Electrolux currency 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.

Every month Group Treasury collects forecasts of the transaction flows for the coming 12 months from the operating units and hedges the invoiced flows.

To some extent, the Group also utilizes currency derivatives to hedge forecasted flows with both committed price and volumes. The results from the currency hedges are transferred to the operating units. It is the business areas' responsibility to manage the FX risk of the forecasted flows through immediate price adjustment and cost reductions.

Electrolux is also affected by translation effects when the Group's sales and costs are translated into SEK. The translation exposure is primarily related to currencies in those regions where the Group's most substantial operations exist.

Sensitivity analysis of currencies

The major currencies for the Electrolux Group are the USD, EUR, BRL, CNY, GBP, CHF and CAD. The key currency pairs and flows 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 BRL, GBP, CAD and CHF.

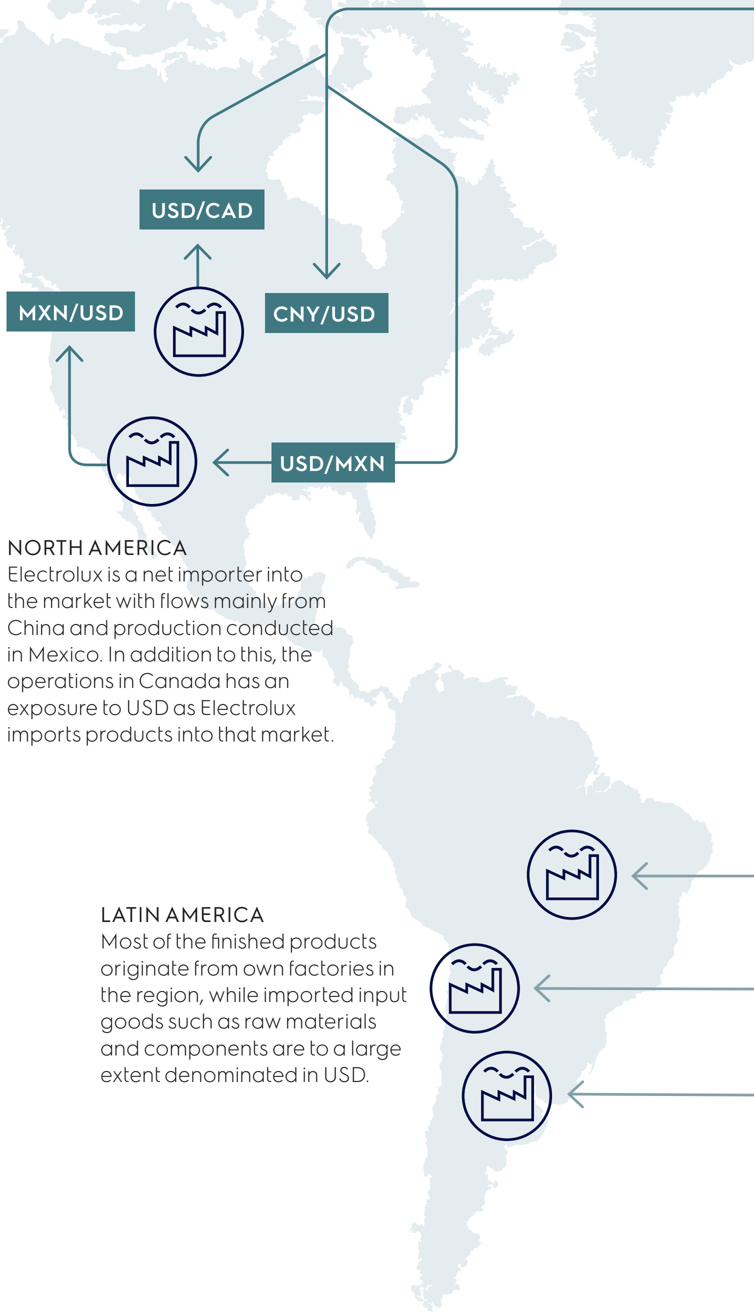
In countries with large manufacturing and logistics centers, effects over time will to a large extent balance out due to natural hedging.

Currency effects 2017

Compared with the previous year, changes in exchange rates for the full-year 2017 had a slightly negative impact on operating income. The total currency effect (translation effects and transaction effects) amounted to SEK –76m. The net transaction effect was SEK –119m and translation effects SEK 43m.

The largest negative impacts came from more expensive import to UK and Egypt due to the depreciation of their currencies. The negative effect was partly offset by cheaper imports to EMEA, Latin America, APAC and Canada thanks to the weaker USD, even if it also resulted in costlier imports to the U.S. from China and Mexico.

The negative net impact of currencies on operating income was mitigated by price increases and mix improvements.



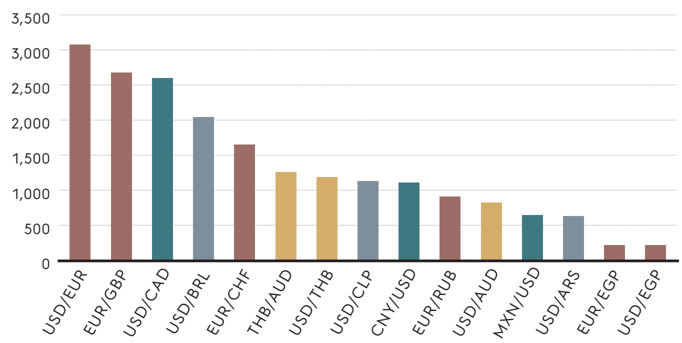
NORTH AMERICA

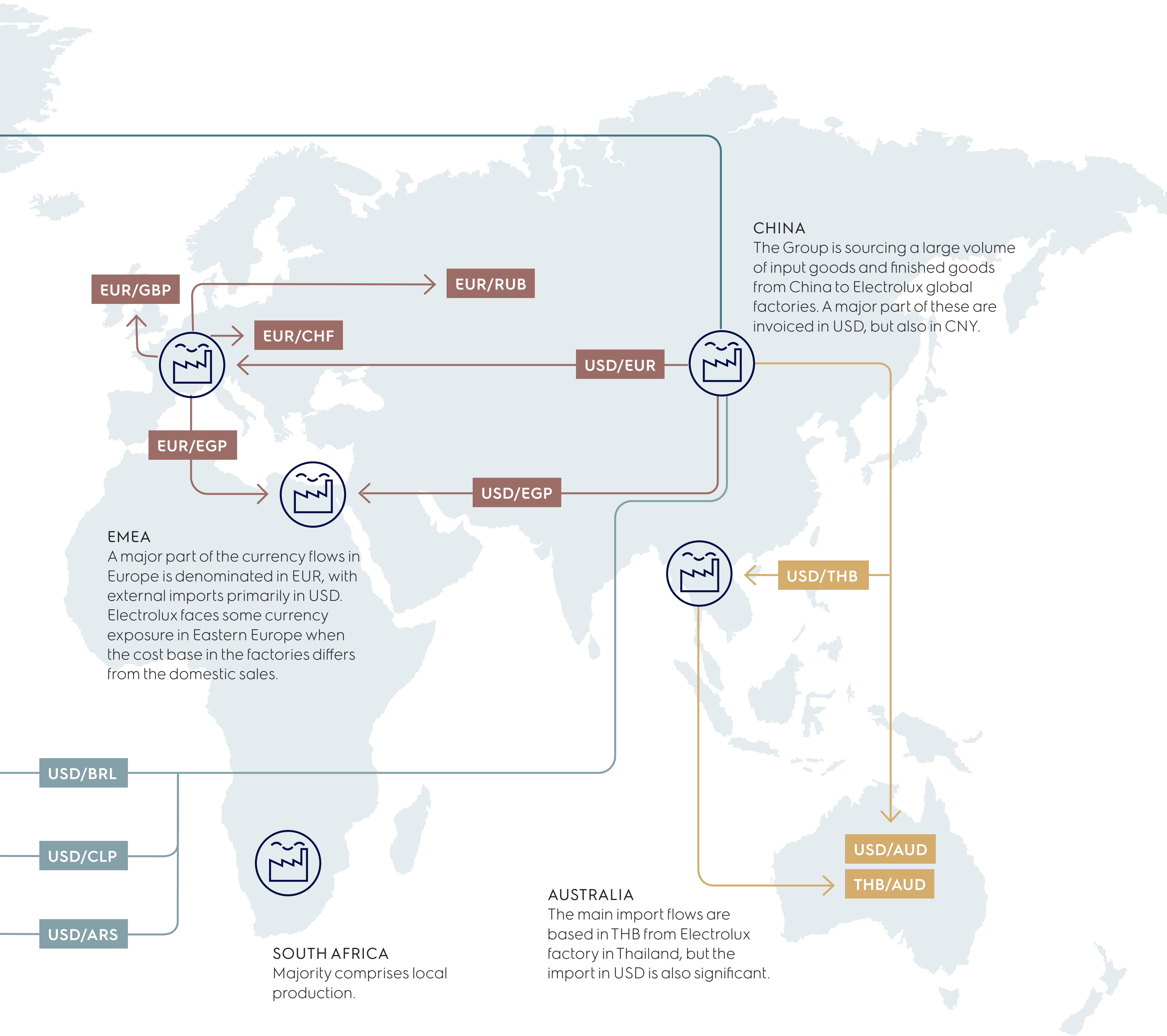
Electrolux is a net importer into the market with flows mainly from China and production conducted in Mexico. In addition to this, the operations in Canada has an exposure to USD as Electrolux imports products into that market.

LATIN AMERICA

Most of the finished products originate from own factories in the region, while imported input goods such as raw materials and components are to a large extent denominated in USD.

LARGEST CURRENCY EXPOSURES, FORECAST 2018, SEKM





Sensitivity analysis year-end 2017

Currency[1] and interest rates	Change +/-	Pre-tax earnings impact, SEKM
USD to EUR	10%	300
EUR to GBP	10%	260
USD to CAD	10%	260
USD to BRL	10%	200
EUR to CHF	10%	160
THB to AUD	10%	120
USD to THB	10%	110
USD to CLP	10%	110
EUR to RUB	10%	90
USD to AUD	10%	80
Translation exposure to SEK[2]	10%	690
Interest rate	1 percentage point	60

[1] Including transaction effects but not translation effects.
[2] Assuming the Swedish krona appreciates/depreciates against all other currencies.