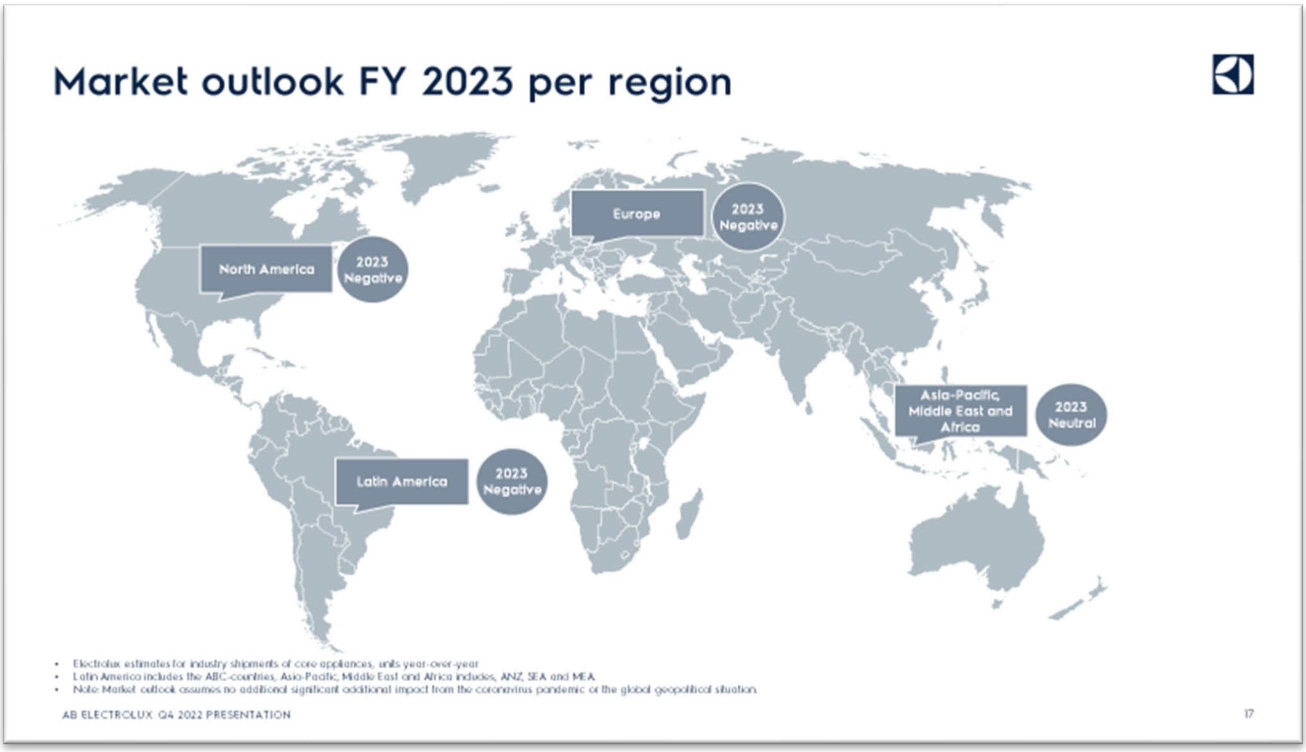
Transcript of comments to outlook slides in Q4-2022 earnings call

Below follows a transcript from the Q4 2022 earnings call held on February 2, 2023, covering the two slides "Market outlook FY 2023 per region" and "Electrolux business outlook" presented by Jonas Samuelson ("JS"), President & CEO, and Therese Friberg ("TF"), CFO.

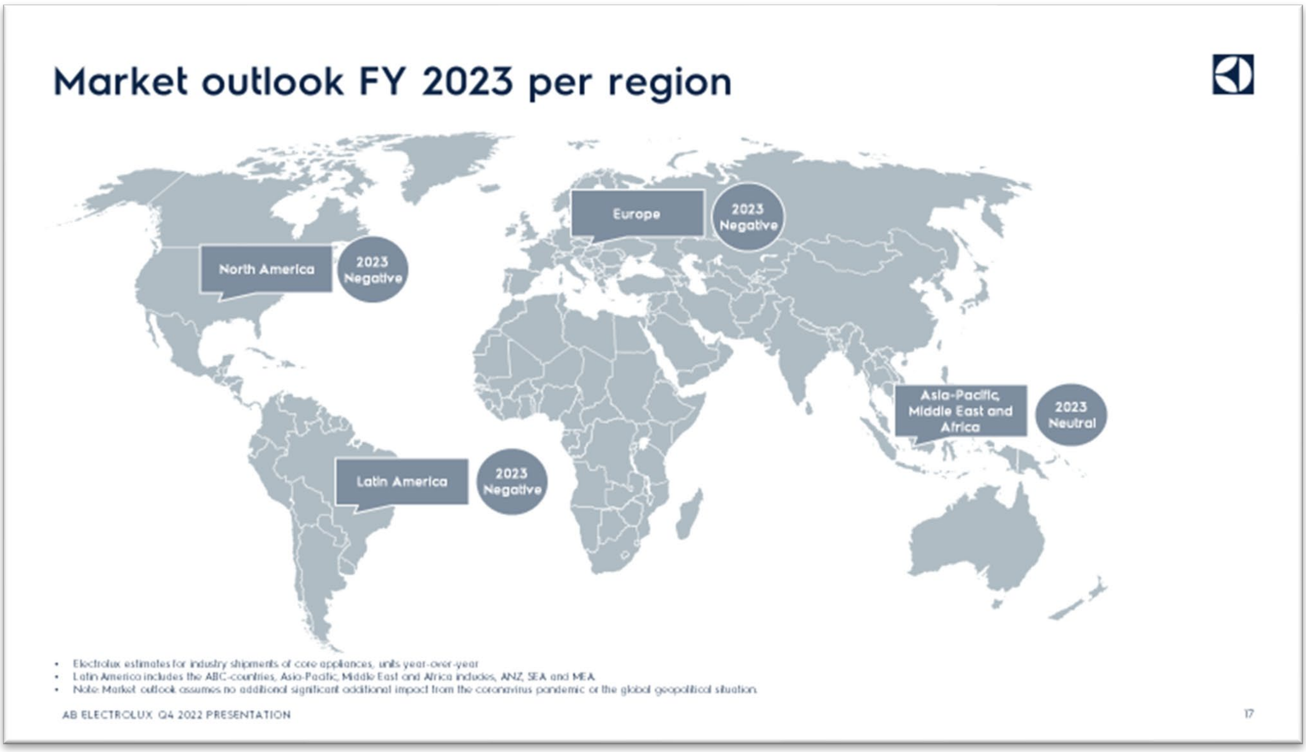
Market outlook FY 2023



JS: We saw consumer sentiment in 2023 to be negatively impacted by a high inflation and interest rate environment, although with regional differences. In Europe, the tight energy situation and Russia's invasion of Ukraine further weigh on consumer confidence and purchasing power, while we see in general less pressure from inflation and interest rates in the Asia-Pacific region. China's re-opening could also have a further positive impact on this region. The housing market, a key driver for appliance demand in mature markets like Europe and North America, is expected to decline in 2023.

On the back of this, we expect demand for appliances in 2023 full-year to be negative for Europe, North America and Latin America and neutral for the Asia-Pacific, Middle East and Africa region, compared to 2022. Although the outlook is uncertain, it is probable that reduced inflationary pressures will lead to demand stabilisation in Europe and North America in the second half of 2023.

Business outlook FY 2023



JS: On the back of this market outlook, we estimate our **volumes** in 2023 to decline year-over-year, partly mitigated by **mix** improvements from a strong offering. 2023 will be another launch-intensive year, although less than 2022. I am very pleased with how well received the new products have been the last couple of years, even in this challenging demand environment with reduced consumer purchasing power. This gives us confidence that we have a great platform to drive mix improvements from.

Looking at **price** we anticipate differences in the price dynamic for our business areas given the regional variations in cost inflation and demand outlook. Since most of the expected cost inflation will impact Europe and Latin America, we will in these regions structure our price execution in terms of list prices and promotional activities to reflect this with the aim to offset cost inflation. In North America on the other hand, reduced commodity and transportation market prices combined with lower consumer demand are predicted to result in continued high promotional activity, following the increase we saw in Q4 2022. As a consequence, on a Group level we do not expect to fully offset the negative impact from External factors in 2023 full year with price.

As mentioned, we expect **External factors** to be negative for the year, driven by energy and labour inflation as well as currency headwind and most of this will impact Europe and Latin America. Although we foresee benefits from lower raw material costs, the positive impact on earnings is reduced as a higher share than normal of raw material procured at last year's rates will be consumed in 2023. This as a consequence of higher inventory levels of supplies and reduced production rates in Q4 2022. The outlook for external factors in the second half of 2023 is difficult to predict as energy and plastic prices are volatile, and a portion of steel prices are on price mechanisms.

The expected positive year-over-year earnings contribution of SEK 4-5bn from **Cost efficiency** and reduced **investments in innovation and marketing** combined, related to the Group-wide cost reduction and North America turnaround program is reconfirmed. Total cost reduction from the program is estimated to be in excess of SEK 7bn in 2024 compared to 2022.

Investments to strengthen our competitiveness through innovation, automation and modularization continue in 2023 and total capital expenditures are estimated to be in the range of 6 to 7 billion SEK.

TF: If we look at the phasing of the impact from these items during the year, it is primarily three items I wish to highlight.

Starting with price, the carry-over from list price increases implemented a year ago will taper off and mainly benefit the first months of 2023 for the Group as a whole. Last year, promotional activities returned to normal levels in the second half from being at low levels in the first half of the year, mostly impacting North and Latin America as these are the two most promotional intense regions.

External factors are just like Jonas commented on impacted by a higher share than normal of raw material procured at last year's rates that will be consumed in 2023. This lag will mainly negatively impact Q1.

And finally, a few words on the timing of the impact from the Group-wide cost reduction and North America turnaround program. The activities implemented under the program will gradually contribute to earnings over the course of 2023 and an important element of the program is reducing costs for logistics and sourcing of components, especially in North America. Just like with raw material, the higher inventory level of components results in a lag before the measures we are taking will have an earnings impact. In terms of logistics, contracts are in general negotiated around this time of the year and the new rates are implemented during Q2. Also relevant for the phasing of this earnings contribution, from a year-over-year perspective, is the baseline where cost efficiency and innovation and marketing combined last year was less negative first half of the year compared to the second half of the year.

Factors affecting forward-looking statements

This transcript contains 'forward-looking' statements presented in the Q4 2022 interim report and earnings call held on February 2, 2023 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.