HOUSEHOLD APPLIANCE MARKET REPORT 2023/2024

Home Appliance Employers' Association

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APPLiA Polska – Home Appliance Association is:

- The only representation of the household appliances industry in Poland since 2004
- Participant in dialogue with the government, parliament, media and NGOs
- Expert, among others on ESG, circular economy and energy efficiency issues
- Initiator of Codes of Good Practice in the household appliances industry and educational campaigns
- Center for research and analysis of the household appliances industry in Poland
- Representation of the industry in standardization institutions
- Founder and main shareholder of ElektroEko S.A., the largest electronic waste recovery organization in Poland
- A member of APPLiA Home Appliance Europe, the Polish Chamber of Commerce and the confederation of Employers of the Republic of Poland – Pracodawcy RP

Konrad Pokutycki

Chairman of the APPLiA Polska Council, CEO of BSH Sprzęt Gospodarstwa Domowego Sp. z o.o.

In 2023, the home appliance industry has proven itself to be largely resilient to unfavorable economic conditions. Given the global decline in demand for durable goods, we can say that we successfully responded to a number of challenges and achieved good results. First of all, we have maintained a high level of investment. Each year, the domestic appliance industry in Poland allocates about 2 billion PLN. We invest not only in production development. Poland is one of the leading markets for knowledge-based business services, and our industry co-creates this sector. We are developing the areas of shared services and research and development. It is in Poland that innovations in household appliances are born. It is also worth mentioning that we are improving the efficiency of our companies in these challenging times, such as energy consumption. We are also responding quickly to changing consumer needs. Poland is an attractive country for the development of the household appliance industry, and the results presented in this report allow us to look to the future with optimism.

Wojciech Konecki

CEO of APPLiA Polska

It is not easy to write about difficult times, and 2023 was not one of the easiest. Black swans came in flocks, meaning we had to deal with inflation, the delayed COVID effect for the industry, increased purchasing caution of retailers, new supply chains and the local effect of the war in Ukraine. The Polish home appliance industry sends about 90% of its production for export, so we have been painfully affected by reduced consumption in Western European countries. This was compounded by the loss of eastern markets. Not without significance was also the increased activity of factories from Turkiye and the Far East, for which the European market is also very lucrative. What remains, however, is optimism stemming from the conviction that „it can't get any worse" and the anticipated increase in demand driven by RRP. Also encouraging is the increased consumer focus on energy-efficient household appliances.

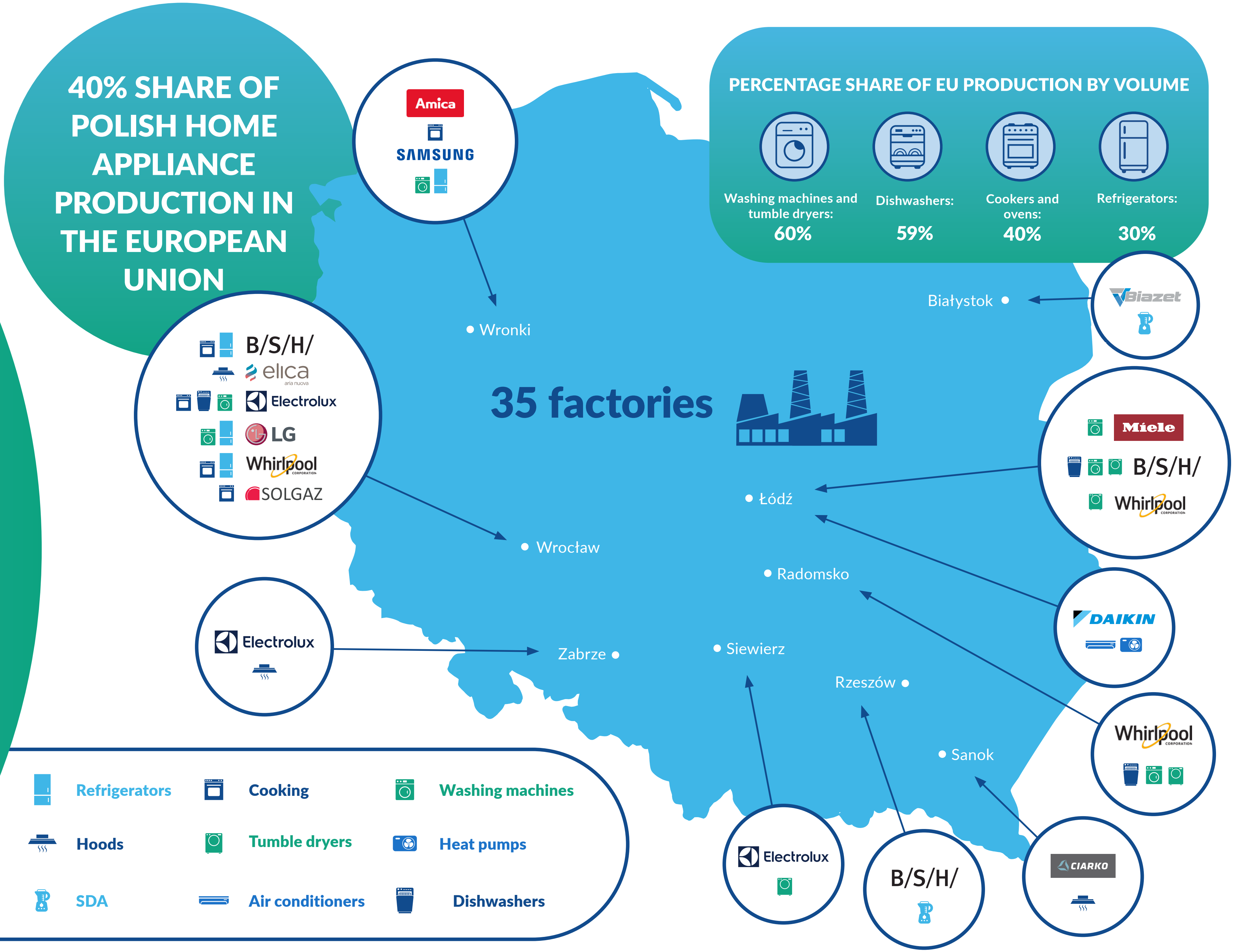
HOME APPLIANCE INDUSTRY

Poland's home appliance industry is a significant branch of the country's manufacturing industry. The sector is formed by a total of about 40 companies, with the 10 largest accounting for a significant share of employment and sold production.

In 2023, 26 milion pcs. of household appliances were produced in Poland. Production revenues reached more than 26 billion PLN. In volume terms, there was a decline of 11%. The value of production declined by about 3%. This means that 10 million fewer household appliances were made in our country than in 2021, the record year in terms of capacity utilization.

Poland is still the leader in household appliance production across Europe. The 35 Polish factories account for about 40% of the volume of production of large household appliances across the European Union. However, the production of large household appliances from Poland is increasingly competing with imports, whose shares in individual EU markets are steadily increasing.

Despite a second very difficult year, the home appliance industry is making record investments in Poland in the development of modern production lines, digitization and automation of production processes, global and regional R&D centers, business, purchasing and IT centers. In 2023 home appliance companies invested more than 2 billion PLN. This is a level comparable to 2022. Over the past six years, the industry has invested a total of nearly 10 billion PLN. More than 90% of the investment value is attributable to the 4 largest manufacturers - BSH, Electrolux, Whirlpool and Samsung.

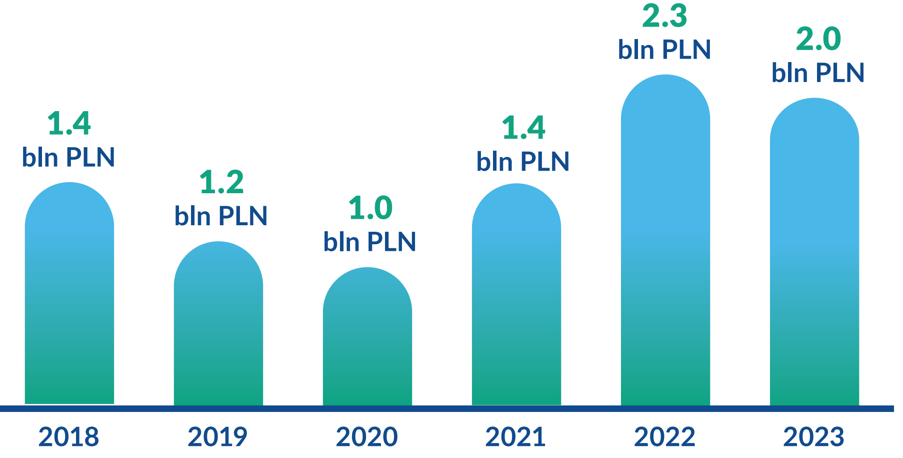


Robert Stobiński

Vice President of the Management Board, Amica S.A.

After an extremely challenging year for the home appliance industry in 2022, characterized by problems with component availability or rising costs of production and logistics, like the rest of Poland's manufacturers, when planning the 2023 we were nevertheless optimistic. Unfortunately, reality negatively verified our predictions. The market continued to record a decline in sales, which was reflected in reduced production volumes. In order to neutralize the negative impact on the company's bottom line, we therefore focused on optimizing the supply chain - starting with planning, through component procurement and production, and ending with the logistics of deliveries to customers. In addition, we optimized the portfolio of products offered by the Amica Group, and continued investments related to our ESG strategy. As a result, the realized results are higher than those in 2022, and the long-term results of the activities carried out provide a solid base for continued growth in 2024.

Investments of home appliance industry in Poland, 2018-2023



EMPLOYMENT

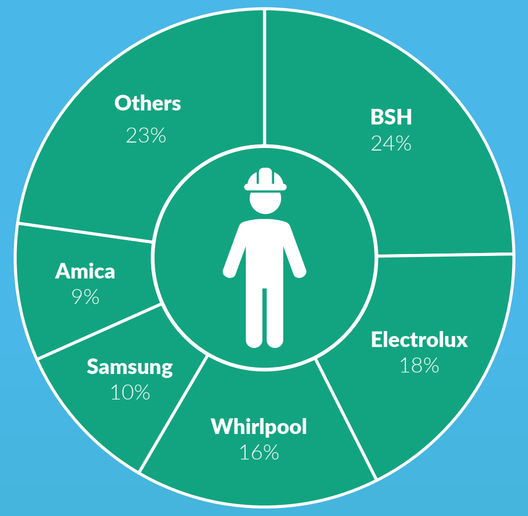
The home appliance industry directly employs about 35,000 people in Poland. Most of the employees work in factories, where the level of employment remained similar to the previous year, i.e. 30 thousand people. About 15% of this number are temporary workers, who, due to the significant seasonality of household appliance production, provide work at selected times of the year.

An additional 5 thousand people work in companies without factories in Poland, which import household appliances to our country from or outside the EU. These are also employees of regional sales departments and global shared services headquarters.

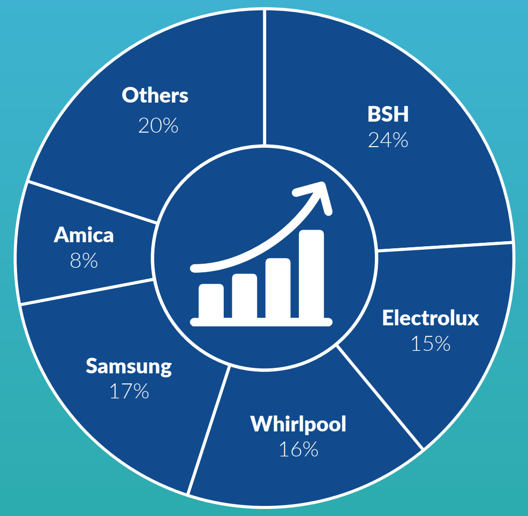
According to estimates by APPLIA Polska, the domestic appliance sector generates employment of 110,000 people. This figure includes sub-suppliers of materials and services centered around the entire product life circle, including salespeople and home appliance repair technicians.

The largest employers in the home appliance industry are BSH Sprzęt Gospodarstwa Domowego Sp. z o.o., Electrolux Poland Sp. z o.o., Whirlpool S.A., Samsung Electronics Poland Manufacturing Sp. z o.o. and Amica S.A. These companies employ 77% of people working in home appliances (industry and imports) and account for 80% of the revenues of all manufacturers and importers of home appliances. The combined revenues of the largest manufacturers, suppliers and importers from the production and sales of household appliances in Poland and abroad amounted to about 44 billion PLN in 2023.

EMPLOYMENT
2023



REVENUE
2022 R. PRODUCTION AND IMPORT



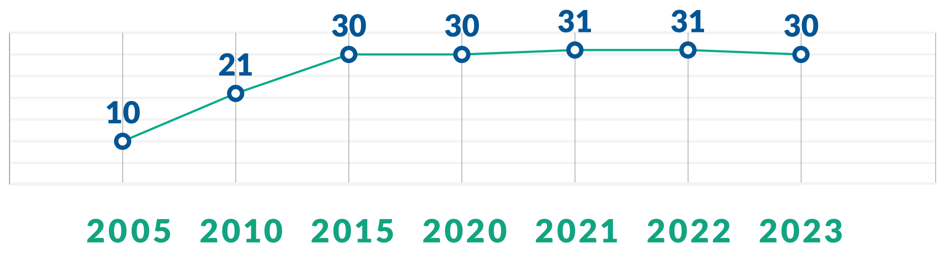
There are about 40 companies employing 50 or more people in the electrical household appliance manufacturing sector.

The household appliance industry accounts for a third of one of the largest sectors in manufacturing industry in terms of revenue (Division No. 27 Production of electrical appliances electrical equipment according to the Polish Classification of Activities, PKD). A similar share applies to employment volume.

The average wage in the industry is more than 7,000 PLN gross. This rate has increased over the past 4 years by 35%. The value of wages of the home appliance industry exceeds 2.5 billion PLN (14 largest manufacturers).

Employees of Polish R&D centers take an active part in the design of appliances, but also in the development of international quality and safety standards. Engineers from our country participate in the work of European and global organizations dealing with technical standards for devices (CENELEC and IEC), in which they represent the entire European industry.

EMPLOYMENT IN THE POLISH HOME APPLIANCE INDUSTRY, 2005-2023 (K PEOPLE)

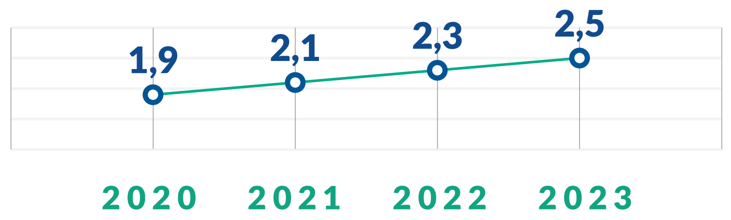


Francesco Celentano

CEO of Whirlpool Complany Polska

2023 has been a very challenging year for Polish domestic appliance manufacturing. All three of our Polish production zones, comprising a total of 7 factories, also face these challenges. It is important to remember that Poland is the largest producer of household appliances in Europe, and the vast majority of appliances from there is exported. Declines in production are therefore directly related to reduced demand in European markets. The most important challenge has been to maintain high productivity despite the reduced production base. So far we have been successful and, what is very important, we maintained employment at previous levels. This shows the maturity of our industry, as well as the professionalism of our employees, who were the first to perform near miracles during the coronavirus pandemic, and now are able to cope with much more difficult business realities than in the past. There are some signs of improvement in recent months, when production increased slightly. Let this be a good forecast for the whole of 2024.

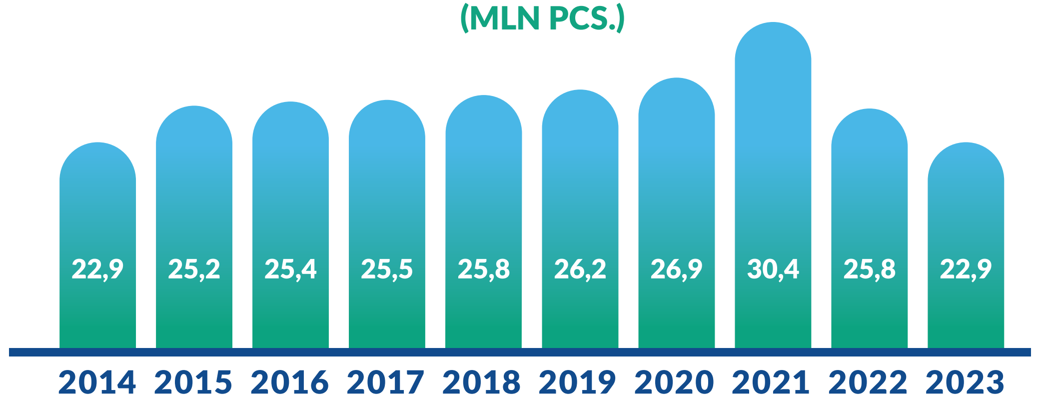
SALARY EXPENDITURES IN THE HOME APPLIANCE INDUSTRY IN POLAND, 2020-2023 (BLN PLN)



PRODUCTION

A total of 26 million household appliances were produced last year. The sold value of production was about 26 billion PLN. The vast majority of the volume is accounted for by large household appliances - 22.9 million units. Production in Polish factories of this equipment decreased by as much as 11%. In units, it's a drop of 2.9 million units. The production value of large household appliances reached 24.9 billion PLN, an annual decline of about 3%. This collapse caused the volume of manufactured household appliances to fall to the level of 2014 in 2023. It is worth adding that the capacity of Polish factories then was much lower than now. Only three categories of equipment are produced in small household appliances in Poland: vacuum cleaners, coffee makers and mixers. The value of this production reached about 1.1 billion PLN in 2023. Quantitatively, it is 3.1 million appliances, two-thirds of which are coffee makers. Including the production of household appliance parts, the value of the industry's sold production in 2023 is about 27.7 billion PLN. By volume and value, washing machines are still the largest group in production, with 26% of the volume of large appliances and 27% of the value of all household appliance production in our country, respectively. country. The next two categories are dishwashers and refrigerators.

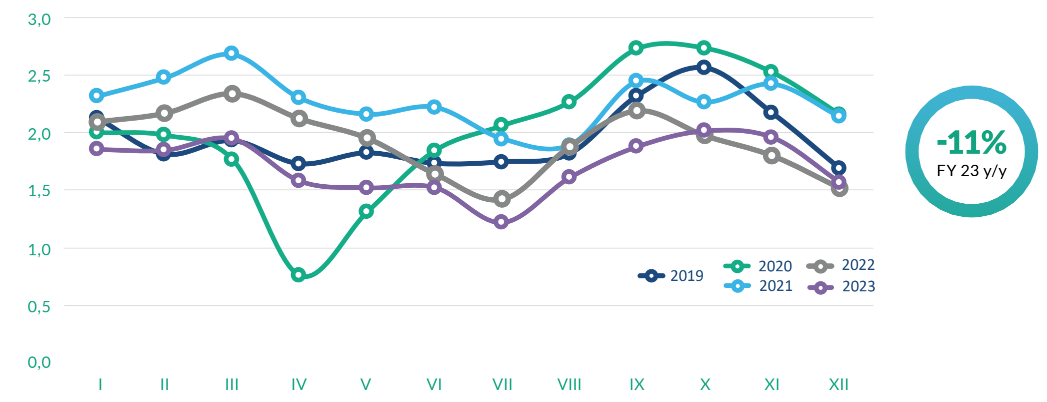
PRODUCTION OF LARGE HOUSEHOLD APPLIANCES IN POLAND (MLN PCS.)



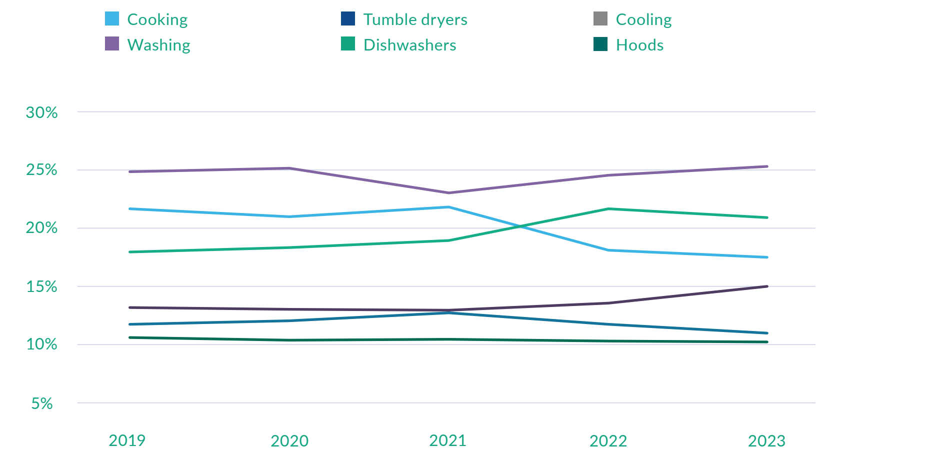
HOME APPLIANCES PRODUCTION IN 2023

2023	Mln pcs	Bln PLN
WASHING MACHINES	5,8	6,9
COOKERS, OVENS, HOBS	4,0	3,0
DISHWASHERS	4,8	5,3
REFRIGERATORS	3,4	5,6
TUMBLE DRYERS	2,5	3,1
HOODS	2,3	0,9
SDA	3,1	1,1
PARTS	---	1,7
TOTAL	25,9	27,7

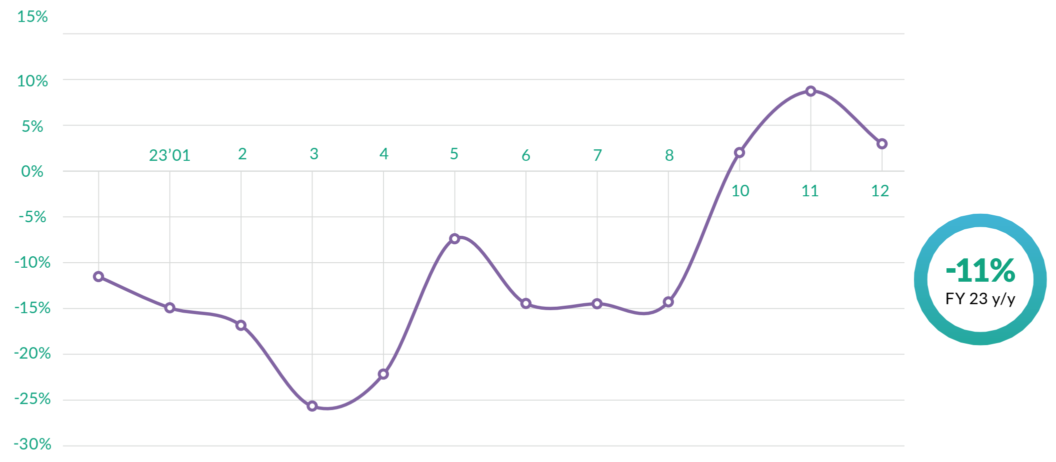
PRODUCTION OF LARGE HOUSEHOLD APPLIANCES IN POLAND (MLN PCS.)



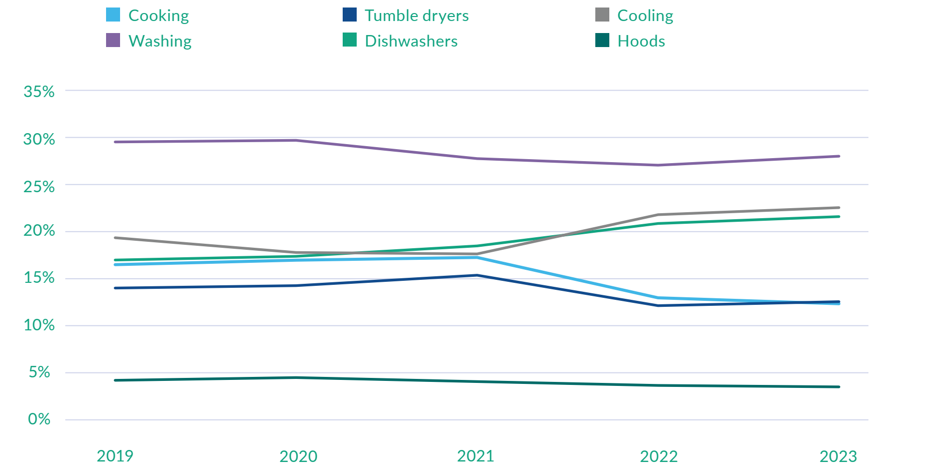
SHARES OF GROUPS OF LARGE HOUSEHOLD APPLIANCES IN PRODUCTION - PCS.



PRODUCTION DYNAMICS, PCS. Y/Y



SHARES OF GROUPS OF LARGE HOUSEHOLD APPLIANCES IN PRODUCTION – PLN



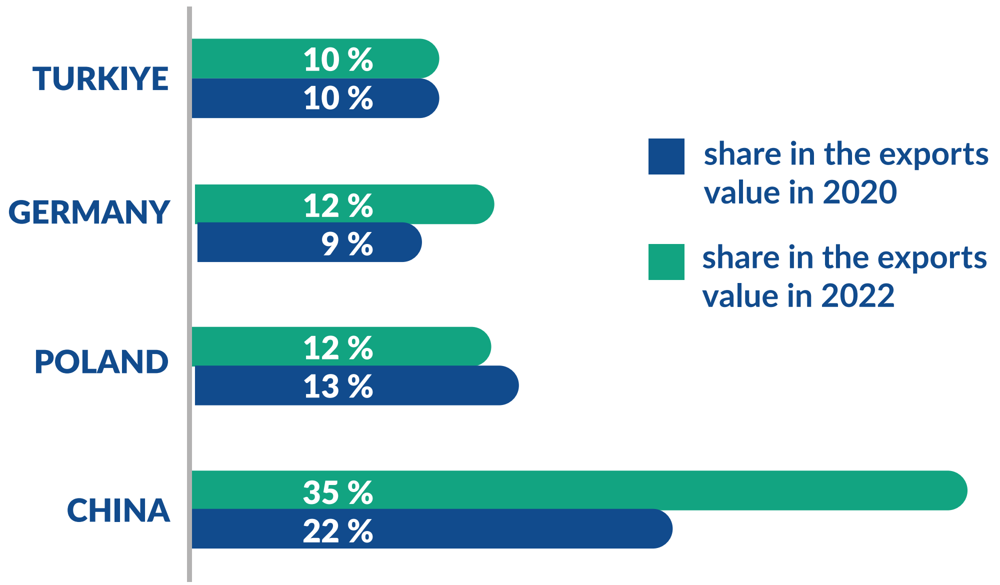
EXPORT/IMPORT

The decline in production was followed by a strong drop in Polish home appliance exports in 2023. The value of exports of large household appliances including hoods from Poland amounted to about 23.5 billion PLN in 2023, 13% lower than in the previous year. In terms of volume, 21 million large household appliances were exported from Poland (-13% y/y).

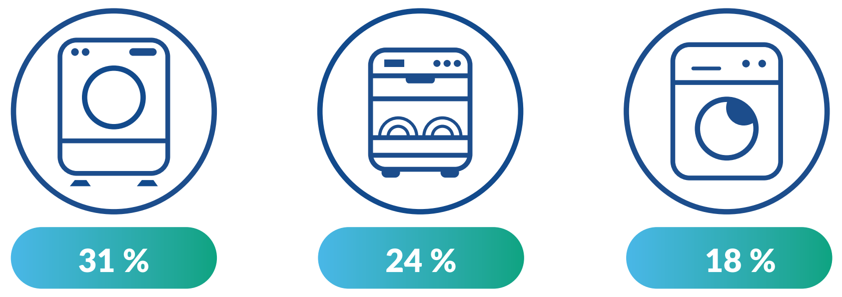
About 90% of the volume of Polish large appliance production is exported. More than half of Polish exports is sent to the four largest European markets (Germany, France, United Kingdom, Italy).

In terms of value, imports to Poland in 2023 remain at a similar level, around € 3.3 billion. Most of it is small household appliances (€ 2.2 billion), and € 1.1 billion is large household appliances including hoods. Last year saw another strengthening of Chinese imports to Poland in large home appliance, with the country's share of imports rising from 27% in 2019 to 39% in 2023 (by volume). In the case of washing machines and refrigerators, it is already approx. 45% in total imports of these categories (560 and 740 thousand units, respectively). The second country with a significant share of imports is Turkiye (13%). The next countries are Germany and Italy. Interestingly, China's share of imports of large household appliances equaled the share of imports of small home appliances (41%). In the latter segment,the largest growth was recorded from the direction of Indonesia - a share of 15%. Poland is the world's second largest exporter of large household appliances (according to data for 2022). The 2021 position was thus maintained, but the share of products from Poland in the value of global exports fell from 14% to 12%. Number one is China with a share of about 35%. In third place is Germany, and in fourth place is Turkiye. Taking into account declines in domestic production, it is expected that in 2023 Poland will move to the third or fourth position, i.e. behind Turkiye and Germany. By products of large household appliances, Poland is the world's largest exporter of tumble dryers (31%) and dishwashers (24%). In laundry appliances, we are second only to China. The value of global exports fell 7% to $39 billion in 2022.

WORLD EXPORTS OF LARGE HOUSEHOLD APPLIANCES



POLISH EXPORTS IN THE WORLD

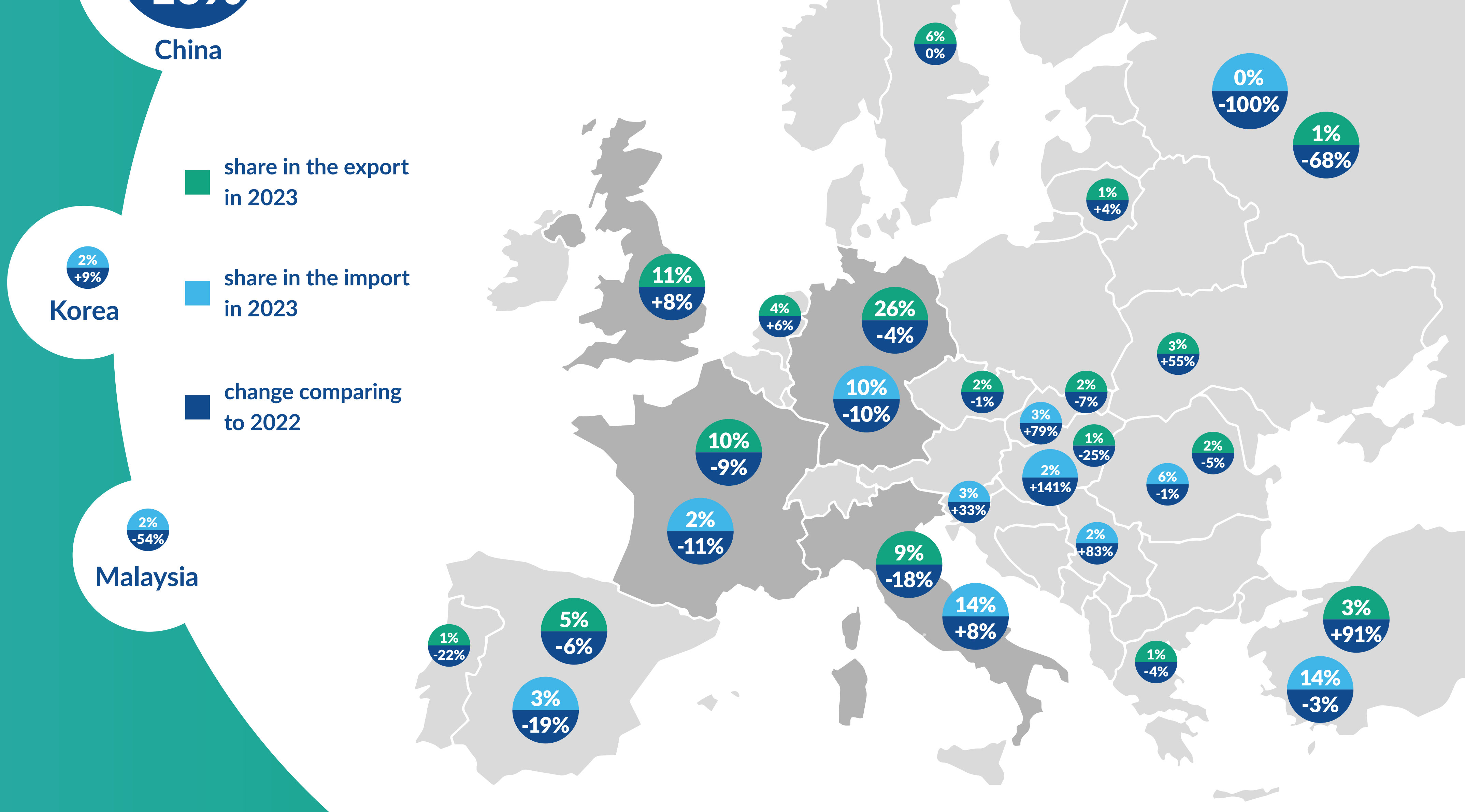


Tumble dryers – no. 1

Dishwashers – no. 1

Washing machines – no. 2

IMPORT OF LARGE HOUSEHOLD APPLIANCES FROM AND TO POLAND (VALUE - PLN)



HOME APPLIANCES MARKET

Some were surprised by certain market trends, but for most specialists the decline in demand was predictable. After a COVID period of prosperity, where consumption was driven by purchases of people giving up on vacations or going to the movies, a time for a correction came. What was surprising, however, was its depth, where in some segments we saw a drop below 2019 levels, which was difficult to explain. The traditional refrigerator and washing machine segments were the least affected, while larger declines affected the „stars" of recent years like hair dryers, espresso machines and even dishwashers. Those who thought that the market would be increasingly dominated by e-commerce and, in particular, the large intercontinental sales platforms were probably a bit mistaken, as the upward trend is being maintained to some extent, but its momentum is much less than expected. The traditional stationary sales model offering mixed, omnichannel sales still holds, although it too has experienced some turbulence in recent months. This, in turn, is multiplying concerns about excessive market concentration.

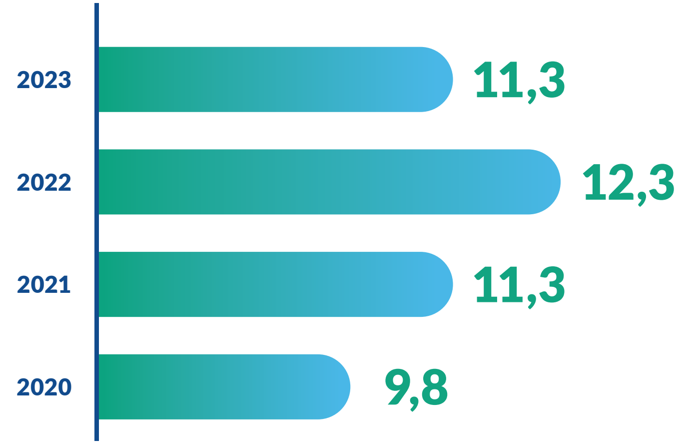
In the near future, we will heal the wounds of previous years by enjoying increases resulting from a low previous base. By the end of the year, the positive effects of the inflow of RRP funds may begin to be felt. The large household appliances industry is also counting on systemic support for energy-efficient products, which are steadily increasing in the market.

Government support for consumers buying top-of-the-line appliances would help improve households, industry, distribution and, above all, the environment. The small domestic appliance industry shows incredible creativity and speed of adaptation to market needs. After responding to gourmet coffee demand, these years belong to products from the personal beauty and care sphere.

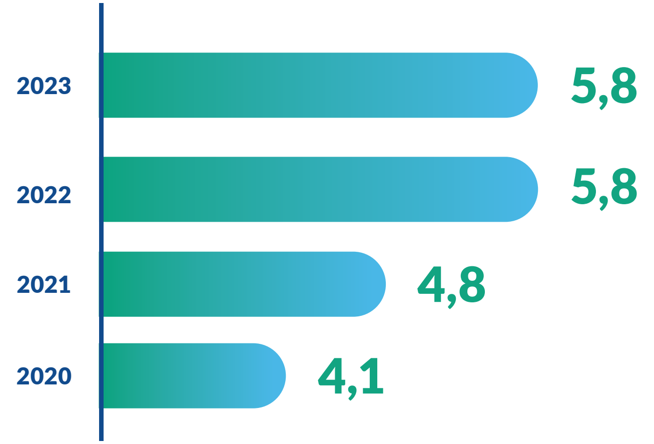
According to APPLIA's estimates, Polish consumers in 2023 spent about 17.1 billion PLN on household appliances (amounts including VAT tax), 6% less than last year.

CONSUMER SPENDINGS ON HOME APPLIANCES (B PLN GROSS)

MAJOR HOME APPLIANCES



SMALL HOME APPLIANCES



DISTRIBUTION

THE LARGEST DISTRIBUTORS IN POLAND

	INCOME (B PLN)	EMPLOYMENT (PEOPLE)	SHOPS QTY
MEDIA EXPERT (TERG S.A.)	15,4 (for IV'22-III'23)	11 160	571
EURO-RTV-AGD (EURO-NET SP. Z O.O.)	11,4 (for I-XII'22)	7 159	327
MEDIA MARKT (MEDIA-SATURN HOLDING SP. Z O.O.)	4,6* (for X'22-IX'23)	2 958	80
NEONET (NEONET S.A.)	2,8 (for IV'22-III'23)	2 517	300*
MAX ELECTRO, MAX KUCHNIE (GT GROUP TOMASZEK SP. Z O.O.)	1,4 (for I-XII'22)	128	731
TOTAL	35,5	23 922	2009

Source: National Court Register; * APPLiA's estimates

The vast majority of household appliance sales to the customer (known as sell-outs) in Poland are made by the five largest distributors, which own more than 2,000 stores and employ 24,000 people. According to official reports, these companies achieved 35.5 billion PLN in revenue in 2022. The assortment of many companies goes beyond household appliances and consumer Electronics; that is why it is difficult to estimate the sales value of household appliances alone in these companies.

The aforementioned chains, in addition to selling products also sell numerous services, the value of which already exceeds 10% of their revenues.

SALES MAJOR HOME APPLIANCES

2023 was the second year of declines in the dynamics of wholesale and retail sales of large household appliances. The former, the so-called sell-out, i.e. sales of manufacturers and importers to distribution, recorded a decline of 13% in volume terms compared to 2022. A nominal 6.3 million units is a result similar to 2019. Comparing these figures with the record year 2021, we have a decrease in the volume of sales of large appliances by 1.4 million units. The sell-out market, on the other hand, shrank in value by 7% last year and amounted to about 9 billion PLN net. It is worth mentioning that the last decline in the value of this market took place in 2005.

Of the total assortment, the largest product category, refrigerators, strengthened its share - 22% (units) and 27% (value). The most popular of refrigerators, i.e. the so-called no frosts with the freezer at the bottom, saw a 5% drop in sales, but still account for 70% of all refrigerators sold in Poland (in value and volume). The second largest category in home appliances is laundry, with a 21% share in volume. Half of this is accounted for by front-loading washing machines with a width of 60 cm.

Sales in units of all laundry decreased by 6% last year. On the other hand, narrow washing machines are one of five subcategories in all large household appliances that recorded sales growth (+25%). The others are rather niche categories, namely single-door refrigerators (+6%), refrigerators with a freezer on top (+9%), static refrigerators with a freezer on top (+5%) and gas stoves (+7%).

The share of built-in furniture appliances accounts for 39% of the volume of large household appliances.

Michał Grzeliński

Country Director - Poland & Baltics, Beko

The market for large household appliances in 2023 brought a lot of uncertainty and showed that after many years of growth and prosperity in our industry, there was a painful correction. We could therefore see a decline in the market in both volume and value terms in all product groups. In addition, we also had product segments where declines were more pronounced, even in double digits, which may have come as a surprise to many market participants. It is worth adding that the market situation in 2024 is still and will be very challenging for both manufacturers and all market partners, which is also due to the pressure of macroeconomic factors. This will require greater readiness for change, cooperation and commitment to the development of the home appliance market from all sides.

SALES OF LARGE HOME APPLIANCES IN POLAND (MLN PCS.)

REFRIGERATORS	1,36
WASHING MACHINES	1,31
COOKERS AND OVENS	0,95
DISHWASHERS	0,85
HOBS	0,71
MICROWAVES	0,52
HOODS	0,31
TUMBLE DRYERS	0,24
TOTAL	6,26

Jakub Gawroński

General Manager for Central and Eastern Europe, De'Longhi

2023 was a remarkable year for the entire home appliance industry, in which various portents in the heavens and on the earth foretold calamities and unusual occurrences. Consumer-wise, the home appliance market experienced quite a crisis, with a slowdown in the real estate market, inflation, and a deterioration in consumer sentiment. In our part of the business - small household appliances - after a weak start to the year, we are seeing some harbingers of consumer recovery. As for our Distributors/Customers, 2023 was also full of changes and turbulence. High inventory levels at the end of 2022 and an increase in external financing costs negatively affected customer liquidity. I am optimistic about 2024. I believe that the improvement in consumer sentiment will contribute to an increase in consumption, joined in the medium term by an increase in investment, which will lead to dynamic economic growth.

SALES SMALL HOME APPLIANCES

The market for small household appliances declined in value by about 2% in 2023. According to APPLIA's estimates, it accounts for about 4.6 billion net PLN.

The largest category in small home appliances, espresso machines, is a market at 1.3 billion PLN. Compared to 2022, this is a drop in value of about 10%. In Poland, 550,000 units of this equipment were sold last year (-18% y/y). The second category with a market above 1 billion PLN are vacuum cleaners. The value of their sales declined by 1%. Cordless vacuum cleaners account for 1/3 of all vacuum cleaners and more than half of the sales value of this equipment.

The categories with the highest volume growth were, as last year year, kettles and toasters.

SALES OF SMALL HOME APPLIANCES IN POLAND (SHARES, VALUE)

ESPRESSO MACHINES	29 %
VACUUM CLEANERS	22 %
HAIR & BEAUTY	15 %
KITCHEN MACHINES & BLENDERS	12 %
GRILLS, FRYERS, TOASTERS	6 %
IRONING	5 %
KETTLES	4 %
AIR PURIFIERS	1 %
TOOTHBRUSHES	3 %
OTHERS	4 %

HVAC sales market

In the HVAC (heating, ventilation, air conditioning) sector, after the fantastic 2022 for heat pumps and air conditioning, we saw a slump of several tens of percent, caused mainly by a reduction in government support from the "Clean Air" Program. In all of 2023, 218,000 applications were submitted for subsidies for heat pump installation. In total, that's 34% of all applications submitted. The remaining applications were mostly for the installation of solid fuel or gas boilers.

The vast majority of HVAC equipment is imported. Last year, air conditioners were imported to Poland to the tune of 2.2 billion PLN (-2% y/y), including split-type air conditioners worth 1.1 billion PLN. The import value of water heaters was nearly 512 million PLN (-9% y/y). Imports of another category - heat pumps - reached a value of nearly 1.5 billion PLN (-4% y/y). The main importer of heat pumps to Poland, i.e. China (23% share in imports), recorded a 16% drop in value. The second country is Germany with a share of 20% in imports. The next three countries - Sweden, France and Italy - each have a share of about 10% in imports. Exports of heat pumps reached 1 billion PLN in 2023 and were twice as large than in the previous year. This is a result of recent investments by the HVAC industry in Poland. Almost 70% of exports (€147 million) went to Germany.

Tomasz Dobryniewski

Managing Director,
Daikin Airconditioning Poland Sp. z.o.o.

As a leading manufacturer in the HVAC market, over the past 3 years we have seen dynamic changes, from sudden interest to a drastic reduction in demand. These mainly involved consumer products, i.e. heat pumps and air purifiers, which strongly affected our industry. On the other hand, in terms of commercial solutions, e.g. freon systems, chillers and the refrigeration segment, the market has remained fairly stable. Guided by forecasts and legislative changes, I believe that professional solutions for commercial and industrial facilities will show an upward trend, and heat pumps will become the main source of heating no longer only in residential facilities. This will be a huge challenge for the industry as a whole, and we hope, that it will positively influence its development.

HVAC IMPORTS TO POLAND (MLN PLN)

	2020	2021	2022	2023
HEAT PUMPS	460	696	1533	1472
AIR CONDITIONING	1392	1497	2773	2226
WATER HEATERS	307	434	565	512

SMART HOME AND CONSUMERS

The smart home appliance market includes connected versions of all types of household appliances. This includes both large appliances (refrigerators, washing machines, ovens, etc.) and small appliances (microwave ovens, coffee makers, vacuuming and mowing robots, etc.), provided they are connected to the Internet. Indirect connection via a local area network is also possible, as long as remote access and control of the relevant appliances via the connection is provided.

Household appliances are now increasingly smart appliances which allow, among other things, remote managing usage, ordering purchases or verifying malfunctions. Also gaining popularity is the use of artificial intelligence algorithms in them, which, for example, recognize the the type of dishes placed in the oven. Poland is experiencing growing demand for smart appliances, driven by an increasing emphasis on energy efficiency and automation in households. Experts estimate that by 2024, the market for smart appliances in Poland will reach revenue of $243.9 million. This compares with about $3 billion in our Western neighbors. The market in Europe as a whole is currently estimated at about $14.2 billion.

Projections show that the number of households equipped with smart devices in 2024 will exceed 1 million (about 8%). Within four years, this number is expected to rise to nearly 3.5 million households (1/4 of households).

The dynamic development of the direction in question has not escaped the attention of the European Union, which is developing further legal documents on data security and the users of smart devices. Currently, great excitement is aroused by the tentatively agreed provisions of the Artificial Intelligence Regulation, thanks to which Europe will become the first continent with clear rules for the use of this technology.

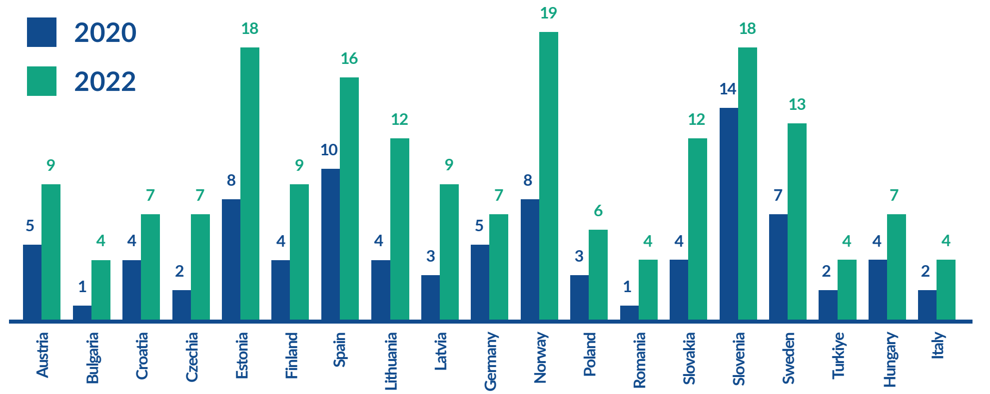
Piotr Stelmachów

VP Head of Consumer Electronics,
Samsung Electronics Polska

We conducted a survey on Poles' preferences for smart home solutions in 2023. We found out that as many as ¾ of Polish consumers have at least one smart device at home, and as many as 6 out of 10 respondents would like to control all devices from a single app. This shows that Poles are interested in smart devices and want them in their homes. At the same time, the most important aspect they demand from smart devices is increased security, followed by energy savings and intuitive operation. All these benefits are combined in smart home management applications. The most diverse devices of different brands can be connected to them, creating a real command center in the home and making our daily chores simply easier.

Percentage of users with home appliances connected to the internet

(e.g. espresso machine, robot, refrigerator etc.)



CONSUMERS AND HOUSEHOLDS

SOME FIGURES ABOUT HOUSEHOLDS

In Poland, we have about 14.5 million households with an average of 2.5 people. Despite the population decline, it is estimated that by 2030 the number of households will increase to 15.5 million. On average, a household occupies an apartment of 82 m 2, consisting of 3 rooms. There are currently 15.4 million housing units in our country, of which 6.9 million are single-family dwellings, and 8.6 million are multi-family dwellings located in 560,000 multi-apartment buildings. 99.9% of housing units are equipped with a water supply, 99% with a bathroom. Moreover, 87% use gas, of which 56% (8.6 million) have a connection to the gas network, and the rest use gas cylinders.

HOUSEHOLD APPLIANCES IN HOMES

There are about 200 million household appliances in operation nationwide. Household appliances, of which more than 60 million are large household appliances. Every year these appliances provide convenience and save time, electricity and water. Washing machines alone wash 19 million tons of clothes annually. We store the same mass of food in our refrigerators each year, extending freshness and reducing food waste. Vacuum cleaners, on the other hand, clean an area equal to 50,000 square kilometers each year.

It is estimated that household appliances consume about 50% of the electricity in our homes, or more than 15 TWh per year. That's about 10% of electricity consumption in the entire economy.

HOUSEHOLD EQUIPMENT WITH HOME APPLIANCES

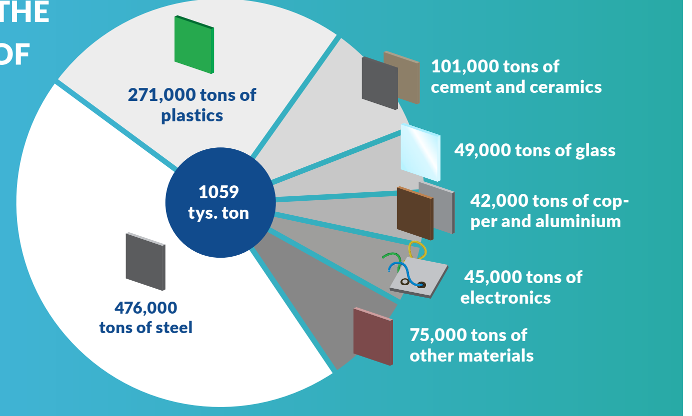
Ovens, cookers, hobs, hoods	25.0 mln
Refrigerators	15.0 mln
Washing machines	14.0mln
Vacuum cleaners	15.0 mln
Microwaves	9.0 mln
Kitchen machines	9.0 mln
Dishwashers	7.0 mln
Espresso machines	3.0 mln
Freezers	2.0 mln
Tumble dryers	1.0 mln
Other small home appliances (e.g. toothbrushes, shavers, toasters, kettles)	98.0 mln

ESG IN HOME

ESG stands for environmental, social and governance. The goal of ESG is to capture all the non-financial risks and opportunities inherent to a company's day to day activities.

The home appliance industry has been a leader in implementing this concept for years, especially in the environmental field. It plays a not inconsiderable role in implementing the EU's pro-environmental goals of reducing raw material consumption at every stage of a product's life, starting from design and logistics through sales and service, and ending with recycling. Much more important from the perspective of caring for the environment, however, are the household products themselves. About 80% of their climate impact is due to their very use. By providing more efficient appliances and supporting their users with professional repair services, home appliance companies are supporting the realization of sustainable consumption. One of the cornerstones of the ESG is the 17 UN 2030 Sustainable Development Goals, and the entire household appliance industry and each company in the sector individually support the realization of about 10 of them.

MATERIALS IN THE PRODUCTION OF HOUSEHOLD APPLIANCES IN POLAND – 2023



TOTAL: 1059 K TONS

Mariusz Chołyst

General Manager, Electrolux Poland

Over the years, we have seen a significant change in the business approach to sustainability. We have gone from including selected environmental or social activities in our plans, to striving to become a truly sustainable company.

Anyway, there is no turning back from this path, as this is the expectation of a growing group of consumers, especially when it comes to climate change. As many as 55% believe that brands and companies must now be environmentally responsible (GfK Consumer Life®: TrendKey 2023). Interestingly, consumers expect this first of all from companies, and to a much lesser extent from governments.

Home appliance companies are increasingly setting themselves ambitious and long-term sustainability strategies. I think this phenomenon will be significantly boosted by, among other things, the mandatory reporting of ESG activities implemented on January 1, 2024.

CIRCULAR ECONOMY

MANUFACTURING AND ECO-DESIGN

The home appliance industry used about 1.06 million tons of appliance materials in 2023. This amount is more than 200,000 tons less than in 2021. Steel accounts for nearly half of this mass. Home appliance manufacturing companies' expenditures on materials and energy reached about 20 billion PLN in 2022.

All manufactured equipment met EU requirements for sustainable production. These consist of rules specifying what substances cannot be used in equipment for reasons of human health and environmental safety. For 20 years there has been no Freon or even f-gases, responsible in turn for depleting the ozone layer and causing the greenhouse effect, in manufactured refrigerators. The home appliance industry has been implementing the EU's so-called ecodesign requirements for almost 15 years, which are updated and tightened every few years. Such requirements stipulate, among other things, the maximum consumption of resources such as water and electricity by appliances during their use stage. The latest also address elements of a circular economy, including the availability of spare parts after a model recall or the provision of technical documentation for repairs.

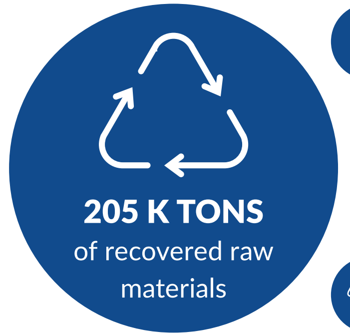
LABELLING AND ENERGY EFFICIENCY OF EQUIPMENT

Approximately 80% of an appliance's environmental impact (carbon footprint) for household appliances is generated during its years of use by consumers. That's why the mandatory energy label is a very important element, making it easier to choose the most environmentally friendly appliances. Large household appliances still represent a significant potential for electricity savings in Poland. Thanks to significant technological advances, today sales are dominated by energy classes that consume only about 10-20% of electricity compared to appliances available 25 years ago. As APPLIA estimates, up to ¼ of refrigerators in homes are more than 10 years old. Looking globally, the 14 million refrigerators in Polish homes currently consume about 4.5 TWh. Replacing them with the most innovative equipment would save as much as 3 TWh. Other categories of large household appliances do not consume as much electricity, but these are still large volumes if we take into account the number of appliances at homes.

HOUSEHOLD APPLIANCE RECYCLING

According to APPLIA's estimates, about 315,000 tons of new household appliances (small and large appliances) hit the market in Poland in 2023, 11% less than a year ago. As part of meeting their environmental goals, manufacturers and importers of household appliances, on a par with suppliers of other electrical or electronic equipment, implement the so-called extended producer responsibility. The so-called EPR means that these companies take over the obligation to financing the recycling of as much as 65% of the weight of equipment sold. In the case of household appliances, introducers of appliances in 2023 were obliged to collect and recycle about 230,000 tons of waste equipment. In addition, in the case of household appliances, a recycling rate is being achieved that ensures the recovery of materials at a level of about 90% by weight of collected waste equipment. For the home appliance industry, this avoidance of waste generation is the most important element in the overall circular economy. Also part of the Polish home appliance industry is a network of some 2,000 home appliance repair technicians. Various participants in the sector are conducting activities to encourage young people into the profession.

CIRCULATION OF RAW MATERIALS IN THE HOME APPLIANCE INDUSTRY



315 K TONS
of recovered raw materials

230 K TONS
annual sales of home appliances

205 K TONS
of collected waste equipment

200 MLN PCS.
of home appliances used in 14 mln households

WEIGHT OF SOLD HOME APPLIANCES AND COLLECTION OF WASTE HOME APPLIANCES (K TONS)

Categories of home appliances	Estimated mass of household appliance sales in 2023	Estimated weight of collection and recycling in 2023
Laundering	84	60
Cooling	88	66
Dishwashers	33	25
Tumble dryers	12	10
Cookers, ovens, hobs	49	38
Hoods	3	3
Microwaves	6	5
Vacuum cleaners	9	6
Espresso machines	6	4
Kitchen machines	2	2
Kettles	1,5	1
Irons	1,5	1
Other SDA	19	12
Total	315	232

THREATS, CHALLENGES and OPPORTUNITIES

NEW LAW

means new opportunities to organize the market, which reliable suppliers welcome. However, they are also challenges, as there are additional procedures, bureaucracy, the threat of fines and the risk of losing part of the market. With hope, but also with concern, we are looking at:

- ESG i.e. the whole huge environmental, social andcorporate reporting system, which will affect smaller and smaller companies every year;
- CBAM, which will upset the balance between European factories importing raw materials and importers of ready-made products, which will not be subject to a new environmental quasi-tax;
- Packaging, that is PPWR, which may force manufacturers to implement rather curmudgeonly provisions and use, for example, expensive reusable bail packaging.

CURRENCIES

dollar, euro, lira, yuan.... i.e., exchange rate differences that are the bane of importers having an already difficult time in the era of a shaky economy. For a few financiers with a flair for gambling, however, this could be an opportunity for additional non-operating profit.

SUPPLY CHAINS

that break every now and then and force us to re-learn the geography and analyze the strategic importance of the Red Sea. That fact and the sense of uncertainity may force investors and large manufacturers to „nearshoring," i.e. encouraging sub-suppliers to locate factories close to the main market, which can be an opportunity for the Polish economy.

EMPLOYEES

of all kinds, especially their availability, can also be a challenge in 2024. However, let us hope we will have more trouble attracting staff than firing them.

Dialogue in the home appliance industry

The home appliance industry is a kind of chain with thousands of players, companies, institutions and organizations clustered around the entire product life cycle. It begins with sub-suppliers providing raw materials, components and services. The next market participants are manufacturers who design and produce equipment. Further up the chain are logistics companies and distributors responsible for delivering equipment to the consumer and advising on the choice of a device that meets expectations. No less important are also companies providing after-sales service and directly related to the end of product life, such as recovery organizations and treatment facilities.

An important glue of the chain in question is conversation and cooperation at the level of business environment institutions. APPLIA Polska, as the only representation of household appliance manufacturers and importers, actively participates in these processes. Among other things, events organized by the Association, such as the Congress of household appliances and the Congress of household appliance service providers, are part of them. Equally important is APPLIA Polska's cooperation with APPLIA Europe - one of the latest fruits of this cooperation is the jointly developed Manifesto 2024, the content of which is presented on the following pages.

ORGANIZATIONS
- institutes, clusters
- chambers, unions, associations
- economic zones
- trade schools

RECYCLERS
- recovery organizations
- treatment facilities
- collectors

SERVICES
- PSSUD association
- individual services

SUB-SUPPLIERS
- components and subassemblies
- services

PRODUCERS
- large household appliances
- small household appliances
- air conditioning, ventilation
- boilers, heat pumps
- B2B equipment

LOGISTICS
- developers
- warehouses
- transportation
- handling

TRADE/RETAILERS
- stores
- e-commerce

HOME APPLIANCE MANIFESTO

Our recommendations for the 2024-2029 European Union's legislative term

Home appliances are strategic enablers of sustainability. From refrigerators, washing machines, vacuum cleaners, irons, to air conditioners and heat pumps, they are present in each and every household and can significantly reduce everyone's energy consumption and carbon emissions, provided that the right policy conditions are in place.

APPLiA - Home Appliance Europe has prepared the following roadmap to provide actionable recommendations for the European Commission, the European Parliament and the 27 national governments throughout the 2024-2029 legislative term.

9 RECOMMENDATIONS FOR EUROPEAN UNION

PILLAR 1

Enable the transition to a climate-neutral Europe

Recommendation 1: A Decarbonisation Plan for Europe

Recommendation 2: Enable and reward transition investments for decarbonisation

Recommendation 3: Modernise our energy system to reduce CO2 emissions and bills

PILLAR 2

Support citizens in the transition

Recommendation 4: Reward and empower consumers with meaningful incentives

Recommendation 5: A European strategy to replace old energy-intensive appliances

Recommendation 6: Support for low-income households to install energy efficient appliances

PILLAR 3

Preserve jobs & promote growth in Europe

Recommendation 7: Make Europe a worldwide leader of clean tech innovation

Recommendation 8: Build a crisis-proof European circular economy

Recommendation 9: A clear European voice on industry policy and decarbonisation

APPLiA PL
Home Appliance Employers' Association

HOUSEHOLD APPLIANCE MARKET REPORT 2023/2024

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