

Corporate governance report 2007

The governance of Electrolux is based on the Swedish Companies Act and the regulatory system of the OMX Nordic Exchange Stockholm, including the Code of Corporate Governance (the “code”), as well as other relevant Swedish and foreign laws and regulations.

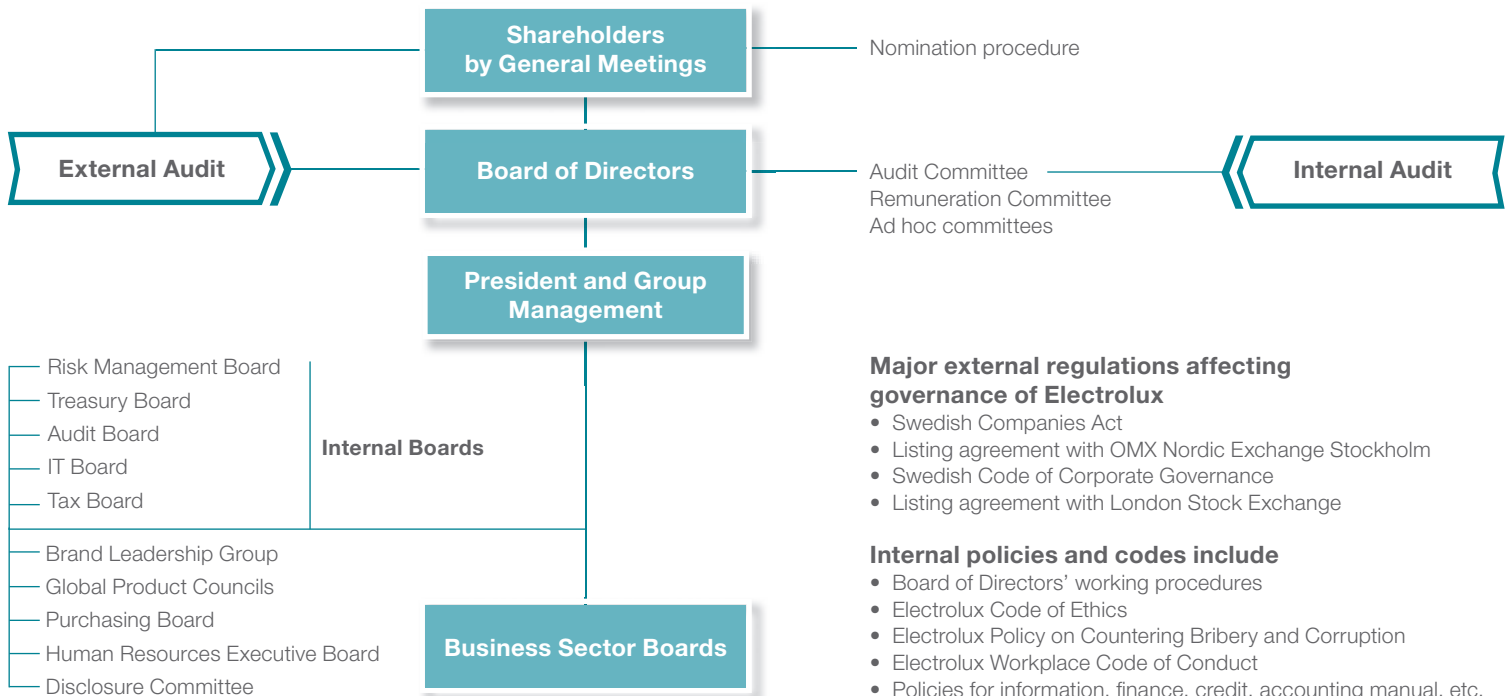
Electrolux applies the code. This corporate governance report is drawn up as a part of the application. The report has not been audited by the Group’s external auditors.

Electrolux does not report any deviations from the code in 2007, except as regards the composition of the Board’s Remuneration Committee, see page 91 for additional information.

Highlights of 2007

- Three new members in Group Management.
- Electrolux deregistered from the U.S. Securities and Exchange Commission (SEC). The ADR facility remains.
- Following deregistration from the SEC, work on internal control is continuing in the form of Electrolux Control System (ECS).
- The Annual General Meeting elected Marcus Wallenberg as new Chairman of the Board.
- Capital was distributed to shareholders by redemption of shares.

Governance structure



Major external regulations affecting governance of Electrolux

- Swedish Companies Act
- Listing agreement with OMX Nordic Exchange Stockholm
- Swedish Code of Corporate Governance
- Listing agreement with London Stock Exchange

Internal policies and codes include

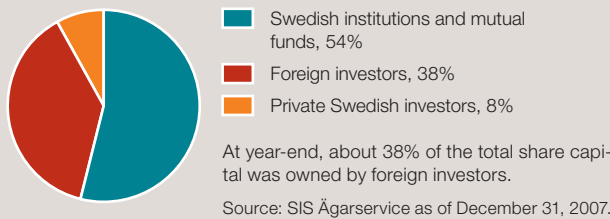
- Board of Directors’ working procedures
- Electrolux Code of Ethics
- Electrolux Policy on Countering Bribery and Corruption
- Electrolux Workplace Code of Conduct
- Policies for information, finance, credit, accounting manual, etc.
- Processes for internal control and risk management

The Electrolux Group comprises more than 180 companies with operations in over 50 countries worldwide. The parent company of the Group is AB Electrolux, a Swedish limited liability company, registration number 556009-4178. The registered office of the Board of Directors is in Stockholm, Sweden, and the registered address of the company is S:t Göransgatan 143, SE-105 45 Stockholm.

Ownership structure

Electrolux shares are registered in the share register kept by the Swedish Central Securities Depository & Clearing Organization (VPC AB). According to the share register at year-end 2007, the Group had a total of approximately 52,700 shareholders.

Investor AB is the largest shareholder, with 11.9% of the share capital and 28.2% of the voting rights. 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 VPC.



The total number of Electrolux shareholders in Sweden at year-end was approximately 49,800.

Information on shareholders and their holdings is updated quarterly at the Group's web site, www.electrolux.com/corpgov.

Major shareholders

	Share capital, %	Voting rights, %
Investor AB	11.9	28.2
Barclays Global Investors	10.0	7.8
Alecta Pension Insurance	7.8	7.2
Swedbank Robur Funds	2.9	2.3
Fourth Swedish National Pension Fund	1.8	1.4
Second Swedish National Pension Fund	1.6	1.3
Didner & Gerge Mutual Fund	1.5	1.2
AMF Pension	1.5	1.1
SEB Funds	1.4	1.1
Handelsbanken/SPP Investment Funds	1.3	1.1
Total, ten largest shareholders	41.7	52.7
Board of Directors and Group Management, collectively	0.05	0.04

Source: SIS Ågarservice as of December 31, 2007. The figures have been rounded off.

Voting rights

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

Nomination procedure for election of Board members and auditors

The nomination process for members of the Board of Directors involves appointing a Nomination Committee consisting of six members. The Committee should consist of one representative of each of the four largest shareholders in the company with regard

to the number of votes held who wish to appoint such representatives, together with the Chairman of the Board (who should convene the first meeting) 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 Nomination Committee shall be composed based on shareholder statistics from VPC as of the last banking day in April in the year prior to the AGM and other reliable shareholder information, which has been 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 the following issues:

- Chairman of the AGM
- Board members
- Chairman of the Board
- Remuneration of individual Board members
- Remuneration for committee work
- Nomination Committee for the next year

The Nomination Committee is also entrusted with submitting proposals to the AGM on the election of auditors and auditors' fees, when these matters are to be decided by the following AGM. The Nomination Committee is assisted in this regard by the Audit Committee, which evaluates the auditors' work and informs the Nomination Committee of its findings.

The Nomination Committee's proposals as well as a report on how the Nomination Committee has conducted its work will be publicly announced no later than 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 in 2008 was composed on the basis of the share register as of April 30, 2007, and was announced in a press release on May 31, 2007.

The Nomination Committee members are:

- Petra Hedengran, Investor AB, Chairman
- Ramsay J. Brufer, Alecta Pension Insurance
- Marianne Nilsson, Swedbank Robur Funds
- Rune Andersson, Mellby Gård AB
- Marcus Wallenberg, Chairman of Electrolux
- Peggy Bruzelius, Deputy Chairman of Electrolux

As of February 5, 2008, no changes in the composition of the Committee had occurred. Shareholders who wish to submit proposals to the Nomination Committee should send an e-mail to nominationcommittee@electrolux.com.

General Meetings of shareholders

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

Participation in decision-making requires the shareholder's presence at the meeting, either personally or through a proxy. In addition, the shareholder must be registered in the share register as of a prescribed date prior to the meeting and must provide notice of participation in due course. Additional requirements for participation apply for shareholders with holdings in the form of

ADRs or similar certificates. Holders of such certificates are advised to contact the ADR depository bank, the fund manager or the issuer of the certificate in good time before the meeting in order to obtain additional information.

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

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

The AGM is held annually in Stockholm, Sweden, during the first half of the year. The meeting decides on adoption of the annual report, dividend, remuneration to Board members and auditors, election of Board members and auditors, if applicable, guidelines for remuneration to Group Management and other important matters.

The AGM on April 16, 2007, was attended by shareholders representing 39.2% of the share capital and 52.0% of the voting rights in the Company. The minutes of the AGM are available at www.electrolux.com/corpgov. The AGM decided, inter alia, to adopt the Board's proposal for a dividend of SEK 4 per share and to approve the Nomination Committee's proposal for Marcus Wallenberg as new Chairman. All Board members as well as the Group's auditor in charge were present at the meeting.

Extraordinary General Meetings (EGM) may be held at the discretion of the Board of Directors or, if requested, by the auditors or by shareholders owning at least 10% of the shares.

The Board of Directors

The Board's tasks

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

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

Working procedures and meetings

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

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

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

Ensuring quality in financial reporting

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

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

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

The Audit Committee reports to the Board after all its meetings. Minutes are taken at all meetings of the Audit Committee and are 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 the alignment of the Board's work. The evaluation also focuses on access to and requirements for special competence. The evaluation is a tool for the development of the Board's work and also serves as input for the Nomination Committee's nomination process.

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

Composition of the Board

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

With the exception of the President, the members of the Board are non-executives. Four of the nine members are not Swedish citizens.

For additional information on Board members, see www.electrolux.com/board_of_directors.aspx and page 92.

Composition of the Board¹⁾

	Nationality	Independence ²⁾	Audit Committee	Remuneration Committee	Total remuneration, SEK ³⁾	Participation 2007	
						Board meetings	Committee meetings
Marcus Wallenberg Chairman of the Board	SE	No		●	1,550,000	100%	100%
Peggy Bruzelius Deputy Chairman of the Board	SE	Yes	●		675,000	100%	100%
Louis R. Hughes	US	Yes		●	487,500	100%	90%
John S. Lupo	US	Yes			437,500	100%	
Johan Molin	SE	Yes			437,500	88%	
Hans Stråberg President and CEO	SE	No			—	100%	
Caroline Sundewall	SE	Yes	●		512,500	100%	100%
Torben Ballegaard Sørensen	DK	Yes	●		512,500	88%	100%
Barbara Milian Thoralfsson	US	Yes		●	537,500	100%	100%
Ola Bertilsson Employee representative	SE	—			—	100%	
Gunilla Brandt Employee representative	SE	—			—	100%	
Ulf Carlsson Employee representative	SE	—			—	100%	
Total					5,150,000		

- Chairman
- Member

1) For the period from the AGM 2007 to the AGM 2008.

2) According to the Nomination Committee prior to the AGM 2007. For more information, see Independence below.

3) For more information, see Remuneration to Board members below.

Independence

The Board is considered to be in compliance with the requirements for independence stipulated by the OMX Nordic Exchange Stockholm and the Swedish Code of Corporate Governance. All directors elected by the AGM, with the exception of Marcus Wallenberg (Chairman) and Hans Stråberg (President), have been considered independent by the Nomination Committee prior to the AGM 2007, both in relation to major shareholders of Electrolux and in relation to Electrolux and the management of the company.

Marcus Wallenberg has not been considered independent, neither in relation to the major shareholders in Electrolux, nor in relation to the company or the management of the company. Marcus Wallenberg is, inter alia, Chairman of the Board of Directors of SEB, Skandinaviska Enskilda Banken, with which bank Electrolux has extensive business relations.

Hans Stråberg has been considered 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.

Remuneration to Board members

Remuneration to Board members is authorized by the AGM and distributed to the Board members who are not employed by the Group. Remuneration to Board members in accordance with the decision of the AGM on April 16, 2007, is as follows:

- Chairman of the Board: SEK 1,500,000
- Deputy Chairman of the Board: SEK 500,000
- Director: SEK 437,500

- Chairman of the Audit Committee: SEK 175,000
- Member of the Audit Committee: SEK 75,000
- Chairman of the Remuneration Committee: SEK 100,000
- Member of the Remuneration Committee: SEK 50,000

Remuneration to the President is proposed by the Remuneration Committee and authorized by the Board of Directors. Board members who are not employed by Electrolux are not invited to participate in the Group's long-term incentive programs, nor in any outstanding share or share-price incentive schemes.

The Board of Directors adopted after the AGM in 2006, upon the recommendation of the Nomination Committee, a policy according to which the members of the Board of Directors each year shall use 25% of the remuneration, net of taxes, for purchase of shares in Electrolux. The intention is that shares that are acquired for part of the director's remuneration shall be kept for as long as the Board member remains a member of the Board. This policy remained in place in 2007.

For additional information on remuneration to Board members, see Note 27 on page 61.

Changes in the Board in 2007

- The AGM in April 2007 elected Marcus Wallenberg as new Chairman of the Board after Michael Treschow's decision to decline re-election.
- John S. Lupo, Johan Molin and Torben Ballegaard Sørensen were elected as new directors.
- The meeting for formal constitution of the Board re-elected Peggy Bruzelius as Deputy Chairman.
- Barbara Milian Thoralfsson was elected as Chairman of the Remuneration Committee.
- On the Audit Committee, Torben Ballegaard Sørensen joined as a new member.

Board of Directors

Marcus Wallenberg, Chairman

Born 1956. B. Sc. Elected 2005.

Board Chairman of SEB, Skandinaviska Enskilda Banken AB, Saab AB and ICC (International Chamber of Commerce). Deputy Chairman of Telefonaktiebolaget LM Ericsson. Board Member of AstraZeneca Plc, Stora Enso Oyj, Foundation Asset Management AB and The Knut and Alice Wallenberg Foundation.

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.

Board Chairman of Lancelot Asset Management AB and 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.

Louis R. Hughes

Born 1949. B.S., Mech. Eng., M.B.A. Elected 2005.

Board Chairman and CEO of GBS Laboratories, USA. Non-executive Chairman of Maxager Technology. Board Member of ABB Ltd, AkzoNobel nv, and Sulzer AG. Member of the Supervisory Board of MTU Aero Engines Holding AG. Board Member of AB Electrolux 1996 until 2004, when he was appointed Chief of Staff for a group of senior US government advisors to the Afghanistan government. Member of the British Telecom US Advisory Council.

Previous positions: Executive Vice-President of General Motors Corporation, 1992–2000.

Holdings in AB Electrolux: 1,260 ADRs.

John S. Lupo

Born 1946. B.Sc. Elected 2007. Principal of Renaissance Partners, USA, since 2000.

Board Member of Spectrum Brands Inc., Citi Trends Inc. and Cobra Electronics.

Previous positions: Executive Vice-President of Bassett 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: 200 ADRs.

Johan Molin

Born 1959. B.Sc. in Econ. Elected 2007. 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 in 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, AB Ph. Nederman & Co., Nederman Holding AB and Roxtec AB.

Previous positions: Joined Electrolux in 1983. Management positions in the Group until appointed President and CEO.

Holdings in AB Electrolux: 39,590 B-shares, 90,000 options.

Caroline Sundewall

Born 1958. M.B.A. Elected 2005. Independent Business consultant since 2001.

Board Member of Swedbank AB, TeliaSonera AB, Haldex AB, Lifco AB, Pågen-gruppen AB, Ahlsell AB, Getupdated 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.

Board Member of Egmont Fonden and LEGO 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. Director of Fleming Invest AS, Norway, since 2005.

Board Member of SCA AB, Storebrand ASA, Tandberg ASA, Rieber & Son ASA, Fleming Invest AS, Stokke AS and Norfolier AS.

Previous positions: President of TeliaSonera Norway, 2001–2005. President of Midelfart & Co, 1995–2001, and on positions within marketing and sales, 1988–1995.

Holdings in AB Electrolux through company: 4,000 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 Counsel of AB Electrolux. Secretary of the Electrolux Board since 1999.

Holdings in AB Electrolux: 7,823 B-shares, 15,294 options.

Auditors

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.

At the Annual General Meeting in 2006, PricewaterhouseCoopers (PwC) was re-elected as auditors for a four-year period until the Annual General Meeting in 2010.

Holdings in AB Electrolux as of December 31, 2007.

The Board's work in 2007

During the year, the Board held eight scheduled and one extraordinary meeting. In addition, three per capsulam meetings were held to decide on urgent matters. Seven of the scheduled meetings were held in Stockholm and one in Poland. In connection with the latter, the Board visited one of Electrolux plants in Poland, as well as several retailers.

Each scheduled Board meeting includes a review of the Group's results and financial position as well as the outlook for the following quarters, which is 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 that exceed 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.

The Group's auditors attended the Board meeting held in February 2007, which approved the Annual Report for 2006. All Board meetings during the year followed an approved agenda, which together with documentation for each item was sent to all Board members in advance of the meeting. Cecilia Vieweg, Head of Group Staff Legal Affairs, was the secretary at all Board meetings.

Major Board topics in 2007

Major topics dealt with by the Board in 2007 comprised:

- Development of the Group's strategy and organization
- Restructuring, primarily in terms of relocation of production
- Deregistration from the SEC
- Clearer integration of sustainability considerations in operations
- Product development and brand strategy

Committees

The Board has established a Remuneration Committee and an Audit Committee. The main tasks of the committees are preparatory and advisory. In addition, the Board may delegate decision-making powers on specific issues to the committees.

The Board has also decided that issues may be referred to ad hoc committees that deal 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 such guidelines in terms of:

- Targets and principles for calculating variable compensation
- The 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, see page 91. At least two meetings are convened annually. Additional meetings are held as needed.

As mentioned above, it was determined that the Committee member Marcus Wallenberg was not considered independent of the company and company management as required. However, the Electrolux Board is of the opinion that the business relations with Marcus Wallenberg do not affect his tasks in the Remuneration Committee, and that the company benefits from Marcus Wallenberg's expertise in terms of his work on this committee.

The Remuneration Committee held six ordinary meetings and four extra meetings in 2007. Major issues considered during the year included suggestion to a long-term incentive program.

The Head of Group Staff Human Resources and Organizational Development participated in the meetings and was responsible for preparations.

Audit Committee

The primary tasks of the Audit Committee is to:

- Assist the Board in overseeing the accounting and financial reporting processes, including the effectiveness of disclosure controls and procedures
- Assist the Board in overseeing the adequacy and effectiveness in internal control of financial reporting

The Audit Committee also assists the Board of Directors in:

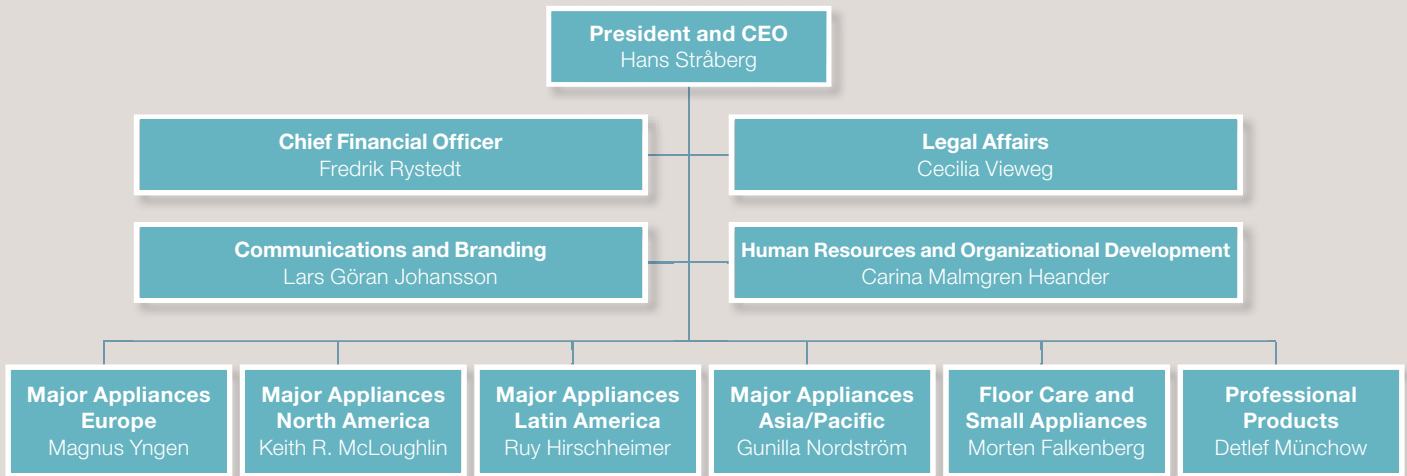
- Overseeing the audit of the financial statements including related disclosures
- Pre-approving audit and non-audit services to be provided by the external auditors
- Reviewing the objectivity and independence of the external auditors
- Overseeing the work of the external auditors, evaluating the external auditors' performance and, if necessary, recommending their replacement.

In addition, the Audit Committee is tasked with supporting the Nomination Committee in preparing proposals to them 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. During the year, the Committee worked on preparations for Electrolux deregistration from the SEC.

The Audit Committee comprises three Board members, see page 91. 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 2007, the Audit Committee held five 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 Fredrik Rystedt and the Head of Internal Audit participated in most of the Audit Committee's meetings. Other Electrolux managers also participated in relation to specific issues. Cecilia Vieweg, Head of Group Staff Legal Affairs, was the secretary at all meetings.

Group Management



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 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 maintaining an efficient organizational structure, systems for internal control and risk management and transparent internal and external reporting.

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

Electrolux has determined that the performance of operations shall be environmentally compatible as well as socially and ethically responsible. A proactive approach in this regard reduces risks, strengthens the brand, increases the motivation of personnel and ensures good relations with the societies in which the Group operates. 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 Group has a well-established Electrolux People Process, which provides support at Group level for managers with regard to recruitment and development of employees. The process also aims at ensuring that individuals are treated fairly by the company.

For additional information on the Electrolux People Process, see page 23.

Group Management

In addition to the President, Group Management includes 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 ongoing management of the Group in accordance with the Board's guidelines and instructions.

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

Changes in Group Management

Three new members joined Group Management:

- Gunilla Nordström was employed as Head of Major Appliances Asia/Pacific in August 2007.
- Carina Malmgren Heander was employed as Head of Group Staff Human Resources and Organizational Development in November 2007. She succeeded Harry de Vos.
- Ruy Hirschheimer, Head of Major Appliances Latin America, joined Group Management in January 2008.

Business sectors

The sector heads have responsibility for the income statement and balance sheets of their respective sectors. 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 terms of external reporting structure, Group operations are divided into five business areas. Operations in Consumer Durables comprise four geographical areas, i.e., Europe, North America, Latin America as well as Asia/Pacific and Rest of world. Professional Products is the fifth business area.

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, AB Ph. Nederman & Co., Nederman Holding AB and Roxtec AB.

Holdings in AB Electrolux: 39,590 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.

Holdings in AB Electrolux: 5,868 B-shares, 0 options.

Carina Malmgren Heander

Head of Group Staff Human Resources and Organizational Development, Senior Vice-President

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 Seco Tools AB, 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: 13,972 B-shares, 5,000 options.

Lars Göran Johansson

Head of Group Staff Communications and Branding, Senior Vice-President

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 as Senior Vice-President of Communications and Public Affairs.

Holdings in AB Electrolux: 8,323 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: 11,427 B-shares, 0 options.

Detlef Münchow

Head of Professional Products, Executive Vice-President

Born 1952. M.B.A. PhD 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: 18,627 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.

Fredrik Rystedt

Chief Financial Officer

Born 1963. M. Econ. In Group Management since 2001. Joined Electrolux Treasury Department in 1989. Subsequently held several positions within the Group’s financial operations. Head of Mergers and Acquisitions, 1996. Head of Business Development of Sapa AB, 1998, Chief Financial Officer, 2000. Rejoined Electrolux in 2001 as Chief Administrative Officer, responsible for Controlling, Accounting, Taxes and Auditing. Chief Financial Officer and responsible also for Group Treasury, 2004, and for IT, 2005.

Holdings in AB Electrolux: 13,156 B-shares, 28,960 options.

Cecilia Vieweg

General Counsel, Senior Vice-President

Born 1955. B. of Law. In Group Management since 1999. Attorney with Berglund & Co Advokatbyrå, 1987–1990. Corporate Legal Counsel of AB Volvo, 1990–1992. General Counsel of Volvo Car Corporation, 1992–1997. Attorney and partner in Wahlén Advokatbyrå, 1998. Joined Electrolux in 1999 as Senior-Vice President and General Counsel, responsible for legal, intellectual property, risk management and security matters.

Board Member of Haldex AB.

Holdings in AB Electrolux: 7,823 B-shares, 15,294 options.

Magnus Yngen

Head of Major Appliances Europe, Executive Vice-President

Born 1958. M. Eng. Lic. Tech. In Group Management since 2002. International sales and marketing positions, 1988–1995. Joined Electrolux in 1995 as Technical Director in the direct sales operation LUX. Head of Floor Care International operations, 1999. Head of Floor Care Europe, 2001. Head of Floor Care and Small Appliances and Executive Vice-President of AB Electrolux, 2002. Head of Major Appliances Europe, 2006.

Holdings in AB Electrolux: 7,823 B-shares, 20,783 options.

Holdings in AB Electrolux as of December 31, 2007.

Remuneration to Group Management

Remuneration guidelines for Group Management are decided by the AGM based on the proposal from the Board of Directors. Remuneration to the President and other members of Group Management is then resolved upon by the Board, based on proposals from the Remuneration Committee.

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 vary with the performance of the individual and the Group.

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. Value created is the most important financial indicator.

For detailed information on remuneration, remuneration guidelines, long-term incentive programs and pension benefits, see Note 22 on page 53 and Note 27 on page 61.

Value creation

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

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

For details of the value-creation concept, see Note 31 on page 67.

Internal control and risk management

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 information on internal control of financial reporting, see “Internal control of financial reporting” below.

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

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

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

The process for internal control and risk management generates valuable information regarding business objectives, risks and control activities. Communicating on a timely basis throughout the

Group contributes to ensuring that the right business decisions are made.

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

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

External auditors

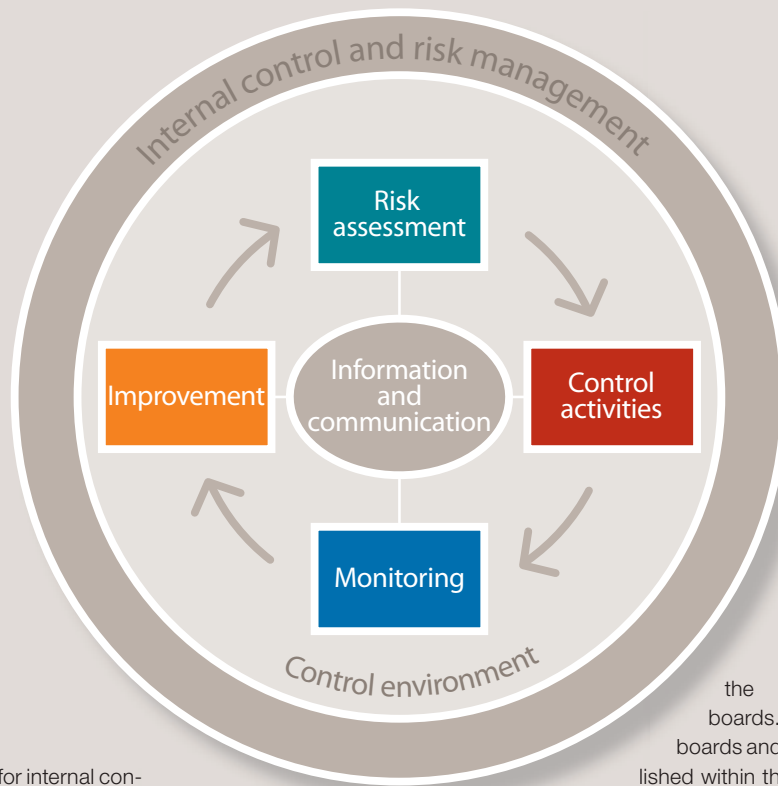
The AGM in 2006 re-elected PricewaterhouseCoopers (PwC) as the Group’s external auditors for a four-year period, until the AGM in 2010. Certified public accountant Peter Clemetson is the auditor in charge of Electrolux.

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

The audit is conducted in accordance with the Swedish Companies Act and the generally accepted Swedish auditing standards issued by FAR, which is the institute for the accountancy profession in Sweden (Swedish GAAS). The auditing standards issued by FAR are based on international 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 laws 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 auditor in charge and his other audit assignments, see page 92. For information on fees paid to the auditors and their non-audit assignments in the Group, see Note 28 on page 64.



Internal control of financial reporting

The Electrolux process for internal control and risk management related to financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with applicable laws and regulations, generally accepted accounting principles and other requirements for listed companies. The process is based on the control environment and comprises four main activities: Risk assessment, control activities, information and communication, and monitoring, as defined in the framework for internal control issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Control environment

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

Responsibility for maintaining an effective control environment and operating the system for risk management and internal control of financial reporting is delegated to the President. Management at various levels has operational responsibility within their respective areas.

The Group's operations are organized in six business sectors and four Group staff units. Group Management includes the President, the six sector heads and the four Group staff heads. The sector heads have responsibility for results and balance sheets in their respective sectors. The overall management of the sectors is

the responsibility of sector boards. A number of internal boards and councils have been established within the Group for specific areas such as risk management, treasury, audit, IT, taxes, brands, products, purchasing and human

resources.

The Group's Disclosure Committee contributes to considering the materiality of information relating to Electrolux and ensuring that such information is properly communicated to the market on a timely basis. The Disclosure Committee comprises the Head of Group Staff Legal Affairs, the Chief Financial Officer, the Head of Group Staff Communications and Branding, and the Head of Investor Relations and Financial Information.

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

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. In addition, minimum requirements have been set for internal control of financial reporting on the basis of the Group's internal processes. Together with laws and external regulations, these internal guidelines form the control environment, which is the foundation of the internal control and risk management process. All employees, including process, risk, and control owners, are accountable for compliance with these guidelines.

Risk assessment

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

Control activities

Control activities include both general and detailed controls aimed at preventing, detecting and correcting errors and irregularities. These activities include manual controls, application controls built into IT systems, and controls in the underlying IT environment, known as IT General Controls.

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

Information and communication

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. Information is provided periodically to relevant parties regarding monitoring of the effectiveness of internal control of financial reporting.

The Group maintains a representation process in which Group Management signs an annual representation letter stating its opinion regarding internal control of financial reporting as well as disclosure controls and procedures, and compliance with other internal guidelines.

Monitoring

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

In addition, various tools for monitoring including self-assessment are used within the Group. Reporting units use these tools for, e.g., evaluation of the security of information as well as processes for business transactions, reporting and final accounts.

In the course of 2004, comprehensive efforts were made to develop a method within the Group for documenting, evaluating and testing Electrolux internal control of financial reporting, and work on documentation was started. This work also included comprehensive staff training in order to secure the competence required within the Group for effective compliance with the requirements of Section 404 of the Sarbanes-Oxley Act. In 2005 and 2006, a comprehensive program was implemented for documenting, evaluating and testing internal controls of financial reporting.

Management Assurance & Special Assignments, the Group's internal audit function, has since 2005 been creating and maintaining test plans for specific key control activities on the basis of documented flowcharts and detailed descriptions of control activities. These key control activities are tested for operational effectiveness by employees who are independent of those performing the controls. The test results are documented in an IT system that has been implemented solely for this purpose.

Following deregistration from the U.S. Securities and Exchange Commission (SEC), which became effective during the fourth quarter 2007, Electrolux is no longer required to comply with the requirements of Section 404 of the Sarbanes-Oxley Act. However, work on internal control of financial reporting is continuing in the form of the Electrolux Control System (ECS) under the direction of the Internal Audit function.

The Group's Internal Audit function is responsible for performing independent assurance activities, in order to systematically evaluate and propose improvements to the effectiveness of the governance, of financial reporting in the internal control and risk management processes. 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.

Financial reporting and information

Electrolux routines and systems for information and communication aim at providing the market with relevant, reliable, correct and vital information about the development of the Group and its financial position. Electrolux has a communications policy that meets the requirements for a listed company.

Financial information is issued regularly in the form of:

- 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 analysts, investors and media representatives on the day of publication of quarterly and full-year results, and in connection with the release of important news
- Meetings with financial analysts and investors worldwide

All reports, presentations and press releases are published simultaneously at www.electrolux.com/ir.