How we create value
FOCUSED PROFITABLE GROWTH STRATEGY

Sustainable consumer experience innovation is a key driver for long term profitable growth, enabling users to prepare great-tasting food, care for their clothes so they stay new for longer and achieve healthy wellbeing at home.

Profitable growth is also enabled by consistently increasing operational efficiency through digitalization, automation and modularization. Sustainability is an integral part of Electrolux strategy. A solid balance sheet facilitates profitable growth.

Financial key figures 2021

<table>
<thead>
<tr>
<th>Metric</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales, SEK BN</td>
<td>126</td>
</tr>
<tr>
<td>Operating margin*</td>
<td>6.0%</td>
</tr>
<tr>
<td>RONA**</td>
<td>28.5%</td>
</tr>
<tr>
<td>Capital turnover-rate</td>
<td>5.3</td>
</tr>
</tbody>
</table>

*Excluding non-recurring items
**Return on net assets
Electrolux in 15 seconds

GLOBAL LEADER
Electrolux is a global leader in household appliances. We reinvent taste, care and wellbeing experiences for more enjoyable and sustainable living around the world. We offer thoughtfully designed, innovative and sustainable solutions, under well-established brands including Electrolux, AEG and Frigidaire.

Well-established brands with a strong innovation heritage

Electrolux business areas

SALES BY BRAND
- Electrolux
- AEG
- Frigidaire
- Other

SALES BY BUSINESS AREA
- Europe
- Latin America
- North America
- Asia-Pacific, Middle East and Africa

*Includes Frigidaire Gallery and Frigidaire Professional

Forward Looking Statements
This document contains ‘forward-looking’ statements 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.
The global household appliance market is being transformed by five major trends – increased consumer power, digitalization, sustainability, global scale and the growing global middle class. While these changes place demands on investments and economies of scale, they also present major opportunities.

**Consumer power**

Greater consumer awareness and access to information on prices, offers, product characteristics and consumer reviews online, via social media and through mobile access, increasingly empowers consumers. 93% of consumers say online reviews impact their purchase decisions and 63% of consumers are willing to pay up to 15% more for a better experience. This makes developing products that offer outstanding consumer experiences more important than ever to allow premium pricing and greater competitiveness. Spending more time at home due to the coronavirus pandemic has meant that people place even more value on high-quality appliances with relevant features and benefits.

Consumers are increasingly choosing brands with a purpose that they feel matches their own values. 80% of consumers prefer buying from and into the brands whose actions align with their beliefs and values.

**Strategic focus:** Electrolux experience innovation and brand/product focus are specifically tailored to appeal to targeted consumer segments and needs.

**Digitalization**

Digitalization enhances consumer power, while enabling increasingly advanced products, and greater productivity and flexibility in industrial operations. Since the pandemic, 69% of consumers are shopping more online. The use of the internet to research consumer electronics and appliances increased by 24%, and online sales by 15% at the start of the pandemic, where consumers over the age of 60 played a key role in driving digitalization.

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

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This document is an excerpt from Electrolux Investor Relations web “How we create value” available at electroluxgroup.com/ir/create-value
Sustainability

Sustainability is becoming more important for consumers. Two-thirds of global consumers are willing to pay more for sustainable products⁵ and 90% of consumers are willing to pay more for a brand that gives back to society³. Almost 3 of 4 global consumers think it is more important than before the pandemic for companies to behave more sustainably⁶. A similar proportion say the same about reducing their personal carbon footprint.

Authorities around the world are also putting increasing demands on manufacturers to develop and offer more sustainable products, such as product 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.

Global scale

The industry is consolidating into a handful of global actors as global scale is required due to the increasing pace of innovation and investment requirements.

Strategic focus: Electrolux has the global scale, technology, competence and balance sheet to be one of the drivers of this consolidation.

Growing global middle class

The expanding global middle class drives market growth in Africa, the Middle East, Eastern Europe, Latin America and Southeast Asia. Emerging markets represent a potential universe of over 6 billion consumers.

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.

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Key areas to drive profitable growth

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

Financial targets for profitable growth*

- OPERATING MARGIN: ≥6%
- RONA: >20%
- SALES GROWTH: ≥4%

* Financial targets are over a business cycle

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Innovative product portfolio
Well-established brands with a strong innovation heritage
A sustainability leader
Strengthen our position in the high-margin aftermarket business
Clear road map to strengthen emerging market position

Driving sustainable consumer experience innovation

Innovation is key to drive margin expansion

• Product innovation, built on deep consumer insight in the specific consumer audiences for our three main brands, has resulted in products with enhanced consumer benefits. These products command a higher price and drive margin expansion – known as ‘mix improvement’.
• Mix improvements have significantly contributed to operating income in recent years, demonstrating that Electrolux product innovations are in demand.
  – In recent years, mix improvements have contributed an average of SEK 1bn to operating income.
• Our most resource-efficient products also drive profitability – enjoying higher margins than other products on average since the 1990s.
• Streamlining of the product portfolio has resulted in fewer product variants - which has reduced cost and increased sales.
• Consistent push for innovation has resulted in leading positions both within segments and in the market.
  – Europe – strong 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.

Three clear innovation areas – Taste, Care & Wellbeing

• Targeted R&D gives us a competitive advantage – optimizing our offering and shortening the time to market.
• Electrolux focuses its R&D on features that allow a price premium i.e. products that provide great consumer experiences such as:
  – great tasting food with the right taste and texture, healthy, fresh and nutritious. Inspired by new culinary techniques, while also reducing food waste.
  – care for clothes so they remain like new for longer, and ready to wear by holding their size and shape, while using minimal water and energy.
  – healthy wellbeing in the home by using appliances with a visual appeal, while creating a healthy environment.
• On average, 3% of sales have been invested in focused R&D efforts over the last five years.
• Resource-efficient products drive consumer demand in a market increasingly interested in sustainability.
• At least one-third of product development is in general related to sustainability, including energy and water efficiency.

Innovation has resulted in growth and higher profit for the premium brands Electrolux and AEG

Targeted R&D - a competitive advantage

Taste: Cookers, hobs, ovens, hoods, microwave ovens, refrigerators and freezers.
Care: Washing machines, tumble dryers and dishwashers.
Wellbeing: Vacuum cleaners, air-conditioning equipment, water heaters, heat pumps and small domestic appliances.

Note: data currency adjusted and excluding non-recurring items
Deep consumer insight - a competitive advantage in an age of greater consumer awareness

- Deep consumer insight increases our success rate and return on investment.
  - The average consumer star rating for the Group was 4.65 in 2021.
- Consumer needs are our starting point to define business opportunities.
- A consumer-centric innovation process is critical.
- Electrolux product R&D is based on a long history of consumer insight built on surveys, consumer data, home visits, user experience labs combined with daily monitoring of consumer reviews of both Electrolux and competitor’s products.
- In recent years, new digital tools for testing products have accelerated the development process and reduced costs.

Increased consumer experience focus strengthens our offering

- Combining functions for R&D, marketing, design, digital consumer solutions and sustainability ensures a consumer experience focus throughout the entire product development phase:
  - Accelerate product innovation and aftermarket services.
  - Translate experience innovation into brand storytelling and product design.
  - Strengthen consumer relationships through repeat purchases and aftermarket sales.

Increased return through consumer experience design

The development of the intuitive user interface of the Quick Select dishwasher is based on consumer insights. Instead of the user having to make difficult choices between programs, the environmental indicator effortlessly provides an optimal balance between a sustainable choice and washing time.

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Consumer understanding leads to higher revenue and value creation to shareholders

- Revenue: +23% (Product companies), +41% (Service companies)
- TRS*: +27%, +18%


*TRS = Total return to shareholders
### Digitalization creates opportunities and new routes to market

- **Consumers are increasingly using digital tools to find and buy appliances.** Through the use of data analytics and digital marketing, Electrolux is well positioned to tailor offers that meet consumers’ needs.
- **Our strong focus on innovation for the consumer experience improves consumers’ star ratings of our products,** which in turn makes our more innovative products more desirable.
- **B2B e-commerce allow us to a larger extent interact directly with the consumers and tell our story.**
  - Targeted investment in marketing and brand building is driving sales.
  - Provides strong, differentiated information with clear consumer benefits to help consumers to find the right product.
- **D2C e-commerce targeting our most loyal consumers with a differentiated offering.**
  - A complement to existing B2B sales.
  - Currently a small part of total sales.
  - Differentiated value proposition to leverage bundling - which includes services as well as products.
  - Active in nearly 40 countries by the end of 2021 and scaling up the business in many of those markets.
  - Largest presence in Latin America and Europe, with ongoing roll out in Asia-Pacific, Middle East and Africa, and North America.
- **We are continuing to expand our range of connected products to deliver great consumer experiences based on a scalable global IoT platform and with strong partnerships.**

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**How we create value**

<table>
<thead>
<tr>
<th>Driving innovation</th>
<th>Increasing efficiency</th>
<th>Solid balance sheet</th>
</tr>
</thead>
<tbody>
<tr>
<td>Innovative product portfolio</td>
<td>Well-established brands with a strong innovation heritage</td>
<td>A sustainability leader</td>
</tr>
<tr>
<td></td>
<td>Strengthen our position in the high-margin aftermarket business</td>
<td>Clear road map to strengthen emerging market position</td>
</tr>
</tbody>
</table>

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Digitalization enables new opportunities for direct consumer engagement

![Digitalization enables new opportunities for direct consumer engagement](image-url)
Strong brands drive profitable growth

- Strong brands grow faster, are more profitable and more resilient during crisis.
  - 75% of a brand’s value share performance can be explained by being one of the top 3 brands in the minds of the consumers¹.
  - 1.3X higher growth rate of most relevant brands vs. S&P 500 average².
  - 9X faster recovery for strong brands vs. global average during the 2008-09 financial crisis³.
- Innovation has resulted in growth and higher profit for our premium brands Electrolux and AEG.

Three well-established brands with strong and focused brand propositions

- High brand awareness is built on 100-year track record of innovation.
- The three main brands – Electrolux, AEG and Frigidaire – represent ~80% of total Group sales and receive the vast majority of investments in consumer experience through marketing, design and innovation.
- The main brands have clear target consumer positions where they can grow profitably and with potential to attract a larger audience.
- Distinctive target consumers:
  - The typical Electrolux consumer is someone who actively drives change for the better and with a positive outlook on the future. They are open for new experiences and want progressive, sustainable premium brands that can help them evolve in their daily life.
  - For the AEG consumer, it is all about innovation, performance and premiumness, while acting responsibly. This consumer strives to improve and has very high expectations on brands to support their lifestyle.
  - The Frigidaire consumer represents middle American core families with family life and friends in focus. The consumer seeks practical solutions and wants to improve their local community.
- In 2021, the sharpening of brands has resulted in continued growth in brand preference (top 3) in a majority of Electrolux markets.

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¹ Value market share regressed against top 3 and Spontaneous Awareness (Brand Scorecard 2014 & GfK sell-out data 2014. Countries included Frigidaire (NA), AEG (BE, DE, ES, UK), Electrolux (FR, IT, PL, RU, SE).
² Prophet Brand Relevance Index 2017 – 10 years CAGR of most relevant brands vs. S&P 500 average.
³ Kantar Research (2019).
A sustainability leader - a competitive advantage for growth

- Consumers, retailers and authorities increasingly prioritize sustainability:
  - ~2/3 of global consumers are willing to pay more for sustainable goods.¹
  - ~3/4 of global consumers believe sustainability is more important than before the coronavirus pandemic.²
- We have first mover advantage, with a clear aim to continue to be the industry 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 Group has received several recognitions for its sustainability work and was also in 2021 included in the Dow Jones Sustainability World Index (DJSI World).
- Sustainability is a key brand attribute for the Electrolux brand.
  - The framework For the Better 2030 includes key sustainability areas where Electrolux can make a difference. They cover all the stages in our value chain – from R&D and suppliers, through our own operations and consumer use, to the end of life of our products – where we have an impact. Read more about Electrolux key sustainability areas, goals and results at www.electroluxgroup.com/en/sustainability


Sustainable products are in demand and more profitable

- Electrolux most energy and water efficient products accounted for 19% of total units sold and 31% of gross profit in 2021. The 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. Read about the ‘Make it Last’ campaign, highlighting the company’s sustainable laundry innovations at www.electroluxgroup.com/en/case-stories/
- Resource-efficient products are essential for sales growth in emerging markets, e.g. in water and energy scarce regions.

Our leading position in sustainability is growing sales, lowering costs and building trust. Strong stakeholder support can only be achieved with a strong sustainability reputation. A large proportion of corporate reputation is built on ESG dimensions.

³) Source: www.reptrak.com

This document is an excerpt from Electrolux Investor Relations web “How we create value” available at electroluxgroup.com/ir/create-value
Greater resource efficiency is a priority to further strengthen competitiveness

- In products – to strengthen our offering.
  - 44% more recycled plastic used in products 2021 vs. 2015.
- In operations – to reduce operational and manufacturing costs and risk exposure.
  - 43% less energy used per manufactured product 2021 vs. 2005.
  - 56% of the total energy use in Group operations came from renewable sources in 2021.
  - 43% improved water efficiency in operations 2021 vs. 2015.

Electrolux Climate Neutrality Roadmap 2050

- The overall target is a climate neutral value chain by 2050.
- Electrolux has set science-based climate targets (SBT) aligned with the 2015 Paris Climate Agreement to keep the global temperature rise below 1.5°C.
- Targets for CO₂ impact from operations:
  - -80% CO₂ reduction by 2025 vs. 2015. In 2021 Electrolux achieved 78%.
  - Climate neutral operations by 2030.
- Targets for CO₂ impact from product use:
  - -25% CO₂ reduction by 2025 vs. 2015. In 2021 Electrolux almost reached 20%.
  - Product usage accounts for ~85% of the CO₂ climate impact of an appliance*. Therefore, product efficiency is where Electrolux can make the greatest contribution to tackling climate change.
- Majority of the re-engineering investments will contribute to achieving our science-based targets.
- The long-term incentive program for senior managers since 2020 includes a substantial climate impact reduction element.
- Read more about the progress of these targets at www.electroluxgroup.com/en/sustainability.

The Electrolux climate neutrality roadmap

<table>
<thead>
<tr>
<th>Targets:</th>
<th>Climate neutral operations</th>
<th>Climate neutral across the value chain</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>80% reduction in carbon emissions in operations (Scope 1 and 2)</td>
<td>This long-term ambition supports the United Nations Global Compact Business Ambition for 1.5°C. Scope 1, 2, and 3</td>
</tr>
<tr>
<td>2025</td>
<td>25% reduction in carbon emissions in product use (Scope 3)</td>
<td></td>
</tr>
<tr>
<td>2030</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2050</td>
<td></td>
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*Calculated as the average of eleven different appliances

Driving corporate climate action through Science Based Targets

The Electrolux climate neutrality roadmap

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<td>2030</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2050</td>
<td></td>
<td></td>
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</tbody>
</table>

1. Science based target (SBT)
2. Company target (Scope 1 + 2 = 0)
The aim is to capture a largely untapped aftermarket business

- The aim is to increase the share of Group sales in the high-margin aftermarket segment to ~10% by 2025. In 2021, aftermarket accounted for ~7% of the Group’s sales, compared to ~5% in 2018.
- Currently Electrolux has less than 20% penetration of aftermarket products relative to consumer spending potential.
- We are increasing direct consumer contact and promoting consumer loyalty by establishing a digital interface for consumer services, consumer relationship management (CRM) systems and connected products.
- The aftermarket for consumer products is large and highly fragmented, and manufacturers have historically had limited direct access to consumers.

Targeting two areas

- Consumables and accessories
  - Tailor-made offerings for specific needs, e.g., air and water filters based on targeted product innovation.
  - Launch of subscription offers making it easier to order filters, dust bags, etc.
  - In Business Area North America, the water filter business has grown strongly in recent years, mainly by targeting the consumers who are most interested in regular filter changes, while also raising awareness of the need to change filters regularly to ensure water quality. In 2020, sales increased by ~50% year-on-year, with an almost 60% improvement in gross profit. In 2021, the subscription model was introduced with double-digit sales growth.

- Service and repair
  - A key area to further enhance the consumer experience and loyalty to drive repurchases. At the same time, it provides a better use of resources as the life of products is extended.
  - Strengthening our offering through extended warranties, fixed-price repair models and by establishing an internal, digitally supported sales force.
  - In 2017, Electrolux was the first among all appliance manufacturers to offer fixed-price repair services in Europe. The service has been very well received as it enables consumers to make an informed decision on whether to repair or replace an appliance.
  - In 2021, the Repair and Care service product was launched in Europe, giving consumers additional options to protect themselves against future repair costs, along with monthly payment solutions to ensure consumers always have a relevant offer whenever needed.
  - A flexible business model for service and repairs ensures high quality deliveries.
    - In strategic markets with high population density, in-house service personnel are used predominantly
    - To ensure coverage in the more than 120 markets where Electrolux sells its products, a network of dedicated independent service providers and multi-brand independent service providers is used.

Aftermarket services

<table>
<thead>
<tr>
<th>In Warranty</th>
<th>Out of Warranty</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-2 years</td>
<td>-3...10...12 years</td>
</tr>
</tbody>
</table>

- Extended Warranties
- Consumables & Accessories
- Repairs
- Spares

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Key strengths to leverage the aftermarket

- An installed base of ~400 million major appliances offers a large potential for aftermarket sales.
- Deep consumer insights and strong expertise in appliances to develop tailored offerings for Consumables and accessories as well as for Service and repairs.
- Well-established brands with high brand recognition.
- Solid financials:
  - Driving organic growth through required investments in CRM, connectivity and aftermarket sales capabilities.
  - Strengthen aftermarket presence through selected acquisitions.
  - Recent acquisitions in service and repair in key European markets and Australia.
- Product reliability and user experience are key:
  - Service Call Rates improved significantly, amounting to 2.4% in 2021 compared to 5.1% in 2015.
Emerging markets represent a 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 have similar needs as 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.
- Differentiated approaches for entering various sub-regions in emerging markets.
- Prioritizing common development resources and investments to enable emerging market growth.

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

- We are increasingly leveraging our global scale to complement our local market knowledge and drive growth.
  - We have established global product architectures/platforms for refrigeration, laundry, dish care and cooking. This increases the pace and agility of R&D, 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.
  - We are strengthening our direct to consumers offering in Latin America and Southeast Asia.
  - Being both global and local ensures that our emerging market offering is better adapted to changing consumer demands, and also product development programs that primarily aim at Western markets take emerging market needs into account.
  - Driving scale at the Electrolux facility in Rayong, Thailand, as a manufacturing hub for emerging markets, which can be complemented with additional hubs as we execute on the roadmap.

Capturing the emerging mass-premium market

- Primarily building on the well-established Electrolux brand that is closely associated with sustainability and Swedish values.
  - Resource-efficient products are key for sales growth in emerging markets, e.g. in water and energy scarce regions.
  - Targeted approach in China with the AEG brand resulted in strong growth in 2021.
Delivering on our annual -3% cost ambition

• Since 2016, variable product costs have decreased by -3% per year on average. This is in line with our ambition to reduce variable product costs by 3% per year on like-for-like products, net of normal inflation ≤2% (excluding the impact of raw material prices).

• Modularization, automation and strategic sourcing are key to drive profitable growth through cost competitive products with best-in-class product design and quality.

• The re-engineering investment program is an ongoing initiative to deliver on variable product cost target.

• In addition, continuous cost improvements are an important part of our strategy - achieved by improving cost structures and developing methods, processes and skills.

• Electrolux manages working capital to release resources that can be invested in growth activities.

Focus areas to increase efficiency and drive profitable growth

<table>
<thead>
<tr>
<th>Cost</th>
<th>Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Modularization</td>
<td>Premium</td>
</tr>
<tr>
<td>Strategic sourcing</td>
<td>Finished goods</td>
</tr>
<tr>
<td>Automation and digitalization</td>
<td>Operations</td>
</tr>
<tr>
<td>Continuous improvement</td>
<td></td>
</tr>
<tr>
<td>Quality</td>
<td></td>
</tr>
</tbody>
</table>

The illustration shows which areas will primarily drive cost efficiency but also contribute to profitable growth.

Competitive cost structure

• High share of variable costs – about 70% of the Group’s total cost base.
  - Enables high flexibility and fast adaption to external factors such as fluctuations in market demand or commodity prices.

• Several cross-functional cost-excellence programs have been implemented to reduce variable product costs, e.g. the Electrolux Manufacturing System, modularization, digital manufacturing and an integrated digital supply chain.

• The continuous improvement program aims to reduce structural costs through improved ways of working, greater resource efficiency and the increased use of digital tools and processes.

• Reduced energy, waste and water use supports a more competitive cost structure.

High degree of variable costs

<table>
<thead>
<tr>
<th>SEKm</th>
<th>2021</th>
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<tbody>
<tr>
<td>Net sales</td>
<td>126</td>
</tr>
<tr>
<td>Direct material</td>
<td>-47</td>
</tr>
<tr>
<td>Sourced products</td>
<td>-19</td>
</tr>
<tr>
<td>Other variable costs</td>
<td>-20</td>
</tr>
<tr>
<td>Operational structural cost</td>
<td>-23</td>
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<tr>
<td>Innovation and marketing structural cost</td>
<td>-9</td>
</tr>
<tr>
<td>EBIT excl. non-recurring items</td>
<td>7.5</td>
</tr>
<tr>
<td>Variable cost</td>
<td>-70%</td>
</tr>
<tr>
<td>Structural cost</td>
<td>-30%</td>
</tr>
</tbody>
</table>

Variable costs: Direct material incl. raw material and components. Sourced products incl. small appliances, vacuum cleaners, air conditioners, microwaves, etc. Other variable costs incl. direct labor and other variable production costs as well as costs for warranty and logistics.

Structural costs: Operational structural costs incl. fixed factory and warehousing costs, depreciation and administration. Innovation & marketing structural costs.

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Strong return on re-engineering investments

- SEK 8bn of investments committed to an extensive re-engineering program, which is fully underway.
- Investments in modularization and automation in the Americas and Europe are vital to drive profitable growth through strengthened cost competitiveness and improved mix.
  - The re-engineering program drives efficiency, strengthens production cost competitiveness, increases flexibility and product speed to market as well as a sharpened product offering through design and quality.
  - Modularization will continue to be key once the re-engineering program is complete.
- At least SEK ~3.5bn in estimated annual cost savings and mix shift improvements, full effect from 2024, from the re-engineering program and streamlining measures.
  - Main cost saving and mix shift improvement impact will be in North America related to the investment in Anderson and Springfield.
  - Direct material savings and improved labor productivity are the main cost savings drivers.
  - Mix shift improvement driven by increased share of new premium products produced compared to initial plan.
- Global streamlining measures will also contribute to cost savings. Streamlining involved the creation of four regionally focused business areas in 2019 and the re-organization of key global functions.
- All investments within the re-engineering program expected to drive improved product mix.
- Re-engineering program will also realize significant sustainability benefit such as improved energy efficiency and safer working environment.

Modularization and automation are key to drive profitable growth

- Cost competitive, high quality products are vital to drive profitable growth.
- Re-engineering program significantly increases the use of global modularized products for refrigerators/freezers and cooking products.
- Benefits from modularized products in automated production:
  - Sharpened offering with more relevant features at lower costs.
  - Leveraging and accelerating global technologies increases the speed of innovation.
  - Product design improvements – using modularized bases makes it easier and more efficient to apply updated designs.
  - Best-in-class product design and quality.

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

Significantly leverage our global scale and technology deployment through global modularized products

Note: graphs show % of volume using global modules over total in-house production volume. Global modularized products are used in more than one product and in more than one region.

*Front-load laundry

This document is an excerpt from Electrolux Investor Relations web “How we create value” available at electroluxgroup.com/ir/create-value
Leveraging global scale in strategic sourcing

- Strategic sourcing is the single most important initiative to reduce product costs.
- In 2021, Electrolux purchased raw materials and components for SEK ~48bn, of which SEK ~17bn referred to raw materials.
- The global purchasing function coordinates and administers the vast majority of all direct material purchasing.
- By increasingly introducing modularized products, the Group’s global scale can be leveraged in terms of procurement and R&D.
  - Enables both fixed and variable cost reductions.
  - Increases flexibility by allowing the customization of products using a limited number of standardized modules.
  - Increases economies of scale in the sourcing of components.
- 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.
- 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.

Capturing regional opportunities through deep local understanding

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

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 - to mitigate against financial performance fluctuations.
- 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.
  - The major currencies for the Electrolux Group are the USD, EUR, GBP, CAD, BRL, CHF, CNY, RUB, AUD, CZK and CLP.
  - Read more about Electrolux currency exposure www.electroluxgroup.com/en/currency-exposure/

The Frigidaire consumer represents middle American core families with family life and friends in focus

Sales by region, 2021
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.
- Speed and accuracy are what customers’ and consumers’ expect, and are even more important as online sales grow.
- Electrolux is transforming from a traditional manufacturing efficiency & push approach to demand & service driven supply chain model:
  - Control tower concept allows us to get an end-to-end view of the supply chain.
  - Data driven decision making based on transparent processes and globally aligned data.
  - Agile ways of working support the digital transformation of our operations.
  - Nurturing a digital innovation culture.

Digitalization optimizes supply chain including managing inventory levels
Solid balance sheet and financial strength

- A solid balance sheet helps us to execute our profitable growth driven strategy through:
  - Organic growth investments:
    - Capex to drive product and service innovation.
    - Capex for digitalization and automation to improve competitiveness.
  - Selective acquisition strategy:
    - Bolt-on acquisitions.
    - Strengthen growth in emerging markets and aftermarket.
    - Contribute to increasing consumer interaction and business model transformation.

- Solid financial position
  - Unused committed revolving credit facility amounting to SEK 10bn as of January 2022.
- Sustainable financing
  - First green bond issued in 2019 – SEK 1bn.
  - Sustainability-linked revolving credit facility contracted in 2021.
  - Focusing on industrial and R&D projects, which have significant potential to enable Electrolux to reduce its climate impact.
- High return on net assets fueled by capital turnover
  - 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 healthy levels going forward.
Shareholder-friendly capital allocation

- The Group’s goal is for the dividend to correspond to approximately 50% of the annual income.
- Following a review of the Group’s capital structure, the Board decided in July 2021 to distribute a larger part of the value created to the shareholders, while still maintaining a high level of capacity for value creating investments. Read more on www.electroluxgroup.com/PR_capital_structure
  - Automatic share redemption of SEK 17 per share took place H2 2021.
  - The Board’s intention is to propose increased share buybacks with subsequent share cancellations to the shareholders’ meetings over several years. As a first step, the Board exercised the authorization from the AGM 2021 to buy back shares. Read more on www.electroluxgroup.com/en/share-buybacks/
  - The Board’s objective is to maintain a solid investment grade rating, as defined by leading rating institutes, meaning that over time the Group’s net debt should not exceed two (2) times EBITDA.
- Electrolux has a long history of successful spin-offs, e.g. Autoliv, Husqvarna, and Electrolux Professional, by distributing the shares to Electrolux shareholders and listing them on the stock exchange.
- Total return and long-term value creation.
  - Average annual total return over ten-years has been 14%.
  - Strong focus on consumer experience innovation and efficiency provides a solid platform for long-term value creation.

Distribution to shareholders

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Note: In 2021 Electrolux repurchased own shares of series B for a total amount of SEK 894m
Summary 2021

Sales and operating income
The business environment was highly dynamic during the year, offering both significant opportunities and challenges. Market demand was in general strong throughout the year, while supply and logistic constraints limited product availability. The financial performance improved, with an operating margin excluding non-recurring items of 6.0% compared to 5.0% last year. Sales growth was 14.3% and was the main driver for the improved operating income.

Also this year, Electrolux commitment to delivering sustainable consumer experience innovation contributed strongly to the result. An attractive product offering, delivered under well-established brands, continued to generate an improved mix through selling more innovative premium products. Aftermarket sales, one of the Group’s focus areas, continued to grow. It remained at 7% of total sales for the year, following the high organic growth of the Group.

The net price realization was strong with good traction from list price increases implemented during the year across regions, coupled with a low level of promotional activity reflecting constrained product availability. Price fully offset the significant cost inflation, mainly from raw material but also from electronic components and logistics, as well as currency headwinds. The year was increasingly challenging from a supply chain perspective, facing shortages in mainly electronic components but also logistic constraints. This impacted volumes as well as product mix and the high consumer demand could not fully be met. In addition, the constraints resulted in production inefficiencies due to low production planning visibility and increased cost for logistics and sourcing. This negative impact on cost efficiency was partly mitigated by continuous cost improvements and progress in the SEK 8bn re-engineering program driving modularization, automation and digitalization.

Electrolux increased investments in innovation and marketing to support profitable growth, but the increase was also a result of a significant reduction in 2020 to respond to the market conditions, highly impacted by the pandemic.

CO₂ emissions
The ambition is to achieve climate neutrality by 2050. An important step is the Science Based Targets set for 2025. The Group is close to achieving its combined Scope 1 and 2 Science Based Target of 80% reduction in CO₂ emissions for operations by reaching 78% in 2021, compared to 70% in 2020. The main reason is the increased use of electricity from renewable sources.

The Scope 3 target of 25% reduction in CO₂ emissions, covering use of sold products, reached almost 20% reduction in emissions in 2021. The year-over-year increase in production volumes negatively impacted emissions.

Sales growth

Operating income (EBIT) bridge

CO₂ emissions

Scope 1 and 2

Scope 3

~20% reduction compared to 2015

Electrolux has set two Science Based Targets for 2025 compared to 2015. The first target is 80% reduction in carbon emissions in operations i.e. Scope 1 (direct emissions) and Scope 2 (indirect emissions). The second target is 25% reduction in carbon emissions in product use i.e. Scope 3 (indirect emissions).

Return on net assets

Note: Financial targets are over a business cycle.