increase in Electrolux branded products during the year in Australia.

### Working for optimal consumer experiences

To ensure consumers have the best possible experience whether online, in store or at home, a campaign was launched in Australia to enhance consumer experiences for the new Electrolux products. The campaign also promoted product reviews as over 90% of consumers use reviews to make decisions on the brands and products they are considering.

In 2019, a new intuitive kitchen range under the Electrolux brand was also launched in Europe. The new range is designed to work in harmony with the cook and has been very well received by consumers.

## CASE STORY - TASTE

# Targeting attractive categories through consumer-driven innovation



Electrolux drew on consumer insight to be the first to bring built-in Air Fry technology to the North American cooker market.

## Highlights

- Electrolux has achieved a star rating of 4.6
- Contributed to improved mix in North America
- Increased market share in premium cooking from 2.6% to 10.7%

Air Fry is an attractive, fast-growing category in North America. An air fryer is a countertop kitchen appliance that uses convection to circulate hot air around food in order to cook it.

## Customer awareness

A recent study<sup>1)</sup> showed that 83% of consumers in the U.S. stated that Air Fry was a critical or important factor in their purchase decision of cooking appliances. Yet, a standalone Air Fryer takes up a lot of space on the kitchen countertop.

## Industry-first built-in Air Fryer

To meet this unmet consumer demand, Electrolux equipped the Frigidaire Gallery® front control cooker with the industry-first built-in Air Fryer. This allows consumers to make healthy, crispy and delicious meals for the entire family while eliminating the need for an expensive, bulky countertop appliance.

The Frigidaire Gallery® with built-in Air Fry has been on sale in the U.S. since Q3 2019 and is available in gas, electric and induction.

## Strong sales and positive reviews

A national television advertising campaign drove strong sales from September and consumer reviews on social media have been very positive with a 4.6 star rating.

<sup>1)</sup> Lieberman Research Worldwide (LRW), 2018



# Re-engineering further strengthens competitiveness



The Anderson refrigeration plant in South Carolina in the U.S. will become one of the Group's most automated facilities following a USD 250m re-engineering investment – to realize cost efficiencies and faster innovation.

## Highlights

- Automation level increased to about 35% vs. < 10%
- Significant cost savings
- -75% in SKUs
- -20% electricity

The plant is one of the first investments in the Electrolux re-engineering program, with its new heavily automated production of refrigerators and freezers. Production commenced in Q3 2019 and ramp-up continues in 2020. The Anderson investment is also part of the company's U.S. refrigerator and freezer production consolidation – from three lines in two facilities to four lines in one facility.

## Increased efficiency brings cost savings

Best-in-class automation solutions, modularization and more energy-efficient production at Anderson will result in significant cost savings. Savings will also be realized through significant direct material savings by manufacturing modular components and a simplified offering focusing on the most profitable refrigeration products.

## Enabling an enhanced offering

The 'food preservation' category is the largest in North America for Electrolux – accounting for nearly half of business area sales. Frigidaire is the market leader in North America and a new range of innovative Frigidaire refrigerator and freezer products has been enabled by the re-engineering investment in Anderson.

The new refrigerator and freezer range is based on completely new product architectures to speed up innovation and enhance the consumer experience. The product range introduces a new modern design, the latest in food preservation technology to keep fruit and vegetables fresher longer, and larger storage capacity to give consumers optimal food accessibility. The range also features a redesigned freestanding single door refrigerator and freezer platform that offers built-in style products to the mass premium market segment.



## CASE STORY

## Fixed price repair service targets high-margin aftermarket growth



Electrolux is launching services, such as fixed price repair in Europe, that aim to access the largely untapped aftermarket business, with the overall objective of doubling Group aftermarket sales to 10% by 2025.

### Highlights

- Electrolux aims to double aftermarket sales to 10% of sales by 2025
- More than doubled Net Promoter Score in 2 years from 20 to 45

### Huge untapped aftermarket

Currently, only 15-20% of all consumers contact branded manufacturers for out of warranty repairs. One reason is that few consumers are aware that Electrolux offers affordable professional repairs, and they may also fear an expensive cost at the end of a repair experience.

### Fixed price repair for peace of mind

Electrolux has launched a branded fixed price repair service with no hidden costs or unpleasant surprises to tap into the significant aftermarket potential. This allows consumers to make an informed decision on whether to repair or replace an appliance based on their quote from Electrolux. This approach increases the brand from a consumer perspective, which drives loyalty and repurchasing rates.

The new service has been well received and since its launch in 2017, with its Net Promoter Score more than doubling compared with the company's previous service offerings. Electrolux is currently the only appliance manufacturer to offer fixed price repair services in Europe.

## CASE STORY

# Emerging market entry model yields rapid results in Morocco



Electrolux drew on its experience of entering new markets when quickly establishing itself in Morocco by leveraging deep consumer and market insight to ensure a relevant offering.

## Highlights

- Very high Net Promoter Score of 61
- Double digit market share in built-in, dishwashers and free-standing cookers

With a potential market of over six billion consumers, new emerging markets are essential to the Group's long-term success. Electrolux has specific roadmaps to develop selected emerging markets and drive organic growth.

## Rapid establishment in Morocco

Electrolux entered Morocco in late 2017, and in less than a year had established a new sales division from scratch with over 100 office and field-based staff. The division will also serve new markets in North and West Africa, with significant future growth opportunities.

## Deep consumer and market insight provide foundations for success

Prior to entering the Moroccan market, Electrolux gained comprehensive local knowledge in the form of local consumer needs, target group insights, competitive landscape and distribution opportunities and challenges.

This knowledge laid the foundations for success in Morocco, with rapid establishment and good consumer traction – with many key retailers reporting Electrolux Group as being in the top three brands by market share.

## Ensuring a relevant offering

Electrolux built on its previous experience in emerging markets to develop a good range of products that was well suited to meeting the needs of local consumers. Particular success has been reported for built-in, dishwashers and free-standing cookers that achieved double digit market share in 2019.

## CASE STORY - TASTE

# Global presence strengthens offering in attractive refrigerator segment



Electrolux leveraged its global scale to develop a modularized product platform that can be tailored to regional demands in the profitable multidoor refrigerator segment.

## Highlights

- Strong sales growth in this category in North America in 2019
- Strengthened position in attractive segment
- Increased efficiency and R&D pace

Multidoor is the largest and fastest growing refrigeration segment. It is therefore important for Electrolux to be able to offer competitive products in this fast growing and profitable segment.

## Leveraging global scale

Electrolux assessed and identified regional needs before developing a modularized multidoor refrigerator product platform to efficiently meet these needs. Crucially, modularized products allow both fixed and variable cost reductions related to procurement and R&D, while speeding up innovation and reducing time to market.

## Capturing opportunities through deep local understanding

A single global common multidoor refrigerator platform serves as the basis for local differentiation to specific regional consumer needs. The new refrigeration line focuses on delivering outstanding consumer experiences and is part of a wider multidoor growth strategy, with ambitious targets to increase market share.

Following successful launches in Australia and New Zealand in 2018, multidoor products adapted to local preferences using the common modularized platform were launched in North America and Latin America in 2019. The focus on this product category in the premium segment has resulted in increased regional market share for Electrolux.

## CASE STORY - WELLBEING

# Reducing harmful allergens and pollutants in the home



Electrolux is growing profitably in the air purification category by launching innovative and stylish high-performance products that meet consumer need.

## Highlights

- New high-performance air purifier with an iconic design gains market share
- Profitable entry with strong CTF\* development
- Consumer ratings of 4.9 in South Korea
- Capturing aftermarket sales potential through connected business model

\*Contribution To Fixed = Net sales - Variable costs

## Iconic design and high consumer ratings

Launched in Q1 2019, the Electrolux Pure A9 air purifier quickly gained consumer attention with its iconic design and high performance. Several independent tests show that the stylish unit is one of the best performing air purifiers on the market.

South Korea was one of the first countries where the Pure A9 was launched, with high consumer demand and good local awareness. Consumers at HiMart, a leading retailer in South Korea, rated the product at 4.9 out of 5. The Pure A9 has also been launched in the Nordics, and is being introduced to the rest of Europe, Taiwan and Thailand during 2020.

## Understanding consumer needs

According to the World Health Organization, 9 out of 10 people live in places where air pollution exceeds guideline limits. Most live in Asia where consumer awareness and category knowledge are high. In Europe however, pollution levels can be as high, but awareness is lower.

To reassure consumers and provide a healthy indoor climate, Pure A9's advanced particle and gas sensors are used to constantly monitor air quality and the PureSense system quickly responds to any changes. The product interface and mobile app give the user intuitive and understandable air quality feedback.



## Growing global demand

The global market for air purifiers amounted to SEK 36bn in 2018 and the annual growth rate (CAGR) is estimated to be 3.5% for 2018-2024\*\*. Air purifiers have been part of the Electrolux range since 1999, with an expanding range to cater for consumers in Asia and Europe.

## Connected business model increases aftermarket sales

An installed base of air purifiers creates demand for filters throughout the product's lifetime. The range's connected app reminds users when a filter is approaching its end of life and offers filter options based on their specific particle, pollen or allergen needs.

\*\* Source: Euromonitor and Freedonia.