



Electrolux

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# Q4 & FY 2017 Results

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Jonas Samuelson, President and CEO  
Anna Ohlsson-Leijon, CFO

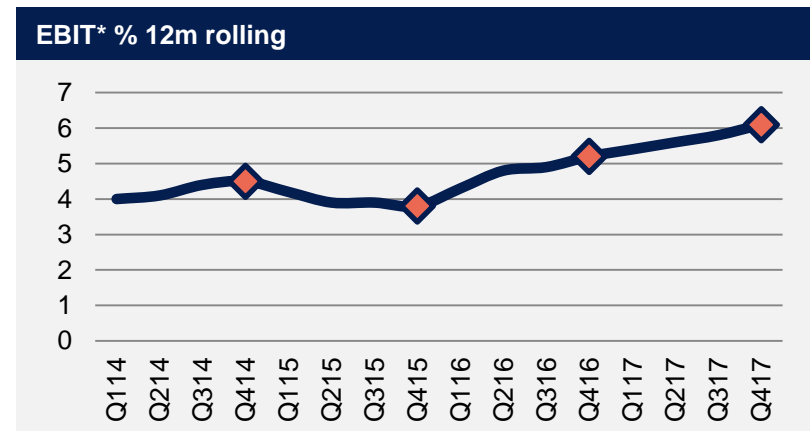
# Summary of Full Year 2017

- **Strong earnings improvement and EBIT margin of 6.1% (5.2)**
  - Earnings improvement across all business areas
  - 4 business areas achieved an EBIT margin above 6%
  - Improved mix and cost efficiencies offset raw material headwinds
- **Net sales increased by 0.8% to SEK 122bn (121)**
  - Focus on portfolio management and strong mix improvement
  - Good organic trend in EMEA, Asia/Pacific, Latam and Professional
  - Positive contribution from acquisitions during the year
- **Solid cash flow generation of SEK 7bn (9)**
  - Maintaining a strong balance sheet
- **Proposed dividend of SEK 8.30 (7.50) per share**

# Q4 Highlights

- **Organic growth of 4%**
  - Strong volume growth in Latin America
  - Good sales development in EMEA, Asia/Pacific and Professional
  - New Frigidaire range adding to growth
- **Strong increase in profitability**
  - Earnings increased in most business areas driven by favorable mix and volumes
  - Four business areas achieved EBIT% >8%
  - Good performance across business areas
- **Positive one-time tax effect**
- **Significant EPS growth**
- **Solid cash flow generation**

(SEKm)	Q4 2017	Q4 2016	Change
Sales	32,366	32,144	0.7%
Organic growth	4.0%		
Acquisitions	1.9%		
Divestments	-0.5%		
Currency	-4.7%		
EBIT	1,969	1,616	21.8%
Margin	6.1%	5.0%	1.1pts
EPS	6.72	4.43	51.7%



\*EBIT excludes material profit and loss items for 2014 and costs for GE Appliances for 2014 and 2015.

# Market Highlights

- **New Frigidaire appliances being launched in North America**
  - Strong focus on Frigidaire-branded products in 2018
  - New induction ranges and new dishwashers successfully floored in the retail
- **New AEG products scoring Best in Test and consumer appeal across Europe**
  - Two “Product of the Year” wins in worlds largest consumer-voted awards, focused on consumer innovations
  - Sharp focus on consumer experience innovation in care and great tasting food paying off
- **Electrolux acquired Continental brand in Latin America**
  - Well-known brand with a strong market position
  - Will enable Electrolux to capture the value and mass segments with a second brand

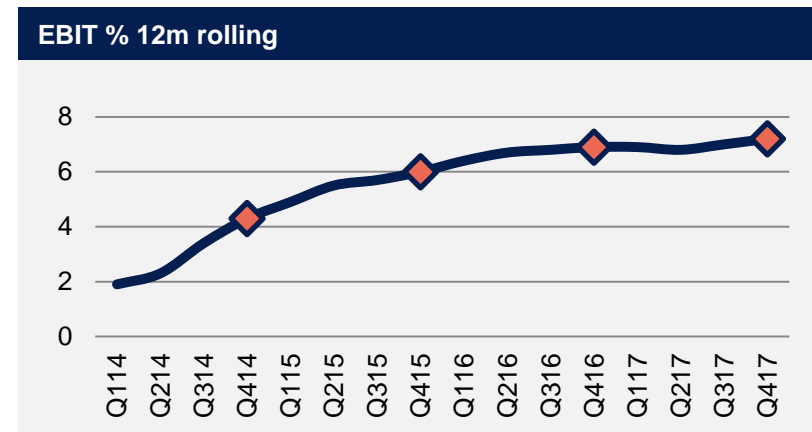


# Major Appliances EMEA



- **Improved sales growth**
  - Favorable market trends continued
  - Organic growth driven by mix and volume
  - Gained market share in premium brands
- **Positive EBIT performance continued**
  - Earnings driven by mix and volume improvements and cost efficiency
  - Product cost savings offset higher raw material costs
  - Positive y-o-y effect from currency revaluation

(SEKm)	Q4 2017	Q4 2016	Change
Sales	10,914	10,367	5.3%
Organic growth	3.8%		
Acquisitions	2.8%		
Currency	-1.3%		
EBIT	882	746	18.2%
Margin	8.1%	7.2%	0.9pts

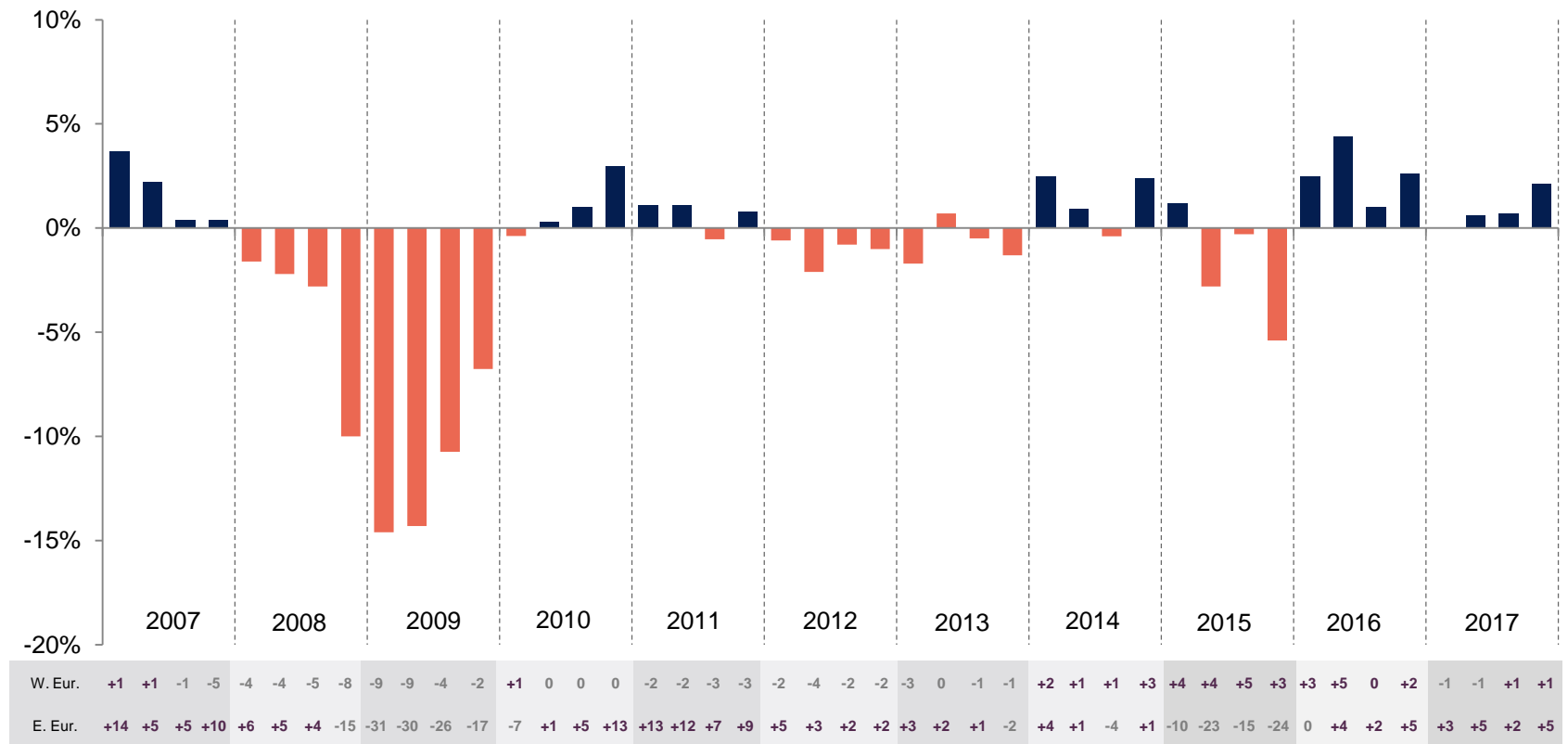


\*EBIT excludes material profit and loss items for 2014.

# European White Goods Market



## Total European shipments, quarterly comparison y-o-y



# Major Appliances North America



- **Growth in core branded business**

- New Frigidaire range well-received
- Lower private label sales

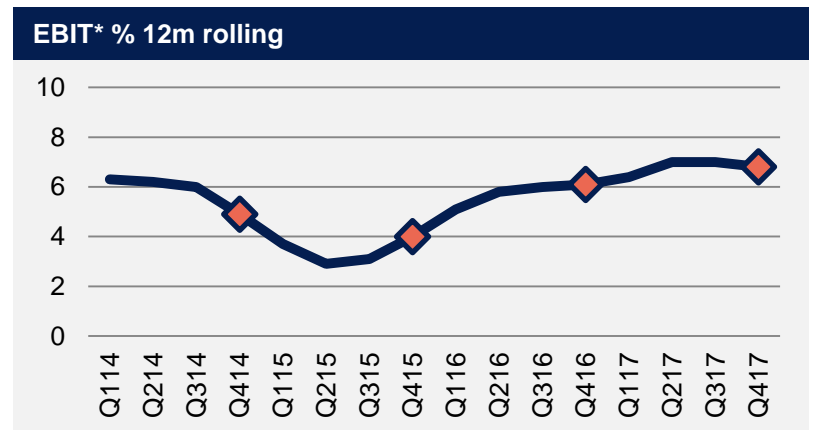
- **Lower operating income**

- Negative impact from volume and price
- Positive mix driven by new Frigidaire range
- Continued cost productivity offset by higher raw materials and launch costs
- Price increases announced

- **Investments in innovation, reengineering & new architectures**

- Focus on product innovation and automation to drive targeted growth
- Modernization of cooking facility
- Consolidation of freezer production

(SEKm)	Q4 2017	Q4 2016	Change
Sales	9,563	10,826	-11.7%
Organic growth	-4.2%		
Currency	-7.5%		
EBIT	447	610	-26.7%
Margin	4.7%	5.6%	-0.9pts

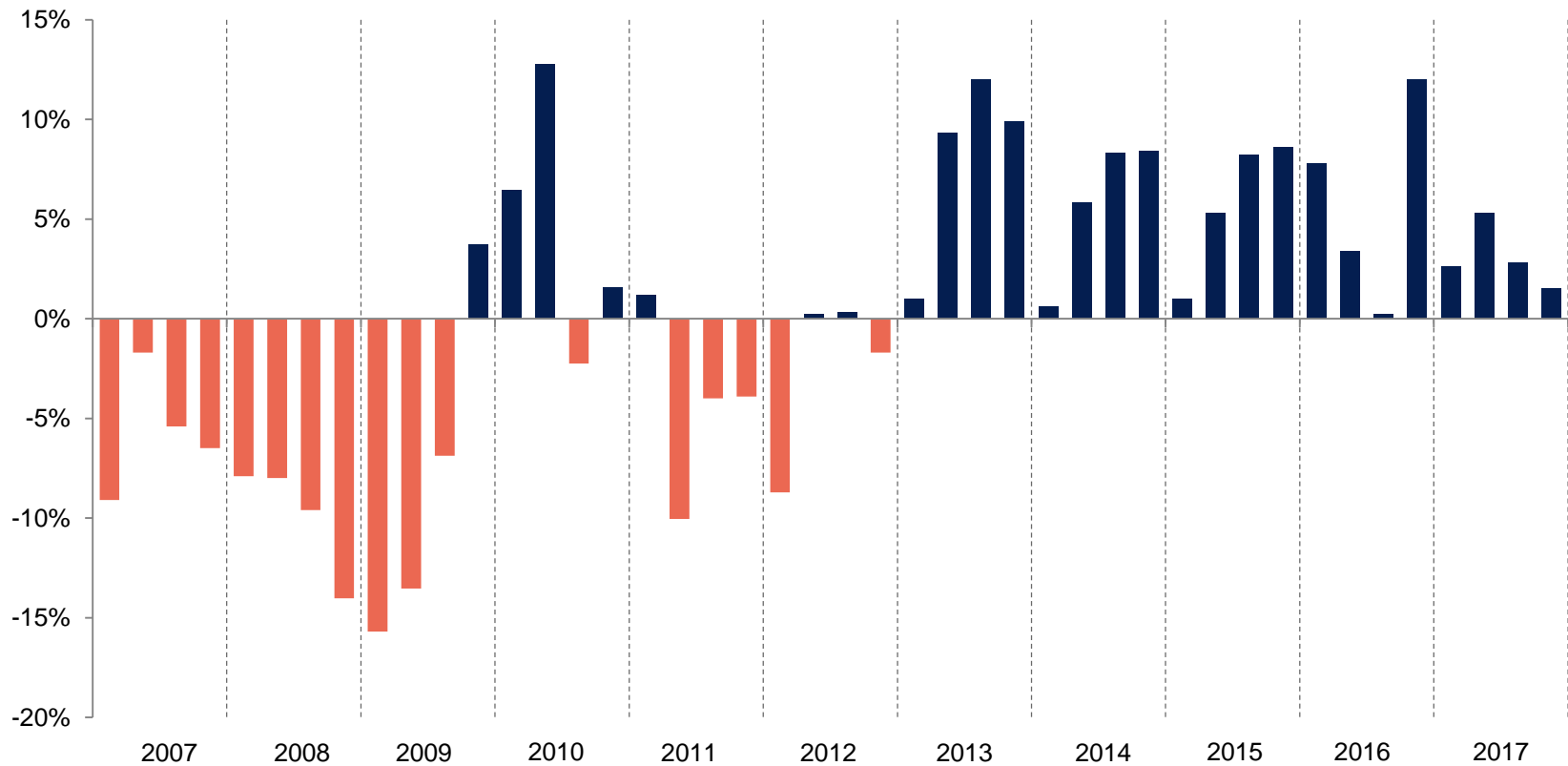


\*EBIT excludes costs related to the GE Appliances process for 2014 and 2015.

# North American White Goods Market



## US shipments, quarterly comparison y-o-y





# Major Appliances Latin America



- **Market demand recovery ongoing**

- Organic growth of 30% driven by strong sales volumes
- Good performance across most categories and markets in the region

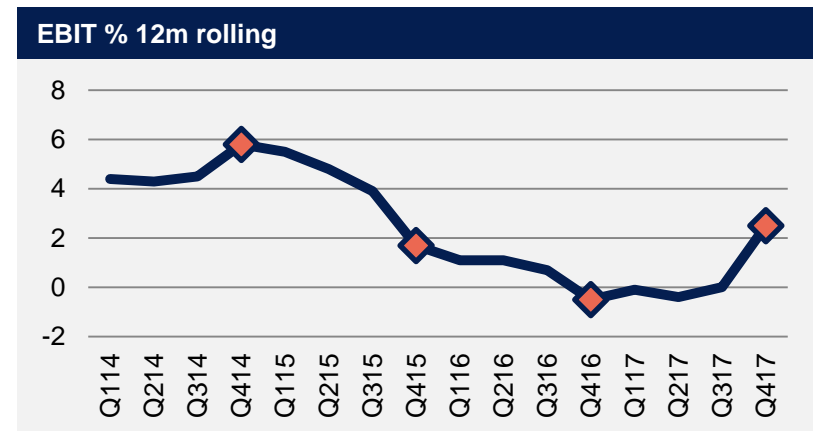
- **Significant margin improvement**

- Volume growth and better cost absorption in manufacturing
- Increased raw material headwinds
- Continued focus on cost efficiency

- **Acquisition of the Continental brand**

- Initiatives underway to develop product portfolio

(SEKm)	Q4 2017	Q4 2016	Change
Sales	5,012	4,149	20.8%
Organic growth	29.9%		
Currency	-9.1%		
EBIT	218	-187	n.m.
Margin	4.3%	-4.5%	8.9pts

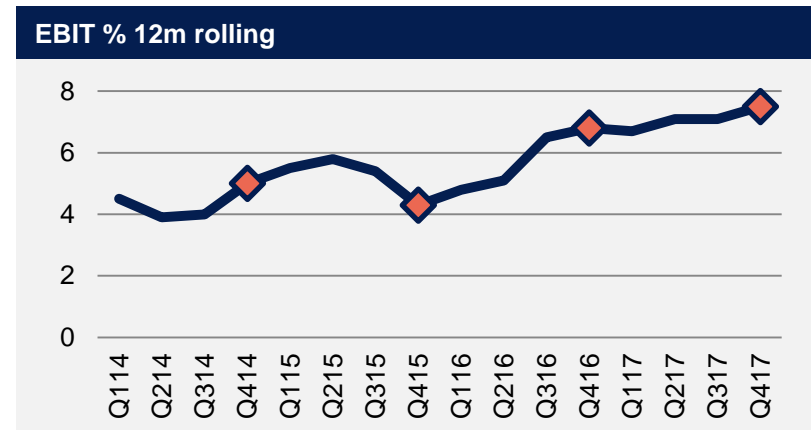


# Major Appliances Asia/Pacific



- **Strong organic growth**
  - Overall demand trend positive
  - Strong sales growth in Australia/New Zealand and Southeast Asia
- **Positive earnings trend**
  - Focus on profitable growth in key markets and good cost control
  - Continued solid earnings trend in Australia and New Zealand
  - Improved profitability in Southeast Asia

(SEKm)	Q4 2017	Q4 2016	Change
Sales	2,547	2,436	4.5%
Organic growth	9.9%		
Acquisitions	0.0%		
Currency	-5.4%		
EBIT	215	173	24.4%
Margin	8.5%	7.1%	1.4pts

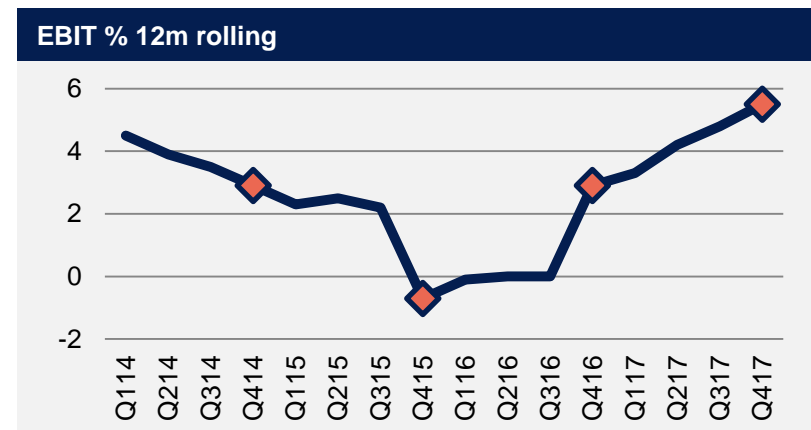


# Home Care & SDA



- **Focus on portfolio management**
  - Overall market for vacuum cleaners is estimated to have grown
  - Exiting unprofitable product categories continues
  - Supply constraint on cordless vacuum cleaners
- **Profitability significantly up**
  - Improved cost efficiency across regions
  - Positive mix contribution driven by portfolio management and star products

(SEKm)	Q4 2017	Q4 2016	Change
Sales	2,245	2,438	-7.9%
Organic growth	-8.1%		
Acquired growth	8.0%		
Divestments	-6.4%		
Currency	-1.4%		
EBIT	205	154	32.8%
Margin	9.1%	6.3%	2.8pts



# Professional Products



- **Continuation of profitable growth**

- Positive organic and acquired growth
- Volumes increased in most regions
- Focus on strengthening position in chains and segments

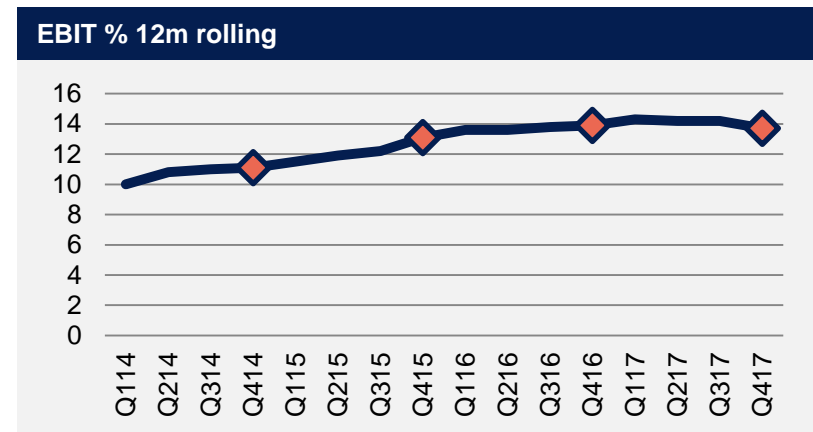
- **Solid earnings performance**

- Positive contribution from improved mix and volumes offset by currency headwinds
- Increased investments in new products and new segments are ongoing
- Slight dilutive impact from the Grindmaster-Cecilware acquisition

- **Acquisition in professional laundry**

- New business model for professional laundry business in Europe

(SEKm)	Q4 2017	Q4 2016	Change
Sales	2,085	1,928	8.1%
Organic growth	2.8%		
Acquisitions	6.3%		
Currency	-1.0%		
EBIT	276	293	-6.0%
Margin %	13.2%	15.2%	-2.0pts





Electrolyx

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# Financials Q4 & FY 2017

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Anna Ohlsson-Leijon, CFO

# Financial summary

SEKm	Q4 2017	Q4 2016	Change	FY 2017	FY 2016	Change
Net Sales	32,366	32,144	0.7	122,060	121,093	0.8
Organic %	4.0	-3.0		-0.4	-1.1	
Acquisitions / divestments %	1.4	0.2		1.0	0.1	
Currency %	-4.7	3.9		0.2	-1.0	
Gross operating income	6,655	6,556	1.5	25,549	25,273	1.1
Gross operating margin %	20.6	20.4	0.2pts	20.9	20.9	0.0pts
EBIT	1,969	1,616	21.8	7,407	6,274	18.1
EBIT margin %	6.1	5.0	1.1pts	6.1	5.2	0.9pts
Op. cash flow after investments	2,078	2,614	-20.5	6,877	9,140	-24.8
EPS	6.72	4.43	51.7	19.99	15.64	27.8

# Sales and EBIT Bridge Q4

SEKm	Q4 2016	Volume/Price/ Mix	Raw materials	Net Cost Efficiency	Currency*	Acq/** Divest.	Other	Q4 2017
Net Sales	32,144	1,221			-1,438	439	0	32,366
Growth		4.0%			-4.7%	1.4%		0.7%
EBIT	1,616	213	-479	390	198	31	0	1,969
EBIT % <i>Accretion /Dilution</i>	5.0%	0.5%	-1.4%	1.2%	0.8%	0.0%	0.0%	6.1%

\*Currency includes SEK -28m of currency translation and +226m of transaction effect on EBIT.

\*\*Acquisitions/divestments includes the acquisition of Kwikot, Best, Anova and Grindmaster-Cecilware and the sale of Eureka.

# Sales and EBIT Bridge FY 2017

SEKm	FY 2016	Volume/Price/ Mix	Raw materials	Net Cost Efficiency	Currency*	Acq/** Divest.	Other	FY 2017
Net Sales	121,093	-552			388	1,131	0	122,060
Growth		-0.4%			0.2%	1.0%		0.8%
EBIT	6,274	-653	-1,406	3,183	-77	86	0	7,407
EBIT % <i>Accretion /Dilution</i>	5.2%	-0.5%	-1.2%	2.6%	-0.1%	0.0%	0.0%	6.1%

\*Currency includes SEK +43m of currency translation and -119m of transaction effect on EBIT.

\*\*Acquisitions/divestments includes the acquisition of Kwikot, Best, Vintec, Anova and Grindmaster-Cecilware and the sale of Eureka.



# Net cost efficiency Q4 and FY 2017

Key efficiency drivers (SEKm)			Q4	2017
<b>NET COST EFFICIENCY</b>	<b>Variable cost</b>	Purchasing savings (excluding raw materials)		
		Production efficiency	<b>~320</b>	<b>~2,090</b>
		Logistics/Warranty		
	<b>Structural cost</b>	Structural cost (net of investments)	<b>~70</b>	<b>~1,090</b>
<b>TOTAL</b>			<b>~390</b>	<b>~3,180</b>

# Cash Flow

SEKm	2017 Q4	2016 Q4	FY 2017	FY 2016
EBIT	1,969	1,616	7,407	6,274
D/A and other non-cash items	1,052	1,036	3,998	4,271
Change in operating assets and liabilities	1,156	996	267	1,328
Investments in intangible and tangible assets*	-2,158	-1,277	-4,857	-3,390
Other investments	59	243	62	657
<b>Cash flow after investments**</b>	<b>2,078</b>	<b>2,614</b>	<b>6,877</b>	<b>9,140</b>

\*Including the investment in the Continental brand in Latin America of SEK 178m in Q4 2017. \*\* Before acquisitions and divestments

# Q4 tax rates and US tax reform

- **Electrolux Q4 effects**

- One-time negative effect due to US tax reform of SEK -128m
- One-time positive effect from revaluation of deferred tax assets of SEK 607m
- Total one-time net positive tax effect of SEK 479m
- No material impact on cash flow from the tax effects
- This resulted in a tax rate of -1.3% (-2.2) in Q4 and 17.5% (19.5) for the full year

- **Electrolux effective tax rate 2018**

- The expected effective tax rate for 2018 is ~21-23%

# Group common cost allocations in 2018

- Starting 2018 SEK 200m of Group Common Costs (GCC) will be allocated to business areas
- Expect 2018 GCC of SEK 600-700m

Business Areas (SEKm)	Costs for allocation
MA EMEA	75
MA North America	70
MA Latin America	25
MA Asia/Pacific	15
HC & SDA	15
Professional	-
GCC	-200
<b>Total</b>	<b>0</b>

# Restatement Effects from IFRS 15

- **New revenue recognition standard impacts business areas in quarters and FY**
  - Timing effects related to delivery of finished products impact EMEA and Home Care & SDA
    - Quarterly impact on Net sales and operating margin, no full-year impact
  - Asia/Pacific impacted by reassessment of contracts in China
    - The change impacts Net sales (decrease) and margin (increase)
  - All 2017 restatement effects are included in the Q4 interim report

SEKm	Full Year 2017			Q1 2017		
	Reported	Adj	Restated	Reported	Adj	Restated
<b>MA EMEA</b>						
Net sales	38,523	0	38,523	8,830	-291	8,539
Operating income	2,764	0	2,764	558	-84	474
Margin %	7.2		7.2	6.3		5.6
<b>MA Asia/Pacific</b>						
Net sales	10,048	-1,289	8,759	2,374	-364	2,010
Operating income	750	-	750	112	-	112
Margin %	7.5		8.6	4.7		5.6
<b>Home Care &amp; SDA</b>						
Net sales	7,808	0	7,808	1,786	-27	1,759
Operating income	431	0	431	70	-10	60
Margin %	5.5		5.5	3.9		3.4
<b>Group Total</b>						
Net sales	122,060	-1,289	120,771	28,883	-682	28,201
Operating income	7,407	0	7,407	1,536	-94	1,442
Margin %	6.1		6.1	5.3		5.1



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# Outlook and Summary

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Jonas Samuelson, President and CEO  
Anna Ohlsson-Leijon, CFO

# Market outlook per region

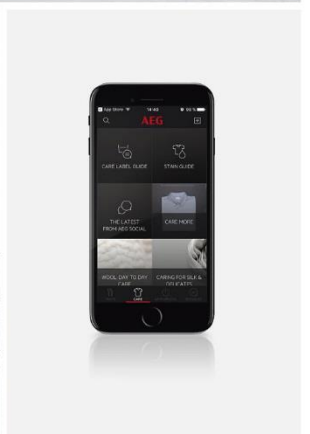
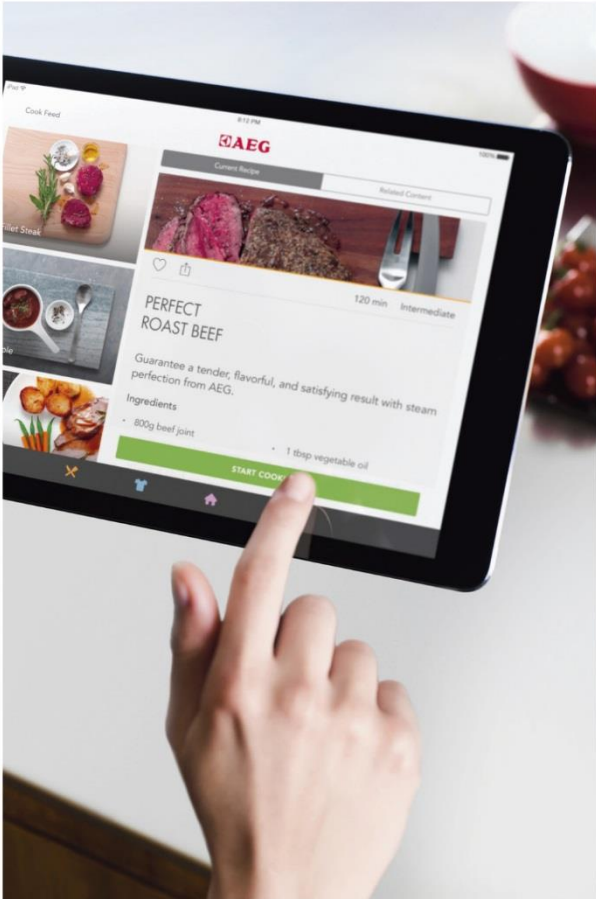
Region	Q1 2018	FY 2018	Comments
Europe	Slightly Positive	+1-2%	Positive overall demand trend
North America	Slightly Positive	+2-3%	Demand remains positive
Latin America	Positive	+3-5%	Market recovery in the region
East Asia	Positive	Positive	In general positive
Australia	Slightly Positive	+1-2%	Market is estimated to be positive

# Electrolux business outlook

Electrolux	Q1 2018	FY 2018	Comments for the full-year 2018
Volume/price/mix	Slightly Positive	Positive	Positive volume and mix, price increases announced
Raw materials	Negative	Negative	SEK ~1,200m with up to 200m risk
Net cost efficiency	Slightly Positive	Positive	Continuous improvement in variable cost partly offset by investments
Raw materials + Net cost efficiency	Slightly Negative	Flat	Positive net cost efficiency offsetting inflation and raw material headwinds
Currency transactional effect*	SEK -16m	SEK +185m	-
Currency translational effect*	SEK -69m	SEK -240m	-
Capex	Increase	Increase	FY 2018 ≈ SEK 6bn

\* Currency rates as per January 24, 2018. Note: Business outlook in the above table excludes the restructuring charge related to the consolidation of North American production





# Summary of Q4 highlights

- Good organic growth of 4% with improved profitability
- Profitable growth in EMEA, Asia/Pacific and Professional
- Good growth in core branded products offset by private label decline in North America
- Strong recovery in Latin America with improved margins
- Increased raw material costs partially offset by cost efficiency
- Solid cash flow generation and strong balance sheet
- The board has proposed an increased DPS to 8.30 SEK (7.50)

# Factors affecting forward-looking statements

## Factors affecting forward-looking statements

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