



Electrolux

**Electrolux
Capital Markets Day**

February 24, 2016

Jonas Samuelson, CEO
Tomas Eliasson, CFO

Agenda

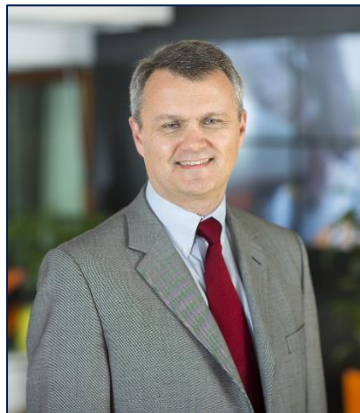
Capital Markets Day 2016

09:00-10:40	Strategic review Business and strategic update Financial Review Q&A	Jonas Samuelson, President and CEO Tomas Eliasson, CFO
10:40-11:00	Break	
11:00-11:50	Major Appliances EMEA Turn-around to Sustainable Profitability and Targeted Growth	Dan Arler, CEO MA EMEA
11:50-12:30	Lunch	
12:30-13:30	Productivity, Innovation and Consumer Offer Operational efficiency and Innovation The Connectivity Consumer Offer	Jan Brockmann, COO Dan Arler, CEO MA EMEA
13:30-14:50	Case studies Major Appliances Latin America Australia & New Zealand	Ruy Hirschheimer, CEO MA Latin America Mike Putt, MD Australia & New Zealand
14:50-15:00	Q&A and summary	Jonas Samuelson, President and CEO Tomas Eliasson, CFO

New management team



Dan Arler, Head of Major Appliances EMEA



Alan Shaw, Head of Major Appliances North America



Anna Ohlsson-Leijon
CFO Electrolux Group



Ola Nilsson,
Head of Small Appliances

Overview

Strategic
Direction

Business
Update

Value
Creation

Financial
Review

The journey continues

We accelerate towards the Electrolux group vision...

Our Vision

We will be the best appliance company in the world

As measured by...



...our Customers



...our Employees



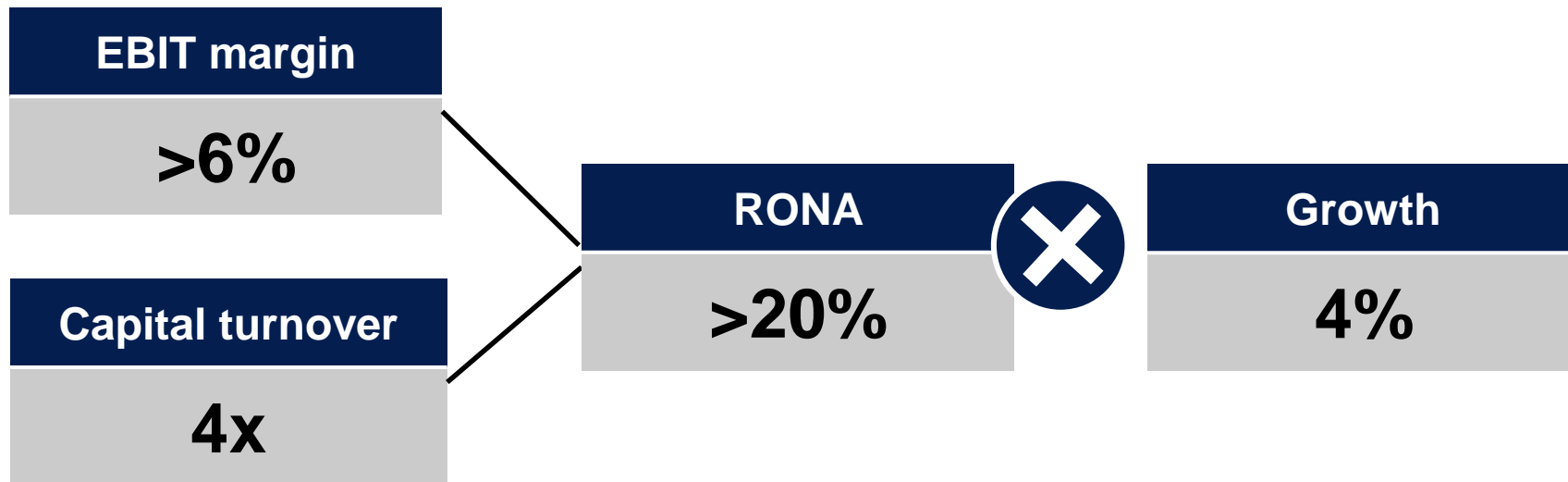
...our Shareholders



... and our Planet

EBIT \geq 6%, NS Growth $>$ 4%

Determined to reach our key financial targets



**In the context of an industry
in transformation**

Trends impacting our industry



The consumer in charge

Quick and easy information access and fast development of digital mobility leading to more consumer power and increased demands

Digital transformation

Accelerating digital transformation leading to new ways to interact with consumers and new ways to manufacture and distribute products

Global middle class growing

Despite recent economic setbacks in key emerging markets, the trend towards a growing global middle class will continue

Industry consolidation

Regional competitors struggling to compete on innovation and scale leading to continued consolidation

The pace of digital growth continues to accelerate

Worldwide Digital indicators



Internet users

2018: 3.6bn

+24%

2014: 2.9bn



Social media users

2018: 2.4bn

+33%

2014: 1.8bn

+600 million
Social network users



Smartphone users

2018: 2.6bn

+63%

2014: 1.6bn

+1 billion
Smart phone users



B2C Sales Worldwide
(USD)

2018: 2.4tn

+60%

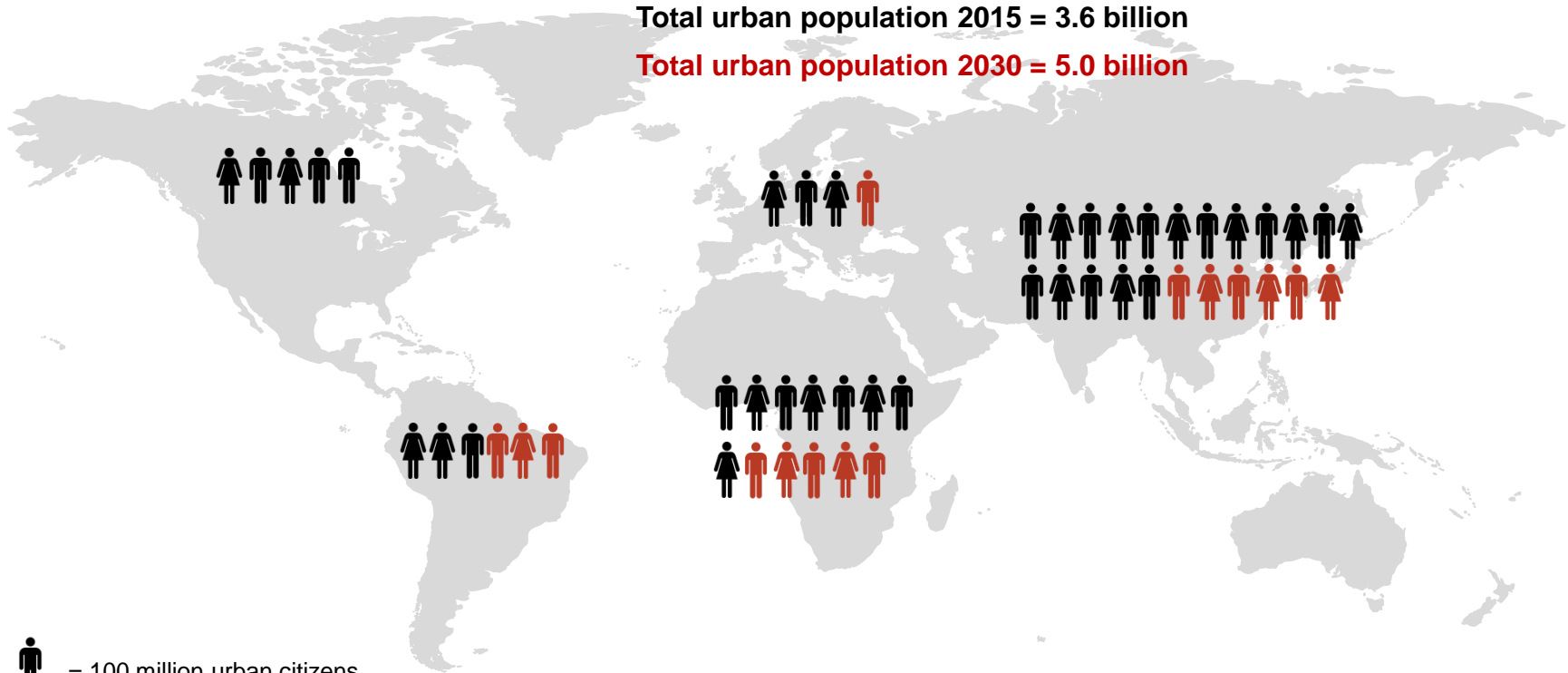
2014: 1.5tn

+0,9 trillion
Internet sales

People living in urban areas to grow by 40% in the next 15 years

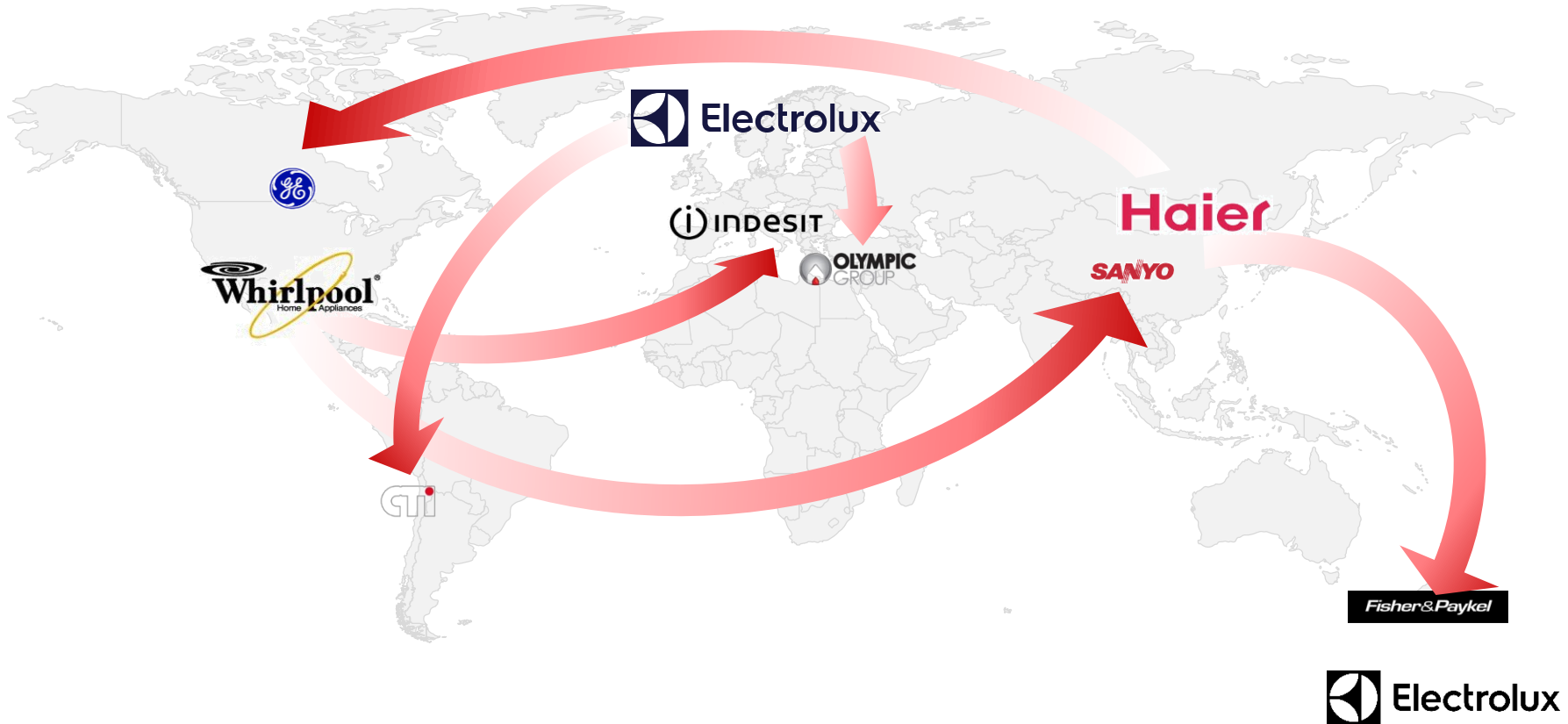
Total urban population 2015 = 3.6 billion

Total urban population 2030 = 5.0 billion



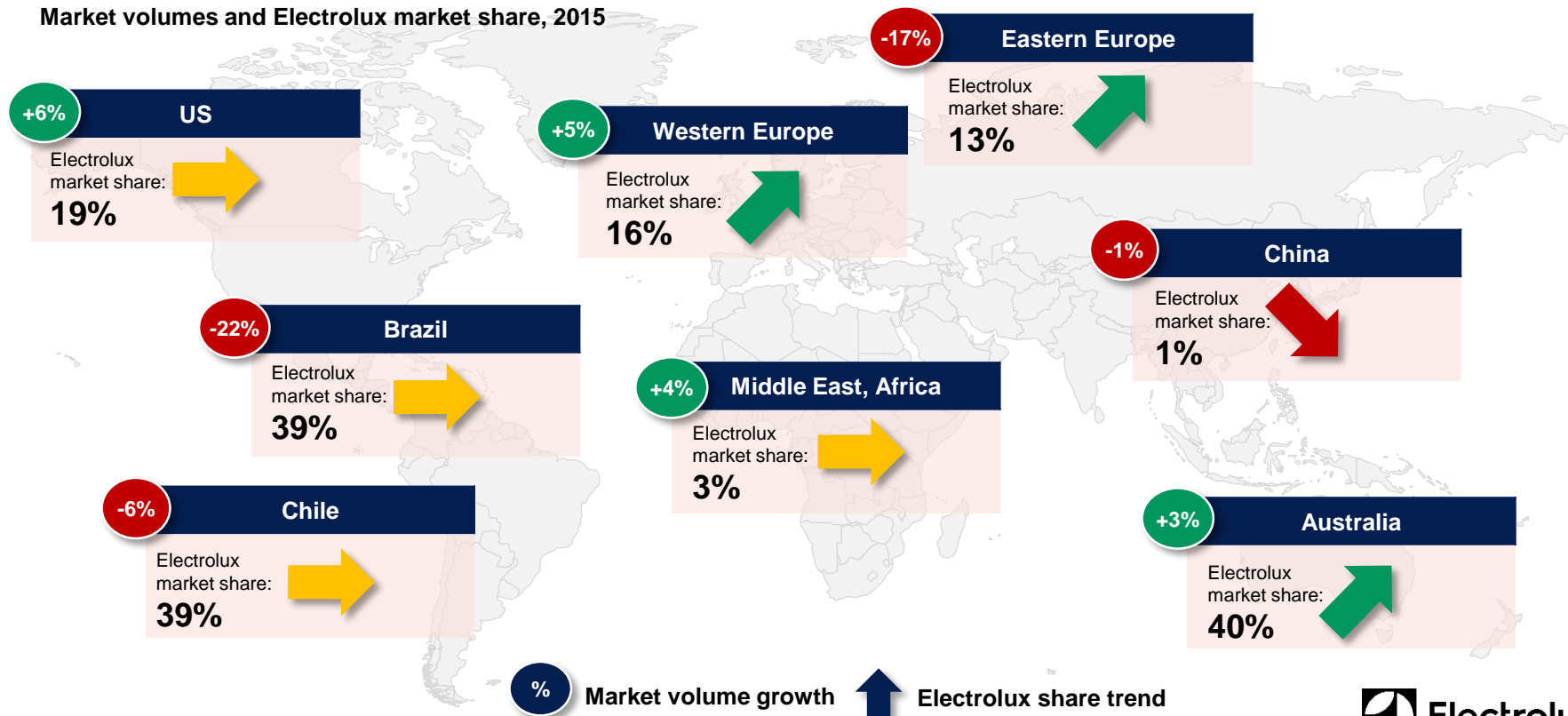
= 100 million urban citizens

Ongoing industry consolidation



Electrolux holds a strong position

Market volumes and Electrolux market share, 2015



SOURCE: ELECTROLUX ESTIMATES. DATA FOR THE US REFERS TO BRANDED VOLUME SHARES

**Consumer and industry trends
influencing strategic priorities**

Further sharpening our four strategic focus areas

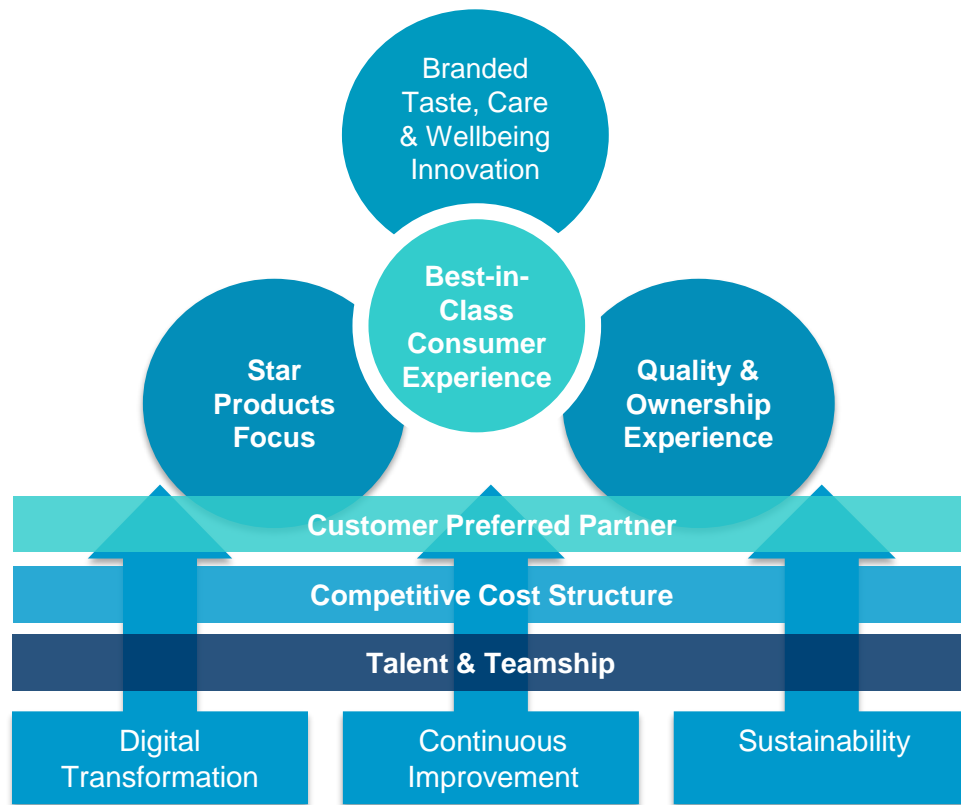


Delivering best-in-class consumer experiences by making it possible ...

- ... to make **great tasting food** through our professional expertise
- ... to **care** for your clothes like you care for yourself
- ... to achieve **wellbeing** by creating a sanctuary at home



We accelerate towards a consumer experience focused business model



Best-in-class consumer experience innovation

Consumer Experience Innovation

Consumer experience focus in innovation and marketing

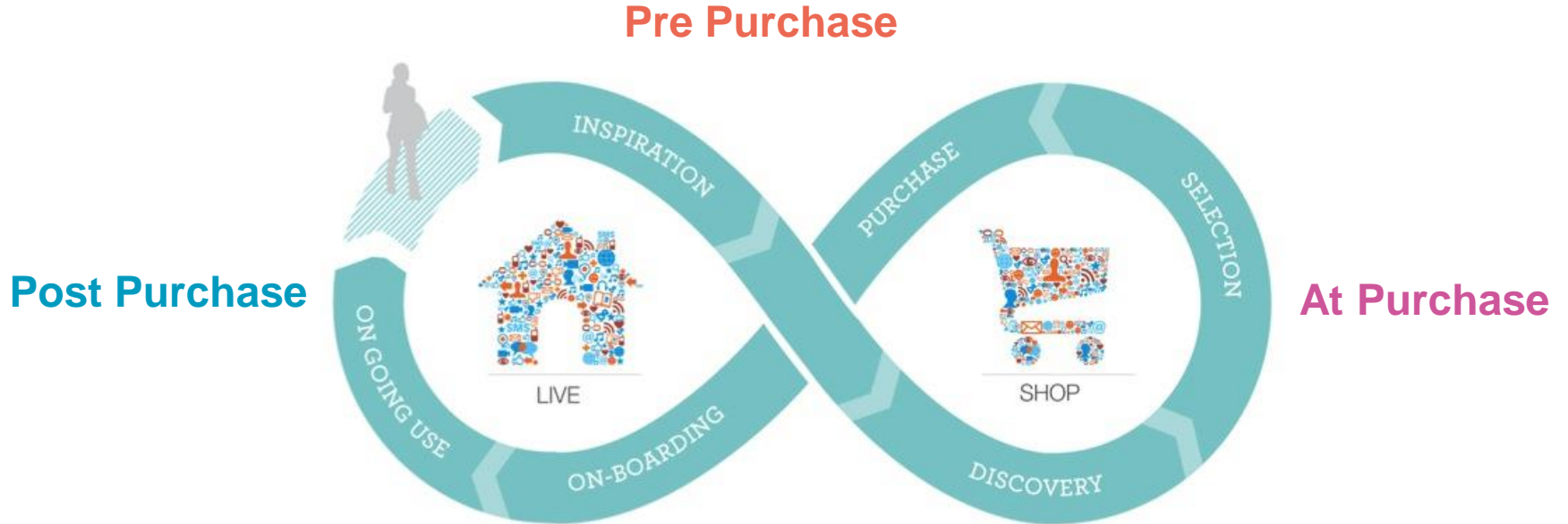
Best-in-class taste, care and wellbeing star product pipeline

Lead in user interface/experience and connectivity

70% consumer preference and best-in-test strategy

Focus on consumer quality experience

360 consumer journey



Delivering consumer experience through connected appliances



Business transformation through digital transformation



Digital 360° Consumer Experience

- Leverage digital to create best-in-class consumer experience pre- during- & post purchase
- Personalize the consumer relationship
- Leverage big & small data to improve relevance



Connected Appliances

- Personalize consumer experience and product benefit realization
- Realize revenue opportunities across the product lifecycle
- Strategic partnerships that deliver real value to consumers



Digital Productivity Tools

- Digital interaction with customers & consumers
- Improved business management
- Reduced cost and improved experience
- Improved internal productivity



Modularization & Digital Manufacturing

- Modular product architectures increasing speed and consumer choice, while leveraging scale
- Digitization and smart automation driving cost, quality and flexibility

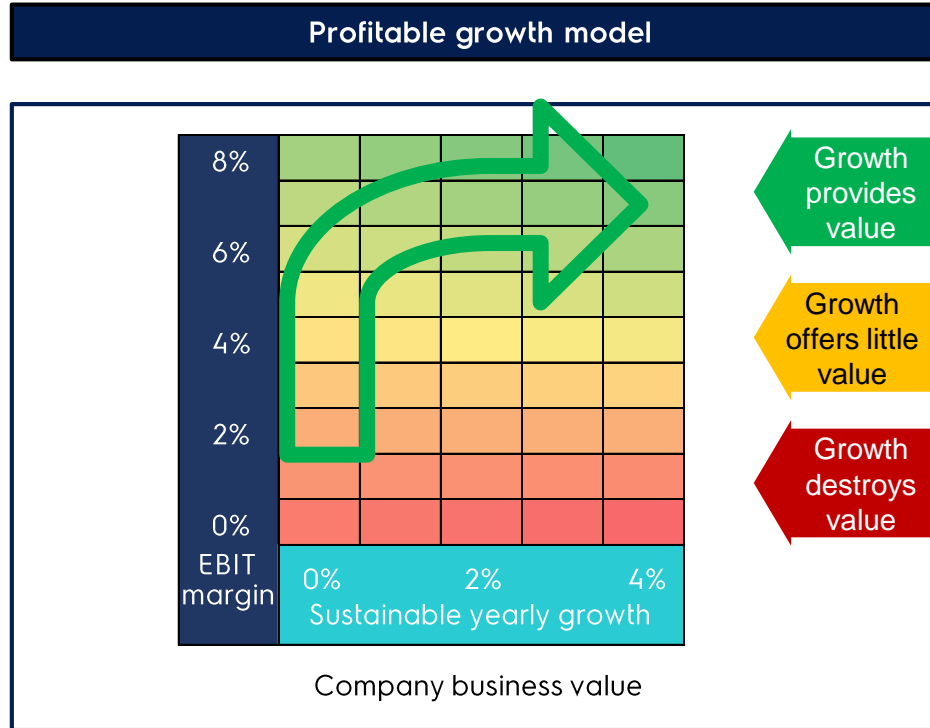


Digital Supply Chain

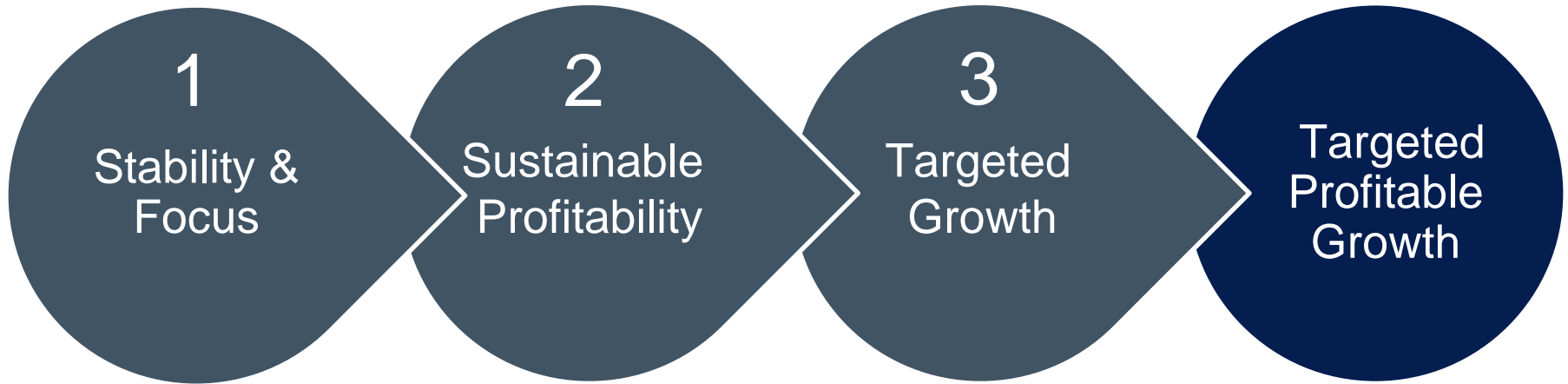
- Improved connectivity across supply chain to
- Reduce lead times
- Increase flexibility & productivity
- Improve service levels

**Sustainable profitability first,
then targeted profitable growth**

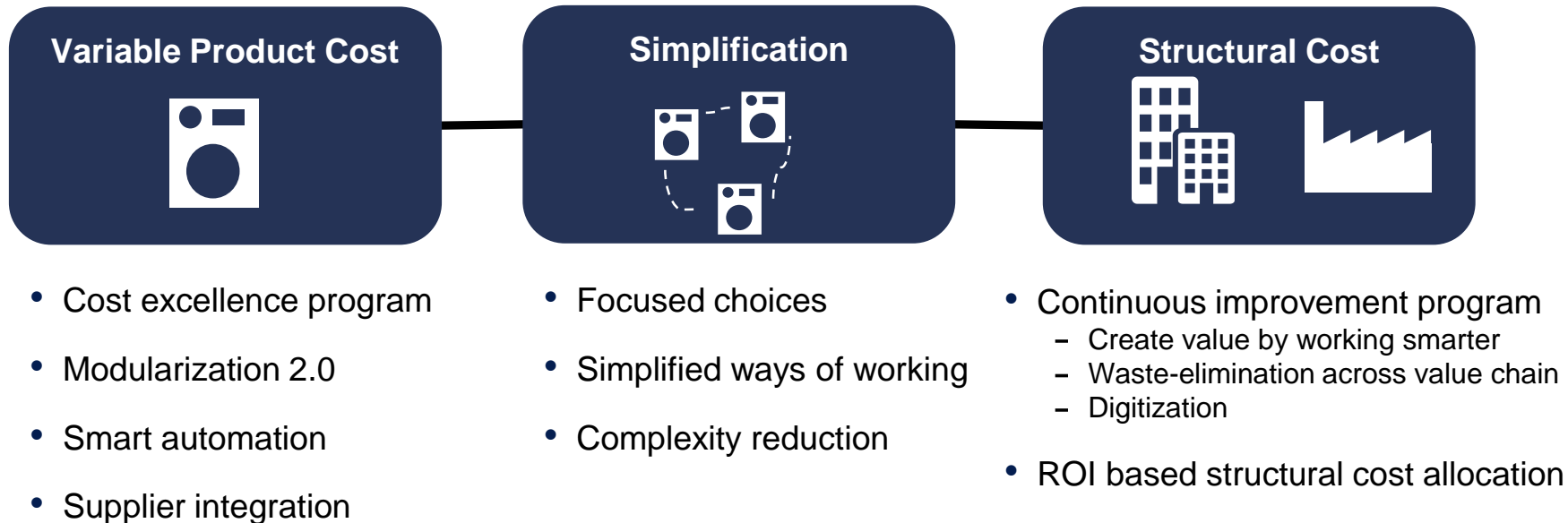
Value creation road map – first profit, then growth



All business areas have to complete a three step journey...

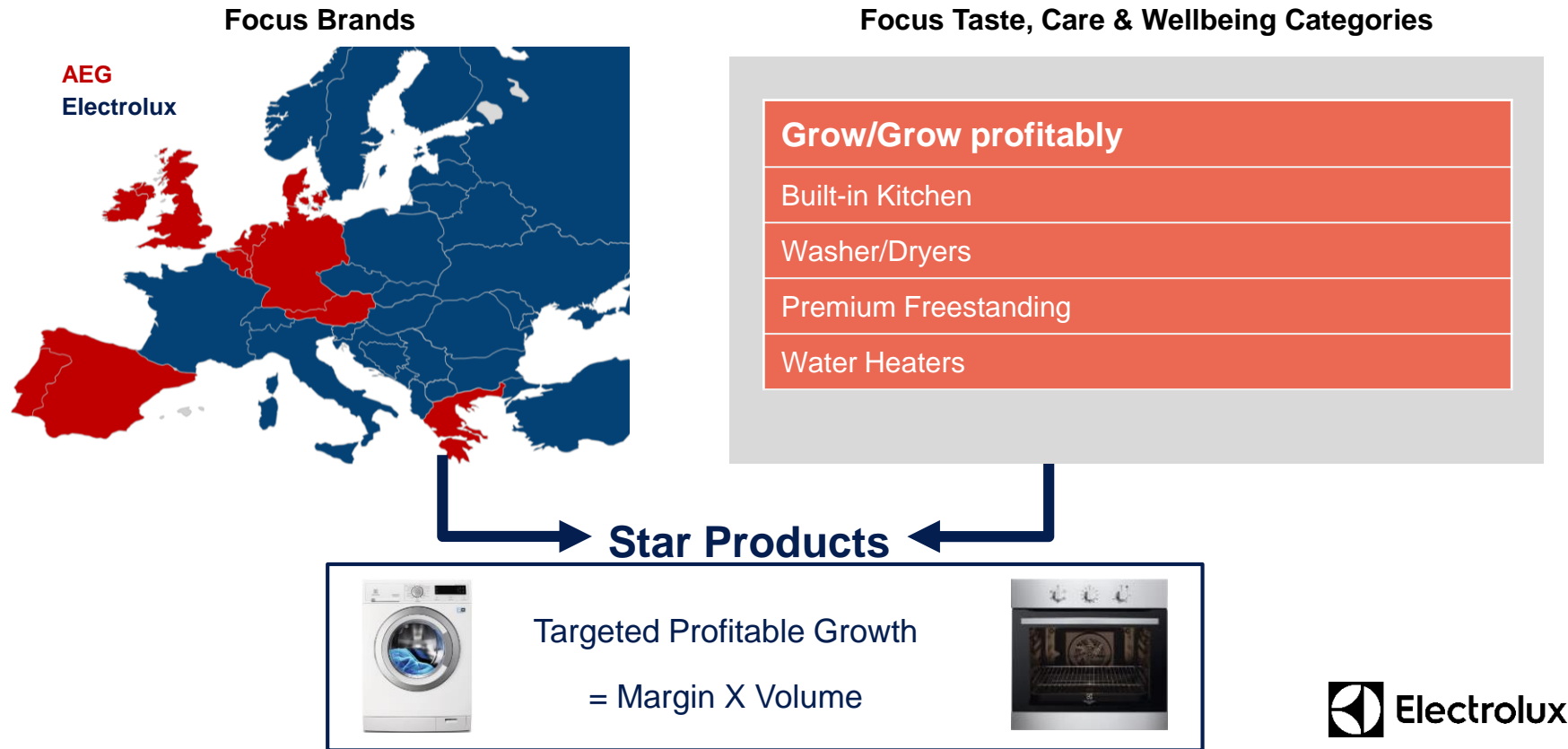


Continuous improvement to achieve Operational Excellence



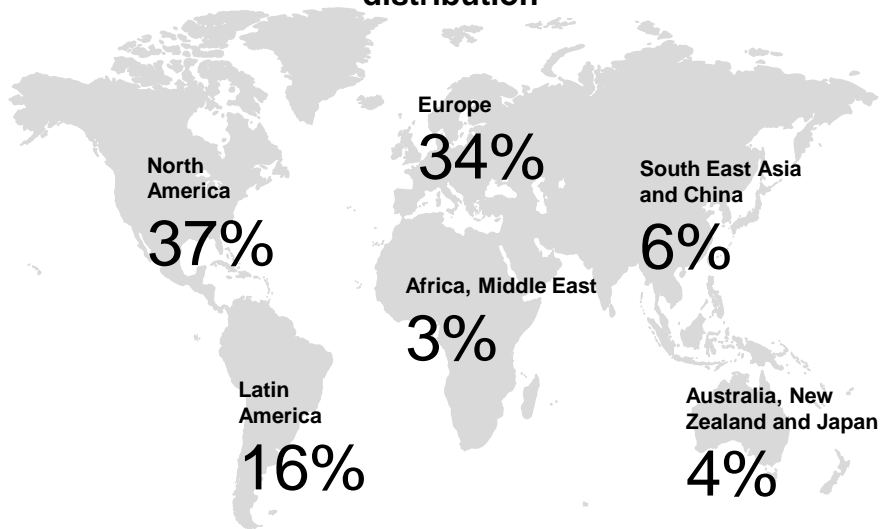
Profitable growth – executing on portfolio management

EMEA example

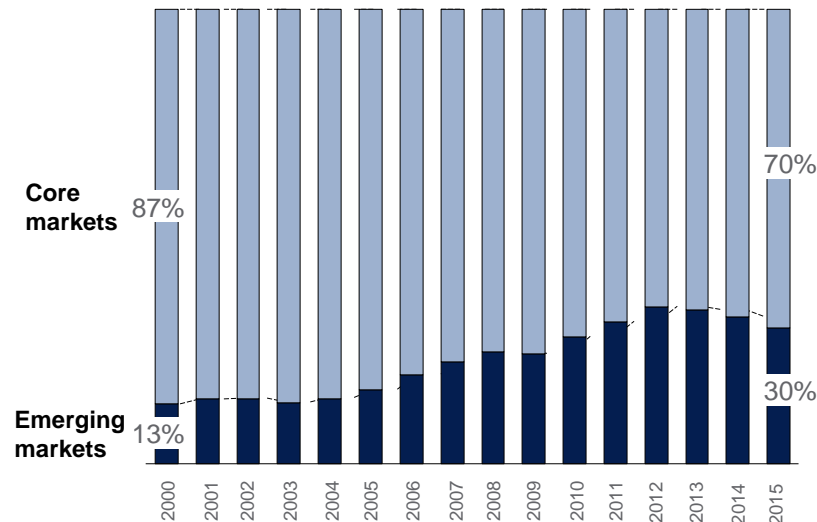


We will continue to grow our position in emerging markets

Geographical distribution



Sales split between core and emerging markets



Key acquisitions



Professional will be an important driver of profitable growth

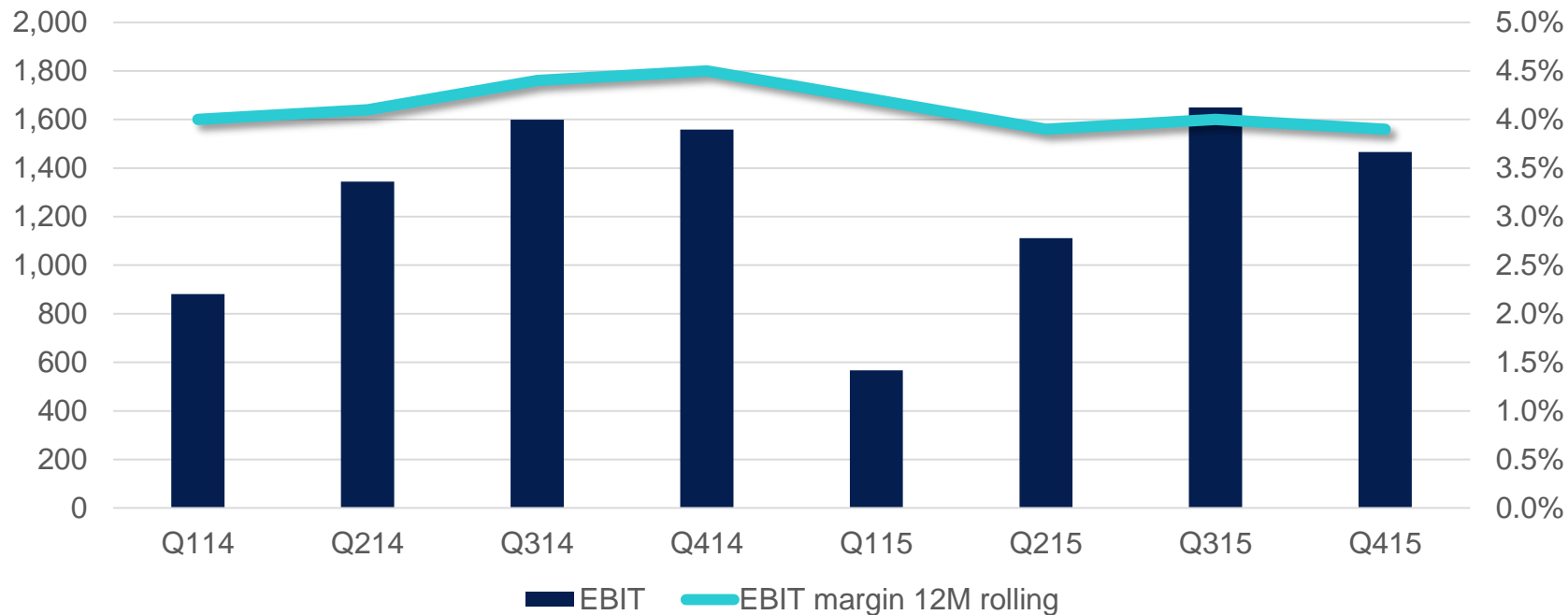


Ambition: Significantly increase Electrolux Professional's contribution to Group EBIT

Business update

Stable underlying earnings, but still too low

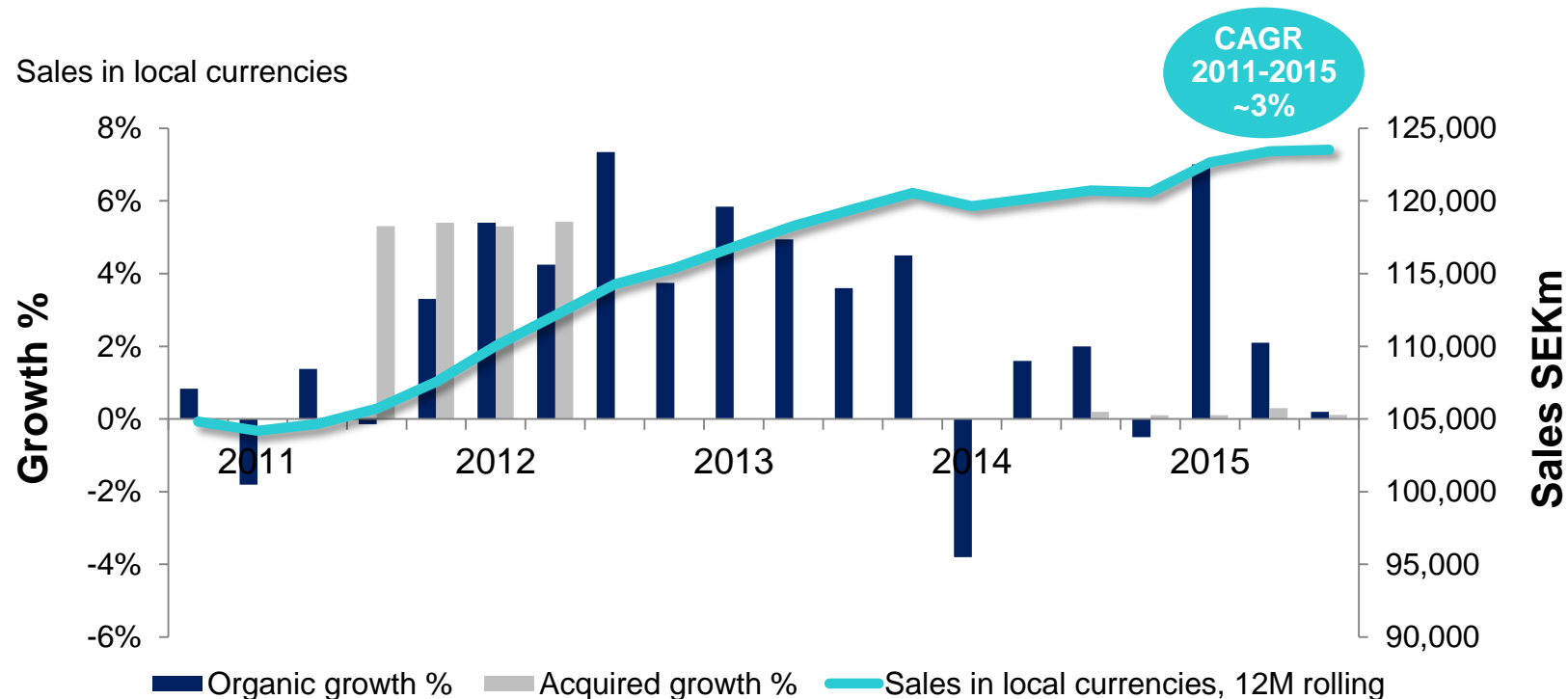
EBIT in local currencies, SEKm



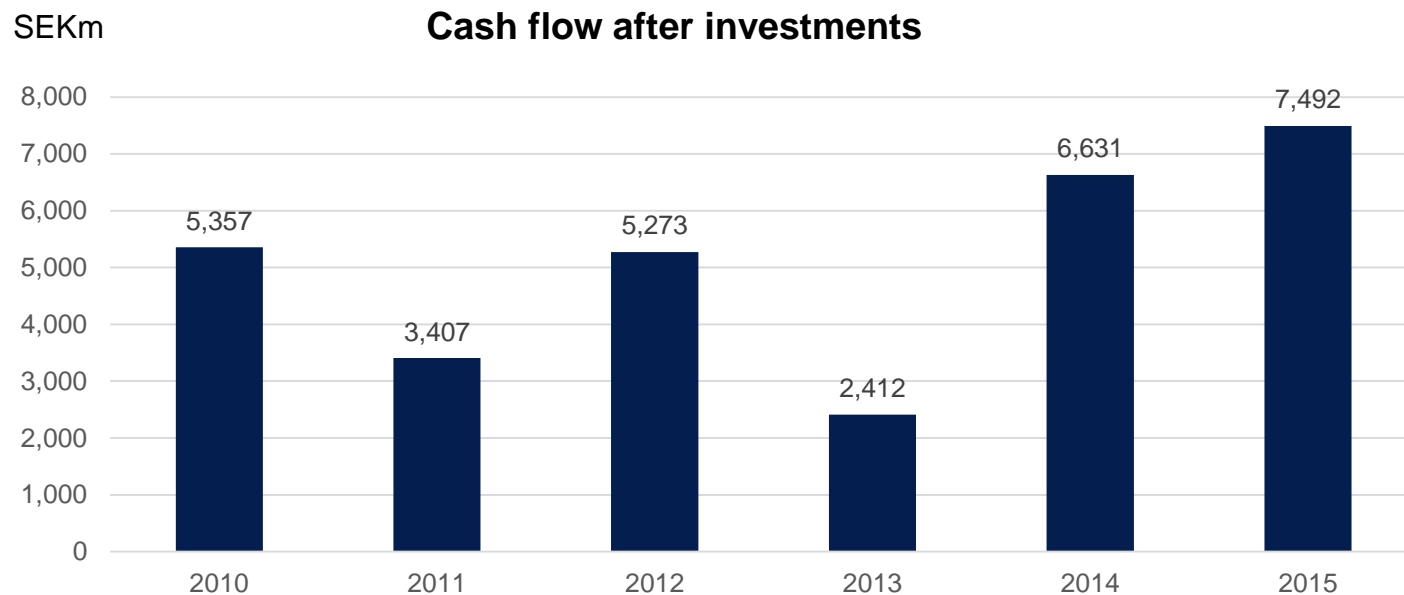
NOTE: EBIT EXCLUDING RESTRUCTURING COSTS AND COSTS RELATED TO GE APPLIANCES

Positive sales growth trend continued in 2015

Sales in local currencies

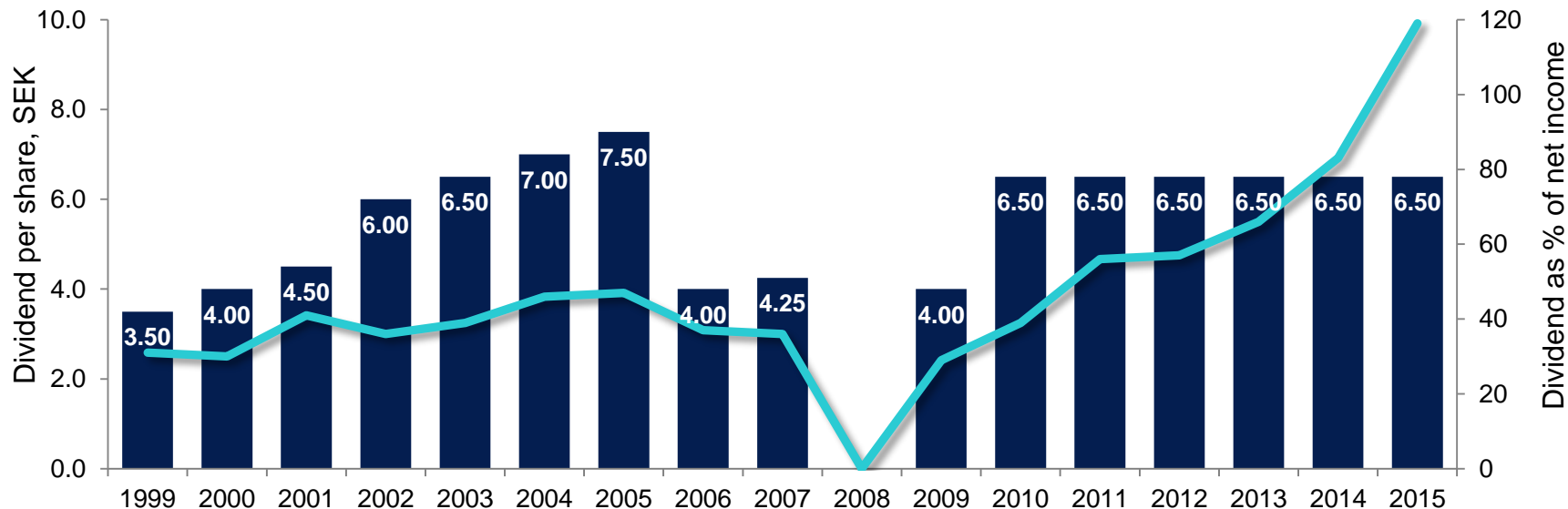


Cash flow, 2010-2015



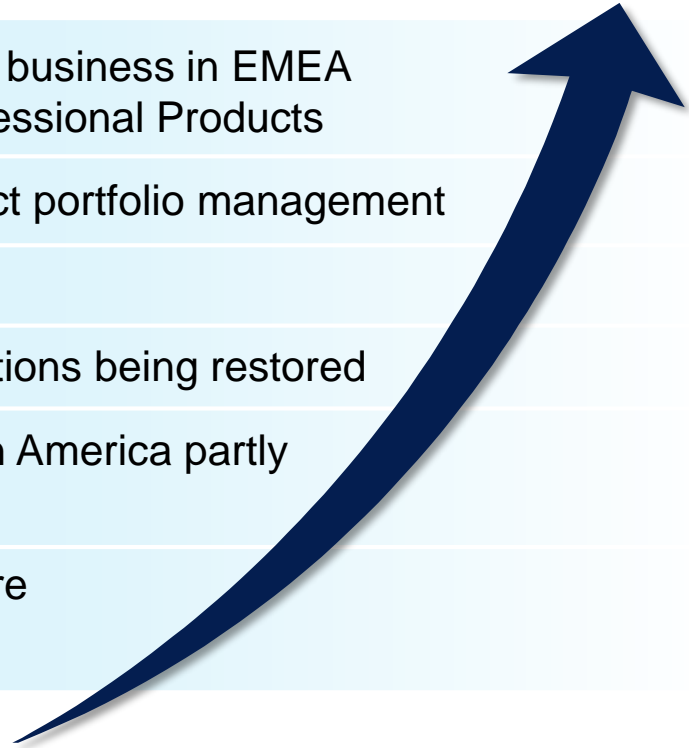
A history of sustainable dividends

Electrolux shareholder distribution policy "dividends to correspond to at least 30% of income for the period". Historically, the dividend rate has been considerably higher. In 2015, proposed pay-out corresponded to 119%.



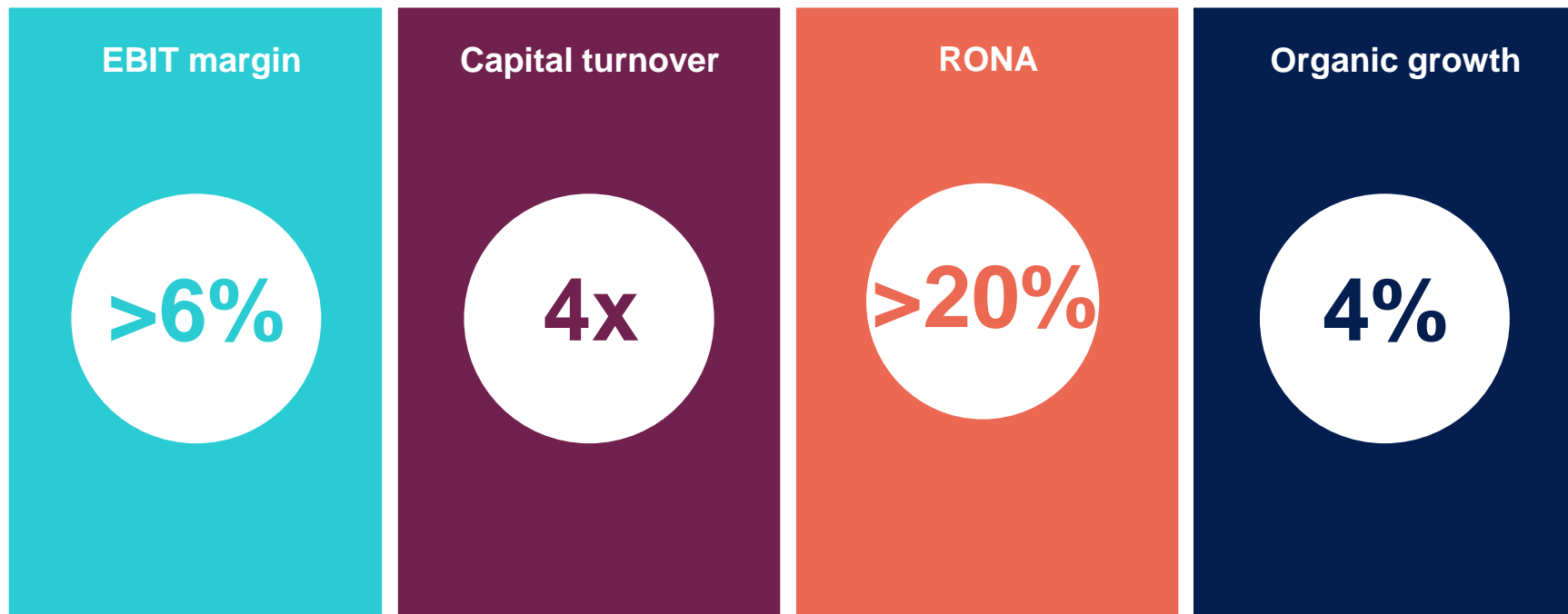
Key drivers

- Positive sales growth driven by our core business in EMEA and North America, good growth in Professional Products
- Mix improvements through active product portfolio management
- Strong earnings improvement in Europe
- Profitability in the North American operations being restored
- Cost actions and price increases in Latin America partly offset headwinds
- Continuous improvement in cost structure and productivity



Value creation

Financial targets



Value creating financial model

Income statement	Principal targets
Net sales	10% pa growth in focus categories/brands
- Variable product cost	Cost excellence program
= Gross contribution	Improve SEK/unit & grow total >5% pa
- Operational structural cost	Continuous improvement program
- R&D & go to market	ROI based investments to profitably grow focus categories & brands
- Total structural cost	Continuously reduce
= EBIT	EBIT >6% then grow total >7% pa
Balance sheet	
NOWC	Continuously reduce
Capex	Portfolio management driving focus and ROI

Excludes impact of volatility in demand, currency, raw materials and inflation, which is managed through specific actions

The background image shows a sophisticated interior space, likely a restaurant or a high-end home. On the left, a dark countertop holds fresh ingredients: a whole fish, artichokes, and leafy greens. Behind the counter is a stone wall and a stack of firewood. In the center, a large, modern chandelier with many small lights hangs from the ceiling. To the right, a tall, glass-fronted wine cellar is filled with bottles. The overall atmosphere is elegant and contemporary.

Financial review and capital structure

Tomas Eliasson, CFO

Financial overview

Financial overview, Jan-Dec 2015

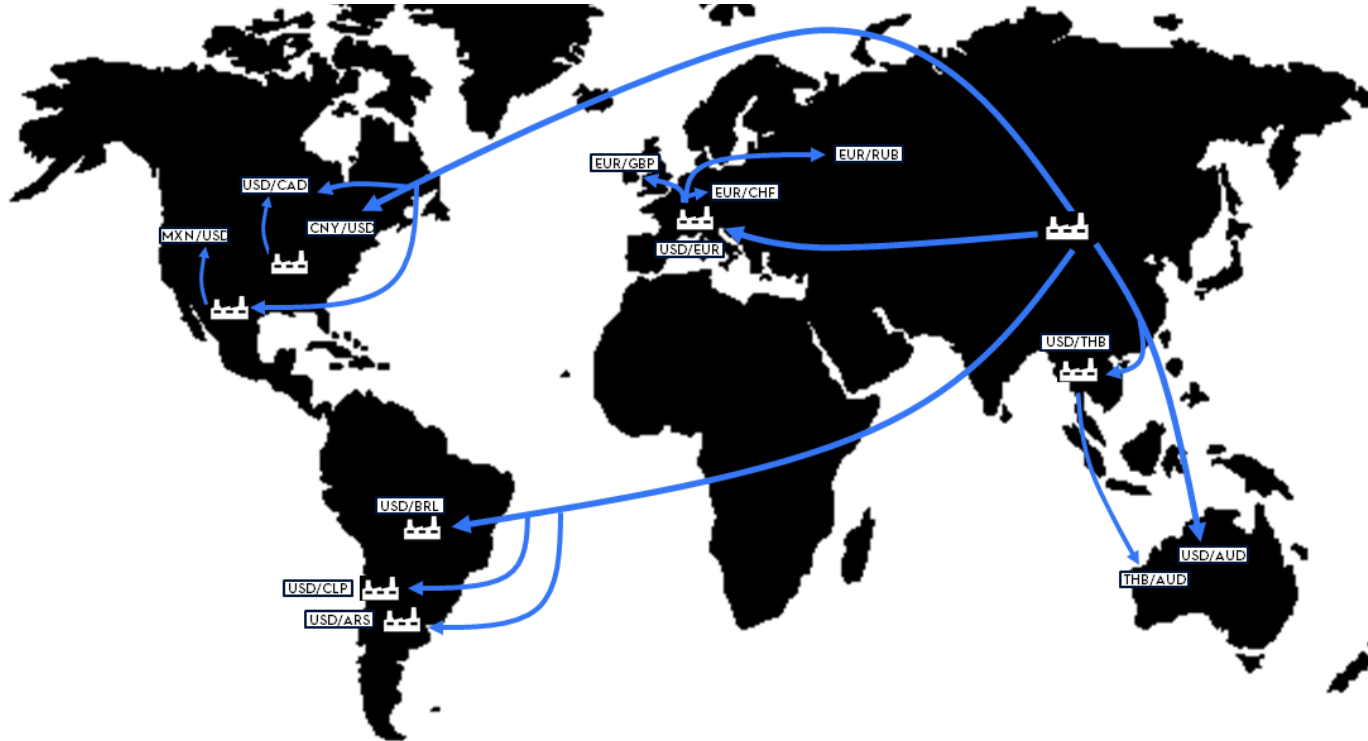
SEKm	Q4 2014	Q4 2015	Change	FY 2014	FY 2015	Change
Sales	31,400	31,794	1.3%	112,143	123,511	10.1%
<i>Organic</i>	2.0%	0.2%		1.1%	2.2%	
<i>Acquired</i>	0.2%	0.1%		-	0.1%	
<i>Currency</i>	6.5%	1.0%		1.6%	7.8%	
EBIT	1,395	-202	n.m.	3,581	2,741	-23.4%
EBIT margin %	4.4	-0.6		3.2%	2.2%	
EBIT ex GE	1,544	1,457	-5.6%	3,730	4,800	+28.7%
EBIT margin % ex GE	4.9%	4.6%		3.3%	3.9%	
Op cash flow after investments	1,844	1,575	-14.6%	6,631	7,492	13.0%
EPS	3.39	-1.38	n.m.	7.83	5.45	-30.4%

Sales and EBIT bridge, Jan-Dec 2015

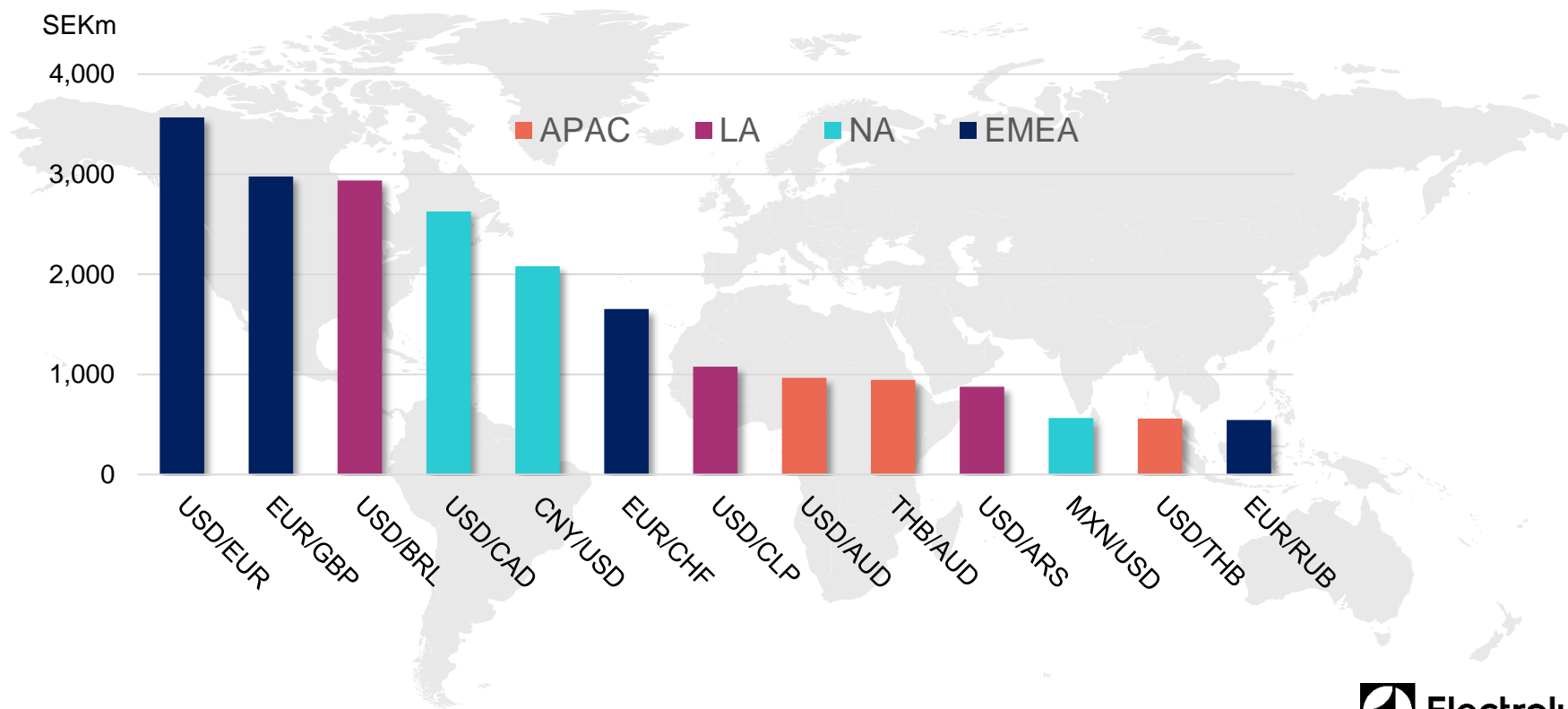
SEKm	FY 2014	Volume Organic	Price/Mix	Currency translation	Currency transaction	Acq.	Other*	FY 2015
Net sales	112,143	-2,254	4,894	8,568	-	160	-	123,511
Growth %	-	-1.9%	+4.1%	+7.8%	-	+0.1%	-	10.1%
EBIT	4,780	-552	1,813	455	-1,873	28	-1,910	2,741
EBIT %	4.3%	24.5%	37.0%	-	-	-	-	2.2%
Accretion %		1.1%		0.1%	-1.5%	0.0%	-1.8%	

Currency

Most important currency flows in Electrolux



Principal currency pairs

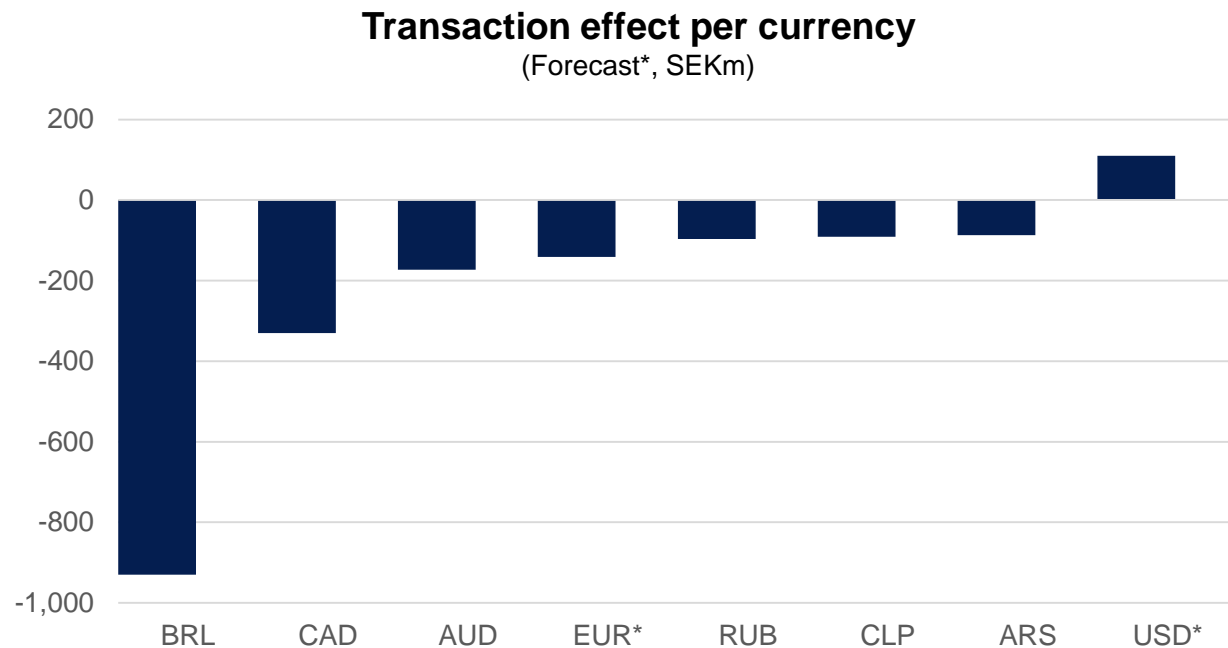


Currency effects 2015

Major transaction effects by, SEKm	Q1	Q2	Q3	Q4	2015
Latin America	-140	-300	-390	-485	-1,315
RUB	-80	-35	-90	-85	-290
AUD, CAD	-45	-125	-75	-230	-475
GBP, CHF	-40	+130	+185	+180	+455
Total	-422	-330	-389	-732	-1,873
Translation effects, SEKm	Q1	Q2	Q3	Q4	2015
Total	+144	+184	+164	-37	+455
Total currency effects, SEKm	-278	-146	-225	-769	-1,418
Price/mix effects, SEKm	+297	+205	+445	+865	+1,812

Transactional currency effects were to a large extent offset by price/mix improvements

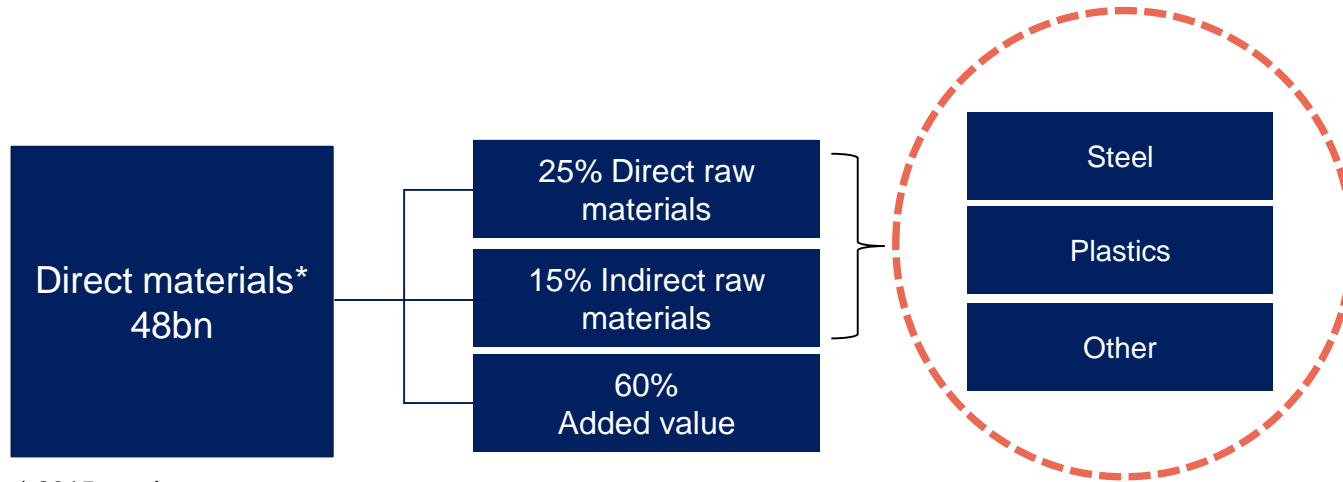
Currency effects 2016



FORECAST BASED ON CURRENCY RATES AS OF FEBRUARY 2016. EUR=USD IMPORT TO THE EURO-AREA, USD*=CNY AND MXN IMPORT TO USA

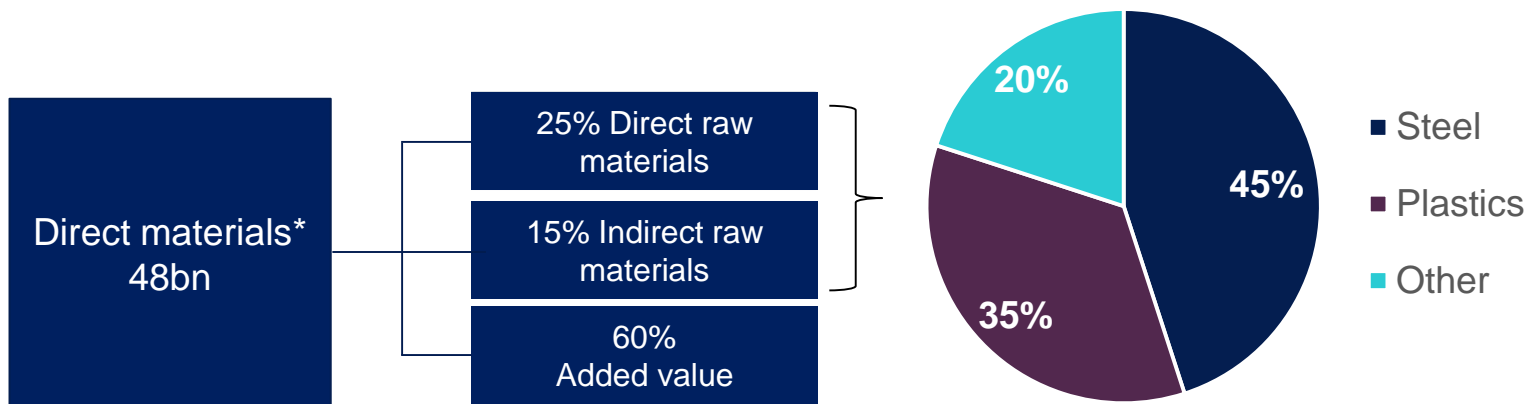
Raw materials

Electrolux purchasing spend



* 2015 numbers

Electrolux purchasing spend

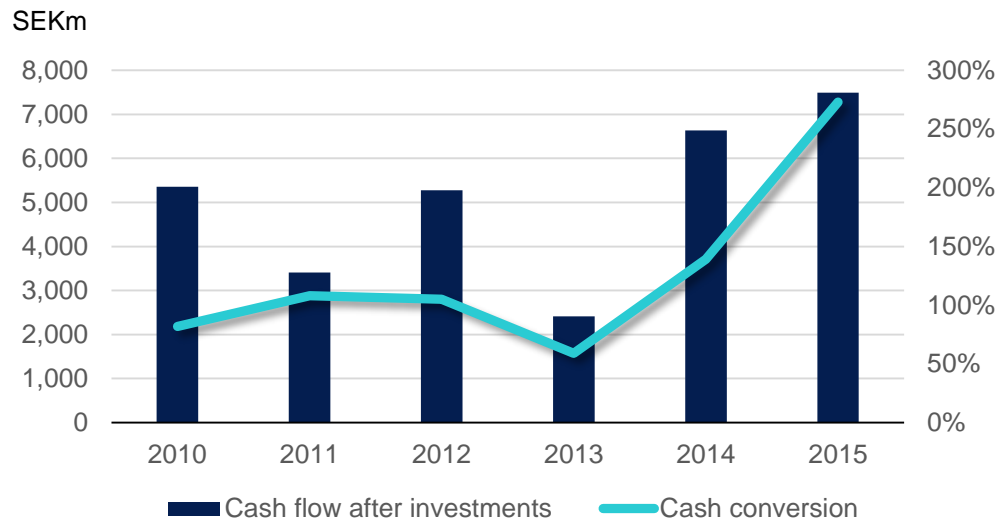


* 2015 numbers

Lower costs of SEK ~750m expected in 2016 vs. 2015

Cash Flow

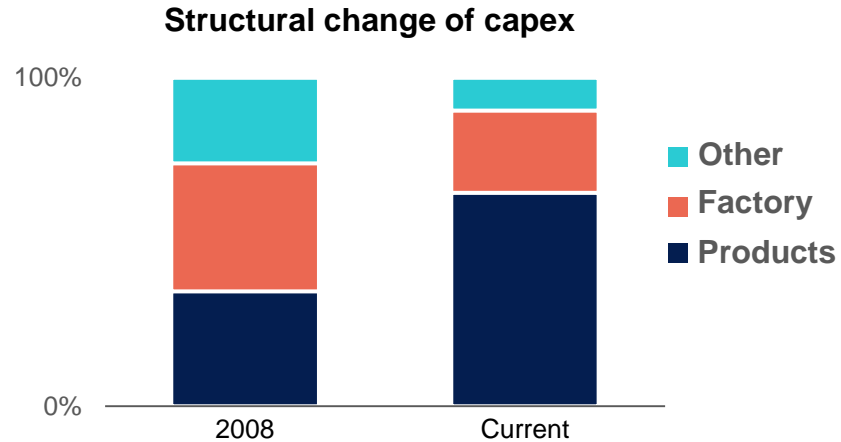
Cash conversion



- Driven by increased EBITDA, working capital improvement and optimization of capital expenditure
- SEK 7.5bn of cash generated in 2015

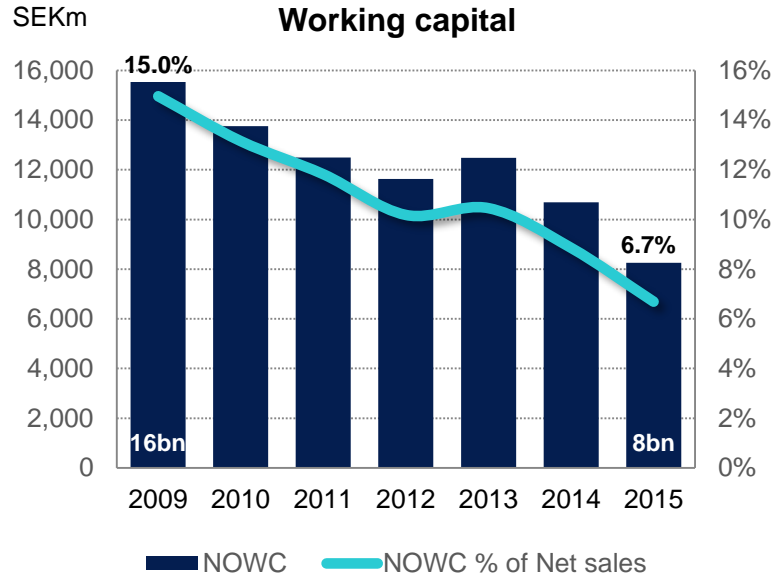
SEKm	2010	2011	2012	2013	2014	2015
Cash flow after investments	5,357	3,407	5,273	2,412	6,631	7,492
Cash conversion	82%	108%	105%	59%	139%	273%

Structural change of capex



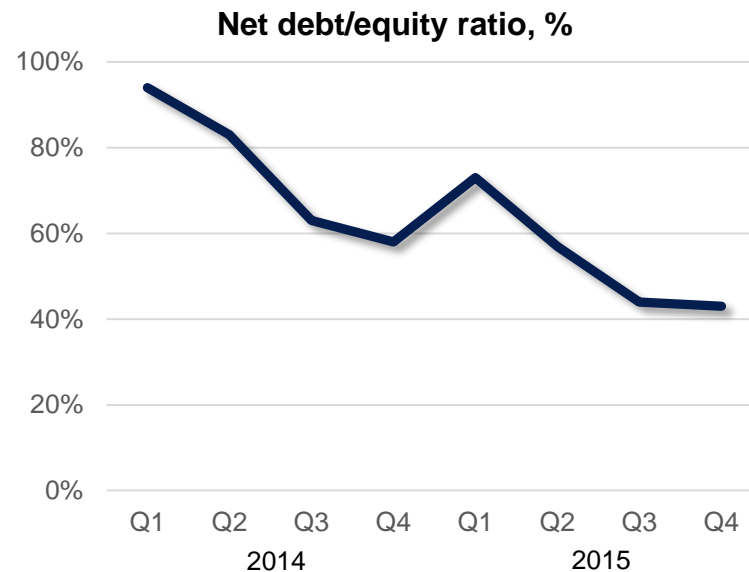
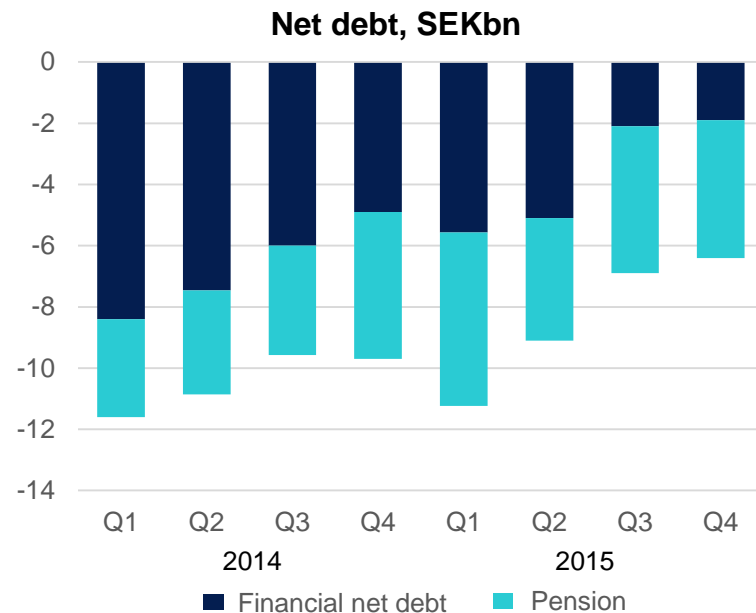
- Capital expenditure has structurally changed
- Capital expenditure will be more related to launching new products

Focus on working capital as key driver for value creation



- Structured approach to process improvement with dedicated global resources
- Share best practice and experiences across Electrolux
- Provide tools for analysis and decision making

Financial position



Strong financial position and stable outlook by S&P (BBB+)

Key takeaways

Financial position

- To maintain a strong balance sheet
- BBB+ with stable outlook by S&P
- Focus on RONA

Cash and dividends

- Continued strong cash flow performance
- Dividend policy remains



Outlook
and Q&A

Outlook

Electrolux outlook	Q1 2016	FY 2016	Comments
<i>Market volumes</i>	Slightly positive	Slightly Positive	Positive growth in NA and Europe Latin America and China uncertain
<i>Price/Mix</i>	Slightly Positive	Slightly Positive	North America and Asia/Pacific: positive Latin America: positive price Europe: positive product mix
<i>Raw-material costs</i>	Positive	Positive	FY: ~SEK 750m
<i>Cost savings</i>	SEK ~150m	SEK ~750m	Efficiencies from global operations, manufacturing footprint and modularization
<i>Capex</i>	Stable	Stable	FY: ≤ SEK 4bn

Q&A