Annual Report 2008

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Financial review
Sustainability report
Corporate governance report

90 years of leading innovations and design

Thinking of you

Electrolux

Contents

Annual report 2008

Part 1 describes Electrolux operations and strategy.

Part 2 consists of the financial review, sustainability report and corporate governance report.

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In 2008, we experienced a drop in demand, which accelerated at the end of the year,. Unfortunately, we see no market improvement in the short term. This is why we have taken decisive measures to prepare ourselves for a tough 2009 – and these measures reduced our operating income for 2008.

CEO comments on the results, page 2.

Electrolux is exposed to risks in its daily operations. Limiting and controlling risks enable business opportunities to be utilized in order to maximize profits. The turbulence in financial markets and the downturn in the business cycle during 2008 have emphasized the importance of the Electrolux functions for limiting and controlling risks.

Controlling risks, page 80.

For Electrolux, sustainability provides business opportunities. Innovative, energy-lean appliances can contribute to increased market shares. A sustainable approach reduces exposure to non-financial risk and reinforces partnerships with retailers. Improving the efficiency of operations generates cost savings.

GRI summary report, page 83.

90 YEARS OF LEADING INNOVATIONS AND DESIGN

Axel Wenner-Gren, the founding father of Electrolux, established the principles by which the company still thrives. His dream to improve quality of life has had fundamental impact on homes around the world. Today's Electrolux, 90 years later, is a global leader in household appliances and appliances for professional use.

"Thinking of you" expresses the Electrolux offering: To maintain continuous focus on the consumer, wheter it's a question of product development, design, production, marketing logistics or service.

Thinking of you
Electrolux

Highlights of 2008

- Net sales amounted to SEK 104,792m (104,732).
- Operating income decreased to SEK 1,188m (4,475).
- Operating income was adversely effected by downturn in demand and cost-saving activities.
- Charge of SEK 1.0 billion was taken within operating income in the fourth quarter for personnel cutbacks of 3,100 globally.
- Operating income for appliances in Europe and North America declined significantly.
- Improved results in Latin America and Asia/Pacific for Professional Products and floor-care products.
- The Board of Directors proposes that no dividend will be paid for 2008.

Key data

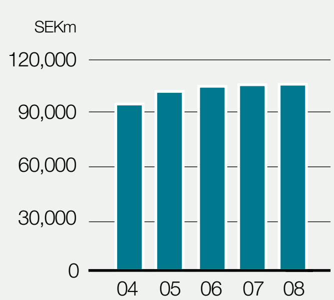
SEKm, EURm, USDm, unless otherwise stated	2008	2007	2008 EURm	2008 USDm
Net sales	104,792	104,732	10,837	15,902
Operating income	1,188	4,475	123	180
Margin, %	1.1	4.3	—	—
Income after financial items	653	4,035	68	99
Income for the period	366	2,925	38	56
Earnings per share, SEK, EUR, USD	1.29	10.41	0.13	0.20
Dividend per share, SEK, EUR, USD	0[1]	4.25	—	—
Average number of employees	55,177	56,898	—	—
Net debt/equity ratio	0.28	0.29	—	—
Return on equity,%	2.4	20.3	—	—
Excluding items affecting comparability				
Items affecting comparability	–355	–362	—	—
Operating income	1,543	4,837	160	234
Margin,%	1.5	4.6	—	—
Income after financial items	1,008	4,397	104	153
Income for the period	656	3,276	68	100
Earnings per share, SEK	2.32	11.66	0.24	0.35
Return on net assets	7.2	20.9	—	—

1) Proposed by the Board of Directors.

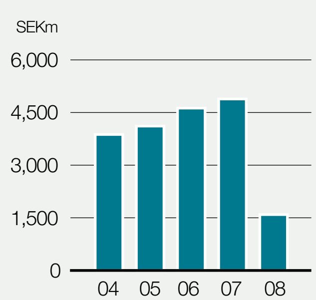
Net sales and employees in 10 largest countries

	SEKm	Employees
US	28,610	10,046
Brazil	8,416	6,773
Germany	7,392	2,141
Italy	4,979	7,515
France	4,942	1,386
Australia	4,462	1,756
Canada	4,427	1,352
UK	3,782	891
Sweden	3,559	2,865
Spain	2,718	838
Other	31,505	19,615
Total	**104,792**	**55,177**

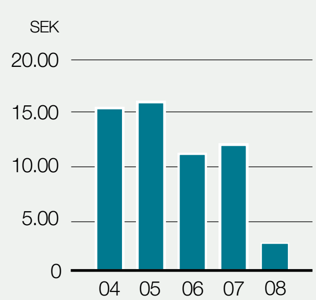
Net sales



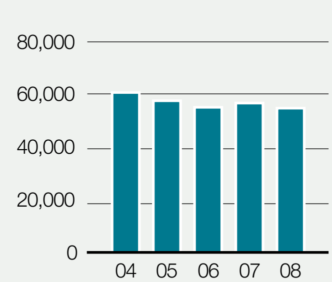
Operating income[1]



Earnings per share[1]



Number of employees[2]



1) Excluding items affecting comparability.
2) Average number of employees.

Concept, text and production by Electrolux Investor Relations and Solberg.

President and CEO Hans Stråberg's
comments on the 2008 results

We are well prepared **for a tough 2009**

In 2008, we experienced a drop in demand, which accelerated at the end of the year. Unfortunately, we see no market improvement in the short term. This is why we have taken decisive measures to prepare ourselves for a tough 2009 – and these measures reduced our operating income for 2008. To start with, we are about 4,000 fewer employees working in our Group compared to the end of 2007, and we were forced to introduce further large-scale reductions in December 2008. Through this, we have substantially reduced our costs.

We have continued to invest in competitive production capacity, products and marketing. More than half of our manufacturing today is in low-cost countries.

Furthermore, we have prioritised efforts to maintain a strong balance sheet. In spite of the weaker result, our cash flow is at the same level as in 2007. We have reduced our inventories through extensive factory shutdowns in the last months of 2008.

Through these actions we will have a strong position to handle the downturn in the market. We are also well prepared for a market turnaround, thanks to lower costs and investments in new products, such as the successful launch of Electrolux in North America.

There are also very positive parts in the report: A record result for both Latin America and for Professional Products; and yet another year with an improved profitability for our global floor-care operations.

The operating income for 2008 was SEK 1.5 billion, which is SEK 3.3 billion lower than last year and obviously a disappointment. Part of the decrease is due to our conscious effort to prepare ourselves for approaching challenges.

Our reduced income can largely be explained by four factors: About SEK 1.5 billion can be attributed to costs we were forced to take because we decreased the number of employees in pace with the drop in sales.

Our income has also been influenced negatively by market-related issues, such as weakened volumes, price and mix, amounting to SEK 1.4 billion.

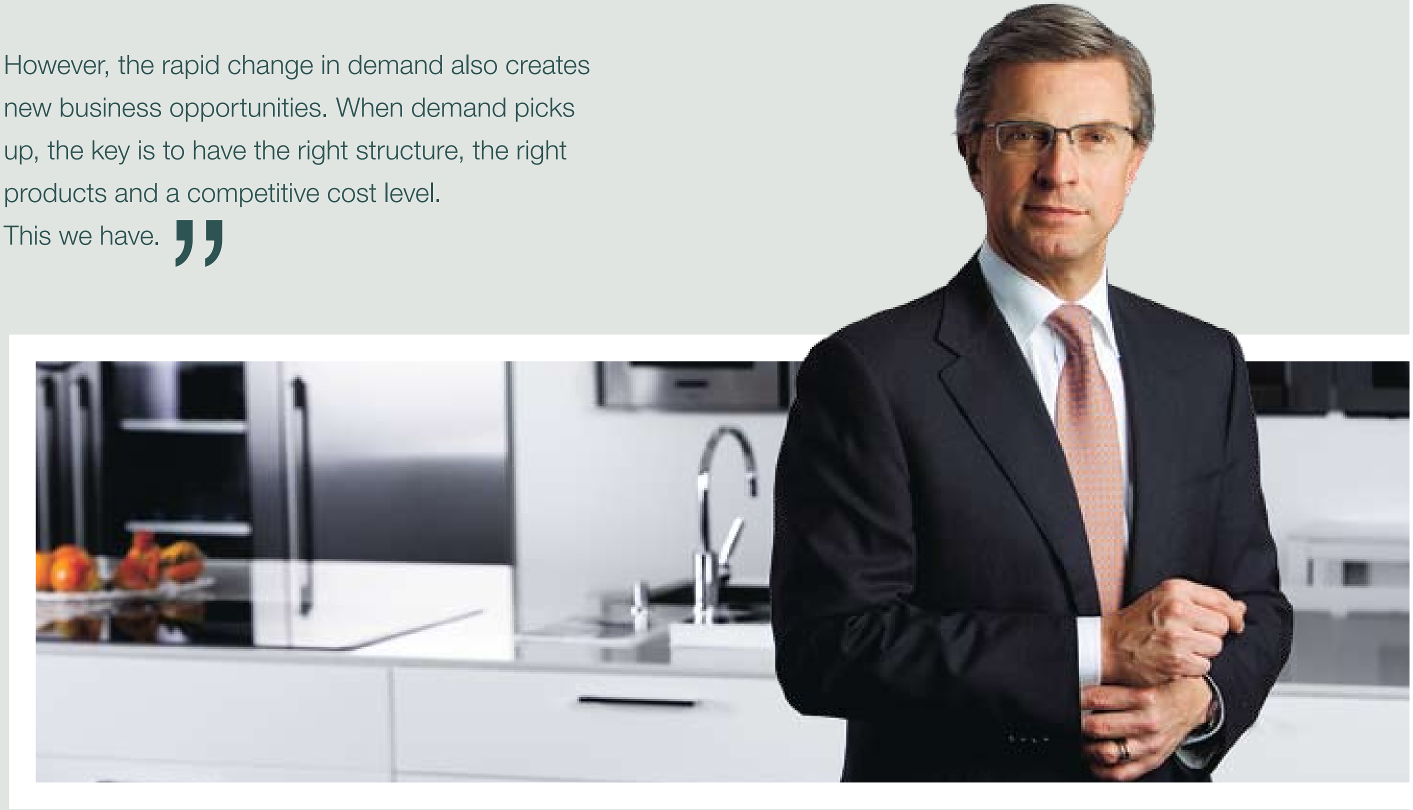
The third factor is the increased costs of raw materials by about SEK 1 billion during the year, primarily in the second half.

Finally, our successful investment in North America in premium products under the Electrolux brand has resulted in a negative net result of approximately SEK 500 million.

In spite of our weakened result, we have delivered a cash flow in line with last year, thanks to our hard work to reduce working capital.

Within the Group we have implemented a wage freeze for 2009, and the Board has chosen to recommend not to pay a dividend to our shareholders for 2008. For many years, our shareholders have received high returns, in the form of normal dividends, repurchase of shares and redemption programs. It is obviously a tough decision to break a long trend of solid dividend growth, but this proposition is logical considering the great uncertainty in the mar-

“However, the rapid change in demand also creates new business opportunities. When demand picks up, the key is to have the right structure, the right products and a competitive cost level. This we have.”



ket in 2009 and our cash commitments related to restructuring activities. Electrolux has a very strong balance sheet, with strong liquidity and limited need to re-finance debt in 2009 and 2010.

The most exciting news in 2008 was the successful launch of a completely new line of products under the Electrolux brand in North America. We are step by step building a strong position within the profitable premium segment. It has begun well. Our products are present today in more than 4,000 retail stores and we estimate our market share to be about 5%. I have followed this launch very closely and am especially pleased by the strong support we are receiving from our retail partners.

We have three business areas with record results:

Our operations for appliances in Latin America showed their best result ever. This is an example that our strategy – a strong Electrolux brand, new products and low costs – works.

The global floor-care operations had another successful year with increased profitability – in spite of lower demand. I see this as an excellent example of the value of innovative products.

The business area Professional Products delivered its best result ever, with an operating margin of more than 10%. Here, also, we see the winning result of long-term work with product development, marketing and low production costs.

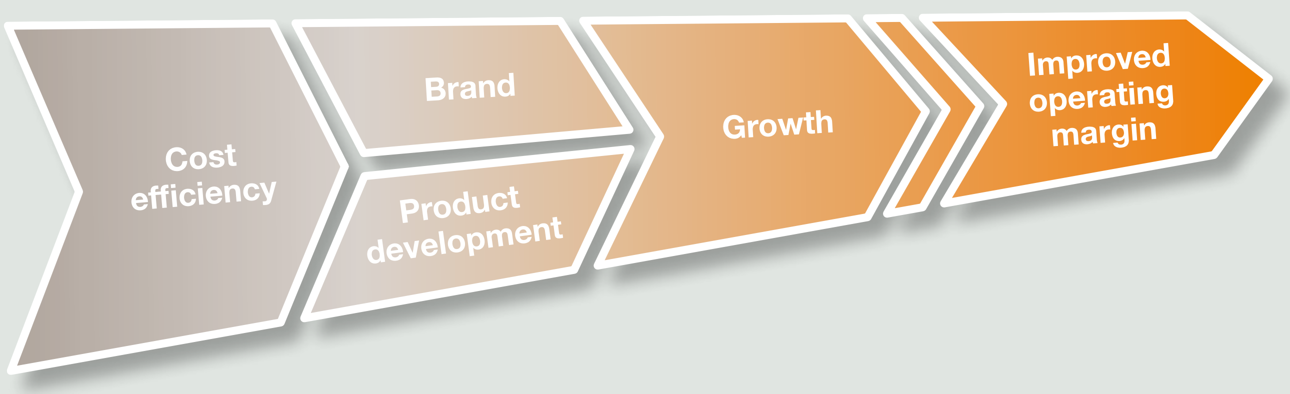
We have had a difficult 2008, and 2009 will not be easier, as we do not see any signs of short-term market improvement. Our priority is to quickly and effectively implement cost savings. However, the rapid change in demand also creates new business opportunities. When demand picks up, the key is to have the right structure, the right products and a competitive cost level. This we have.

Stockholm, February 4, 2009

Hans Stråberg
President and Chief Executive Officer

The Electrolux **strategy**

Electrolux continues to work intensively on improving profitability. On the basis of a competitive production system, among others, strong investments in new products for the high-price segments and a strong Electrolux brand will enable the Group to achieve the long-term goal of an operating margin of 6%.



Electrolux is an innovative, consumer-oriented company in which all product development grows out of insight into consumer needs. "Thinking of you" is the basic theme of all operations, from initial contact with a consumer to installation and service of sold products. Planning of marketing campaigns is integrated at an early phase of product development, and all activities are coordinated for maximum impact. This creates a uniform, powerful image of Electrolux across all product categories and markets.

The Electrolux product offering is improved continuously through identification of rapid growth segments, product categories, regions and sales channels. In the interest of creating long-term competitiveness, Electrolux is implementing a comprehensive program for savings in production and purchasing, which involves relocating production to and increasing purchases from low-cost countries.

In accordance with the established strategy, Electrolux has implemented extensive changes within floor-care operations as well as operations in Latin America, Australia, Southeast Asia and Professional Products. A more efficient marketing organization has been established in Europe. Improved product offering in the US has enabled an estimated market share of about 5% in the profitable premium segment.

Electrolux strategy is the tool for achieving the long-term goal of an operating margin of 6%. Electrolux is, therefore, focusing first and foremost on:

- Continuing to reduce production costs, partly through relocating production to low-cost countries.
- Improving operating income in Europe through a better product mix and lower costs.
- Strengthening the position in the premium segment in North America.

Report by the Board of Directors for 2008

- Net sales amounted to SEK 104,792m (104,732) and income for the period was SEK 366m (2,925), corresponding to SEK 1.29 (10.41) per share.
- Operating income declined to SEK 1,188m (4,475).
- Operating income was adversely affected by sharp decline in demand and cost-reduction measures to reduce the number of employees.
- In light of the market downturn in the fourth quarter, temporary shutdowns of production were initiated to adjust inventories to sustainable levels. This had an adverse effect on operating income.
- Operating income for appliances in Europe was adversely impacted by weak markets and costs related to personell cutbacks.
- Operating income for appliances in North America was adversely affected by weak markets, higher costs for raw materials and costs related to the launch of Electrolux.
- Improved results for appliances in Latin America and Asia/Pacific, Professional Products and floor-care products.
- The Board of Directors proposes that no dividend will be paid for 2008.

Contents page

Key data

SEKm	**2008**	Change	2007
Net sales	104,792	0%	104,732
Operating income	1,188	–73%	4,475
Margin, %	1.1		4.3
Income after financial items	653	–84%	4,035
Income for the period	366	–87%	2,925
Earnings per share, SEK	1.29		10.41
Dividend per share, SEK	0[1]		4.25
Net debt/equity ratio	0.28		0.29
Return on equity, %	2.4		20.3
Average number of employees	55,177	–1,721	56,898
Excluding items affecting comparability			
Items affecting comparability	–355	–2%	–362
Operating income	1,543	–68%	4,837
Margin, %	1.5		4.6
Income after financial items	1,008	–77%	4,397
Income for the period	656	–80%	3,276
Earnings per share, SEK	2.32		11.66
Return on net assets	7.2		20.9

1) The Board of Directors proposes that no dividend will be paid for 2008.

Net sales and income

Net sales

Net sales for the Electrolux Group in 2008 was in line with the previous year and amounted to SEK 104,792m (104,732). Sales were positively impacted by changes in exchange rates, while changes in volume/price/mix, had a negative impact.

Change in net sales

%	2008
Changes in Group structure	0.0
Changes in exchange rates	1.0
Changes in volume/price/mix	–0.9
Total	**0.1**

Operating income

Operating income for 2008 decreased to SEK 1,188m (4,475), corresponding to 1.1% (4.3) of net sales. Operating income was strongly affected by weak market demand and cost-reduction measures that were introduced to reduce the number of employees. The launch of Electrolux as a major appliances brand in North America and other non-recurring items also affected operating income, see table below and page 8.

Impact of cost-reduction measures, US launch of Electrolux and non-recurring items

SEKm, approximately	2008
Cost-reduction measures due to sharp decline in demand in the fourth quarter	–1,045
Net impact of the Electrolux launch, appliances North America	–470
Cost-cutting program, appliances Europe	–360
Cost for a component problem for dishwashers, appliances Europe	–120
Capital gain, real estate, appliances Europe	130
Cost for litigation, appliances North America	–80
Total	**–1,945**

Items affecting comparability

In addition to the items described above, operating income includes costs for plant closures related to the restructuring program initiated in 2004, see page 8. These costs, amounting to SEK –355m (–362), are reported as items affecting comparability. Excluding items affecting comparability, operating income amounted to SEK 1,543m (4,837).

Excluding items affecting comparability and the items described in the table above, operating income for 2008 amounted to approximately SEK 3,500m.

- Net sales for 2008 was in line with 2007.
- Sales volumes declined due to sharp decline in demand on most of Electrolux main markets.
- Operating income decreased to SEK 1,188m (4,475).
- Operating income was adversely affected by weak markets, cost-reduction measures and the launch of Electrolux in the US.
- Income for the period was SEK 366m (2,925).
- Earnings per share amounted to SEK 1.29 (10.41).

Depreciation and amortization

Depreciation and amortization in 2008 amounted to SEK 3,010m (2,738).

Financial net

Net financial items increased to SEK –535m (–440). The increase is mainly due to higher average borrowings and interest rates on borrowings.

For additional information on financial items, see Note 9 on page 41.

Income after financial items

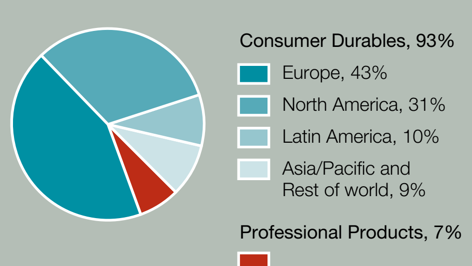
Income after financial items decreased to SEK 653m (4,035), corresponding to 0.6% (3.9) of net sales.

Taxes

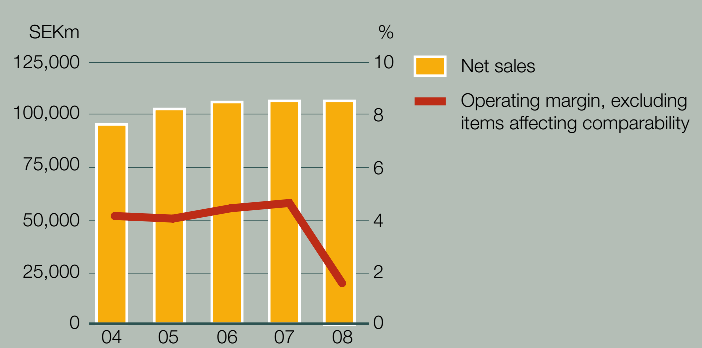
Total taxes in 2008 amounted to SEK –287m (–1,110), corresponding to 44.0% (27.5) of income after financial items.

For additional information on taxes, see Note 10 on page 42.

Share of sales by business area



Net sales and operating margin



Consolidated income statement

SEKm	Note	2008	2007
Net sales	3,4	**104,792**	**104,732**
Cost of goods sold		–86,795	–85,466
Gross operating income		**17,997**	**19,266**
Selling expenses		–11,788	–10,219
Administrative expenses		–4,839	–4,417
Other operating income	5	218	253
Other operating expenses	6	–45	–46
Items affecting comparability	3,7	–355	–362
Operating income	3,4	**1,188**	**4,475**
Financial income	9	222	182
Financial expenses	9	–757	–622
Financial items, net		**–535**	**–440**
Income after financial items		**653**	**4,035**
Taxes	10	–287	–1,110
Income for the period		**366**	**2,925**
Attributable to:			
Equity holders of the Parent Company		366	2,925
Minority interests in income for the period		—	—
Total		**366**	**2,925**
Earnings per share	20		
For income attributable to the equity holders of the Parent Company:			
Basic, SEK		1.29	10.41
Diluted, SEK		1.29	10.33
Average number of shares	20		
Basic, million		283.1	281.0
Diluted, million		283.2	283.3

Income for the period and earnings per share

Income for the period amounted to SEK 366m (2,925), corresponding to SEK 1.29 (10.41) in earnings per share before dilution.

Effects of changes in exchange rates

Changes in exchange rates in comparison with the previous year, including both translation and transaction effects, had a negative effect of SEK –182m on operating income.

Transaction effects net of hedging contracts amounted to SEK –232m and referred mainly to the strengthening of the euro and the US dollar against several other currencies. Translation of income statements in subsidiaries had an effect of SEK 50m referring mainly to the strengthening of the US dollar against the Swedish krona.

The effect of changes in exchange rates on income after financial items amounted to SEK –200m.

For additional information on effects of changes in exchange rates, see section on foreign exchange risk in Note 2 on page 37.

Share of sales, by currency

	Share of net sales, %	**Average exchange rate 2008**	Average exchange rate 2007
EUR	30	**9.67**	9.25
USD	29	6.59	6.74
BRL	8	3.62	3.47
AUD	4	5,56	5.65
CAD	4	6,21	6.30
GBP	4	12.11	13.48
SEK	4	—	—
Other	17	—	—
Total	100	—	—

Value created

Value creation is the primary financial performance indicator for measuring and evaluating financial performance within the Group. The model links operating income and asset efficiency with the cost of the capital employed in operations. The model measures and evaluates profitability, by business area, product line, region or operation.

Total value created in 2008 decreased over the previous year to SEK –1,040m (2,053). Value created was affected by lower operating income including cost-reduction measures, non-recurring items and costs for the launch in North America in the total amount of SEK –1,945m. The WACC rate for 2008 was 12% (12). The capital-turnover rate was 4.87 as against 4.50 in 2007.

For the definition of value created, see Note 30 on page 67.

Launch of premium products in North America

In April 2008, Electrolux was introduced as a major appliance brand in North America. The plan with the launch is to gain a significant long-term presence in the premium segment, which shows considerably higher profitability than the mass-market segment where the Group holds a strong position today. The new products received good market acceptance, and the Group gained market share in the premium segment. This market share is estimated at approximately 5%.

The launch had a negative impact on operating income for 2008 as it initially includes a considerable investment in marketing. The negative impact of the launch amounted to SEK –470m in 2008.

Cost-saving activities and restructuring

Electrolux introduced throughout 2008 a number of cost-saving activities, including reduction of the number of employees. Due to the negative development on the main markets, cost-saving activities were further intensified in the fourth quarter. These activities as well as decisions on restructuring taken at the beginning of 2009 are described below.

February 2009

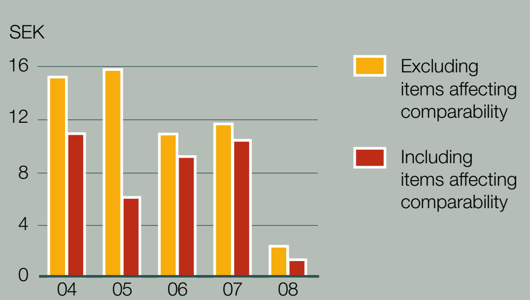
Investigation on manufacturing in Spain

In February 2009, it was decided to launch an investigation into the future viability of the washing-machine factory in Alcalà, Spain. The factory has approximately 500 employees. The investigation is expected to be concluded during the second quarter of 2009.

Reinforcing the premium strategy in China

Electrolux strategy in China is to focus on the growing premium segment in the big cities, currently through the cooking and laundry product categories. A new refrigerator platform will be developed to build a strong refrigerator position in the premium segment.

Earnings per share



Items affecting comparability

SEKm	**2008**	2007
Restructuring provisions and write-downs[1]		
Appliances plant in Scandicci and Susegana, Italy	–487	—
Appliances plant in Spennymoor, UK	—	–317
Appliances plant in Fredericia, Denmark	—	–45
Reversal of unused restructuring provisions	132	—
Total	**–355**	**–362**

1) Deducted from cost of goods sold.

Electrolux will exit the lower-end refrigerator category in China with the consequence that production in the Changsha factory will cease in the first quarter of 2009. About 700 employees will be affected. The cost for the closure is estimated to approximately SEK 100m, which will be charged to operating income in the first quarter of 2009 within items affecting comparability.

Electrolux production and product development in China will be concentrated to the coastal Hangzhou factory, in order to gain scale effects and to facilitate increased exports and supplies for the domestic market. In addition, Electrolux will continue to grow its supply and sourcing base in China.

December 2008

Cost-reduction measures due to sharp decline in demand

In light of the sharp market decline in the second half of November and in December, it was decided to reduce the number of employees by more than 3,000 in the fourth quarter of 2008 and in 2009. All operations on a global basis are affected.

The costs for these actions, approximately SEK 1.0 billion, were charged against operating income before items affecting comparability in the fourth quarter of 2008, see table below. The savings are expected to amount to approximately SEK 1.1 billion on a yearly basis, with full effect as of 2010.

Cost-saving program in the fourth quarter

SEKm, approximately	Reduction, number of employees	Charge
Consumer Durables, Europe	1,000	800
Consumer Durables, North America	700	45
Consumer Durables, Latin America	500	10
Consumer Durables, Asia/Pacific	630	110
Professional Products	230	40
Group staff	60	40
Total	**3,120**	**1,045**

May 2008

Production of refrigerators in Italy to be concentrated

In May 2008, the Board decided to concentrate production of refrigerators in Italy to the Group's factory in Susegana, while ceasing production in Scandicci. Additional investments will be made in the Susegana factory to increase efficiency, productivity and competitiveness for a sustainable future. A total of approximately 450 employees will be affected at the Scandicci plant and approximately 300 in Susegana.

The changes of the refrigerator production in Italy are expected to be completed in the second half of 2009. The restructuring incurs a total cost of approximately SEK 600m, of which SEK 539m was taken as a charge against operating income in the second quarter of 2008 within items affecting comparability.

February 2008

Program to reduce costs within appliances in Europe

In February 2008, it was decided to launch a program to reduce the staff within appliances in Europe by approximately 400 people during 2008. The costs for the program, approximately SEK 360m, were charged to operating income before items affecting comparability in the first quarter of 2008. The savings are expected to amount to SEK 350m–400m on a yearly basis.

Market overview

Most of Electrolux main markets for appliances showed a decline in the fourth quarter of 2008. The North American market has declined for ten consecutive quarters. Since 2005, when shipments of appliances in the US market had its peak level, core appliances has declined by 16%. In the fourth quarter, industry shipments in the US declined by 14%. The European market has been falling for five consecutive quarters, with Eastern Europe showing a dramatic downturn in the fourth quarter, declining by 15%. Demand in Western Europe declined by 8% in the fourth quarter. The total European market has declined since 2007 by 4%. After a long period of strong growth, the Latin American market for appliances decreased in the fourth quarter.

There are no indications of an immediate improvement in any of the Group's main markets, and, therefore, market demand for appliances around the world is expected to decline further in 2009.

As there is a great uncertainty of the degree of decline, it is currently very difficult to forecast Electrolux earnings for the full year. Consequently, Electrolux will not give an outlook for operating income for 2009.

Relocation of production, items affecting comparability, restructuring measures 2007–2008

Plant closures and cutbacks			Closed
Torsvik	Sweden	Compact appliances	(Q1 2007)
Nuremberg	Germany	Dishwashers, washing machines and dryers	(Q1 2007)
Adelaide	Australia	Dishwashers	(Q2 2007)
Fredericia	Denmark	Cookers	(Q4 2007)
Adelaide	Australia	Washing machines	(Q1 2008)
Spennymoor	UK	Cookers	(Q4 2008)

Authorized closures			Estimated closure
Changsha	China	Refrigerators	(Q1 2009)
Scandicci	Italy	Refrigerators	(Q3 2009)

New plants			
Juarez	Mexico	Washing machines	(2007–2008)

Electrolux initiated a restructuring program in 2004 to make the Group's production competitive in the long term. When it is fully implemented in 2010, more than half of production of appliances will be located in low-cost countries and savings will amount to approximately SEK 3 billion annually. Restructuring provisions and write-downs are reported as items affecting comparability within operating income.

Operations by business area

The Group's operations include products for consumers as well as professional users. Products for consumers comprise major appliances, i.e., refrigerators, freezers, cookers, dryers, washing machines, dishwashers, room air-conditioners and microwave ovens, as well as floor-care products. Professional products comprise food-service equipment for hotels, restaurants and institutions, as well as laundry equipment for apartment-house laundry rooms, launderettes, hotels and other professional users.

In 2008, appliances accounted for 85% (85) of sales, professional products for 7% (7) and floor-care products for 8% (8).

Consumer Durables, Europe

SEKm[1]	2008	2007
Net sales	44,342	45,472
Operating income	–22	2,067
Operating margin, %	0.0	4.5
Net assets	7,448	9,158
Return on net assets, %	–0.2	22.4
Capital expenditure	1,569	1,325
Average number of employees	24,777	25,382

1) Excluding items affecting comparability.

Non-recurring items

SEKm	2008
Cost-reduction measures due to sharp decline in demand	–800
Cost-cutting program, appliances Europe	–360
Cost for a component problem for dishwashers, appliances Europe	–120
Capital gain, real estate, appliances Europe	130
Total	**–1,150**

- Sharp decline in demand on key markets in Europe and in North America.
- As a consequence of the sharp downturn in the market in the fourth quarter, temporary shutdowns of production were initiated to adjust inventories to lower demand. This had an adverse affect on earnings.
- Lower sales volumes and costs related to personnel cutbacks adversely affected operating income for appliances in Europe.
- Weak market, higher costs for raw materials and costs for the launch of Electrolux negatively impacted operating income for appliances in North America.
- Substantial increase in operating income for appliances in Latin America and for Professional Products.
- Solid performance in Asia/Pacific and for floor-care operations.

Major appliances

Total industry shipments of major appliances in Europe in 2008 declined in volume by 4% over 2007. Shipments declined by 2% in Eastern Europe and by 5% in Western Europe. Deliveries of appliances declined significantely in the fourth quarter by 10%.

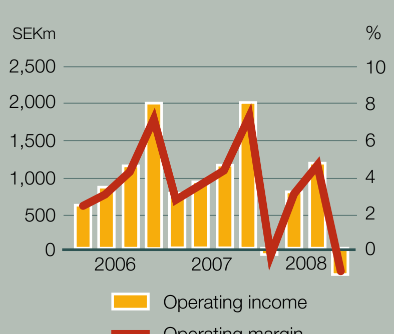
Group sales and operating income 2008 declined substantially as a result of the weak trends in several of the Group's most profitable markets in Europe. Demand declined in major markets, such as Italy, the UK and the Nordic region. Deliveries of appliances in Eastern Europe, which had shown growth during the first three quarters, declined significantly in the fourth quarter.

Lower volumes and temporary shutdowns of production to adjust inventories to lower demand, a less favorable product mix, and costs related to personnel cutbacks had an adverse effect on operating income in 2008. Operating income was adversely impacted by charges related to cost-cutting programs, see table above. The new products that were launched in 2007 provided some support for Electrolux sales prices and volumes.

Floor-care products

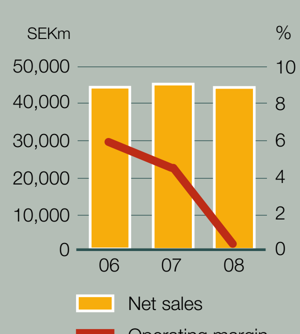
Demand for vacuum cleaners in Europe in 2008 was lower than in 2007. Group sales declined as a result of lower sales volumes. Operating income and margin improved substantially during the year on the basis of an improved product mix.

Operating income and margin per quarter for the Group



Operating income in the fourth quarter of 2008 was adversely impacted by cost-reduction measures in the amount of SEK –1,045m.

Consumer Durables, Europe



Consumer Durables, North America

SEKm[1]	2008	2007
Net sales	32,801	33,728
Operating income	222	1,711
Operating margin, %	0.7	5.1
Net assets	8,333	8,404
Return on net assets, %	3.0	21.2
Capital expenditure	917	1,471
Average number of employees	14,410	15,204

1) Excluding items affecting comparability.

Non-recurring items and launch of Electrolux

SEKm	2008
Cost-reduction measures due to sharp decline in demand	–45
Net impact, launch of Electrolux for appliances	–470
Cost for litigation	–80
Total	**–595**

Major appliances

Industry shipments of appliances in the US in 2008, declined by 10%. This is the largest downturn shown by the market since 1975, when the decline was 20%. Industry shipments declined by approximately 14% during the fourth quarter in comparison with the same period in the preceding year. Deliveries of appliances have declined for ten consecutive quarters.

On the basis of price increases and an improved product mix, Group sales of appliances in North America, in comparable currencies, were on a level with the previous year, despite lower sales volumes. Operating income was lower as a result of higher costs for raw materials, costs related to the launch of Electrolux for appliances in the premium segment, lower volumes and temporary shutdowns of production to adjust inventories to lower demand. In addition, operating income was adversely affected by a charge related to the cost-reduction measures that were initiated in December 2008 and costs for litigation, see table above.

The new Electrolux-branded products contributed to an improvement of the product mix. The net effect on operating income generated by the launch of the Electrolux brand amounted to approximately SEK –470m for the full year 2008. The new products received good market acceptance, and the Group gained market share in the premium segment. This market share is estimated at approximately 5%.

Floor-care products

Market demand for vacuum cleaners in the US showed a steep decline for the full year 2008. Sales for the Group's vacuum-cleaner operation in North America declined as a result of lower sales volumes, partly because the Group reduced its sales of low-price products. In addition, operating income was adversely affected by a charge related to the cost-reduction measures that were initiated in December 2008, see table above. Operating income and margin declined.

Consumer Durables, Latin America

SEKm[1]	2008	2007
Net sales	10,970	9,243
Operating income	715	514
Operating margin, %	6.5	5.6
Net assets	3,565	3,114
Return on net assets, %	23.5	14.7
Capital expenditure	362	282
Average number of employees	7,590	7,303

1) Excluding items affecting comparability.

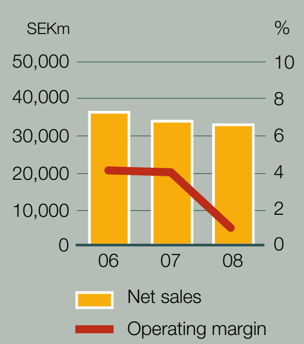
Non-recurring items

SEKm	2008
Cost-reduction measures due to sharp decline in demand	–10
Total	**–10**

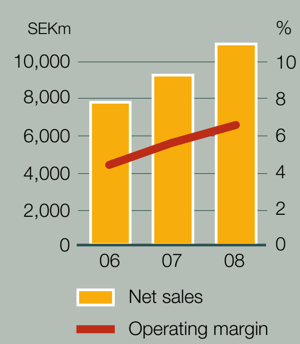
Industry shipments of appliances in Brazil continued to show good growth in 2008. It is estimated that, after a long period of growth, industry shipments of appliances in Brazil and several other Latin American markets declined during the fourth quarter.

The Group's sales volumes in Latin America showed strong growth for 2008, rising by approximately 16%, and market shares increased within several product categories. Electrolux sales in Latin America rose by approximately 18% in 2008. Both operating income and margin improved considerably on the basis of higher sales volumes, a better customer mix, particularly in Brazil, and higher productivity in the Group's plants. Operating income for 2008 was the best ever for the Group's operations in Latin America.

Consumer Durables, North America



Consumer Durables, Latin America



Consumer Durables, Asia/Pacific and Rest of world

SEKm[1)]	2008	2007
Net sales	9,196	9,167
Operating income	369	330
Operating margin, %	4.0	3.6
Net assets	2,716	2,618
Return on net assets, %	15.5	13.5
Capital expenditure	185	229
Average number of employees	4,465	4,979

1) Excluding items affecting comparability.

Non-recurring items

SEKm	2008
Cost-reduction measures due to sharp decline in demand	–110
Total	**–110**

Australia and New Zealand

Demand for appliances in Australia in 2008 is estimated to have declined in comparison with the previous year. The Group's sales volumes and market shares increased. Operating income and margin improved, primarily on the basis of implemented cost-saving programs and relocation of production to low-cost countries.

Operating income was adversely effected by a charge related to the cost-reduction measures that were initiated in December 2008, see table above.

Southeast Asia and China

Operations in Southeast Asia showed strong growth in all markets during 2008. The rate of growth declined somewhat during the fourth quarter. Electrolux gained market shares across the region and continued to show good profitability.

Market statistics for appliances in China indicate growth of approximately 4% for 2008, in comparison with 2007. The rate of growth was lower during the second half of the year. Market demand increased, primarily in the low-price segment, where the Group has reduced its presence. The operation in China continues to report a loss.

Operating income was adversely affected by a charge related to the cost-reduction measures that were initiated in December 2008, see table above.

Professional Products

SEKm[1)]	2008	2007
Net sales	7,427	7,102
Operating income	774	584
Operating margin, %	10.4	8.2
Net assets	1,327	1,324
Return on net assets, %	63.3	43.9
Capital expenditure	98	96
Average number of employees	3,062	3,200

1) Excluding items affecting comparability.

Non-recurring items

SEKm	2008
Cost-reduction measures due to sharp decline in demand	–40
Total	**–40**

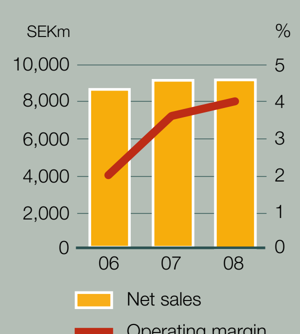
Sales of food-service equipment increased on the basis of higher sales volumes. Electrolux gained market shares in several key markets. Operating income improved substantially.

Sales of laundry equipment declined somewhat in 2008 in comparison with 2007, as a result of lower sales volumes. Operating income improved substantially, mainly on the basis of previous price increases, lower administration costs and the effects of relocating production to Thailand.

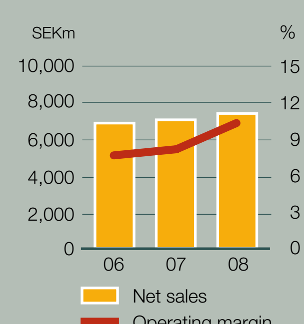
Operating income for Professional Products was adversely affected by a charge related to cost-reduction measures that were initiated in December 2008, see table above.

Operating income for Professional Products in 2008 was one of the highest ever achieved.

Consumer Durables, Asia/Pacific and Rest of world



Professional Products



OPERATIONS, BY BUSINESS AREA

SEKm[1]	2008	2007
Consumer Durables, Europe		
Net sales	44,342	45,472
Operating income	–22	2,067
Margin, %	0.0	4.5
Consumer Durables, North America		
Net sales	32,801	33,728
Operating income	222	1,711
Margin, %	0.7	5.1
Consumer Durables, Latin America		
Net sales	10,970	9,243
Operating income	715	514
Margin, %	6.5	5.6
Consumer Durables, Asia/Pacific and Rest of world		
Net sales	9,196	9,167
Operating income	369	330
Margin, %	4.0	3.6
Professional Products		
Net sales	7,427	7,102
Operating income	774	584
Margin, %	10.4	8.2
Other		
Net sales	56	20
Operating income, common group costs, etc.	–515	–369
Total net sales	**104,792**	**104,732**
Operating income	**1,543**	**4,837**
Margin, %	**1.5**	**4.6**

1) Excluding items affecting comparability.

NET SALES AND OPERATING INCOME 2008 COMPARED TO 2007[1]

Change, year-over-year, %	Net sales	Net sales in comparable currencies	Operating income	Operating income in comparable currencies
Consumer Durables				
Europe	–2.5	–5.4	–101.1	–101.0
North America	–2.7	–0.7	–87.0	–86.7
Latin America	18.7	15.2	39.1	35.4
Asia/Pacific and Rest of world	0.3	1.5	11.8	21.4
Professional Products	**4.6**	**1.9**	**32.5**	**26.9**
Total change	**0.1**	**–0.9**	**–68.1**	**–68.4**

1) Excluding items affecting comparability.

Financial position

Working capital and net assets

SEKm	Dec. 31, **2008**	% of annual-ized net sales	Dec. 31, 2007	% of annual-ized net sales
Inventories	12,680	11.0	12,398	11.1
Trade receivables	20,734	17.9	20,379	18.3
Accounts payable	–15,681	–13.6	–14,788	–13.3
Provisions	–13,529		–11,382	
Prepaid and accrued income and expenses	–7,263		–6,445	
Taxes and other assets and liabilities	–2,072		–2,291	
Working capital	**–5,131**	**–4.4**	**–2,129**	**–1.9**
Property, plant and equipment	17,035		15,205	
Goodwill	2,095		2,024	
Other non-current assets	4,602		4,437	
Deferred tax assets and liabilities	2,340		1,206	
Net assets	**20,941**	**18.1**	**20,743**	**18.6**
Average net assets	20,538	19.6	20,644	19.7
Return on net assets, %	5.8		21.7	
Return on net assets, excluding items affecting comparability, %	7.2		20.9	
Value creation	–1,040		2,053	

- New long-term borrowings in the amount of SEK 5,289m were raised in 2008.
- Equity/assets ratio was 25.6% (26.9).
- Return on equity was 2.4% (20.3).
- Average net assets amounted to SEK 20,538m (20,644).

Net assets and working capital

Average net assets for the period amounted to SEK 20,538m (20,644). Net assets as of December 31, 2008, amounted to SEK 20,941m (20,743).

Adjusted for items affecting comparability, i.e., restructuring provisions, average net assets declined to SEK 21,529m (23,196), corresponding to 20.5% (22.1) of net sales.

Working capital as of December 31, 2008, declined and amounted to SEK –5,131m (–2,129), corresponding to –4.4% (–1.9) of annualized net sales.

The return on net assets was 5.8% (21.7), and 7.2% (20.9), excluding items affecting comparability.

Net borrowings

Net borrowings amounted to SEK 4,556m (4,703). The net debt/equity ratio was 0.28 (0.29). The equity/assets ratio was 25.6% (26.9).

During 2008, SEK 2,923m of the long-term borrowings matured and SEK 5,289m of new long-term borrowings were raised. The maturity profile of the Group's borrowings has thus improved. Long-term borrowings as of December 31, 2008, including long-term borrowings with maturities within 12 months, amounted to SEK 9,963m with average maturities of 4.7 years, compared to SEK 4,887m and 2.3 years by the end of 2007. A significant portion of long-term borrowings is raised in the Euro and Swedish bond market.

During 2009 and 2010 long-term borrowings in the amount of SEK 1,979m will mature. Liquid funds as of December 31, 2008, excluding a committed unused revolving credit facility of EUR 500m, amounted to SEK 9,390m.

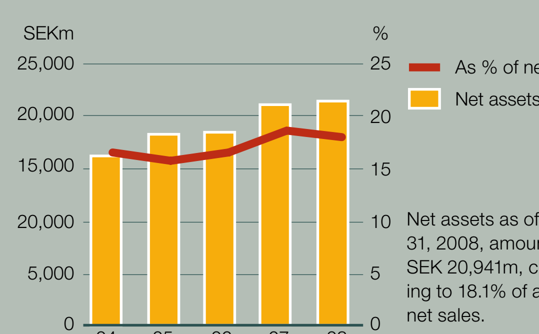
Net borrowings

SEKm	Dec. 31, **2008**	Dec. 31, **2007**
Borrowings	13,946	11,163
Liquid funds	9,390	6,460
Net borrowings	**4,556**	**4,703**
Net debt/equity ratio	0.28	0.29
Equity	**16,385**	**16,040**
Equity per share, SEK	57.78	56.95
Return on equity, %	2.4	20.3
Return on equity, excluding items affecting comparability, %	4.2	22.7
Equity/assets ratio, %	25.6	26.9

Change in net assets

SEKm	Net assets
January 1, 2008	**20,743**
Change in restructuring provisions	–872
Write-down of assets	–179
Changes in exchange rates	1,449
Capital expenditure	3,158
Depreciation	–3,010
Changes in working capital, etc.	–348
December 31, 2008	**20,941**

Net assets



Net assets as of December 31, 2008, amounted to SEK 20,941m, corresponding to 18.1% of annualized net sales.

Consolidated balance sheet

SEKm	Note	December 31, **2008**	December 31, 2007
ASSETS			
Non-current assets			
Property, plant and equipment	12	17,035	15,205
Goodwill	11	2,095	2,024
Other intangible assets	11	2,823	2,121
Investments in associates	29	27	32
Deferred tax assets	10	3,180	2,141
Financial assets	17	280	712
Other non-current assets	13	1,472	1,572
Total non-current assets		**26,912**	**23,807**
Current assets			
Inventories	14	12,680	12,398
Trade receivables	16,17	20,734	20,379
Tax assets		511	391
Derivatives	17	1,425	411
Other current assets	15	3,460	2,992
Short-term investments	17	296	165
Cash and cash equivalents	17	7,305	5,546
Total current assets		**46,411**	**42,282**
Total assets		**73,323**	**66,089**
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Parent Company			
Share capital	20	1,545	1,545
Other paid-in capital		2,905	2,905
Other reserves	18	2,052	844
Retained earnings		9,883	10,745
		16,385	**16,039**
Minority interests		—	1
Total equity		**16,385**	**16,040**
Non-current liabilities			
Long-term borrowings	17	9,963	4,887
Deferred tax liabilities	10	840	935
Provisions for post-employment benefits	22	6,864	6,266
Other provisions	23	4,175	3,813
Total non-current liabilities		**21,842**	**15,901**
Current liabilities			
Accounts payable	17	15,681	14,788
Tax liabilities		2,329	2,027
Other liabilities	24	10,644	10,049
Short-term borrowings	17	3,168	5,701
Derivatives	17	784	280
Other provisions	23	2,490	1,303
Total current liabilities		**35,096**	**34,148**
Total liabilities		**56,938**	**50,049**
Total equity and liabilities		**73,323**	**66,089**
Pledged assets	**19**	**120**	**76**
Contingent liabilities	**25**	**1,293**	**1,016**

The Group's goal for long-term borrowings includes an average time to maturity of at least two years, an even spread of maturities, and an average interest-fixing period of six months. At year-end, the average interest-fixing period for long-term borrowings was 0.5 years (0.2 years).

At year-end, the average interest rate for the Group's total interest-bearing borrowings was 5.0% (5.8).

Liquid funds

Liquid funds at year-end amounted to SEK 9,390m (6,460). This corresponds to 8.1% (5.8) of annualized net sales.

Liquidity profile

SEKm	Dec. 31, **2008**	Dec. 31, **2007**
Liquid funds	9,390	6,460
% of annualized net sales[1]	12.9	10.0
Net liquidity	5,407	184
Fixed interest term, days	22	12
Effective annual yield, %	4.5	4.5

1) Liquid funds plus an unused revolving credit facility of EUR 500m divided by annualized net sales.

For additional information on the liquidity profile, see Note 17 on page 46.

Rating

Electrolux has investment-grade ratings from Standard & Poor's. The rating for long-term debt was changed by the end of the year to BBB from BBB+.

Rating

	Long-term debt	Outlook	Short-term debt	Short-term debt, Nordic
Standard & Poor's	BBB	Stable	A-2	K-2

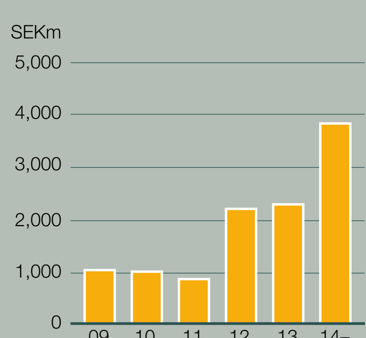
Net debt/equity and equity/assets ratios

The net debt/equity ratio improved to 0.28 (0.29). The equity/assets ratio decreased to 25.6% (26.9).

Equity and return on equity

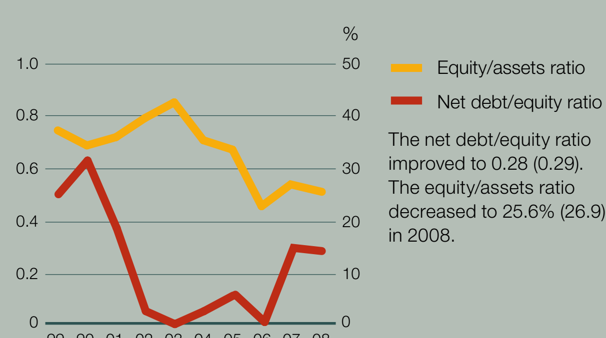
Group equity as of December 31, 2008, amounted to SEK 16,385m (16,040), which corresponds to SEK 57.78 (56.95) per share. Return on equity was 2.4% (20.3). Excluding items affecting comparability, return on equity was 4.2% (22.7).

Long-term borrowings, by maturity



The maturity profile of the Group's borrowings has improved substantially in 2008. During 2009 and 2010 long-term borrowings in the amount of SEK 1,979m will mature. For Information on borrowings, see Note 17 on page 48.

Net debt/equity ratio



The net debt/equity ratio improved to 0.28 (0.29). The equity/assets ratio decreased to 25.6% (26.9) in 2008.

Change in consolidated equity

	Attributable to equity holders of the company						
SEKm	Share capital	Other paid-in capital	Other reserves	Retained earnings	Total	Minority interest	Total equity
Opening balance, January 1, 2007	**1,545**	**2,905**	**–4**	**8,747**	**13,193**	**1**	**13,194**
Available for sale instruments							
Gain/loss taken to equity	—	—	259	—	259	—	259
Transferred to income statement on sale	—	—	–11	—	–11	—	–11
Cash-flow hedges							
Gain/loss taken to equity	—	—	61	—	61	—	61
Transferred to income statement	—	—	11	—	11	—	11
Exchange differences on translation of foreign operations							
Net-investment hedge	—	—	31	—	31	—	31
Translation differences	—	—	497	—	497	—	497
Income for the period recognized directly in equity	**—**	**—**	**848**	**—**	**848**	**—**	**848**
Income for the period	**—**	**—**	**—**	**2,925**	**2,925**	**—**	**2,925**
Total recognized income and expenses for the period	**—**	**—**	**848**	**2,925**	**3,773**	**—**	**3,773**
Share-based payment	—	—	—	72	72	—	72
Sale of shares	—	—	—	127	127	—	127
Dividend SEK 4.00 per share	—	—	—	–1,126	–1,126	—	–1,126
Total transactions with equity holders	**—**	**—**	**—**	**–927**	**–927**	**—**	**–927**
Closing balance, December 31, 2007	**1,545**	**2,905**	**844**	**10,745**	**16,039**	**1**	**16,040**
Available for sale instruments							
Gain/loss taken to equity	—	—	–403	—	–403	—	–403
Transferred to income statement on sale	—	—	—	—	—	—	—
Cash-flow hedges							
Gain/loss taken to equity	—	—	82	—	82	—	82
Transferred to income statement	—	—	–61	—	–61	—	–61
Exchange differences on translation of foreign operations							
Net-investment hedge	—	—	–84	—	–84	—	–84
Translation differences	—	—	1,674	—	1,674	–1	1,673
Income for the period recognized directly in equity	**—**	**—**	**1,208**	**—**	**1,208**	**–1**	**1,207**
Income for the period	**—**	**—**		**366**	**366**		**366**
Total recognized income and expenses for the period	**—**	**—**	**1,208**	**366**	**1,574**	**–1**	**1,573**
Share-based payment	—	—	—	–41	–41	—	–41
Sale of shares	—	—	—	17	17	—	17
Dividend SEK 4.25 per share	—	—	—	–1,204	–1,204	—	–1,204
Total transactions with equity holders	**—**	**—**	**—**	**–1,228**	**–1,228**	**—**	**–1,228**
Closing balance, December 31, 2008	**1,545**	**2,905**	**2,052**	**9,883**	**16,385**	**—**	**16,385**

For more information about share capital, number of shares and earnings per share, see Note 20 on page 52.
For more information about other reserves in equity, see Note 18 on page 51.

Cash flow

Operating cash flow

Cash flow from operations and investments in 2008 was in line with 2007, despite downturn in demand and lower operating income. In the fourth quarter the decline in demand was particularly steep and measures were taken to decrease working capital. Temporary production shutdowns were implemented in the latter part of the fourth quarter in order to adjust inventories to lower demand. Changes in trade receivables were traceable mainly to lower sales volumes reflecting the declining markets in North America and Europe. Changes in inventories and accounts payable were traceable to reduction of inventories and lower production.

Capital expenditure, by business area

SEKm	2008	2007
Consumer Durables		
Europe	1,569	1,325
% of net sales	3.5	2.9
North America	917	1,471
% of net sales	2.8	4.4
Latin America	362	282
% of net sales	3.3	3.1
Asia/Pacific and Rest of world	185	229
% of net sales	2.0	2.5
Professional Products	98	96
% of net sales	1.3	1.4
Other	27	27
Total	**3,158**	**3,430**
% of net sales	3.0	3.3

Capital expenditure

Capital expenditure in property, plant and equipment in 2008 decreased to SEK 3,158m (3,430). Capital expenditure corresponded to 3.0% (3.3) of net sales. Capital expenditure referred mainly to investments within manufacturing for new products as well as reinvestments. During the second half of the year, production started at the new plant for front-loaded washing machines in Juarez, Mexico.

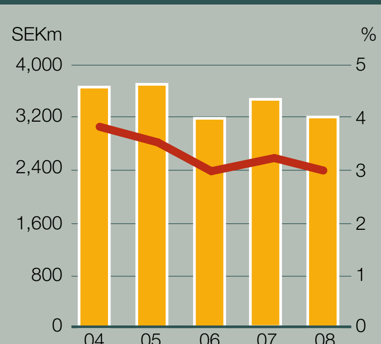
- Cash flow from operations and investments was in line with 2007 and amounted to SEK 1,194m (1,277).
- Operating cash flow was affected by declining markets in North America and Europe.
- Temporary production shutdowns were implemented at the end of the year to adjust inventories to lower demand.
- Capital expenditure declined to SEK 3,158m, as against SEK 3,430m in 2007.
- R&D costs increased to 2.0% (1.9) of net sales.

Costs for R&D

Costs for research and development in 2008, including capitalization of SEK 544m (520), amounted to SEK 2,092m (2,017), corresponding to 2.0% (1.9) of net sales. R&D projects during the year mainly referred to development of new products and design projects within appliances in Europe, North America and Latin America.

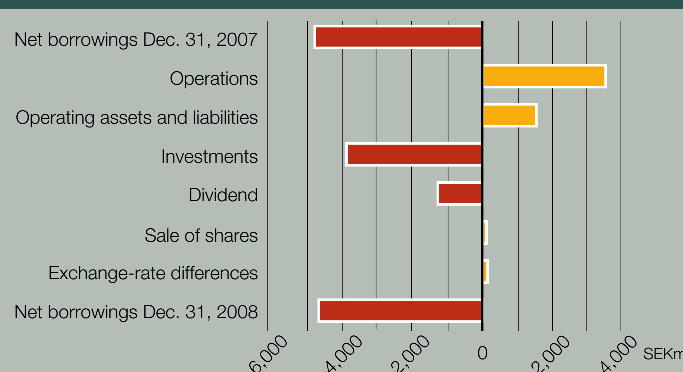
For definitions, see Note 30 on page 67.

Capital expenditure



Capital expenditure in 2008 decreased to SEK 3,158m (3,430).

Cash flow and change in net borrowings



Consolidated cash flow statement

SEKm	Note	2008	2007
Operations			
Operating income		1,188	4,475
Depreciation and amortization		3,010	2,738
Capital gain/loss included in operating income		–198	–190
Restructuring provisions		1,134	–701
Share-based compensation		–41	72
FInancial items paid, net		–729	–271
Taxes paid		–918	–815
Cash flow from operations, excluding change in operating assets and liabilities		**3,446**	**5,308**
Change in operating assets and liabilities			
Change in inventories		923	–206
Change in trade receivables		1,869	993
Change in other current assets		–178	40
Change in accounts payable		–686	–885
Change in operating liabilities and provisions		–425	–94
Cash flow from change in operating assets and liabilities		**1,503**	**–152**
Cash flow from operations		**4,949**	**5,156**
Investments			
Divestment of operations	26	–34	—
Capital expenditure in property, plant and equipment	12	–3,158	–3,430
Capitalization of product development	11	–544	–520
Other		–19	71
Cash flow from investments		**–3,755**	**–3,879**
Cash flow from operations and investments		**1,194**	**1,277**
Financing			
Change in short-term investments		–128	1,463
Change in short-term borrowings		–681	670
New long-term borrowings	17	5,289	3,257
Amortization of long-term borrowings	17	–2,923	—
Dividend		–1,204	–1,126
Redemption of shares		—	–5,582
Sale of shares		17	127
Cash flow from financing		**370**	**–1,191**
Total cash flow		**1,564**	**86**
Cash and cash equivalents at beginning of period		**5,546**	**5,475**
Exchange-rate differences referring to cash and cash equivalents		195	–15
Cash and cash equivalents at end of period		**7,305**	**5,546**
Change in net borrowings			
Total cash flow, excluding change in loans and other short-term investments		**7**	**–5,304**
Net borrowings at beginning of period		**–4,703**	**304**
Exchange-rate differences referring to net borrowings		140	297
Net borrowings at end of period		**–4,556**	**–4,703**

Share capital and ownership

Share capital and ownership structure

As of February 1, 2009, the share capital in AB Electrolux amounted to SEK 1,545m, corresponding to 308,920,308 shares. The share capital of 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. In accordance with the Swedish Companies Act, the Articles of Association of Electrolux also provide for specific rights of priority for holders of different types of shares, in the event that the company issues new shares or certain other instruments.

At Electrolux Annual General Meeting (AGM) in 2008, it was resolved to amend AB Electrolux Articles of Association, whereby shareholders in Electrolux who hold A-shares from time to time shall be entitled to request conversion of their A-shares into B-shares. The purpose of the conversion clause is to give holders of A-shares an opportunity to achieve an improved liquidity in their shareholding, as the trading in A-shares on the stock market is relatively limited. There has been no conversion of A-shares in 2008.

Major shareholders

	Share capital, %	Voting rights, %
Investor AB	12.7	28.8
Capital Group Funds	9.2	7.2
Alecta Pension Insurance	5.6	5.6
Swedbank Robur Funds	4.2	3.3
Second Swedish National Pension Fund	2.8	2.2
Barclays Funds	2.1	1.7
Fourth Swedish National Pension Fund	1.9	1.5
SEB Funds	1.8	1.4
Didner & Gerge Mutual Fund	1.6	1.3
AFA Insurance	1.3	1.0
Total, ten largest shareholders	**43.2**	**54.0**
Board of Directors and Group Management, collectively	0.09	0.07

Source: SIS Ägarservice as of December 31, 2008, and Electrolux.
The figures have been rounded off.

According to the register of Euroclear Sweden (formerly VPC), there were approximately 52,700 shareholders in AB Electrolux as of December 31, 2008. Investor AB is the largest shareholder, owning 12.7% of the share capital and 28.8% of the voting rights. Information on the shareholder structure is updated quarterly at www.electrolux.com/IR.

The Group's pension fund owned 300,000 B-shares in AB Electrolux as of February 1, 2009.

Articles of Association

AB Electrolux Articles of Association stipulate that the AGM shall always resolve on the appointment of the members of the Board of Directors. Apart from that, the articles do not include any provisions for appointing or dismissing members of the Board of Directors or for changing the articles.

A shareholder participating in the AGM is entitled to vote for the full number of shares which he/she owns or represents. Outstanding shares in the company may be freely transferred, without restrictions under law or the company's Articles of Association. Electrolux is not aware of any agreements between shareholders, which limit the right to transfer shares. The full Articles of Association can be downloaded at www.electrolux.com.

Effect of significant changes in ownership structure on long-term financing

Part of the Group's long-term financing is subject to conditions which stipulate that a lender may request advance repayment in the event of significant changes in the ownership of the company. Such significant change could result from a public bid to acquire Electrolux shares.

Ownership structure

Swedish institutions and mutual funds, 57%
Foreign investors, 34%
Private Swedish investors, 9%

At year-end, about 34% of the total share capital was owned by foreign investors.

Source: SIS Ägarservice as of December 31, 2008.

Distribution of shareholdings

Shareholding	Ownership, %	Number of shareholders	As % of shareholders
1–1,000	3.7	46,444	88.2
1,001–10,000	4.7	5,374	10.3
10,001–20,000	1.3	288	0.5
20,001–	90.3	548	1.0
Total	**100**	**52,654**	**100**

Source: SIS Ägarservice as of December 31, 2008.

Distribution of funds to shareholders

Proposed dividend

The Group's goal is for the dividend to correspond to at least 30% of income for the period, excluding items affecting comparability. Historically, the Electrolux dividend rate has been considerably higher than 30%. Electrolux also has a long tradition of high total distribution to shareholders that include repurchases and redemptions of shares.

Demand in the Group's main markets declined sharply throughout the world in 2008. The decline was particularly steep in the fourth quarter. Global demand for appliances is expected to continue to deteriorate in 2009. Electrolux is implementing a number of cost-reduction programs, which had an adverse effect on cash flow in 2008 and will have a similar effect on cash flow in 2009.

As a consequence, the Board of Directors proposes that no dividend will be paid for 2008. A zero dividend is in line with existing policy, with reference to the low income for the period.

Repurchase and transfer of shares

Electrolux has during several years, on the basis of authorizations by the Annual General Meetings, acquired and transferred own shares, see graph below. The purpose of the repurchase programs has been to adapt the Group's capital structure, thus contributing to increased shareholder value. The mandate has enabled Electrolux to purchase up to 10% of the total number of outstanding shares.

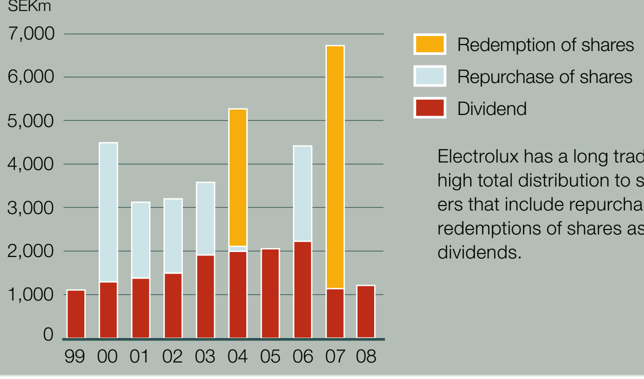
The Annual General Meeting 2008 authorized the Board of Directors to repurchase and transfer own shares for the purpose of, i.a., financing potential company acquisitions and for the Group's incentive programs.

In 2008, senior managers purchased 209,875 B-shares from Electrolux under the terms of the employee stock option programs and 1,733,212 B-shares were alloted to senior managers under the Performance Share Program. As of December 31, 2008, Electrolux held 25,338,804 B-shares, corresponding to 8.2% of the total number of outstanding shares. There has been no change as of February 1, 2009.

Number of shares

	Outstanding A-shares	Outstanding B-shares	Shares held by Electrolux	Shares held by other shareholders
Number of shares as of January 1, 2008	**9,502,275**	**299,418,033**	**27,281,891**	**281,638,417**
Shares sold under the terms of the employee stock option programs	—	—	–209,875	209,875
Shares alloted under the Performance Share Program	—	—	–1,733,212	1,733,212
Total number of shares as of December 31, 2008	**9,502,275**	**299,418,033**	**25,338,804**	**283,581,504**
As % of total number of shares			**8.2**	

Total distribution to shareholders



Electrolux has a long tradition of high total distribution to shareholders that include repurchases and redemptions of shares as well as dividends.

Risks and uncertainty factors

The turbulence in financial markets and the downturn in the business cycle during 2008 have emphasized the importance of limiting and controlling risks. The trend for the global economy is an uncertainty factor for 2009.

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 of earnings in 2009.

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

In 2008, the Group improved its loan-maturity profile and thus substantially reduced dependence on short-term borrowings. Electrolux has a committed unused revolving credit facility for long- or short-term back up.

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

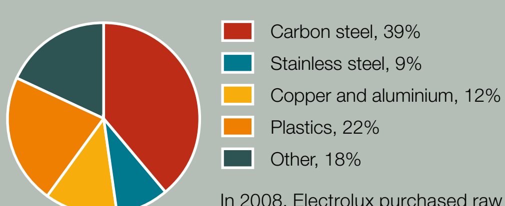
- Note 1 Accounting principles on page 29
- Note 2 Financial risk management on page 37
- Note 17 Financial instruments on page 46
- Management risk to maximize returns on page 80

Sensitivity analysis

Risk	Change		Pre-tax earings impact, SEKm
Raw materials			
Steel	10%	+/–	1,000
Plastics	10%	+/–	500
Currencies[1] and interest rates			
AUD/SEK	–10%	–	253
GBP/SEK	–10%	–	238
HUF/SEK	–10%	+	206
USD/SEK	–10%	+	458
EUR/SEK	–10%	+	684
Interest rate	1 percentage point	+/–	70

1) Includes translation and transaction effects.

Raw materials exposure



In 2008, Electrolux purchased raw materials for approximately SEK 23 billion. Purchases of steel accounted for the largest cost.

Employees

People Vision

The Electrolux People Vision is to have an innovative culture with diverse, outstanding employees that drive changes and go beyond in delivering on the Group's strategy and performance objectives. The Electrolux culture features diversity and innovation. Development of innovative products is a vital part of it. Diversity is a prerequisite for Electrolux ability to compete in a global market. Personnel with diverse backgrounds create greater understanding of consumer need in different countries.

Electrolux has a number of tools that contribute to realization of the People Vision, including the Talent Management program, succession planning, the internal Open Labor Market (OLM), the web-based Employee Attitude Survey (EAS), and leadership development programs at all levels of management.

Code of Conduct

The Group has a Code of Conduct that defines high employment standards for all Electrolux employees in all countries and business sectors. It incorporates issues such as child and forced labor, health and safety, workers' rights and environmental compliance.

Number of employees

The average number of employees in 2008 was 55,177 (56,898), of whom 2,865 (3,025) were in Sweden. At year-end, the total number of employees was 52 034 (56,930).

Salaries and remuneration in 2008 amounted to SEK 12,662m (12,612), of which SEK 1,061m (1,128) refers to Sweden.

Proposal for remuneration guidelines for Group Management

The proposed guidelines for remuneration in 2009 are essentially in accordance with the existing guidelines, which were approved by the AGM in 2008.

The Board of Directors will present a proposal for remuneration guidelines for Group Management at the Annual General Meeting in 2009. These guidelines are described below.

The guidelines shall apply to the remuneration and other terms of employment for the President and CEO and other members of Group Management.

Remuneration for the President and CEO is resolved upon by the Board of Directors, based on the recommendation of the Remuneration Committee. The Remuneration Committee makes proposals to the Board of Directors regarding targets for variable salary, the relationship between fixed and variable salary, changes in fixed or variable salary, criteria for assessment of variable compensation, long-term incentives, pension terms and other benefits. Remuneration for other members of Group Management is resolved upon by the Remuneration Committee.

Electrolux shall strive to offer total remuneration that is fair and competitive in relation to the home country or region of each Group Management member. The remuneration terms shall emphasize "pay for performance", and vary with the performance of the individual and the Group. The total remuneration can comprise the components as are set forth hereafter.

For a detailed description on remuneration to Group Management and related costs, see Note 27 on page 61.

Fixed compensation

Annual Base Salary (ABS) shall be the foundation of the overall remuneration package to Group Management. The salary shall be competitive relative to the relevant smarket and reflect the scope of the job responsibilities. Salary levels shall be reviewed periodically to ensure continued competitiveness and to recognize individual performance.

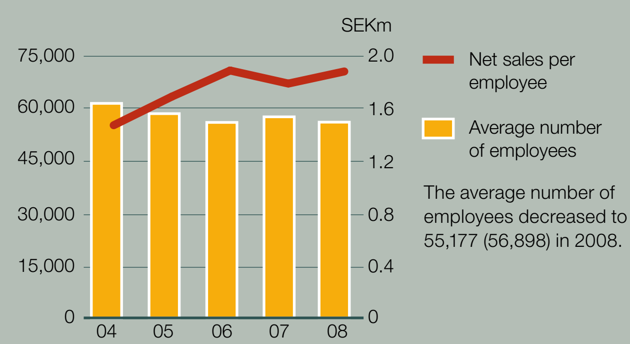
Variable compensation

Following the "pay for performance" principle, variable compensation shall represent a significant portion of the total compensation opportunity for Group Management. Variable compensation can be offered both with short-term performance targets, up to one year, and long-term performance targets, three years or longer.

Number of employees

Average number of employees in 2007	**56,898**
Number of employees in divested operations	–
Restructuring programs	–730
Other changes	–991
Average number of employees in 2008	**55,177**

Employees



The average number of employees decreased to 55,177 (56,898) in 2008.

Performance may be measured against both financial and non-financial targets. Non-financial targets shall focus on elements in line with Electrolux strategic plans. The targets shall be specific, clear, measurable and time bound and be determined by the Board of Directors from year to year.

Short Term Incentive

Group Management members shall participate in a Short Term Incentive (STI) plan under which they may receive variable compensation in addition to the fixed salary. The main objectives in the STI plan shall be on financial targets. These shall be set based on annual financial performance of the Group and, for the sector heads, of the sector for which the Group Management member is responsible. In addition, non-financial targets in line with Electrolux strategic plans may be used to create focus on issues of particular interest at Group, sector or the individual functional level.

Long Term Incentive

Each year, the Board of Directors will evaluate whether or not a Long Term Incentive (LTI) program shall be proposed to the AGM and, if affirmative, whether the proposed LTI program shall involve the transfer of company shares.

In 2008, the AGM of Electrolux approved a performance-share plan based on targets for average annual percentage growth in earnings per share for the Group. The plan involves an allocation of shares if the targets have been reached or exceeded after a three-year performance period. A minimum and a maximum level for allocation of shares have been set. The maximum level for allocation may not be exceeded regardless of the growth in earnings per share excluding items affecting comparability. If the average annual growth in earnings per share during the performance period does not reach a growth of 5%. No shares will be alloted. If the growth reaches 5% or more up to the maximum 20%, a proportionate allocation of shares will be made.

For a detailed description of all previous programs and related costs, see Note 22 on page 53 and Note 27 on page 61.

Proposal for a performance-based long-term share program in 2009

The Board of Directors will present a proposal to the AGM in 2009 for a performance-based long-term share program in 2009, similar to the LTI program described above. The proposal will include performance targets for average annual growth in earnings per share (EPS) and include up to 160 senior managers and key employees. The estimated maximum cost will be similar to the cost in previous years. Details of the program will be included in the information for the AGM 2009.

Extraordinary arrangements

In addition to STI and LTI, variable compensation may be approved by the Board of Directors in extraordinary circumstances, under the conditions that such extraordinary arrangements shall be made for recruitment or retention purposes.

Insurable benefits

Old-age pension, disability benefits and medical benefits shall be designed to reflect home-country practices and requirements. When possible, pension plans shall be based on defined contribution. In individual cases, depending on tax and/or social security legislation to which the individual is subject, other schemes and mechanisms for pension benefits may be approved by the Board of Directors.

Other benefits

Other benefits may be provided on individual level or to the entire Group Management. These benefits shall not constitute a material portion of total remuneration.

Notice of termination and severance pay

The notice period shall be twelve months if the company takes the initiative and six months if the Group Management member takes the initiative. In individual cases, the Board of Directors may approve severance arrangements in addition to the notice periods.

Severance arrangements may only be payable upon Electrolux termination of the employment arrangement or when a Group Management member gives notice as the result of an important change in his/her working situation, because of which he/she can no longer perform to standard. This may be the case in, e.g., the event of a substantial change in ownership of Electrolux in combination with a change in reporting line and/or job scope.

Severance arrangements may provide as a benefit to the individual the continuation of the ABS for a period of up to twelve months following termination of the employment agreement. No other benefits shall be included. These payments shall be reduced with the equivalent value of any income that the individual earns during that period of up to twelve months from other sources, whether from employment or independent activities.

Deviations from the guidelines

The Board of Directors shall be entitled to deviate from these guidelines if special reasons for doing so exist in any individual case.

Other facts

New head of Major Appliances Europe

Enderson Guimarães was appointed head of Major Appliances Europe in October 2008. He succeeded Magnus Yngen, who was appointed President and CEO of Husqvarna AB. Enderson Guimarães is a member of Group Management and reports to the President and CEO Hans Stråberg.

Enderson Guimarães previous position was Senior Vice-President Product and Branding within Major Appliances Europe. Before joining Electrolux, he held various management positions in the home appliances and consumer industry with leading global corporations as Philips, Hewlett Packard and Procter & Gamble.

New Chief Financial Officer

Jonas Samuelson was appointed Chief Financial Officer of Electrolux in December 2008. He succeeded Fredrik Rystedt, who was appointed Chief Financial Officer of Nordea. Jonas Samuelson is a member of Group Management and reports to the President and CEO Hans Stråberg.

Jonas Samuelson was previously Chief Financial Officer and Executive Vice-President of Munters AB, a global leader in energy efficient air-treatment solutions and restoration services. Before joining Munters, Samuelson held several senior management postions with General Motors in Sweden and the US.

Asbestos litigation in the US

Litigation and claims related to asbestos are pending against the Group in the US. Almost all of the cases refer to externally supplied components used in industrial products manufactured by discontinued operations prior to the early 1970s. Some of the cases involve multiple plaintiffs who have made identical allegations against many other defendants who are not part of the Electrolux Group.

As of December 31, 2008, the Group had a total of 2,639 (1,998) cases pending, representing approximately 3,200 (approximately 2,600) plaintiffs. During 2008, 1,255 new cases with approximately 1,255 plaintiffs were filed and 614 pending cases with approximately 650 plaintiffs were resolved. Approximately 270 of the plaintiffs relate to cases pending in the state of Mississippi.

The Group reached an agreement in 2007 with many of the insurance carriers that issued general liability insurance to certain predecessors of the Group who manufactured industrial products, some of which are alleged to have contained asbestos. Under this agreement the insurance carriers have agreed to reimburse the Group for a portion of the past and future costs incurred in connection with asbestos-related lawsuits for such products. The term of the agreement is indefinite but subject to termination upon 60 days notice. If terminated, all parties would be restored to all of their rights and obligations under the affected insurance policies.

Additional lawsuits may be filed against Electrolux in the future. It is not possible to predict either the number of future claims or the number of plaintiffs that any future claims may represent. In addition, the outcome of asbestos claims is inherently uncertain and always difficult to predict and Electrolux cannot provide any assurances that the resolution of these types of claims will not have a material adverse effect on its business or on results of operations in the future.

Environmental activities

In 2008, Electrolux operated 53 manufacturing facilities in 17 countries. Manufacturing comprises mainly assembly of components made by suppliers. Other processes include metalworking, molding of plastics, painting, enameling and to some extent casting of parts.

Chemicals such as lubricants and cleaning fluids are used as process aids. Chemicals used in Group products include insulation materials, paint and enamel. Production processes generate an environmental impact in the form of water and airborne emissions, solid waste and noise.

Studies of the total environmental effect of the Group's products during their entire lifetime, i.e., from production and use to recycling, indicate that the greatest environmental impact is generated when the products are used. The stated Electrolux strategy is to develop and actively promote increased sales of products with lower environmental impact.

Mandatory permits and notification in Sweden and elsewhere

Electrolux operates four plants in Sweden. Permits are required by Swedish authorities for all of these plants, which account for approximately 3% of the total value of the Group's production. Three of these plants are required to submit notification only. The permits cover, e.g., thresholds or maximum permissible values for air and waterborne emissions and noise. No significant non-compliance with Swedish environmental legislation was reported in 2008.

Manufacturing units in other countries adjust their operations, apply for necessary permits and report to the authorities in accordance with local legislation. The Group follows a precautionary policy with reference to both acquisitions of new plants and continuous operations. Potential non-compliance, disputes or items that pose a material financial risk are reported to Group level in accordance with Group policy. No such significant item was reported in 2008.

Electrolux products are affected by legislation in various markets, principally involving limits for energy consumption. Electrolux continuously monitors changes in legislation, and both product development and manufacturing are adjusted well in advance to reflect these changes.

Parent Company

The Parent Company comprises the functions of the Group's headoffice, as well as five companies operating on a commission basis for AB Electrolux.

Net sales for the Parent Company in 2008 amounted to SEK 5,808m (6,092), of which SEK 3,026m (3,060) referred to sales to Group companies and SEK 2,782m (3,032) to external customers. After appropriations of SEK 20m (18) and taxes of SEK 38m (28), income for the period amounted to SEK 633m (1,682).

Non-restricted equity in the Parent Company at year-end amounted to SEK 9,110m.

Net financial exchange-rate differences during the year amounted to SEK 171m (218).

These differences in Group income do not normally generate any effect, as exchange-rate differences are offset against translation differences, i.e., the change in equity arising from the translation of net assets in foreign subsidiaries to SEK at year-end rates.

Group contributions in 2008 amounted to SEK 153m (124). Group contributions net of taxes amounted to SEK 110m (89) and are reported in retained earnings. See “Change in equity” on the next page.

For information on the number of employees as well as salaries and remuneration, see Note 22 on page 53.
For information on shareholdings and participations, see Note 29 on page 65.

INCOME STATEMENT

SEKm	Note	2008	2007
Net sales		**5,808**	**6,092**
Cost of goods sold		–5,046	–5,207
Gross operating income		**762**	**885**
Selling expenses		–761	–608
Administrative expenses		–312	–441
Other operating income	5	33	57
Other operating expenses	6	–328	–519
Operating income		**–606**	**–626**
Financial income	9	2,643	3,201
Financial expenses	9	–1,462	–939
Financial items, net		**1,181**	**2,262**
Income after financial items		**575**	**1,636**
Appropriations	21	20	18
Income before taxes		**595**	**1,654**
Taxes	10	38	28
Income for the period		**633**	**1,682**

BALANCE SHEET

SEKm	Note	December 31, **2008**	December 31, 2007
ASSETS			
Non-current assets			
Intangible assets	11	1,103	777
Property, plant and equipment	12	374	438
Other non-current assets	13	25,016	24,810
Total non-current assets		**26,493**	**26,025**
Current assets			
Inventories	14	237	361
Receivables from subsidiaries		13,095	11,203
Trade receivables		371	438
Derivatives with subsidiaries		818	512
Derivatives		1,382	396
Other receivables		88	80
Prepaid expenses and accrued income		96	70
Short-term investments		216	5
Cash and bank		4,045	2,880
Total current assets		**20,348**	**15,945**
Total assets		**46,841**	**41,970**

EQUITY AND LIABILITIES

SEKm	Note	December 31, 2008	December 31, 2007
Equity			
Restricted equity			
Share capital	20	1,545	1,545
Statutory reserve		3,017	3,017
		4,562	**4,562**
Non-restricted equity			
Retained earnings		8,477	8,164
Income for the period		633	1,682
		9,110	**9,846**
Total equity		**13,672**	**14,408**
Untaxed reserves	**21**	**704**	**724**
Provisions			
Provisions for pensions and similar commitments	22	356	312
Other provisions	23	262	209
Total provisions		**618**	**521**
Non-current liabilities			
Payable to subsidiaries		66	435
Bond loans		4,904	3,679
Other non-current loans		4,274	693
Total non-current liabilities		**9,244**	**4,807**
Current liabilities			
Payable to subsidiaries		18,381	15,505
Accounts payable		336	390
Other liabilities		84	71
Short-term borrowings		1,047	3,883
Derivatives with subsidiaries		1,292	588
Derivatives		693	254
Accrued expenses and prepaid income	24	770	819
Total current liabilities		**22,603**	**21,510**
Total liabilities and provisions		**32,465**	**26,838**
Total liabilities, provisions and equity		**46,841**	**41,970**
Pledged assets	**19**	**36**	**8**
Contingent liabilities	**25**	**1,720**	**1,365**

CASH FLOW STATEMENT

SEKm	2008	2007
Operations		
Income after financial items	575	1,636
Depreciation and amortization	188	158
Capital gain/loss included in operating income	292	473
Taxes paid	–5	–7
Cash flow from operations, excluding change in operating assets and liabilities	**1,050**	**2,260**
Change in operating assets and liabilities		
Change in inventories	124	56
Change in accounts receivables	67	32
Change in current intra-group balances	–1.444	–4,095
Change in other current assets	–1,020	–37
Change in other current liabilities and provisions	446	–97
Cash flow from operating assets and liabilities	**–1,827**	**–4,141**
Cash flow from operations	**–777**	**–1,881**
Investments		
Change in shares and participations	–315	–789
Capital expenditure in intangible assets	–407	–241
Capital expenditure in property, plant and equipment	–46	–65
Other	–583	–1,180
Cash flow from investments	**–1,351**	**–2,275**
Total cash flow from operations and investments	**–2,128**	**–4,156**
Financing		
Change in short-term investments	–211	1,125
Change in short-term borrowings	–684	997
Change in intra-group borrowings	2,610	4,937
New long-term borrowings	5,568	3,250
Amortization of long-term borrowings	–2,914	—
Dividend	–1,204	–1,126
Sale of shares	128	285
Redemption of shares, including costs	—	–5,582
Cash flow from financing	**3,293**	**3,886**
Total cash flow	**1,165**	**–270**
Liquid funds at beginning of year	**2,880**	**3,150**
Liquid funds at year-end	**4,045**	**2,880**

CHANGE IN EQUITY

SEKm	Share Capital	Restricted reserves	Non-restricted equity	Total
Opening balance, January 1, 2007	**1,545**	**3,017**	**8,668**	**13,230**
Share-based payments	—	—	25	25
Revaluation of external shares	—	—	248	248
Income for the period	—	—	1,682	1,682
Dividend payment	—	—	–1,126	–1,126
Sale of shares	—	—	260	260
Group contribution	—	—	89	89
Closing balance, December 31, 2007	**1,545**	**3,017**	**9,846**	**14,408**
Share-based payments	—	—	–8	–8
Revaluation of external shares	—	—	–403	–403
Income for the period	—	—	633	633
Dividend payment	—	—	–1,204	–1,204
Sale of shares	—	—	139	139
Cash-flow hedges	—	—	–3	–3
Group contribution	—	—	110	110
Closing balance, December 31, 2008	**1,545**	**3,017**	**9,110**	**13,672**

Notes

Notes

Note 1 Accounting and valuation principles

Basis of preparation

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The consolidated financial statements have been prepared under the historical cost convention, as modified by revaluation of available-for-sale financial assets and financial assets and liabilities (including derivative instruments) at fair value through profit or loss. Some additional information is disclosed based on the standard RFR 1.1 from the Swedish Financial Reporting Board and the Swedish Annual Accounts Act. As required by IAS 1, Electrolux companies apply uniform accounting rules, irrespective of national legislation, as defined in the Electrolux Accounting Manual, which is fully compliant with IFRS. The policies set out below have been consistently applied to all years presented.

The Parent Company applies the same accounting principles as the Group, except in the cases specified below in the section entitled “Parent Company accounting principles”.

The financial statements were authorized for issue by the Board of Directors on February 3, 2009. The balance sheets and income statements are subject to approval by the Annual General Meeting of shareholders on Mars 31, 2009.

Principles applied for consolidation

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group, whereby the assets and liabilities and contingent liabilities assumed in a subsidiary on the date of acquisition are recognized and measured to determine the acquisition value to the Group.

The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

If the cost of the business combination exceeds the fair value of the identifiable assets, liabilities and contingent liabilities, the difference is recognized as goodwill.

If the fair value of the acquired net assets exceeds the cost of the business combination, the acquirer must reassess the identification and measurement of the acquired assets. Any excess remaining after that reassessment must be recognized immediately in profit or loss. The consolidated financial statements for the Group includes the financial statements for the Parent Company and the direct and indirect owned subsidiaries after:

- elimination of intra-group transactions, balances and unrealized intra-group profits
- depreciation and amortization of acquired surplus values.

Definition of Group companies

The consolidated financial statements include AB Electrolux and all companies in which the Parent Company has the power to govern the financial and operating policies, generally accompanying a shareholding of more than 50% of the voting rights referring to all shares and participations.

The following applies to acquisitions and divestments during the year:

- Companies acquired during the year have been included in the consolidated income statement as of the date when Electrolux gains control.
- Companies divested during the year have been included in the consolidated income statement up to and including the date when Electrolux loses control.

At year-end 2008, the Group comprised 243 (250) operating units, and 163 (183) companies.

Associated companies

Associates are all companies over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associated companies have been reported according to the equity method. This means that the Group’s share of income after taxes in an associated company is reported as part of the Group’s income. Investments in such a company are reported initially at cost, increased, or decreased to recognize the Group’s share of the profit or loss of the associated company after the date of acquisition. When the Group’s share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate. Gains or losses on transactions with associated companies, if any, have been recognized to the extent of unrelated investors’ interests in the associate.

Related party transactions

All transactions with related parties are carried out on an arm’s length basis.

Foreign currency translations

Foreign-currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currency are valued at year-end exchange rates and the exchange-rate differences are included in the income statement, except when deferred in equity for the effective part of qualifying net-investment hedges.

The consolidated financial statements are presented in Swedish krona (SEK), which is the Parent Company’s functional and presentation currency.

The balance sheets of foreign subsidiaries have been translated into SEK at year-end rates. The income statements have been translated at the average rates for the year. Translation differences thus arising have been taken directly to equity.

The Group uses foreign-exchange derivative contracts and loans in foreign currencies in hedging certain net investments in foreign operations. The effective portion of the exchange-rate differences related to these contracts and loans have been charged to Group equity.

When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognized in the income statement as part of the gain or loss on sales.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Segment reporting

The Group's primary segments, business areas, follow the internal management of the Group, which are the basis for identifying the predominant source and nature of risks and differing rates of return facing the entity, and are based on the different business models for end-customers and indoor users. The secondary segments are based on the Group's consolidated sales per geographical market, geographical areas.

The segments are responsible for the operating results and the net assets used in their businesses, whereas financial net and taxes as well as net borrowings and equity are not reported per segment. The operating results and net assets of the segments are consolidated using the same principles as for the total Group. The segments consist of separate legal units as well as divisions in multi-segment legal units where some allocations of costs and net assets are made. Operating costs not included in the segments are shown under Group common costs, which refer to common Group services including corporate functions.

Sales between segments are made on market conditions with arms-length principles.

Revenue recognition

Sales are recorded net of value-added tax, specific sales taxes, returns, and trade discounts. Revenues arise from sales of finished products and services. Sales are recognized when the significant risks and rewards connected with ownership of the goods have been transferred to the buyer and the Group retains neither a continuing right to dispose of the goods, nor effective control of those goods and when the amount of revenue can be measured reliably. This means that sales are recorded when goods have been put at the disposal of the customers in accordance with agreed terms of delivery. Revenues from services are recorded when the service, such as installation or repair of products, has been performed.

Items-affecting comparability

This item includes events and transactions with significant effects, which are relevant for understanding the financial performance when comparing income for the current period with previous periods, including:

- Capital gains and losses from divestments of product groups or major units
- Close-down or significant down-sizing of major units or activities
- Restructuring initiatives with a set of activities aimed at reshaping a major structure or process
- Significant impairment
- Other major non-recurring costs or income

Borrowing costs

Borrowing costs are recognized as an expense in the period in which they are incurred.

Taxes

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred taxes are calculated using enacted or substantially enacted tax rates by the balance sheet date. Taxes incurred by the Electrolux Group are affected by appropriations and other taxable or tax-related transactions in the individual Group companies. They are also affected by utilization of tax losses carried forward referring to previous years or to acquired companies. Deferred tax assets on tax losses and temporary differences are recognized to the extent it is probable that they will be utilized in future periods. Deferred tax assets and deferred tax liabilities are shown net when they refer to the same taxation authority and when a company or a group of companies, through tax consolidation schemes, etc., have a legally enforceable right to set off tax assets against tax liabilities.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not be reversed in the foreseeable future.

Intangible fixed assets

Goodwill

Goodwill is reported as an indefinite life intangible asset at cost less accumulated impairment losses.

Trademarks

Trademarks are shown at historical cost. The Electrolux trademark in North America, acquired in May 2000, is regarded as an indefinite life intangible asset and is not amortized. One of the Group's key strategies is to develop Electrolux into the leading global brand within the Group's product categories. This acquisition has given Electrolux the right to use the Electrolux brand worldwide, whereas it previously could be used only outside of North America. All other trademarks are amortized over their useful lives, estimated to 10 years, using the straight-line method.

Product development expenses

Electrolux capitalizes expenses for certain own development of new products provided that the level of certainty of their future economic benefits and useful life is high. The intangible asset is only recognized if the product is sellable on existing markets and that resources exist to complete the development. Only expenditures, which are directly attributable to the new product's development, are recognized. Capitalized development costs are amortized over their useful lives, between 3 and 5 years, using the straight-line method. The assets are tested for impairment annually and whenever there is an indication that the intangible asset may be impaired.

Computer software

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over useful lives, between 3 and 5 years, using the straight-line method. Computer software is tested for impairment annually and whenever there is an indication that the intangible asset may be impaired.

Property, plant and equipment

Property, plant, and equipment are stated at historical cost less straight-line accumulated depreciation, adjusted for any impairment charges. Historical cost includes expenditures that are directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and are of material value. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item are depreciated separately. This applies mainly to components for machinery. All other repairs and maintenance are charged to the income statement during the period in which they are incurred. Land is not depreciated as it is considered to have an endless useful period, but otherwise depreciation is calculated using the straight-line method and is based on the following estimated useful lives:

Buildings and land improvements	10–40 years
Machinery and technical installations	3–15 years
Other equipment	3–10 years

Impairment of non-current assets

At each balance sheet date, the Group assesses whether there is any indication that any of the company's non-current assets are impaired. If any such indication exists, the company estimates the recoverable amount of the asset. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. An impairment loss is recognized by the amount of which the carrying amount of an asset exceeds its recoverable amount. The discount rates used reflect the cost of capital and other financial parameters in the country or region where the asset is in use. For the purposes of assessing impairment, assets are grouped in cash-generating units, which are the smallest identifiable groups of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

The value of goodwill and other intangible assets with indefinite life is continuously monitored, and is tested for yearly impairment or more often if there is indication that the asset might be impaired. Goodwill is allocated to the cash generating units that are expected to benefit from the combination.

Classification of financial assets

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss; loans and receivables; held-to-maturity investments; and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition.

Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held-for-trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorized as held-for-trading, presented under derivatives in the balance sheet, unless they are designated as hedges. Assets in this category are classified as current assets if they either are held-for-trading or are expected to be realized within 12 months of the balance-sheet date.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are included in trade and other receivables in the balance sheet.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that management has the positive intention and ability to hold to maturity. During 2008 and 2007, the Group did not hold any investments in this category.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets as financial assets unless management intends to dispose of the investment within 12 months of the balance-sheet date.

Recognition and measurement of financial assets

Regular purchases and sales of investments, financial assets, are recognized on trade-date, the date on which the Group commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Investments are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans, receivables, and held-to-maturity investments are carried at amortized cost using the effective interest method. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets at fair value through profit or loss category are included in the income statement in the period in which they arise and reported as cost of goods sold. Unrealized gains and losses arising from changes in the fair value of financial assets classified as available-for-sale are recognized in equity. When securities classified as available-for-sale are sold or impaired, the accumulated fair-value adjustments are included in the income statement as gains and losses from investment securities and reported as operating result.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active, the Group establishes fair value by using valuation techniques. These include the use of recent arm's-length transactions, reference to other instruments that are substantially the same, discounted cash-flow analysis, and option-pricing models refined to reflect the issuer's specific circumstances.

The Group assesses at each balance-sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss is removed from equity and recognized in the income statement. Impairment losses recognized in the income statement are not reversed through the income statement.

Leasing

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. Title may or may not eventually be transferred. An operating lease is a lease other than a finance lease. Assets under finance leases in which the Group is a lessee are recognized in the balance sheet and the future leasing payments are recognized as a loan. Expenses for the period correspond to depreciation of the leased asset and interest cost for the loan. The Group's activities as a lessor are not significant.

The Group generally owns its production facilities. The Group rents some warehouse and office premises under leasing agreements and has also leasing contracts for certain office equipment. Most leasing agreements in the Group are operational leases and the costs recognized directly in the income statement in the corresponding period. Finance leases are capitalized at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments.

The leased assets are depreciated over its useful lifetime. If there is no reasonable certainty that the lessee will obtain ownership by the end of the lease term, the assets are fully depreciated over the shorter of the lease term and its useful life.

Inventories

Inventories and work in progress are valued at the lower of acquisition cost, at normal capacity utlization, and net realizable value. Net realizable value is defined as the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale at market value. The cost of inventories is assigned by using the weighted average cost formula. The cost of inventories are recognized as expense and included in cost of goods sold. Provisions for obsolescence are included in the value for inventory.

Trade receivables

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The change in amount of the provision is recognized in the income statement in selling expenses.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, bank deposits and other short-term highly liquid investments with a maturity of three months or less.

Provisions

Provisions are recognized when the Group has a present obligation as a result of a past event, and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognized, as a provision is the best estimate of the expenditure required to settle the present obligation at the balance sheet date. Where the effect of time value of money is material, the amount recognized is the present value of the estimated expenditures.

Provisions for warranty are recognized at the date of sale of the products covered by the warranty and are calculated based on historical data for similar products.

Restructuring provisions are recognized when the Group has both adopted a detailed formal plan for the restructuring and has, either started the plan implementation, or communicated its main features to those affected by the restructuring.

Post-employment benefits

Post-employment benefit plans are classified as either defined contribution or defined benefit plans.

Under a defined contribution plan, the company pays fixed contributions into a separate entity and will have no legal obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits. Contributions are expensed when they are due.

All other post-employment benefit plans are defined benefit plans. The Projected Unit Credit Method is used to measure the present value of the obligations and costs. The calculations are made annually using actuarial assumptions determined at the balance sheet date. Changes in the present value of the obligations due to revised actuarial assumptions are treated as actuarial gains or losses and are amortized over the employees' expected average remaining working lifetime in accordance with the corridor approach. Differences between expected and actual return on plan assets are treated as actuarial gains or losses. The portion of the cumulative unrecognized gains and losses in each plan that exceeds 10% of the greater of the defined benefit obligation and the plan asset is recognized in profit and loss over the expected average remaining working lifetime of the employees participating in the plans.

Net provisions for post-employment benefits in the balance sheet represent the present value of the Group's obligations at year-end less market value of plan assets, unrecognized actuarial gains and losses and unrecognized past-service costs.

Past-service costs are recognized immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (vesting period). In this case, the past-service costs are amortized on a straight-line basis over the vesting period.

Borrowings

Borrowings are initially recognized at fair value net of transaction costs incurred. After initial recognition, borrowings are valued at amortized cost using the effective interest method.

Financial derivative instruments and hedging activities

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently measured at their fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either: hedges of the fair value of recognized assets or liabilities or a firm commitment (fair-value hedges); hedges of highly probable forecast transactions (cash-flow hedges); or hedges of net investments in foreign operations.

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk-management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

Movements on the hedging reserve in shareholder's equity are shown in the consolidated statement of changes in equity.

Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded as financial items in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The Group applies fair-value hedge accounting only for hedging fixed interest risk on borrowings. The gain or loss relating to changes in the fair value of interest-rate swaps hedging fixed rate borrowings is recognized in the income statement as financial expense. Changes in the fair value of the hedged fixed rate borrowings attributable to interest-rate risk are recognized in the income statement as financial expense.

If the hedge no longer meets the criteria for hedge accounting or is de-designated, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortized in the profit and loss statement as financial expense over the period of maturity.

Cash flow hedge

The effective portion of change in the fair value of derivatives that are designated and qualify as cash flow hedges are recognized in equity. The gain or loss relating to the ineffective portion is recognized immediately in the income statement as financial items.

Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item will affect profit or loss, for instance, when the forecast sale that is hedged takes place. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset, for example inventory or a liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in the income statement. When a forecast transaction is no longer to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement within financial items or as cost of goods sold depending on the purpose of the transaction.

Net investment hedge

Hedges of net investments in foreign operations are accounted for similarly to cash-flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognized in equity; the gain or loss relating to the ineffective portion is recognized immediately in the income statement as financial items.

Gains and losses accumulated in equity are included in the income statement when the foreign operation is disposed of, or when a partial disposal occurs.

Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognized immediately in the income statement as financial items or cost of goods sold depending on the purpose of the transaction.

Share-based compensation

IFRS 2 is applied for share-based compensation programs granted after November 7, 2002, and that had not vested on January 1, 2005. The instruments granted are either share options or shares, depending on the program. An estimated cost for the granted instruments, based on the instruments' fair value at grant date, and the number of instruments expected to vest is charged to the income statement over the vesting period. The fair value of share options is calculated using a valuation technique, which is consistent with generally accepted valuation methodologies for pricing financial instruments and takes into consideration factors that knowledgeable, willing market participants would consider in setting the price. The fair value of shares is the market value at grant date, adjusted for the discounted value of future dividends which employees will not receive. For Electrolux, the share-based compensation programs are classified as equity-settled transactions, and the cost of the granted instrument's fair value at grant date is recognized over the vesting period 3 years. At each balance-sheet date, the Group revises the estimates to the number of shares that are expected to vest. Electrolux recognizes the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

In addition, the Group provides for employer contributions expected to be paid in connection with the share-based compensation programs. The costs are charged to the income statement over the vesting period. The provision is periodically revalued based on the fair value of the instruments at each closing date.

Government grants

Government grants relate to financial grants from governments, public authorities, and similar local, national, or international bodies. These are recognized when there is a reasonable assurance that the Group will comply with the conditions attached to them, and that the grants will be received. Government grants are included in the balance sheet as deferred income and recognized as income matching the associated costs the grant is intended to compensate.

New or amended accounting standards (IASs/IFRSs)

The following standards or amendments issued by The International Accounting Standards Board (IASB) shall be applied as from January 1, 2009. None of the new standards are expected to have a significant impact on neither financial result nor position.

IAS 1 Presentation of Financial Statements (Revised). The revision of the standard aims at improving the usage of financial statements. As a consequence of the revised standard, Electrolux will present one statement of comprehensive income where items of other comprehensive income will be presented below the income for the period. Other comprehensive income refers to available-for-sale instruments, cash flow hedges and exchange differences on translation of foreign operations. These items are currently recognized directly in equity. The standard is effective for annual periods beginning on or after January 1, 2009, and the changes to the financial statements will be included in the interim period for the first quarter of 2009.

IAS 23 Borrowing Cost (Revised). The main change from the previous version is the removal of the option of immediately recognizing as an expense borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale. An entity is, therefore, required to capitalize borrowing costs as part of the cost of such assets. The standard is effective for annual periods beginning on or after January 1, 2009.

IAS 32 Financial Instruments: Presentation and IAS 1, Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation (Amendment). The amendments classify the following types of financial instruments as equity, provided they have particular features and meet specific conditions: (a) puttable financial instruments (e.g., some shares issued by co-operative entities) (b) instruments, or components of instruments, that impose on the entity an obligation to deliver to another party a pro-rata share of the net assets of the entity only on liquidation (e.g., some partnership interests and some shares issued by limited life entities). The standard is effective for annual periods beginning on or after January 1, 2009.

IFRS 2 Share-Based Payment – Vesting conditions and cancellations (Amendment). The amendment effects the definition of vesting conditions and introduces a new concept of “non-vesting conditions”. The standard states that non-vesting conditions should be taken into account in the estimate of the fair value of the equity instrument. Goods or services that are received by a counterparty that satisfies all other vesting conditions shall be accounted for irrespective of whether the non-vesting conditions are satisfied. The standard is effective for annual periods beginning on or after January 1, 2009.

IFRS 8 Operating Segments. This standard replaces IAS 14, Segment Reporting, and prescribes measurement and presentation of segments. Electrolux will not change the reporting of operating segments as a consequence of the standard and the only impact will be additional disclosures, e.g., sales per country. The standard is effective for annual periods beginning on or after January 1, 2009.

The following standards or amendments issued by IASB shall be applied beyond 2009. None of the new standards are expected to have a significant impact on neither financial result, nor position.

IAS 27 Consolidated and Separate Financial Statements (Amendment)[1]. The change implies, among other things, that minority interest shall always be recognized even if the minority interest is negative, transactions with minority interests shall always be recorded in equity and in those cases when a partial disposal of a subsidiary results in that the entity loses control of the subsidiary any remaining interest should be revaluated to fair value. The change in the standard will influence the accounting of future transactions. The standard is effective for annual periods beginning on or after July 1, 2009.

IAS 39, Financial instruments: Recognition and Measurement – Eligible Hedged Items (Amendment)[1]. The amendment clarifies how the existing principles underlying hedge accounting should be applied in two particular situations. It clarifies the designation of a one-sided risk in a hedged item and inflation in a financial hedged item. The standard is effective retrospectively for annual periods beginning on or after July 1, 2009.

IFRS 3 Business combinations (Revised)[1]. The amendment will have an effect on how future business combinations will be accounted for, i.e., the accounting of transaction costs, possible contingent considerations and business combinations achieved in stages. The amendment to the standard will not have any impact on previous business combinations. The standard is effective for annual periods beginning on or after July 1, 2009. The amendment shall be applied to business combinations for which the acquisition date is on or after January 1, 2010.

New interpretations of accounting standards

None of the new interpretations by The International Financial Reporting Interpretation Committee(IFRIC), which are applicable to Electrolux, have, or are expected to have, a significant impact on neither financial result nor position.

The following interpretations were applied during 2008.

IFRIC 11 IFRS 2, Group and Treasury Share Transactions. This interpretation clarifies the treatment and classification of share-based transactions where the company use repurchased shares to settle the obligation and the accounting for option programs in subsidiaries applying IFRS. This interpretation was effective for annual periods beginning on or after March 1, 2007.

IFRIC 14 IAS 19, The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction. IFRIC 14 addresses three issues: (a) how entities should determine the limit placed by IAS 19, Employee Benefits, on the amount of a surplus in a pension plan they can recognize as an asset; (b) how a minimum funding requirement affects that limit; and (c) when a minimum funding requirement creates an onerous obligation that should be recognized as a liability in addition to that otherwise recognized under IAS 19. This interpretation was effective for annual periods beginning on or after January 1, 2008.

The following interpretation shall be applied from 2009.

IFRIC 16 Hedges of a net investment in a foreign operation[1]. IFRIC 16 applies to an entity that hedges the foreign currency risk arising from its net investments in foreign operations and wishes to qualify for hedge accounting in accordance with IAS 39. IFRIC 16 provides guidance on: (a) identifying the foreign currency risks that qualify as a hedged risk in the hedge of a net investment in a foreign operation; (b) where, within a group, hedging instruments that are hedges of a net investment in a foreign operation can be held to qualify for hedge accounting; and (c) how an entity should determine the amounts to be reclassified from equity to profit or loss for both the hedging instrument and the hedged item. This interpretation is effective for annual periods beginning on or after October 1, 2008.

1) These standards and interpretations are not adopted by the EU at the writing date.

Critical accounting policies and key sources of estimation uncertainty

Use of estimates

Management of the Group has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these financial statements in conformity with generally accepted accounting principles. Actual results could differ from these estimates.

The discussion and analysis of the Group's results of operations and financial condition are based on the consolidated financial statements, which have been prepared in accordance with IFRS, as adopted by the EU. The preparation of these financial statements requires management to apply certain accounting methods and policies that may be based on difficult, complex or subjective judgments by management or on estimates based on experience and assumptions determined to be reasonable and realistic based on the related circumstances. The application of these estimates and assumptions affects the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the balance-sheet date and the reported amounts of net sales and expenses during the reporting period. Actual results may differ from these estimates under different assumptions or conditions. Electrolux has summarized below the accounting policies that require more subjective judgment of the management in making assumptions or estimates regarding the effects of matters that are inherently uncertain.

Asset impairment

Non-current assets, including goodwill, are evaluated for impairment yearly or whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impaired asset is written down to its recoverable amount based on the best information available. Different methods have been used for this evaluation, depending on the availability of information. When available, market value has been used and impairment charges have been recorded when this information indicated that the carrying amount of an asset was not recoverable. In the majority of cases, however, market value has not been available, and the fair value has been estimated by using the discounted cash-flow method based on expected future results. Differences in the estimation of expected future results and the discount rates used could have resulted in different asset valuations.

Property, plant and equipment, are depreciated on a straight-line basis over their estimated useful lives. Useful lives for property, plant and equipment are estimated between 10 and 40 years for buildings and land improvements, between 3 and 15 years for machinery and technical installations and, 3 and 10 years for other equipment. The carrying amount for property, plant and equipment at year-end 2008 amounted to SEK 17,035m. The carrying amount for goodwill at year-end 2008 amounted to SEK 2,095m. Management regularly reassesses the useful life of all significant assets. Management believes that any reasonably possible change in the key assumptions on which the asset's recoverable amounts are based would not cause their carrying amounts to exceed their recoverable amounts.

Deferred taxes

In the preparation of the financial statements, Electrolux estimates the income taxes in each of the taxing jurisdictions in which the Group operates as well as any deferred taxes based on temporary differences. Deferred tax assets relating mainly to tax loss carry-forwards, energy tax-credits and temporary differences are recognized in those cases when future taxable income is expected to permit the recovery of those tax assets. Changes in assumptions in the projection of future taxable income as well as changes in tax rates could result in significant differences in the valuation of deferred taxes. As of December 31, 2008, Electrolux had a net amount of SEK 2,340m recognized as deferred tax assets in excess of deferred tax liabilities. As of December 31, 2008, the Group had tax loss carry-forwards and other deductible temporary differences of SEK 6,273m, which have not been included in computation of deferred tax assets.

Current taxes

Electrolux is currently involved in a number of tax audits in different jurisdictions throughout the world, mainly related to transfer-pricing issues. Transfer-pricing matters are normally very complex and it might take several years to reach a conclusion. In recent years, tax authorities have been focusing on transfer pricing which has led to increased challenges in this area.

Electrolux provisions for the uncertain outcome of transfer-pricing issues are based on management's best estimates and recorded in the balance sheet. These estimates might differ from the actual outcome and the timing of the potential effect on Electrolux' cash flow is not possible to predict. Some issues may be resolved already in 2009. The total provisions related to transfer pricing issues under audit and included in tax payables amount to SEK 900m at year-end 2008.

Trade receivables

Receivables are reported net of allowances for doubtful receivables. The net value reflects the amounts that are expected to be collected, based on circumstances known at the balance-sheet date. Changes in circumstances such as higher than expected defaults or changes in the financial situation of a significant customer could lead to significantly different valuations. At year-end 2008, trade receivables, net of provisions for doubtful accounts, amounted to SEK 20,734m. The total provision for doubtful accounts at year-end 2008 was SEK 692m.

Post-employment benefits

Electrolux sponsors defined benefit pension plans for some of its employees in certain countries. The pension calculations are based on assumptions about expected return on assets, discount rates, mortality rates and future salary increases. Changes in assumptions affect directly the defined benefit obligation, service cost, interest cost and expected return on assets components of the expense. Gains and losses which result when actual returns on assets differ from expected returns, and when actuarial liabilities are adjusted due to experienced changes in assumptions, are subject to amortization over the expected average remaining working life of the employees using the corridor approach. Expected return on assets used in 2008 was 6.9% based on historical results. The discount rate used to estimate liabilities at the end of 2007 and the calculation of expenses during 2008 was 5.5%.

Restructuring

Restructuring charges include required write-downs of assets and other non-cash items, as well as estimated costs for personnel reductions and other direct costs related to the termination of the activity. The charges are calculated based on detailed plans for activities that are expected to improve the Group's cost structure and productivity. In general, the outcome of similar historical events in previous plans are used as a guideline to minimize these uncertainties. The restructuring programs announced during 2008 had a total charge against operating income of SEK 355m, net of reversals of unused provisions.

Warranties

As is customary in the industry in which Electrolux operates, many of the products sold are covered by an original warranty, which is included in the price and which extends for a predetermined period of time. Provisions for this original warranty are estimated based on historical data regarding service rates, cost of repairs, etc. Additional provisions are created to cover goodwill warranty and extended warranty. While changes in these assumptions would result in different valuations, such changes are unlikely to have a material impact on the Group's results or financial situation. As of December 31, 2008, Electrolux had a provision for warranty commitments amounting to SEK 1,790m. Revenues from extended warranty is recognized on a linear basis over the contract period unless there is evidence that some other method better represents the stage of completion.

Accrued expenses – Long-term incentive programs

Electrolux records a provision for the expected employer contributions, social security charges, arising when the employees exercise their options under the 2002–2003 Employee Option Programs or receive shares under the 2006–2008 Performance Share Programs. Employer contributions are paid based on the benefit obtained by the employee when exercising the options or receiving shares. The establishment of the provision requires the estimation of the expected future benefit to the employees. Electrolux bases these calculations on valuation models, which requires a number of estimates that are inherently uncertain. The uncertainty is due to the unknown share price at the time when options are exercised and when shares in the performance-share programs are distributed, and because the liability is marked-to-market it is remeasured every balance-sheet day.

Disputes

Electrolux is involved in disputes in the ordinary course of business. The disputes concern, among other things, product liability, alleged defects in delivery of goods and services, patent rights and other rights and other issues on rights and obligations in connection with Electrolux operations. Such disputes may prove costly and time consuming and may disrupt normal operations. In addition, the outcome of complicated disputes is difficult to foresee. It cannot be ruled out that a disadvantageous outcome of a dispute may prove to have a material adverse effect on the Group's earnings and financial position.

Parent Company accounting principles

The Parent Company has prepared its Annual Report in compliance with Swedish Annual Accounts Act (1995:1554) and recommendation RFR 2.1, Accounting for Legal Entities of the Swedish Financial Reporting Board. RFR 2.1 prescribes that the Parent Company in the Annual Report of a legal entity shall apply all International Financial Reporting Standards and interpretations approved by the EU as far as this is possible within the framework of the Annual Accounts Act, and taking into account the connection between reporting and taxation. The recommendation states what exceptions from IFRS and additions shall be made. The Parent Company applies IAS 39, Financial Instruments.

Subsidiaries

Holdings in subsidiaries are recognized in the Parent Company financial statements according to the cost method of accounting. The value of subsidiaries are tested for impairment when there is an indication of a decline in the value.

Anticipated dividends

Dividends from subsidiaries are recognized in the income statement after decision by the annual general meeting in respective subsidiary. Anticipated dividends from subsidiaries are recognized in cases where the Parent Company has exclusive rights to decide on the size of the dividend and the Parent Company has made a decision on the size of the dividend before the Parent Company has published its financial reports.

Taxes

The Parent Company financial statements recognize untaxed reserves including deferred tax liability. The consolidated financial statements, however, reclassify untaxed reserves to deferred tax liability and equity.

Group contribution

Group contributions provided or received by the Parent Company, and its current tax effects are recognized in retained earnings. Shareholder contributions provided by the Parent Company are recognized in shares and participations, provided that a write-down is not necessary.

Pensions

The Parent Company reports pensions in the financial statements in accordance with the recommendation FAR 4, Accounting for pension liability and pension cost, from the Swedish Institute of Authorized Public Accountants. According to RFR 2.1, IAS 19 shall be adopted regarding supplementary disclosures when applicable.

Trade marks

The Parent Company amortizes trademarks in accordance with RFR 2.1. The Electrolux trademark in North America is amortized over 40 years using the straight-line method. All other trademarks are amortized over their useful lives, estimated to 10 years, using the straight-line method.

Property, plant and equipment and intangible assets

The Parent Company reports additional fiscal depreciation, permitted by Swedish tax law, as appropriations in the income statement. In the balance sheet, these are included in untaxed reserves.

Financial statement presentation

The Parent Company presents the income and balance sheet statements in compliance with the Swedish Annual Accounts Act (1995:1554) and recommendation RFR 2.1.

Note 2 Financial risk management

Financial risk management

The Group is exposed to a number of risks relating to, for example, liquid funds, trade receivables, customer-financing receivables, payables, borrowings, commodities and derivative instruments. The risks are primarily:

- Interest-rate risk on liquid funds and borrowings
- Financing risk in relation to the Group's capital requirements
- Foreign-exchange risk on earnings and net investments in foreign subsidiaries
- Commodity-price risk affecting the expenditure on raw materials and components for goods produced
- Credit risk relating to financial and commercial activities

The Board of Directors of Electrolux has approved a financial policy as well as a credit policy for the Group to manage and control these risks. Each business sector has specific financial and credit policies approved by each sector-board (hereinafter all policies are referred to as the Financial Policy). These risks are to be managed by, amongst others, the use of financial derivative instruments according to the limitations stated in the Financial Policy. The Financial Policy also describes the management of risks relating to pension fund assets.

The management of financial risks has largely been centralized to Group Treasury in Stockholm. Local financial issues are mainly managed by three regional treasury centers located in Europe, North America, and Latin America. Measurement of risk in Group Treasury is performed by a separate risk-controlling function on a daily basis. The method used for measuring risk in the financial position is parametric Value-at-Risk (VaR). The method shows the maximum potential loss in one day with a probability of 97.5% and is based on the statistical behavior of the FX spot and interest- rate markets during the last 150 business days. To emphasize recent movements in the market, the weight of the rates decrease further away from the valuation date. By measuring the VaR risk, Group Treasury is able to monitor and follow up on the Group's risks across a wide variety of currencies and markets. The main limitation of the method is that events not showing in the statistical data will not be reflected in the risk value. Also, due to the confidence level, there is a 2.5% risk that the loss will be larger than indicated by the risk figure. Furthermore, there are guidelines in the Group's policies and procedures for managing operational risk relating to financial instruments by, e.g., segregation of duties and power of attorney.

Proprietary trading in currency, commodities, and interest-bearing instruments is permitted within the framework of the Financial Policy. This trading is primarily aimed at maintaining a high quality of information flow and market knowledge to contribute to the proactive management of the Group's financial risks.

Interest-rate risk on liquid funds and borrowings

Interest-rate risk refers to the adverse effects of changes in interest rates on the Group's income. The main factors determining this risk include the interest-fixing period.

Liquid funds

Liquid funds as defined by the Group consist of cash and cash equivalent, short-term investments, derivatives, and prepaid interest expenses and accrued interest income. Electrolux goal is that the level of liquid funds including unutilized committed short-term credit facilities shall correspond to at least 2.5% of annualized net sales. In addition, net liquid funds defined as liquid funds less short-term borrowings shall exceed zero, taking into account fluctuations arising from acquisitions, divestments, and seasonal variations. Investment of liquid funds is mainly made in interest-bearing instruments with high liquidity and with issuers with a long-term rating of at least A- as defined by Standard & Poor's or similar.

Interest-rate risk in liquid funds

Group Treasury manages the interest-rate risk of the investments in relation to a benchmark position defined as a one-day holding period. Any deviation from the benchmark is limited by a risk mandate. Financial derivative instruments like futures and forward-rate agreements are used to manage the interest-rate risk. The holding periods of investments are mainly short-term. The major portion of the investments is made with maturities between 0 and 3 months. A downward shift in the yield curves of one-percentage point would reduce the Group's interest income by approximately SEK 70m (55). For more information, see Note 17 on page 46.

Borrowings

The debt financing of the Group is managed by Group Treasury in order to ensure efficiency and risk control. Debt is primarily taken up at the parent company level and transferred to subsidiaries as internal loans or capital injections. In this process, various swap instruments are used to convert the funds to the required currency. Short-term financing is also undertaken locally in subsidiaries where there are capital restrictions. The Group's borrowings contain no terms, financial triggers, for premature cancellation based on rating. For more information, see Note 17 on page 46.

Interest-rate risk in borrowings

The Financial Policy stipulates that the benchmark for the long-term loan portfolio is an average interest-fixing period of six months. Group Treasury can choose to deviate from this benchmark on the basis of a risk mandate established by the Board of Directors. However, the maximum average interest-fixing period is three years. Derivatives, such as interest-rate swap agreements, are used to manage the interest-rate risk by changing the interest from fixed to floating or vice versa. On the basis of 2008 long-term interest-bearing borrowings with an interest fixing of 0.5 (0.2) years, a one percentage point shift in interest rates would impact the Group's interest expenses by approximately SEK +/–70m (60) in 2009. This calculation is based on a parallel shift of all yield curves simultaneously by one percentage point. Electrolux acknowledges that the calculation is an approximation and does not take into consideration the fact that the interest rates on different maturities and different currencies might change differently.

Capital structure and credit rating

The Group defines its capital as equity stated in the balance sheet including minority interest. In 2008, the Group's capital was SEK 16,385m (16,040). The Group's objective is to have a capital structure resulting in an efficient weighted cost of capital and sufficient credit worthiness where operating needs and the needs for potential acquisitions are considered. To achieve and keep an efficient capital structure, the Financial Policy states that the Group's long-term ambition is to maintain a long-term rating within a safe margin from a non-investment grade. In November 2008, Standard & Poor's lowered Electrolux long-term corporate credit rating from BBB+ to BBB. At the same time the A-2 short-term rating was affirmed and the outlook was stable.

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RATING

	Long-term debt	Outlook	Short-term debt	Short-term debt, Nordic
Standard & Poor's	BBB	Stable	A-2	K-2

When monitoring the capital structure, the Group uses different key numbers which are consistent with methodologies used by rating agencies and banks. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

Financing risk

Financing risk refers to the risk that financing of the Group's capital requirements and refinancing of existing loans could become more difficult or more costly. This risk can be decreased by ensuring that maturity dates are evenly distributed over time, and that total short-term borrowings do not exceed liquidity levels. The net borrowings, i.e., total borrowing less liquid funds, excluding seasonal variances, shall be long-term according to the Financial Policy. The Group's goals for long-term borrowings include an average time to maturity of at least two years, and an even spread of maturities. A maximum of 25% of the borrowings are normally allowed to mature in a 12-month period. Exceptions are made when the net borrowing position of the Group is small. For more information, see Note 17 on page 46.

Foreign-exchange risk

Foreign-exchange risk refers to the adverse effects of changes in foreign-exchange rates on the Group's income and equity. In order to manage such effects, the Group covers these risks within the framework of the Financial Policy. The Group's overall currency exposure is managed centrally.

Transaction exposure from commercial flows

The Financial Policy stipulates the hedging of forecasted sales in foreign currencies, taking into consideration the price-fixing periods and the competitive environment. The business sectors within Electrolux have varying policies for hedging depending on their commercial circumstances. Most of the sectors define a hedging horizon between 6 and up to 12 months of forecasted flows. Hedging horizons outside this period are subject to approval from Group Treasury. The Financial Policy permits the operating units to hedge invoiced and forecasted flows from 75% to 100%. The maximum hedging horizon is up to 18 months. Group subsidiaries cover their risks in commercial currency flows mainly through the Group's three regional treasury centers. Group Treasury thus assumes the currency risks and covers such risks externally by the use of currency derivatives.

The Group's geographically widespread production reduces the effects of changes in exchange rates. The remaining transaction exposure is mainly related to internal sales from producing entities to sales companies. To a lesser extent, there are also external exposures from purchasing of components and input material for the production paid in foreign currency. These external imports are often priced in US dollar. The global presence of the Group, however, leads to a significant netting of the transaction exposures. For more information on exposures and hedging, see Note 17 on page 46.

Translation exposure from consolidation of entities outside Sweden

Changes in exchange rates also affect the Group's income in connection with translation of income statements of foreign subsidiaries into Swedish krona. Electrolux does not hedge such exposure. The translation exposures arising from income statements of foreign subsidiaries are included in the sensitivity analysis mentioned below.

Foreign-exchange sensitivity from transaction and translation exposure

The major currencies that Electrolux is exposed to are the US dollar, the euro, the Brazilian real, and the British pound. Other significant exposures are, for example, the Danish krona, the Australian dollar, the Hungarian forint, and the Russian ruble. These currencies represent the majority of the exposures of the Group, but are, however, largely offsetting each other as different currencies represent net inflows and outflows. Taking into account all currencies of the Group, a change up or down by 10% in the value of each currency would affect the Group's profit and loss for one year by approximately SEK +/– 180m (500), as a static calculation. The model assumes the distribution of earnings and costs effective at year-end 2008 and does not include any dynamic effects, such as changes in competitiveness or consumer behavior arising from such changes in exchange rates.

SENSITIVITY ANALYSIS OF MAJOR CURRENCIES

Risk	Change	Profit or loss impact 2008	Profit or loss impact 2007
Currency			
AUD/SEK	–10%	–253	–206
GBP/SEK	–10%	–238	–353
BRL/SEK	–10%	–179	–138
RUB/SEK	–10%	–170	–43
DKK/SEK	–10%	–143	–107
CHF/SEK	–10%	–135	–89
CZK/SEK	–10%	–122	–105
HUF/SEK	–10%	+206	+167
USD/SEK	–10%	+458	+373
EUR/SEK	–10%	+684	+409

Exposure from net investments (balance sheet exposure)

The net of assets and liabilities in foreign subsidiaries constitute a net investment in foreign currency, which generates a translation difference in connection with consolidation. This exposure can have an impact on the Group's equity, and on the capital structure, and is hedged according to the Financial Policy. The Financial Policy stipulates the extent to which the net investments can be hedged and also sets the benchmark for risk measurement. The benchmark is to hedge only net investments with an equity capitalization exceeding 60%, unless the exposure of any other currency is considered too high by the Group, in which case this also should be hedged. The effect of this is that only a limited number of currencies are hedged on a continuous basis. Group

Treasury is allowed to deviate from the benchmark under a given risk mandate. Hedging of the Group's net investments is implemented within the Parent Company in Sweden.

Changes in valuation of all financial instruments used for hedging net investment of the Group due to a change up or down by 10% in the value of each currency against the Swedish krona would affect the Group's equity by approximately SEK +/– 290m (200), as a static calculation at year-end 2008.

Commodity-price risks

Commodity-price risk is the risk that the cost of direct and indirect materials could increase as underlying commodity prices rise in global markets. The Group is exposed to fluctuations in commodity prices through agreements with suppliers, whereby the price is linked to the raw-material price on the world market. This exposure can be divided into direct commodity exposure, which refers to pure commodity exposures, and indirect commodity exposures, which is defined as exposure arising from only part of a component. Commodity-price risk is mainly managed through contracts with the suppliers. A change up or down by 10% in steel would affect the Group's profit or loss with approximately SEK +/– 1,000m (1,000) and in plastics with approximately SEK +/– 500m (500), based on volumes in 2008.

Credit risk

Credit risk in financial activities

Exposure to credit risks arises from the investment of liquid funds, and as counterpart risks related to derivatives. In order to limit exposure to credit risk, a counterpart list has been established, which specifies the maximum permissible exposure in relation to each counterpart. The Group strives for arranging master netting agreements (ISDA) with the counterparts for derivative transactions and has established such agreements with the majority of the counterparts, i.e., if counterparty will default assets and liabilities will be netted.

Credit risk in trade receivables

Electrolux sells to a substantial number of customers in the form of large retailers, buying groups, independent stores, and professional users. Sales are made on the basis of normal delivery and payment terms, if they are not included in customer financing operations in the Group. Customer financing solutions are also arranged outside the Group. The credit policy of the Group ensures that the management process for customer credits includes customer rating, credit limits, decision levels, and management of bad debts. The Board of Directors decides on customer credit limits that exceed SEK 300m. There is a concentration of credit exposures on a number of customers in, primarily, USA and Europe. For more information, see Note 16 on page 45.

Note 3 Segment information

The segment reporting is divided into primary and secondary segments, where the five business areas serve as primary segments and geographical areas as secondary segments. Financial information for the Parent Company is divided into geographical segments since IAS 14 does not apply.

Primary reporting format – Business areas

The Group has operations in appliances, floor-care products and professional operations in food-service equipment and laundry equipment. The operations are classified in five business segments. Products for the consumer-durables market, i.e., appliances and floor-care products, are reported in four geographical segments: Europe; North America; Latin America and Asia/Pacific, while professional products are reported separately. Operations within appliances comprise mainly major appliances, i.e., refrigerators, freezers, cookers, dryers, washing machines, dishwashers, room air-conditioners and microwave ovens.

Financial information related to the business areas is reported below.

	Net sales		Operating income	
	2008	2007	**2008**	2007
Consumer Durables				
Europe	44,342	45,472	–22	2,067
North America	32,801	33,728	222	1,711
Latin America	10,970	9,243	715	514
Asia/Pacific	9,196	9,167	369	330
Professional Products	**7,427**	**7,102**	**774**	**584**
	104,736	**104,712**	**2,058**	**5,206**
Group common costs	56	20	–515	–369
Items affecting comparability	—	—	–355	–362
Total	**104,792**	**104,732**	**1,188**	**4,475**

In the internal management reporting, items affecting comparability is not included in the segments. The table specifies the segments to which they correspond.

ITEMS AFFECTING COMPARABILITY

	Impairment/ restructuring		Other		Total	
	2008	2007	**2008**	2007	**2008**	2007
Consumer Durables						
Europe	–355	–362	—	—	–355	–362
North America	—	—	—	—	—	—
Latin America	—	—	—	—	—	—
Asia/Pasific	—	—	—	—	—	—
Professional Products	—	—	—	—	—	—
Total	**–355**	**–362**	**—**	**—**	**–355**	**–362**

Inter-segment sales exist with the following split:

	2008	2007
Consumer Durables		
Europe	1,560	1,514
North America	204	787
Latin America	1	3
Asia/Pacific	50	86
Eliminations	**1,815**	**2,390**

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The segments are responsible for the management of the operational assets and their performance is measured at the same level, while the financing is managed by Group Treasury at group or country level. Consequently, liquid funds, interest-bearing receivables, interest-bearing liabilities, liability for share redemption and equity are not allocated to the business segments.

	Assets December 31,		Equity and liabilities December 31,		Net assets December 31,	
	2008	2007	**2008**	2007	**2008**	2007
Consumer Durables						
Europe	28,345	28,119	21,104	18,961	7,241	9,158
North America	15,422	13,575	7,089	5,171	8,333	8,404
Latin America	6,536	5,743	2,971	2,629	3,565	3,114
Asia/Pacific	4,885	4,676	2,169	2,058	2,716	2,618
Professional Products	3,720	3,515	2,393	2,191	1,327	1,324
Other[1]	4,937	2,658	6,595	4,177	–1,658	–1,519
Items affecting comparability	87	1,343	670	3,699	–583	–2,356
	63,932	**59,629**	**42,991**	**38,886**	**20,941**	**20,743**
Liquid funds	9,391	6,460	—	—	—	—
Interest-bearing receivables	—	—	—	—	—	—
Interest-bearing liabilities	—	—	13,947	11,163	—	—
Equity	—	—	16,385	16,040	—	—
Total	**73,323**	**66,089**	**73,323**	**66,089**	**—**	**—**

1) Includes common Group services.

	Capital expenditure		Cash flow[1]	
	2008	2007	**2008**	2007
Consumer Durables				
Europe	1,569	1,325	2,395	351
North America	917	1,471	722	1,069
Latin America	362	282	655	814
Asia/Pacific	185	229	295	589
Professional Products	98	96	942	695
Other[2]	27	27	–1,720	–91
Items affecting comparability	—	—	–448	–1,063
Financial items	—	—	–729	–272
Taxes paid	—	—	–918	–815
Total	**3,158**	**3,430**	**1,194**	**1,277**

1) Cash flow from operations and investments.
2) Includes common Group services.

Secondary reporting format – Geographical areas

The Group's business segments operate in four geographical areas of the world: Europe; North America; Latin America; and Asia/Pacific. Net sales by market are presented below and show the Group's consolidated sales by geographical area, regardless of where the goods are produced.

NET SALES, BY GEOGRAPHICAL AREA

	2008	2007
Europe	50,065	50,815
North America	33,038	34,148
Latin America	11,573	9,651
Asia/Pacific	10,116	10,118
Total	**104,792**	**104,732**

ASSETS, BY GEOGRAPHICAL AREA

	December 31,	
	2008	2007
Europe	39,223	37,238
North America	17,505	14,309
Latin America	10,867	9,232
Asia/Pacific	5,728	5,310
Total	**73,323**	**66,089**

CAPITAL EXPENDITURE, BY GEOGRAPHICAL AREA

	2008	2007
Europe	1,682	1,426
North America	559	801
Latin America	728	967
Asia/Pacific	189	236
Total	**3,158**	**3,430**

NET SALES, PARENT COMPANY

	2008	2007
Europe	5,808	6,092
North America	—	—
Latin America	—	—
Asia/Pacific	—	—
Total	**5,808**	**6,092**

Note 4 Net sales and operating income

The Group's net sales in Sweden amounted to SEK 3,690m (3,987). Exports from Sweden during the year amounted to SEK 4,568m (3,955), of which SEK 3,845m (3,281) was to Group subsidiaries. The vast majority of the Group's revenues consisted of product sales. Revenue from service activities amounted to SEK 1,234m (1,469).

Operating income included net exchange-rate differences in the amount of SEK 274m (179). The Group's Swedish factories accounted for 3.3% (3.7) of the total value of production. Costs for research and development amounted to SEK 1,548m (1,497) and are included in Cost of goods sold.

The Group's depreciation and amortization charge for the year amounted to SEK 3,010m (2,738). Salaries, remunerations and employer contributions amounted to SEK 16,888m (16,857) and expenses for post-employment benefits amounted to SEK 946m (882).

Government grants relating to expenses have been deducted in the related expenses by SEK 79m (60). Government grants related to assets have been recognized as deferred income in the balance sheet and will be recognized as income over the useful life of the assets. In 2008, these grants amounted to SEK 241m (10).

Note 5 Other operating income

	Group		Parent Company	
	2008	2007	**2008**	2007
Gain on sale:				
Property, plant and equipment	148	242	—	30
Operations and shares	70	11	32	11
Other	—	—	1	16
Total	**218**	**253**	**33**	**57**

Note 6 Other operating expenses

	Group		Parent Company	
	2008	2007	**2008**	2007
Loss on sale:				
Property, plant and equipment	–45	–46	–7	–21
Operations and shares	—	—	–321	–498
Total	**–45**	**–46**	**–328**	**–519**

Note 7 Items affecting comparability

	Group	
	2008	2007
Restructuring and impairment		
Appliances plants in Scandicci and Susegana, Italy	–487	—
Appliances plant in Spennymoor, UK	—	–317
Appliances plant in Fredericia, Denmark	—	–45
Unused restructuring provisions reversed	132	—
Total	**–355**	**–362**

CLASSIFICATION BY FUNCTION IN THE INCOME STATEMENT

	Group	
	2008	2007
Cost of goods sold	–303	–334
Selling expenses	—	–1
Administrative expenses	–19	–14
Other operating income and expense	–33	–13
Total	**–355**	**–362**

Items affecting comparability in 2008 mainly relates to the rationalization of the refrigerator production in Italy as announced in May 2008. The restructuring activity affects the production plants at Scandicci and Susegana and is estimated to be completed in the second half of 2009. Unused provisions for restructuring from previous years amounting to SEK 132m have been reversed into operating income under this heading.

Items affecting comparability in 2007 comprise the closure of the cooker plants in Fredericia in Denmark, and Spennymoor in the UK. The closure of the Fredericia plant was decided in April 2007 and production discontinued at the end of the year. The decision to close the factory in Spennymoor was taken in December 2007 and the production was phased out during 2008.

The items are further described in the Report by the Board of Directors.

Note 8 Leasing

At December 31, 2008, the Group's financial leases, recognized as tangible assets, consist of:

	December 31,	
	2008	2007
Acquisition costs		
Buildings	63	55
Machinery and other equipment	6	8
Closing balance, December 31	**69**	**63**
Accumulated depreciation		
Buildings	27	21
Machinery and other equipment	3	3
Closing balance, December 31	**30**	**24**
Net carrying amount, December 31	**39**	**39**

The future amount of minimum lease-payment obligations are distributed as follows:

	Operating leases	Financial leases	Present value of future financial lease payments
2009	778	2	2
2010–2013	1,574	3	3
2014–	769	—	—
Total	**3,121**	**5**	**5**

Expenses in 2008 for rental payments (minimum leasing fees) amounted to SEK 855m (803).

Operating leases

Among the Group's operating leases there are neither material contingent expenses, nor any restrictions.

Financial leases

Within the Group there are no financial non-cancellable contracts that are being subleased. There are neither contingent expenses in the period's results, nor any restrictions in the contracts related to leasing of facilities. The financial leases of facilities contain purchase options by the end of the contractual time.

Note 9 Financial income and financial expenses

	Group		Parent Company	
	2008	2007	**2008**	2007
Financial income				
Interest income				
From subsidiaries	—	—	1,003	924
From others	220	175	63	52
Dividends from subsidiaries	—	—	1,573	2,218
Other financial income	2	7	4	7
Total financial income	**222**	**182**	**2,643**	**3,201**
Financial expenses				
Interest expenses				
To subsidiaries	—	—	–719	–744
To others	–744	–650	–558	–402
Exchange-rate differences				
On loans and forward contracts as hedges for foreign net investments	—	—	–84	31
On other loans and borrowings, net	12	53	–87	187
Other financial expenses	–25	–25	–14	–11
Total financial expenses	**–757**	**–622**	**–1,462**	**–939**

Interest income from others, for the Group and the Parent Company, include gains and losses on financial instruments held for trading. Interest expenses to others, for the Group and the Parent Company, include gains and losses on derivatives used for managing the Group's interest fixing and premiums on forward contracts in the amount of SEK –57m (–75) used as hedges for foreign net investments. For information on financial instruments, see Note 17 on page 46.

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Note 10 Taxes

	Group		Parent Company	
	2008	2007	**2008**	2007
Current taxes	–1,033	–1,371	38	28
Deferred taxes	746	261	—	—
Total	**–287**	**–1,110**	**38**	**28**

Current taxes include a reduction of costs of SEK 88m (97) related to previous years. Deferred taxes include a negative effect of SEK –5m (40) due to changes in tax rates.

The Group accounts include deferred tax liabilities of SEK 0m (102) related to untaxed reserves in the Parent Company.

THEORETICAL AND ACTUAL TAX RATES

%	**2008**	2007
Theoretical tax rate	31.5	32.8
Non-recognized tax losses carried forward	45.1	5.3
Non-taxable/non-deductible income statement items, net	21.5	–2.1
Changes in estimates relating to deferred tax	–6.1	–2.3
Utilized tax losses carried forward	–6.7	–0.9
Withholding tax	4.9	0.4
US tax credits	–46.0	–7.4
Other	–0.2	1.7
Actual tax rate	**44.0**	**27.5**

The theoretical tax rate for the Group is calculated on the basis of the weighted total Group net sales per country, multiplied by the local statutory tax rates. The decrease of the theoretical tax rate in 2008 is mainly due to reduced statutory tax rates in Italy and Germany.

Non-recognized deductible temporary differences

As of December 31, 2008, the Group had tax loss carry-forwards and other deductible temporary differences of SEK 6,273m (4,497), which have not been included in computation of deferred tax assets. The non-recognized deductible temporary differences will expire as follows:

	December 31, **2008**
2009	266
2010	262
2011	371
2012	373
2013	376
And thereafter	1,389
Without time limit	3,236
Total	**6,273**

Changes in deferred tax assets and liabilities

The table below shows net deferred tax assets and liabilities. Deferred tax assets and deferred tax liabilities amounted to the net deferred tax assets and liabilities in the balance sheet.

NET DEFERRED TAX ASSETS AND LIABILITIES

	Excess of depreciation	Provision for warranty	Provision for pension	Provision for restructuring	Obsolescense allowance	Unrealized profit in stock	Recognized unused tax losses	Other	Total deferred tax assets and liabilities	Set-off tax	Net deferred tax assets and liabilities
Opening balance, January 1, 2007	**–564**	**171**	**1,044**	**152**	**83**	**85**	**58**	**–18**	**1,011**	**—**	**1,011**
Recognized in the income statement	–179	77	–138	–90	–10	2	–24	623	261	—	261
Exchange differences	–15	–3	–12	–1	–1	–2	—	–32	–66	—	–66
Closing balance, December 31, 2007	**–758**	**245**	**894**	**61**	**72**	**85**	**34**	**573**	**1,206**	**—**	**1,206**
Of which deferred tax assets	54	268	978	61	82	112	34	1,507	3,096	–955	2,141
Of which deferred tax liabilities	–812	–23	–84	—	–10	–27	—	–934	–1,890	955	–935
Opening balance, January 1, 2008	**–758**	**245**	**894**	**61**	**72**	**85**	**34**	**573**	**1,206**	**—**	**1,206**
Recognized in the income statement	–55	8	76	–6	18	–40	294	451	746	—	746
Divested operations	—	—	—	—	—	—	—	71	71	—	71
Exchange differences	65	13	47	2	5	4	13	168	317	—	317
Closing balance, December 31, 2008	**–748**	**266**	**1,017**	**57**	**95**	**49**	**341**	**1,263**	**2,340**	**—**	**2,340**
Of which deferred tax assets	16	293	1,093	57	107	63	341	2,262	4,232	-1,052	3,180
Of which deferred tax liabilities	–764	–27	–76	—	–12	–14	—	–999	–1,892	1,052	–840

Deferred tax assets amounted to SEK 3,180m (2,141), whereof SEK 736m (720) will be recovered within 12 months. Deferred tax liabilities amounted to SEK 840m (935), whereof SEK 228m (202) will be recovered within 12 months. Other deferred tax assets include tax credits related to production of energy efficient appliances amounting to SEK 910m (458). Deferred tax assets have been computed for some entities within the Group that reported tax losses for 2008 since these losses relate to significant non-recurring items.

Note 11 Goodwill and other intangible assets

		Group				Parent Company
		Other intangible assets				
	Goodwill	Product development	Program software	Other	Total other intangible assets	Trademarks, etc.
Acquisition costs						
Opening balance, January 1, 2007	**1,981**	**1,470**	**379**	**962**	**2,811**	**817**
Acquired during the year	—	—	—	7	7	34
Development	—	520	229	—	749	207
Reclassification	—	–6	—	6	—	—
Sold during the year	—	—	—	—	—	—
Fully amortized	—	—	–19	–45	–64	—
Write-off	—	–2	—	–6	–8	—
Exchange-rate differences	43	16	5	21	42	—
Closing balance, December 31, 2007	**2,024**	**1,998**	**594**	**945**	**3,537**	**1,058**
Acquired during the year	—	—	79	14	93	3
Development	—	544	321	—	865	404
Reclassification	—	–18	—	18	—	—
Sold during the year	—	—	—	—	—	—
Fully amortized	—	—	—	–5	–5	—
Write-off	–3	—	—	—	—	—
Exchange-rate differences	74	367	56	21	444	—
Closing balance, December 31, 2008	**2,095**	**2,891**	**1,050**	**993**	**4,934**	**1,465**
Accumulated amortization						
Opening balance, January 1, 2007	—	**542**	**151**	**338**	**1,031**	**223**
Amortization for the year	—	318	58	40	416	58
Sold and acquired during the year	—	—	—	—	—	—
Fully amortized	—	—	–19	–45	–64	—
Impairment (+) / reversal of impairment (–)	—	—	—	–1	–1	—
Exchange-rate differences	—	16	–1	19	34	—
Closing balance, December 31, 2007	**—**	**876**	**189**	**351**	**1,416**	**281**
Amortization for the year	—	364	65	52	481	81
Sold and acquired during the year	—	—	—	—	—	—
Fully amortized	—	—	—	–5	–5	—
Impairment (+) / reversal of impairment (–)	—	—	—	—	—	—
Exchange-rate differences	—	174	30	15	219	—
Closing balance, December 31, 2008	**—**	**1,414**	**284**	**413**	**2,111**	**362**
Carrying amount, December 31, 2007	**2,024**	**1,122**	**405**	**594**	**2,121**	**777**
Carrying amount, December 31, 2008	**2,095**	**1,477**	**766**	**580**	**2,823**	**1,103**

Included in the item Other are trademarks of SEK 499m (510) and patents, licenses etc. amounting to SEK 81m (84). Amortization of intangible assets are included within cost of goods sold with SEK 371m (274), administrative expenses with SEK 105m (141) and selling expenses with SEK 5m (1) in the income statement.

Intangible assets with indefinite useful lives

Goodwill as at December 31, 2008 has a total carrying value of SEK 2,095m. In addition, the right to use the Electrolux trademark in North America, acquired in May 2000, has been assigned indefinite useful life. The total carrying amount for the right is SEK 410m, included in the item Other above. The allocation, for impairment-testing purposes, on cash-generating units of the significant amounts is shown in the table below. The carrying amounts of goodwill allocated to Consumer Durables in North America, Europe and Asia/Pacific are significant in comparison with the total carrying amount of goodwill.

All intangible assets with indefinite useful lives are tested for impairment at least once every year and single assets can be tested more often in case there are indications of impairment. The recoverable amounts of the operations have been determined based on value in use calculations.

Value in use is estimated using the discounted cash-flow model on the strategic plans that are established for each cash-generating unit covering the coming three years. The impairment tests for 2008 are based on the plans for 2009 to 2011.

The strategic plans are built up from the strategic plans of the units within each business sector. The consolidated strategic plans of the business sectors are reviewed by Group Management and consolidated to a total strategic plan for Electrolux that is finally approved by the Board of Directors of Electrolux. The preparation of the strategic plans requires a number of key assumptions such as volume, price, product mix, which will create a basis for future growth and gross margin. These figures are set in relation to historic figures and external reports on market growth. The gross margins are assumed to be somewhat higher than reported levels of 2008. The same cash flow as for the third year is used for the fourth year and onwards in perpetuity. The discount rates used are, amongst other things, based on the individual countries' inflation, interest rates and country risk. The pre-tax discount rates used in 2008 were for the main part within a range of 10% to 12%. Management believes that any reasonably possible adverse change in the key assumptions would not reduce the recoverable amount below its carrying amount.

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GOODWILL, VALUE OF TRADEMARK AND DISCOUNT RATE

	Weighted goodwill	Electrolux trademark	Discount rate, %
Europe	444	—	12.0
North America	423	410	10.0
Asia/Pacific	1,136	—	11.0
Other	92	—	10.0–14.0
Total	**2,095**	**410**	**10.0–14.0**

Note 12 Property, plant and equipment

Group	Land and land improvements	Buildings	Machinery and technical installations	Other equipment	Plants under construction	Total
Acquisition costs						
Opening balance, January 1, 2007	**1,344**	**8,062**	**27,864**	**1,890**	**1,383**	**40,543**
Acquired during the year	5	129	850	116	2,330	3,430
Transfer of work in progress and advances	–14	159	1,207	20	–1,372	—
Sales, scrapping, etc.	–387	–887	–2,805	–245	–6	–4,330
Exchange-rate differences	39	147	352	40	–16	562
Closing balance, December 31, 2007	**987**	**7,610**	**27,468**	**1,821**	**2,319**	**40,205**
Acquired during the year	2	369	1,189	193	1,405	3,158
Transfer of work in progress and advances	20	480	2,177	50	–2,727	—
Sales, scrapping, etc.	44	–134	–1,151	–165	–25	–1,431
Exchange-rate differences	98	772	3,176	164	345	4,555
Closing balance, December 31, 2008	**1,151**	**9,097**	**32,859**	**2,063**	**1,317**	**46,487**
Accumulated depreciation						
Opening balance, January 1, 2007	**335**	**4,153**	**20,374**	**1,472**	**—**	**26,334**
Depreciation for the year	20	256	1,892	154	—	2,322
Transfer of work in progress and advances	–8	11	–18	15	—	—
Sales, scrapping, etc.	–204	–896	–2,678	–228	–2	–4,008
Impairment	2	—	37	—	—	39
Exchange-rate differences	8	38	237	30	—	313
Closing balance, December 31, 2007	**153**	**3,562**	**19,844**	**1,443**	**–2**	**25,000**
Depreciation for the year	9	253	2,108	160	—	2,530
Transfer of work in progress and advances	—	35	–20	–15	—	—
Sales, scrapping, etc.	3	–96	–1,133	–162	—	–1,388
Impairment	16	24	138	1	—	179
Exchange-rate differences	25	481	2,493	132	—	3,131
Closing balance, December 31, 2008	**206**	**4,259**	**23,430**	**1,559**	**–2**	**29,452**
Net carrying amount, December 31, 2007	**834**	**4,048**	**7,624**	**378**	**2,321**	**15,205**
Net carrying amount, December 31, 2008	**945**	**4,838**	**9,429**	**504**	**1,319**	**17,035**

Property, plant and equipment in operations within appliances in Europe were impaired in 2008. Accumulated impairments at year-end were SEK 181m (129) on buildings and land and SEK 453m (260) on machinery and other equipment, whereof SEK 179m related to restructuring costs for Scandicci and Susegana in Italy. The carrying amount for land was SEK 824m (725). The tax assessment value for Swedish Group companies for buildings was SEK 158m (120), and land SEK 35m (23). The corresponding carrying amounts for buildings were SEK 35m (37), and land SEK 11m (12).

PARENT COMPANY

	Land and land improvements	Buildings	Machinery and technical installations	Other equipment	Plants under construction	Total
Acquisition costs						
Opening balance, January 1, 2007	**6**	**57**	**1,167**	**351**	**34**	**1,615**
Acquired during the year	—	—	81	10	4	95
Transfer of work in progress and advances	—	—	15	—	–15	—
Sales, scrapping, etc.	—	—	–132	–1	—	–133
Closing balance, December 31, 2007	**6**	**57**	**1,131**	**360**	**23**	**1,577**
Acquired during the year	—	—	36	6	4	46
Transfer of work in progress and advances	—	—	6	4	–10	—
Sales, scrapping, etc.	—	—	–40	–8	—	–48
Closing balance, December 31, 2008	**6**	**57**	**1 ,133**	**362**	**17**	**1,575**
Accumulated depreciation						
Opening balance, January 1, 2007	**2**	**53**	**872**	**229**	**—**	**1,156**
Depreciation for the year	—	—	69	31	—	100
Sales, scrapping, etc.	—	—	–116	–1	—	–117
Closing balance, December 31, 2007	**2**	**53**	**825**	**259**	**—**	**1,139**
Depreciation for the year	—	—	72	35	—	107
Sales, scrapping, etc.	—	—	–38	–7	—	–45
Closing balance, December 31, 2008	**2**	**53**	**859**	**287**	**—**	**1,201**
Net carrying amount, December 31, 2007	**4**	**4**	**306**	**101**	**23**	**438**
Net carrying amount, December 31, 2008	**4**	**4**	**274**	**75**	**17**	**374**

Tax assessment value for buildings within the Parent Company was SEK 116m (77), and land SEK 18m (6). The corresponding carrying amounts for buildings were SEK 4m (4), and land SEK 4m (4). Underdepreciated write-ups on buildings and land were SEK 2m (2).

Note 13 Other non-current assets

	Group December 31,		Parent Company December 31,	
	2008	2007	**2008**	2007
Shares in subsidiaries	—	—	21,899	21,417
Participations in other companies	—	—	79	535
Long-term receivables in subsidiaries	—	—	3,017	2,837
Other receivables	1,056	1,145	21	21
Pension assets	416	427	—	—
Total	**1,472**	**1,572**	**25,016**	**24,810**

Note 14 Inventories

	Group December 31,		Parent Company December 31,	
	2008	2007	**2008**	2007
Raw materials	3,029	3,131	114	124
Products in progress	127	172	4	3
Finished products	9,440	9,048	119	234
Advances to suppliers	84	47	—	—
Total	**12,680**	**12,398**	**237**	**361**

Note 15 Other current assets

	Group December 31,	
	2008	2007
Miscellaneous short-term receivables	2,044	1,994
Provision for doubtful accounts	–35	–36
Prepaid expenses and accrued income	1,052	696
Prepaid interest expenses and accrued interest income	399	338
Total	**3,460**	**2,992**

Miscellaneous short-term receivables include VAT and other items.

Note 16 Trade receivables

	2008	2007
Trade receivables	21,426	20,950
Provision for impairment of receivables	–692	–571
Trade receivables, net	20,734	20,379
Provisions in relation to trade receivables, %	3.2	2.7

As of December 31, 2008, provisions for impairment of trade receivables amounted to SEK 692m (571). The Group's policy is to reserve 50% of trade receivables that are 6 months past due but less than 12 months, and to reserve 100% of receivables that are 12 months past due and more. If the provision is considered insufficient due to individual consideration such as bankruptcy, officially known insolvency, etc., the provision should be extended to cover the extra anticipated losses.

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PROVISIONS FOR IMPAIRMENT OF RECEIVABLES

	2008	2007
Provisions, January 1	–571	–584
New provisions	–132	–84
Actual credit losses	74	120
Exchange-rate differences and other changes	–63	–23
Provisions, December 31	–692	–571

The fair value of trade receivables equals their carrying amount as the impact of discounting is not significant. The maximum possible exposure to customer defaults is equal to the net amount in the balance sheet. Electrolux has a significant concentration on a number of major customers primarily in the US and Europe. Receivables concentrated to customers with credit limits amounting to SEK 300m (300) or more represent 29.1% (24.9) of the total trade receivables. The creation and usage of provisions for impaired receivables have been included in selling expenses in the income statement.

TIMING ANALYSIS OF TRADE RECEIVABLES

	2008	2007
Trade receivables not overdue	18,943	18,667
Less than 2 months	1,325	1,490
2 – 6 months	466	222
6 – 12 months	—	—
More than 1 year	—	—
Total trade receivables past due but not impaired	1,791	1,712
Impaired trade receivables	692	571
Total trade receivables	21,426	20,950
Past due, including impaired, in relation to trade receivables, %	11.6	10.9

Note 17 Financial instruments

Additional and complementary information is presented in the following notes to the Annual Report: Note 1, Accounting and valuation principles, discloses the accounting and valuation policies adopted. Note 2, Financial risk management, describes the Group's risk policies in general and regarding the principal financial instruments of Electrolux in more detail. Note 16, Trade receivables, describes the trade receivables and related credit risks.

The information in this note highlights and describes the principal financial instruments of the Group regarding specific major terms and conditions when applicable, and the exposure to risk and the fair values at year-end.

Net borrowings

At year-end 2008, the Group's net borrowings amounted to SEK 4,556m (4,703). The table below presents how the Group calculates net borrowings and what they consist of.

NET BORROWINGS

	December 31, 2008	2007
Short-term loans	1,142	2,286
Short-term part of long-term loans	1,004	2,914
Trade receivables with recourse	1,022	501
Short-term borrowings	**3,168**	**5,701**
Derivatives	699	280
Accrued interest expenses and prepaid interest income[1]	116	295
Total short-term borrowings	**3,983**	**6,276**
Long-term borrowings	**9,963**	**4,887**
Total borrowings	**13,946**	**11,163**
Cash and cash equivalents	7,305	5,546
Short-term investments	296	165
Derivatives	1,390	411
Prepaid interest expenses and accrued interest income[2]	399	338
Liquid funds	**9,390**	**6,460**
Net borrowings	**4,556**	**4,703**
Revolving credit facility (EUR 500m)[3]	5,466	4,725

1) See Note 24 on page 59.
2) See Note 15 on page 45.
3) The revolving credit facility of EUR 500m is not included in net borrowings, but can, however, be used for short-term and long-term funding.

Liquid funds

Liquid funds as defined by the Group consist of cash and cash equivalents, short-term investments, derivatives and prepaid interest expenses and accrued interest income. The table below presents the key data of liquid funds. The carrying amount of liquid funds is approximately equal to fair value.

LIQUIDITY PROFILE

	December 31, 2008	2007
Cash and cash equivalents	7,305	5,546
Short-term investments	296	165
Derivatives	1,390	411
Prepaid interest expenses and accrued interest income	399	338
Liquid funds	**9,390**	**6,460**
% of annualized net sales[1]	12.9	10.0
Net liquidity	**5,407**	**184**
Fixed-interest term, days	22	12
Effective yield, % (average per annum)	4.5	4.5

1) Liquid funds plus an unused revolving credit facility of EUR 500m divided by annualized net sales.

For 2008, liquid funds, including an unused revolving credit facility of EUR 500m, amounted to 12.9% (10.0) of annualized net sales. The net liquidity is calculated by deducting short-term borrowings from liquid funds.

Interest-bearing liabilities

In 2008 SEK 2,923m of long-term borrowings matured or were amortized. These maturities were refinanced in the first half of the year with new long-term borrowings of SEK 4,174m, where of subsidized borrowings of SEK 2,657m. In the second half of 2008 another SEK 1,115m was borrowed. Total new long-term borrowings in 2008 were SEK 5,289m.

At year-end 2008, the Group's total interest-bearing liabilities amounted to SEK 12,109m (10,087), of which SEK 10,967m (7,801) referred to long-term borrowings including maturities within 12 months. Long-term borrowings with maturities within 12 months amount to SEK 1,004m (2,914). The outstanding long-term borrowings have mainly been made under the Swedish and European

Medium-Term Note program and via bilateral loans. The majority of total long-term borrowings, SEK 10,182m (7,286), is taken up at the parent company level. As from 2005, Electrolux has a negotiated committed credit facility of EUR 500m, which can be used as either a long-term or short-term back-up facility. However, Electrolux expects to meet any future requirements for short-term borrowings through bilateral bank facilities and capital-market programs such as commercial-paper programs.

At year-end 2008, the average interest-fixing period for long-term borrowings was 0.5 years (0.2). The calculation of the average interest-fixing period includes the effect of interest-rate swaps used to manage the interest-rate risk of the debt portfolio. The average interest rate at year-end for the total borrowings was 5.0% (5.8).

The fair value of the interest-bearing borrowings was SEK 12,961m. The fair value including swap transactions used to manage the interest fixing was approximately SEK 12,799m. The borrowings and the interest-rate swaps are valued marked-to-market in order to calculate the fair value. When valuating the borrowings, the Electrolux credit rating is taken into consideration.

The table below sets out the carrying amount of the Group's borrowings.

BORROWINGS

Issue/maturity date	Description of loan	Interest rate, %	Currency	Nominal value (in currency)	Carrying amount, December 31, 2008	2007
Bond loans[1)]						
2005–2010	SEK MTN Program	3.650	SEK	500	505	491
2005–2009	SEK MTN Program	3.400	SEK	500	—	495
2007–2011	SEK MTN Program	5.250	SEK	250	266	248
2007–2009	SEK MTN Program	Floating	SEK	300	—	300
2007–2009	SEK MTN Program	4.980	SEK	200	—	200
2007–2012	SEK MTN Program	4.500	SEK	2,000	2,116	1,945
2008–2013	Euro MTN Program	Floating	EUR	85	924	—
2008–2014	Euro MTN Program	Floating	USD	42	324	—
2008–2016	Euro MTN Program	Floating	USD	100	770	—
Total bond loans					**4,905**	**3,679**
Other long-term loans						
1996–2036	Fixed rate loans in Germany	7.870	EUR	42	461	406
2005–2010	Long-term bank loans in Sweden	Floating	EUR	20	223	193
2007–2010	Long-term bank loans in Sweden	Floating	SEK	200	200	200
2007–2013	Long-term bank loans in Sweden	Floating	SEK	300	300	300
2008–2011	Fixed rate loans in Thailand	6.290	THB	965	214	—
2008–2011	Long-term bank loans in Sweden	Floating	USD	45	347	—
2008–2013	Long-term bank loans in Sweden	Floating	SEK	1,000	1,000	—
2008–2015	Long-term bank loans in Sweden	Floating	EUR	120	1,312	—
2008–2015	Long-term bank loans in Sweden	Floating	PLN	338	892	—
Other long-term loans				—	109	109
Total other long-term loans				**—**	**5,058**	**1,208**
Long-term borrowings				**—**	**9,963**	**4,887**
Short-term part of long-term loans[2)]						
1998–2008	SEK MTN Program	4.700	SEK	85	—	85
2001–2008	Euro MTN Program	6.000	EUR	300	—	2,829
2005–2009	SEK MTN Program	3.400	SEK	500	499	—
2007–2009	SEK MTN Program	Floating	SEK	300	300	—
2007–2009	SEK MTN Program	4.980	SEK	200	205	—
Total short-term part of long-term loans					**1,004**	**2,914**
Other short-term loans						
	Commercial paper program	Floating	SEK		—	969
	Short-term bank loans in China	Floating	CNY	419	473	195
	Short-term bank loans in Thailand	Floating	THB	453	100	374
	Other bank borrowings and commercial papers			—	569	748
Total other short-term loans				**—**	**1,142**	**2,286**
Trade receivables with recourse				**—**	**1,022**	**501**
Short-term borrowings				**—**	**3,168**	**5,701**
Fair value of derivative liabilities				**—**	**699**	**280**
Accrued interest expenses and prepaid interest income				**—**	**116**	**295**
Total borrowings				**—**	**13,946**	**11,163**

1) The interest-rate fixing profile of the borrowings has been adjusted from fixed to floating with interest-rate swaps.
2) Long-term borrowings with maturities within 12 months are classified as short-term borrowings in the Group's balance sheet.

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Short-term borrowings pertain mainly to countries with capital restrictions. The average maturity of the Group's long-term borrowings including long-term borrowings with maturities within 12 months was 4.7 years (2.3), at the end of 2008. The table below presents the repayment schedule of long-term borrowings.

REPAYMENT SCHEDULE OF LONG-TERM BORROWINGS, DECEMBER 31

	2009	2010	2011	2012	2013	2014–	Total
Debenture and bond loans	—	505	266	2,116	924	1,094	4,905
Bank and other loans	—	470	569	39	1,315	2,665	5,058
Short-term part of long-term loans	1,004	—	—	—	—	—	1,004
Total	**1,004**	**975**	**835**	**2,155**	**2,239**	**3,759**	**10,967**

Other interest-bearing investments

Interest-bearing receivables from customer financing amounting to SEK 83m (182) are included in the item Trade receivables in the Group's balance sheet. The Group's customer financing activities are performed in order to provide sales support and are directed mainly to independent retailers in Scandinavia. The majority of the financing is shorter than 12 months. There is no major concentration of credit risk related to customer financing. Collaterals and the right to repossess the inventory also reduce the credit risk in the financing operations. The income from customer financing is subject to interest-rate risk. This risk is immaterial to the Group.

Commercial flows

The table below shows the forecasted transaction flows, imports and exports, for the 12-month period of 2009 and hedges at year-end 2008.

The hedged amounts are dependent on the hedging policy for each flow considering the existing risk exposure. There were no hedges above 12 months at year-end. The effect of hedging on operating income during 2008 amounted to SEK 476m (–141). At year-end 2008, unrealized exchange-rate gains on forward contracts charged against equity amounted to SEK 85m (61), all of which will mature in 2009.

FORECASTED TRANSACTION FLOWS AND HEDGES

	GBP	RUB	AUD	CZK	BRL	DKK	CHF	HUF	USD	EUR	Other	Total
Inflow of currency, long position	2,400	1,700	2,410	1,200	1,380	1,420	1,280	3,430	1,380	10,270	9,980	36,850
Outflow of currency, short position	–30	–20	–200	—	—	–20	–10	–5,850	–6,150	–16,850	–7,720	–36,850
Gross transaction flow	2,370	1,680	2,210	1,200	1,380	1,400	1,270	–2,420	–4,770	–6,580	2,260	—
Hedges	–1,070	—	–1,270	–560	–240	–740	–630	1,350	2,080	1,270	–190	—
Net transaction flow	**1,300**	**1,680**	**940**	**640**	**1,140**	**660**	**640**	**–1,070**	**–2,690**	**–5,310**	**2,070**	**—**

Financial derivative instruments

The table below presents the fair value of the Group's financial derivative instruments used for managing financial risk and proprietary trading.

FINANCIAL DERIVATIVES AT FAIR VALUE

	December 31, **2008**		December 31, 2007	
	Assets	Liabilities	Assets	Liabilities
Interest-rate swaps	**173**	**10**	**74**	**51**
Cash flow hedges	—	4	—	—
Fair value hedges	155	—	2	51
Held-for-trading	18	6	72	—
Cross currency interest-rate swaps	**0**	**0**	**12**	**20**
Cash flow hedges	—	—	—	—
Fair value hedges	—	—	—	—
Held-for-trading	—	—	12	20
Forward-rate agreements and futures	**47**	**53**	**3**	**3**
Cash flow hedges	—	—	—	—
Fair value hedges	—	—	—	—
Held-for-trading	47	53	3	3
Forward foreign-exchange contracts	**1,204**	**632**	**321**	**201**
Cash flow hedges	737	485	180	110
Net investment hedges	93	98	31	47
Held-for-trading	374	49	110	44
Commodity derivatives	**1**	**89**	**1**	**5**
Cash flow hedges	—	—	—	—
Fair value hedges	—	—	—	—
Held-for-trading	1	89	1	5
Total	**1,425**	**784**	**411**	**280**

Valuation of financial derivative instruments at fair value is done at the most accurate market prices available. This means that instruments, which are quoted on the market, such as, for instance, the major bond and interest-rate future markets, are all marked-to-market with the current price. The foreign-exchange spot rate is then used to convert the value into SEK. For instruments where no reliable price is available on the market, cash flows are discounted using the deposit/swap curve of the cash-flow currency. In the event that no proper cash-flow schedule is available, for instance, as in the case with forward-rate agreements, the underlying schedule is used for valuation purposes. To the extent option instruments are used, the valuation is based on the Black & Scholes formula.

Maturity profile of financial liabilities and derivatives

The table below presents the undiscounted cash flows of the Group's contractual liabilities related to financial instruments based on the remaining period at the balance sheet to the contractual maturity date. Floating interest cash flows with future fixing dates are estimated using the forward-forward interest rates at year-end. Any cash flow in foreign currency is converted to local currency using the FX spot rates at year-end.

MATURITY PROFILE OF FINANCIAL LIABILITIES AND DERIVATIVES – UNDISCOUNTED CASH FLOWS

	1 year	> 1 year < 2 years	> 2 years < 5 years	> 5 years	Total
Loans	–2,501	–1,310	–5,853	–3,974	–13,638
Net settled derivatives	54	62	55	—	171
Gross settled derivatives	569	21	—	—	590
Outflow	–34,229	–152	—	—	–34,381
Inflow	34,798	173	—	—	34,971
Accounts payable	–15,681	—	—	—	–15,681
Total	**–17,559**	**–1,227**	**–5,798**	**–3,974**	**-28,558**

Net gain/loss, fair value and carrying amount on financial instruments

The tables below present net gain/loss on financial instruments, the effect in the income statement and equity and finally the fair value and carrying amount on financial assets and liabilities.

SPECIFICATION OF GAINS AND LOSSES ON FAIR VALUE HEDGES

	2008	2007
Fair value hedges, net	–6	–1
whereof interest-rate derivatives	202	–63
whereof fair-value adjustment on borrowings	–208	62

NET GAIN/LOSS, INCOME AND EXPENSE ON FINANCIAL INSTRUMENTS

	2008				2007			
	Gain/loss in profit and loss	Gain/loss in equity	Interest income	Interest expense	Gain/loss in profit and loss	Gain/loss in equity	Interest income	Interest expense
Recognized in the operating income								
Financial assets and liabilities at fair value through profit and loss	**381**	**—**	**—**	**—**	**–141**	**—**	**—**	**—**
Derivatives for which hedge accounting is not applied, i.e., held-for-trading	–95	—	—	—	—	—	—	—
Currency derivatives related to commercial exposure where hedge accounting is applied, i.e., cash flow hedges	476	—	—	—	–141	—	—	—
Loans and receivables	**–202**	—	—	—	**321**	**—**	**—**	**—**
Trade receivables/payables	–202	—	—	—	321	—	—	—
Available-for-sale financial assets	**—**	**–403**	**—**	**—**	**11**	**248**	**—**	**—**
Other shares and participations	—	–403	—	—	11	248	—	—
Total net gain/loss, income and expense	**179**	**–403**	—	—	**191**	**248**	**—**	**—**
Recognized in the financial items								
Financial assets and liabilities at fair value through profit and loss	**965**	**–63**	**18**	**–84**	**369**	**103**	**14**	**–59**
Derivatives for which hedge accounting is not applied, i.e., held-for-trading	756	—	—	—	404	—	—	—
Interest-related derivatives for which fair value hedge accounting is applied, i.e., fair value hedges	202	—	—	–22	–63	—	—	16
Interest-related derivatives for which cash flow hedge accounting is applied, i.e., cash flow hedges	—	–3	—	–5	—	—	—	—
Currency derivatives related to commercial exposure where hedge accounting is applied, i.e., cash flow hedges	–9	24	—	—	12	72	—	—
Net investment hedges where hedge accounting is applied	—	–84	—	–57	—	31	—	–75
Other financial assets carried at fair value	16	—	18	—	16	—	14	—
Loans and receivables	**–425**	**—**	**201**	**—**	**–397**	**—**	**151**	**—**
Other financial liabilities	**–583**	**—**	**—**	**–627**	**51**	**—**	**—**	**–569**
Financial liabilities for which hedge accounting is not applied	–375	—	—	–480	–11	—	—	–307
Financial liabilities for which hedge accounting is applied	–208	—	—	–147	62	—	—	–262
Total net gain/loss, income and expense	**–43**	**–63**	**219**	**–711**	**23**	**103**	**165**	**–628**

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FAIR VALUE AND CARRYING AMOUNT ON FINANCIAL ASSETS AND LIABILITIES

	2008[1]		2007[1]	
	Fair value	Carrying amount	Fair value	Carrying amount
Financial assets				
Financial assets	**280**	**280**	**712**	**712**
Financial assets at fair value through profit and loss	202	202	231	231
Available-for-sale	78	78	481	481
Trade receivables	**20,734**	**20,734**	**20,379**	**20,379**
Loans and receivables	20,734	20,734	20,379	20,379
Derivatives	**1,425**	**1,425**	**411**	**411**
Financial assets at fair value through profit and loss:				
Derivatives for which hedge accounting is not applied, i.e., held for trading	440	440	198	198
Interest-related derivatives for which fair value hedge accounting is applied, i.e., fair value hedges	155	155	2	2
Interest-related derivatives for which cash flow hedge accounting is applied, i.e., cash flow hedges	—	—	—	—
Currency derivatives related to commercial exposure where hedge accounting is applied, i.e., cash flow hedges	737	737	180	180
Net investment hedges where hedge accounting is applied	93	93	31	31
Short-term investments	**296**	**296**	**165**	**165**
Financial assets at fair value through profit and loss	296	296	5	5
Loans and receivables	—	—	160	160
Cash and cash equivalents	**7,305**	**7,305**	**5,546**	**5,546**
Financial assets at fair value through profit and loss	—	—	634	634
Loans and receivables	4,167	4,167	2,327	2,327
Cash	3,138	3,138	2,585	2,585
Total financial assets	**30,040**	**30,040**	**27,213**	**27,213**
Financial liabilities				
Long-term borrowings	**9,784**	**9,963**	**4,906**	**4,887**
Financial liabilities measured at amortized cost	7,144	7,276	1,977	1,957
Financial liabilities measured at amortized cost for which fair value hedge accounting is applied	2,640	2,687	2,929	2,930
Accounts payable	**15,681**	**15,681**	**14,788**	**14,788**
Financial liabilities at amortized cost	15,681	15,681	14,788	14,788
Short-term borrowings	**3,177**	**3,168**	**5,846**	**5,701**
Financial liabilities measured at amortized cost	3,177	3,168	5,846	5,701
Derivatives	**784**	**784**	**280**	**280**
Financial liabilities at fair value through profit and loss:				
Derivatives for which hedge accounting is not applied, i.e., held for trading	197	197	72	72
Interest-related derivatives for which fair value hedge accounting is applied, i.e., fair value hedges	—	—	51	51
Interest-related derivatives for which cash flow hedge accounting is applied, i.e., cash flow hedges	4	4	—	—
Currency derivatives related to commercial exposure where hedge accounting is applied, i.e., cash flow hedges	485	485	110	110
Net investment hedges where hedge accounting is applied	98	98	47	47
Total financial liabilities	**29,426**	**29,596**	**25,820**	**25,656**

	2008[1]		2007[1]	
	Fair value	Carrying amount	Fair value	Carrying amount
Per category				
Financial assets at fair value through profit and loss	1,923	1,923	1,281	1,281
Available-for-sale	78	78	481	481
Loans and receivables	24,901	24,901	22,866	22,866
Cash	3,138	3,138	2,585	2,585
Total financial assets	**30,040**	**30,040**	**27,213**	**27,213**
Financial liabilities at fair value through profit and loss	784	784	280	280
Financial liabilities measured at amortized cost	28,642	28,812	25,540	25,376
Total financial liabilities	**29,426**	**29,596**	**25,820**	**25,656**

1) There has not been any reclassification between categories.

Note 18 Other reserves in equity

	Other reserves			
	Available-for-sale instruments	Hedging reserve	Currency translation reserve	Total other reserves
Opening balance, January 1, 2007	**54**	**–11**	**–47**	**–4**
Available-for-sale instruments				
Gain/loss taken to equity	259	—	—	259
Transferred to profit and loss	–11	—	—	–11
Cash flow hedges				
Gain/loss taken to equity	—	61	—	61
Transferred to profit and loss	—	11	—	11
Exchange differences on translation of foreign operations				
Net investment hedge	—	—	31	31
Translation difference	—	—	497	497
Total recognized income and expenses for the period	**248**	**72**	**528**	**848**
Closing balance, December 31, 2007	**302**	**61**	**481**	**844**
Available-for-sale instruments				
Gain/loss taken to equity	–403	—	—	–403
Transferred to profit and loss	—	—	—	—
Cash flow hedges				
Gain/loss taken to equity	—	82	—	82
Transferred to profit and loss	—	–61	—	–61
Exchange differences on translation of foreign operations				
Net investment hedge	—	—	–84	–84
Translation difference	—	—	1,674	1,674
Total recognized income and expenses for the period	**–403**	**21**	**1,590**	**1,208**
Closing balance, December 31, 2008	**–101**	**82**	**2,071**	**2,052**

Note 19 Assets pledged for liabilities to credit institutions

	Group December 31,		Parent Company December 31,	
	2008	2007	**2008**	2007
Real-estate mortgages	77	62	—	—
Other	43	14	36	8
Total	**120**	**76**	**36**	**8**

The major part of real-estate mortgages is related to Brazil. In the process of finalizing the tax amounts to be paid, in some cases, buildings are pledged for estimated liabilities to the Brazilian tax authorities.

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Note 20 Share capital, number of shares and earnings per share

	Quota value
On December 31, 2008, and December 31, 2007, the share capital comprised of:	
9,502,275 A-shares, with a quota value of SEK 5	48
299,418,033 B-shares, with a quota value of SEK 5	1,497
Total	**1,545**

NUMBER OF SHARES

	Owned by Electrolux	Owned by other share-holders	Total
Shares, December 31, 2007			
A-shares	—	9,502,275	9,502,275
B-shares	27,281,891	272,136,142	299,418,033
Allotted shares[1]			
A-shares	—	—	—
B-shares	–1,733,212	1,733,212	—
Sold shares			
A-shares	—	—	—
B-shares	–209,875	209,875	—
Shares, December 31, 2008			
A-shares	—	9,502,275	9,502,275
B-shares	25,338,804	274,079,229	299,418,033

1) Shares allotted to senior managers under the Performance Share Program

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.

EARNINGS PER SHARE

	2008	2007
Income for the period	366	2,925
Earnings per share		
Basic, SEK	1.29	10.41
Diluted, SEK	1.29	10.33
Average number of shares		
Basic	283.1	281.0
Diluted	283.2	283.3

Basic earnings per share is calculated by dividing the income for the period with the average number of shares. The average number of shares is the weighted average number of shares outstanding during the year, after repurchase of own shares.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value based on the monetary value of the subscription rights attached to outstanding share options. Performance share programs are included in the dilutive potential ordinary shares as from when a program has reached its entry level. The dilution from Electrolux incentive programs last year is a consequence of the remaining employee stock options. The performance share programs of 2006, 2007 and 2008 have had no dilutive effect so far.

As of December 31, 2008, Electrolux had sold and distributed a total of 1,943,087 (2,704,865) B-shares, with a total quota value of SEK 10m (14), to the participants in Electrolux long-term incentive programs. The average number of shares during the year has been 283,113,768 (281,033,169) and the average number of shares diluted has been 283,175,018 (283,281,764).

Note 21 Untaxed reserves, Parent Company

	December 31, 2008	Appropriations	December 31, 2007
Accumulated depreciation in excess of plan			
Brands	518	2	516
Machinery and equipment	183	–21	204
Buildings	3	—	3
Other	—	–1	1
Total	**704**	**–20**	**724**

Note 22 Employees and employee benefits

In 2008, the average number of employees was 55,177 (56,898), of whom 35,562 (36,817) were men and 19,615 (20,081) women.

A detailed specification of the average number of employees by country has been submitted to the Swedish Companies Registration Office and is available on request from AB Electrolux, Investor Relations and Financial Information. See also Electrolux website www.electrolux.com/ir, Company overview.

AVERAGE NUMBER OF EMPLOYEES, BY GEOGRAPHICAL AREA

	Group	
	2008	2007
Europe	28,138	28,855
North America	11,398	12,068
Rest of world	15,641	15,975
Total	**55,177**	**56,898**

SALARIES, OTHER REMUNERATION AND EMPLOYER CONTRIBUTIONS

	2008			2007		
	Salaries and remuneration	Employer contributions	Total	Salaries and remuneration	Employer contributions	Total
Parent Company	826	657	1,483	904	510	1,414
(whereof pension costs)	—	(259)[1]	(259)[1]	—	(204)[1]	(204)[1]
Subsidiaries	11,836	3,695	15,531	11,708	3,735	15,443
(whereof pension costs)	—	(687)	(687)	—	(678)	(678)
Total Group	**12,662**	**4,352**	**17,014**	**12,612**	**4,245**	**16,857**
(whereof pension costs)	—	(946)	(946)	—	(882)	(882)

1) Includes SEK 20m (6), referring to the President and his predecessors.

SALARIES AND REMUNERATION BY GEOGRAPHICAL AREA FOR BOARD MEMBERS, SENIOR MANAGERS AND OTHER EMPLOYEES

	2008			2007		
	Board members and senior managers	Other employees	Total	Board members and senior managers	Other employees	Total
Sweden						
Parent Company	47	779	826	39	865	904
Other	5	230	235	4	220	224
Total Sweden	**52**	**1,009**	**1,061**	**43**	**1,085**	**1,128**
EU, excluding Sweden	88	5,765	5,853	106	5,794	5,900
Rest of Europe	10	700	710	11	728	739
North America	21	3,070	3,091	29	3,080	3,109
Latin America	38	951	989	29	787	816
Asia	12	428	440	24	314	338
Pacific	1	498	499	2	560	562
Africa	3	16	19	3	17	20
Total outside Sweden	**173**	**11,428**	**11,601**	**204**	**11,280**	**11,484**
Group total	**225**	**12,437**	**12,662**	**247**	**12,365**	**12,612**

Of the Board members in the Group, 75 were men and 14 women, of whom 8 men and 3 women in the Parent Company. Senior managers in the Group consisted of 157 men and 35 women, of whom 8 men and 3 women in the Parent Company. The total pension cost for Board members and senior managers in the Group amounted to 48m (25) in 2008.

EMPLOYEE ABSENCE DUE TO ILLNESS

	2008		2007	
%	Employees in the Parent Company	All employees in Sweden	Employees in the Parent Company	All employees in Sweden
Absence due to illness, as % of total normal working hours	**6.2**	**6.0**	**6.9**	**6.5**
of which 60 days or more	56.8	56.7	56.7	57.0
Absence due to illness, by category[1]				
Women	9.2	8.8	10.1	9.5
Men	4.7	5.0	5.1	5.0
29 years or younger	4.1	4.1	4.8	4.5
30–49 years	6.3	6.2	7.4	6.9
50 years or older	7.4	7.2	7.1	6.8

1) % of total normal working hours within each category, respectively.

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In accordance with the regulations in the Swedish Annual Accounts Act, in effect as of July 1, 2003, absence due to illness for employees in the Parent Company and the Group in Sweden is reported in the table above. The Parent Company comprises the Group's headoffice as well as a number of units and plants, and employs approximately 76% of the Group's workforce in Sweden.

Post-employment benefits

The Group sponsors pension plans in many of the countries in which it has significant activities. Pension plans can be defined contribution or defined benefit plans or a combination of both. Under defined benefit pension plans, the company enters into a commitment to provide post-employment benefits based upon one or several parameters for which the outcome is not known at present. For example, benefits can be based on final salary, on career average salary, or on a fixed amount of money per year of employment. Under defined contribution plans, the company's commitment is to make periodic payments to independent authorities or investment plans, and the level of benefits depends on the actual return on those investments. Some plans combine the promise to make periodic payments with a promise of a guaranteed minimum return on the investments. These plans are also defined benefit plans.

In some countries, the companies make provisions for compulsory severance payments. These provisions cover the Group's commitment to pay employees a lump sum upon reaching retirement age, or upon the employees' dismissal or resignation. These plans are listed below as Other post-employment benefits.

In addition to providing pension benefits and compulsory severance payments, the Group provides healthcare benefits, for some of its employees in certain countries, mainly in the US.

The Group's major defined benefit plans cover employees in the US, UK, Switzerland, Germany, France, Italy and Sweden. The German, Italian and French plans are unfunded and the plans in the US, UK, Switzerland and Sweden are funded.

A small number of the Group's employees in Sweden is covered by a multi-employer defined benefit pension plan administered by Alecta Pension Insurance. It has not been possible to obtain the necessary information for the accounting of this plan as a defined benefit plan, and therefore, it has been accounted for as a defined contribution plan.

Below are set out schedules which show the obligations of the plans in the Electrolux Group, the assumptions used to determine these obligations and the assets relating to the benefit plans, as well as the amounts recognized in the income statement and balance sheet. The schedules also include a reconciliation of changes in net provisions during the year, a reconciliation of changes in the present value of the obligation during the year and a reconciliation of the changes in the fair value of plan assets.

The provisions for post-employment benefits amounted to SEK 6,448m (5,839). The major changes were that the present value of the obligation for funded and unfunded plans increased with SEK 2,588m and that the unrecognized actuarial losses in the plans for post-employment benefits increased with SEK 1,978m to SEK 2,731m (753). The increase in unrecognized actuarial losses is mainly due to movements in foreign exchange rates, changed discount rates and underperformance of the plan assets compared to expected return.

AMOUNTS RECOGNIZED IN BALANCE SHEET

	December 31, **2008**				December 31, 2007			
	Pension benefits	Healthcare benefits	Other post-employment benefits	Total	Pension benefits	Healthcare benefits	Other post-employment benefits	Total
Present value of funded obligations	16,341	—	—	16,341	14,429	—	—	14,429
Fair value of plan assets	–13,987	–2	—	–13,989	–14,008	—	—	–14,008
Surplus/deficit	**2,354**	**–2**	**—**	**2,352**	**421**	**—**	**—**	**421**
Present value of unfunded obligations	3,591	2,369	884	6,844	3,051	2,273	844	6,168
Unrecognized actuarial losses(-) /gains(+)	–2,991	298	–38	–2,731	–739	9	–23	–753
Unrecognized past-service cost	–43	44	–18	–17	–47	47	–17	–17
Effect of limit on assets	—	—	—	**—**	20	—	—	20
Net provisions for post-employment benefits	**2,911**	**2,709**	**828**	**6,448**	**2,706**	**2,329**	**804**	**5,839**
Whereof reported as								
Prepaid pension cost in financial assets[1]	416	—	—	416	427	—	—	427
Provisions for post-employment benefits	3,327	2,709	828	6,864	3,133	2,329	804	6,266

1) Pension assets are related to Sweden and Switzerland.

RECONCILIATION OF CHANGES IN NET PROVISIONS FOR POST-EMPLOYMENT BENEFITS

	Pension benefits	Healthcare benefits	Other post-employment benefits	Total
Net provision for post-employment benefits, January 1, 2007	**2,874**	**2,548**	**828**	**6,250**
Expenses for defined post-employment benefits	373	128	59	560
Contributions by employer	–640	–189	–117	–946
Exchange differences	99	–158	34	–25
Net provision for post-employment benefits, December 31, 2007	**2,706**	**2,329**	**804**	**5,839**
Expenses for defined post-employment benefits	453	116	34	603
Contributions by employer	–643	–196	–125	–964
Exchange differences and other changes	395	460	115	970
Net provision for post-employment benefits, December 31, 2008	**2,911**	**2,709**	**828**	**6,448**

AMOUNTS RECOGNIZED IN INCOME STATEMENT

	December 31, **2008**				December 31, 2007			
	Pension benefits	Healthcare benefits	Other post-employment benefits	Total	Pension benefits	Healthcare benefits	Other post-employment benefits	Total
Current service cost	223	1	4	228	261	1	9	271
Interest cost	922	128	45	1,095	853	138	45	1,036
Expected return on plan assets	–929	—	—	–929	–924	—	—	–924
Amortization of actuarial losses/gains	172	–1	—	171	44	—	—	44
Amortization of past-service cost	27	–5	2	24	6	–11	2	–3
Losses/gains on curtailments and settlements	38	–7	–17	14	113	—	3	116
Effect of limit on assets	–21	—	—	–21	20	—	—	20
Other	21	—	—	21	—	—	—	—
Total expenses for defined post-employment benefits	**453**	**116**	**34**	**603**	**373**	**128**	**59**	**560**
Expenses for defined contribution plans	—	—	—	343	—	—	—	322
Total expenses for post-employment benefits	—	—	—	**946**	—	—	—	**882**
Actual return on plan assets	—	—	—	736	—	—	—	–885

For the Group, total expenses for pensions, healthcare and other post-employment benefits have been recognized as operating expenses and classified as cost of goods sold, selling expenses or administrative expenses depending on the function of the employee. In the Parent Company a similar classification has been made.

RECONCILIATION OF CHANGE IN PRESENT VALUE OF DEFINED BENEFIT OBLIGATION FOR FUNDED AND UNFUNDED OBLIGATIONS

	2008				2007			
	Pension benefits	Healthcare benefits	Other post-employment benefits	Total	Pension benefits	Healthcare benefits	Other post-employment benefits	Total
Opening balance, January 1	**17,482**	**2,272**	**843**	**20,597**	**18,185**	**2,664**	**1,034**	**21,883**
Current service cost	223	1	4	228	261	1	9	271
Interest cost	922	128	45	1,095	853	138	45	1,036
Contributions by plan participants	47	23	—	70	49	29	—	78
Actuarial losses/gains	798	–247	8	559	–457	–177	–51	–685
Past-service cost	23	–1	—	22	—	–4	—	–4
Curtailments/special termination benefit cost	41	—	—	41	98	3	–116	–15
Liabilities extinguished on settlements	—	—	–14	–14	–2	—	—	–2
Exchange differences on foreign plans	1,434	399	121	1,954	–515	–161	39	–637
Benefits paid	–1,057	–219	–125	–1,401	–990	–221	–117	–1,328
Other	21	13	—	34	—	—	—	—
Closing balance, December 31	**19,934**	**2,369**	**882**	**23,185**	**17,482**	**2,272**	**843**	**20,597**

RECONCILIATION OF CHANGE IN FAIR VALUE OF PLAN ASSETS

	2008				2007			
	Pension benefits	Healthcare benefits	Other post-employment benefits	Total	Pension benefits	Healthcare benefits	Other post-employment benefits	Total
Opening balance, January 1	**14,008**	**—**	**—**	**14,008**	**14,007**	**3**	**—**	**14,010**
Expected return on plan assets	929	—	—	929	924	—	—	924
Actuarial gains/losses	–1,665	—	—	–1,665	–39	—	—	–39
Settlements	—	—	—	—	–2	—	—	–2
Contributions by employer	643	196	125	964	640	189	117	946
Contributions by plan participants	47	23	—	70	48	29	—	77
Exchange differences on foreign plans	1,082	2	—	1,084	–578	—	—	–578
Benefits paid	–1,057	–219	–125	–1,401	–990	–221	–117	–1,328
Other	—	—	—	—	–2	—	—	–2
Closing balance, December 31	**13,987**	**2**	**—**	**13,989**	**14,008**	**—**	**—**	**14,008**

The pension plan assets include ordinary shares issued by AB Electrolux with a fair value of SEK 20m (33). In 2009, the Group expects to pay the total of SEK 976m in contributions by employer and benefits paid directly by the company. In 2008, this amounted to SEK 964m, of which SEK 622m were contributions to the Group's pension funds.

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MAJOR CATEGORIES OF PLAN ASSETS AS A PERCENTAGE OF TOTAL PLAN ASSETS

	December 31,	
%	**2008**	2007
European equities	10	12
North American equities	9	16
Other equities	8	10
European bonds	23	26
North American bonds	32	22
Alternative investments[1]	9	9
Property	3	2
Cash and cash equivalents	6	3
Total	**100**	**100**

1) Includes hedge funds and infrastructure investments.

PRINCIPAL ACTUARIAL ASSUMPTIONS AT BALANCE-SHEET DATE EXPRESSED AS A WEIGHTED AVERAGE

	December 31,	
%	**2008**	2007
Discount rate	5.2	5.5
Expected long-term return on assets	6.9	6.9
Expected salary increases	3.6	3.8
Annual increase of healthcare costs	9.0	9.6

- When determining the discount rate, the Group uses AA-rated corporate bond indexes which match the duration of the pension obligations. If no corporate bond is available, government bonds are used to determine the discount rate.
- Expected long-term return on assets is calculated by assuming that fixed-income holdings are expected to have the same return as ten-year corporate bonds. Equity holdings are assumed to return an equity-risk premium of 5% over ten-year government bonds. Alternative investments are assumed to return 4% over three-month Libor annually. The benchmark allocation for the assets is used when calculating the expected return, as this represents the long-term actual allocation.
- Expected salary increases are based on local conditions in each country.
- The assumed healthcare cost-trend rate has a significant effect on the amounts recognized in the profit or loss. A one percentage point change in the assumed medical cost-trend rate would have the following effects:

HEALTHCARE BENEFITS SENSITIVITY ANALYSIS

	2008		2007	
	One percentage point increase	One percentage point decrease	One percentage point increase	One percentage point decrease
Effect on aggregate of service cost and interest cost	12	–10	14	–12
Effect on defined benefit obligation	–114	–537	146	–229

AMOUNTS FOR ANNUAL PERIODS

	December 31,			
	2008	2007	2006	2005
Defined benefit obligation	–23,185	–20,597	–21,883	–26,733
Plan assets	13,989	14,008	14,010	15,602
Surplus/deficit	–9,196	–6,589	–7,873	–11,131
Experience adjustments on plan liabilities	217	–221	221	–152
Experience adjustments on plan assets	–1,665	–38	121	513

Parent Company

According to Swedish accounting principles adopted by the Parent Company, defined benefit liabilities are calculated based upon officially provided assumptions, which differ from the assumptions used in the Group under IFRS. The pension benefits are secured by contributions to a separate fund or recorded as a liability in the balance sheet. The accounting principles used in the Parent Company's separate financial statements differ from the IFRS principles, mainly in the following:

- The pension liability calculated according to Swedish accounting principles does not take into account future salary increases.
- The discount rate used in the Swedish calculations is set by PRI (Swedish Pension Foundation) and was 4.0% (4.0). The rate is the same for all companies in Sweden.
- Changes in the discount rate and other actuarial assumptions are recognized immediately in the profit or loss and the balance sheet.
- Deficit must be either immediately settled in cash or recognized as a liability in the balance sheet.
- Surplus cannot be recognized as an asset, but may in some cases be refunded to the company to offset pension costs.

CHANGE IN PRESENT VALUE OF DEFINED BENEFIT PENSION OBLIGATION FOR FUNDED AND UNFUNDED OBLIGATIONS

	Funded	Unfunded	Total
Opening balance, January 1, 2007	**1,057**	**311**	**1,368**
Current service cost	43	25	68
Interest cost	48	13	61
Other increase of present value	—	–12	–12
Benefits paid	–30	–25	–55
Closing balance, December 31, 2007	**1,118**	**312**	**1,430**
Current service cost	30	69	99
Interest cost	65	19	84
Other decrease of present value	—	–15	–15
Benefits paid	–34	–29	–63
Closing balance, December 31, 2008	**1,179**	**356**	**1,535**

CHANGE IN FAIR VALUE OF PLAN ASSETS

	Funded
Opening balance, January 1, 2007	**1,293**
Actual return on plan assets	43
Contributions and compensation to/from the fund	54
Closing balance, December 31, 2007	**1,390**
Actual return on plan assets	–133
Contributions and compensation to/from the fund	—
Closing balance, December 31, 2008	**1,257**

AMOUNTS RECOGNIZED IN BALANCE SHEET

	December 31,	
	2008	2007
Present value of pension obligations	–1,535	–1,430
Fair value of plan assets	1,257	1,390
Surplus/deficit	**–278**	**–40**
Limitation on assets in accordance with Swedish accounting principles	–78	–272
Net provisions for pension obligations	**–356**	**–312**
Whereof reported as provisions for pensions	–356	–312

AMOUNTS RECOGNIZED IN INCOME STATEMENT

	2008	2007
Current service cost	99	68
Interest cost	84	61
Total expenses for defined benefit pension plans	**183**	**129**
Insurance premiums	21	34
Total expenses for defined contribution plans	**21**	**34**
Special employer's contribution tax	53	39
Cost for credit insurance	1	1
Total pension expenses	**258**	**203**
Compensation from the pension fund	—	—
Total recognized pension expenses	**258**	**203**

The Swedish Pension Foundation

The pension liabilities of the Group's Swedish defined benefit pension plan (PRI pensions) are funded through a pension foundation established in 1998. The market value of the assets of the foundation amounted at December 31, 2008 to SEK 1,490m (1,648) and the pension commitments to SEK 1,403m (1,330). The Swedish Group companies recorded a liability to the pension fund as per December 31, 2008 in the amount of SEK 147m (74), which will be paid to the pension foundation during 2009. Contributions to the pension foundation during 2008 amounted to SEK 0m (64) regarding the pension liability at December 31, 2007 and December 31, 2006, respectively. No contributions have been made from the pension foundation to the Swedish Group companies during 2008 and 2007.

Share-based compensation

Over the years, Electrolux has implemented several long-term incentive programs (LTI) for senior managers. These programs are intended to attract, motivate, and retain the participating managers by providing long-term incentives through benefits linked to the company's share price. They have been designed to align management incentives with shareholder interests. All programs are equity-settled. A detailed presentation of the different programs is given below.

2001, 2002 and 2003 option programs

In 2001, a stock option plan for employee stock options was introduced for less than 200 senior managers. The options can be used to purchase Electrolux B-shares at an exercise price that is 10% above the average closing price of the Electrolux B-shares on the exchange NASDAQ OMX Stockholm during a limited period prior to allotment. The options were granted free of consideration. Annual programs based on this plan were also launched in 2002 and 2003. The 2001 program expired on May 10, 2008.

Each of the remaining 2002–2003 programs has had a vesting period of three years, where one third of the options are vested each year. If a program participant leaves his or her employment with the Electrolux Group, options may, under the general rule, be exercised within a twelve months' period thereafter. However, if the termination is due to, among other things, the ordinary retirement of the employee or the divestiture of the participant's employing company, the employee will have the opportunity to exercise such options for the remaining duration of the plan.

OPTION PROGRAMS 2002–2003

Program	Grant date	Total number of options at grant date	Number of options per lot[1)2)]	Fair value of options at grant date	Exercise price SEK[3)]	Expiration date	Vesting period, year
2002	May 6, 2002	2,865,000	15,000	48	88.50 (103.70)	May 6, 2009	3
2003	May 8, 2003	2,745,000	15,000	27	75.99 (89.00)	May 8, 2010	3

1) In 2002–2003, the President was granted 4 lots, Group Management members 2 lots and all other senior managers 1 lot.
2) Re-calculation of the stock option programs, in accordance with the stock option plan document due to the spin-off of Husqvarna and the 2007 share redemption. Each stock option entitles the option holder to purchase 2.17 shares.
3) Exercise prices for stock option programs 2002 and 2003 were re-calculated due to the share redemption in 2007. Pre-redemption exercise prices are presented in parentheses.

CHANGE IN NUMBER OF OPTIONS PER PROGRAM

	Number of options 2007					Number of options **2008**			
Program	January 1, 2007	Exercised	Forfeited[1)]	Expired[1)]	December 31, 2007	Exercised[2)]	Forfeited[1)]	Expired[1)]	December 31, 2008
2001	212,647	67,843	—	—	144,804	84,804	—	60,000	0
2002	624,804	352,274	15,000	—	257,530	—	—	—	257,530
2003	604,201	280,399	10,000	—	313,802	11,912	—	—	301,890

1) Options expire when they are not exercised post vesting period, e.g., due to expiration at the end of the term of the options or earlier, because of termination of employment after vesting. Forfeiture is when the employees fail to satisfy the vesting condition, e.g., termination of employment before vesting period. Forfeiture is governed by the provisions of the option plan.
2) The weighted average share price for exercised options is SEK 93,99.

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Performance share program 2006, 2007 and 2008

The Annual General Meeting in 2008 approved an annual long-term incentive program. The program is in line with the Group's principles for remuneration based on performance, and is an integral part of the total compensation for Group Management and other senior managers. Electrolux shareholders benefit from this program since it facilitates recruitment and retention of competent executives and aligns management interest with shareholder interest.

Allocation of shares under the 2006 and 2007 programs are determined on the basis of three levels of value creation, calculated according to the Group's previously adopted definition of this concept. The three levels are Entry, Target, and Stretch. Entry is the minimum level that must be reached to enable allocation. Stretch is the maximum level for allocation and may not be exceeded regardless of the value created during the period. The number of shares allocated at Stretch is 50% greater than at Target. Under the 2008 program the allocation is determined on average annual growth in earnings per share. If the minimum level is reached, the allocation will amount to 25% of the maximum number of shares. There is no allocation if the minimum level is not reached. If the maximum is reached 100% of shares will be allocated. Should the average annual growth be below the maximum but above the minimum, a proportionate allocation will be made. The maximum in the 2008 program is equal to the strech level in the 2006 and 2007 programs. The shares will be allocated after the three-year period free of charge. Participants are permitted to sell the allocated shares to cover personal income tax arising from the share allocation, but the remaining shares must be held for another two years.

If a participant's employment is terminated during the performance period, the right to receive shares will be forfeited in full. In the event of death, divestiture or leave of absence for more than six months, this will result in a reduced award for the affected participant.

All programs covers almost 160 senior managers and key employees in about 20 countries. Participants in the program comprise five groups, i.e., the President, other members of Group Management, and three groups of other senior managers. The program comprises B-shares.

NUMBER OF SHARES DISTRIBUTED PER INDIVIDUAL PERFORMANCE TARGET, 2006, 2007 AND 2008 PROGRAMS

	2008 Target number of B-shares1) 4)	2007 Target number of B-shares1)	2006 Target number of B-shares1)	2008 Target value, SEK2) 4)	2007 Target value, SEK2)	2006 Target value, SEK3)
President	36,595	14,405	28,310	3,125,000	2,400,000	2,400,000
Other members of Group Management	13,174	7,203	14,156	1,125,000	1,200,000	1,200,000
Other senior managers, cat. C	9,881	5,402	10,616	843,750	900,000	900,000
Other senior managers, cat. B	6,588	3,602	7,078	562,500	600,000	600,000
Other senior managers, cat. A	4,941	2,701	5,308	421,875	450,000	450,000

1) Each value is converted into a number of shares. The number of shares is based on a share price of SEK 180.58 for 2006 and, SEK 166,62 for 2007 and SEK 85,39 for 2008, calculated as the average closing price of the Electrolux B-share on the OMX Nordic Exchange in Stockholm during a period of ten trading days before the day participants were invited to participate in the program, adjusted for net present value of dividends for the period until shares are allocated. The recalculated weighted average fair value of shares at grant for the 2006, 2007 and 2008 programs is SEK 98,5 per share. The target number of B-shares in the 2006 program has been adjusted with a multiplier of 2.13 after a re-calculation of the performance share programs in accordance with the plan document due to the spin-off of Husqvarna and the share redemption in January 2007.
2) Total maximum value for all participants at grant is SEK 146m.
3) Total target value for all participants at grant is SEK 96m.
4) The target value for 2008 is the mid-point between minimum and maximum. It is comparable with the target values for 2006 and 2007.

If performance is in the middle, i.e., beween minimum and maximum, the total cost for the 2008 performance share program over a three-year period is estimated at SEK 114m, including costs for employer contributions. If the maximum level is attained, the cost is estimated at a maximum of SEK 182m. The distribution of shares under this program will result in an estimated maximum increase of 0.67% in the number of outstanding shares.

For 2008 the long-term incentive (LTI) programs resulted in an income of SEK 94m (including SEK 3m in employer contribution cost) compared to a cost of SEK 65m in 2007 (including SEK 3m in employer contribution cost). The income refers to reversal of previous charge for program cost due to changed expected outcome. The total provision for employer contribution in the balance sheet amounted to SEK 0m (61).

Repurchased shares for LTI programs

The company uses repurchased Electrolux B-shares to meet the company's obligations under the stock option and share programs. The shares will be sold to option holders who wish to exercise their rights under the option agreement(s) and if performance targets are met, will be distributed to share-program participants. Electrolux intends to sell additional shares on the market in connection with the exercise of options or distribution of shares under the share program in order to cover the payment of employer contributions.

Delivery of shares for the 2005 program

After a three-year performance period, the particpants in the 2005 performance share program have received B-shares. The number of B-shares delivered equals 135.66% of the target number of B-shares. The selling of the B-shares is restricted until December 31, 2009, with the exception that partcipants have had the right to sell shares to cover for personal taxes in connection with the delivery.

Note 23 Other provisions

	Group					Parent Company			
	Provisions for restructuring	Warranty commitments	Claims	Other	Total	Provisions for restructuring	Warranty commitments	Other	Total
Opening balance, January 1, 2007	**1,561**	**1,585**	**894**	**1,850**	**5,890**	**117**	**92**	**75**	**284**
Provisions made	231	1,085	211	404	1,931	—	120	8	128
Provisions used	–993	–987	–260	–420	–2,660	–63	–100	–40	–203
Unused amounts reversed	—	–41	–2	–112	–155	—	—	—	—
Exchange-rate differences	22	40	–48	96	110	—	—	—	—
Closing balance, December 31, 2007	**821**	**1,682**	**795**	**1,818**	**5,116**	**54**	**112**	**43**	**209**
Of which current provisions	502	634	4	163	1,303	10	25	—	35
Of which non-current provisions	319	1,048	791	1,655	3,813	44	87	43	174
Opening balance, January 1, 2008	**821**	**1,682**	**795**	**1,818**	**5,116**	**54**	**112**	**43**	**209**
Provisions made	1,167	1,021	385	591	3,164	3	170	52	225
Provisions used	–303	–1,002	–176	–332	–1,813	–2	–132	–38	–172
Unused amounts reversed	–103	–39	–52	–126	–320	—	—	—	—
Exchange-rate differences	156	128	150	84	518	—	—	—	—
Closing balance, December 31, 2008	**1,738**	**1,790**	**1,102**	**2,035**	**6,665**	**55**	**150**	**57**	**262**
Of which current provisions	1,486	682	—	322	2,490	8	28	22	58
Of which non-current provisions	252	1,108	1,102	1,713	4,175	47	122	35	204

Provisions for restructuring represent the expected costs to be incurred as a consequence of the Group's decision to close some factories, rationalize production and reduce personnel, both for newly acquired and previously owned companies. The provisions for restructuring are only recognized when Electrolux has both a detailed formal plan for restructuring and has made an announcement of the plan to those affected by it at the balance-sheet date. The amounts are based on management's best estimates and are adjusted when changes to these estimates are known. The larger part of the restructuring provisions as per December 31, 2008, will be used during 2009. Provisions for warranty commitments are recognized as a consequence of the Group's policy to cover the cost of repair of defective products. Warranty is normally granted for one to two years after the sale. Provisons for claims refer to the Group's captive insurance companies. Other provisions include mainly provisions for indirect tax, environmental liabilities, asbestos claims or other liabilities, none of which is material to the Group.

Note 24 Other liabilities

	Group December 31		Parent Company December 31	
	2008	2007	**2008**	2007
Accrued holiday pay	840	863	157	166
Other accrued payroll costs	1,453	1,421	129	146
Accrued interest expenses	116	295	72	188
Prepaid income	309	145	—	—
Other accrued expenses	5,714	4,712	412	319
Other operating liabilities	2,212	2,613	—	—
Total	**10,644**	**10,049**	**770**	**819**

Other accrued expenses include accruals for fees, advertising and sales promotion, bonuses, extended warranty, and other items. Other operating liabilities include VAT and other items.

Note 25 Contingent liabilities

	Group December 31		Parent Company December 31	
	2008	2007	**2008**	2007
Guarantees and other commitments				
On behalf of subsidiaries	—	—	1,529	1,187
On behalf of external counterparties	1,293	1,016	187	164
Employee benefits in excess of reported liabilities	—	—	4	14
Total	**1,293**	**1,016**	**1,720**	**1,365**

The main part of the total amount of guarantees and other commitments on behalf of external counterparties is related to US sales to dealers financed through external finance companies with a regulated buy-back obligation of the products in case of dealer's bankruptcy.

In addition to the above contingent liabilities, guarantees for fulfillment of contractual undertakings are given as part of the Group's normal course of business. There was no indication at year-end that payment will be required in connection with any contractual guarantees.

Asbestos litigation in the US

Litigation and claims related to asbestos are pending against the Group in the US. Almost all of the cases refer to externally supplied components used in industrial products manufactured by discontinued operations prior to the early 1970s. Some of the cases involve multiple plaintiffs who have made identical allegations against many other defendants who are not part of the Electrolux Group.

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As of December 31, 2008, the Group had a total of 2,639 (1,998) cases pending, representing approximately 3,200 (approximately 2,600) plaintiffs. During 2008, 1,255 new cases with approximately 1,255 plaintiffs were filed and 614 pending cases with approximately 650 plaintiffs were resolved. Approximately 270 of the plaintiffs relate to cases pending in the state of Mississippi.

The Group reached an agreement in 2007 with many of the insurance carriers that issued general liability insurance to certain predecessors of the Group who manufactured industrial products, some of which are alleged to have contained asbestos. Under this agreement, the insurance carriers have agreed to reimburse the Group for a portion of the past and future costs incurred in connection with asbestos-related lawsuits for such products. The term of the agreement is indefinite but subject to termination upon 60 days notice. If terminated, all parties would be restored to all of their rights and obligations under the affected insurance policies.

Additional lawsuits may be filed against Electrolux in the future. It is not possible to predict either the number of future claims or the number of plaintiffs that any future claims may represent. In addition, the outcome of asbestos claims is inherently uncertain and always difficult to predict and Electrolux cannot provide any assurances that the resolution of these types of claims will not have a material adverse effect on its business or on results of operations in the future.

Major agreement with Husqvarna after the spin-off

In June 2006, Electrolux effectuated the spin-off of the Group's Outdoor Products operations, "Outdoor Products", by way of a dividend of all shares in Husqvarna AB, being the parent of the Outdoor Products group, to the shareholders of Electrolux. In order to govern the creation of Outdoor Products operations as a separate legal entity, as well as govern the relationship in certain aspects between Electrolux and Outdoor Products operations following the separation, Electrolux and Husqvarna AB and some of their respective subsidiaries have entered into a Master Separation Agreement and related agreements, the "Separation Agreements".

Under the Separation Agreements, Electrolux has retained certain potential liabilities with respect to the spin-off and Outdoor Products. These potential liabilities include certain liabilities of the Outdoor Products operations which cannot be transferred or which have been considered too difficult to transfer. Losses pursuant to these liabilities are reimbursable pursuant to indemnity undertakings from Husqvarna. In the event that Husqvarna is unable to meet its indemnity obligations should they arise, Electrolux would not be reimbursed for the related loss and this could have a material adverse effect on Electrolux results of operations and financial condition.

Tax effects of the distribution relating to Husqvarna

Electrolux has received a private letter ruling from the US Internal Revenue Service (IRS) with regard to the distribution of the shares in Husqvarna and the US corporate restructurings that preceded the distribution. The ruling confirms that these transactions will not entail any US tax consequences for Electrolux, its US subsidiaries or US shareholders of Electrolux. In the event that any facts and circumstances upon which the IRS private ruling has been based is found to be incorrect or incomplete in a material respect or if the facts at the time of separation were, or at any relevant point in time are, materially different from the facts upon which the ruling was based, Electrolux could not rely on the ruling. Additionally, future events that may or may not be within the control of Electrolux or Husqvarna, including purchases by third parties of Husqvarna stock, could cause the distribution of Husqvarna stock and the US corporate restructurings that preceded the distribution not to qualify as tax-free to Electrolux and/or US holders of Electrolux stock. An example of such event is if one or more persons were to acquire a 50% or greater interest in Husqvarna stock.

Electrolux has – as one of the Separation Agreements – concluded a Tax Sharing and Indemnity Agreement with Husqvarna. Pursuant to the tax sharing agreement, Husqvarna and two of its US subsidiaries have undertaken to indemnify Electrolux and its group companies for tax liabilities in certain circumstances. If the distribution of the shares in Husqvarna or the US corporate restructurings that preceded the distribution would entail tax liabilities, and Husqvarna would not be obliged to indemnify such liabilities or would not be able to meet its indemnity undertakings, this could have a material adverse effect on Electrolux results of operations and financial condition.

Note 26 Acquired and divested operations

	Divestments	
	2008	2007
Fixed assets	–	–
Inventories	–	–
Receivables	–	–
Other current assets	–	–
Liquid funds	–	–
Loans	–	–
Other liabilities and provisions	–64	–
Net assets	**–64**	**–**
Purchase price	242	–
Net borrowings in acquired/divested operations	–276	–
Effect on Group cash and cash equivalents	**–34**	**–**

In December 2008, the captive insurance company Electrolux Reinsurance S.A. in Luxembourg, was divested. The divestment resulted in a capital gain of SEK 31m, which is included in operating income.

Note 27 Remuneration to the Board of Directors, the President and other members of Group Management

Compensation to the Board of Directors

The Annual General Meeting (AGM) determines the total compensation to the Board of Directors for a period of one year until the next AGM. The compensation is distributed between the Chairman, Deputy Chairman, other Board Members and remuneration for committee work. The Board decides the distribution of the committee fee between the committee members. Compensation is paid out in advance each quarter. Compensation paid in 2008 refers to one fourth of the compensation authorized by the AGM in 2007, and three fourths of the compensation authorized by the AGM in 2008. Total compensation paid in 2008 amounted to SEK 4,543,745, of which SEK 3,968,747 referred to ordinary compensation and SEK 574,998 to committee work. For distribution of compensation by Board member, see table below.

COMPENSATION TO BOARD MEMBERS 2008

'000 SEK	Ordinary compen-sation	Compen-sation for committee work	Total compen-sation
Marcus Wallenberg, Chairman	1,275	53	1,328
Peggy Bruzelius, Deputy Chairman	434	192	626
Hasse Johansson (as from the AGM)	178	—	178
Louis R. Hughes (up to the AGM)	110	17	127
John S. Lupo	466	—	466
Johan Molin	288	36	324
Hans Stråberg, President	—	—	—
Caroline Sundewall	376	82	458
Torben Ballegaard Sørensen	376	82	458
Barbara Milian Thoralfsson	466	113	579
Ulf Carlsson	—	—	—
Gunilla Brandt	—	—	—
Ola Bertilsson	—	—	—
Total	**3,969**	**575**	**4,544**

Synthetic shares

The AGM in 2008 decided that a part of the fees to the Board of Directors should be payable in synthetic shares. A synthetic share is a right to receive in the future a payment corresponding to the stock market value of a B-share in Electrolux at the time of payment. In accordance with the fee structure laid down by the AGM, the Directors have for the 2008/2009 term of office been given the choice of receiving 25% or 50% of the fees for the Board assignment in synthetic shares. The remaining part of the fees to the Directors is paid in cash. Foreign Directors have been able to elect to receive 100% of the fee in cash. The synthetic shares entail a right to payment, in the year 2013, of a cash amount per synthetic share corresponding to the price for a B-share in Electrolux at the time of payment. Should a Director's assignment end not later than four years after the time of allocation, cash settlement may instead take place during the year after the assignment came to an end. The elections made by the Directors mean that on average 25% of the fees for the Board assignment for 2008/2009 is allocated in the form of synthetic shares. At the end of 2008, a total of 13,170 synthetic shares were outstanding, having a total value of SEK 0,9m. The accrued value of the synthetic shares has been calculated as the number of synthetic shares times the volume weighted average price of a B-share in Electrolux as of December 31, 2008. The cost for the synthetic shares during 2008, was SEK 0,9m.

Remuneration Committee

The working procedures of the Board of Directors stipulate that remuneration to the President be proposed by a Remuneration Committee. The Committee comprises the Chairman of the Board and two additional Directors. During 2008, the Committee members were Barbara Milian Thoralfsson (Chairman), Marcus Wallenberg and Louis R. Hughes up to the AGM. After the AGM, Louis R. Hughes was replaced by Johan Molin.

The Remuneration Committee establishes principles for remuneration for the President and the other members of Group Management, subject to subsequent approval by the AGM. Proposals submitted by the Remuneration Committee to the Board include targets for variable compensation, the relationship between fixed and variable salary, changes in fixed or variable salary, criteria for assessment of long-term variable salary, pensions and other benefits. The Remuneration Committee acts as grandparent, approving the President's proposals on the above subjects for members of the Group Management.

A minimum of two meetings is convened each year and additional meetings are held when needed. Eight meetings were held during 2008.

Remuneration Guidelines for Group Management

The AGM in 2008 approved the proposed Remuneration Guidelines. These guidelines and the compensation to Group Management during 2008, are described below.

The overall principles for compensation within Electrolux are tied strongly to the position held, individual as well as team performance, and competitive compensation in the country or region of employment.

The overall compensation package for higher-level management comprises fixed salary, variable salary, based on short-term and long-term performance targets, and benefits such as pensions and insurance.

Electrolux strives to offer fair and competitive total compensation with an emphasis on "pay for performance". Variable compensation represents a significant proportion of total compensation for higher-level management. Total compensation is lower if targets are not achieved.

The Group has a uniform program for variable salary for management and other key positions. Variable salary is based on financial targets and may include non-financial targets for certain positions. Each job level is linked to a minimum and a maximum level for variable salary, and the program is capped.

Since 2004, Electrolux has long-term performance share programs for approximately 160 senior managers of the Group. The 2006 and 2007 performance share programs are linked to targets for the Group's value creation and the 2008 program is linked to growth in earnings per share over a three-year period.

The vesting and exercise rights of the option programs launched up till 2003 will continue as scheduled.

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Compensation and terms of employment for the President

The compensation package for the President comprises fixed salary, variable salary based on annual targets, a long-term performance share program and other benefits such as pensions and insurance.

Base salary is revised annually per January 1. The annualized base salary for 2008, was SEK 8,600,000 (8,300,000). Salary increased by 3.6% in 2008. In 2007, the base salary remained unchanged.

The variable salary is based on annual financial targets for the Group. The variable salary is 70% of the annual base salary at target level, and capped at 110%.

The President participates in the Group's long-term performance programs, that comprise the current performance share program as well as previous option programs. For more information on these programs, see Note 22 on page 53.

The notice period for the company is 12 months, and for the President six months. The President is entitled to 12 months severance pay based on base salary. Severance pay is applicable if the employment is terminated by the company. It is also applicable if the employment is terminated by the President provided serious breach of contract on the company's behalf or if there has been a major change in ownership structure in combination with changes in management and changed individual accountability. The President is not eligible for fringe benefits such as a company car or housing.

Pensions for the President

The retirement age for the President is 60.

The President is covered by an alternative ITP plan that is a defined contribution plan in which the contribution increases with age. The contribution is currently 35% of the pensionable salary between 7.5 and 30 income base amounts. In addition, he is covered by two supplementary plans. Contribution to the first plan equals 15% of pensionable salary and contributions to the second plan equals 20% on pensionable salary above 30 income base amounts. Provided that the President retains his position until age 60, the company will finalize outstanding contributions to the alternative ITP plan and one of the supplementary plans. Pensionable salary is calculated as the current fixed salary including vacation pay plus the average actual variable salary for the last three years. The pension cost in 2008 amounts to SEK 6,463,512 (6,219,377). The cost amounts to 45.1% of pensionable salary. Accrued capital is subject to a real rate of return of 3.5% per year.

Electrolux provides disability benefits equal to approximately 70% of pensionable salary less other disability benefits. Electrolux also provides survivor benefits equal to the highest of the accumulated capital for retirement or 250 income base amounts.

The capital value of pension commitments for the current President, prior Presidents, and survivors is SEK 141m (131).

Share-based compensation for the President and other members of Group Management

Over the years, Electrolux has implemented several long-term share-based programs for senior managers. These programs are intended to attract, motivate and retain the participating managers by providing long-term incentives (LTI) through benefits linked to the company's performance. They have been designed to align management long-term performance programs with shareholder interests. A detailed presentation of the different programs is given in Note 22 on page 53.

OPTIONS PROVIDED TO GROUP MANAGEMENT

	Number of options			
	Beginning of **2008**	Expired	Exercised	End of **2008**
President	90,000	—	—	90,000
Other members of Group Management	40,196	—	—	40,196
Total	**130,196**	**—**	**—**	**130,196**

NUMBER OF SHARES OFFERED TO GROUP MANAGEMENT

	2008 Target number of B-shares1)2)	2007 Target number of B-shares1)	2006 Target number of B-shares1)	**2008** Target value, SEK 2)	2007 Target value, SEK	2006 Target value SEK
President	36,595	14,405	28,310	3,125,000	2,400,000	2,400,000
Other members of Group Management	13,174	7,203	14,156	1,125,000	1,200,000	1,200,000

1) Each target value is subsequently converted into a number of shares. The number of shares is based on a share price of SEK 180.58 for 2006, SEK 166.62 for 2007 and and SEK 85.40 for 2008, calculated as the average closing price of the Electrolux B-share on the exchange NASDAQ OMX Stockholm during a period of ten trading days before the day participants were invited to participate in the program, adjusted for net present value of dividends for the period until shares are allocated. The recalculated weighted average fair value of shares at grant for the 2006, 2007 and 2008 programs is SEK 98.5 per share.

2) The target value for 2008 is the mid-point between minimum and maximum. It is comparable with the target values for 2006 and 2007.

Compensation and terms of employment for other members of Group Management

Like the President, other members of Group Management receive a compensation package that comprises fixed salary, variable salary based on annual targets, long-term performance share programs and other benefits such as pensions and insurance.

Base salary is revised annually per January 1. The average base salary increase in 2008 was 3.4%.

Variable salary in 2008 is based on financial targets. The financial targets comprise, amongst others, the value created on sector and Group level. Variable salary for sector heads varies between minimum (no pay out) and a maximum of 100% of annual salary, which is also the cap. The US-based sector head has 100% as midpoint and a maximum of 150%. Group staff heads receive variable salary that varies between a minimum (no pay out) and a maximum of 80%, which is also the cap.

One member of Group Management is covered by contracts that entitle to variable compensation based on achieved financial targets during the years 2007–2009 and 2008–2010. The compensation is paid provided the individual is employed until the end of 2009 and 2010, respectively. Individual members of Group Management are entitled to additional variable compensation arrangements agreed in connection with the recruitment due in parts provided the member is still employed until the end of 2008 and 2009. These payments are maximized to SEK 12,4m in 2009. For 2008 SEK 2,3m has been paid as recruitment compensation.

The members of Group Management participate in the Group's long-term performance programs. These programs comprise the performance-share program introduced in 2004 as well as previous option programs. For more information on these programs, see Note 22 on page 53.

Certain members of Group Management are entitled to 12 months severance pay based on base salary. Severance pay is applicable if the employment is terminated by the company. It is also applicable if the employment is terminated by the Group Management member provided serious breach of contract on the company's behalf or if there has been a major change in ownership structure in combination with changes in management and changed individual accountability.

The Swedish members of Group Management are not eligible for fringe benefits such as company cars. For members of Group Management employed outside of Sweden, varying fringe benefits and conditions may apply, depending upon the country of employment.

Pensions for other members of Group Management

The earliest retirement age is 60 for members of Group Management.

Members of Group Management employed in Sweden are covered by the Alternative ITP plan, as well as a supplementary plan. The Alternative ITP plan is a defined contribution plan where the contribution increases with age. The contribution is between 20% and 35% of pensionable salary, between 7.5 and 30 income base amounts.

Provided that the member retains the position until age 60, the company will finalize outstanding premiums in the alternative ITP plan.

The contribution to the supplementary plan is 35% of pensionable salary above 20 income base amounts. Certain Swedish members are covered by a closed supplementary plan in which contributions equals 35% of the pensionable salary. They are also entitled to individual additional contributions.

Electrolux provides disability benefits equal to 70% of pensionable salary less disability benefits from other sources. Electrolux also provides survivor benefits equal to the highest of the accumulated capital for retirement or 250 income base amounts.

The pensionable salary is calculated as the current fixed salary including vacation pay plus the average variable salary for the last three years. Accrued capital is subject to a real rate of return of 3.5% per year.

For members of Group Management employed outside of Sweden, varying pension terms and conditions apply, depending upon the country of employment.

COMPENSATION PAID TO GROUP MANAGEMENT

	2008					2007				
'000 SEK	Annual fixed salary[1]	Variable salary paid 2008[2]	**Total salary**	Long-term PSP (value of shares awarded)[3]	Other remuneration[4]	Annual fixed salary[1]	Variable salary paid 2007[2]	**Total salary**	Long-term PSP (value of shares awarded)[3]	Other remuneration[4]
President	9,296	4,892	**14,188**	5,113	—	8,863	5,303	**14,166**	6,397	—
Other members of Group Management[5]	40,526	25,525	**66,051**	19,176	13,965	30,801	14,932[6]	**45,733**	23,989	1,467
Total	**49,822**	**30,417**	**80,239**	**24,289**	**13,965**	**39,664**	**20,235**	**59,899**	**30,386**	**1,467**

1) The annual fixed salary includes vacation salary, paid vacation days and travel allowance.

2) The actual variable salary paid in a year refers to the previous year's performance.

3) The pre-tax value delivered to participants under the 2005 performance shareprogram is calculated as the number of shares delivered times the share price at the time of delivery. Participants are permitted to sell the allocated shares to cover personal income tax arising from the share allocation, but the remaining shares must be held for another two years and, hence, the value for the participant will vary with the share price until the end of the two-year restriction period.

4) Includes conditional variable compensation and other benefits as housing and company car.

5) In 2008, other members of Group Management comprised of 10 people with the exception of the period from September 1 to November 30 when the CFO position was vacant. In 2007, other members of Group Management comprised of 8 people up to July 31; 7 people up to September 1; 8 people up to November 13, when the Group comprised of 9 members.

6) Includes other conditional variable compensation.

COMPENSATION COST INCURRED FOR GROUP MANAGEMENT

'000 SEK	2008 Annual fixed salary	2008 Variable salary incurred 2008 but paid 2009	2008 Long-term PSP (cost)[1]	2008 Other remuneration[2]	2008 Total pension contribution	2008 Social contribution	2007 Annual fixed salary	2007 Variable salary incurred 2007 but paid 2008	2007 Long-term PSP (cost)[1]	2007 Other remuneration[2]	2007 Total pension contribution	2007 Social contribution
President	9,296	1,204	–1,361	—	6,464	6,258	8,863	4,892	2,348	—	6,219	10,448
Other members of Group Management	40,526	14,111	–4,319	8,479	20,488	10,741	30,801	25,525	7,479	1,467	16,583	17,745
Total	**49,822**	**15,315**	**–5,680**	**8,479**	**26,952**	**16,999**	**39,664**	**30,417**	**9,827**	**1,467**	**22,802**	**28,193**

1) Cost for share-based incentive programs are accounted for according to IFRS 2, Share-based payments. When the expected cost of the program is reduced, the previous recorded cost is reversed and an income is recorded in the income statement.

2) Includes conditional variable compensation and other benefits as housing and company car.

Note 28 Fees to auditors

PricewaterhouseCoopers (PwC) are appointed auditors for the period until the 2010 Annual General Meeting.

	Group 2008	Group 2007	Parent Company 2008	Parent Company 2007
PwC				
Audit fees[1]	47	58	9	9
Audit-related fees[2]	1	1	1	—
Tax fees[3]	4	7	1	1
All other fees	15	—	13	—
Total fees to PwC	**67**	**66**	**24**	**10**
Audit fees to other audit firms	2	2	—	—
Total fees to auditors	**69**	**68**	**24**	**10**

1) Audit fees consist of fees billed for the annual audit services engagement and other audit services, which are those services that only the external auditors reasonably can provide, and include the Company audit; statutory audits; comfort letters and consents; and attest services.

2) Audit-related fees consist of fees billed for assurance and related services that are reasonably related to the performance of the audit or review of the Company's financial statements or that are traditionally performed by the external auditors, and include consultations concerning financial accounting and reporting standards; internal control reviews; and employee benefit plan audits.

3) Tax fees include fees billed for tax compliance services, including the preparation of original and amended tax returns and claims for refund; tax consultations; tax advice related to mergers and acquisitions; transfer pricing; requests for rulings or technical advice from taxing authorities; tax planning services; and expatriate tax planning and services.

Note 29 Shares and participations

PARTICIPATION IN ASSOCIATED COMPANIES

	2008	2007
Opening balance, January 1	**32**	**80**
Acquisitions	—	—
Operating result	—	–1
Dividend	–12	—
Tax	—	—
Divestment	—	—
Other	7	–47
Exchange difference	—	—
Closing balance, December 31	**27**	**32**

Participation in associated companies includes goodwill with the amount of SEK 2m (2).

The Group's share of the associated companies, all of which are unlisted, were at December 31, 2008, as follows:

ASSOCIATED COMPANIES

	2008									
			Relation to Electrolux[1]				Income statement		Balance sheet	
	Partici-pation, %	Carrying amount	Receiv-ables	Liabilities	Sales	Purchases	Income	Net results	Total assets	Total liabilities
Sidème, France	39.3	16	64	1	275	1	514	–4	185	151
Viking Financial Services, USA	50.0	8	—	—	—	—	1	1	15	—
European Recycling Platform, ERP, France	24.5	3	—	—	—	101	176	3	253	240
Total	**—**	**27**	**64**	**1**	**275**	**102**	**691**	**—**	**453**	**391**

1) Seen from Electrolux perspective.

The Group's share of the associated companies, all of which are unlisted, were at December 31, 2007, as follows:

	2007									
			Relation to Electrolux[1]				Income statement		Balance sheet	
	Partici-pation, %	Carrying amount	Receiv-ables	Liabilities	Sales	Purchases	Income	Net results	Total assets	Total liabi-lities
Sidème, France	39.3	16	52	—	265	—	539	–3	248	215
Viking Financial Services, USA	50.0	15	—	—	—	—	3	3	32	2
European Recycling Platform, ERP, France	25.0	1	—	15	—	83	142	–6	102	99
Total	**—**	**32**	**52**	**15**	**265**	**83**	**684**	**–3**	**382**	**316**

1) Seen from Electrolux perspective.

COMPANIES CLASSIFIED AS ASSETS AVAILABLE FOR SALE

	Holding, %	Carrying amount, SEKm
Videcon Industries Ltd., India	3.9	78

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SUBSIDIARIES

Major Group companies		Holding, %
Australia	Electrolux Home Products Pty. Ltd	100
Austria	Electrolux Hausgeräte G.m.b.H.	100
	Electrolux Austria G.m.b.H.	100
	Electrolux CEE G.m.b.H	100
Belgium	Electrolux Home Products Corp. N.V.	100
	Electrolux Belgium N.V.	100
Brazil	Electrolux do Brasil S.A.	100
Canada	Electrolux Canada Corp.	100
China	Electrolux (Hangzhou) Domestic Appliances Co. Ltd	100
	Electrolux (China) Home Appliance Co. Ltd	100
Denmark	Electrolux Home Products Denmark A/S	100
Finland	Oy Electrolux Ab	100
France	Electrolux France SAS	100
	Electrolux Home Products France SAS	100
	Electrolux Professionnel SAS	100
Germany	Electrolux Deutschland GmbH	100
	AEG Hausgeräte GmbH	100
Hungary	Electrolux Lehel Hütögépgyár Kft	100
Italy	Electrolux Zanussi Italia S.p.A.	100
	Electrolux Professional S.p.A.	100
	Electrolux Italia S.p.A.	100
Luxembourg	Electrolux Luxembourg S.à r.l.	100
Mexico	Electrolux de Mexico, S.A. de CV	100
The Netherlands	Electrolux Associated Company B.V.	100
	Electrolux Home Products (Nederland) B.V.	100
Norway	Electrolux Home Products Norway AS	100
Poland	Electrolux Poland Spolka Z.o.o.	100
Spain	Electrolux Home Products España S.A.	100
	Electrolux Home Products Operations España S.L.	100
Sweden	Electrolux Laundry Systems Sweden AB	100
	Electrolux HemProdukter AB	100
	Electrolux Professional AB	100
	Electrolux Floor Care and Small Appliances AB	100
Switzerland	Electrolux AG	100
United Kingdom	Electrolux Plc	100
	Electrolux Professional Ltd	100
USA	Electrolux Home Products Inc.	100
	Electrolux Holdings Inc.	100
	Electrolux Professional Inc.	100

A detailed specification of Group companies has been submitted to the Swedish Companies Registration Office and is available on request from AB Electrolux, Investor Relations and Financial Information.

Note 30 Definitions

Capital indicators

Annualized net sales

In computation of key ratios where capital is related to net sales, the latter are annualized and converted at year-end exchange rates and adjusted for acquired and divested operations.

Net assets

Total assets exclusive of liquid funds and interest-bearing financial receivables less operating liabilities, non-interest-bearing provisions and deferred tax liabilities.

Working capital

Current assets exclusive of liquid funds and interest-bearing financial receivables less operating liabilities and non-interest-bearing provisions.

Liquid funds

Liquid funds consist of cash on hand, bank deposits, fair-value derivatives, prepaid interest expenses and accrued interest income and other short-term investments, of which the majority has original maturity of three months or less.

Interest-bearing liabilities

Interest-bearing liabilities consist of short-term and long-term borrowings.

Total borrowings

Total borrowings consist of interest-bearing liabilities, fair-value derivatives, accrued interest expenses and prepaid interest income, and trade receivables with recourse.

Net liquidity

Liquid funds less short-term borrowings, fair-value derivatives, accrued interest expenses and prepaid interest income and trade receivables with recourse.

Net borrowings

Total borrowings less liquid funds.

Net debt/equity ratio

Net borrowings in relation to equity.

Equity/assets ratio

Equity as a percentage of total assets less liquid funds.

Earnings per share

Earnings per share

Income for the period divided by the average number of shares after buy-backs.

Other key ratios

Organic growth

Sales growth, adjusted for acquisitions, divestments and changes in exchange rates.

EBITDA margin

Operating income before depreciation and amortization expressed as a percentage of net sales.

Operating cash flow

Total cash flow from operations and investments, excluding acquisitions and divestment of operations.

Operating margin

Profit for the period expressed as a percentage of net sales.

Return on equity

Income for the period expressed as a percentage of average equity.

Return on net assets

Operating income expressed as a percentage of average net assets.

Interest coverage ratio

Operating income plus interest income in relation to total interest expense.

Capital turnover rate

Net sales divided by average net assets.

Value creation

Value creation is the primary financial performance indicator for measuring and evaluating financial performance within the Group. The model links operating income and asset efficiency with the cost of the capital employed in operations. The model measures and evaluates profitability by region, business area, product line, or operation.

Value created is measured excluding items affecting comparability and defined as operating income less the weighted average cost of capital (WACC) on average net assets during a specific period. The cost of capital varies between different countries and business units due to country-specific factors such as interest rates, risk premiums, and tax rates.

A higher return on net assets than the weighted average cost of capital implies that the Group or the unit creates value.

Electrolux Value Creation model

Net sales
– Cost of goods sold
– Selling and administration expenses
+/– Other operating income and expenses
= Operating income, EBIT[1)]
– WACC x average net assets[1)]
= Value creation

EBIT = Earnings before interest and taxes, excluding items affecting comparability.
WACC = Weighted Average Cost of Capital. The WACC rate before tax for 2008 is calculated at 12% compared to 12% for 2007.

1) Excluding items affecting comparability.

Proposed distribution of earnings

	Thousands of kronor
The Board of Directors and the President propose that income for the period	632,918
and retained earnings	8,477,384
Total	**9,110,302**
be distributed as follows:	
To be carried forward	9,110,302
Total	**9,110,302**

The Board of Directors and the President and Chief Executive Officer declare that the consolidated financial statements have been prepared in accordance with IFRS as adopted by the EU and give a true and fair view of the Group's financial position and results of operations. The financial statements of the Parent Company have been prepared in accordance with generally accepted accounting principles in Sweden and give a true and fair view of the Parent Company's financial position and results of operations.

The statutory Administration Report of the Group and the Parent Company provides a fair review of the development of the Group's and the Parent Company's operations, financial position and results of operations and describes material risks and uncertainties facing the Parent Company and the companies included in the Group.

Stockholm, February 3, 2009

Marcus Wallenberg
Chairman of the Board of Directors

Peggy Bruzelius
Deputy Chairman of the Board of Directors

Hasse Johansson
Board member

John S. Lupo
Board member

Johan Molin
Board member

Caroline Sundewall
Board member

Torben Ballegaard Sørensen
Board member

Barbara Milian Thoralfsson
Board member

Ola Bertilsson
Board member, employee representative

Gunilla Brandt
Board member, employee representative

Ulf Carlsson
Board member, employee representative

Hans Stråberg
Board member and President and Chief Executive Officer

Audit report

To the Annual General Meeting of the shareholders of

AB Electrolux (publ)
Corporate identity number 556009-4178

We have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the Board of Directors and the President of AB Electrolux for the year 2008. The company's annual accounts and the consolidated accounts are included in the printed version on pages 5-68. The Board of Directors and the President are responsible for these accounts and the administration of the company as well as for the application of the Annual Accounts Act when preparing the annual accounts and the application of International Financial Reporting Standards, IFRSs, as adopted by the EU and the Annual Accounts Act when preparing the consolidated accounts. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual accounts and the consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the Board of Directors and the President and significant estimates made by the Board of Directors and the President when preparing the annual accounts and consolidated accounts as well as evaluating the overall presentation of information in the annual accounts and the consolidated accounts. As a basis for our opinion concerning discharge from liability, we examined significant decisions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the company of any Board member or the President. We also examined whether any Board member or the President has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

The annual accounts have been prepared in accordance with the Annual Accounts Act and give a true and fair view of the company's financial position and results of operations in accordance with generally accepted accounting principles in Sweden. The consolidated accounts have been prepared in accordance with International Financial Reporting Standards, IFRSs, as adopted by the EU and the Annual Accounts Act and give a true and fair view of the Group's financial position and results of operations. The statutory administration report is consistent with the other parts of the annual accounts and the consolidated accounts.

We recommend to the Annual General Meeting of shareholders that the income statements and balance sheets of the Parent Company and the Group be adopted, that the profit of the Parent Company be dealt with in accordance with the proposal in the administration report and that the members of the Board of Directors and the President be discharged from liability for the financial year.

Stockholm, February 26, 2009
PricewaterhouseCoopers AB

Peter Clemedtson
Authorized Public Accountant
Partner in Charge

Björn Irle
Authorized Public Accountant

Eleven–year review

The information below for 2008, 2007, 2006 and 2005 in the first four columns, refers to continuing operations exclusive of outdoor products, Husqvarna, which was distributed to the Electrolux shareholders in June 2006.

SEKm	**2008[1]**	2007[1]	2006[1]	2005[1]	2005
Net sales and income					
Net sales	104,792	104,732	103,848	100,701	129,469
Organic growth, %	–0.9%	4.0	3.3	4.5	4.3
Depreciation and amortization	3,010	2,738	2,758	2,583	3,410
Items affecting comparability	–355	–362	–542	–2,980	–3,020
Operating income	1,188	4,475	4,033	1,044	3,942
Income after financial items	653	4,035	3,825	494	3,215
Income for the period	366	2,925	2,648	–142	1,763
Cash flow					
EBITDA	4,553	7,575	7,333	6,607	10,372
Cash flow from operations excluding changes in operating assets and liabilities	3,446	5,498	5,263	5,266	8,428
Changes in operating assets and liabilities	1,503	–152	–703	–1 804	–1 888
Cash flow from operations	4,949	5,346	4,560	3,462	6,540
Cash flow from investments	–3,755	–4,069	–2,386	–4,485	–5,827
of which capital expenditures	–3,158	–3,430	–3,152	–3,654	–4,765
Cash flow from operations and investments	1,194	1,277	2,174	–1,023	713
Operating cash flow[2]	1,228	1,277	1,110	-653	1,083
Dividend, redemption and repurchase of shares	–1,187	-6,708	–4,416	–2,038	–2,038
Capital expenditure as % of net sales	3.0	3.3	3.0	3.6	3.7
Margins[3]					
Operating margin, %	1.5	4.6	4.4	4.0	5.4
Income after financial items as % of net sales	1.0	4.2	4.2	3.4	4.8
EBITDA margin, %	4.3	7.2	7.1	6.6	8.0
Financial position					
Total assets	73,323	66,089	66,049		82,558
Net assets	20,941	20,743	18,140	17,942	28,165
Working capital	–5,131	–2,129	–2,613	–3,799	–31
Trade receivables	20,734	20,379	20,905	20,944	24,269
Inventories	12,680	12,398	12,041	12,342	18,606
Accounts payable	15,681	14,788	15,320	14,576	18,798
Equity	16,385	16,040	13,194		25,888
Interest-bearing liabilities	13,946	11,163	7,495		8,914
Data per share					
Income for the period, SEK	1.29	10.41	9.17	–0.49	6.05
Equity, SEK	58	57	47		88
Dividend, SEK[4]	0	4.25	4.00	7.50	7.50
Trading price of B-shares at year-end, SEK	66.75	108.50	137.00		206.50
Key ratios					
Value creation	–1,040	2,053	2,202	1,305	2,913
Return on equity, %	2.4	20.3	18.7		7.0
Return on net assets, %	5.8	21.7	23.2	5.4	13.0
Net assets as % of net sales[5]	18.1	18.6	16.5	15.7	21.0
Trade receivables as % of net sales[5]	17.9	18.3	19.1	18.3	18.1
Inventories as % of net sales[5]	11.0	11.1	11.0	10.8	13.9
Net debt/equity ratio	0.28	0.29	–0.02		0.11
Interest coverage ratio	1.86	7.49	6.13		4.32
Dividend as % of equity	—	7.5	8.5		8.5
Other data					
Average number of employees	55,177	56,898	55,471	57,842	69,523
Salaries and remuneration	12,662	12,612	12,849	13,987	17,033
Number of shareholders	52,600	52,700	59,500	60,900	60,900
Average number of shares after buy-backs	283.1	281.0	288.8	291.4	291.4
Shares at year end after buy-backs	283.6	281.6	278.9	293.1	293.1

1) Continuing operations.
2) Cash flow from divestments excluded.
3) Items affecting comparability are excluded.
4) 2008: Proposed by the Board.
5) Net sales are annualized.

	2004	2003	2002	2001	2000	1999	1998	Compound annual growth rate, % 5 years	10 years
	120,651	124,077	133,150	135,803	124,493	119,550	117,524	–3.3	–1.1
	3.2	3.3	5.5	–2.4	3.7	4.1	4.0		
	3,038	3,353	3,854	4,277	3,810	3,905	4,125		
	–1,960	–463	–434	–141	–448	–216	964		
	4,807	7,175	7,731	6,281	7,602	7,204	7,028	–30.2	–16.3
	4,452	7,006	7,545	5,215	6,530	6,142	5,850	–37.8	–19.7
	3,259	4,778	5,095	3,870	4,457	4,175	3,975	–40.2	–21.2
	9,805	10,991	12,019	10,699	11,860	11,325	10,189	–16.2	–7.7
	7,140	7,150	9,051	5,848	8,639	7,595	5,754	–13.6	–5.0
	1 442	–857	1,854	3,634	–2,540	1,065	–1,056		
	8,582	6,293	10,905	9,482	6,099	8,660	4,698	–4.7	0.5
	–5,358	–2,570	–1,011	1,213	–3,367	–3,137	–776		
	–4,515	–3,463	–3,335	–4,195	–4,423	–4,439	–3,756	–1.8	–1.7
	3,224	3,723	9,894	10,695	2,732	5,523	3,922		
	3,224	2,866	7,665	5,834	2,552	3,821	1,817	–16.1	–4.1
	–5,147	–3,563	–3,186	–3,117	–4,475	–1,099	–915	–19.7	2.6
	3.7	2.8	2.5	3.1	3.6	3.7	3.2		
	5.6	6.2	6.1	4.7	6.5	6.2	5.2		
	5.3	6.0	6.0	3.9	5.6	5.3	4.2		
	8.1	8.9	9.0	7.9	9.5	9.5	8.7		
	75,096	77,028	85,424	94,447	87,289	81,644	83,289	–1.0	–1.3
	23,988	26,422	27,916	37,162	39,026	36,121	39,986	–4.5	–6.3
	–383	4,068	2,216	6,659	9,368	8,070	12,101		
	20,627	21,172	22,484	24,189	23,214	21,513	21,859	–0.4	–0.5
	15,742	14,945	15,614	17,001	16,880	16,549	17,325	–3.2	–3.1
	16,550	14,857	16,223	17,304	12,975	11,132	10,476	1.1	4.1
	23,636	27,462	27,629	28,864	26,324	25,781	24,480	–9.8	–3.9
	9,843	12,501	15,698	23,183	25,398	23,735	29,353	2.2	–7.2
	10.92	15.25	15.58	11.35	12.40	11.40	10.85	–39.0	–19.2
	81	89	87	88	77	70	67	–8.3	–1.5
	7.00	6.50	6.00	4.50	4.00	3.50	3.00		
	152.00	158.00	137.50	156.50	122.50	214.00	139.50	–15.8	–7.1
	3,054	3,449	3,461	262	2,423	1,782	437		
	13.1	17.3	17.2	13.2	17.0	17.1	18.2		
	17.5	23.9	22.1	15.0	19.6	18.3	17.5		
	21.2	23.6	23.1	29.3	30.4	30.6	33.3		
	18.2	18.9	18.6	19.1	18.1	18.2	18.2		
	13.9	13.4	12.9	13.4	13.1	14.0	14.4		
	0.05	0.00	0.05	0.37	0.63	0.50	0.71		
	5.75	8.28	7.66	3.80	4.34	4.55	3.46		
	8.6	7.3	6.9	5.1	5.2	5.0	4.5		
	72,382	77,140	81,971	87,139	87,128	92,916	99,322	–6.5	–5.7
	17,014	17,154	19,408	20,330	17,241	17,812	18,506	–5.9	–3.7
	63,800	60,400	59,300	58,600	61,400	52,600	50,500		
	298.3	313.3	327.1	340.1	359.1				
	291.2	307.1	318.3	329.6	341.1				

Quarterly information

NET SALES AND INCOME

SEKm		Q1	Q2	Q3	Q4	Full year
Net sales	**2008**	**24,193**	**25,587**	**26,349**	**28,663**	**104,792**
	2007	24,930	25,785	26,374	27,643	104,732
Operating income	**2008**	**–5**	**254**	**1,286**	**–347**	**1,188**
	Margin, %	**0.0**	**1.0**	**4.9**	**–1.2**	**1.1**
	2008[1)]	**–39**	**793**	**1,178**	**–389**	**1,543**
	Margin, %	**–0.2**	**3.1**	**4.5**	**–1.4**	**1.5**
	2007	757	890	1,152	1,676	4,475
	Margin, %	3.0	3.5	4.4	6.1	4.3
	2007[1)]	757	921	1,152	2,007	4,837
	Margin, %	3.0	3.6	4.4	7.3	4.6
Income after financial items	**2008**	**–149**	**140**	**1,192**	**–530**	**653**
	Margin, %	**–0.6**	**0.5**	**4.5**	**–1.8**	**0.6**
	2008[1)]	**–183**	**679**	**1,084**	**–572**	**1,008**
	Margin, %	**–0.8**	**2.7**	**4.1**	**–2.0**	**1.0**
	2007	670	752	1,037	1,576	4,035
	Margin, %	2.7	2.9	3.9	5.7	3.9
	2007[1)]	670	783	1,037	1,907	4,397
	Margin, %	2.7	3.0	3.9	6.9	4.2
Income for the period	**2008**	**–106**	**99**	**847**	**–474**	**366**
	2007	492	545	762	1,126	2,925
Earnings per share[2)]	**2008**	**–0.38**	**0.36**	**2.99**	**–1.68**	**1.29**
	2008[1)]	**–0.50**	**1.74**	**2.90**	**–1.82**	**2.32**
	2007	1.76	1.94	2.71	4.00	10.41
	2007[1)]	1.76	2.05	2.71	5.14	11.66
Value creation	**2008**	**–695**	**175**	**532**	**–1,052**	**–1,040**
	2007	86	210	443	1,314	2,053

1) Excluding items affecting comparability.
2) Before dilution, based on average number of shares after buy-backs.

NUMBER OF SHARES BEFORE DILUTION

Number of shares after buy-backs, million	**2008**	**283.4**	**283.6**	**283.6**	**283.6**	**283.6**
	2007	281.4	281.5	281.6	281.6	281.6
Average number of shares after buy-backs, million	**2008**	**282.1**	**283.5**	**283.6**	**283.6**	**283.1**
	2007	279.7	281.5	280.9	281.6	281.0

ITEMS AFFECTING COMPARABILITY

Restructuring provisions, write-downs and capital gains/losses	**2008**	**34**	**–539**	**108**	**42**	**–355**
	2007	—	–31	—	–331	–362

NET SALES, BY BUSINESS AREA

SEKm		Q1	Q2	Q3	Q4	Full year
Consumer Durables, Europe	**2008**	**10,525**	**10,500**	**11,345**	**11,972**	**44,342**
	2007	10,554	10,496	11,624	12,798	45,472
Consumer Durables, North America	**2008**	**7,275**	**8,214**	**8,384**	**8,928**	**32,801**
	2007	8,622	9,043	8,589	7,474	33,728
Consumer Durables, Latin America	**2008**	**2,404**	**2,548**	**2,713**	**3,305**	**10,970**
	2007	1,983	2,161	2,107	2,992	9,243
Consumer Durables, Asia/Pacific and Rest of the world	**2008**	**2,228**	**2,369**	**2,190**	**2,409**	**9,196**
	2007	2,076	2,314	2,332	2,445	9,167
Professional Products	**2008**	**1,753**	**1,944**	**1,709**	**2,021**	**7,427**
	2007	1,688	1,767	1,717	1,930	7,102

OPERATING INCOME, BY BUSINESS AREA

SEKm		Q1	Q2	Q3	Q4	Full year
Consumer Durables, Europe	**2008**	**–192**	**294**	**514**	**–638**	**–22**
	Margin, %	**–1.8**	**2.8**	**4.5**	**–5.3**	**0.0**
	2007	470	299	514	784	2,067
	Margin, %	4.5	2.8	4.4	6.1	4.5
Consumer Durables, North America	**2008**	**–154**	**113**	**306**	**–43**	**222**
	Margin, %	**–2.1**	**1.4**	**3.6**	**–0.5**	**0.7**
	2007	258	422	385	646	1,711
	Margin, %	3.0	4.7	4.5	8.6	5.1
Consumer Durables, Latin America	**2008**	**156**	**133**	**182**	**244**	**715**
	Margin, %	**6.5**	**5.2**	**6.7**	**7.4**	**6.5**
	2007	82	103	111	218	514
	Margin, %	4.1	4.8	5.3	7.3	5.6
Consumer Durables, Asia/Pacific and Rest of world	**2008**	**105**	**147**	**101**	**16**	**369**
	Margin, %	**4.7**	**6.2**	**4.6**	**0.7**	**4.0**
	2007	2	47	97	184	330
	Margin, %	0.1	2.0	4.2	7.5	3.6
Professional Products	**2008**	**183**	**225**	**185**	**181**	**774**
	Margin, %	**10.4**	**11.6**	**10.8**	**9.0**	**10.4**
	2007	103	140	126	215	584
	Margin, %	6.1	7.9	7.3	11.1	8.2
Common Group costs, etc.	**2008**	**–137**	**–119**	**–110**	**–149**	**–515**
	2007	–158	–90	–81	–40	–369
Total Group, excluding items affecting comparability	**2008**	**–39**	**793**	**1,178**	**–389**	**1,543**
	Margin, %	**–0.2**	**3.1**	**4.5**	**–1.4**	**1.5**
	2007	757	921	1,152	2,007	4,837
	Margin, %	3.0	3.6	4.4	7.3	4.6
Items affecting comparability	**2008**	34	–539	108	42	–355
	2007	—	–31	—	–331	–362
Total Group, including items affecting comparability	**2008**	**–5**	**254**	**1,286**	**–347**	**1,188**
	Margin, %	**0.0**	**1.0**	**4.9**	**–1.2**	**1.1**
	2007	757	890	1,152	1,676	4,475
	Margin, %	3.0	3.5	4.4	6.1	4.3

Consumer insight has been the basis for development of innovative Electrolux-branded laundry appliances for the North American premium segment. All the new washing machines and tumble-dryers are front-loaded. They feature greater capacity than most other competing machines and are energy-labeled with Energy Star.

Electrolux **shares**

In 2008, the General Index of the Swedish business magazine Affärsvärlden for the exchange NASDAQ OMX Stockholm dropped by 42%. The share price development for the Electrolux B-shares was somewhat better.

During the first half of 2008, the Electrolux B-shares underperformed the Swedish Affärsvärlden General Index by 8 percentage points. Increased market prices of raw materials and the continuing decline of demand in the North American market caused a more negative equity market view on the Electrolux development.

In the second half of 2008, Electrolux B-shares outperformed the Affärsvärlden General Index by 14 percentage points. Declining market prices of raw materials contributed to the equity markets' more positive view on Electrolux, despite the weak market demand in Europe and North America.

The closing price for Electrolux B-shares at year-end was 38% lower than at year-end 2007. Effective yield for the year amounted to approximately –36%.

The market capitalization of Electrolux shares at year-end 2008 was approximately SEK 21 (34) billion, which corresponded to 0.9% (0.8) of the total market capitalization of the exchange NASDAQ OMX Stockholm.

The opening price for B-shares in 2008 was SEK 108.50. The lowest closing price during the year was SEK 53.50, on October 24. The closing price at year-end was SEK 66.75.

Trading volume

In 2008, 1081.9 (889.9) million Electrolux shares were traded on the NASDAQ OMX Stockholm at a value of SEK 92.0 (131.0) billion. Electrolux shares thus accounted for 2.0% (2.0) of the total trading volume of SEK 4,694 (6,524) billion in 2008.

The average value of the Electrolux A- and B-shares traded daily was SEK 365 (524) million, corresponding to 4.3 million shares.

A total of 30.2 million Electrolux shares were traded on the London Stock Exchange, while the total issue/cancel of American depository receipts (ADR) was 0.4 (0.6) million. At year-end, 567,407 (629,269) depository receipts were outstanding.

Effective yield

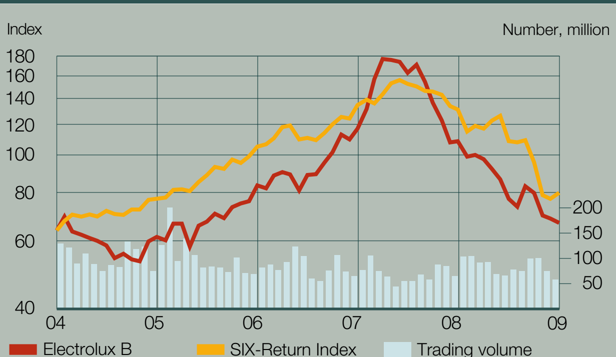
The effective yield indicates the actual profitability of an investment in shares, and comprises dividends received plus the change in trading price.

The average annual effective yield on an investment in Electrolux shares over the past ten years was 11.9%. The corresponding figure for the NASDAQ OMX Stockholm was 8.6%.

Share listings[1]	Stockholm, London
Number of shares	308,920,308
Number of shares after repurchase	283,581,504
High and low for B-shares in 2008	SEK 106–53.50
Market capitalization at year-end 2008	SEK 21 billion
Beta value[2]	0.91
GICS code[3]	25201040
Ticker codes	Reuters ELUXb.ST
	Bloomberg ELUXB SS

1) The trading of the Group's ADR was tranferred from NASDAQ to the US Over-the-Counter market as of March 31, 2005. One ADR corresponds to two B-shares.
2) The beta value indicates the volatility of the trading price of a share relative to the general market trend, measured against the OMX Stockholm Price Index for the last four years.
3) MSCI's Global Industry Classification Standard (used for securities).

Total return of Electrolux B-shares and trading volume on NASDAQ OMX Stockholm, 2004 – January 2009



Average daily trading value of Electrolux shares on NASDAQ OMX Stockholm

SEK thousand	2008	2007	2006	2005	2004
A-shares	425	47	259	59	34
B-shares	364,400	523,817	333,658	365,074	316,424
Total	**364,825**	**523,864**	**333,917**	**365,133**	**316,458**

In 2008, on average 4.3 million Electrolux shares were traded daily on NASDAQ OMX Stockholm.

Repurchase of shares

	2008	2007	2006	2005	2004
Number of shares as of January 1	308,920,308	308,920,308	308,920,308	308,920,308	324,100,000
Redemption of shares	—	—	—	—	–15,179,692[1)]
Number of shares as of December 31	308,920,308	308,920,308	308,920,308	308,920,308	308,920,308
Number of shares bought back	—	—	19,400,000	—	750,000
Total amount paid, SEKm	—	—	2,193	—	114
Price per share, SEK	—	—	113	—	152
Number of shares sold under the terms of the employee stock option programs	209,875	1,526,122	5,234,483	1,918,161	10,600
Number of shares alloted under the Performance Share Programs	1,733,212	1,178,743	—	—	—
Number of shares held by Electrolux, at year-end	25,338,804	27,281,891	29,986,756	15,821,239	17,739,400
% of outstanding shares	8.2	8.8	9.7	5.1	5.7

1) Redemption of shares.
2) After cancellation of shares.

Option of converting A-shares to B-shares

At the Electrolux Annual General Meeting (AGM) in 2008, it was resolved to amend Electrolux Articles of Association, whereby A-shares can be converted into B-shares on request of the owners of A-shares. The purpose of the conversion clause is to give holders of A-shares an opportunity to achieve an improved liquidity in their shareholding, as the trading in A-shares on the stock market is relatively limited. No A-shares were converted during 2008.

Repurchase of own shares

For several years, Electrolux has, on the basis of authorizations by the AGM repurchased own shares in order to adapt the Group's capital structure in order to increase shareholder value or to finance possible acquisitions as well as long-term, share-based incentive programs. Since 2000, Electrolux has repurchased shares for SEK 10.5 billion, see below.

The AGM in 2008 authorized the Board to acquire and/or transfer own B-shares. The number of B-shares which the Board is empowered to acquire shall not total more than 10% of the total number of outstanding shares subsequent to each transaction. No own shares were acquired in 2007 or 2008.

At year-end 2008, the company owned 25,338,804 B-shares, corresponding to 8.2% of the total number of outstanding shares.

Dividend and dividend policy

The Group's goal is for the dividend to correspond to at least 30% of income for the period, excluding items affecting comparability. Historically, the Electrolux dividend rate has been considerably higher than 30%. Electrolux also has a long tradition of high total distribution to shareholders that include repurchases and redemptions of shares.

Demand in the Group's main markets declined sharply throughout the world in 2008. The decline was particularly steep in the fourth quarter. Global demand for appliances is expected to continue to deteriorate in 2009. Electrolux is implementing a number of cost-reduction programs, which had an adverse effect on cash flow in 2008 and will have a similar effect on cash flow in 2009.

As a consequence, the Board of Directors proposes that no dividend will be paid for 2008. A zero dividend is in line with existing policy, with reference to the low income for the period.

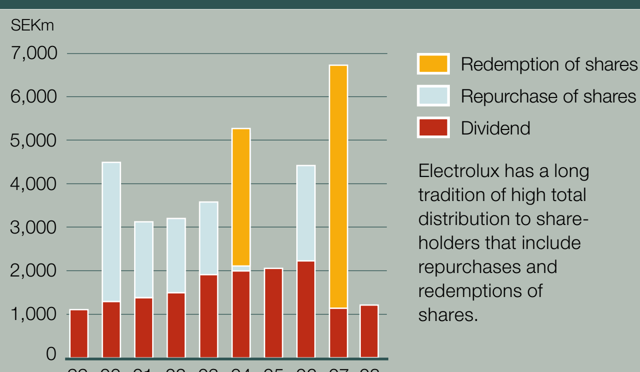
Share capital

The share capital of AB Electrolux as of December 31, 2008, consisted of 9,502,275 A-shares and 299,418,033 B-shares, totaling 308,920,308 shares. A-shares carry one vote and B-shares one-tenth of a vote. Each share has a quota value of SEK 5. In general, 100% of the shares are considered to be free-floating.

Ownership structure

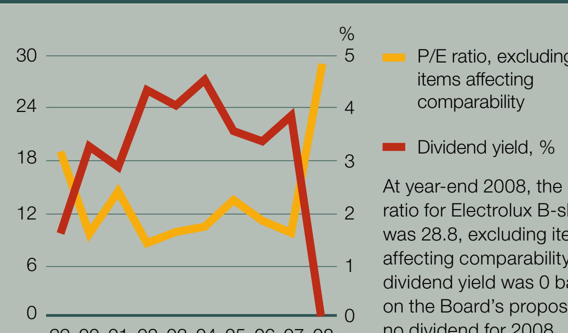
At year-end 2008, about 57% of the total share capital was owned by Swedish institutions and mutual funds, about 34% by foreign investors, and about 9% by private Swedish investors. Most of the shares owned by foreign investors are held through foreign banks or other trustees. This means that the actual owners are not displayed in the share register held by the Swedish central securities depositary Euroclear Sweden (formerly VPC AB).

Total distribution to shareholders



Electrolux has a long tradition of high total distribution to shareholders that include repurchases and redemptions of shares.

P/E ratio and dividend yield



At year-end 2008, the P/E ratio for Electrolux B-shares was 28.8, excluding items affecting comparability. The dividend yield was 0 based on the Board's proposal for no dividend for 2008.

Major shareholders

	Number of A-shares	Number of B-shares	Total number of shares	Share capital, %	Voting rights, %
Investor AB	8,270,771	30,894,300	39,165,071	12.7	28.8
Capital Group Funds		28,444,000	28,444,000	9.2	7.2
Alecta Pension Insurance	500,000	16,940,000	17,440,000	5.6	5.6
Swedbank Robur Funds		13,126,112	13,126,112	4.2	3.3
Second Swedish National Pension Fund		8,764,602	8,764,602	2.8	2.2
Barclays Funds		6,623,317	6,623,317	2.1	1.7
Fourth Swedish National Pension Fund		5,839,406	5,839,406	1.9	1.5
SEB Funds		5,652,229	5,652,229	1.8	1.4
Didner & Gerge Mutual Fund		5,090,000	5,090,000	1.6	1.3
AFA Insurance		3,923,000	3,923,000	1.3	1.0
Other shareholders	731,504	148,782,263	149,513,767	48.5	46.0
External shareholders	**9,502,275**	**274,079,229**	**283,581,504**	**91.8**	**100**
AB Electrolux		25,338,804	25,338,804	8.2	0.0
Total	**9,502,275**	**299,418,033**	**308,920,308**	**100**	**100**

Source: SIS Ägarservice and Electrolux as of December 31, 2008. The figures have been rounded off.

Incentive programs

Electrolux maintains a number of long-term incentive programs for senior management. In 2004–2007, these performance-based share programs were linked primarily to the Group's goal for value creation over a three-year period.

The AGM in 2008 approved a performance-based share program linked to a goal for annual average increase in earnings per share that was determined by the Board. Maximum and minimum levels for allotment of shares are set. Maximum level may not be exceeded, irrespective of the annual increase of earnings per share that is achieved during the period. If the average annual increase in earnings per share is less than 5%, no shares are allotted. If the increase is between 5% and the maximum level, shares are allotted proportionally.

In 2009, the Board will propose that the AGM approve a share program along the same lines as in 2008.

Previous programs, in 2001–2003, entitled an allotment of options that can be redeemed for shares at a fixed price. The value of the options is linked to the trading price of the Electrolux B-shares.

During 2008, senior managers in Electrolux purchased 209,875 B-shares under the terms of the employee stock option programs, and 1,733,212 B-shares were allotted under the 2005 Performance Share Program. At year-end 2008, the incentive programs corresponded to a maximum dilution of 1.2% of the total number of shares, or 3,308,599 B-shares.

For additional information on the incentive programs, see Note 22.

Distribution of shareholdings

Shareholding	Ownership, %	Number of shareholders	As % of shareholders
1–1,000	3.7	46,444	88.2
1,001–10,000	4.7	5,374	10.3
10,001–20,000	1.3	288	0.5
20,001–	90.3	548	1.0
Total	**100**	**52,654**	**100**

Source: SIS Ägarservice as of December 31, 2008.

Shareholders by country

Sweden, 66%
USA, 19%
UK, 5%
Other, 10%

As of December 31, 2008, approximately 34% of the total share capital was owned by foreign investors.

Source: SIS Ägarservice.

IR activities 2008

Roadshows	15
Individual investor meetings	265
Presentations	37

Electrolux routines and systems for information and communication aim at providing the market with relevant, reliable, correct and vital information concerning the development of the Group and its financial position. Financial information is issued regularly in the form of: Full-year reports, interim reports and through meetings with financial analysts and investors in Sweden and worldwide.

Data per share

	2008	2007	2006[9]	2005	2004	2003	2002	2001	2000	1999
Year-end trading price, B-shares, SEK[1]	66.75	108.50	116.90	89.50	65.90	67.60	58.80	66.90	52.40	91.50
Year-end trading price, B-shares, SEK	66.75	108.50	137.00	206.50	152.00	158.00	137.50	156.50	122.50	214.00
Highest trading price, B-shares, SEK	106.00	190.00	119.00	90.50	174.50	191.00	197.00	171.00	230.00	222.00
Lowest trading price, B-shares, SEK	53.50	102.00	78.50	62.00	125.50	125.50	119.50	92.00	110.00	118.00
Change in price during the year, %	–38	-7	31[9]	36	–4	15	–12	28	–43	53
Equity per share, SEK	58	57	47	88	81	89	87	88	77	70
Trading price/equity, %	115	191	247[1]	234	187	178	158	178	159	306
Dividend, SEK	0[2]	4.25	4.00	7.50	7.00	6.50	6.00	4.50	4.00	3.50
Dividend as % of net income[3,4]	0	36	37[3]	47	46	38.9	35.5	40.5	30.2	30.6
Dividend yield, %[5]	0	3.9	3.4[1]	3.6	4.6	4.1	4.4	2.9	3.3	1.6
Earnings per share, SEK	1.29	10.41	9.17	6.05	10.92	15.25	15.58	11.35	12.40	11.40
Earnings per share, SEK[4]	2.32	11.66	10.89	15.82	15.24	16.73	16.90	11.10	13.25	11.45
Cash flow, SEK[6]	4.22	4.54	7.53	2.45	10.81	9.15	23.14	15.55	4.67	11.53
EBIT multiple[7]	19.8	7.9	8.0[1]	16.1	9.5	6.8	5.9	10.0	8.1	12.9
EBIT multiple[4,7]	15.2	7.3	7.1[1]	9.1	6.7	6.3	5.6	9.8	7.7	12.5
P/E ratio[4,8]	28.8	9.3	10.7[1]	13.1	10.0	9.4	8.1	14.1	9.2	18.7
P/E ratio[8]	51.7	10.4	12.7[1]	34.1	13.9	10.4	8.8	13.8	9.9	18.8
Number of shareholders	52,600	52,700	59,500	60,900	63,800	60,400	59,300	58,600	61,400	52,600

1) Adjusted for distribution of Husqvarna in June 2006, and for redemption in January 2007.
2) Proposed by the Board.
3) As percent of income for the period.
4) Excluding items affecting comparability.
5) Dividend per share divided by trading price at year-end.
6) Cash flow from operations less capital expenditures, divided by the average number of shares after buy-backs.
7) Market capitalization excluding buy-backs, plus net borrowings and minority interests, divided by operating income.
8) Trading price in relation to earnings per share after full dilution.
9) Continuing operations.

Press releases 2008

January 7	Ruy Hirschheimer appointed Executive Vice President of AB Electrolux
February 6	Consolidated results 2007 and CEO Hans Stråberg's comments
February 22	Hasse Johansson proposed as new Board member of Electrolux
April 1	Electrolux Annual General Meeting 2008: CEO's comments on current market conditions
April 28	Interim report January-March and CEO Hans Stråberg's comments
May 26	Magnus Yngen to leave Electrolux to become President and CEO of Husqvarna
May 27	Electrolux to concentrate production of refrigerators in Italy to factory in Susegana
June 12	Enderson Guimarães new head of Major Appliances Europe
June 24	Issue of bond loan
July 17	Half-yearly report and CEO Hans Stråberg's comments
July 21	Nomination committee for Electrolux Annual General Meeting 2009
August 11	Jonas Samuelson appointed new Chief Financial Officer
August 28	Electrolux awarded "Best Annual Report" in the world
September 5	Electrolux included in Dow Jones Sustainability World Index
October 27	Interim report January-September and CEO Hans Stråberg's comments
December 15	Electrolux introduces further cost-reduction measures due to sharp decline in demand

Controlling risks
to maximize returns

Electrolux is exposed to risks in daily operations. Limiting and controlling risks enable business opportunities to be utilized in order to maximize returns. The turbulence in the financial markets and the downturn in the business cycle during 2008 have emphasized the importance of the Electrolux functions for limiting and controlling risks. In the course of the year, demand declined in several of the Group's major markets in Europe and North America. In Latin America and Asia, demand continued to grow, but slackened toward the end of the year. The trend for the global economy is an uncertainty factor for 2009.

Risks connected with the Group's operations can be classed in two main categories, i.e., risks related to business activities and those related to financing activities. Business risks are normally managed by the Group's operative units, while financial risks are managed by Group Treasury.

Sensitivity analysis

Risk	Change	Pre-tax earnings impact, SEKm
Raw materials		
Steel	10%	+/– 1,000
Plastics	10%	+/– 500
Currencies[1] and interest rates		
AUD/SEK	–10%	– 253
GBP/SEK	–10%	– 238
HUF/SEK	–10%	+ 206
USD/SEK	–10%	+ 458
EUR/SEK	–10%	+ 684
Interest rate	1 percentage point	+/– 70

1) Including translation and transaction effects.

Cost structure 2008

Cost item	% of total cost
Personell	16%
Depreciation	3%
Fixed costs	**19%**
Raw materials and components	47%
Product development	2%
Transport	6%
Brand investment	2%
Other[1]	24%
Variable costs	**81%**
Total	**100%**

1) Marketing, IT, energy costs, consultant costs, etc.

Operational risks

The ability of Electrolux to increase profitability and returns to shareholders is largely dependent on the Group's success in developing innovative products that satisfy customer demands, and in maintaining cost-effective production. Other important factors for maintaining and increasing profitability include management of fluctuations in prices for raw materials and components as well as implementation of restructuring.

The decline in demand resulting from the downturn and the uncertainty in the global economy had a strong impact on the Group's performance in 2008. Electrolux is subject to a number of external factors that involve risks, of which the most important are:

Variations in demand

Demand for appliances is affected by general economic conditions. A decline in these conditions can entail lower sales volumes, as well as a shift in demand to low-price products for which margins are often lower. In the short term, an economic decline can also affect utilization of production capacity.

Price competition

Several of the markets where Electrolux operates are subject to strong price competition. In 2008, such competition was particularly intense in the European market, largely because of the generally severe competitive situation and the fragmented nature of the market, with a large number of small producers, retailers and competitors. The Electrolux strategy is based on product innovation and brand-building, and one of the goals is to minimize and counteract price competition. A continued decline in the economy involves an increased risk of downward pressure on prices.

In 2008, a number of major players in North America raised prices in order to offset higher costs for raw materials. Electrolux raised prices, mainly in the North American market.

Exposure to customers and suppliers

Electrolux has a detailed process for evaluating credits and monitoring the financial situation of retailers. The Group's credit policy regulates management of credits and defines responsibility as well as authority for decisions on credit. The Group has a concentration of credit exposure on a number of major customers primarely in the US and Europe. In some cases, credit insurances are used to reduce credit risks.

Recivables on customers with outstanding credits in excess of SEK 300m comprised 29% of total trade receivables at year-end 2008, and provisions for doubtful accounts amounted to SEK 692m. For information on credit risks and trade receivables, see Note 2 and Note 16.

The economic downturn and the uncertainty in financial market affect sales and access to credit among the Group's retailers and suppliers. This can involve increased credit risks related to the Group 's retailers, and can also affect the ability of suppliers to deliver.

Raw materials and components are largest cost items

In 2008, Electrolux purchased raw materials and components in the amount of approximately SEK 49 billion, of which approximately SEK 23 billion referred to raw materials. Prices of raw materials fluctuated sharply during 2008. The materials for which the Group has the greatest exposure are steel, plastics, copper and aluminum.

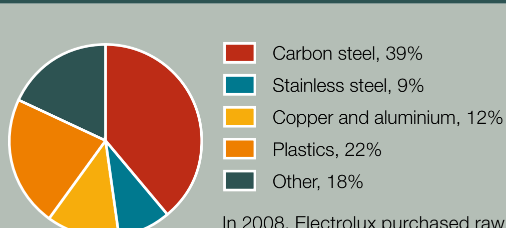
Bilateral contracts are used to manage price risks. A certain share of raw materials is purchased at reduced spot prices.

Total costs for raw materials rose by approximately SEK 1 billion in 2008. Since 2004, the Group's costs for such materials have risen by approximately SEK 9 billion. The Group has been able to offset the increased costs to some extent, mainly through savings, but also partially by raising sales prices.

Restructuring for competitive production

A large part of the Group's production has been relocated from high- to low-cost countries. The restructuring program was started in 2004, and is scheduled for completion in 2010. It involves a complex process that requires managing a number of activities and risks. Higher costs in connection with relocation may affect income for a specific quarter. Relocation of production also makes Electrolux dependent on the ability of suppliers of components and raw materials to maintain cost-efficient deliveries.

Raw materials exposure



In 2008, Electrolux purchased raw materials for approximately SEK 23 billion. Purchases of steel accounted for the largest cost.

Price trend for steel

Cold-rolled steel prices in Germany.
Source: CRU.

Financial risks and commitments

The Group's financial risks are managed in accordance with the financial policy established by the Electrolux Board of Directors. Management of these risks is centralized to Group Treasury, and is based largely on the use of financial instruments. Accounting principles, risk management and risk exposure are described in detail in Note 1, Note 2 and Note 17.

Financing and interest-rate risks

The Group's goal is for long-term borrowings to have an average time to maturity of at least two years, an even spread of maturities and an average interest-fixing period of six months.

In 2008, the Group's maturity profile improved considerably. New long-term borrowings were raised at favorable interest rates, and the Group's dependence on short-term loans was reduced. At year-end 2008, Group borrowings amounted to SEK 13,946m, of which SEK 9,963m referred to long-term borrowings with an average maturity of 4.7 years. Borrowings are raised primarily in EUR and SEK. The average interest rate on total borrowings at year-end 2008 was 5.0%, and the average interest-fixing period was 0.5 years.

In 2009 and 2010, long-term borrowings totaling SEK 1,979m will mature. As of 31 December 2008, liquid funds amounted to SEK 9,390m, exclusive of a committed credit facility of EUR 500m.

On the basis of the volume of borrowings and the fixed-interest periods in 2008, a change of one percentage point in interest rates would affect the Group's income in the amount of SEK +/- 70m. For more information on borrowings, see Note 2 and Note 17.

Pension commitments

At year-end 2008, the Group's commitments for pensions and other employee benefits amounted to approximately SEK 23 billion. The Group manages pension funds in the amount of approximately SEK 14 billion. At year-end 2008, approximately 27% of these were invested in equities, 55% in bonds and 18% in other assets.

Year-on-year changes in the value of assets and commitments refer mainly to trends for interest rates and stock markets. Other factors affecting changes in pension commitments include changes in assumptions regarding average lifetimes and the costs of health care.

Costs for pensions and other benefits reported in the income statement for 2008 amounted to SEK 946m. In the course of the year, SEK 622m were contributed to the Group's pension funds.

In the interest of effective control and cost-efficient management of the Group's pension commitments, they are centralized to Group Treasury. Interest-rate derivatives are used to hedge part of the risks related to pensions. For additional information, see Note 22.

Exchange-rate exposure

The Group's global presence and widespread production and sales enable exchange-rate effects to be balanced. A change by 10% in the value of each currency against SEK would have an affect on Group income by approximately +/- SEK 180m.

Changes in exchange rates affect the Group's income when the income statements of foreign subsidiaries are translated into SEK, i.e., translation effects, and through exports of products and sales outside the country of manufacture, i.e., transaction exposure. Translation exposure refers mainly to the regions where the Group's largest operations are located: EUR and USD. Transaction exposure is greatest in the currencies related to large production costs, and when components are purchased and finished products sold in different currencies. The Group's greatest transaction exposure is currently in EUR, USD, HUF, and GBP.

Changes in exchange rates also affect Group equity. The difference between assets and liabilities in foreign currencies is affected by changes in exchange rates and represents a net foreign investment. At year-end 2008, the major net investments were in USD, EUR and HUF.

Foreign-exchange hedging

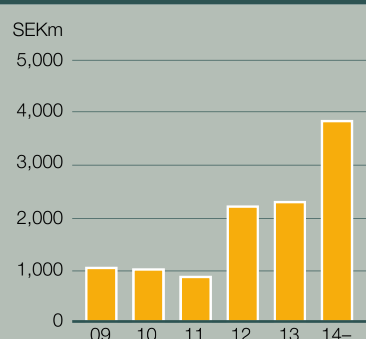
The Group uses currency derivatives to hedge currency exposure. Estimated currency exposure is normally hedged for the next 6-12 months. Currency exposure related to translation of income statements in foreign subsidiaries is not hedged. At year-end 2008, the market value of the Group's currency hedges related to transaction exposure amounted to SEK 85m.

In accordance with the Group's financial policy, a portion of foreign net investments may be hedged by borrowings in the respective countries' currencies, and through currency derivatives. Exchange-rate profits and losses on such net assets and hedges are taken directly to equity. The cost of hedges is reported under net financial items. The cost of hedging foreign net investments amounted to SEK 57m in 2008.

Foreign-exchange transaction exposure, forecast 2009

SEKm	Net flow	Hedges	Net
EUR	–6,580	1,270	–5,310
USD	–4,770	2,080	–2,690
HUF	–2,420	1,350	–1,070
GBP	2,370	–1,070	1,300
AUD	2,210	–1,270	940
RUB	1,680	—	1,680
DKK	1,400	–740	660
BRL	1,380	–240	1,140

Long-term borrowings, by maturity



The maturity profile of the Group's borrowings has improved substantially in 2008. During 2009 and 2010 long-term borrowings in the amount of SEK 1,979m will mature.

Sustainability matters

STRATEGY AND ANALYSIS

Sustainability creates business benefits by building lasting value.

For Electrolux, sustainability provides business opportunities. Innovative, energy-efficient appliances can contribute to increased market shares. A sustainable approach reduces exposure to non-financial risk and reinforces partnerships with retailers. Improving the efficiency of operations generates cost savings. Trust in Group conduct strengthens the Electrolux brand and fosters employee commitment.

Long-standing engagement

Demonstrating responsibility towards society and the environment has been a priority for Electrolux for decades. With the rise of globalization and global issues such as climate change, however, the boundaries of stakeholder expectations are shifting. It is important for the Group to respond to these emerging concerns.

Electrolux strives for high quality in the design, manufacture and functionality of all products. This applies equally to the integrity of business practices. This is reflected in the company's adherence to international standards such as the ten principles of the United Nations Global Compact and environmental certification of Group operations according to ISO 14001.

United Nations Global Compact
Electrolux supports the United Nations Global Compact and its ten principles, which cover human rights, labor standards, business ethics and the environment.

Setting priorities

The Electrolux business strategy is founded on consumer insight for developing innovative products, a strong brand and cost-efficiency. Environmental, social and economic factors are central to succeeding in every aspect of the strategy. On the basis of a stakeholder-informed materiality process, Electrolux has prioritized four sustainability issues:

- **Sound business practices** – Upholding universal ethical, social and environmental principles throughout operations
- **Climate challenge** – Managing the implications of climate change in products and business
- **Responsible sourcing** – Extending the Group's high standards of conduct throughout the supply chain
- **Restructuring** – Responsible management of the restructuring program

This Global Reporting Initiative (GRI) summary focuses on the above priorities. In addition, Electrolux is continuing efforts to address other issues of relevance to the appliance industry, such as producer and product responsibility and the restriction of hazardous substances. More information on the Group's progress in these regards is available in the extended GRI report, which is available on-line at www.electrolux.com/sustainability.

Generating value

The Group's integrated approach has generated results. Stronger relationships with retailers such as IKEA and Sears can be attributed in part to the Group's environmental performance, social engagement as well as energy-smart product offering.

Electrolux has a three-pronged climate change strategy in place, and it is showing early successes. In the spring of 2008, the Nordic region launched its range of appliances with outstanding environmental performance. The Green range share of net sales in the Nordic region has increased 43% during 2008. The Group is on track to meet the target to reduce energy 15% in its operations by 2009, compared to 2005. Carbon dioxide (CO_2) emissions from operations were reduced by 74,200 tons since 2005.

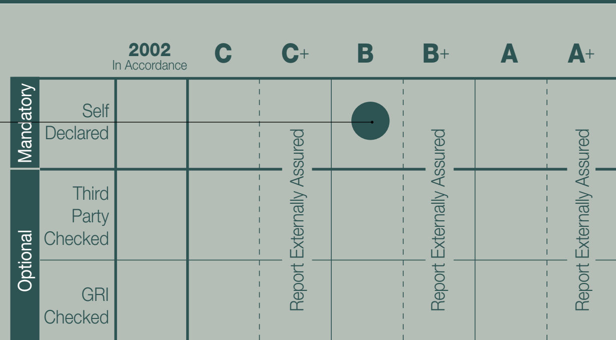
Expanding the Responsible Sourcing Program to Latin America and Eastern Europe has enabled Electrolux to help safeguard human rights and working conditions for suppliers in these regions. In China, incidents of major non-compliance to the Code of Conduct and Environmental Policy were reduced by 19% during 2008.

Constructive dialogue with interest groups such as municipal authorities, unions and potential investors with regard to the plant closure in Scandicci, Italy, enabled a smooth transition to new operations. A total of 370 of the factory's 430 personnel affected by the closure were hired by the company Energia Futura to produce solar panels at the plant.

GRI Application Level B

Electrolux has reported its sustainability performance in accordance to the GRI's Application Level B. This includes information provided both in this GRI summary report and on-line at www.electrolux.com/sustainability.

GB GRI REPORT SELF DECLARED



Electrolux is the only manufacturer of major household appliances listed in the prestigious Dow Jones Sustainability World Index for long-term economic, environmental and social performance. The Group is thus among the top 10% of the 2,500 companies included in the Dow Jones Global Indexes in terms of sustainable economic, environmental and social performance.

Electrolux has been ranked highly in several other indices of social responsibility including:

- FTSE4Good Series, UK
- Global Climate 100 Index, KLD Research and Analytics, USA

Rising to challenges

Proactive social and environmental engagement provides a competitive edge for Electrolux. The Group annually sells more than 40 million products in more than 150 markets. The way one market addresses sustainability can be leveraged into group-wide sustainability strategies, as the issues evolve and consumer expectations shift. The Group can therefore leverage its long-standing experience of working with sustainability.

Local legislation, energy-labeling schemes and consumer demand vary between markets. The Group must merge local requirements with the ambitions to promote a uniform and global approach to sustainability.

Raising the efficiency bar for the entire product offering in all markets remains a challenge. Energy labeling is a key driver of market demand for efficient products. In cases where labels do not reflect the product's capacity to further improve energy efficiency, there is a risk that the rate of efficiency improvements will taper off. Electrolux therefore works actively to influence further improvement in energy labeling schemes.

Like others in its industry, Electrolux is shifting production to low-cost countries. In connection with this, it is becoming increasingly important to uphold the same principles as defined by the Electrolux Code of Conduct. This includes how the Group manages its own operations and its suppliers.

Looking ahead

2009 will see increased activity. The Group will continue to work on a coordinated ethics program. Company-wide energy reduction targets will spur further progress. North America, Asia/Pacific and Latin America will roll out their ranges of eco-leading products.

In the long term, Electrolux is preparing for more stringent environmental legislation world-wide, particularly in terms of energy consumption. In Europe, Minimum Energy Performance Standards (MEPS) for all major appliances will most likely be in effect as of 2010, starting with dishwashers, washing machines, refrigerators and freezers. New regulations for standby requirements as well as revised rules for energy labeling and producer responsibility (EU WEEE Directive) are also expected.

Climate change is a challenge facing the global community. The Group's biggest contribution to the solution is to design products that reduce total emissions, even in expanding markets. In cities such as Shanghai, São Paulo or Bangkok, the appliance market has not yet reached the saturation point. Electrolux can help consumers leapfrog to cutting-edge technologies.

SUSTAINABILITY-RELATED RISKS AND OPPORTUNITIES

Understanding risks transforms them into opportunity.

Understanding sustainability-related risks enables the Group to transform them into opportunities to improve the business, the environment and society.

Electrolux has identified four main priorities for sustainability. Associated challenges, opportunities and ways to address them are described on the following pages. For information on operational and financial risks, see page 80.

1 Sound business practices

The Group's corporate governance structure emphasizes ethical and environmental priorities, as well as the health and safety of employees. The Electrolux Code of Ethics, Code of Conduct and Environmental Policy apply to operations on all levels, from Group Management to individual employees.

Actively working with these issues helps anticipate business risks and opportunities. Electrolux operates in more than 150 countries. As a global company under a common brand, the actions of an individual operation can either positively or negatively influence stakeholders' perception of Electrolux.

In Code of Conduct compliance work, Electrolux applies a risk-based approach to training and monitoring. The focus is on regions that pose particular challenges because of poor enforcement of existing national laws regarding labor and human rights.

Reporting realm

Electrolux reports annually on sustainability strategies and performance. This summary report is based on the Global Reporting Initiative (GRI) framework.

Four issues that are most relevant and material to Group performance are discussed in this report. They have been identified through 35 in-depth interviews with internal and external stakeholders and survey responses of 500 Electrolux employees.

The online GRI report offers greater coverage. It includes additional topics such as compliance with legislation with regards to chemicals (REACH), hazardous substances (RoHS), producer responsibility (WEEE Directive) and product safety.

Standard disclosures in GRI reporting include all operations that can potentially affect Group performance. Data covers majority-owned operations for production, warehouses and office facilities.

Data has been collected over the 2008 calendar year and is based on 53 factories, 23 warehouses and 39 offices. To compensate for changing structure, to improve quality of the indicators and to enable comparisons, data from previous years have been revised to reflect the current structure of Electrolux.

There were no significant changes to the organization during 2008.

Strategy	Challenge	2008 Performance	Next step
Dialogue with Board on sustainability strategies.	• Fully integrate sustainability into business strategy.	• Board informed on priorities and approach.	• Ongoing.
Stakeholder inclusiveness on sustainability priorities.	• Understand expectations and respond to different stakeholder and market concerns. • Integrate into decision making processes.	• Structured dialogue with investors and interested stakeholders on reporting practices and materiality. • Issue-specific discussions with industry partners, organizations, unions and policymakers.	• Develop a process for stakeholder dialogue that is integrated into business strategies.
Communicating a group-wide ethics program that includes the Code of Ethics and related policies.	• Develop a process to inform all employees about policies for business ethics.	• An ethics program has been adopted by the Group.	• The program will be implemented in 2009.
Improving Code of Conduct methodology and tools, including environmental requirements.	• Integrate customers' environmental and social requirements into Group standards.	• New guidelines have been developed.	• Implement and monitor compliance with standards and improving performance.
Monitoring Code of Conduct performance.	• Uphold principles of the Code of Conduct, especially in regions with higher risks from human and labor rights perspectives.	• Audits and interviews with employees. • Internal and external audits in Brazil, China, Hungary, Italy, Mexico, Poland and Romania. • On-site monitoring of ethical practices and environmental issues.	• Ongoing.
Group-wide approach to health and safety (H&S) management.	• End-objective of zero accidents. • Introduce uniform working methods for H&S.	• On target for global total cases incident rate (TCIR) reduction of 10%. • Set up a Group H&S committee within the Electrolux Manufacturing System.	• Implementation of a Group program.
Develop an innovative culture with diverse employees in terms of cultural backgrounds and gender.	• Create teams that better reflect consumers in the Group's markets. Focus more on gender equality, especially among senior management teams.	• Communications program "Our Electrolux" was launched to promote how to achieve an innovative culture through a diverse workforce.	• Communications program to continue in 2009.

2 Climate challenge

Electrolux has a role to play in the climate challenge. Through ongoing actions, the company can contribute to positive change, while at the same time generating business opportunities.

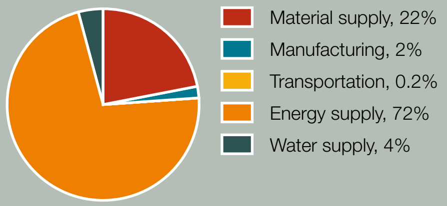
Product life-cycle approach

The largest share of the Group's total environmental impact refers to the use of products. This applies particularly to energy-intensive, large appliances such as refrigerators and washing machines.

According to the German research organization Öko Institut, the use of appliances often accounts for more than 75% of total environmental impact. About 2% of all CO_2 emissions in Europe are generated by the approximately 630 million appliances that are in use in this region. Electrolux can therefore contribute most to tackling climate change by developing a product-led approach.

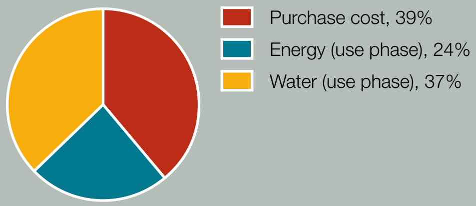
Electrolux is committed to reducing the energy consumed by its products and to promoting appliances with outstanding overall environmental performance.

Life cycle impact



The diagrams are based on data from washing machines sold in Europe. Approximately 80% of the total environment impact of an appliance during its life cycle is generated when it is used, compared to less than 10% during production. Electrolux can therefore contribute most by developing a product-led approach.

Life cycle cost



The purchasing price often accounts for less than half of the total life cycle cost and efficient appliances mean both economic and environmental savings.

Source: Öko-Institut e.V., Institute for Applied Echology, 2004.

The Electrolux response to the climate challenge comprises a three-pronged strategy:

Strategy	Challenge	2008 Performance	Next step
Promote a green range of products in each business area. Green range incorporates state-of-the-art energy and water-efficient appliances.	• Adopting common criteria that are relevant for the Group's major markets and collating sales and profitability.	• Green range has been rolled out at Major Appliances Europe and Electrolux Professional Products. • Global Green range for Major Appliances accounted for 20% of the volume and 28% net sales.	• Launch in major markets. • Annually report global Green range sales and profitability.
Reduce energy consumption in operations by 15% by 2009, relative to 2005 consumption levels. This reduces the Group's CO_2 emissions and improves operating margins.	• The first target focused on improving energy management and efficiency. The second phase will also require changes in investment routines.	• On target for 2009 objective, saving 74,200 tons of CO_2 since 2005. • Energy consumption at Group factories have fallen by 12.5% since 2005. • Energy Saving Program has been integrated into Electrolux Manufacturing System.	• New energy savings target for 2012.
Raise awareness among consumers and policymakers of how efficient appliances can reduce total CO_2 emissions.	• State of-the-art appliances are widely available. However, one in every three appliances in operation is over 10 years old. In Europe, 188 million of the 630 million appliances in use are inefficient by today's standards. The challenge is to convince consumers to exchange these appliances with energy-lean ones. • Performance standards and legislation vary between countries. Electrolux supports their global harmonization.	• Launch of the European and North American Eco-savings site: an on-line service that calculates savings on electricity and water consumption offered by efficient appliances. • Dialogue with representatives of governments, policymakers and inter-governmental organizations.	• Launch the Eco-savings site in other markets. • Global launch of Water Savings, an on-line service that calculates individual, regional and national water savings of using dishwashers, compared to washing by hand. • Ongoing initiatives directed to policymakers and awareness-raising.

Energy legislation and product labeling

Energy-efficiency and product energy labeling are core issues for the appliance industry. In Europe and North America, which are the Group's major markets, regulations require that most appliances bear a label indicating the product's energy-efficiency and consumption levels. Energy-efficiency is thus a relevant factor in purchasing decisions. Similar labeling regulations exist in Australia, Brazil, China, India, Japan and Mexico.

The Group has systems in place to ensure that products comply with all regulatory criteria, and are represented in the highest energy-efficiency classes. Electrolux is prepared for upcoming, more stringent energy-efficiency standards in the EU and the US. In Europe, this includes minimum efficiency-performance standards (MEPS) and other environmental requirements that will be in effect in 2010.

Electrolux qualifies for 2008–2010 tax credits for the sale of Energy Star appliances manufactured in the US. The energy efficiency parameters for qualifying for the credits have been raised for each product type, compared to previous generations of credits.

In response to the risks associated with climate change, and as part of the Group's responsibility as a corporate citizen, Electrolux intends to take part in the solution. For Electrolux, the most significant risks posed by climate change relate to the possible need to modify products and adjust operations in response to:

- Changes in legislation
- Changing energy pricing
- Changing stakeholder expectations.

In order to manage these risks, Electrolux continually assesses new legislation and shifts in stakeholder demands.

Benefits for Electrolux

A proactive approach to climate change generates business advantages.

- The business strategy weighs in key consumer and retailer concerns.
- It leverages product innovation and increases sales margins.
- A reduction of operational costs as well as exposure to fluctuations in energy prices. Cutting energy consumption has a direct impact on operating costs. The Group's energy target is expected to generate a saving of SEK 100m annually.
- It helps Electrolux stay ahead of legislation in the growing number of markets where manufacturers are subject to energy-efficiency standards and producer responsibility regulations (see box).

3 Responsible Sourcing Program

All suppliers must comply with the Electrolux Code of Conduct and the Environmental Policy. Supplier transparency helps assure that the Group's products are manufactured with respect for human rights, health and safety and the environment. Related criteria are integrated in Electrolux purchasing policies, and are among the key factors that determine choice of suppliers. The Group has a global, risk-based approach to monitoring the supply chain.

The benefits of responsible sourcing include optimized costs, improved relationships with suppliers and better logistics. The program reduces the risk of serious non-compliances that could lead to problems with product deliveries. In addition, incidents of non-compliance to the Code of Conduct could affect brand reputation.

The Responsible Sourcing Program
The Responsible Sourcing Program is aimed at creating long-term, sustainable improvement among suppliers. Another important objective is to foster supplier ownership of high environmental and workplace standards. The program includes individual actions with specific suppliers.

Strategy	Challenge	2008 Performance	Next step
Launch of Responsible Sourcing program in Latin America and Eastern Europe.		• The team has been expanded, with sustainability auditors now covering these regions.	• Continue developing the program in all regions.
Integration of Responsible Sourcing in global and local purchasing procedures.	• Define a coordinated approach.	• Ongoing. Internal training sessions and joint audits with the Quality department. • Code of Conduct priorities integrated into regular purchasing procedures.	• Improve monitoring.
Training sessions and other support activities for suppliers.	• Encourage supplier ownership for upholding high environmental and social standards.	• Training activities completed in China.	• Select pilot suppliers in Asia, Latin America and Eastern Europe.
Conduct audits.		• 262 audits conducted (116 in 2007).	• Ongoing.

4 Restructuring

To remain competitive and access new markets, Electrolux is shifting location of production. A decision to close a plant or downsize production affects individuals and communities. Responsible management of the consequences of these decisions is an Electrolux priority.

When a factory restructuring is under evaluation, a procedure is followed, adapted to local needs and priorities. A wide range of stakeholders are consulted, including labor-union representatives, local, regional and national politicians and public authorities.

During 2008, plant closures and restructuring were announced for Scandicci and Susegana in Italy, and within Electrolux Major Appliances in Europe. Approximately 1,500 employees were affected by ongoing plant restructuring, (approximately 650 in 2007). In addition, 400 people were affected by reorganization at Major Appliances Europe (see next page). The restructuring procedure was applied in all cases. Employees were offered pre-retirement schemes, training programs and career coaching.

In light of the sharp market decline, Electrolux announced that it will further reduce its staff by more than 3,100 in the fourth quarter of 2008 and in 2009, in addition to the ongoing restructuring process. All operations on a global basis are affected.

Agent for change in emerging economies

Setting up operations in emerging economies creates positive changes for local communities. It generates indirect effects by prioritizing local suppliers and transferring cutting-edge technologies to these markets. New facilities are aligned with Group practices through the Code of Conduct monitoring procedures together with requirements for ISO 14001 certification of plants.

Plant closures			Closed
Torsvik	Sweden	Compact appliances	(Q1 2007)
Nuremberg	Germany	Dishwashers, washing machines and dryers	(Q1 2007)
Adelaide	Australia	Dishwashers	(Q2 2007)
Fredericia	Denmark	Cookers	(Q4 2007)
Adelaide	Australia	Washing machines	(Q1 2008)
Spennymoor	UK	Cookers	(Q4 2008)

Authorized closures			Estimated closure
Changsa	China	Refrigerators	(Q1 2009)
Scandicci	Italy	Refrigerators	(Q3 2009)

New plants			
Juarez	Mexico	Washing machines	(2007–2008)

Restructuring activities announced or completed during 2008:

Activity	Challenge	2008 Performance	Next step
Spennymoor, UK Closure of the cooker plant.	• Social plan including job support for affected employees in the UK. • Relocation to, and ramp-up of, production in Swidnica, Poland.	• By year-end, 191 employees had found new jobs and 21 had gone into early retirement. • The factory was closed in Q4 2008. Production has been relocated to Swidnica. • A Code of Conduct audit in Swidnica was conducted by a third party.	• Support by external consultants to remaining employees looking for jobs or retraining.
Scandicci, Italy Closure of the refrigerator plant.	• Re-employment of affected employees by external investor. • Relocation to Jaszbereny, Hungary. Manufacture of built-in products shifted to Susegana, Italy.	• Agreement reached with external investor to re-employ 370 of 430 affected employees. • Re-industrialization and social plan agreed with trade unions and Ministry of Welfare. • Jaszbereny Code of Conduct audited by an external party.	• Refrigerator production to be phased out by Q3 2009. • Training and education plan fully supported by Firenze Industrial Association. • Training in Hungary will start a month prior to installation of equipment. • Start up of industrial activities in Q1 2009.
Susegana, Italy Optimizing cost base by refocusing product mix.	• Agree on social plan. • Re-engineering of the factory to match new mission.	• Social plan agreed for 324 redundancies.	• Implementation of the social plan. • Re-engineering of the factory. • Optimization to be completed by Q4 2009.
Electrolux Major Appliances, Europe Efficiency program to optimize resources.	• Implementation of pan-European tools and processes. • Make agreements to support redundant employees.	• Reduction of more than 400 positions all over Europe. • Agreements to support affected employees.	• Project completed end 2008.
Adelaide (Regency Park), Australia Closure of the dishwasher plant.	• Relocate production to Italy/Poland. • Find job opportunities in Electrolux Dudley Park, Australia cooking plant for affected employees. • Job support and training for remaining affected employees.	• 126 employees were affected, of which 3 went into early retirement and 91 entered outplacement programs. • 32 employees transitioned to other employment within Electrolux. • Dishwasher production transferred to Italy.	• Continue monitoring transfers and outplacement programs. • Closure completed 2008.
Adelaide (Beverley), Australia Closure of the washer/dryer plant.	• Relocate production to Rayong, Thailand. • Find job opportunities in Electrolux cooking plant in Dudley Park, Australia, for affected employees. • Job support and training for remaining affected employees.	• 369 employees were affected. 25 elected to retire. 344 entered outplacement programs. • 150 employees transitioned to other employment within Electrolux. • Approximately 10 employees remain to finalize projects.	• Complete closure. • Provide job search support for remaining employees.

AN INCLUSIVE APPROACH

Dialogue helps shape the Electrolux business strategy and the approach to sustainability.

Accountability to stakeholders – consumers, customers, employees, shareholders and others affected by the Group's operations – involves sharing insights and addressing concerns.

Understanding consumers is the basis for the Electrolux brand promise "Thinking of you". Consumer insight is decisive for both the business strategy and product development. Comprehensive interviews and visits to households throughout the world enable the Group to identify global trends in society and respond to them in the product offering.

Long-term relationships bring sustainable success

Strong, long-term relationships with retailers are also central to the business model. Sustainability-related issues are an important part of the dialogue with customers. Electrolux has long cooperated informally with retailers to promote environmentally-sound purchasing and enhance awareness. Growing numbers of customers are stipulating formal commitments to social and environmental performance standards in their contracts.

Dialogue with stakeholders

Employee contributions are highly valued. The Group's Board of Directors comprises non-executive members, the President and, in accordance with Swedish law, three employee representatives and three deputies. They thereby provide employee input into company decision-making. Annual employee attitude surveys gauge opinion and seek feedback from personnel on how the strategy is being implemented and how they perceive the organizational climate.

Dialogue with investors and owners, many of which are pension funds with long-term commitments to Electrolux, is also ongoing. Their primary concerns are that Electrolux understands and acts on emerging issues and that the Group is transparent in regards to long- and short-term risks and opportunities.

Media-related activities are focused on products, markets and the Electrolux business strategy. This enables Electrolux to broaden its interface with opinion-formers. In addition, continuous analyses of media trends enable company strategists to track relevant global and local issues.

Shared agenda

The Electrolux staff for Sustainability Affairs is responsible for Group dialogue with internal and external stakeholders on sustainability-related issues. Identification and selection of stakeholders are based primarily on the bearing of such groups on issues that are central to operations. Stakeholders include environmental organizations such as the Worldwide Fund for Nature (WWF) for climate change, Greenpeace for producer responsibility and Business for Social Responsibility for effective supply-chain management. Frequency of engagement is issue and agenda-driven.

Public policy discussions with governmental authorities cover issues such as energy-efficiency, producer and product responsibility as well as government-led financial incentives for consumer purchases of energy-efficient appliances. Electrolux also maintains a continuous dialogue with representatives from governments and inter-governmental organizations. This is conducted both directly and through membership in The European Appliance Industry Association (CECED).

Discussions with stakeholders and feedback from them are compiled and reported to Group Management on a regular basis, and are reflected in Group decision-making.

Sustainability Affairs also conducts dialogue with target audiences on the reporting process.

Each market and business area is responsible for maintaining dialogue with representatives from relevant interest groups. Local operations cooperate and engage with non-governmental organizations such as WWF in Italy, The Ovarian Cancer Research Fund and the United Way in the United States and the Ethos Institute for Companies and Social Responsibility in Brazil. Electrolux also cooperates with other corporations that have similar goals through, e.g., the UN Global Compact and its Nordic network, as well as the Confederation of Swedish Enterprise.

Global stakeholder insight and a proactive approach enable Electrolux to better understand its markets and societal concerns. At the same time, dialogue partners gain a better understanding of the Group's perspective.

Direct economic value (GRI EC1)

SEKm	2008	2007
Revenues	**105,232**	**105,167**
Economic value distributed		
Operating costs	83,798	80,915
Employee wages and benefits	17,014	16,857
Payments to providers of capital[1]	1,961	1,748
Payments to government	287	1,110
Community investments	NA	NA
Economic value retained	**2,172**	**4,537**
[1] In addition, redemption of shares.	0	5,582

The direct economic value is defined as net sales plus revenues from financial investments and sales of assets.

MANAGEMENT AND PERFORMANCE

Fully integrating sustainability into Group strategy and operations at all levels is key to maintaining success in the long term.

The Electrolux organization is decentralized, which gives business units flexibility in meeting consumer preferences and local market requirements. In order to ensure a holistic approach, group-wide performance is monitored, training is coordinated and targets are aggregated.

Organizational responsibility

The Board assesses ethical risks and opportunities annually. Sustainability-related strategies and policies are defined by Group Management.

Each business area is responsible for implementation. This helps ensure that learning can be both leveraged across markets and meet local needs. Responsibility covers environmental management, human resources as well as health and safety issues. In addition, the business areas manage the impacts of operations on communities, both during operation and restructuring.

Group Sustainability Affairs supports business areas and Group functions with expertise, training, issue identification and monitoring. Sustainability Affairs is part of Group Staff Communications and Branding.

Group Purchasing is responsible for compliance with the Code of Conduct along the supply chain. The Responsible Sourcing Program enables the Group to maintain local presence and support purchasers and suppliers with training, audits and development activities. The manager of the program reports to Group Sustainability Affairs.

Policies

The Electrolux Code of Ethics comprises rules of conduct for relations with employees, shareholders, business partners and other stakeholders.

Elements of the Electrolux Code of Ethics are described in greater detail in the Code of Conduct, the Policy on Countering Corruption and Bribery, and the Environmental Policy. All of the above are based on universal standards of business practice, including those of the International Labour Organization and the OECD Guidelines for Multinational Enterprises.

Codes and policies also reflect the Electrolux commitment to the ten principles of the UN Global Compact. The Board reviews ethical and sustainability-related policies on an annual basis. All of the above policies have been endorsed by Group Management.

Human resource-related policies such as the Grandparent Principle and the Recruitment Policy are designed to ensure fair and transparent hiring practices. The Compensation Policy defines a consistent approach to remuneration. The purpose of the policy "Appointment of Senior Managers" is to ensure that Electrolux appoints the right people to achieve strategic objectives in line with Group policies. Training of the policy has been conducted throughout the global Human Resource community. Compliance is followed up annually. Non-compliant units are requested to have short and long-term action plans in place.

External assurance

This GRI summary report, which is included in the Annual Report, is reviewed by the company's auditors, PriceWaterhouse Coopers.

Third party assurance of compliance with ISO 14001 is implemented annually at all certified facilities. In addition, third-party assurance of compliance with the Code of Conduct is conducted within risk-defined regions. Electrolux operates 20 plants in Asia, Latin America and Eastern Europe. 13 of these were audited during 2008, 12 of which externally audited. In total, 262 Code of Conduct audits took place among suppliers, 19 of which were externally audited.

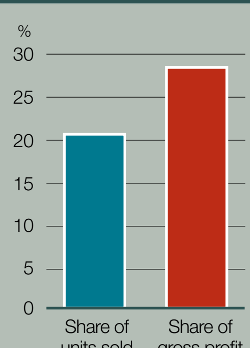
Training and monitoring

In order to integrate management procedures throughout the Group, Electrolux runs training programs covering environmental certification according to ISO 14001, the Code of Conduct, occupational safety and human resources. These are also supported by internal and third party performance monitoring.

Environmental performance

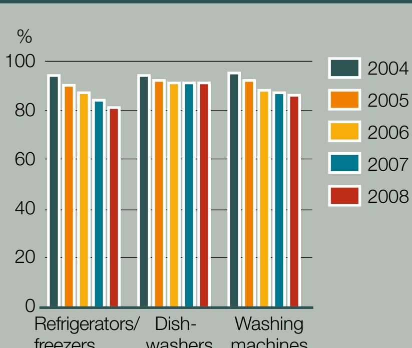
Group Management has stipulated that an environmental management system is to be implemented for each business area's entire operation. All manufacturing units with at least 50 employees are mandated to be certified according to ISO 14001. In 2008, 92% of all factories were certified. Newly acquired units must complete the certification process within three years after acquisition.

Global Green range for Major Appliances



As of 2008, all Major Appliances sectors report on sales and profitability of their Green range. Today, products with outstanding environmental performance represent 20% of Electrolux sales volume, yet generate 28% percent of the gross profit.

Fleet average



Reduction in energy consumption for products sold in Europe, with energy index set at 100% in the year 2003.

Reducing energy use is a Group objective. Sustainability Affairs is responsible for sharing best practice as well as monitoring performance group-wide. Energy savings targets are implemented, however, primarily through the Electrolux Manufacturing System, a global program for implementation of efficient production. In addition, the program is used for monitoring and eliminating waste and increasing safety and quality within production processes.

The Electrolux Environmental Policy
The Electrolux Environmental Policy outlines the Group's commitment to improve environmental performance in production, product use and disposal. The policy prescribes a proactive approach to legislation.

Direct energy consumption by primary energy source (GRI EN3)

GJ	**2008**	2007
Non-renewable primary source		
Oil	60,315	56,912
Coal	35,557	48,724
Natural gas	2,528,876	2,719,634
LPG	178,897	245,042
Renewable primary source		
Biofuel	0	0
Ethanol	0	0
Hydrogen	324	0

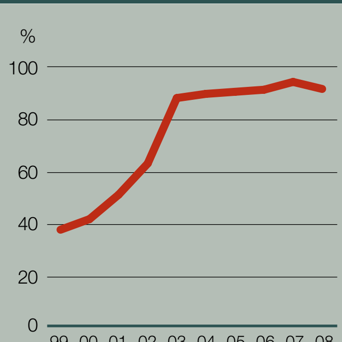
Indirect energy consumption by primary source (GRI EN4)

GJ	**2008**	2007
District heating	133,044	114,153
District cooling	13,067	14,414
Steam	7,583	5,876
Electricity	2,770,430	2,907,712
Renewables	0	0

Water withdrawal by source (GRI EN8)

m^3/year	**2008**	2007
Surface water	937,204	1,435,067
Ground water	5,208,902	6,412,373
Rainwater	54,000	89,256
Wastewater, other organizations	91,907	114,133
Municipal water	4,661,990	4,592,822

ISO 14001 certification



Share of factories with more than 50 employees that have certified ISO 14001 environmental management systems. Two factories are currently in the process of certification.

Direct material balance

Data from 53 manufacturing units, %	**2008**	2007	2006	2005
Finished products (incl. packaging)	91.2	90.9	91.7	92.3
External material and energy recycling	7.8	8.1	7.2	6.5
Waste to landfill (non-hazardous)	0.8	0.9	0.8	1.0
Hazardous waste	0.20	0.15	0.17	0.19
Emission to air	0.010	0.012	0.025	0.020
Emission to water	0.001	0.001	0.003	0.003
Total incoming material	**100**	**100**	**100**	**100**

In 2008, the high utilization of material in production was maintained.

Direct and indirect GHG emissions (GRI EN16)

tons	**2008**	2007
Direct emissions		
Energy generation (EN3)	148,038	162,818
Fugitive emissions	275,100	287,613
Indirect emissions (EN 4)		
Electricity	326,917	357,363
District heating/cooling	9,546	3,636
Steam	1,659	1,389

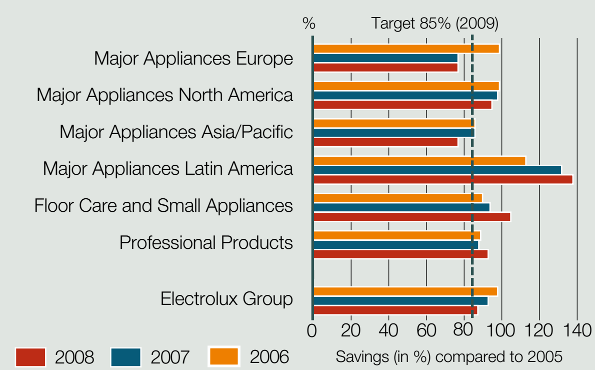
Calculations are based on WRI "Calculation Tool for Direct Emissions from Stationary Combustion Calculation worksheets. July 2005. Version 3.0". Indirect emission have been calculated using Electricity Emission Factors - All Fuels (Electricity Purchase Service Sector v3(1)). Emission factors have been shifted three years (2005 to 2008) to allow year-on-year comparisons.

Weight of waste by type and disposal method (GRI EN22)

tons	**2008**	2007	2006	2007
Hazardous waste				
	4,770	4,056	3,958	4,593
Non-hazardous waste				
Composting	279	11	0	0
Recycling	175,250	212,372	168,645	150,846
Incineration	2,387	2,515	3,594	4,160
Landfill	21,468	22,982	19,856	22,917
Deep well injection	273	0	0	0

Goal for energy savings (GRI EN18)

%	**2008**	2007	2006
Business sector			
Major Appliances, Europe	77	77	99
Major Appliances, North America	95	98	99
Major Appliances, Asia/Pacific	77	86	86
Major Appliances, Latin America	138	132	113
Floorcare and Small Appliances	105	94	90
Professional Products	93	88	89
Electrolux Group	87.5	93	98



The Group target to reduce energy consumption 15% by year-end 2009, compared to the 2005 level was almost accomplished already in 2008. Energy consumption has been reduced 12.5%, corresponding to a reduction of 74,200 tons of CO_2. 2008 data is based on 53 factories, 23 warehouses and 39 offices, compared to 52 factories, 17 warehouses and 25 offices in 2005.

Labor practices, human rights and society

At year-end, the Awareness-Learning-Feedback-Assessment (ALFA) tool was deployed in all Electrolux business areas to measure how units have progressed relative to the Code of Conduct and to assess the status of health and safety, as well as related management practices. Sustainability Affairs provides business areas with feedback and suggestions for improvements.

A key priority is to ensure that group-wide policies are communicated, with particular focus on the Code of Ethics and the Code of Conduct.

People Vision

The Electrolux People Vision is to have an innovative culture with diverse, outstanding employees that drive change and go beyond in delivering on the Group's strategy and performance objectives. Human resource policies, leadership programs and an internal recruitment tool help to realize the vision. Sustainability is included in induction programs for all new senior managers.

Health and safety

Individual business areas are responsible for ensuring that health and safety is effectively managed. Local units are responsible for taking action and reporting data in accordance with prevailing laws.

At Electrolux factory facilities, health and safety is monitored through the Electrolux Manufacturing System. In 2008, safety-performance goals were defined.

Workplace Code of Conduct

The Electrolux Workplace Code of Conduct defines high employment standards for all Electrolux employees in all countries and business areas as well as for all subcontractors. The Code covers issues such as child and forced labor, health and safety, workers' rights and environmental compliance.

Electrolux applies common management practices for the Workplace Code of Conduct and monitors and reports on progress for all facilities with more than 30 employees. An electronic assessment tool, Awareness-Learning-Feedback-Assessment (ALFA), supports internal implementation of the Workplace Code of Conduct and monitors Electrolux units regarding compliance.

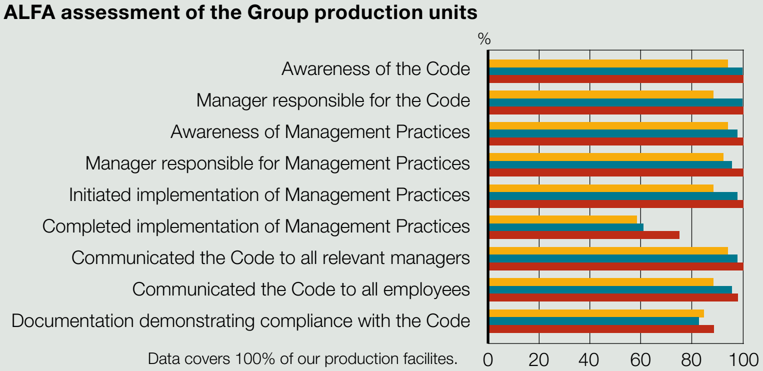
Society

The Electrolux public policy agenda is primarily coordinated with industry organizations such as the European Appliance Industry Association (CECED) and the American Home Appliance Manufacturers Association (AHAM).

A public policy outcome currently supported by Electrolux in Europe is the creation of market frameworks that promote purchases of energy-efficient appliances.

Electrolux observes neutrality with regard to political parties and candidates. Neither the Electrolux name, nor any resources controlled by Group companies may be used to promote the interests of political parties or candidates.

ALFA assessment of the Group production units

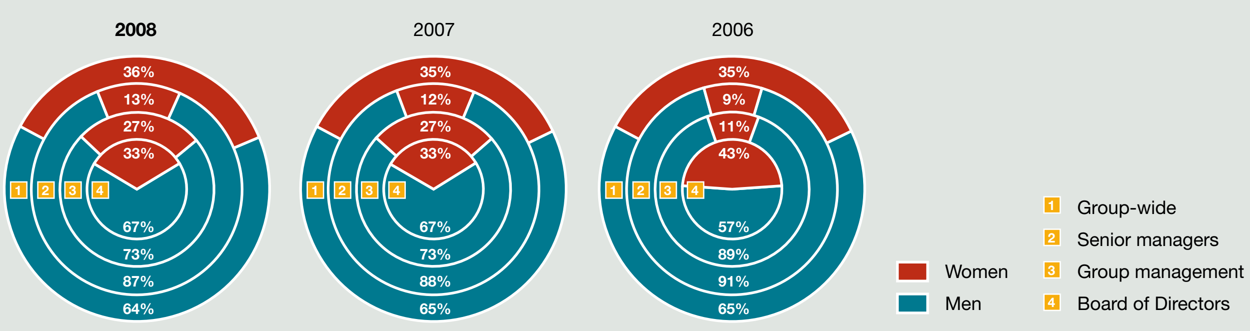


Data covers 100% of our production facilites.

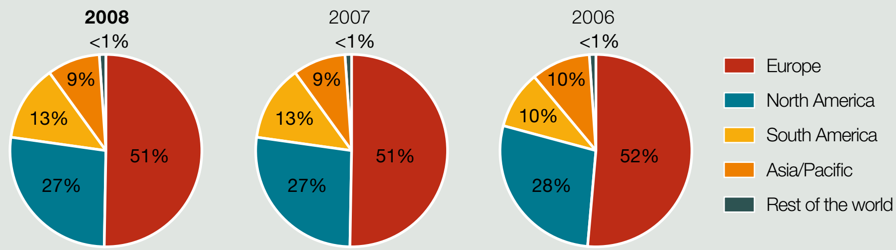
*53 factories

The levels of awareness of the Code of Conduct, and the degree it is organized and communicated to managers and employees are high throughout the Group. Although implementation levels for management practices are also high, there is room for improvement in 2009.

Gender distribution



Employees by geographical area (GRI LA1)



The ratio of employees between geographical areas has not changed significantly between 2007 and 2008. There were 52,034 employees in 2008. The corresponding figure for 2007 was 56,930.

Employee turnover (GRI LA2) and collective bargaining (GRI LA4)

	2008	2007
Total employees – Male	34,236	36,221
Total employees – Female	20,610	20,710
Employee turnover – All employees, %	22[1]	18
Employee turnover – Male, %	23[1]	18
Employee turnover – Female, %	22[1]	20
Employees covered by collective bargaining agreements, %	63[2]	67

1) Data covering 53 production facilities, 26 warehouses and 51 offices corresponding to 46,660 employees.

2) 27,526 of 43,578 employees at 53 production facilities were covered by collective bargaining agreements.

Health and safety (GRI LA7)

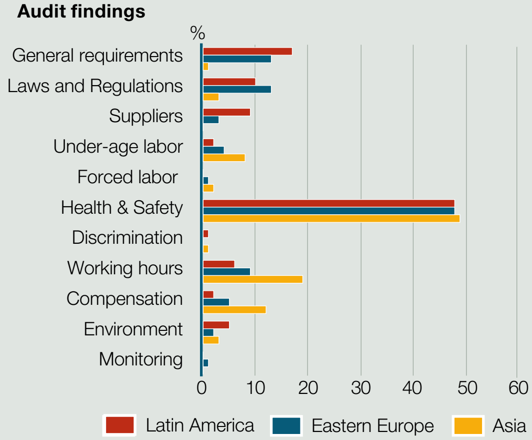
	2008	2007	2006	2005
Number of work-related injuries[1]	836	1,435	1,170	1,219
Injury rate[1]	2.2	3.2	2.9	3.3
Number of workdays lost due to occupational injuries[1]	18,350	17,469	22,801	16,682
Lost day rate[1]	48	46	56	41
Number of work-related fatalities	0	1	0	0

1) Per 200,000 hours worked (TCIR).

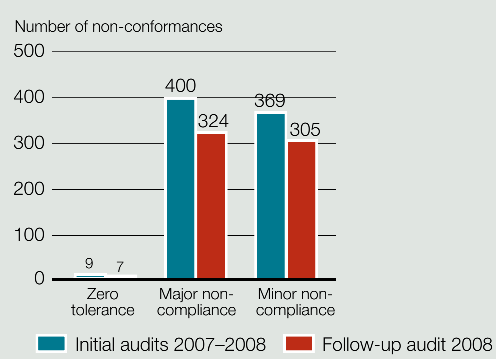
Key health and safety data for the Group's operations. In 2008, data was collected covering 53 production facilities and 26 warehouses corresponding to 42,912 employees. Electrolux has reached its target of 10% TCIR reduction in 2008.

Responsible Sourcing Program

Audit findings



Follow-up audit comparisons



Audit findings from 262 supplier audits conducted during 2008. Health and safety issues are major problem areas in all regions, together with working hour issues and general legislative compliance.

Issues relating to under-aged labor is mainly a problem in Asia. A majority of cases recorded are related to insufficient protection of authorized minors (16–18 years). In Europe and Latin America under-aged labor issues are related to insufficient pre-employment screening. In China, 15 cases of under-aged workers (15–16 yrs) were uncovered in 2008 (21 cases in 2007).

Follow-up audits at were carried out at 64 suppliers in China during 2008. Initial audits were completed in 2007 and early in 2008. The outcome of the audits indicate insufficient improvements by suppliers. In addition, follow-up audits revealed additional findings. The results will be further analyzed to improve the efficiency of the program.

Making a change for a better climate starts at home.

33%
LESS ENERGY*

Electrolux Ultrasilencer Green is our most quiet vacuum cleaner. It's also the most eco-friendly. 55% of the body plastic is recycled and it uses less energy, which saves on CO_2 emissions. And since the Ultrasilencer Green is as efficient as a 2000 W vacuum cleaner, it leaves your home as clean as we hope the environment will be one day.

* Compared to the average energy consumption of 2000 W vacuum cleaners, 2007.

Thinking of you
Electrolux

Corporate governance report 2008

The Electrolux Group comprises more than 160 companies with operations in over 50 countries. The parent company of the Group is AB Electrolux, a listed Swedish limited company. The company has its primary listing in Stockholm at the exchange NASDAQ OMX Stockholm.

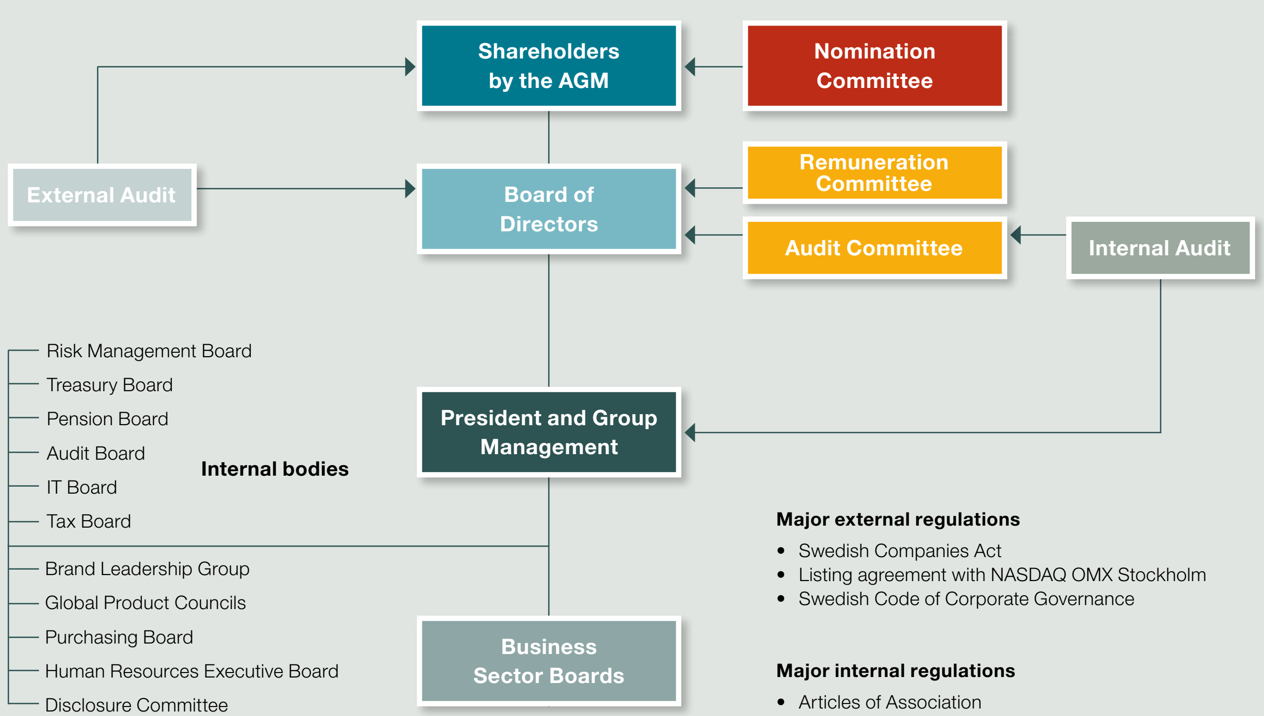
The governance of Electrolux is based on the Swedish Companies Act, the regulatory system of NASDAQ OMX Stockholm and the Swedish Code of Corporate Governance (the "Code"), as well as other relevant Swedish and foreign laws and regulations.

This corporate governance report has been drawn up as a part of Electrolux application of the Code. The report has not been audited by the Group's external auditors. Electrolux does not report any deviations from the Code in 2008.

Highlights

- Three new members included in Group Management: Enderson Guimarães, Ruy Hirschheimer and Jonas Samuelson.
- Hasse Johansson elected new member of the Board of Directors.
- The Annual General Meeting resolved that A-shareholders should be able to request the conversion of their A-shares to B-shares.
- In December, the Board decided to reduce the number of employees by more than 3,000 due to sharp decline in market demand.

Governance structure



Major external regulations

- Swedish Companies Act
- Listing agreement with NASDAQ OMX Stockholm
- Swedish Code of Corporate Governance

Major internal regulations

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

For further information:

- Swedish Companies Act, www.sweden.gov.se/sb/d/9171/a/82648
- NASDAQ OMX Stockholm, www.nasdaqomxnordic.com/?languageId=1&languageId=1
- Swedish Code of Corporate Governance and specific features of Swedish corporate governance, www.bolagsstyrning.se/en/

AB Electrolux is registered under number 556009-4178 with the Swedish Companies Registration Office. The registered office of the Board of Directors is in Stockholm, Sweden. The address of the Group headquarters is S:t Göransgatan 143, SE-105 45 Stockholm, Sweden.

Ownership structure

Electrolux shares are registered in the share register kept by the Swedish central securities depository Euroclear Sweden AB (formerly VPC AB). According to the share register, the Group had, at year-end 2008, a total of approximately 52,600 shareholders. The number of Electrolux shareholders in Sweden at year-end was approximately 49,700.

Investor AB is the largest shareholder, with approximately 12.7% of the share capital and approximately 28.8% of the voting rights.

At year-end, about 34% of the total share capital was owned by foreign investors.

Source: SIS Ägarservice as of December 31, 2008.

The majority of the shares owned by foreign investors are held through foreign banks or other trustees. This means that the actual owners are not listed in the share register held by Euroclear Sweden. At year-end, approximately 34% of the total share capital was owned by foreign investors according to SIS Ägarservice.

Major shareholders

	Share capital, %	Voting rights, %
Investor AB	12.7	28.8
Capital Group Funds	9.2	7.2
Alecta Pension Insurance	5.6	5.6
Swedbank Robur Funds	4.2	3.3
Second Swedish National Pension Fund	2.8	2.2
Barclays Funds	2.1	1.7
Fourth Swedish National Pension Fund	1.9	1.5
SEB Funds	1.8	1.4
Didner & Gerge Mutual Fund	1.6	1.3
AFA Insurance	1.3	1.0
Total, ten largest shareholders	**43.2**	**54.0**
Board of Directors and Group Management, collectively	0.09	0.07

Source: SIS Ägarservice and Electrolux as of December 31, 2008.
The figures have been rounded off.

The information on shareholders and their holdings is updated quarterly at the Group's website, www.electrolux.com/corpgov.

For additional information regarding the ownership structure, see page 77.

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. An A-share can be converted into a B-share on request of the owner of the A-share.

Nomination Committee

Nomination Committee

Each year, the Annual General Meeting (AGM) resolves on the nomination process for the Board of Directors and, when appropriate, the auditors. The process involves the appointment of a Nomination Committee comprised of six members. The Committee shall include one representative of each of the four largest shareholders, in terms of the number of votes, who wish to appoint such representatives together with the Chairman of the Board and one additional Director. The additional Director shall be appointed by the Board among the Directors who are independent in relation to the company.

The composition of the Nomination Committee shall be based on shareholder statistics from Euroclear Sweden AB as of the last banking day in April in the year prior to the AGM and on other reliable shareholder information which is provided to the company at such time. The names of the representatives and the names of the shareholders they represent shall be announced as soon as they have been appointed. If the shareholder structure changes during the nomination process, the composition of the Nomination Committee may be adjusted accordingly.

The Nomination Committee's tasks include preparing a proposal for the next AGM regarding:

- Chairman of the AGM
- Board members
- Chairman of the Board
- Remuneration to individual Board members
- Remuneration for committee work
- Nomination Committee for the next year
- Auditors and auditors' fees, when these matters are to be decided by the following AGM

The Nomination Committee is assisted in preparing proposals for auditors and auditors' fees by the company's Audit Committee. The Audit Committee evaluates the auditors' work and informs the Nomination Committee of its findings.

The Nomination Committee's proposals are publicly announced no later than on the date of notification of the AGM. Shareholders may submit proposals for nominees to the Nomination Committee.

Nomination Committee for the AGM 2008

The Nomination Committee for the AGM 2008 comprised of six persons. Petra Hedengran of Investor AB led the Nomination Committee's work. The Nomination Committee held three meetings, with minutes, in addition to discussing a number of issues on an ongoing basis. The proposals to which the Nomination Committee devoted most time were the composition of the Board and remuneration to the Board. A report on the work of the Nomination Committee was presented to the AGM 2008 and can be found on the Group's website, www.electrolux.com/corpgov.

As a basis for its work, the Nomination Committee examined, among other sources, the evaluation of the Board and its work prepared during the year. After a member of the Board declined re-nomination by the AGM 2008, the Nomination Committee deemed that it would be valuable for Electrolux to provide the Board with additional experience in terms of manufacturing, particularly as regards leading and implementing standardization of manufacturing processes.

On the basis of this profile, the Nomination Committee agreed on a candidate, who was subsequently nominated. As is stated on page 100, the nominated candidate, Hasse Johansson, was elected as a new member of the Board by the AGM.

For additional information on Board members, see www.electrolux.com/board_of_directors.aspx and page 108.

Nomination Committee for the AGM 2009

The Nomination Committee for the AGM in 2009 is based on the ownership structure as of April 30, 2008, and was announced in a press release on July 21, 2008.

The Nomination Committee members are:

- Petra Hedengran, Investor AB, Chairman
- Ramsay J. Brufer, Alecta Pension Insurance
- Marianne Nilsson, Swedbank Robur Funds
- Anders Oscarsson, SEB Investment Management
- Marcus Wallenberg, Chairman of Electrolux
- Peggy Bruzelius, Deputy Chairman of Electrolux

No changes in the composition of the Nomination Committee had occurred as of February 3, 2009. Shareholders wishing to submit proposals to the Nomination Committee should send an e-mail to nominationcommittee@electrolux.com.

Shareholders by the AGM

General Meetings of shareholders

The decision-making rights of shareholders in Electrolux are exercised at shareholders' meetings. The Annual General Meeting (AGM) of Electrolux is held in Stockholm, Sweden, during the first half of the year.

The AGM resolves on:

- The adoption of the annual report
- Dividends
- Election of Board members and, if applicable, auditors
- Remuneration to Board members and auditors
- Guidelines for remuneration to Group Management
- Other important matters

Extraordinary General Meetings (EGM) may be held at the discretion of the Board or, if requested, by the auditors or by shareholders owning at least 10% of the shares.

Participation in decision-making requires the shareholder's presence at the meeting, either personally or through a proxy. In addition, the shareholder must be registered in the share register at a prescribed date prior to the meeting and must provide notice of participation in the manner prescribed. Additional requirements for participation apply to shareholders with holdings in the form of American Depositary Receipts (ADR) or similar certificates. Holders of such certificates are advised to contact the ADR depositary bank, the fund manager or the issuer of the certificate in good time before the meeting in order to obtain additional information.

Individual shareholders requesting that a specific issue be included in the agenda of a shareholders' meeting can normally request the Electrolux Board to do so in good time prior to the meeting via an address provided on the Group's website.

Decisions at the meeting are normally taken on the basis of a simple majority. However, as regards certain issues, the Swedish Companies Act stipulates that proposals must be approved by shareholders representing a greater share of votes cast and shares represented at the meeting.

Annual General Meeting 2008

The AGM on April 1, 2008, was attended by shareholders representing 47.3% of the share capital and 58.1% of the voting rights in the company. The President's address was broadcast live via the Group's website and is also presented on www.electrolux.com/corpgov, together with the minutes and resolutions. The meeting was held in Swedish, with simultaneous interpretation into English.

The AGM decided, inter alia, to adopt the Board's proposal for a dividend of SEK 4.25 per share and to approve the Nomination Committee's proposal that Hasse Johansson be appointed new member of the Board. Marcus Wallenberg was re-elected as Chairman. The meeting also adopted the Board's proposed guidelines for remuneration to the Group Management of Electrolux, as well as the scope and main principles of the performance-based, long-term Electrolux share program 2008.

The Articles of Association of Electrolux were amended in accordance with the proposal of the Board. This included the approval of the proposal enabling the conversion of A-shares to B-shares on the request of the owners of A-shares. Furthermore, the changes entail that new C-shares can no longer be issued and that the Board is granted the possibility of appointing one or several special auditors in conjunction with the issue of shares, the reduction of share capital, the division of limited liability companies or similar significant events. Previously, only the General Meeting has been able to appoint auditors.

All Board members, as well as the Group's auditor in charge, were present at the meeting.

Annual General Meeting 2009

The next AGM of Electrolux will be held on March 31, 2009, at the Berwald Hall, Stockholm, Sweden.

For additional information on the AGM, see page 107.

Board of Directors

The Board of Directors

The members of the Board of Directors are elected by the AGM for one year at a time. In addition, employee representatives are appointed to the Board in accordance with Swedish legislation.

The Board's tasks

The main task of the Electrolux Board is to manage the Group's operations in such a manner as to assure the owners that their interests, in terms of a long-term good return on capital, are being met in the best possible manner. The Board's work is governed by rules and regulations including the Swedish Companies Act, the Articles of Association, the Code and the working procedures established by the Board. The Articles of Association of Electrolux are available on the Group's web site, www.electrolux.com/corpgov.

The Board deals with and decides on Group-related issues such as:

- Main goals
- Strategic orientation
- Important policies
- Essential issues related to financing, investments, acquisitions and divestments
- Follow-up and control of operations, communication and organization, including evaluation of the Group's operative management
- Appointment of and, if necessary, dismissal of the President
- Overall responsibility for establishing an effective system of internal control and risk management

Working procedures and Board meetings

The Board determines its working procedures each year and reviews them when necessary. The working procedures describe the Chairman's specific role and tasks, as well as the responsibilities delegated to the committees appointed by the Board.

In accordance with the procedures, the Chairman shall:

- Organize and distribute the Board's work
- Ensure that the Board discharges its duties
- Secure the efficient functioning of the Board
- Ensure that the Board's decisions are implemented efficiently
- Ensure that the Board evaluates its work annually

The working procedures for the Board also include detailed instructions to the President and other corporate functions regarding issues requiring 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 as regards credit limits, capital expenditure and other expenditure.

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 the election of Deputy Chairman and authorization to sign on behalf of the company. The Board normally holds six other ordinary meetings during the year. Four of these meetings are held in conjunction with publication of the Group's full-year 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 financial reporting

The working procedures determined annually by the Board include detailed instructions on the type of financial reports and similar information which is to be submitted to the Board. In addition to the full-year report, interim reports and the annual report, the Board reviews and evaluates comprehensive financial information regarding the Group as a whole and the entities within the Group.

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 in these principles. The tasks of the Audit Committee also include reviewing reports regarding internal control and financial reporting processes, as well as internal audit reports submitted by the Group's internal audit function, Management Assurance & Special Assignments.

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

The Audit Committee reports to the Board after each of its meetings. Minutes are taken at all meetings of the Audit Committee and are made 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 regards the focus of the Board's work. This evaluation also focuses on access to and requirements of special competence in the Board. The evaluation is a tool for the development of the Board's work and also serves as input for the Nomination Committee's work.

The Deputy Chairman of the Board undertakes a separate annual evaluation of the Chairman's work.

Composition of the Board

The Electrolux Board is comprised of nine members, without deputies, who are elected by the AGM for a period of one year. Three additional members, with deputies, are appointed by the Swedish employee organizations, in accordance with Swedish labor law. The AGM elects the Chairman of the Board. Directly after the AGM, the Board holds a meeting for formal constitution at which the Deputy Chairman of the Board is elected, among other things.

All members of the Board, except for the President, are non-executive members. Three of the nine Board members are not Swedish citizens.

For details of Board members, see Electrolux website www.electrolux.com/board_of_directors.aspx and page 108.

Composition of the Board[1)]

	Nationality	Independence[2)]	Audit Committee	Remuneration Committee	Total remuneration, SEK[3)]
Marcus Wallenberg, Chairman of the Board	SE	No		● Member	1,655,000
Peggy Bruzelius, Deputy Chairman of the Board	SE	Yes	● Chairman		750,000
Hasse Johansson	SE	Yes			475,000
John S. Lupo	US	Yes			475,000
Johan Molin	SE	Yes		● Member	530,000
Hans Stråberg, President and CEO	SE	No			–
Caroline Sundewall	SE	Yes	● Member		560,000
Torben Ballegaard Sørensen	DK	Yes	● Member		560,000
Barbara Milian Thoralfsson	US	Yes		● Chairman	595,000
Ola Bertilsson, Employee representative	SE	–			–
Gunilla Brandt, Employee representative	SE	–			–
Ulf Carlsson, Employee represantative	SE	–			–
Total					**5,600,000**

● Chairman (red)
● Member (blue)
1) For the period from the AGM 2008 to the AGM 2009.
2) For additional information, see Independence below.
3) For additional information, see Remuneration to Board members below.

Changes in the Board

- The AGM elected Hasse Johansson as a new member of the Board after Louis R. Hughes' decision to decline re-election.
- The AGM re-elected Marcus Wallenberg as Chairman of the Board.
- The meeting for formal constitution of the Board re-elected Peggy Bruzelius as Deputy Chairman.
- Johan Molin joined the Remuneration Committee as a new member.

Independence

The Board is considered to be in compliance with the requirements for independence of NASDAQ OMX Stockholm.

Marcus Wallenberg has been considered independent in relation to the company and the management of the company, but not in relation to major shareholders of Electrolux. Hans Stråberg has been deemed to be independent in relation to major shareholders of Electrolux, but not, in his capacity as President and CEO, in relation to the company and the management of the company. Hans Stråberg has no major shareholdings, nor is he a part-owner in companies that have significant business relations with Electrolux. As already mentioned, Hans Stråberg is the only member of Group Management with a seat on the Board.

The Board's work in 2008

During the year, the Board held eight scheduled and three extraordinary meetings. Seven of the scheduled meetings were held in Stockholm and one in Chicago, US. In connection with the latter, the Board visited several retailers.

All Board meetings during the year followed an agenda, which, together with the documentation for each item on the agenda, was sent to Board members in advance of the meetings. Meetings usually last for half a day or one entire day in order to allow time for presentations and discussions. Cecilia Vieweg, Electrolux General Council, served as secretary at all of the Board meetings.

Each scheduled Board meeting includes a review of the Group's results and financial position, as well as the outlook for the following quarters, as presented by the President and CEO. The meetings also deal with investments and the establishment of new operations, as well as acquisitions and divestments. The Board decides on all investments exceeding SEK 50m and receives reports on all investments between SEK 10m and SEK 50m. Normally, the head of a sector also reviews a current strategic issue at the meeting.

Major issues addressed by the Board

- Decision to decrease the number of employees within Major Appliances Europe by approximately 400 during 2008, entailing savings of SEK 350–400m on an annual basis.
- Discontinuing of the manufacturing of refrigerators in Scandicci, Italy, during the second six months of 2009, in order to concentrate production in Susegana, Italy.
- Decision that a so-called green range, consisting of products with high environmental performance, will be defined and implemented by each sector.
- Decision to reduce the number of employees by more than 3,000 worldwide, due to sharp market decline in demand in November and December.

Participation of the Board in 2008

	Board meetings	Committee meetings
Marcus Wallenberg	11/11	8/8
Peggy Bruzelius	10/11	5/5
Hasse Johansson (elected in April 2008)	8/9	
John S. Lupo	11/11	
Johan Molin (joined the Remuneration Committee in April 2008)	11/11	5/6
Hans Stråberg	11/11	
Caroline Sundewall	11/11	5/5
Torben Ballegaard Sørensen	11/11	5/5
Barbara Milian Thoralfsson	11/11	8/8
Louis R. Hughes (left in April 2008)	2/2	2/2
Ola Bertilsson	11/11	
Gunilla Brandt	11/11	
Ulf Carlsson	10/11	

Remuneration to Board members

Remuneration to Board members is determined by the AGM and distributed to the Board members who are not employed by Electrolux. Remuneration to the individual Board member took place in accordance with the decision of the AGM 2008 and was as follows:

- Chairman of the Board: SEK 1,600,000
- Deputy Chairman of the Board: SEK 550,000
- Director: SEK 475,000
- Chairman of the Audit Committee: SEK 200,000
- Member of the Audit Committee: SEK 85,000
- Chairman of the Remuneration Committee: SEK 120,000
- Member of the Remuneration Committee: SEK 55,000

The AGM 2008 also resolved to approve the Nomination Committee's proposal to pay a part of the remuneration to the Board in the form of so-called synthetic shares. The aim of providing synthetic shares is to further enhance the connection between the owners' and the Directors' common interest of a good long-term development for Electrolux. A synthetic share implies the right to receive, at a future point in time, payment of an amount equivalent to the market value of a B-share in the company at date of payment.

Board members who are not employed by Electrolux are not invited to participate in the Group's long-term incentive programs for senior managers and key employees.

Remuneration to the President is proposed by the Remuneration Committee and determined by the Board.

For additional information on remuneration to Board members and synthetic shares, see Note 27.

Remuneration Committee
Audit Committee

Committees

The Board has established a Remuneration Committee and an Audit Committee. The major tasks of these committees are preparatory and advisory, but the Board may delegate decision-making powers on specific issues to the committees. The members and Chairmen of the Committees are appointed at the Board meeting following election.

The Board has also determined that issues may be referred to ad hoc committees dealing with specific matters.

Remuneration Committee

The main task of the Remuneration Committee is to propose guidelines for remuneration to members of Group Management.

The Remuneration Committee proposes guidelines in terms of:

- Targets and principles for calculating variable compensation.
- Relationship between fixed and variable salary.
- Changes in fixed and variable salary.
- Criteria for assessment of variable salary, long-term incentives, pension terms and other benefits.

The Committee comprises three Board members: Barbara Milian Thoralfsson (Chairman), Johan Molin and Marcus Wallenberg. Louis R. Hughes was a member of the Remuneration Committee until the Annual General Meeting 2008. At least two meetings are convened annually. Additional meetings are held as needed.

The Remuneration Committee held six ordinary meetings and two extra meetings in 2008. Significant issues addressed included the follow-up of previously approved incentive programs and the review of the company's strategy for remuneration, relative to the external job market.

The Head of Human Resources and Organizational Development participated in the meetings and was responsible for preparations.

Audit Committee

The primary tasks of the Audit Committee are:

- To assist the Board in overseeing the accounting and financial reporting processes, including the effectiveness of disclosure controls and procedures.
- To assist the Board in overseeing the adequacy and effectiveness in internal control over financial reporting.

The Audit Committee also assists the Board in:

- Overseeing the audit of the financial statements, including related disclosures.
- 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 their replacement.

In addition, the Audit Committee is tasked with supporting the Nomination Committee in preparing proposals to the Audit Committee regarding external auditors and auditors' 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: Peggy Bruzelius (Chairman), Caroline Sundewall and Torben Ballegaard Sørensen. The external auditors report to the Committee at each ordinary meeting. At least three meetings are held annually. Additional meetings are held as needed.

In 2008, the Audit Committee held four scheduled meetings and one extra meeting. Electrolux managers have also had regular contacts with the Committee Chairman between meetings regarding specific issues. The Group's Chief Financial Officer and the Head of Internal Audit participated in the majority of the Audit Committee meetings. Cecilia Vieweg, General Counsel, was the secretary at all meetings.

External Audit

External auditors

The AGM in 2006 re-elected PricewaterhouseCoopers AB (PwC) as the Group's external auditors for a four-year period, until the AGM in 2010. Authorized public accountant Peter Clemedtson is the auditor in charge of Electrolux.

PwC provides an audit opinion regarding 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 SRS, which is the institute for the accountancy profession in Sweden (Swedish GAAS). The auditing standards issued by FAR SRS are based on international auditing standards 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 law or applicable regulations in the respective countries and as required by IFAC GAAS, including issuance of audit opinions for the various legal entities.

For additional information on the Group's auditors, see page 109. For details of fees paid to the auditors and their non-audit assignments in the Group, see Note 28.

Internal Audit

Internal control and risk management

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

The process of internal control and risk management has been developed to provide reasonable assurance that the Group's goals are met in terms of efficient operations, compliance with relevant laws and regulations and reliable financial reporting.

For additional information on internal control, see page 104. For additional information on risk management, see page 80.

Management and company structure

Electrolux operations are organized in six business sectors that include a total of 25 product lines. There are four Group staff units. The Group has a decentralized corporate structure in which the overall management of operative activities is largely performed by sector boards.

Group policies and guidelines

Electrolux aims at implementing strict norms and efficient processes to ensure that all operations create long-term value for shareholders and other stakeholders. This involves the maintenance of an efficient organizational structure, systems for internal control and risk management and transparent internal and external reporting.

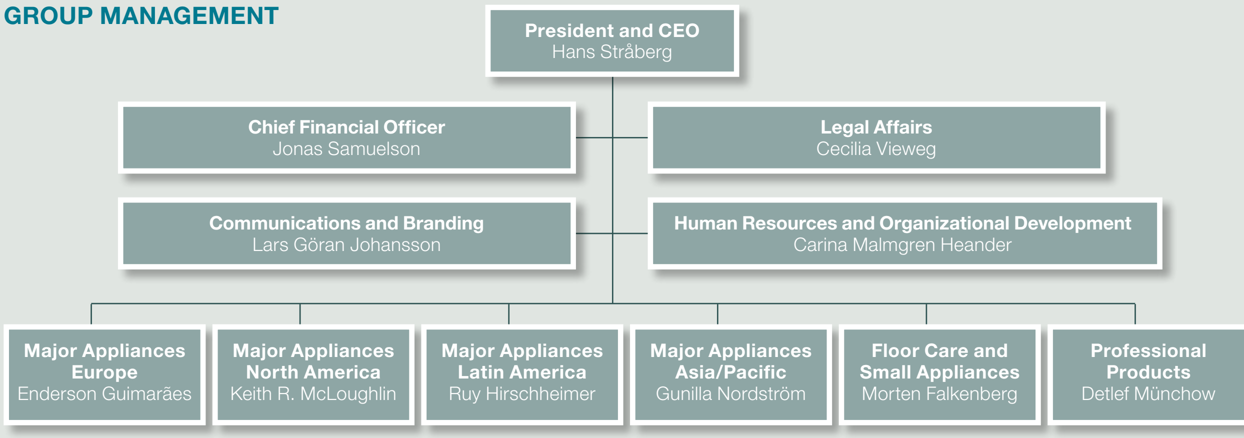
COMPASS was initiated during 2008 as a group-wide project. Its aim is to clarify joint processes and improve their efficiency in order to strengthen control and lower costs. Transparent information also allows better decision data to be developed.

Electrolux has determined that all of its operations will be undertaken on an environmentally, socially and ethically responsible basis. A proactive approach in this regard reduces risks, strengthens the brand, increases the motivation of personnel and ensures good relations with the individuals within the communities with which the Group interacts. Key policies in this context include the Electrolux Code of Ethics, the Electrolux Workplace Code of Conduct and the Electrolux Policy on Countering Corruption and Bribery.

The Electrolux People Vision is to have an innovative culture with diverse, outstanding employees that drive changes and go beyond in delivering on the Group's strategy and performance objectives. The Electrolux culture features diversity and innovation. Development of innovative products is a vital part of it. Diversity is a prerequisite for Electrolux ability to compete in a global market. Personnel with diverse backgrounds create greater understanding of consumer need in different countries.

For additional information on Electrolux People Vision, see page 44 in part 1.

GROUP MANAGEMENT



President and Group Management

President and Group Management

Group Management includes the President, the six sector heads and the four Group staff heads. The President is appointed by and receives instructions from the Board. The President, in turn, appoints other members of Group Management and is responsible for the 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, to update forecasts and plans and to discuss strategic issues.

For details of members of Group Management, see Electrolux website www.electrolux.com/group_management.aspx and page 110.

Changes in Group Management

- Ruy Hirschheimer, Head of Major Appliances Latin America, joined Group Management in January.
- Enderson Guimarães was appointed Head of Major Appliances Europe in September.
- Jonas Samuelson was employed as Chief Financial Officer in December.

Remuneration to Group Management

Remuneration guidelines for Group Management are resolved upon by the AGM, based on the proposal from the Board. Remuneration to the President and other members of Group Management is, then, resolved upon by the Board, based on proposals from the Remuneration Committee.

Remuneration may comprise fixed compensation, variable compensation in the form of short-term performance targets (up to 1 year) and long-term performance targets (3 years or longer), pension terms and benefits such as insurance. Variable compensation is based on both financial and non-financial targets. Electrolux strives to offer a total remuneration that is fair and competitive in relation to the home country or region of each Group Management member. Remuneration terms shall emphasize "pay for performance" and shall vary with the performance of the individual and the Group. The remuneration offered by Electrolux is to ensure that right personnel are recruited and retained.

For additional information on remuneration, remuneration guidelines, long-term incentive programs and pension benefits, see Note 22 and Note 27.

Business Sector Boards

Business sectors

The sector heads are members of Group Management and have responsibility for the income statements and balance sheets of their respective sectors. Within Major Appliances, the business sectors are geographically defined, while the sectors Professional Products and Floor Care and Small Appliances are global.

The overall management of the sectors is the responsibility of sector boards, which meet quarterly. The President is the chairman of all sector boards. The sector board meetings are attended by the President, the management of the respective sectors and the Chief Financial Officer. 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 respective product lines.

In the external reporting, the Group's operations are divided into five business sectors. Operations within Consumer Durables are divided into four geographic business areas: Europe, North America, Latin America and Asia/Pacific and Rest of world. Professional Products is the fifth business area.

Internal control over financial reporting

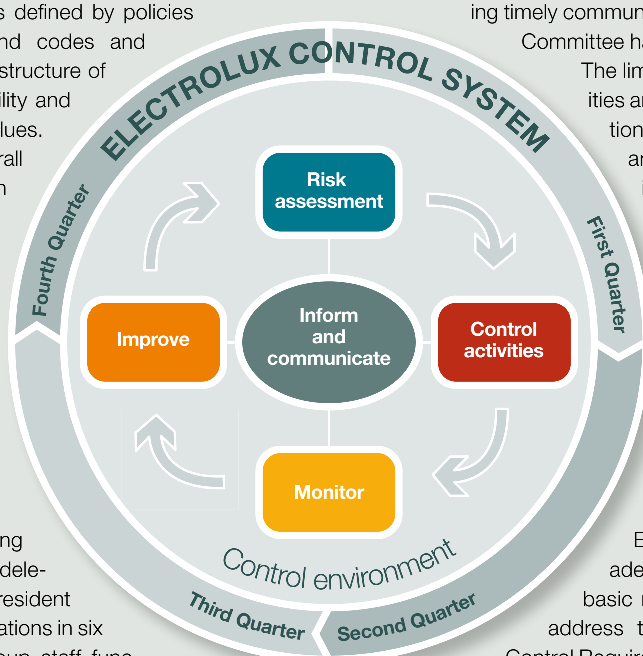
The Electrolux Control System (ECS) has been developed to ensure accurate and reliable financial reporting and preparation of financial statements in accordance with applicable laws and regulations, generally accepted accounting principles and other requirements for listed companies. The system is based on the framework for internal control issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). ECS adds value through clarified roles and responsibilities, improved process efficiency, increased risk awareness and improved decision support.

The objective of ECS is to **quality assure** the internal and external financial reporting.

Control environment

The foundation for the Electrolux Control System is the control environment, which determines the individual and collective behavior within the Group. It is defined by policies and procedures, manuals, and codes and enforced by the organizational structure of Electrolux with clear responsibility and authority based on collective values.

The Electrolux Board has overall responsibility for establishing an effective system of internal control. The governance structure of the Group is described on page 96. Specifically for financial reporting, the Board has established an Audit Committee, which assists in overseeing relevant manuals, policies and important accounting principles applied by the Group.



Responsibility for maintaining effective internal controls is delegated to the President. The President has organized the Group's operations in six business sectors and four Group staff functions as described on page 103. Group Management includes the President, the six sector heads and the four Group staff heads and they have ultimate responsibility for internal controls within their area of responsibility.

To further structure the responsibilities for certain areas globally, a number of internal bodies have been established for specific areas such as risk management, audit and internal control, IT, treasury, taxes, brands, products, purchasing and human resources. Specifically for purposes of considering the materiality of information, including financial reporting, relating to Electrolux and ensuring timely communication to the market,a Disclosure Committee has been formed.

The limits of responsibilities and authorities are given in instructions for delegation of authority, manuals, policies and procedures, and codes, including the Electrolux Code of Ethics, the Electrolux Workplace Code of Conduct, and the Electrolux Policy on Countering Bribery and Corruption, as well as in policies for information, finance and credit, and in the accounting manual. Responsibility for internal control is defined in the Electrolux Internal Control Policy. All entities within the Electrolux Group must maintain adequate internal controls. As a basic requirement, the controls should address the stipulated Minimum Internal Control Requirements (MICR) covering key risks.

Together with laws and external regulations, these internal guidelines form the control environment and all Electrolux employees are held accountable for compliance.

The Electrolux Control System Office, a department within the Internal Audit function, has developed the methodology and yearly time plan for maintaining the Electrolux Control System. To ensure timely completion of these activities, specific roles aligned with

Control environment — Example trade receivables

Accounting Manual. Rules for revenue recognition and calculation of provision for doubtful trade receivables.

Credit Policy. Rules for customer assessment and credit risk, clarifies responsibilities and is the framework for credit decisions.

Delegation of Authority Document. Details the approval rights, with monetary, volume or other appropriate limits, e.g., approval of credit limits and credit notes.

Internal Control Policy. Details responsibility for internal controls. Controls should address the Minimum Internal Control Requirements (MICR) within every applicable process, for example order to cash.

Electrolux Control System – Roles and responsibilities

Role	Sector/Group staff internal control coordinator	Reporting unit internal control coordinator	Process owner	Control operator	Management tester
Typically who	Senior person within the Finance organization in the Sector or Group Staff function.	Controller or CFO for the reporting unit.	Person with overall responsibility for the process, e.g., warehouse manager, purchase manager, sales manager.	Person performing the daily activities within the process, i.e. warehouse operator, accounts payable clerk, accounts receivable clerk.	Person with process knowledge but not performing daily activities in the process to ensure independence.
Main responsibilities	* Monitor and report on the effectiveness of controls. * Identify skilled resources to ensure sustainability.	* Plan, coordinate and monitor the timeliness of the documentation, testing and improvement of controls. * Support the process owners, control operators and management testers.	* Ensure that controls are implemented within the process. * Execute remediation, i.e., improvement activities when controls have been tested and deemed not effective.	* Document control descriptions. * Perform control activities. * Maintain evidence of control performed.	* Perform testing of controls. * Document and report test results.
Approximate number of roles assigned	15	110	415	3,700	150

the company structure, with clear responsibilities regarding internal control, have been assigned within the Group. Over the last five years, training and support have been provided to the thousands of persons with assigned ECS roles globally. The objective of the training has been to educate in risk and internal control and provide hands-on tools and techniques in order to effectively carry out the assigned responsibilities. These training sessions have been a mix of regional training sessions, computer based training modules and net meetings.

Risk assessment

Risk assessment includes identifying risks of not fulfilling the fundamental criteria, i.e., completeness, accuracy, valuation and reporting, for significant accounts in the financial reporting for the Group. Risks assessed also include risk of loss or misappropriation of assets.

At the beginning of each calendar year, the Electrolux Control System Office performs a global risk assessment to determine the reporting units, data centers and processes in scope for the ECS activities. Within the Electrolux Group, 18 different processes generating transactions that end up in significant accounts in the financial reporting have been identified. For each process, key risks are identified and documented.

Since 2004, all larger reporting units perform the ECS activities. These larger units cover approximately 70% of the total external sales and external assets of the Group.

During 2008, ECS has been rolled out to half of the smaller units within the Group. The scope for these units has been limited to four major processes and predetermined key risks within these. During 2009, the ECS activities will be implemented in the remainder of the smaller units.

Control activities

Control activities mitigate the risks identified and ensure the fulfilment of the fundamental criteria for financial reporting.

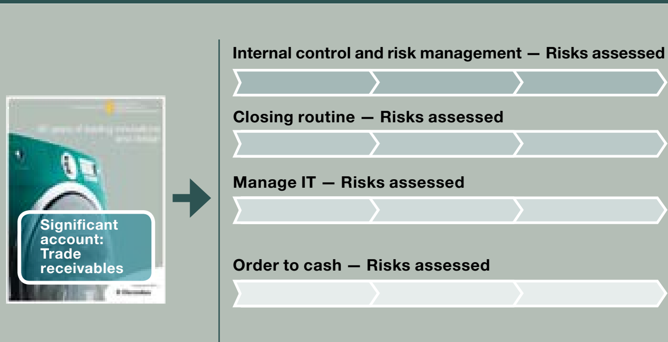
Control activities include both general and detailed controls aimed at preventing, detecting and correcting errors and irregularities. In the Electrolux Control System the following controls are implemented, documented and tested;

- Manual and application controls – to secure that key risks related to financial reporting within processes are controlled. Examples of important manual and application controls are ones over journal entries, reconciliations, access rights, master data and segregation of duties.
- IT general controls – to secure the IT environment for key applications. Examples of important IT general controls are ones over change management, user administration, production environment and back up procedures.
- Entity-wide controls – to secure and enhance the control environment within Electrolux. Examples of important entity-wide controls are ones over Group policies, accounting rules, delegation of authority and financial reviews.

Every calendar year, usually between March and May, the documentation of controls is updated and quality assured. Documentation comprises of both flowcharts of the process and descriptions of the control activities detailing out who performs the control, what he or she does and how often the control is performed. Each control activity documented is also evidenced, i.e., a document or file proving that the control actually has taken place is maintained.

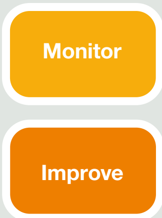
Controls are documented by the control operator and stored in a central web-based repository for process and control documentation.

Risk assessment — Example trade receivables



Control activities — Example trade receivables

Process	Risk assessed	Control activity	Type of control
Internal control and risk management	Risk of incorrect and inconsistent financial reporting.	Periodic controls to ensure that the Accounting Manual is updated, communicated and adhered to.	Entity-wide control
Closing routine	Risk of incorrect financial reporting.	Reconciliation between general ledger and accounts receivable sub-ledger is performed, documented and approved.	Manual control
Manage IT	Risk of unauthorized/incorrect changes in IT environment.	All changes in the IT environment are authorized, tested, verified and finally approved.	IT general control
Order to cash	Risk of not receiving payment from customers in due time.	Customers' payments are monitored and outstanding payments are followed up.	Manual control
Order to cash	Risk of incurring bad debt.	Application automatically blocks sales order/deliveries when the credit limit is exceeded.	Application control



Monitor and test of control activities is performed periodically to ensure that risks are properly mitigated.

The effectiveness of control activities are monitored continuously at four levels: Group, sector, reporting unit, and process. Monitoring involves both formal and informal procedures applied by management, process owners and control operators, including reviews of results in comparison with budgets and plans, analytical procedures, and key-performance indicators.

Within the Electrolux Control System, management is responsible for testing key controls. Management testers who are independent of the control operator perform these activities. The Group's Internal Audit function maintains test plans. Testing is usually performed between June and August each calendar year with some additional testing performed up to and at year-end.

Controls that have failed need to be remediated, which means establishing and implementing actions to correct weaknesses.

The Group's Internal Audit function is responsible for performing independent testing of selected controls. In addition, this function proactively proposes improvements to the control environment. The head of the Internal Audit function has dual reporting lines: To the President and the Audit Committee for assurance activities, and to the CFO for other activities.

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.

Results from testing of controls are monitored through the web-based tool. The test results from the larger reporting units are presented to the external auditors who assess the results of the testing performed by management and the Internal Audit function and determine to what extent they can rely upon the work within ECS for Group audit and statutory audit purposes. The external auditors' evaluation of ECS as part of the audit is reported to management as well as to the Audit Board and Audit Committee.

Inform and communicate

Inform and communicate within the Electrolux Group regarding risks and controls contributes to ensuring that the right business decisions are made.

Guidelines for 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 as well as information related to the Electrolux Control System. This information includes the methodology, instructions and hands-on checklists, description of the roles and responsibilities, and the overall time plan. Periodically, ECS News Alerts with topics such as frequently asked questions and updates to the methodology are published.

Inform and communicate is a central element of the ECS and is performed continuously during the year. Management, process owners and control operators in general are responsible for informing and communicating the results within the ECS. This is done through different sign-off procedures during the year.

The status of ECS activities is followed up continuously through status calls between the ECS Office and sector internal control coordinators. Information about the status of the ECS is provided periodically to relevant parties such as Sector and Group Management, the Audit Board and the Audit Committee.

Financial reporting and information

Electrolux routines and systems for information and communication aim at providing the market with relevant, reliable, correct and vital information concerning the development of the Group and its financial position. Electrolux has a communications policy meeting the requirements for a listed company.

Financial information is issued regularly in the form of:

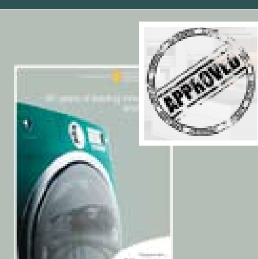
- Full-year reports and interim reports, published as press releases
- The Annual Report
- Press releases on all matters which could materially affect the share price
- Presentations and telephone conferences for financial analysts, investors and media representatives on the day of publication of full-year and quarterly results and in conjunction with the release of important news
- Meetings with financial analysts and investors in Sweden and worldwide

All reports, presentations and press releases are published simultaneously at www.electrolux.com/ir.

Test of controls and quality assurance

Management testers perform tests of controls in different test phases during the year.

The Internal Audit function performs independent testing of selected controls through desktop reviews and on-site re-performance of tests to ensure methodology is adhered to.



The final result after performing the ECS activities is a quality assured internal and external financial reporting.

Annual General Meeting

The Annual General Meeting will be held at 5 pm on Tuesday, March 31, 2009, at the Berwald Hall, Dag Hammarskjölds väg 3, Stockholm, Sweden.

Participation

Shareholders who intend to participate in the Annual General Meeting must

- be registered in the share register kept by Swedish central securities depository Euroclear Sweden AB (formerly VPC AB) on Wednesday, March 25, 2009, and
- give notice of intent to participate, thereby stating the number of assistants attending, to Electrolux on Wednesday, March 25, 2009.

Notice of participation

Notice of intent to participate can be given

- by mail to AB Electrolux, C-J, SE-105 45 Stockholm, Sweden
- by telephone +46 8 738 64 10, on weekdays between 9 am and 4 pm.
- by fax +46 8 738 63 35
- on the Internet on the Group's website, www.electrolux.com/agm

Notice should include the shareholder's name, registration number, if any, address and telephone number. Shareholders may vote by proxy, in which case a power of attorney should be submitted to Electrolux prior to the Annual General Meeting.

Proxy forms in Swedish and English are available on the company's website www.electrolux.com/agm.

Shares registered by trustee

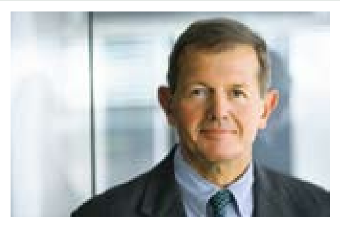
Shareholders that have their shares registered in the name of a nominee must, in addition to giving notice of participation in the meeting, temporarily be recorded in the share register in their own names (so called voting-rights registration) to be able to participate in the General Meeting. In order for such registration to be effectuated on Wednesday, March 25, 2009, shareholders should contact their bank or trustee well in advance of that date.

Dividend

The Board of Directors proposes that no dividend will be paid for 2008. Demand in the Group's main markets declined sharply throughout the world in 2008. The decline was particularly steep in the fourth quarter. Global demand for appliances is expected to continue to deteriorate in 2009. Electrolux is implementing a number of cost-reduction programs, which had an adverse effect on cash flow in 2008 and will have a similar effect on cash flow in 2009.

The Group's goal is for the dividend to correspond to at least 30% of income for the period, excluding items affecting comparability. Historically, the Electrolux dividend rate has been considerably higher than 30%. Electrolux also has a long tradition of high total distribution to shareholders that include repurchases and redemptions of shares as well as dividends. A zero dividend is in line with existing policy, with reference to the low income for the period.

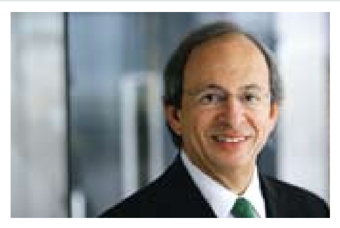
Board of Directors and Auditors



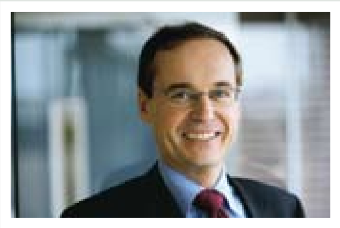
Marcus Wallenberg
Chairman
Born 1956. B. Sc. of Foreign Service. Elected 2005. Member of the Electrolux Remuneration Committee.
Board Chairman of SEB, Skandinaviska Enskilda Banken AB and Saab AB. Honorary Chairman of ICC (International Chamber of Commerce). Deputy Chairman of Telefon-aktiebolaget LM Ericsson. Board Member of Astra Zeneca Plc, Stora Enso Oyj, the Knut and Alice Wallenberg Foundation and Temasek Holdings Limited.
Previous positions: President and CEO of Investor AB, 1999–2005. Executive Vice-President of Investor AB, 1993–1999.
Holdings in AB Electrolux: 20,000 B-shares. Related party: 1,500 B-shares.

Peggy Bruzelius
Deputy Chairman
Born 1949. M. Econ. Hon. Doc. in Econ. Elected 1996. Chairman of the Electrolux Audit Committee.
Board Chairman of Lancelot Asset Management AB and the Swedish National Agency for Higher Education. Board Member of Axfood AB, Industry and Commerce Stock Exchange Committee, Axel Johnson AB, Akzo Nobel nv., Scania AB, Husqvarna AB, Syngenta AG and the Association of the Stockholm School of Economics.
Previous positions: Executive Vice-President of SEB, Skandinaviska Enskilda Banken AB, 1997–1998. President and CEO of ABB Financial Services AB, 1991–1997.
Holdings in AB Electrolux: 6,500 B-shares.

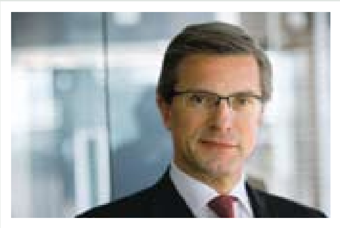
Hasse Johansson
Born 1949. M. Sc. in Electrical Engineering. Elected 2008. Executive Vice President and Head of Research and Development of Scania AB since 2001.
Previous positions: Founder of Mecel AB (part of Delphi Corporation). Senior management positions with Delphi Corporation, 1990–2001.
Holdings in AB Electrolux: 0 shares.



John S. Lupo
Born 1946. B. Sc. in Marketing. Elected 2007.
Board Member of Spectrum Brands Inc., Citi Trends Inc. and Cobra Electronics Corp., USA.
Previous positions: Principle of Renaissance Partners Consultants, 2000–2008. Executive Vice-President of Basset Furniture, 1998–2000. Chief Operating Officer of Wal-Mart International, 1996–1998. Senior Vice-President Merchandising of Wal-Mart Stores Inc., 1990–1996.
Holdings in AB Electrolux: 500 ADR.

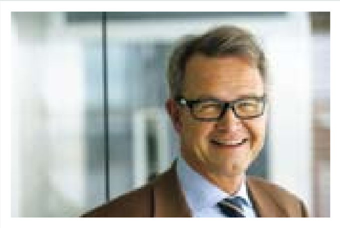


Johan Molin
Born 1959. B. Sc. in Econ. Elected 2007. Member of the Electrolux Remuneration Committee. President and CEO of ASSA ABLOY AB since 2005.
Board Member of ASSA ABLOY AB.
Previous positions: CEO of Nilfisk-Advance, 2001–2005. President of Industrial Air Division, Atlas Copco Airpower, Belgium, 1998–2001. Management positions within Atlas Copco, 1983–2001.
Holdings in AB Electrolux: 1,000 B-shares.



Hans Stråberg
President and CEO
Born 1957. M. Eng. Elected 2002. President and CEO of AB Electrolux since 2002.
Board Member of the Association of Swedish Engineering Industries, N Holding AB, Roxtec AB and the Confederation of Swedish Enterprise.
Previous positions: Joined Electrolux in 1983. Management positions in the Group until appointed President and CEO.
Holdings in AB Electrolux: 61,597 B-shares, 90,000 options.

Caroline Sundewall
Born 1958. M.B.A. Elected 2005. Member of the Electrolux Audit Committee. Independent Business consultant since 2001.
Board Member of TeliaSonera AB, Haldex AB, Lifco AB, Pågengruppen AB, Ahlsell AB and the Association of Exchange-listed Companies.
Previous positions: Business commentator at Finanstidningen, 1999–2001. Managing editor of the business desk section at Sydsvenska Dagbladet, 1992–1999. Business controller at Ratos AB, 1989–1992.
Holdings in AB Electrolux through company: 2,000 B-shares.



Torben Ballegaard Sørensen
Born 1951. M.B.A. Elected 2007. Member of the Electrolux Audit Committee.
Board Member of Egmont Fonden, LEGO A/S, Pandora Holding A/S and Monberg-Thorsen A/S, Denmark.
Previous positions: President and CEO of Bang & Olufsen a/s, 2001-2008. Executive Vice-President of LEGO System, 1999–2001. Divisional Director of LEGO System, 1996–1999. Managing Director of CCI Europe, 1988–1996. Managing Director of AA S Grafik, 1983–1988.
Holdings in AB Electrolux: 0 shares.

Barbara Milian Thoralfsson
Born 1959. M.B.A., B.A. Elected 2003. Chairman of the Electrolux Remuneration Committee. Director of Fleming Invest AS, Norway, since 2005.
Board Member of SCA AB, Storebrand ASA, Tandberg ASA, Fleming Invest AS, Stokke AS and Norfolier AS.
Previous positions: President of TeliaSonera Norway, 2001–2005. President of Midelfart & Co, 1995–2001. Leading positions within marketing and sales, 1988–1995.
Holdings in AB Electrolux through company: 10,000 B-shares.

Employee representatives, members

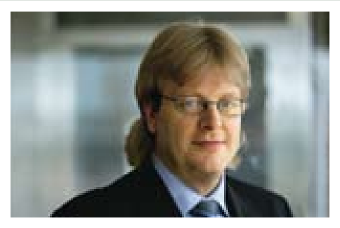
Ola Bertilsson
Born 1955. Representative of the Swedish Confederation of Trade Unions. Elected 2006.
Holdings in AB Electrolux: 0 shares.

Gunilla Brandt
Born 1953. Representative of the Federation of Salaried Employees in Industry and Services. Elected 2006.
Holdings in AB Electrolux: 0 shares.

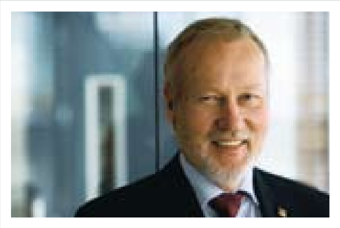
Ulf Carlsson
Born 1958. Representative of the Swedish Confederation of Trade Unions. Elected 2001.
Holdings in AB Electrolux: 0 shares.

Employee representatives, deputy members

Gerd Almlöf
Born 1959. Representative of the Federation of Salaried Employees in Industry and Services. Elected 2007.
Holdings in AB Electrolux: 0 shares.



Peter Karlsson
Born 1965. Representative of the Swedish Confederation of Trade Unions. Elected 2006.
Holdings in AB Electrolux: 0 shares.



Bengt Liwång
Born 1945. Representative of the Federation of Salaried Employees in Industry and Services. Elected 2005.
Holdings in AB Electrolux: 0 shares.

Secretary of the Board

Cecilia Vieweg
Born 1955. B. of Law. General Councel of AB Electrolux. Secretary of the Electrolux Board since 1999.
Holdings in AB Electrolux: 18,827 B-shares, 15,294 options.

Auditors

At the Annual General Meeting in 2006, Pricewaterhouse-Coopers AB (PwC) was re-elected as auditors for a four-year period until the Annual General Meeting in 2010.

Peter Clemedtson
PricewaterhouseCoopers AB
Born 1956. Authorized Public Accountant. Partner in Charge.
Other audit assignments: Telefonaktiebolaget LM Ericsson and SEB, Skandinaviska Enskilda Banken AB.
Holdings in AB Electrolux: 0 shares.

Björn Irle
PricewaterhouseCoopers AB
Born 1965. Authorized Public Accountant.
Holdings in AB Electrolux: 0 shares.

Holdings in AB Electrolux as of December 31, 2008.

Group Management

Hans Stråberg
President and CEO
Born 1957. M. Eng. In Group Management since 1998.
Joined Electrolux in 1983. Head of product area Dishwashers and Washing Machines, 1987. Head of product division Floor Care Products, 1992. Executive Vice-President of Frigidaire Home Products, USA, 1995. Head of Floor Care Products and Small Appliances and Executive Vice-President of AB Electrolux, 1998. Chief Operating Officer of AB Electrolux, 2001. President and CEO, 2002.
Board Member of the Association of Swedish Engineering Industries, N Holding AB, Roxtec AB and the Confederation of Swedish Enterprise.
Holdings in AB Electrolux: 61,597 B-shares, 90,000 options.

Morten Falkenberg
Head of Floor Care and Small Appliances, Executive Vice-President
Born 1958. B. Econ. In Group Management since 2006.
Sales/marketing positions in Carlsberg Group, Denmark, 1980–1987. Senior management positions within Coca-Cola Company, 1987–2000. Senior Vice-President of Alliances/Partnerships for TDC Mobile, 2001–2003. Joined Electrolux in 2003 as Head of Floor Care and Small Appliances Europe. Head of Floor Care and Small Appliances and Executive Vice-President of AB Electrolux, 2006.
Board member of Velux A/S.
Holdings in AB Electrolux: 13,138 B-shares, 0 options.

Enderson Guimarães
Head of Major Appliances Europe, Executive Vice-President
Born 1960. M.B.A. In Group Management since 2008.
Brand management and marketing manager with Procter & Gamble, Brazil, 1990–1991, and Johnson & Johnson, Canada, 1991–1997. Marketing Director with Danone, Brazil, 1997–1998. Senior management positions with Philips Electronics, Brazil and the Netherlands, 1998–2007. Joined Electrolux in 2008 as Senior Vice-President Product and Branding within Major Appliances Europe. Head of Major Appliances Europe and Executive Vice-President of AB Electrolux, 2008.
Holdings in AB Electrolux: 0 shares, 0 options.

Carina Malmgren Heander
Senior Vice-President, Human Resources and Organizational Development
Born 1959. B. Econ. In Group Management since 2007.
Project Director at Adtranz Signal (Bombardier), 1989–1998. Vice-President Human Resources of ABB AB, 1998–2003. Senior Vice-President Human Resources of Sandvik AB, 2003–2007. Joined Electrolux in 2007 as Senior Vice-President of Group Staff Human Resources and Organizational Development.
Board Member of Cardo AB and IFL at the Stockholm School of Economics.
Holdings in AB Electrolux: 0 shares, 0 options.

Ruy Hirschheimer
Head of Major Appliances Latin America, Executive Vice-President
Born 1948. M.B.A. Doctoral Program in Business Administration. In Group Management since 2008.
Executive Vice-President of Alcoa Aluminum, Brazil, 1983–1986. President and CEO of J.I. Case Brazil, 1990–1994. President and CEO of Bunge Foods, 1994–1997. Senior Vice-President of Bunge International Ltd., USA, 1997–1998. Joined Electrolux in 1998 as Head of Brazilian Major Appliances operations. Head of Major Appliances Latin America, 2002. Executive Vice-President of AB Electrolux, 2008.
Holdings in AB Electrolux: 33,621 B-shares, 5,000 options.

Lars Göran Johansson
Senior Vice-President, Communications and Branding
Born 1954. M. Econ. In Group Management since 1997.
Account Executive of KREAB Communications Consultancy, 1978–1984, President, 1985–1991. Headed the Swedish "Yes to the EU Foundation" campaign for the referendum that determined Sweden's membership in the EU, 1992–1994. Joined Electrolux in 1995. Communications and Branding include responsibility for Investor Relations as well as Public and Environmental Affairs.
Holdings in AB Electrolux: 19,327 B-shares, 19,902 options.

Keith R. McLoughlin
Head of Major Appliances North America, Executive Vice-President
Born 1956. B.S. Eng. In Group Management since 2003.
Senior management positions with DuPont, USA, 1981–2003. Vice-President and General Manager of DuPont Nonwovens, 2000–2003, and of DuPont Corian, 1997–2000. Joined Electrolux in 2003 as Head of Major Appliances North America and Executive Vice-President of AB Electrolux. Also Head of Major Appliances Latin America, 2004–2007.
Board Member of Briggs & Stratton Corp.
Holdings in AB Electrolux: 29,125 B-shares, 0 options.

Detlef Münchow
Head of Professional Products, Executive Vice-President
Born 1952. M.B.A. Ph.D. Econ. In Group Management since 1999.
Member of senior management of Knight Wendling/Wegenstein AG, Germany, 1980–1989, and GMO AG, 1989–1992. FAG Bearings AG, 1993–1998, as Chief Operating Officer of FAG Bearings Corporation, USA. Joined Electrolux in 1999 as Head of Professional Indoor Products and Executive Vice-President of AB Electrolux.
Holdings in AB Electrolux: 44,828 B-shares, 0 options.

Gunilla Nordström
Head of Major Appliances Asia/Pacific, Executive Vice-President
Born 1959. M. Sc. In Group Management since 2007.
Senior management positions with Telefonaktiebolaget LM Ericsson and Sony Ericsson in Europe, Latin America and Asia, 1983–2005. President of Sony Ericsson Mobile Communications (China) Co. Ltd. and Corporate Vice-President of Sony Ericsson Mobile Communications AB, 2005–2007. Joined Electrolux in 2007 as Head of Major Appliances Asia/Pacific and Executive Vice-President of AB Electrolux.
Holdings in AB Electrolux: 0 shares, 0 options.

Jonas Samuelson
Chief Financial Officer
Born 1968. M. Sc. in Business Administration and Economics.
In Group Management since 2008.
Business development and finance positions in General Motors, USA, 1996–1999. Treasurer and Director Commercial Finance and Business Support in Saab Automobile AB, 1999–2001. Senior management positions within controlling and finance in General Motors North America, 2001–2005. Chief Financial Officer of Munters AB, 2005–2008. Joined Electrolux in 2008 as Chief Financial Officer.
Holdings in AB Electrolux: 0 shares, 0 options.

Cecilia Vieweg
General Councel, Senior Vice-President
Born 1955. B. of Law. In Group Management since 1999.
Attorney of Berglund & Co Advokatbyrå, 1987–1990. Corporate Legal Counsel of AB Volvo, 1990–1992. General Counsel of Volvo Car Corporation, 1992–1997. Attorney and partner of Wahlin Advokatbyrå, 1998. Joined Electrolux in 1999 as Senior Vice-President and General Counsel, with responsibility for legal, intellectual property, risk management and security matters.
Board Member of Haldex AB.
Holdings in AB Electrolux: 18,827 B-shares, 15,294 options.

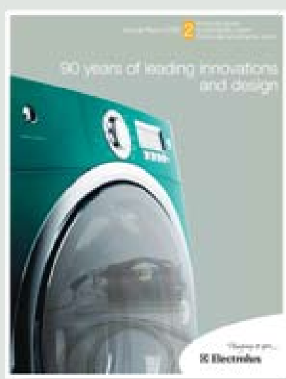
Holdings in AB Electrolux as of December 31, 2008.

Events and reporting

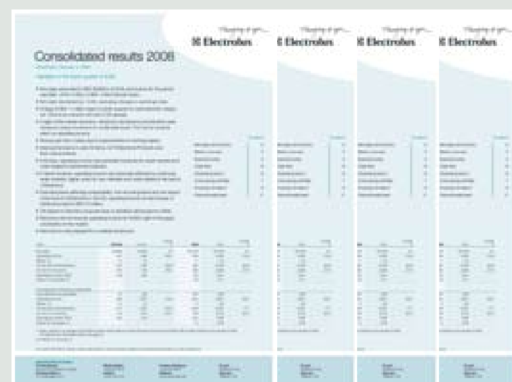
On the Electrolux website www.electrolux.com/ir you will find additional and up-dated information about, for instance, the Electrolux shares, financial statistics and corporate governance. On the website you can also read more about our sustainability work.

Electrolux Annual Report 2008 consists of two parts:

- Operations and strategy
- Financial review, Sustainability report and Corporate governance report



Electrolux Interim Reports can be found at www.electrolux.com/ir



Financial reports and major events in 2009

2009

Consolidated results, February 4

Annual report, week 10

Annual General Meeting, March 31

Interim report January–March, April 22

Interim report January–June, July 16

Interim report January–September, October 26

2010

www.electrolux.com/ir

Investor Relations

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Thinking of you

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