

Electrolux exchange-rate exposure

Exchange-rate exposure

The global presence of Electrolux, 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/are carried out in one currency and sales occur in another currency. The Group utilizes currency derivatives to hedge a portion of the currency exposure that arises. The business sectors within Electrolux can have a hedging horizon between three and eight months of forecasted flows. Hedging horizons outside this period are subject to approval from Group Treasury. It is mainly sectors within emerging markets that have a shorter hedging horizon. The business sectors are allowed to hedge forecasted flows from 60% to 80%. The effect of currency hedging is usually that currency movements that occur today have a delayed effect. Furthermore, Electrolux is affected by translation effects when the Group's sales and operating income is translated into SEK. The translation exposure is primarily related to currencies in those regions where the Group's most substantial operations exist, that is, EUR and USD.

Sensitivity analysis of currencies

The major currencies for the Electrolux Group are the USD, EUR, AUD, BRL and GBP. The key currency pairs are presented in the map together with an explanation of how they impact the Group. In general, income for Electrolux benefits from a weak USD and EUR and from a strong AUD, BRL and GBP.

Currency effects 2010

The total currency effect (translation effects, transaction effects and net hedges) amounted to approximately SEK 660m. The translation effect was a negative SEK 130m, which was principally due to a stronger SEK, on average, relative to the USD and EUR in 2010 compared with 2009.

The transaction effect was a positive SEK 740m, which was primarily due to a stronger BRL and AUD, on average, relative to the USD, and because of the weakness of the EUR in relation to a number of European currencies in 2010 compared with 2009.

Net hedging effects amounted to a positive SEK 50m.



North America

The principal currency pairs for the North American operations are the USD/CAD and USD/MXN. A significant portion of production is conducted in Mexico and the products are later sold in USD.

Accordingly, a weak MXN compared with the USD is positive for the Group. A strong CAD compared with the USD is positive for the Group, since a large portion of the costs for the Canadian products is expensed in USD (purchasing and production costs).

Latin America

The principal currency pair for the Latin American operations is the USD/BRL. Purchases of raw materials and components are priced to some extent in USD. The products are then sold in BRL. A strong BRL compared with the USD is positive for the Group.

Main translation effects: USD/SEK, EUR/SEK

Principal currency pairs Electrolux (transaction effects)

Europe

The principal currency in Europe is the EUR.
A weak EUR has a positive net effect on Group income, because European operations have greater expenses in EUR than sales in EUR.
A majority of the purchases of raw materials and components is in EUR and significant production costs are also denominated in EUR.



Asia/Pacific

The principal currency pair for the business in the Asia/Pacific region is the USD/AUD. Purchases of raw materials and components are priced to some extent in USD. The products are later sold in AUD. A strong AUD compared with the USD is positive for the Group.

Foreign-exchange transaction exposure, forecast 2011

