

CORPORATE GOVERNANCE REPORT 2005

This Corporate Governance Report for 2005 has not been audited by the external auditors. This report is not part of the formal financial statements.

AB Electrolux is a Swedish public limited liability company. The Group is governed on the basis of the Articles of Association of Electrolux AB, the Swedish Companies Act, the listing agreement with the Stockholm Stock Exchange, the Swedish Code of Corporate Governance and other relevant Swedish and foreign laws and regulations.

The Swedish Code of Corporate Governance (the code) is included in the listing agreement of the Stockholm Stock Exchange as of July 1, 2005, and has been applied by Electrolux as from that date. The Electrolux Group had previously applied most of the provisions of the code and since July 1, 2005, has implemented the remainder of the provisions. Electrolux applies the provisions of the code with the purpose of developing the Group's corporate governance in line with the goals of the code. Electrolux does not report any deviations from the code in 2005, except as regards the report on internal control over financial reporting, see "Description of internal control over financial reporting" on page 12 for more information.

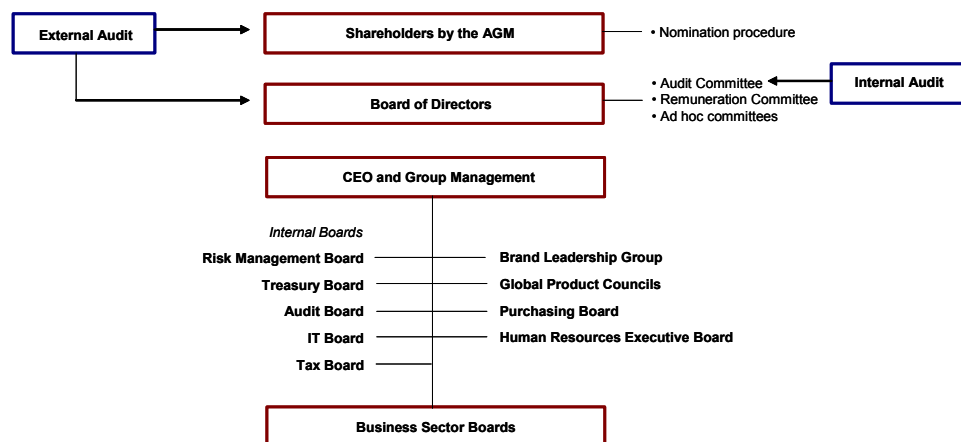
As a result of the US Securities and Exchange Commission (SEC) registration of Electrolux B-shares in the form of American Depositary Receipts (ADRs), Electrolux is subject to US securities laws and regulations which affect the governance of the Group, including the Sarbanes-Oxley Act of 2002. Electrolux submits an annual Form 20-F report to the SEC.

The Information on Electrolux Corporate Governance and the Articles of Association is available at www.electrolux.com under "Investor Relations". The 20-F Report for 2005 is expected to be available at the site in the second quarter of 2006.

Highlights of 2005

- The Swedish Code of Corporate Governance is part of the listing agreement with the Stockholm Stock Exchange as of July 1, 2005. Electrolux applies the code as of that date.
- Work continued on ensuring that Electrolux complies with requirements of the US Sarbanes-Oxley Act of 2002, in particular section 404.
- Proposal to spin-off the Group's outdoor operations as a separate unit to be distributed to Electrolux shareholders

Governance structure



Major external regulations affecting governance of Electrolux:

- Swedish Companies Act
- Listing agreement with Stockholm Stock Exchange
- Swedish Code of Corporate Governance
- Listing agreement with London Stock Exchange
- US Securities laws and regulations, including the Sarbanes-Oxley Act of 2002

Internal policies and codes include:

- Board of Directors' working procedures
- Electrolux Code of Ethics
- Electrolux Policy on Countering Bribery and Corruption
- Electrolux Workplace Code of Conduct
- Policies for information, finance, credit, accounting manual, etc.
- Processes for internal control and risk management

Shareholder structure

According to the share register held by VPC AB (the Swedish Central Securities Depository & Clearing Organization), at year-end 2005 the Group had a total of approximately 60,900 shareholders. The shares held by the ten largest owners corresponded to approximately 30% of the total share capital and 45% of the voting rights.

Approximately 46% of the share capital was owned by Swedish institutions and mutual funds, 44% by foreign investors, and 10% by private Swedish investors. The total number of Electrolux shareholders in Sweden as of this date was approximately 57,400.

Major shareholders ¹⁾	Share capital, %	Voting rights, %
Investor AB	7.7	27.1
Franklin Templeton funds	4.8	3.9
Second Swedish National Pension Fund	3.6	2.9
SHP/SPP Funds	2.8	2.3
Robur Funds	2.5	2.0
AFA Insurance	1.9	1.5
SEB Funds	1.8	1.5
Alecta Mutual Pension Insurance	1.8	1.5
Fourth Swedish National Pension Fund	1.6	1.3
Skandia Life Insurance	1.2	1.3
Total	29.7	45.3
Board of Directors and Group Management collectively	0.03	0.02

1) Source :SIS Ägarservice as of December 31, 2005. Most of the shares owned by foreign investors are registered through trustees, so that the actual shareholders are not officially registered. For more information about shareholders and the distribution of shareholdings, see www.electrolux.se/IR.

According to a disclosure notice dated September 15, 2005, Investor AB increased its holding in Electrolux by 5,231,300 shares, and thus attained 7.7% of the share capital.

Voting rights

The share capital of AB Electrolux consists of A-shares and B-shares. An A-share entitles the holder to one vote and a B-share to one-tenth of a vote. All shares entitle the holder to the same proportion of assets and earnings and carry equal rights in terms of dividends.

Nomination procedure for election of Board members and auditors

The nomination process for members of the Board of Directors involves appointing a Nomination Committee consisting of the Chairman of the Board and representatives of the four largest shareholders in terms of voting rights. The names of these representatives and the shareholders they represent are announced publicly at least six months before the Annual General Meeting (AGM).

Selection of the four shareholders is based on the known holdings of voting rights immediately prior to the announcement. If the identity of major shareholders changes in the course of the nomination process the composition of the Nomination Committee may be changed accordingly.

The Nomination Committee's tasks include preparing a proposal for the next AGM regarding the following issues: Chairman of the AGM, Board members, Chairman of the Board and remuneration for Board members, including the Chairman, as well as remuneration for committee work and Nomination Committee for the next accounting year. Shareholders may submit proposals for nominees to the Nomination Committee.

The Nomination Committee is also entrusted with the task to make proposals for the election of auditors and auditors' fees, when these matters are to be decided by the following AGM. In

preparing these proposals, the Nomination Committee is assisted by the Electrolux Audit Committee, who among other things, informs the Nomination Committee of the results of the evaluation of the audit work, which is performed as a part of this process.

The committee's proposal shall be announced publicly in connection with or prior to the notice of the AGM.

Nomination Committee for the AGM 2006

The Nomination Committee for the AGM 2006 represents the four largest shareholders in terms of voting rights as of August 31, 2005. The names of the committee members and the shareholders they represent were announced in a press release on September 23, 2005. No change of the composition of the Nomination Committee has been made as of February 14, 2006. Jacob Wallenberg, Chairman of AB Investor, is the Chairman of the Nomination Committee. The other members are Carl Rosén, Second Swedish National Pension Fund, Ramsay J. Brufer, Alecta Mutual Pension Insurance, Kjell Norling, Handelsbanken/SPP Funds, and Michael Treschow, Chairman of AB Electrolux.

The tasks of the Nomination Committee include preparing a proposal for the AGM 2006 regarding among other things the Board, remuneration to the Board, the auditors, auditors' fees and the Nomination Committee for the AGM 2007.

As part of the proposed process of spinning-off the Group's operation in Outdoor Products to the Electrolux shareholders, the Nomination Committee has also provided recommendations to the Electrolux management that include composition of the Board of this operation. The proposal for the composition of this Board was made public in a press release on January 19, 2006.

The Nomination Committee's remaining proposals as well a report on how the Nomination Committee has conducted its work will be publicly announced no later than in connection with the notice to the AGM, which is expected to be published on March 20, 2006.

General Meetings of shareholders

The decision-making rights of shareholders in AB Electrolux are exercised at General Meetings of shareholders.

Participation in decision-making requires the shareholder's presence at the meeting, whether personally or through a proxy. In addition, the shareholder must be registered in the share register as of a prescribed date prior to the meeting and must provide notice of participation in due course. Additional requirements for participation apply for shareholders with holdings in the form of ADRs or similar certificates. Holders of such certificates are advised to contact the ADR depository bank, fund manager or the issuer of the certificate in good time before the meeting in order to obtain more information.

Decisions at the meeting are normally made by simple majority. However, for some matters the Swedish Companies Act and the Articles of Association stipulate that a proposal must be approved by a higher proportion of the shares and votes represented at the meeting.

Individual shareholders who wish to have a specific issue included in the agenda of a shareholders' meeting can request the Board to do so by writing to an address that is posted at the Group's web site in good time prior to the meeting.

The AGM must be held within six months of the end of the accounting year. The meeting decides on dividends, adoption of the annual report, election of Board members and auditors if applicable, remuneration to Board members and auditors and other important matters.

The AGM in April 2005 was attended by shareholders representing 35.7% of the share capital and 50% of the voting rights in the Company. The minutes of the AGM are available at www.electrolux.com/ir.

An Extraordinary General Meeting can be held at the discretion of the Board of Directors or, if requested, by the auditors or by shareholders owning at least 10% of the shares.

The Board of Directors

The main task of the Electrolux Board of Directors is to manage the Group's affairs in such a way as to satisfy the owners that their interests in a good long-term return on capital are being met in the best possible way. The Board's work is governed by rules and regulations that include the Swedish Companies Act, the Articles of Association, the code and the working procedures established by the Board.

The Board decides on issues related to the Group's main goals, strategic orientation and major policies, as well as important issues related to financing, investments, acquisitions and divestments. The Board monitors and deals with, inter alia, follow-up and control of Group operations, Group communication, and organization, including evaluation of the Group's operative management. The Board has also the overall responsibility for establishing an effective system of internal control and risk management.

Working procedures and meetings

The Board determines its working procedures each year and reviews them when necessary. The working procedures include allocation of tasks between Board members. The Chairman's special role and tasks are described, as well as the responsibilities delegated to the committees appointed by the Board. In accordance with the above procedures, the Chairman shall ensure that the Board functions effectively and discharge its duties. The Chairman shall also organize and distribute the Board's work, and ensure that the Board's decisions are implemented effectively and that the Board annually evaluates its work.

The working procedures for the Board of Directors also include detailed instructions to the President and CEO and other various corporate functions regarding issues that require the Board's approval. Among other things, these instructions specify the maximum amounts that various decision-making functions within the Group are authorized to approve regarding credit limits, capital expenditure and other outlays.

The working procedures stipulate that the meeting for formal constitution of the Board shall be held directly after the AGM. Decisions at this meeting include election of the Deputy Chairman, distribution of remuneration to the Board members for work in committees, and authorization to sign for the Company. The Board normally meets on six other occasions during the year. Four of these meetings are held in connection with publication of the Group's annual and interim reports. One or two meetings are held in connection with visits to Group operations. Additional meetings, including telephone conferences, are held when necessary.

Ensuring quality in the financial reporting

The working procedures determined annually by the Board include detailed instructions regarding the type of financial and other reports that shall be submitted to the Board. In addition to interim reports and the annual report, the Board reviews and evaluates comprehensive financial information regarding the Group as a whole and the entities it comprises.

The Board also reviews, primarily through the Group's Audit Committee, the most important accounting principles applied by the Group in financial reporting, as well as major changes to these principles. The tasks of the Audit Committee also include reviewing reports regarding internal control and processes for financial reporting, as well as internal audit reports submitted by the Internal Audit function, Management Assurance & Special Assignments.

The Group's external auditors report to the Board as necessary, but at least once a year. At least one of these meetings is held without the presence of the President and CEO or any other member of Group Management. The external auditors also attend meetings of the Audit Committee.

The Audit Committee reports to the Board after all its meetings. Minutes are taken at all meetings of the Audit Committee and are available to all Board members and the auditors.

Evaluation of the Board's activities

The Board evaluates its activities annually with regard to working procedures and the working climate, as well as the alignment of the Board's work. The evaluation also focuses on the access to and need for special competence. This evaluation provides input for the nomination procedures in which the Nomination Committee determines matters such as the Board's composition and remuneration to members.

The Deputy-Chairman of the Board also manages a separate annual evaluation of the Chairman's work.

Composition of the Board

The Electrolux Board of Directors consists of ten members without deputies who are elected by the Annual General Meeting for a period of one year. Three additional members, with deputies, are appointed by the Swedish employee organizations, in accordance with Swedish labor laws.

With the exception of the President and CEO, the members of the Board are non-executives. Three of the ten members are not Swedish citizens. Four are women.

For information on Board members, see www.electrolux.com, About Electrolux.

Changes in the Board in 2005

- Prior to the election of new Board members at the Annual General Meeting on April 20, 2005, Thomas Halvorsen declined renomination, after having served on the Board since 1996.
- Ten Board members were elected at this AGM. Tom Johnstone, Caroline Sundewall, Marcus Wallenberg and Louis R. Hughes were elected as new Board members. Louis R. Hughes returned to the Board after leaving it in 2004, when he was appointed Chief of Staff for a group of advisors to the Afghanistan government.
- The AGM elected Michael Treschow as Chairman of the Board.
- The meeting for formal constitution of the Board re-elected Peggy Bruzelius as Deputy Chairman.
- In the Audit Committee, Caroline Sundewall replaced Thomas Halvorsen.

Remuneration to Board members

Remuneration to Board members is authorized by the AGM and distributed by the Board to members who are not employed by the Group. Information on remuneration to Board members is given in the table below. Remuneration to the President and CEO is proposed by the Remuneration Committee. Board members who are not employed by Electrolux do not participate in the Group's long-term incentive programs, nor in any outstanding share or share price incentive schemes.

The Board of Directors ¹⁾	Age	Nationality	Director since	Audit Committee	Remuneration Committee	Remuneration in SEK ²⁾
Michael Treschow Chairman	62	SWE	1997		X ³⁾	1,300,000
Peggy Bruzelius Deputy Chairman	56	SWE	1996	X ³⁾		575,000
Louis R. Hughes	56	US	2004			350,000
Aina Nilsson Ström	52	SWE	2004		X	400,000
Hans Stråberg President and CEO	48	SWE	2002			---
Barbara Milian Thoralfsson	46	US	2003	X		425,000
Karel Vuursteen	64	NL	1998		X	400,000
Tom Johnstone	50	UK	2005			350,000
Caroline Sundewall	47	SWE	2005	X		425,000
Marcus Wallenberg	49	SWE	2005			350,000
Ulf Carlsson Employee representative	47	SWE	2001			---
Annika Ögren Employee representative	40	SWE	2003			---
Malin Björnberg Employee representative	46	SWE	2005			---
Total	-	-	-	-	-	4,575,000

1) With the exception of the President and CEO, the members of the Board are not Group executives.

2) In April 2005, the AGM authorized remuneration to the Board of Directors in the amount of SEK 4,575,000 for the period up to the next AGM in April 2006. Distribution of the remuneration is decided by the AGM with the exception of the remuneration for committee work, which is decided by the Board. The Chairman and the members of the Remuneration Committee receive SEK 100,000 and SEK 50,000, respectively. The Chairman and the members of the Audit Committee receive SEK 175,000 and SEK 75,000, respectively.

3) Chairman.

For additional information on remuneration to the Board members and the President and CEO in 2005 see Annual Report 2005, Note 27 page 73.

The Board's work in 2005

During the year, the Board held seven scheduled and three extraordinary meetings. Six of the scheduled meetings were held in Sweden and one in China. In connection with the latter meeting the Board visited suppliers and dealers as well as the headquarters in Shanghai and the plant for washing machines and refrigerators in Changsha. The extraordinary meetings were held in order to make decisions on issues that could not await the next scheduled meeting.

Each scheduled Board meeting includes a review of the Group's results and financial position as well as the outlook for the next quarter, which is presented by the President. The meeting also deals with investments and the establishment of new operations as well as acquisitions and divestments. The Board decides on all investments that exceed SEK 50m, and receives

reports on all investments between SEK 10m and SEK 50m. Normally, a head of a sector also presents a current strategic issue for the sector at the meeting.

Important issues dealt with by the Board in 2005 included the spin-off of the Group's operation in Outdoor Products, the decision to close the plant for washing machines and dishwashers in Nuremberg, Germany, and additional restructuring within white goods and outdoor products in Europe as well as the divestment of the Group's appliance operation in India.

The Group's auditors participated in the Board meeting in February 2005, where the Annual Report for 2004 was approved, and in the meeting in October 2005, in connection with the Board's review of the third-quarter report.

All Board meetings during the year followed an approved agenda, which together with documentation for each item was sent to all Board members. Cecilia Vieweg, Head of Group Staff Legal Affairs, was the secretary at all Board meetings.

Committees

The Board has established a Remuneration Committee and an Audit Committee. The Board has also decided that issues can be referred to ad hoc committees that deal with specific matters.

The main tasks of the committees are preparatory and advisory. In addition, the Board may delegate decision-making powers on specific issues.

For information about attendance at Board and committee meetings in 2005, see page 8.

Remuneration Committee

The main task of the Remuneration Committee is to propose principles for remuneration to members of Group management. The Remuneration Committee makes proposals to the Board of Directors regarding targets for variable compensation, the relationship between fixed and variable salary, changes in fixed or variable salary, criteria for assessment of variable salary, long-term incentives, pension terms and other benefits.

The Committee comprises three Board members, with Chairman of the Board Michael Treschow as Chairman and Karel Vuursteen and Aina Nilsson Ström as members. At least two meetings are convened annually. Additional meetings are held as needed.

The Remuneration Committee held three meetings during 2005. In addition to remuneration to the President and Group Management, major issues considered during the year included remuneration in connection with the planned spin-off of the Group's Outdoor Products operation. Harry de Vos, Head of Human Resources and Organizational Development, participated in the meetings and was responsible for preparations. An external consultant also participated in several of the Committee's meetings, providing specialist advice on specific remuneration matters.

Audit Committee

The primary task of the Audit Committee is to assist the Board in overseeing the accounting and financial reporting processes, including the effectiveness of disclosure controls and procedures and the adequacy and effectiveness of internal controls of financial reporting.

The Audit Committee also assists the Board of Directors in overseeing the audit of the financial statements including related disclosures. This involves pre-approving audit and non-audit services to be provided by the external auditors, reviewing the objectivity and independence of the external auditors, overseeing the work of the external auditors, evaluating

the external auditors' performance and, if necessary, recommending replacement of the external auditors. In addition, the Audit Committee is tasked with supporting the Nomination Committee in preparing proposals to them regarding external auditors and fees. The Audit Committee also reviews the Group's Internal Audit function, Management Assurance & Special Assignments, in terms of organization, staffing, budget, plans, results, and reports prepared by this function.

The Audit Committee comprises three Board members, with Peggy Bruzelius as Chairman and Barbara Milian Thoralfsson and Caroline Sundewall as members. Caroline Sundewall replaced Thomas Halvorsen after he left the Board in connection with the AGM 2005.

The external auditors report to the Audit Committee at each ordinary meeting. At least three meetings are held annually. Additional meetings are held as needed.

In 2005, the Audit Committee held six meetings. Electrolux managers have also had regular contacts with the Committee Chairman between meetings, in specific issues. One of the major issues during the second half of the year was the evaluation of the external auditors and follow-up of their performance in light of selection of external auditors at the AGM 2006. Fredrik Rystedt, CFO, and Anna Ohlsson-Leijon, head of the Internal Audit function, participated in most of the Audit Committee's meetings. Other Electrolux managers also participated in relation to specific issues, as did the Group's external auditors. Cecilia Vieweg, Head of Group Staff Legal Affairs, was the secretary at all meetings.

Attendance at Board and Committee meetings during 2005

The Board of Directors	Board	Audit Committee	Remuneration Committee
Number of meetings in 2005	10	6	3
Michael Treschow	10		3
Peggy Bruzelius	10	6	
Thomas Halvorsen ¹⁾	4	2	
Louis R. Hughes ²⁾	4		
Aina Nilsson Ström	9		3
Hans Stråberg	10		
Barbara Milian Thoralfsson	10	6	
Karel Vuursteen	7		3
Tom Johnstone ²⁾	5		
Caroline Sundewall ²⁾	6	4	
Marcus Wallenberg ²⁾	6		
Ulf Carlsson	10		
Annika Ögren	8		
Malin Björnberg ³⁾	5		
Bert Gustafsson ⁴⁾	3		

1) Left the Board and the Audit Committee in April 2005.

2) Elected in April 2005.

3) Elected Employee representative member as of July 2005.

4) Left the Board as Employee representative member in April 2005.

Requirements for independence

The Board as a whole is considered to be in compliance with the requirements for independence stipulated by the Stockholm Stock Exchange and the Swedish Code of Corporate Governance. The Nomination Committee's assessment of whether each of the Board members proposed to be elected at the 2006 AGM are in compliance with these independence requirements will be published together with the Nomination Committee's proposal.

The President and CEO has no major shareholdings nor is he a part-owner in companies that have significant business relations with Electrolux.

External auditors

At the Annual General Meeting in 2002, PricewaterhouseCoopers (PwC) was appointed external auditors for a four-year period until the Annual General Meeting in 2006. The Nomination Committee will present a proposal for election of external auditors at the AGM 2006.

PwC provides an audit opinion on AB Electrolux, the financial statements of its subsidiaries, the consolidated financial statements for the Electrolux Group, and the administration of AB Electrolux.

The audit is conducted in accordance with the Swedish Companies Act and the generally accepted Swedish auditing standards issued by FAR, which is the institute for the accountancy profession in Sweden (Swedish GAAS). The auditing standards issued by FAR are based on international standards on auditing issued by the International Federation of Accountants (IFAC GAAS).

Audits of local statutory financial statements for legal entities outside of Sweden are performed as required by laws or applicable regulations, in the respective countries, and as required by IFAC GAAS including issuance of audit opinions for the various legal entities. In addition, PwC performs audits in accordance with US generally accepted auditing standards (US GAAS) and provides an audit report for the Electrolux Group that is filed on Form 20-F, as required by the US Securities and Exchange Commission.

For additional information on the Group's auditors and their other audit assignments, see Annual Report 2005 page 109. For information on fees paid to the auditors and their non-audit assignments in the Group, see Annual Report 2005 Note 28 on page 75.

Management and Company structure

The Group's operations are organized in six business sectors that include a total of 27 product lines. There are four Group staff units.

Group Management

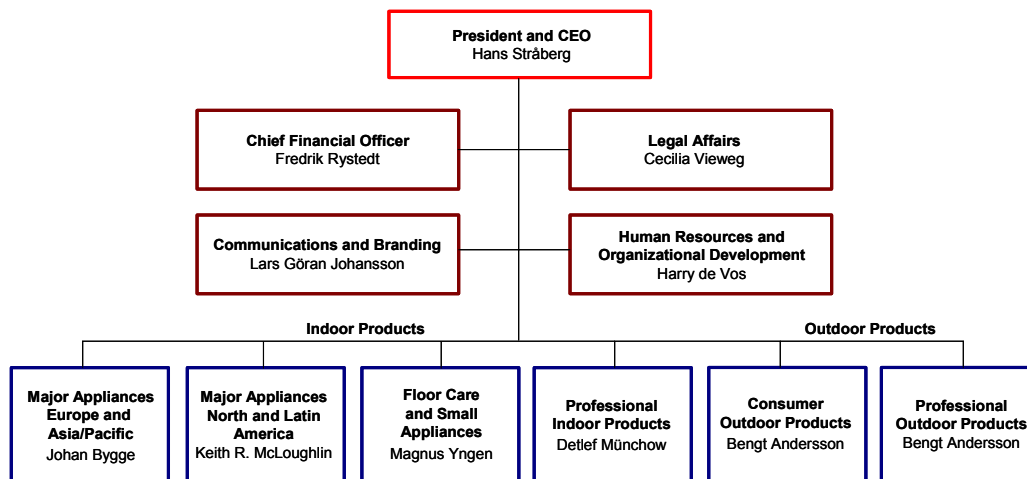
In addition to the President and CEO, Group Management includes the five sector heads and the four Group staff heads.

The President and CEO is responsible for ongoing management of the Group in accordance with the Board's guidelines and instructions.

Group Management holds monthly meetings to review the previous month's results, update forecasts and plans, and discuss strategic issues.

Business sectors

The sector heads have complete responsibility for the results and balance sheets of their respective sectors. The overall management of the sectors is the responsibility of sector boards, which meet quarterly. The President and CEO is the chairman of all sector boards. The sector board meetings are attended by the President and CEO, the management of the respective sectors and the Chief Financial Officer (CFO). The sector boards are responsible for monitoring on-going operations, establishing strategies, determining sector budgets and making decisions on major investments. The product line managers are responsible for the profitability and long-term development of their product lines.



As of 2005 the Group's external reporting structure comprises Indoor Products and Outdoor Products, instead of the previous Consumer Durables and Professional Products. In addition, the number of business sectors was reduced from seven to six, as responsibility for major appliances outside Europe and North America has been divided. There is now a single sector for Major Appliances in North and Latin America and another for Major Appliances in Europe, Asia, Africa and Oceania.

Six Group processes

In order to ensure a systematic approach to improving operational efficiency and the internal control, and to ensure uniform performance of operational procedures, the Group has defined six core processes within strategically important areas. These processes are common to the entire Group and comprise purchasing, branding, product creation, demand flow, business support and people.

The Group has established a people process, Electrolux People Process, which provides support at Group level for managers with regard to recruitment and development of employees. The process also aims to ensure that individuals are treated fairly by the company.

For more information on Electrolux People Process, see Annual Report 2005 on page 108.

Remuneration to Group Management

Remuneration to the President and CEO and Group Management is proposed by the Remuneration Committee and decided upon by the Board, and comprises fixed salary, variable salary in the form of a short-term incentive based on annual performance targets, long-term incentives, and benefits such as pensions and insurance. The general principles for remuneration within Electrolux are based on the position held, individual and team performance, and competitive remuneration in the country of employment.

Variable salary is paid according to performance. Variable salary for the President and CEO is determined by achievement of financial targets. Variable salary for sector heads is determined by the achievement of both financial and non-financial targets. Value created is the most important financial indicator. For 2005, the non-financial targets focused on product innovation, brand familiarity and succession planning.

Group staff heads receive variable salary based on the value created for the Group as well as achievement of performance targets within their respective functions. For more information on value creation, see below.

Electrolux long-term incentive programs include a performance-based share program and several employee stock-option programs, which are designed to align management incentives with shareholder interests. In 2005, the AGM approved a performance-related long-term share program, the Share Program 2005, based on the same parameters as the Share Program 2004. The program is based on value created over a three-year period.

Remuneration to Group Management in 2005

'000 SEK	President and CEO	Other members of Group Management ¹⁾	Total
Fixed salary	8,447	33,228	41,675
Variable salary	6,594	25,821	32,415
Pension cost	5,001	21,425	26,426
Long-term incentive ²⁾	2,400	10,800	13,200
Total	22,442	91,274	113,716

1) Other members of Group Management included 9 persons.

2) Target value of Share Program 2005.

For more information on remuneration, remuneration principles and long-term incentive programs, see Annual Report 2005, Note 22 and Note 27 on page 68 and page 73.

Value creation

The Group uses a model for value creation to measure profitability by business area, sector, product line and region. The model links operating income and asset efficiency with the cost of the capital employed in operations. Value created is also the basis for incentive systems for managers and employees in the Group. Since 1998, Electrolux has covered the annual cost of capital employed.

Value created is defined as operating income, excluding items affecting comparability, less the weighted average cost of capital (WACC) on average net assets, excluding items affecting comparability.

For details on the value creation concept, Annual Report 2005 on page 83.

Internal control and risk management

Internal control and risk management is the process that has been developed to provide reasonable assurance that the Group's goals are met in terms of effective and efficient operations, compliance with relevant laws and regulations, and reliable financial reporting. For information on internal control over financial reporting, see the description of internal control over financial reporting below.

The Electrolux process for internal control and risk management is based on the control environment and comprises four main activities: risk assessment, control activities, information and communication, and monitoring.

Risk assessment includes identifying, sourcing and measuring business risks, such as strategic, operational, commercial, financial and compliance risks, including non-compliance with laws, other external regulations, and internal guidelines. Assessing risks also includes identifying opportunities that ensure long-term creation of value.

The choice of control activities depends on the nature of the risk identified and the results of a cost-benefit analysis, within the guidelines set by the Group. Control activities for managing risks may include insuring, outsourcing, hedging, prohibiting, divesting, reducing risk through detective and preventative internal controls, accepting, exploiting, reorganizing and redesigning.

The process for internal control and risk management generates valuable information regarding business objectives, risks and control activities. Communicating on a timely basis throughout the Group contributes to ensuring that the right business decisions are made.

The effectiveness of risk assessment and execution of control activities is monitored continuously. Various tools including self-assessments and risk surveys are also used within the Group.

The Internal Audit function Management Assurance & Special Assignments is responsible for performing independent objective assurance activities, in order to systematically evaluate and propose improvements for more effective governance, internal control and risk management processes.

Description of internal control over financial reporting

The Board of Electrolux does not provide a report on internal controls as set forth in section 3.7.2 of the code. In December 2005, the Swedish Corporate Governance Board issued a statement concluding that the report on internal controls does not have to include any statement as to how well the internal control over financial reporting has functioned, nor does the report have to be audited. Electrolux has taken none of these measures and, in accordance with the Swedish Corporate Governance Board's statement has not considered these deviations from the code. However, the remainder of the report on internal controls is a description of internal control over financial reporting. This description has been inserted in to this section "Description of internal control over financial reporting" in this Corporate Governance Report, thereby avoiding duplication.

The Electrolux process for internal control and risk management related to financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles, applicable laws and regulations, and other requirements for listed companies. The process is based on the control environment and comprises four main activities: risk assessment, control activities, information and communication, and

monitoring, as defined in the framework for internal control issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Control environment

The Board has the overall responsibility for establishing an effective system of internal control and risk management. The Board has determined its working procedures, which include the allocation of tasks to Board members. The Board has established an Audit Committee, which assists the Board in overseeing relevant manuals, policies and important accounting principles applied by the Group in financial reporting, as well as major changes to these principles.

Responsibility for maintaining an effective control environment and operating the system for risk management and internal control over financial reporting is delegated to the President and CEO. Management at various levels has respective responsibility for this.

The Group's operations are organized in six business sectors and four Group staff units. Group Management includes, in addition to the President and CEO, the five sector heads and the four Group staff heads. The sector heads have complete responsibility for the results and balance sheets of their respective sector. The overall management of the sectors is the responsibility of sector boards. A number of internal boards and councils have been established within the Group for specific areas such as risk management, treasury, audit, IT, tax, brands, products, purchasing and human resources. A Disclosure Committee was established by Electrolux at the start of 2005. This Committee contributes to considering the materiality of information relating to Electrolux and ensuring that such information is properly communicated to the market on a timely basis.

The Group has established six group processes within strategically important areas such as purchasing, people, branding, product creation, demand flow, and business support in order to ensure among other things a systematic approach to improving internal control. The Electrolux People Process provides support to managers within the Group in the form of tools and checklists to ensure effective and efficient recruitment processes and continuous development of employees.

The limits of responsibilities are set out in instructions for delegation of authority, manuals, policies and procedures, and codes, including the Electrolux Code of Ethics, the Electrolux Workplace Code of Conduct, the Electrolux Policy on Countering Bribery and Corruption, as well as policies for information, finance, credit and the accounting manual. In addition, minimum requirements have been set for internal control over financial reporting on the basis of the Group processes. Together with laws and external regulations, these internal guidelines form the control environment which is the foundation of the internal control and risk management process. All employees, including process-, risk- and control owners, are accountable for compliance with these guidelines.

Risk assessment

Risk assessment includes identifying, sourcing and measuring risks. The major risks affecting internal control over financial reporting are defined at four levels: Group, business sector, unit, and process. Assessment of risk includes risks related to irregularities and undue favorable treatment of a third party at the Group's expense as well as the risk of loss or misappropriation of assets. Assessment of risk generates control objectives that fulfill the fundamental criteria for financial reporting.

Control activities

Control activities include both general and detailed controls aimed at preventing, detecting and correcting errors and irregularities. The control activities include manual controls,

application controls built into IT systems, and controls in the underlying IT environment, known as IT General Controls.

Control activities that fulfill the control objectives, identified in the risk assessment activity, are implemented and documented at four levels: Group, business sector, unit, and process. The documentation comprises both flowcharts and detailed descriptions of the control activities. The documented control activities are quality-assured by employees responsible in terms of completeness and accuracy, according to Group-wide procedures, at Group, business sector, unit, and process levels.

Information and communication

Guidelines regarding the financial reporting are communicated to employees, e.g. by ensuring that all manuals, policies and codes are published and accessible through the Group-wide Intranet. Information is provided periodically to relevant parties regarding monitoring of the effectiveness of internal control over financial reporting.

In 2005 a special communication activity was performed to confirm that managers at the unit level within the Group have knowledge of and adhere to relevant manuals, policies and codes.

Since 2003, the Group has a representation process in which Group Management signs an annual representation letter stating their opinion regarding internal control over financial reporting as well as disclosure controls and procedures, and compliance with other internal guidelines.

Monitoring

The effectiveness of the process for assessing risks and the execution of control activities is monitored continuously at four levels: Group, business sector, unit, and process. Monitoring involves both formal and informal procedures applied by management and owners of processes-, risks- and controls, including reviews of results in comparison with budgets and plans, analytical procedures, and key performance indicators.

In addition, various tools including self-assessments are used within the Group. In order to evaluate information security and the transactional and reporting processes, units within the Group have applied these tools since 2002.

In 2005 the Internal Audit function Management Assurance & Special Assignments created test plans for identified key control activities based on documented flowcharts and the detailed descriptions of the control activities. These key control activities are tested for operating effectiveness by employees independent of those performing the controls. The test results are documented in an IT system implemented solely for this purpose.

The Internal Audit function is responsible for performing independent objective assurance activities, in order to systematically evaluate and propose improvements to the effectiveness of governance, internal control and risk management processes. In addition, this function proactively proposes improvements to the control environment. The head of this function has dual reporting lines, to the President and CEO and the Audit Committee for assurance activities, while other activities are reported to the CFO.

The Audit Committee reviews reports regarding internal control and processes for financial reporting, as well as internal audit reports submitted by the Internal Audit function. The external auditors report to the Audit Committee at each ordinary meeting.

Compliance with the Sarbanes-Oxley Act

In 2005, work continued on ensuring that Electrolux complies with the requirements of the US Sarbanes-Oxley Act of 2002.

Section 404 of the Sarbanes-Oxley Act stipulates that companies subject to SEC reporting requirements, such as Electrolux, must submit annual reports in a Form 20-F that include management's report on the effectiveness of the company's internal controls over financial reporting. The company's external auditors are required to issue an attestation report regarding management's assessment of the effectiveness of these controls, as well as an auditor's independent assessment of the effectiveness of the Group's internal control over financial reporting. This attestation report must also be included in the Form 20-F. Electrolux and its external auditors must comply with these requirements starting with the Group's Form 20-F report for the fiscal year ending December 31, 2006.

In the course of 2004, extensive work was performed to develop a method within the Group for documenting, evaluating and testing Electrolux internal controls over financial reporting and the work on documentation was started. This work also included comprehensive staff training in order to secure the required competence within the Group for effective compliance with the requirements of Section 404 of the Sarbanes-Oxley Act. This work is being led by Management Assurance & Special Assignments, the Group's Internal Audit function. In 2005, extensive work was performed to document, evaluate and test Electrolux internal controls over financial reporting.

Financial reporting and disclosure

Electrolux provides the market with information about the development of the Group and its financial position on an ongoing basis.

A disclosure policy in accordance with the Sarbanes-Oxley Act of 2002 was adopted by the Audit Committee in 2003. Electrolux complies with the requirements for an information policy that were introduced in 2004 by the Stockholm Stock Exchange in listing agreements.

Financial information is issued regularly in the form of:

- Interim reports, published as press releases.
- The Electrolux Annual Report.
- An annual report on Form 20-F and interim reports on Form 6-K, each of which are filed with the US Securities and Exchange Commission.
- Press releases on all important matters which could materially affect the share price.
- Presentations and telephone conferences for analysts, investors and media representatives on the day of publication of the quarterly and full-year results, and in connection with release of important news.
- Meetings with financial analysts and investors worldwide.

All reports and press releases are published simultaneously at www.electrolux.com.

Disclosure Committee

A Disclosure Committee was established by Electrolux at the start of 2005. This Committee contributes to considering the materiality of information relating to Electrolux and ensuring that such information is properly communicated to the market on a timely basis.

The Disclosure Committee comprises the Head of Group Staff Legal Affairs, the Chief Financial Officer, the Head of Group Staff Communications and Branding, and the Head of Investor Relations and Financial Information.