

# Risks and uncertainty factors

Electrolux ability to increase profitability and shareholder value is based on three elements: Innovative products, strong brands and cost-efficient operations. Realizing this potential requires effective and controlled risk management.

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. In 2011, demand declined in the Group's major markets while, demand increased in emerging markets as Asia/Pacific. 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. Some of Electrolux markets experi-

enced strong price pressure during 2011. 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. Market prices of raw materials rose in the early part of 2011. 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.

### Exposure to customers and suppliers

Electrolux has a comprehensive process for evaluating credits and tracking the financial situation of retailers. Management of credits as well as responsibility and authority for approving credit decisions are regulated by the Group's credit policy. Credit insurance is used in specific cases to reduce credit risks. The weak trend in the major Electrolux markets in 2011 impacted the Group's retailers who experienced difficult trading conditions but this did not result in any increases in credit losses for Electrolux.

### Access to financing

The Group's loan-maturity profile for 2012 and 2013 represents maturities of approximately SEK 4,100m in long-term borrowings.

In addition, Electrolux has two unutilized back-up credit facilities. In 2011, Electrolux replaced an existing revolving credit facility with a new committed EUR 500m multi-currency revolving credit facility maturing in 2016, with extension options for up to two more years. Electrolux also has an additional committed credit facility of SEK 3,400m maturing 2017.

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

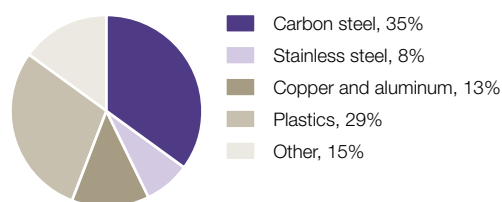
- Note 1 Accounting principles.
- Note 2 Financial risk management.
- Note 18 Financial instruments.

## Sensitivity analysis 2011

Risk	Change	Pre-tax earnings impact, SEKm
<b>Raw materials</b>		
Steel	10%	+/-900
Plastics	10%	+/-600
<b>Currencies<sup>1)</sup> and interest rates</b>		
USD/SEK	-10%	+810
EUR/SEK	-10%	+410
BRL/SEK	-10%	-300
AUD/SEK	-10%	-260
GBP/SEK	-10%	-180
Interest rate	1 percentage point	+/-60

1) Includes translation and transaction effects.

## Raw-materials exposure 2011



In 2011, Electrolux purchased raw materials for approximately SEK 20 billion. Purchases of steel accounted for the largest cost.