

Risks and uncertainty factors

The turbulence in financial markets and the downturn in the business cycle during 2008 and 2009 have emphasized the importance of limiting and controlling risks. In 2010, the situation stabilized, but there are still great uncertainties in several of the Group's markets.

Risks in connection with the Group's operations can, in general, be divided into operational risks related to business operations and those related to financial operations. Operational risks are normally managed by the operative units within the Group, and financial risks by the Group's treasury department.

Risks and uncertainty factors

Electrolux operates in competitive markets, most of which are relatively mature. Demand for appliances varies with general business conditions, and price competition is strong in a number of product categories. Electrolux ability to increase profitability and shareholder value is largely dependent on its success in developing innovative products and maintaining cost-efficient production. Major factors for maintaining and increasing competitiveness include managing fluctuations in prices for raw materials and components as well as implementing restructuring. In addition to these operative risks, the Group is exposed to risks related to financial operations, e.g., interest risks, financing risks, currency risks and credit risks. The Group's development is strongly affected by external factors, of which the most important in terms of managing risks currently include:

Variations in demand

Demand for appliances is affected by the general business cycle. A deterioration in these conditions may lead to lower sales volumes as well as a shift of demand to low-price products, which generally have lower margins. Utilization of production capacity may also decline in the short term. The global economic trend is an uncertainty factor in terms of the development in the future.

Price competition

A number of the markets in which Electrolux operates features strong price competition. The Group's strategy is based on innovative products and brand-building, and is aimed, among other things, at minimizing and offsetting price competition for its products. A continued downturn in market conditions involves a risk of increasing price competition.

Changes in prices for raw materials and components

The raw materials to which the Group is mainly exposed comprise steel, plastics, copper and aluminum. Bilateral agreements are used to manage price risks. To some extent, raw materials are purchased at spot prices. There is considerable uncertainty regarding trends for the prices of raw materials.

Access to financing

The Group's loan-maturity profile for 2011 and 2012 represents maturities of approximately SEK 3,300m in long-term borrowings.

Since 2005, Electrolux has an unused revolving credit facility of EUR 500m maturing 2012 and since 2010, an additional unused committed credit facility of SEK 3,400m maturing 2017.

Risks, risk management and risk exposure are described in more detail in:

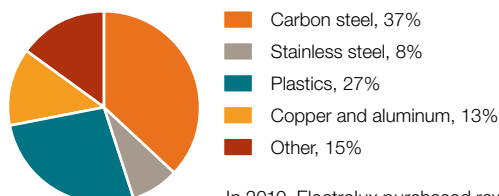
- Note 1 Accounting principles on page 32.
- Note 2 Financial risk management on page 40.
- Note 18 Financial instruments on page 51.

Sensitivity analysis

Risk	Change		Pre-tax earnings impact, SEKm
Raw materials			
Steel	10%	+/-	900
Plastics	10%	+/-	500
Currencies¹⁾ and interest rates			
USD/SEK	-10%	+	601
EUR/SEK	-10%	+	319
BRL/SEK	-10%	-	314
AUD/SEK	-10%	-	273
GBP/SEK	-10%	-	202
Interest rate	1 percentage point	+/-	60

1) Includes translation and transaction effects.

Raw-materials exposure



In 2010, Electrolux purchased raw materials for approximately SEK 20 billion. Purchases of steel accounted for the largest cost.