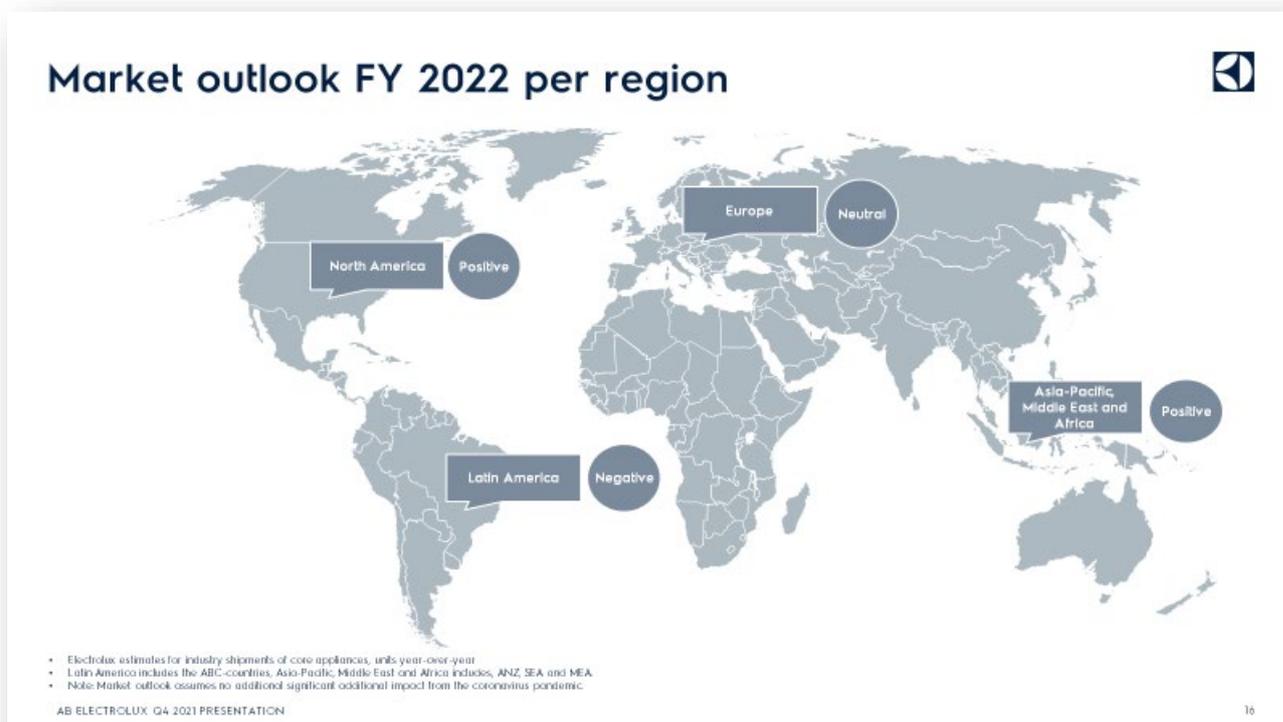


Transcript of comments to outlook slides in Q4-2021 earnings call

Below follows a transcript from the Q4 2021 earnings call held on January 28, 2022, covering the two slides “Market outlook FY 2021 per region” and “Electrolux business outlook” presented by Jonas Samuelson (“JS”), President & CEO, and Therese Friberg (“TF”), CFO.

Market outlook FY 2022



JS: Looking into 2022, we expect demand levels to be above pre-pandemic levels, as people are likely to continue to invest in their homes. We assess market demand in terms of value to increase in all regions in 2022. However, compared to strong 2021 levels we don't expect demand growth in terms of units in all regions. Global supply chain constraints are expected to continue to impact the industry's ability to fully meet demand, with regional variances, limiting availability of certain product categories. Specifically, electronic components with semi-conductors are in very tight supply globally and shortages of containers and vessels and unloading backlogs at major ports result in varying and intermittent supply.

Let's look at our 2022 volume demand view for the specific regions:

European market shipments are expected to be flat compared to a strong 2021. In the second half of 2021, consumer spending patterns started to normalise but at above pre-pandemic levels. We still see a supportive trend from the replacement market driven by consumer confidence and continuous focus on home improvement. However, inflation, higher interest rates as well as current geopolitical tensions could impact consumption negatively.

In **North America** demand is estimated to be positive for the full year, partly driven by a strong housing market, solid consumer confidence and a labor market coming back to pre-pandemic levels. The replacement cycle is supportive, and we see shortening of the cycle due to increased usage during the pandemic. Inflation soaring to historically high levels are though a concern, and uncertainty regarding the coronavirus may negatively impact consumer confidence.

In **Latin America** we expect consumer demand for 2022 to be negative, driven by Brazil and Chile. In Brazil, which is our main market in Latin America, we see higher general inflation negatively impacting consumers' purchasing power. In addition, reduction of consumer/government aids combined with increased nominal interest rate also contribute to the negative demand view for Brazil. In Chile, demand in 2021 was fuelled by government incentives and we don't expect the same magnitude in 2022. In Argentina, consumer demand growth is expected to continue in 2022 but we have to bear in mind that it is from a weak baseline from several years that is starting to catchup. Ongoing pandemic-related uncertainty remains a key risk to the outlook.

And finally, we estimate market demand in the **Asia-Pacific, Middle East and Africa** region to be positive for the full year 2022. In general, we see underlying consumer demand being solid and the uncertainty is mainly around potential pandemic restrictions, which in 2021 impacted consumer spending negatively. In Southeast Asia, which is a large market for us in this region, we expect demand growth even though not yet at 2019 levels due to lower consumer purchasing power. For Australia, which is our other large market, we anticipate fairly flat demand in 2022 compared to a strong 2021.

Business outlook FY 2022

Electrolux business outlook 		
Business Outlook ¹ y-o-y	FY 2022	Comments
Volume/price/mix	Volume/mix - positive	Increased sales of innovative high margin products and aftermarket solutions.
	Price - offsetting cost inflation ²	Price offset cost inflation, mainly in raw material, logistics and electronic components, and currency headwinds.
Investments in consumer experience innovation and marketing ³	Negative	Higher investments in innovation, marketing and digitalization of consumer interaction.
Cost efficiency ⁴	Negative	Significant benefits from re-engineering programs more than offset by cost inflation in logistics and components.
External factors ⁵	Negative SEK 6-9bn	Primarily from raw material costs.
Capex	SEK -8bn	

¹ Business outlook range: Positive - Neutral - Negative, in terms of impact on earnings
² Cost inflation comprise of "External factors" and cost inflation in electronic components and logistics. The two latter are included in "Cost efficiency".
³ Comprise of costs of R&D, marketing/brand, connectivity, CRM and aftermarket sales capability etc.
⁴ Efficiencies in variable costs (excl. raw materials, trade tariffs and labor cost inflation >2%) and structural costs (excl. consumer experience innovation and marketing).
⁵ Comprise of raw material costs, trade tariffs as well as direct and indirect currency impact and labor cost inflation >2%. Currency translation effects are estimated to impact 2022 net sales by +4% and operating income by SEK +200m.
 Note: Business outlook in the above table excludes non-recurring items and assumes no significant additional impact from the coronavirus pandemic.

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JS: I am pleased with our achievements, where we step-by-step in a consistent way have improved earnings quality through a clear strategy for driving profitable growth through providing the right type of innovations under well-established brands to our target consumers. And delivering these products with high quality and being cost efficiently produced. I am also proud of how we have managed the market volatility during the two pandemic years, showing efficiency and agility. These are key success factors also going forward as the pandemic continues into 2022 and with that a dynamic environment.

In 2021, the combined contribution from **volume, price and mix** to operating income was nearly 9 bn SEK. We expect this organic year-over-year contribution to be even higher in 2022, mainly

driven by price but also increased sales of innovative high margin products and aftermarket solutions.

Price is our main tool to offset cost inflation and we have a strong track record of successfully doing this. Lately in 2021, when we faced significant cost inflation, but also when looking at a longer period such as the last four years, which all been characterized by high cost inflation, including currency headwind. We are committed to offset cost inflation also in 2022.

Just to be clear on what we mean with cost inflation – it comprises of two parts: Firstly, External factors, which includes raw material, currency, tariffs and excess labor cost inflation. Secondly, the cost inflation in electronic components and logistics, which is included in Cost efficiency in our business outlook.

Starting with **External factors**, we expect for the full year a negative headwind in the range of 6 to 9 bn SEK, mainly driven by raw material. We see higher prices across the board when it comes to commodities, and especially steel, which account for more than 50% of our raw material spend. Last year, the cost inflation we faced in the early part was much lower than at the end of 2021.

The constrained global supply environment has resulted in cost inflation, especially for logistics and ocean freight, but also for electronic components.

As we are committed to **fully offset the cost inflation with price** also for the full year 2022, we are in the middle of implementing further list price increases in early 2022 in all business areas, adding to those we already implemented in 2021. Our attractive product range and well-established brands are key to continue to be successful. However, we don't expect price to fully cover for the cost inflation already in the first quarter as there is always a time lag in price implementation.

If we shift focus from price to the other two levers within organic contribution, we expect the combined contribution from **volume and mix** to be positive for the full-year. 2022 will be our most intense product launch year ever, partly enabled by our re-engineering program. This gives us confidence that consumer demand for our products will remain healthy and provides us with a great platform to drive mix improvements. We aim to **invest more in innovation and marketing** to support these launches but also to strengthen our digital capabilities in terms of consumer interactions. In recent years, mix improvements have contributed an average of SEK 1bn to operating income per year.

Global supply chain constraints are, however, expected to continue to negatively impact our ability to fully drive volume and mix, especially in the first-half of the year. From mid-2022, we expect sequential improvements with regards to the overall supply chain situation. We are collaborating closely with our suppliers to mitigate these constraints, but we estimate that the first quarter will be at least as challenging as the fourth quarter in 2021, with significant risks of disruptions relating to the resurgence of the coronavirus. Lockdowns in important ports in China, as we have seen lately, adds to the uncertainty. This as we are sourcing a significant number of components from China. The supply chain constraints also resulted in significantly higher costs for airfreight and spot buys of electronic components in the second half of 2021, year-over-year, and we estimate this to also be the case in the first quarter of 2022. Another source of uncertainty is potential production disruptions due to absenteeism relating to coronavirus.

TF: As Jonas mentioned, cost competitive, high-quality products are vital to drive profitable growth. Beyond the cost and quality benefits of highly automated production of modularized products, it also gives us the opportunity to introduce new innovations based on new technologies at a much faster pace. And this is what our 8 bn SEK **re-engineering program** that we are in the middle of is all about. In the fourth quarter 2021, we started the ramp-up in three additional factories – Springfield, Susegana and Sao Carlos, on top of Anderson and Curitiba that are already up and running, and we closed the legacy Anderson factory. During 2021, we

shifted the production capacity in the new Anderson and Springfield factories towards more premium products than initially planned. This is positive overall for the return on the investments as it involves a shift to further improved mix from cost savings.

Looking specifically at the line **Cost efficiency**, we expect this to be negative for the year. This as the cost savings we expect from the re-engineering program in 2022 will only partly offset the cost inflation on logistics and components. We will also see an increase in depreciation as we are continuing to start up additional production lines and new product platforms in our new investments.

Investments to strengthen our competitiveness through innovation, automation and modularization continues in 2022 and total **capital expenditures** are estimated to be approximately 8 bn SEK. The increase compared to 2021, relates mainly to some timing of investments from 2021 and raw material inflation on equipment.

Factors affecting forward-looking statements

This transcript contains 'forward-looking' statements presented in the Q4 2021 interim report and earnings call held on January 28, 2022, that reflect the company's current expectations. Although the company believes that the expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations prove to have been correct as they are subject to risks and uncertainties that could cause actual results to differ materially due to a variety of factors. These factors include, but are not limited to, changes in consumer demand, changes in economic, market and competitive conditions, supply and production constraints, currency fluctuations, developments in product liability litigation, changes in the regulatory environment and other government actions.

Forward-looking statements speak only as of the date they were made, and, other than as required by applicable law, the company undertakes no obligation to update any of them considering new information or future events.